



CITY OF AURORA, COLORADO

Financial Performance Report



For the Quarter Ending June 30, 2017

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Prepared by the Office of Budget and
Financial Planning

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Economic Update

The United States economy is expected to expand through 2017 and into 2018. The Federal Reserve has raised interest rates three times in the first half of the year, indicating that the U.S. economy is in good shape. First quarter GDP figures show a slowdown in consumer spending with business investment rebounding from 2016 stagnation. Low unemployment and subsequent wage growth suggest consumer spending will

experience stronger growth through the remainder of 2017. Overall however, economists do not foresee accelerated economic growth. Demographic and structural changes, like an aging workforce and automation, have complicated the identification of the economy’s true productive capacity. If close to economic capacity, there is great risk of unsustainable growth and possibly a recession.






Colorado’s economic growth is forecast to closely mirror the national pace. The state has recorded 76 consecutive months of year-over-year employment growth. This may slow the pace of economic growth in the third and fourth quarters of 2017. State unemployment stood at a record low of 2.3% in May, slightly below Aurora’s unemployment rate of 2.5%. Both remain well below the national unemployment rate of 4.3%. Several indicators, including unemployment rates, point that the labor market is near full employment. As of April 2017, the leisure and hospitality, accommodation and food services, and trade, transportation and utilities industries saw the highest year-over-year job gains.

Employment in the state’s mining industry remains below 2016 levels, however, oil and natural gas prices have slowly increased through June 2017 over 2016 and are expected to remain near current levels through the rest of 2017. Increased natural gas prices have contributed to 6.5% year-to-date growth in franchise fees and tax revenues from utilities.

Business confidence in Colorado continues to remain high as business owners express optimism about the third quarter of 2017, including continued raised expectations for sales, profits, and capital expenditures. With a tight labor market and increased industrial production, businesses may look to increase capital investments to maintain productivity. Consumer confidence rose in the Mountain Region between May and June 2017. Both business and consumer confidence have been propelled by the expectation of growth focused and disposable income strengthening policy initiatives under the new administration.

Construction activity in Aurora has continued to see increases over the prior year. Through the second quarter of 2017, new housing and commercial permit activity has remained robust.

Local Economic Indicators

Current Mo Data/ % Chg to Prior Mo		Year-to-Date Avg % Change	
AURORA BUILDING PERMITS			
New Housing and Commercial Permits			
	158 (Jun) + 3.3 %	+ 29.5%	
CONSUMER CONFIDENCE INDEX (CCI) MOUNTAIN REGION			
	133.3 (June) + 6.0%	+ 30.8%	
LEEDS BUSINESS CONFIDENCE INDEX CO (values above 50 indicate expansion)			
	Q3 2017 59.7	Q2 2017 63.4	Q3 2016 54.6
2.5% (May)	AURORA UNEMPLOYMENT RATE	- 24.7%	

Note: All indicator data is most current available.

General Fund

Revenues (Sources of Funds)

General Fund operating revenue collections through the second quarter of 2017 are \$6.2 million (4.4%) over budget. This increase is largely due to higher than expected sales and auto use taxes. Growth from these revenue sources offset shortfalls in fines and forfeitures and external charges for services.

A majority of the favorable variance can be credited to sales tax collections which are over budget by \$3.3 million (3.9%), equating to a \$4.6 million (5.5%) increase over 2016. Revenue growth, while hampered by store closures in the “sport goods, hobby, books, music” category, accelerated in the second quarter of 2017 and now shows a strong increase month over month. This growth can be attributed to restaurants and food establishments, building materials, and Amazon (included in the ‘Other Top Taxpayers’ industry category).

Department stores continue to struggle to adapt to changing behaviors favoring online purchases to shopping in brick-and-mortar locations. This shift in purchasing behavior can be observed locally and mirrors a national trend. Sales tax revenue from online sales has helped to offset the year-to-date decline in other sectors. Large gains in sales tax revenue from building materials and all other taxpayers, driven in large part by construction and technology businesses, point to a healthy economy where both businesses and consumers feel financially secure and continue to spend on remodeling and up-grading projects.

While new vehicle sales have decreased nationally in 2017, auto use tax collections in Aurora have experienced unexpected, but slow growth of 4.3% through the second quarter. Revenue from auto use tax is \$1.0 million (12.3%) over the year-to-date budget.

Collections of fines and forfeitures and court fees in external charges remain well below expectations. These shortages

have been brought about by continued issuance of fewer ticket filings and legislative changes impacting the collection process.

Capital-related use tax revenue exceeds budget by \$2.3 million (19.9%), resulting in a higher than budgeted transfer to the Capital Projects Fund. Increases in this revenue source have been driven largely by new commercial construction.

2017 Revenue Performance by Type

Revenue Category (\$ in thousands)	2017 YTD Budget	Actuals (Under)/ Over Budget	
		\$	%
General Sales Tax	\$85,042.0	\$3,276.4	3.9%
Capital Related Use Tax	11,500.3	2,287.3	19.9%
Auto Use Tax	8,560.8	1,049.6	12.3%
Franchise Fees and Taxes	5,109.3	239.6	4.7%
Fines & Forfeitures	2,564.4	(516.4)	(20.1%)
External Charges	3,414.6	(444.7)	(13.0%)
Audit Revenue	1,889.3	1,100.8	58.3%
All Other Gen Fund Revenue	40,446.2	464.0	1.1%
Total Revenue	\$158,526.9	\$8,094.4	5.1%
Less Capital Transfer	15,642.8	1,873.3	12.0%
Operating Revenue	\$142,884.1	\$6,221.2	4.4%

Top Taxpayers by Industry Category

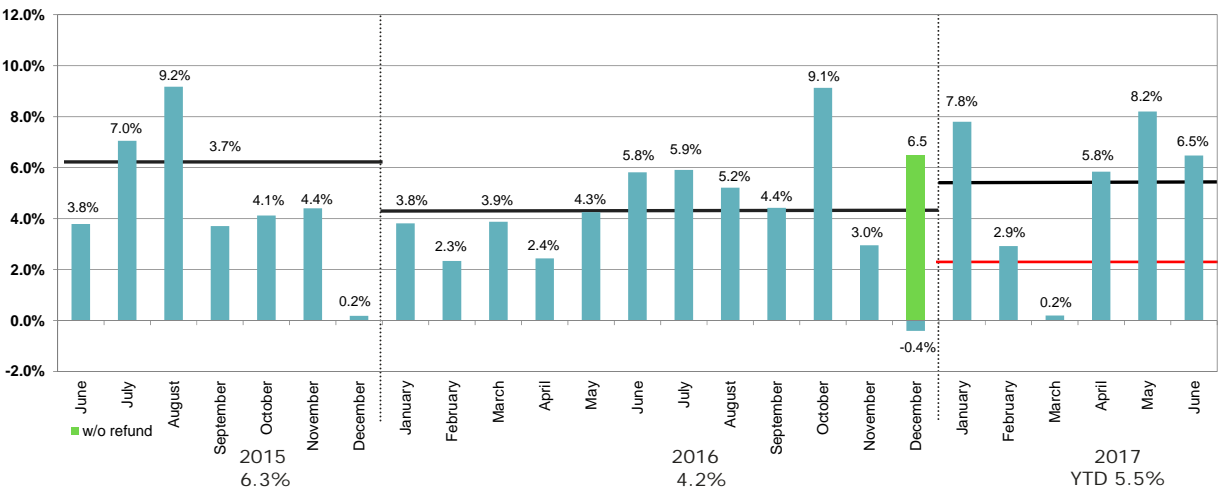
Industry Category (\$ in thousands)	2017 YTD June	2016 YTD June	\$ Variance	% Change
Eating & Drinking Places	\$ 12,814.4	\$ 11,852.2	\$ 962.1	8.1%
Discount Stores	10,506.2	10,189.1	317.2	3.1%
Building Materials	6,206.6	5,259.1	947.4	18.0%
Utilities	5,490.6	5,306.1	184.4	3.5%
Telecommunication/Cellular	5,310.0	5,227.2	82.8	1.6%
Auto Dealers and Parts	4,401.0	4,335.4	65.6	1.5%
Electronics/Computers	2,320.0	2,075.7	244.3	11.8%
Department Stores	2,276.7	2,573.3	(296.6)	(11.5%)
Beer, Wine, and Liquor Stores	2,283.6	2,319.0	(35.4)	(1.5%)
Grocery Stores	2,172.1	2,195.8	(23.7)	(1.1%)
Clothing and Clothing Accessories	2,121.9	2,057.4	64.5	3.1%
Sport Goods, Hobby, Books, Music	1,242.4	1,506.2	(263.8)	(17.5%)
Furniture and Home Furnishings	1,115.6	1,074.9	40.6	3.8%
Other Top Taxpayers	6,112.5	5,421.3	691.2	12.7%
TOTAL TOP TAXPAYERS	\$64,373.5	\$61,392.8	\$2,980.7	4.9%
Total of All Other Taxpayers	25,852.6	23,922.9	1,929.7	8.1%
Less Sales Tax Incentives	1,907.6	1,596.9	310.8	19.5%
TOTAL SALES TAX	\$88,318.4	\$83,718.8	\$4,599.6	5.5%

Sales Tax

Percent Change
from Same Month
in Prior Year

Black line: Average
annual % growth

Red line: %
growth required to
hit budget (2.1%)



General Fund

Expenditures (Uses of Funds)

General Fund operating expenditures through the second quarter of 2017 are \$2.9 million (2.2%) under the budget plan. As shown on the Expenditure Performance chart, this favorable variance is primarily due to savings in the Personal Services category. When including the transfer to the Capital Projects Fund, total expenditures are \$1.0 million (0.7%) under budget. Increases in the capital transfer are associated with stronger than expected construction activity in the City and are entirely offset by higher construction-related revenue.

The personnel-related expenditures chart shows \$2.5 million in year-to-date salary and benefits savings. In May 2017, Colorado's unemployment rate remained unchanged at a record low of 2.3%, 2.0% below the national average. While low unemployment often serves as indication of a strong economy, it has also placed a burden on local employers competing for talent. Hiring issues in various City departments have resulted in 88.3 unfilled career service positions as of June 2017. To date there are no signs of easing, and thus recruiting qualified personnel is expected to remain a challenge through the second half of 2017. Savings in salary and benefits have offset overages in Police and Fire overtime, driven by both personnel shortages and a series of atypical events requiring law enforcement activity.

Utility costs through June 2017 have also remained below budget as shown on the Citywide Utilities table. Streetlight operations continues to be the main factor behind \$238,700 in savings, largely driven by lower than expected electricity costs. Water/sewer expenditures are over the year-to-date budget plan as an unseasonably dry and warm spring weather necessitated early irrigation, which increased water consumption.

Budget savings in other categories largely reflect below average snowfall in the first half of 2017. Snowfall and snow removal expenditures can vary significantly from season to season. Therefore, year-to-date budget savings may be spent on the removal of heavy snow accumulation during the latter part of 2017.

2017 Expenditure Performance

Expenditure Category (\$ in thousands)	2017 YTD Bud	Actuals Under/ (Over) Bud	
		\$	%
Personal Services	\$99,366.7	\$2,035.5	2.0%
Temp Compensation	1,117.8	(57.3)	(5.1%)
Professional/Technical	6,297.2	(16.6)	(0.3%)
Operating Supplies	9,834.4	511.7	5.2%
Utilities	4,004.8	238.7	6.0%
Fleet/Risk Interfund	7,262.2	119.3	1.6%
Debt/Equip Purchases	1,628.9	59.1	3.7%
Total Operating Exp.	\$129,511.9	\$2,890.4	2.2%
Capital Rev Transfer	15,642.8	(1,873.3)	(12.0%)
Other Transfers Out	3,922.4	0.0	0.0%
Total Uses of Funds	\$149,077.1	\$1,017.1	0.7%

Q2 2017 Personnel Expenditures

Personnel Category (\$ in thousands)	YTD June Bud	YTD June Actuals	Actuals Under/(Over) Budget
Regular Employee Salary & Benefits	\$95,888.5	\$93,357.7	\$2,530.8
Special Pay	1,645.9	1,715.4	(69.5)
Overtime Compensation	1,832.4	2,258.1	(425.7)
Temporary Compensation	1,117.8	1,175.1	(57.3)
Total Salary & Other Compensation	\$100,484.5	\$98,506.3	\$1,978.2

Vacancies	Q1	Q2
Total Career Service	68.5 FTE	88.3 FTE

2017 Citywide Utilities

Utility (\$ in thousands)	YTD June Bud	YTD June Actuals	Actuals Under/ (Over) Budget
Electricity	\$754.8	\$766.6	(11.8)
Natural Gas	208.6	161.3	47.3
Non-Routine Maint	395.9	515.3	(119.5)
Street Lights-XCEL	2,039.4	1,709.8	329.7
Traffic Lights, Signs	116.2	62.4	53.7
Water/Sewer	417.5	542.7	(125.1)
Other Utilities	72.3	8.0	64.3
Total June YTD	\$4,004.8	\$3,766.1	\$238.7

General Fund

The General Fund is the operating fund for 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 15.

Revenues (Sources of Funds)	2017 Budget	YTD Actual thru June 2017	2017 Year-to-Date Sources Over/(Under)				June 2017 Actual	June Variance Over/(Under)	
			2016	2017 Budget	% Chg vs 2016	% Chg vs Budget		2016	2017 Budget
Sales Tax - General	\$173,151,966	\$88,318,401	\$4,599,560	\$3,276,364	5.5%	3.9%	\$14,320,217	\$871,380	\$658,818
Use Tax - Capital Related	22,683,798	13,787,543	2,127,088	2,287,255	18.2%	19.9%	1,678,559	521,180	144,594
Use Tax - Automobile	18,036,814	9,610,390	399,827	1,049,622	4.3%	12.3%	1,679,858	139,690	225,257
Property Tax	30,939,076	22,499,096	221,019	0	1.0%	(0.0%)	4,061,265	(845,706)	0
Franchise Fees & Taxes	14,034,065	5,348,931	262,143	239,621	5.2%	4.7%	891,948	195,454	131,947
Highway User's Fees & Taxes	11,727,149	4,822,271	181,971	193,301	3.9%	4.2%	927,595	(22,462)	(14,105)
Other Auto Related (SOT, MV Fees)	3,353,090	1,529,087	58,898	155,984	4.0%	11.4%	310,143	18,344	36,309
Audit Revenue	2,818,620	2,990,075	1,552,857	1,100,765	108.0%	58.3%	297,973	(203,460)	143,088
Other Taxes	12,928,315	5,757,342	202,710	311,583	3.6%	5.7%	1,095,791	68,374	101,506
Other Intergovernmental Fees & Taxes	3,363,175	1,077,760	(107,552)	(10,779)	(9.1%)	(1.0%)	79,516	(126,192)	5,855
Business Licenses & Other Permits	2,951,520	1,235,799	219,260	(537)	21.6%	(0.0%)	306,256	110,450	(10,347)
Fines & Forfeitures	5,005,317	2,047,976	(326,588)	(516,446)	(13.8%)	(20.1%)	367,049	(25,169)	(56,529)
Internal Charges for Services	6,548,600	3,175,150	273,000	(3,350)	9.4%	(0.1%)	522,448	41,947	(7,302)
External Charges for Services	6,600,083	2,969,896	(426,771)	(444,667)	(12.6%)	(13.0%)	588,042	(251,283)	(135,685)
Other General Fund Revenue	2,191,108	1,451,611	(127,339)	455,722	(8.1%)	45.8%	263,945	(23,697)	89,636
Total General Fund Revenue	\$316,332,696	\$166,621,328	\$9,110,083	\$8,094,438	5.8%	5.1%	\$27,390,606	\$468,852	\$1,313,043
Transfers In from Other Funds	1,672,925	0	0	0	n/a	n/a	0	0	0
Total Sources of Funds	\$318,005,621	\$166,621,328	\$9,110,083	\$8,094,438	5.8%	5.1%	\$27,390,606	\$468,852	\$1,313,043
General Fund Operating Revenue ¹	\$285,363,543	\$149,105,302	\$6,651,323	\$6,221,163	4.7%	4.4%			

Expenditures (Uses of Funds)	2017 Budget	YTD Actual thru June 2017	2017 Year-to-Date Uses Under/(Over)			
			2016	2017 Budget	% Chg vs 2016	% Chg vs Budget
Personal Services	\$204,901,195	\$97,331,233	(\$4,706,314)	\$2,035,490	(5.1%)	2.0%
Temporary Compensation	2,301,420	1,175,050	(49,796)	(57,285)	(4.4%)	(5.1%)
Professional & Technical Services	14,180,269	6,313,772	(349,770)	(16,578)	(5.9%)	(0.3%)
Operating Supplies/Other	19,494,200	9,355,460	(133,922)	511,702	(1.5%)	5.2%
Utilities	11,479,684	3,766,060	(650,789)	238,693	(20.9%)	6.0%
Interfund Charges	14,338,251	7,142,900	(132,498)	119,286	(1.9%)	1.6%
Capital Purchases (Equip, Vehicles, Other)	3,514,945	1,537,052	404,935	59,058	20.9%	3.7%
General Fund Operating Expenditures	\$270,209,964	\$126,621,527	(\$5,618,154)	\$2,890,365	(4.6%)	2.2%
Capital Related Revenue Transfer Out ²	30,969,153	17,516,027	(2,458,760)	(1,873,275)	(16.3%)	(12.0%)
All Other Transfers Out to Other Funds	23,563,760	3,922,445	344,634	0	8.1%	0.0%
Total Uses of Funds	\$324,742,877	\$148,059,999	(\$7,732,280)	\$1,017,090	(5.5%)	0.7%
Less Carryforward Budget	(2,584,855)					
Incr/(Use) of Available Funds ³	(4,152,401)					

See page 16 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 2017 Adopted Budget includes the planned use of \$1.7 million in funds available primarily associated with the one-time expenditures for medians and Heritage Eagle Bend intersection improvements and the one-time transfer of marijuana funds available to the Marijuana Tax Revenue Fund. In the 2017 Spring Supplemental process, an additional \$2.5 million in appropriation was added with no offsetting revenue, bringing the total planned use of funds available up to \$4.2 million. Supplemental appropriation of \$1.6 million is associated with one-time expenditures to cover purchases that were approved for 2016 but not completed. Due to higher than projected marijuana sales and excise tax revenue, \$785,200 in one-time appropriation was added to increase the transfer of marijuana funds available to the Marijuana Tax Revenue Fund.

Water/Wastewater Funds

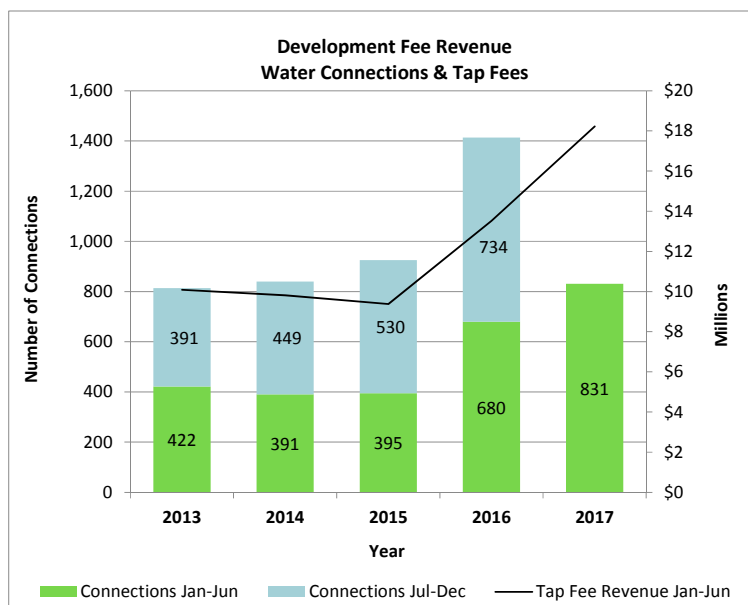
Revenue (Sources of Funds)

Through the second quarter of 2017, revenue in the combined Water and Wastewater funds is \$10.9 million (12.0%) over the year-to-date revenue plan. Lower than average precipitation for the period as well as better than projected customer growth has had a significant impact on revenue generated. Additionally, development revenues through June were more than anticipated due to higher than expected growth and development in the City. The chart below shows that revenue in

Q2 2017 Fund Sources
Over/(Under) Budget Plan

Revenue Type	Water	Wastewater	Combined
Utility Sales - Water	\$3,249,610	\$0	\$3,249,610
Utility Sales - WW	0	232,449	232,449
Development Fees	2,768,603	(255,529)	2,513,074
External Charges for Services	3,895,589	(81,353)	3,814,236
Investment Income	391,672	(21,444)	370,228
Other Revenue	444,410	318,063	762,473
Total Revenue	\$10,749,884	\$192,186	\$10,942,070

the Wastewater Fund is slightly over plan with the Water Fund driving the year-to-date variance. The categories with the most significant increases are water utility sales, development fees, and charges for services for the final payment against the Roxborough intergovernmental agreement which was not budgeted in 2017.



When comparing to 2016 revenue collections through June, 2017 revenue is higher by \$13.7 million (15.5%). This is primarily due to higher collections of developer fees, shown in the Development Fee Revenue chart, but also partly due to utility rate and development fee increases effective in 2017. Increases include a 3.0% overall water rate increase and a \$1.00/month increase in the monthly usage fee for storm drainage service. No rate increase was recommended for sanitary sewer in 2017.

Expenses (Uses of Funds)

Total fund uses through June 2017 are \$18.7 million (20.4%) under the plan through the second quarter, mostly due to lower than anticipated spending against capital projects. Year-to-date uses are \$15.8 million (17.8%) less than 2016 for the same period of time, again driven primarily by less capital spending, as well as lower debt related payments in 2017. Please refer to page 9 for detailed revenue and expense data by category.

Q2 2017 Fund Uses
Under/(Over) Budget Plan

Expense Type	Water	Wastewater	Combined
Personal Services	\$125,474	\$505,785	\$631,258
Temporary Compensation	115,117	28,773	143,889
Professional & Technical Services	1,989,817	211,874	2,201,691
Operating Supplies/Other	1,067,109	373,326	1,440,435
Utilities	(238,581)	26,009	(212,571)
Interfund Charges	52,537	60,956	113,493
Debt Related	(500)	0	(500)
Capitalized Purchases	1,180,135	1,195,387	2,375,522
Total Operating Expenses	\$4,291,107	\$2,402,110	\$6,693,217
Capital Projects	3,988,368	7,970,544	11,958,912
Total Expenses	\$8,279,475	\$10,372,653	\$18,652,128

Operating Expenses

Total operating expenses for the combined funds through the second quarter of 2017 are \$6.7 million (10.4%) less than the year-to-date budget plan. Drivers behind this variance include the timing of payments on several contracts for engineering master plans and studies that will be charged against the professional & technical services category. Additionally, repair and maintenance costs for infrastructure and equipment (included in operating supplies), as well as purchases of replacement vehicles and equipment (included in capitalized purchases) are lower than expected. Mid-year results may in-

Water/Wastewater Funds

dicade that the need for these types of purchases may be less than the budget assumes and if this is the case, a portion of the savings in these categories could flow through to year end results.

Capital Budget and Expenses

Capital funds are obligated in the year budgeted, however, actual spending can occur over multiple years. The table below outlines the 2017 capital working budget by program, which includes unspent funds carried forward from previous years. To measure current year capital spending, Aurora Water creates a spending plan for each quarter.

The 2017 spending plan assumes that \$87.8 million of the appropriated \$199.9 million will be spent by year-end. The majority of the balance of appropriated funds not included in the 2017 spending plan is the result of water storage projects and water rights acquisitions that are opportunistic and cannot always be timed to the budget.

Of the anticipated \$87.8 million annual spending plan, \$27.3 million (31.1%) was projected to be spent through the second quarter. Capital project expenditures through June are \$12.0

million (43.8%) under the year-to-date plan. This variance is largely due to changes in the Collection Program in the Wastewater Fund as various projects have been redefined to support development activity. In the Water Fund, scope of work considerations related to the Aurora Pump Station combined with the timing of new Transmission Water Mains and Raw Water Rehab projects resulted in lower than anticipated spending through the second quarter. Early estimates for the year indicate that capital spending could come in under the spending plan by as much as \$10.8 million.

Encumbered funds, shown in the chart below by program, are funds that are contractually obligated on a purchase order, but not paid pending delivery of goods or services and therefore are not included in year-to-date spending. The specific capital projects with the highest spending and/or encumbrances through the second quarter are Interceptor Rehabilitation (\$5.0 million), Raw Water Rehab (\$3.7 million) and Wemlinger Water Purification Facility Improvements (\$3.4 million). Encumbrances in Transmission and Vault rehab (\$2.7 million) and Wild Horse Reservoir (\$2.6) complete the top five capital obligated projects.

Capital Projects Status

Water and Wastewater Funds

Program	2017 Working Budget	2017 Spending Plan	YTD Spending Plan	*YTD Spending	Under/ (Over) Plan	Encumbered Funds
WATER FUND						
Operations & General Mgmt	\$1,512,503	\$1,008,747	\$331,884	\$265,847	\$66,038	\$1,284,422
Pumping	6,834,450	2,100,845	1,899,197	758,568	1,140,629	1,489,623
SOS Other	14,742,074	9,229,241	3,684,195	2,193,003	1,491,192	1,187,774
SOS Storage	74,217,984	5,975,868	961,411	958,555	2,856	4,135,718
SOS Water	8,935,322	19,623,582	3,489,787	2,034,754	1,455,034	3,470,272
Trans & Distrib	14,337,056	5,236,696	1,878,380	341,100	1,537,280	6,668,165
Treatment	17,674,361	7,530,158	1,517,447	3,222,107	(1,704,660)	2,367,965
Total Water Fund	\$138,253,750	\$50,705,138	\$13,762,302	\$9,773,934	\$3,988,368	\$20,603,938
WASTEWATER FUND						
Collection	\$28,431,468	\$24,994,159	\$7,468,410	\$2,918,779	\$4,549,631	\$9,673,945
Operations & General Mgmt	5,630,207	3,728,315	3,017,089	1,595,962	1,421,127	1,521,823
Storm Water	27,558,424	8,389,556	3,040,588	1,040,803	1,999,785	6,954,690
Total Wastewater Fund	\$61,620,099	\$37,112,031	\$13,526,088	\$5,555,544	\$7,970,544	\$18,150,458
Totals	\$199,873,849	\$87,817,169	\$27,288,390	\$15,329,478	\$11,958,912	\$38,754,396

*Year-to-date spending does not include encumbrances.

Water/Wastewater Funds

The Aurora Water Department administers the Water and Wastewater funds, which are supported primarily from user fees and development fees. Aurora Water operates as a cost of service utility (or enterprise), which means that revenues must fully cover the cost of providing water, sanitary sewer, and storm water services to its customers.

Revenues (Sources of Funds)	2017 Budget	YTD Actual thru Q2 2017	2017 Year-to-Date Sources Over / (Under)			
			2016	2017 Plan	% Chg vs 2016	%Chg vs. Plan
Utility Sales - Water	\$104,261,214	\$42,965,042	\$3,845,324	\$3,249,610	9.8%	8.2%
Utility Sales - Wastewater	57,167,781	28,635,967	1,751,030	232,449	6.5%	0.8%
Development Fees	44,173,119	20,863,975	4,760,139	2,513,074	29.6%	13.7%
Charges for Services	7,427,894	7,088,487	3,415,045	3,814,236	93.0%	116.5%
Investment Income	1,861,266	1,366,326	(685,530)	370,228	(33.4%)	37.2%
Other Revenue	844,141	1,003,251	574,464	762,473	134.0%	316.7%
Total Sources of Funds	\$215,735,415	\$101,923,048	\$13,660,472	\$10,942,070	15.5%	12.0%

Expenses (Uses of Funds)	2017 Budget	YTD Actual thru Q2 2017	2017 Year-to-Date Sources Under / (Over)			
			2016	2017 Plan	% Chg vs 2016	%Chg vs. Plan
Personal Services	\$36,500,839	\$17,925,020	(\$217,591)	\$631,258	(1.2%)	3.4%
Temporary Compensation	1,009,542	304,814	104,589	143,889	25.5%	32.1%
Professional & Technical Services	11,049,788	2,825,545	(229,402)	2,201,691	(8.8%)	43.8%
Operating Supplies/Other	25,072,877	10,598,587	(1,306,340)	1,440,435	(14.1%)	12.0%
Utilities	33,626,325	15,178,213	1,204,974	(212,571)	7.4%	(1.4%)
Interfund Charges	3,008,575	1,375,490	(16,235)	113,493	(1.2%)	7.6%
Debt Related	22,692,345	8,788,476	7,872,870	(500)	47.3%	(0.0%)
Capitalized Purchases	5,811,815	650,305	900,661	2,375,522	58.1%	78.5%
Total Operating Expenses	\$138,772,106	\$57,646,450	\$8,313,525	\$6,693,217	12.6%	10.4%
Capital Projects	199,873,849	15,329,478	7,486,203	11,958,912	32.8%	43.8%
Total Uses of Funds	\$338,645,955	\$72,975,928	\$15,799,728	\$18,652,128	17.8%	20.4%

Less Carryforward Budget	(106,455,621)
Increase/(Use) of Total Available Funds ¹	(\$16,454,919)

See Page 16 for Glossary and detailed data description for each column

- The 2017 Adopted Budget includes 2017 appropriations in excess of the expected revenue collections for the year resulting in the use of budgetary funds available of \$16.5 million. This is primarily due to 2017 capital projects being fully obligated in the year of appropriation, although actual capital project spending may occur over multiple future years.

Marijuana Tax Revenue Fund

In 2014, Aurora voters approved a 5.75% City sales tax and 5.0% excise tax from cultivation facilities, charged on the sale of unprocessed retail marijuana. Additionally, the City collects a state shareback of 15.0% of the 10.0% state special sales tax based on Aurora's retail marijuana sales. From 2014 to 2016, marijuana sales and excise tax revenue was collected in the City's General Fund and set aside for Council's determination of use. In January 2017, the City began to account for marijuana tax revenue in a separate Marijuana Tax Revenue Fund for budgetary purposes.

2017 Marijuana Tax Revenue

Revenues	2017 Budget	2017 YTD Actual thru Q2 2017	2017 Year-to-Date Revenue Over/(Under)			
			2016	2017 Budget	% Chg vs 2016	% Chg vs Budget
Sales and Excise Taxes	\$5,108,190	\$2,992,102	\$845,961	\$488,305	39.4%	19.5%
State Shareback	972,216	725,990	208,902	193,694	40.4%	36.4%
Investment Income	0	7,087	7,087	7,087	N/A	N/A
Total Revenue	\$6,080,406	\$3,725,180	\$1,061,951	\$689,087	39.9%	22.7%

2014-2017 Marijuana Funds

Fund Summary	2014-2016 Actual	2017 Budget	2014-2017 Total
Sales and Excise Taxes	\$7,361,009	\$5,108,190	\$12,469,199
State Shareback	1,708,839	972,216	2,681,055
Total Revenue	\$9,069,848	\$6,080,406	\$15,150,254
Transportation Projects	3,800,000	0	3,800,000
Concrete and Asphalt Projects	0	2,000,000	2,000,000
Medians	0	250,000	250,000
Debt Service for Central Recreation Center	2,000,000	2,000,000	4,000,000
Nexus Program Reserve	680,000	0	680,000
Homeless Services and Housing	1,500,000	1,500,000	3,000,000
Expenditures/Budget	7,980,000	5,750,000	\$13,730,000
Unobligated Funds			\$1,420,254

See page 16 for glossary and detailed data description for each column.

The City continues to exceed the marijuana tax revenue assumption included in the 2017 budget. Five new cultivation facilities have started their operations and contributed to the City's revenue stream in the second quarter of 2017. Through June, a total of 21 stores and ten cultivation facilities have generated \$2.6 million in City sales tax revenue and \$354,400 in excise tax revenue. Better than expected sales also impacted the state shareback, pushing revenue \$193,700 over budget. To date, City Council has identified several one-time projects throughout the City and also approved the ongoing funding of a debt payment associated with the construction of a new recreation center in central Aurora. As a result, \$13.7 million of the estimated \$15.1 million in funds available has been obligated.

Beginning July 1, 2017 the City's special sales tax rate will rise from 2.0 percent to 4.0 percent, increasing the City's total sales tax rate on retail marijuana products from 5.75 percent to 7.75 percent. The subsequent jump in revenue is projected to be \$748,700 for 2017 and \$1.9 million for each full year thereafter. City Council allocated the additional marijuana revenue to homeless services and housing. These changes were not included in the 2017 budget.

Development Review Fund

The Development Review Fund (DRF) is dependent on construction and development activity. Revenues and expenditures fluctuate depending on development activity in the City and the resulting changes in plan review and inspection activity.

Revenues (Sources of Funds)	2017 Budget	YTD Actual thru Q2 2017	2017 Year-to-Date Sources Over/(Under)			
			2016	2017 Budget	% Chg vs 2016	% Chg vs Bud.
Contractor Licensing	\$600,000	\$307,678	(\$29,356)	\$15,118	(8.7%)	5.2%
Permits	11,513,500	5,986,461	(317,521)	372,476	(5.0%)	6.6%
Application and Admin Fees	2,493,540	1,903,741	652,853	687,888	52.2%	56.6%
Interest	115,000	82,079	15,580	26,006	23.4%	46.4%
Other Revenue	51,000	65,273	28,460	40,399	77.3%	162.4%
Total Sources of Funds	\$14,773,040	\$8,345,232	\$350,017	\$1,141,887	4.4%	15.9%

Expenditures (Uses of Funds)	2017 Budget	YTD Actual thru Q2 2017	2016 Year-to-Date Uses Under/(Over)			
			2016	2017 Budget	% Chg vs 2016	% Chg vs Bud.
Personal Services	\$9,530,413	\$4,735,220	(\$413,716)	(\$48,775)	(9.6%)	(1.0%)
Temporary Compensation	880,116	373,431	(127,703)	55,705	(52.0%)	13.0%
Professional & Technical Svcs	3,992,424	822,805	(451,847)	735,538	(121.8%)	47.2%
Operating Supplies/Other	233,152	359,162	27,395	(278,735)	7.1%	(346.6%)
Interfund Charges	184,395	90,357	(573)	2,650	(0.6%)	2.8%
Capital Related	75,000	64,902	(1,203)	0	(1.9%)	0.0%
Total Operating Expenditures	\$14,895,500	\$6,445,877	(\$967,647)	\$466,383	(17.7%)	6.7%
Transfers Out to Other Funds	1,587,094	0	0	0	N/A	0.0%
Total Uses of Funds	\$16,482,594	\$6,445,877	(\$967,647)	\$466,383	(17.7%)	6.7%

Less Carryforward Budget	(686,372)
Incr/(Use) of Total Avail Funds	(\$1,023,182)

See page 16 for glossary and detailed data description for each column.

Revenue (Sources of Funds)

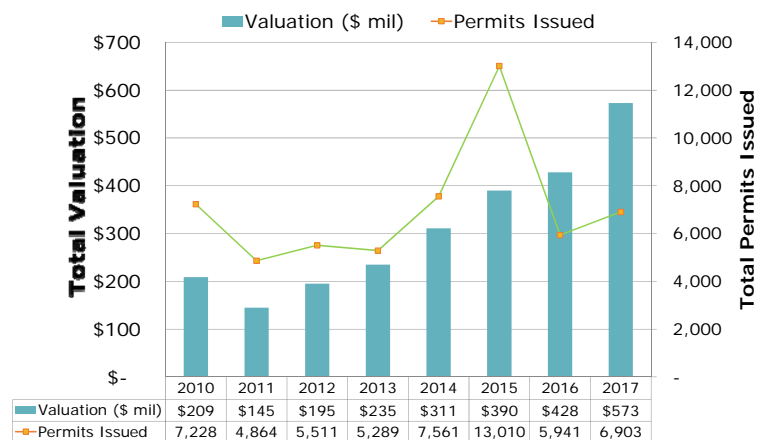
The primary sources of revenue in the fund are for permits, development application fees and licensing fees. Revenue collections through June are \$1.1 million (15.9 %) more than the year-to-date plan and are \$350,000 (4.4 %) more than 2016. Development, which drives revenue, continues to be strong through the second quarter of 2017 and shows no sign of slowing down despite original estimates that new construction growth would stabilize.

Expenditures (Uses of Funds)

Total expenditures are under budget plan by \$466,400 (6.7 %), primarily due to timing of the Workflow System update expenses located in the professional services category. It is expected that these funds will be spent before year-end.

Project Valuations and Permits Issued

Year-to-Date Q2, 2011-2017



Recreation Fund

The Recreation Fund accounts for recreational services provided to citizens. Funding for these services comes from user fees and a General Fund transfer intended to cover mandated costs. Mandated costs include personal service costs, utilities, interfund charges and other required costs such as custodial fees and contractual escalators. Most Recreation Fund revenues and expenditures occur in the summer months.

Revenues (Sources of Funds)	2017 Budget	YTD Actual Thru Q1 2017	2017 Year-to-Date Sources Over/(Under)			
			2016	2017 Budget	% Chg vs. 2016	% Chg vs Budget
Aquatics	\$1,207,200	\$567,469	\$ 8,983	\$ (6,807)	1.6%	(1.2%)
Centers & Fitness	1,099,158	478,571	60,188	130,491	14.4%	37.5%
Preschool and Youth Programs	148,322	166,719	(24,652)	47,303	(12.9%)	39.6%
Recreation Division Management	336,078	99,002	17,289	(22,733)	21.2%	(18.7%)
Special Programs	1,512,400	797,937	3,581	64,097	0.5%	8.7%
Sports Programs	2,083,900	1,049,311	107,293	84,431	11.4%	8.8%
Total Recreation Fund Revenue	\$6,387,058	\$3,159,009	\$ 172,682	\$296,782	5.8%	10.4%
Transfers In from Other Funds	4,956,055	-	-	-	N/A	N/A
Total Sources of Funds	\$11,343,113	\$3,159,009	\$172,682	\$296,782	5.8%	10.4%

Expenditures (Uses of Funds)	2017 Budget	YTD Actual Thru Q1 2017	2017 Year-to-Date Uses Under/(Over)			
			2016	2017 Budget	% Chg vs. 2016	% Chg vs Budget
Personal Services	\$5,141,323	\$2,214,712	(\$131,160)	\$298,336	(6.3%)	11.9%
Temporary Compensation	2,794,196	1,197,359	(69,602)	992	(6.2%)	0.1%
Professional & Technical Services	750,226	357,174	(801)	(29,883)	(0.2%)	(9.1%)
Operating Supplies/Other	1,645,256	851,576	(87,628)	(26,627)	(11.5%)	(3.2%)
Utilities	834,369	334,963	(49,084)	44,264	(17.2%)	11.7%
Interfund Charges	166,470	88,056	(7,266)	(2,716)	(9.0%)	(3.2%)
Capital Related	11,635	12,425	(5,399)	(6,607)	(76.8%)	(113.6%)
General Fund Operating Expenditures	\$11,343,475	\$5,056,265	(\$350,940)	\$277,759	(7.5%)	5.2%
Transfers Out to Other Funds	0	-	-	-	N/A	N/A
Total Uses of Funds	\$11,343,475	\$5,056,265	(\$350,940)	\$277,759	(7.5%)	5.2%

Less CarryForward Budget	(42,050)
Increase/(Use) of Total Available Funds	\$41,688

See page 16 for glossary and detailed data description for each column.

increases in professional services in Special Services and Youth Development programs and supplies in Aquatics and other programs to a lesser degree. Although overall spending is under budget, it is higher than 2016. This year to year increase was anticipated.

Revenues (Sources of Funds)

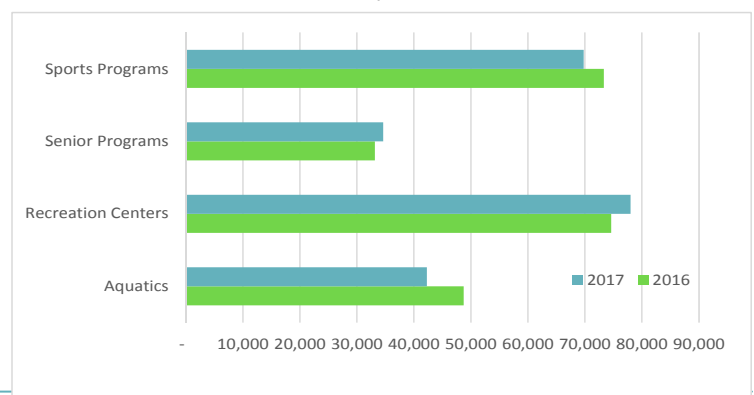
Operating revenue collections in the Fund are ahead of budget by \$296,800 (10.4%). Much of this increase is in Centers and Fitness, including strong collections in Beck Center and fitness-related class fees, as well as Independent Youth Sports Organization (IYSO)-related fees and youth camp revenue. IYSO revenues in particular are already over the annual revenue budget. Revenue is ahead of 2016 by \$172,700 (5.8%), primarily in Sports Programs and Fitness.

Expenses (Uses of Funds)

Total year-to-date expenditures are \$277,800 (5.2 %) under budget due to significant savings from vacant positions and lower utility costs primarily focused in programs such as Aquatics and Special Programs. Offsetting these savings are

Recreation Attendance

Year-to-Date Q2, 2016 vs. 2017



Golf Courses Fund

The Golf Courses Fund was established for the operation and maintenance of City-owned and/or City operated golf courses. The Fund is supported by green fees, driving range fees, and golf cart rentals, as well as pro shop sales and concessions. The majority of Fund revenue is earned from May through September and expenses, primarily temporary compensation, capital improvements, and operating supply expenses, are spent in tandem with revenues.

Revenues (Sources of Funds)	2017 Budget	YTD Actual Thru Q2 2017	2017 Year-to-Date Sources Over/(Under)			
			2016	2017 Budget	% Chg vs 2016	% Chg vs Budget
Revenue from User Fees	\$8,300,362	\$3,538,140	\$229,976	\$208,977	7.0%	6.3%
Interest Income	42,000	14,823	1,333	(3,080)	9.9%	(17.2%)
Miscellaneous Revenue	12,000	28,617	14,499	23,593	102.7%	469.6%
Total Fund Revenue	\$8,354,362	\$3,581,581	\$245,808	\$229,491	7.4%	7.3%
Transfers In from Other Funds	150,000	0	0	0	N/A	N/A
Total Sources of Funds	\$8,504,362	\$3,581,581	\$245,808	\$229,491	7.4%	6.8%

Expenses (Uses of Funds)	2017 Budget	YTD Actual Thru Q2 2017	2017 Year-to-Date Uses Under/(Over)			
			2016	2017 Budget	% Chg vs 2016	% Chg vs Budget
Personal Services	\$3,010,541	1,459,405	(\$30,744)	\$26,661	(2.2%)	1.8%
Temporary Compensation	1,358,968	482,469	(18,847)	52,480	(4.1%)	9.8%
Professional & Technical Services	157,002	95,322	21,574	5,430	18.5%	5.4%
Operating Supplies/Other	1,631,578	938,289	(33,167)	(52,460)	(3.7%)	(5.9%)
Utilities	1,126,804	364,031	(159,370)	(63,409)	(77.9%)	(21.1%)
Interfund Charges	203,614	97,378	(1,937)	5,556	(2.0%)	5.4%
Debt Related	511,567	45,605	(45,605)	0	N/A	0.0%
Capital Related	33,303	0	0	0	N/A	N/A
Total Fund Operating Expenses	\$8,033,377	\$3,482,499	(\$268,096)	(\$25,742)	(8.3%)	(0.7%)
Capital Projects	613,528	66,426	584,123	65,340	89.8%	49.6%
Total Uses of Funds	\$8,846,905	\$3,548,925	\$316,027	\$39,598	8.2%	1.1%

Less Carryforward Budget	(265,624)
Incr/(Use) of Total Avail Funds	(\$76,919)

See page 16 for glossary and detailed data description for each column.

Revenue (Sources of Funds)

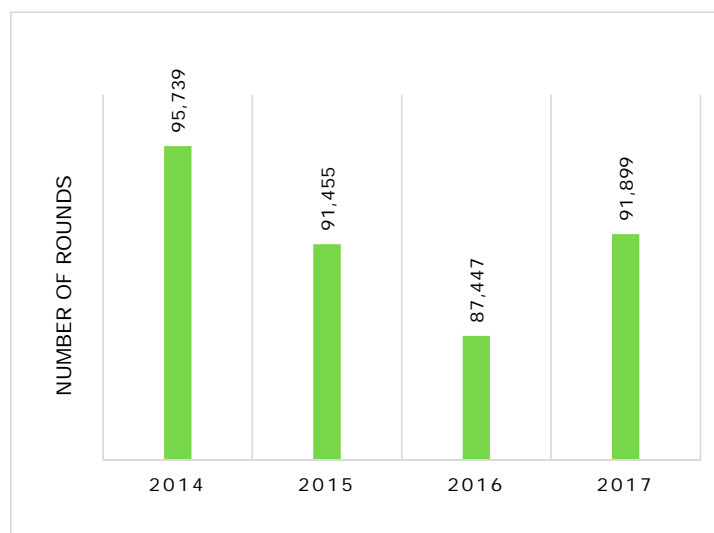
Total revenue is \$229,500 (6.8%) above the 2017 year-to-date plan, driven by user fee collections. Unseasonably warm weather helped boost total rounds played well above the average through the first half of the year.

Expenses (Uses of Funds)

Through the second quarter operating expenses are \$25,700 (0.7%) overspent compared to the 2017 budget plan. Less than typical rain fall in the second quarter led to increased water usage. In addition, an unforeseen maintenance expense of \$20,000 was incurred to upgrade golf cart batteries at Murphy Creek. Temporary compensation and personal services are underspent in the second quarter due to turnover and difficulty in hiring due to the competitive employment market.

Rounds Played

Year-to-Date Q2, 2014-2017





Appendices



General Fund Overview

The General Fund is the operating fund for 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 percent 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 54.0 percent 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.

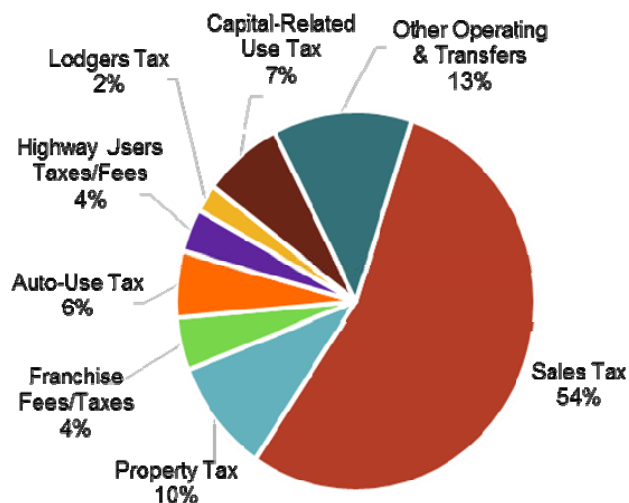
Uses of Funds

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.

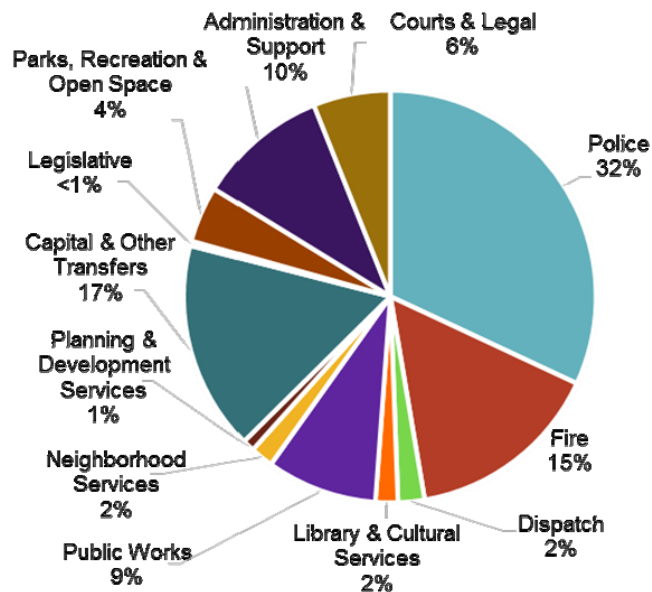
Public safety functions, including Fire, Dispatch, Police, and Court Administration account for 55.0 percent of total General Fund appropriations in 2017.

The 2017 Adopted Budget includes the planned use of \$1.7 million in funds available primarily associated with the one-time expenditures for medians and Heritage Eagle Bend intersection improvements and the one-time transfer of marijuana funds available to the Marijuana Tax Revenue Fund. In the 2017 Spring Supplemental process, an additional \$2.5 million in appropriation was added with no offsetting revenue, bringing the total planned use of funds available up to \$4.2 million. Supplemental appropriation of \$1.6 million is associated with one-time expenditures to cover purchases that were approved for 2016 but not completed. Due to higher than projected marijuana sales and excise tax revenue, \$785,200 in one-time appropriation was added to increase the transfer of marijuana funds available to the Marijuana Tax Revenue Fund.

2017 General Fund Revenue (Sources)



2017 General Fund Appropriations (Uses)



General Fund Departments

- | | | | |
|----------------------------|-------------------------------|---|---------------------------------------|
| • City Attorney | • General Management | • Non-Departmental (snow removal, transfers, contingencies) | • Police |
| • Mayor & City Council | • Information Technology | • Parks, Recreation & Open Space | • Public Defender |
| • Civil Service Commission | • Internal Services | • Planning & Development Services | • Public Safety Communications Center |
| • Court Administration | • Judicial | | • Public Works |
| • Finance | • Library & Cultural Services | | |
| • Fire | • Neighborhood Services | | |

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.

Budget/Working Budget: This is the sum of the Adopted Budget plus supplemental appropriations and carry forwards of encumbrance balances from the prior year. In the case of capital budgets, the working budget includes all unspent balances of funds appropriated for the life of the project.

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/Budget Plan/Revenue Plan: For current month and year-to-date comparison purposes, the 2017 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. For the General Fund, bracketed variances indicate an unfavorable result. For all other funds, bracketed variances indicate that the result is under the amount being compared to.

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.

2017 Budget: The 2017 Working Budget.

2017 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 on a cash basis.

Year-to-Date / Current Month Variance:

- Over/(Under) - Current year sources under the prior year or budgeted sources are unfavorable, indicated by brackets.
- Under/(Over) - Current year uses over the prior year or budgeted uses are unfavorable, indicated by brackets.
- 2016 - The \$ difference between 2017 year-to-date / current month actuals compared to the 2016 actuals for the same timeframe.
- Budget - The \$ difference between the 2017 year-to-date / current month actuals through the current month compared to the 2016 year-to-date budget spending plan for the same timeframe.
- Percent Chg vs 2016 - The percentage change between 2017 year-to-date actuals through the current month and the 2016 actuals through the same month.
- Percent Chg vs Budget - The percentage change between the 2017 year-to-date actuals and the year-to-date budget spending plan.

Finance Dept Indicators (for MONTH ending 6/30/17)

Accounts Payable

By making payments within the standard 30 days or less timeframe, 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.

Target: 30 Days for 85% of Vendor Payments



89% (June)

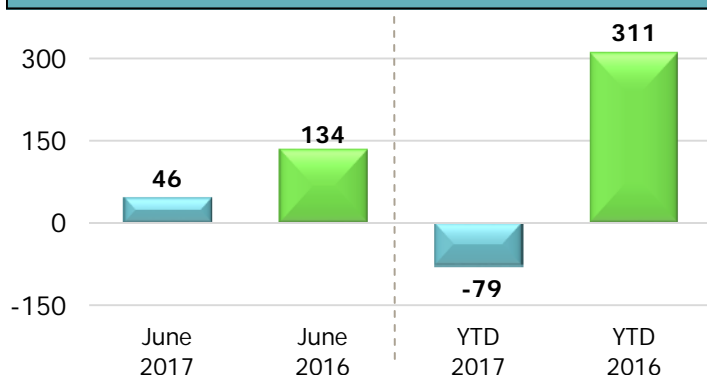
87% (YTD)



Business Licensing

New licenses in Retail Trade and Accommodations led activity in June. This can be primarily attributed to the registration of short term rentals such as Airbnb. YTD net licenses are still negative attributed to the Professional Services and Construction industries where new licenses have not yet outpaced closures.

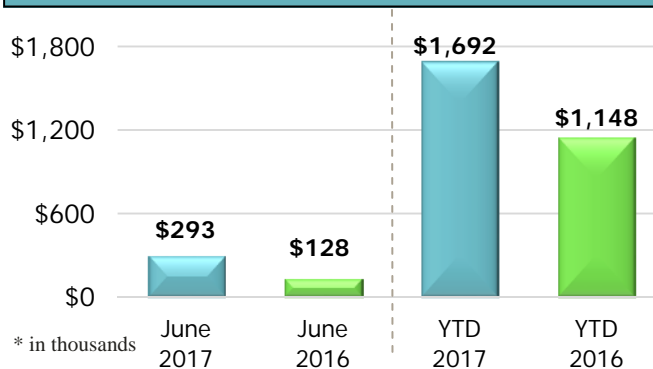
Business License Activity (Net)



Delinquent Tax Collections

Collections continue to set a record pace. YTD collections through June are up to \$1.7 million compared to the five-year average of \$1.0 million. This increase can be attributed to large accounts being pressured to become current. The revenue function is also fully staffed and has been focusing on reducing the number of delinquencies.

Delinquent Tax Collections



Investments

In recent months, the City has taken advantage of higher yields with investments in the Municipal, Corporate, and Government sectors. The City will continue to re-invest capital at higher rates.

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.

June	2015	2016	2017
Cash & investment portfolio	\$361.6 M	\$368.4 M	\$460.5 M
Weighted avg. yield	1.17%	1.09%	1.36%
Duration (months)	19.6	17.5	19.2

Financing Transactions Over Previous 12 Months

Pending future transactions include: Three new Fire Stations (\$24.0 million), 2017 Fleet Rolling Stock (\$2.0 million), and Cobblewood Street GID (\$900,000).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/Banker
D2 Police Phase II	\$10.1 M	6/17	2.65%	14.7	Key
Central Rec Center	\$28.9 M	5/17	3.70%	25.5	Stifel
Golf Loan Refinancing	\$3.9 M	3/17	2.00%	9.75	Inter-Fund
Wastewater Refi	\$28.9 M	11/16	1.56%	10	Wells
2016 Fleet	\$2.0 M	9/16	1.46%	7.5	Key
AW Refinancing	\$437.0 M	8/16	3.12%	30	Morgan Stanley
MLK/Moorhead	\$8.6 M	8/16	1.25%	6.5	Key



City of Aurora

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