



Fund Performance Report

General Fund

For Quarter Ending
September 30, 2019
Released October 24, 2019

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Economic Update

Despite ongoing geopolitical challenges, economists expect GDP growth results to show that the U.S. has broken the record for the longest economic expansion following a major contraction in its history.

In contrast to concerns reported by the media, National economic data for August indicates that unemployment remains at a historically low level, increased wages lead to increased savings rates, and consumer spending has leveled out after a second quarter surge. Economists believe employment and consumer spending growth will slow but remain relatively strong. Some economists warn that certain indicators are hinting at a coming recession as soon as 2021. Others believe that the economy can be impacted by how people *feel* about it and that consistent talk of recession can negatively impact consumer and business confidence and become self-fulfilling.









Local economists expect the Colorado economy to continue to grow in 2019, but at a slower pace than in recent years. Low unemployment and increasing wages continue to drive consumer spending. The local CCI fell over 14% in September, yet remains higher on average than 2018.

Local outlook surveys indicate the state business sentiment is becoming more pessimistic. According to a report published by Manpower, Inc., 17% of Denver-area companies plan to hire during the fourth quarter of 2019, which is down from 29% for the third quarter and down from the fourth quarter of 2018 as well. By contrast, the outlook back in 2009 was 11% as the nation came out of the Great Recession.



The Leeds Business Confidence Index, a local measure of business expectations, has fallen into negative territory for fourth quarter expectations. Just two of the six components are above 50 and remain positive. The state and national economy components rank the lowest. Each component reports lower expectations for the fourth quarter compared to both the quarterly and annual data.

Year-to-date, the total number of permitted dwelling units plus commercial buildings has pushed ahead of last year by 3.5%. Building activity gained momentum in 2016 and has remained relatively consistent into 2019, driving capital-related revenues.

Local Economic Indicators

2019 Current Month Compared to Prior Year	2019 YTD Avg Compared to Prior Year
Denver-Aurora MSA Unemployment Rate	
 2.6% (Aug) Down 0.7 percentage points	 3.0% Down 0.1 percentage points
Consumer Confidence Index (CCI) Mountain Region	
 130.6 (Sep) - 14.3%	 135.1 + 1.6%
AURORA BUILDING PERMITS # of New Dwelling Units and Commercial Buildings	
 374 (Sep) + 167.1%	 1,768 + 3.5%
Metro Area Home Sales	
 5,378 (Aug) + 21.3%	 38,724 + 4.7%

Local Outlook Surveys

Manpower, Inc. % Companies Hiring Denver-Aurora-Broomfield MSA			
	Q4 2019 17%	Q3 2019 29%	Q4 2018 25%
LEEDS Business Confidence Index (LBCI)			
	Q4 2019 46.9	Q3 2019 50.5	Q4 2018 54.6
LBCI Component	Q4 2019	Change	
		Quarterly	Annual
State Economy	47.4	▼	▼
National Economy	38.5	▼	▼
Industry Sales	51.3	▼	▼
Industry Profits	49.7	▼	▼
Industry Hiring	48.3	▼	▼
Capital Expenditures	45.9	▼	▼
LBCI	46.9	▼	▼

All indicator data above is the most current available of as this report's publication date

Revenues (General Fund Sources of Funds)

As a result of strong local consumer and business confidence over the first half of the year, the mid-year revenue projection incorporates an increase of \$13.2 million compared to the 2019 budget. The increase is primarily driven by strong collections over the first half of the year in sales and auto use taxes as well as audit revenue.

General Fund collections through September are higher than the mid-year projection plan by \$3.2 million, or 1.1 percent. Over a third of the favorable variance is the result of significant development in Aurora. The majority of the development related revenue will be transferred to the Capital Projects Fund resulting in General Fund operating revenue of \$2.2 million, or 0.9 percent more than the mid-year projection plan.

Sales tax collections are a significant driver behind the revenue performance-to-date with collections coming in ahead of projection by \$887,300 (0.6%), equating to a 9.3 percent year-to-date increase over 2019. A look at 2019 collections by industry category compared to last year shows the industries and types of taxpayers behind the increase. Amongst the *Consistent Top Taxpayers*, growth in the 'Eating and Drinking Places', 'Building Materials', and 'Auto Dealers and Parts' categories is significant. Even more significant is the growth seen in the *Variable Top Taxpayers*, a term coined to describe top taxpayers who submit large amounts with some inconsistency. A large portion of these collections are from business-to-business sales stemming from development and business investment. Sales tax performance has also benefitted from the implementation of HB 19-1240 requiring out-of-state retailers to collect sales tax based on the location of the buyer, whether or not the retailer has a physical presence in Colorado.

Audit revenue ended the third quarter \$338,800 above the year-to-date projection. The Audit team continues to outperform expectations as the division is fully staffed and has gained experience as a team over the last couple years, increasing annual proceeds.

Other revenue streams with notable gains compared to the projection include lodgers tax, highway users tax, and intergovernmental revenue with the collection of severance tax in excess of projection.

See page 6 for detailed collection data by revenue source.

2019 Revenue Performance by Type

Revenue Category (\$ in thousands)	2019 YTD Actuals	Actuals (Under)/ Over 2019 Proj.	
		\$	%
General Sales Tax	\$152,479	\$887	0.6%
Capital Related Use Tax	19,088	997	5.5%
Auto Use Tax	16,766	0	0.0%
External Charges	4,978	56	1.1%
Audit Revenue	4,872	339	7.5%
Occupational Privilege Tax	3,555	(22)	(0.6%)
Fines and Forfeitures	3,504	(165)	(4.5%)
All Other Sources	79,037	1,093	1.4%
Total Sources	\$284,279	\$3,186	1.1%
Less Capital Transfer	27,915	1,008	3.7%
Operating Revenue	\$256,364	\$2,178	0.9%

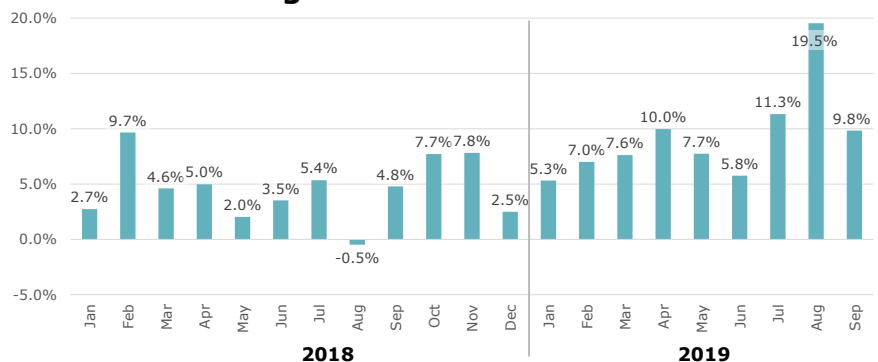
Sales Tax

Top Taxpayers by Industry Category

Industry Category (\$ in thousands)	YTD September		\$ Variance	% Change
	2019	2018		
Eating & Drinking Places	\$22,400.1	\$20,832.2	\$1,568.0	7.5%
Discount Stores	17,237.1	16,787.9	449.2	2.7%
Building Materials	13,392.6	12,272.8	1,119.8	9.1%
Auto Dealers and Parts	9,012.4	8,134.2	878.2	10.8%
Utilities	8,802.0	8,329.5	472.5	5.7%
Telecommunication/Cellular	7,037.9	6,906.0	131.9	1.9%
Clothing and Clothing Accessories	4,296.9	4,119.2	177.7	4.3%
Grocery Stores	3,686.3	3,706.4	(20.1)	(0.5%)
Beer, Wine, and Liquor Stores	3,392.9	3,652.6	(259.7)	(7.1%)
Department Stores	3,385.3	3,645.0	(259.6)	(7.1%)
Electronics/Computers	3,297.1	3,478.0	(181.0)	(5.2%)
Furniture and Home Furnishings	1,762.3	1,716.5	45.8	2.7%
Sport Goods, Hobby, Books, Music	1,480.8	1,801.8	(321.0)	(17.8%)
Other Top Taxpayers	9,445.1	8,826.7	618.4	7.0%
Consistent Top Taxpayers	\$108,628.9	\$104,208.9	\$4,420.0	4.2%
Variable Top Taxpayers	6,459.1	2,175.2	4,283.9	196.9%
Total of All Other Taxpayers	43,310.4	36,025.2	7,285.1	20.2%
Total Sales Tax Collections	\$158,398.4	\$142,409.4	\$15,989.0	11.2%
Less Sales Tax Incentives	5,919.4	2,882.8	3,036.6	105.3%
Total Reported Sales Tax	\$152,479.0	\$139,526.6	\$12,952.4	9.3%

Sales Tax

% Change from Same Month in Prior Year



Expenditures (General Fund Uses of Funds)

The 2019 mid-year review resulted in an \$8.1 million increase in projected expenditures compared to the 2019 Budget. This increase was predominately driven by an additional one-time transfer of \$6.2 million from the General Fund to the Capital Projects Fund for a Transportation Improvement Program (TIP) grant match. Strong sales and capital-related revenue collections have also increased the capital transfer by \$1.1 million.

Total General Fund operating expenditures through the third quarter of 2019 are \$2.7 million (1.2 percent) lower than projection. This favorable variance is primarily associated with savings in the personal services and utilities categories, as shown on the *2019 Expenditure Budget Performance* chart. Higher than expected capital-related revenues have increased the transfer out to the Capital Projects Fund, resulting in General Fund uses that are \$1.7 million (0.7 percent) under projection.

Personnel-related expenditures are \$1.6 million under the year-to-date projection. The *2019 Personnel Expenditures* chart shows salaries and benefits savings to-date are partially offset by a \$743,300 overage in special pay, largely associated with turnover-related accrued leave payouts, particularly for several long-term city employees. Overtime expenditures are also higher than projected, the result of large protest events requiring Police presence.

At the conclusion of the third quarter, utilities expenditures are \$822,700 lower than projection. The Metro area experienced a cooler and wetter summer than usual, which resulted in a reduced need for irrigation and significant savings in the water/sewer expenditure category. Electricity expenditures have also remained below projection by \$178,300.

Professional and technical services savings of \$368,200 are largely related to the Police Pension Defined Benefit study and the migration of business licensing to the new tax and licensing system. The bulk of the expenditures for these projects may be delayed with the request to appropriate the funds in 2020 during the spring supplemental process.

The net of all other operating expenditures are under the year-to-date projection by \$42,500. See page 6 for detail expenditure performance by category.

2019 Expenditure Budget Performance

Expenditure Category (\$ in thousands)	YTD Sep Projection	Actuals Under/ (Over) Budget	
		\$	%
Personal Services	\$170,540.7	\$1,461.0	0.9%
Temp Compensation	2,313.8	112.6	4.9%
Professional/Technical	13,169.8	368.2	2.8%
Operating Supplies	16,347.2	(54.6)	(0.3%)
Utilities	8,173.2	822.7	10.1%
Fleet/Risk Interfund	12,653.3	31.1	0.2%
Debt/Equip Purchases	6,249.0	(18.9)	(0.3%)
Total Operating Exp.	\$229,447.0	\$2,722.1	1.2%
Capital Rev Transfer	26,906.3	(1,008.3)	(3.7%)
Other Transfers Out	4,468.7	0.0	0.0%
Total Uses of Funds	\$260,822.0	\$1,713.8	0.7%

2019 Personnel Expenditures

Personnel Category (\$ in thousands)	YTD Sep Projection	YTD Sep Actuals	Actuals Under/(Over) Budget
Regular Employee Salary & Benefits	\$163,533.9	\$161,180.1	\$2,353.9
Special Pay	2,722.3	3,465.6	(743.3)
Overtime Compensation	4,284.5	4,434.0	(149.5)
Temporary Compensation	2,313.8	2,201.1	112.6
Total Salary & Other Compensation	\$172,854.5	\$171,280.8	\$1,573.6

General Fund Vacancies	Q1	Q2	Q3
Total Career Service	81.0	96.0	104.5

2019 Citywide Utilities

Utility (\$ in thousands)	YTD Sep Projection	YTD Sep Actuals	Actuals Under/(Over) Projection
Electricity	\$1,490.5	\$1,312.2	\$178.3
Natural Gas	240.7	234.2	6.5
Non-Routine Maint	612.5	564.1	48.4
Street Lights-XCEL	2,761.9	2,705.6	56.3
Traffic Lights, Signs	90.7	85.9	4.8
Water/Sewer	2,977.0	2,448.6	528.4
Other Utilities	0.0	0.0	0.0
Total Sep YTD	\$8,173.2	\$7,350.5	\$822.7

General Fund | Fund Summary

The General Fund is the operating fund for the City of Aurora. It accounts for receipts, appropriations, and expenditures unless separate fund reporting is required. For an overview of

the General Fund budget, including a breakdown of uses and departments, see page 8.

Revenues (Sources of Funds)	2019 Budget	2019 Projection	YTD Actual thru Sep 2019	2019 Year-to-Date Sources Over/(Under)			
				2018	2019 Projection	% Chg vs 2018	% Chg vs Proj
Sales Tax - General	\$194,392,489	\$200,681,220	\$152,478,966	\$12,952,413	\$887,319	9.3%	0.6%
Use Tax - Capital Related	22,805,340	23,619,401	19,088,487	(325,634)	997,123	(1.7%)	5.5%
Use Tax - Automobile	19,672,218	22,113,652	16,765,909	1,567,440	0	10.3%	0.0%
Property Tax	36,826,663	36,971,824	37,073,118	854,811	0	2.4%	0.0%
Franchise Fees & Taxes	15,115,321	14,720,656	9,111,605	225,164	(173,129)	2.5%	(1.9%)
Highway User's Fees & Taxes	12,369,477	12,425,560	8,759,559	637,083	278,806	7.8%	3.3%
Other Auto Related (SOT, MV Fees)	4,060,290	4,103,213	2,814,071	128,627	61,713	4.8%	2.2%
Audit Revenue	3,557,000	5,013,402	4,872,184	759,336	338,824	18.5%	7.5%
Other Taxes	13,485,654	14,562,189	10,634,080	1,084,027	316,978	11.4%	3.1%
Other Intergovernmental Fees & Taxes	2,969,694	3,054,670	2,632,831	387,318	164,783	17.2%	6.7%
Business Licenses & Other Permits	2,962,192	3,621,569	2,887,751	634,930	138,544	28.2%	5.0%
Fines & Forfeitures	4,925,981	4,923,004	3,504,440	(604,487)	(164,627)	(14.7%)	(4.5%)
Internal Charges for Services	7,567,293	7,662,582	5,608,583	160,324	(89,780)	2.9%	(1.6%)
External Charges for Services	6,114,181	6,317,449	4,977,666	1,834	56,371	0.0%	1.1%
Other General Fund Revenue	3,074,564	3,341,775	2,867,516	619,406	372,909	27.6%	14.9%
Total General Fund Revenue	\$349,898,357	\$363,132,166	\$284,076,766	\$19,082,594	\$3,185,836	7.2%	1.1%
Transfers In from Other Funds	2,156,909	2,156,909	202,099	202,099	0	n/a	0.0%
Total Sources of Funds	\$352,055,266	\$365,289,075	\$284,278,865	\$19,284,693	\$3,185,836	7.3%	1.1%
General Fund Operating Revenue ¹	\$318,319,285	\$330,417,885	\$256,364,283	\$18,855,550	\$2,177,556	7.9%	0.9%

Expenditures (Uses of Funds)	2019 Budget	2019 Projection	YTD Actual thru Sep 2019	2019 Year-to-Date Uses Under/(Over)			
				2018	2019 Projection	% Chg vs 2018	% Chg vs Proj
Personal Services	\$229,990,319	\$227,739,327	\$169,079,700	(\$9,230,893)	\$1,460,993	(5.8%)	0.9%
Temporary Compensation	2,581,827	3,060,404	2,201,147	81,201	112,612	3.6%	4.9%
Professional & Technical Services	15,874,452	18,025,728	12,801,601	(2,524,934)	368,200	(24.6%)	2.8%
Operating Supplies/Other	19,862,233	20,349,779	16,401,824	(1,972,681)	(54,642)	(13.7%)	(0.3%)
Utilities	12,045,026	11,108,836	7,350,506	732,406	822,731	9.1%	10.1%
Interfund Charges	16,081,166	16,799,475	12,622,194	(1,107,004)	31,121	(9.6%)	0.2%
Capital Purchases (Equip, Vehicles, Other)	7,990,669	7,765,718	6,267,934	(3,470,405)	(18,929)	(124.1%)	(0.3%)
General Fund Operating Expenditures	\$304,425,692	\$304,849,267	\$226,724,905	(\$17,492,310)	\$2,722,086	(8.4%)	1.2%
Capital Related Revenue Transfer Out ²	33,735,981	34,871,190	27,914,582	(429,143)	(1,008,280)	(1.6%)	(3.7%)
All Other Transfers Out to Other Funds	25,698,369	32,202,970	4,468,699	(147,047)	0	(3.4%)	0.0%
Total Uses of Funds	\$363,860,042	\$371,923,427	\$259,108,185	(\$18,068,500)	\$1,713,807	(7.5%)	0.7%
Increase/(Use) of Available Funds ³	(\$11,804,776)	(\$6,634,352)					

See page 9 for glossary and detailed data description for each column.

- Operating revenue excludes transfers into the General Fund from other funds and accounts for the transfer out of construction related use tax to the Capital Projects Fund (CPF).
- The transfer to the CPF is calculated in December and transferred out of the General Fund. For the purposes of this report, an effective transfer using current revenue collections has been calculated and included as an actual.

- The 2019 Adopted Budget includes the planned use of \$10.6 million in funds available primarily associated with one-time expenditures on new equipment, including two fire apparatus, new street maintenance equipment related to the northeast area of the city and new library equipment. In the 2018 Spring Supplemental process, an additional \$1.2 million was added with no offsetting revenue, bringing the total planned use of funds available up to \$11.8 million. Supplemental appropriation of \$454,200 is associated with the elimination of the photo red light program and the related movement of 4.0 civil FTEs from the Designated Revenue Fund to the General Fund.



Appendices



General Fund Overview

Fund Description

The General Fund is the operating fund for the City of Aurora. It accounts for receipts, appropriations, and expenditures unless separate fund reporting is required.

Sources of Funds

Sources of funds include nearly all taxes and other resources traditionally associated with City operations. Revenues and expenditures from the 0.25% voter-approved sales tax for the police officer staffing mandate are included in this fund. Other sources include transfers in from other funds.

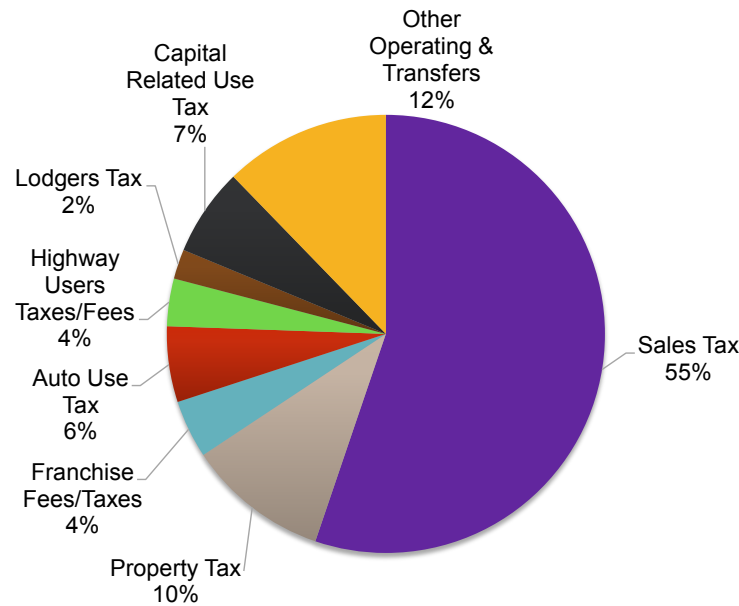
Retail sales remain the backbone of Aurora's General Fund, accounting for 55.0% of total revenue. Use tax is a companion tax to sales tax and is associated with purchases of commodities and equipment. Two-thirds of all General Fund revenue is dependent on purchases when use tax revenues (e.g. building materials use tax, automobile use tax, and equipment use tax) are included.

Uses of Funds

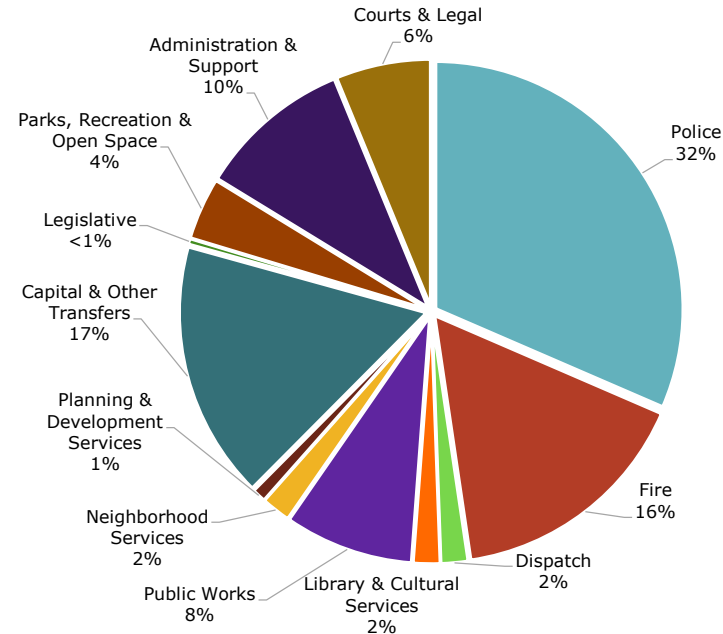
Uses of funds mainly result from expenditures incurred by the departments included in the General Fund. The majority of general services, programs and activities for the citizens of Aurora are supported by this fund, as well as the City Council and the internal administrative management functions. Other uses include transfers out to other funds, such as the transfer to the Capital Projects Fund.

Public safety functions, including Fire, Dispatch, Police, and Court Administration account for 56.0% of total General Fund appropriations in 2019.

2019 General Fund Revenue
(Sources)



2019 General Fund Appropriations
(Uses)



General Fund Departments

<ul style="list-style-type: none">City AttorneyCivil Service CommissionCourt AdministrationFinanceFire	<ul style="list-style-type: none">General ManagementHuman ResourcesInformation TechnologyJudicialLibrary & Cultural ServicesMayor & City Council	<ul style="list-style-type: none">Neighborhood ServicesNon-Departmental (snow removal, transfers, contingencies)Parks, Recreation & Open Space	<ul style="list-style-type: none">Planning & Development ServicesPolice (including Dispatch)Public DefenderPublic Works
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Glossary

Accrual Basis: Transactions are recorded as they occur, regardless of the timing of related cash flows.

Actuals: Transactions recorded in the accounting system on a cash basis. Certain revenue sources are recorded on the accrual basis instead of the cash basis. Accrual basis revenue sources will show zero collections for January, and in some cases February, and two or three months of receipts recorded in December.

Cash Basis: Transactions are recorded in accordance with cash flow regardless of economic transaction timing.

Encumbrances: The legal commitment of appropriated funds to purchase an item or service in the future. An encumbrance is recorded when a purchase order is recorded. The encumbrance is reduced as cash payments are made against the purchase order. If there is an encumbered balance at the end of any given year, the balance will carryforward and be added to the next year's working budget to cover the cash outlay in that year.

Spending Plan/Projection Plan/Revenue Plan: For current month and year-to-date comparison purposes, the 2019 budget and revenue assumptions have been projected monthly, or calendarized. Various methods were used in the process including: historical seasonality, known payment schedules, payroll and benefit calendars, and the straight line basis (1/12th per month).

Variance: Used to describe the difference or resulting percentage change in comparative data. Bracketed variances indicate an unfavorable result.

Column Descriptions

Sources of Funds: All revenue received from external/internal sources and interfund transfers into the fund.

Uses of Funds: All departmental expenditures incurred and interfund transfers out of the fund.

2019 Budget: The 2019 Adopted Budget plus approved supplemental amendments.

2019 Projection: A detailed cash basis estimate prepared mid-year for use in current year budget balancing and as the basis for the subsequent budget year estimates.

YTD Actual thru the Current Month: The year-to-date actual sources and uses of funds.

Year-to-Date / Current Month Variance:

- Over/(Under) - Current year sources under the prior year or budgeted/projected sources are unfavorable, indicated by brackets.
- Under/(Over) - Current year uses over the prior year or budgeted/projected uses are unfavorable, indicated by brackets.
 - 2018 - The \$ difference between 2019 year-to-date / current month actuals compared to the 2018 actuals for the same timeframe.
 - 2019 Budget/Projection - The \$ difference between the 2019 year-to-date / current month actuals through the current month compared to the 2018 year-to-date budget/projection spending plan for the same timeframe.
 - Percent Chg vs 2018 - The percentage change between 2019 year-to-date actuals through the current month and the 2018 actuals through the same month.
 - Percent Chg vs Budget/Projection - The percentage change between the 2019 year-to-date actuals and the year-to-date budget/projection spending plan.

Finance Department Indicators (for the month ending 9/30/19)

Accounts Payable

By making payments within the standard 30 days or less, the city can capture vendor discount terms, avoid penalties and interest charges and save taxpayer money. The majority of invoices have terms that range from 30 to 90 days. Staffing issues in PROS and Fleet are the driver behind the September results. Both departments have made process adjustments to handle this sort of thing going forward.

Target: 30 Days for 85%			
👍	76% (Sept)	85% (YTD)	👍

Investments

The city takes advantage of higher yields with investments in the Municipal, Corporate, and Government sectors. So far in 2019 the weighted average yield rate is 2.23%, which is up from 1.46% for 2017 and 1.92% for 2018.

The portfolio balance has increased in both held positions and cash balances, primarily due to growth in sales and use tax revenue in the General Fund, as well as increased water sales and development fees held in cash balances to fund future water capital projects.

September	2017	2018	2019
Cash & Investment Portfolio	\$468.7 M	\$551.3 M	\$ 588.7 M
Weighted avg. yield	1.44%	1.98%	2.23%
Duration (months)	19.2	16.9	20.4

Financing Transactions Over Previous 12 Months

Pending transactions for 2019 include Aurora Municipal Center 2009A COPs refinancing (\$62 million), 2019 Heavy Fleet (\$3.4 million) and in 2020, Southeast Rec Center (\$30 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
Water Prepayment*	\$-45.0 M	19-Sep	26.3% NPV	n/a	n/a
Wastewater 2018B**	Up to \$28 M	18-Dec	Float	3/10.5	PNC
Wastewater 2018A	\$2.0 M	18-Dec	3.04%	10.5	PNC
Wastewater Interfund	\$16.0 M	18-Dec	2.50%	8	Water

*Voluntary Prepayment of Series 2016 Step Coupon Bonds

**Undrawn construction line of credit, floating rate 3yrs, fixed rate next 7.5 years

Delinquent Tax Collections

August was a record month for delinquent tax collections due to two collections from large retailers that had missed previous payments. September is more in line with historical averages. Collections have gone from below-average over the first few months of the year to exceeding prior years as revenue agents have become fluent in the new software and are catching up on delinquent accounts.



City of Aurora

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Delinquent Tax Collections (\$ in Thou.)

