



General Fund Revenue Summary

February 2019

Released April 26, 2019

General Fund Revenue Summary

Local economists expect the Colorado economy to continue to grow in 2019, but at a slower pace. Monthly economic data, as well as city revenue performance-to-date support this expectation. On a positive note, the tight labor market is pushing up wages which stokes consumer spending. Yet ironically, the area's low unemployment rate poses a risk to future economic growth as the ability for businesses to attract and retain a skilled workforce is a challenge.

General Fund revenue collections through February, shown below, are slightly ahead of the operating budget plan by \$701,100, or 1.6%. This equates to a 3.4% increase over 2018, which is down from the 4.7% increase seen last year during this timeframe. Collections of sales tax and auto use tax drive overall revenue performance, both of which are closely tied to economic cycles.

Revenue by Category—February Year-to-Date (\$ in Thou.)

Revenue Category (\$ in thousands)	2019 YTD Actuals	Actuals (Under)/ Over 2018		Actuals (Under)/ Over 2019 Budget	
		\$	%	\$	%
General Sales Tax	\$35,260	\$1,632	4.9%	\$276	0.8%
Capital Related Use Tax	4,591	(421)	(8.4%)	117	2.6%
Auto Use Tax	3,519	281	8.7%	426	13.8%
Highway Users Tax	1,172	199	20.5%	192	19.7%
Franchise Fees & Taxes	1,046	10	0.9%	(73)	(6.6%)
Audit Revenue	670	(85)	(11.2%)	78	13.1%
Fines & Forfeitures	668	(78)	(10.5%)	2	0.2%
All Other Revenue	5,036	(116)	(2.3%)	(182)	(3.5%)
Total Revenue	\$51,961	\$1,422	2.8%	\$835	1.6%
Less Capital Transfer	6,065	(78)	(1.3%)	134	2.3%
Operating Revenue	\$45,896	\$1,500	3.4%	\$701	1.6%

Monthly Economic Data Year-to-Date February

▲ Unemployment Rate

Metro Denver Feb ytd avg. rate at 3.6%, up 0.5 percentage points from 2018

▲ Consumer Confidence Index

Mountain Region Feb ytd avg at 134.8, up 6.4% from 2018

▼ Aurora Building Permits

2,053 issued ytd Feb, down 11.6% from 2018

▲ Metro Area Home Sales

Feb ytd shows increase of 1.6% compared to 2018

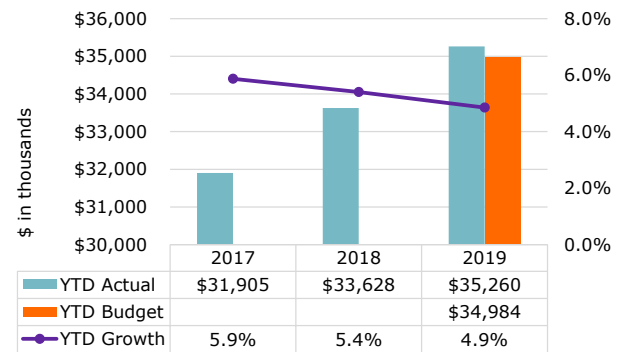
All indicator data is the most current available of as this report's publication date

Sales Tax

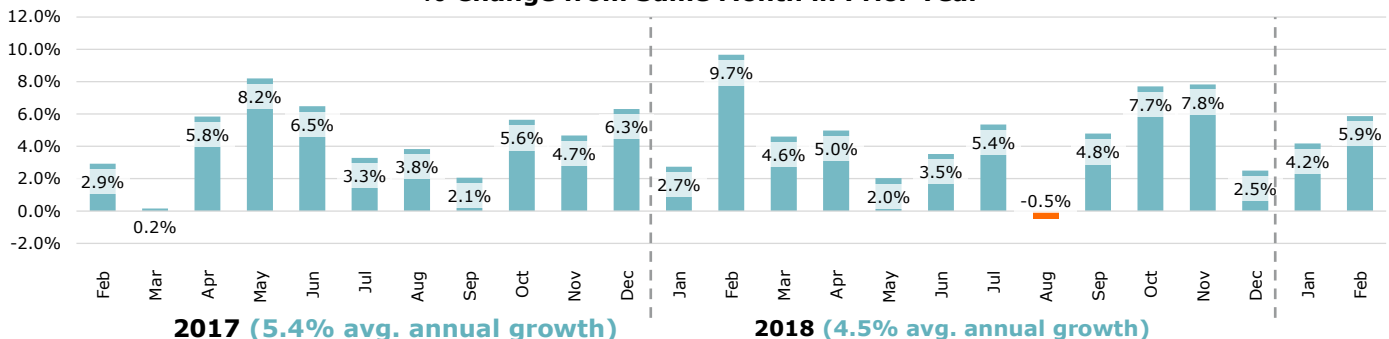
Year-to-date (YTD) sales tax collections through February are \$276,000 (0.8%) ahead of the budget plan. This equates to a 4.9% increase over 2018, which is slightly better than the 4.0% full-year average increase needed to hit the amount built-in to the 2019 Adopted Budget. The monthly chart below shows that collections for the month of February were 5.9% higher than the same month in 2018.

The Sales Tax Performance chart shows that sales tax collections through February have increased annually since 2017 at a decreasing rate. This declining rate of growth is to be expected in a mature economy. In fact, in July this economic expansion will be tied for the longest on record.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



Capital Related Use Tax

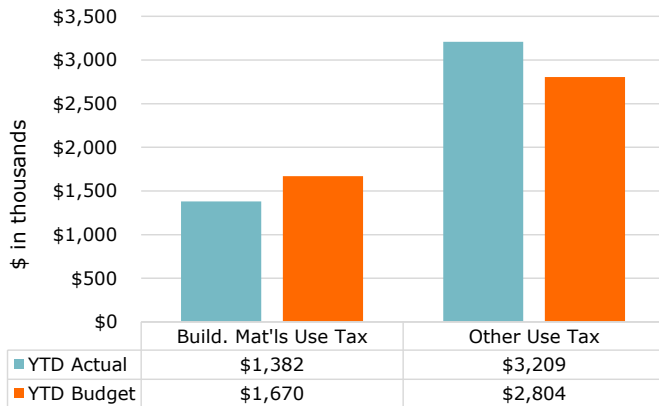
Capital related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects Fund to be used for one-time purposes. Therefore, these revenue streams are excluded from General Fund operating revenue.

Year-to-date BMUT collections are slightly behind the budget plan while other use tax is ahead. Together, capital related use

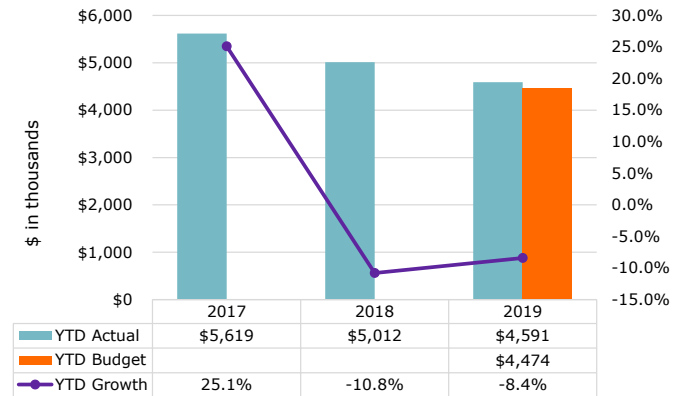
tax collections are tracking ahead of the monthly budget plan by 2.6%, or \$117,200. This equates to an 8.4% decline when comparing to the prior year as seen on the Capital Related Use Tax Performance chart below. The 2019 budget had assumed a reduction in these revenue sources and so far, the reduction seen through February is more moderate than the budget had incorporated.

Capital related use tax collections are very volatile month to month, making two months of data difficult to rely upon when making presumptions regarding full-year performance.

Capital Related Use Tax Components
\$ in Thousands



Capital Related Use Tax Performance
\$ in Thousands

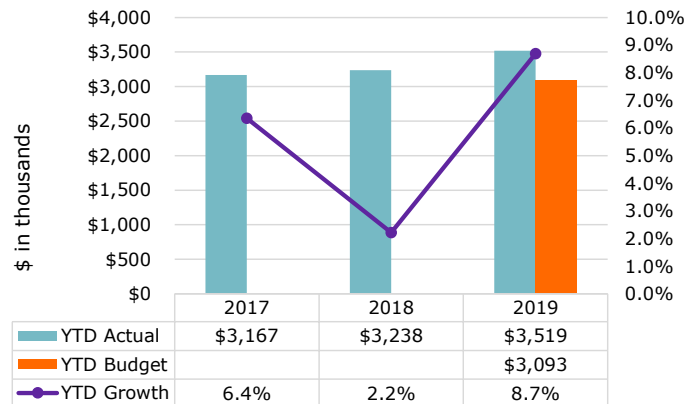


Auto Use Tax

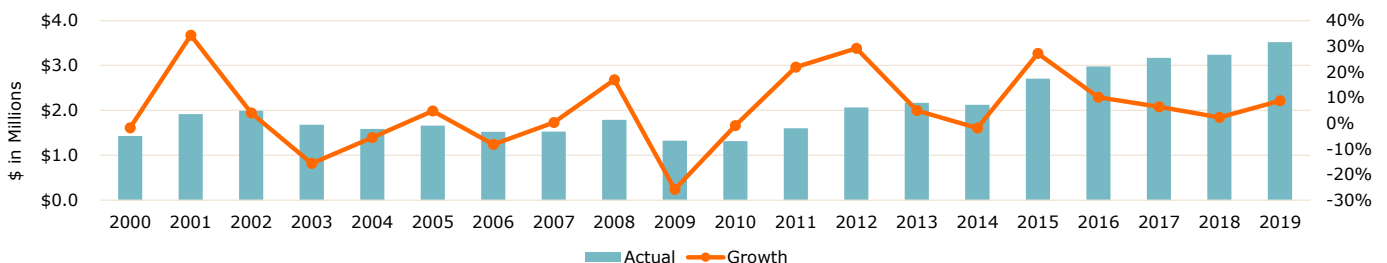
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax up to four months after the purchase date while sales tax has a one month lag.

Auto use tax collections through February are \$425,700 (13.8%) more than the budget plan. This equates to an 8.7% increase over 2018 collections through February as seen on the Auto Use Tax Performance chart. The 2019 budget had assumed a reduction in this revenue source but so far, this has not occurred. Just two months into the year, collections seem strong yet history has shown that this is a volatile revenue source. Economic conditions, interest rates, vehicle life spans, as well as changing demographics all impact consumer spending for vehicles.

Auto Use Tax Performance
\$ in Thousands



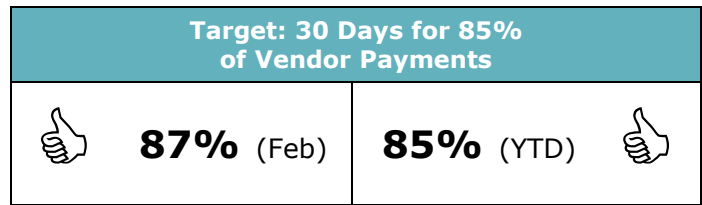
Auto Use Tax Historical Collections - February YTD



Finance Department Indicators (for the month ending 2/28/19)

Accounts Payable

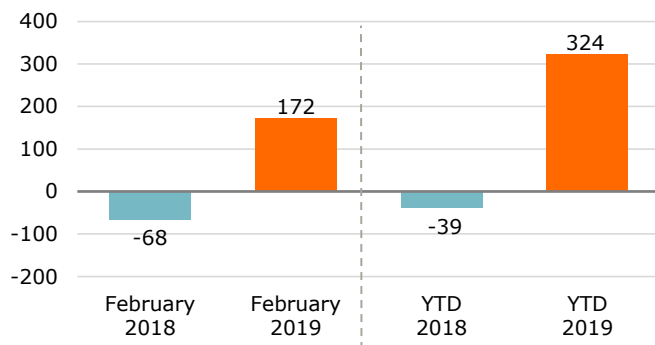
By making payments within the standard 30 days or less, the city can capture vendor discount terms, avoid penalties and interest charges and save taxpayer money. The majority of invoices have terms that range from 30 to 90 days. Once departmental processing is complete and any issues are resolved, Accounting Services then processes the payment within 5 working days.



Business Licensing

In response to the Wayfair decision, the Colorado Department of Revenue has implemented changes in sales tax collection regulations. As a result, record numbers of license applications were received in January and February as businesses choose to voluntarily register with home rule cities. Normally, net activity over the first two months posts a reduction in licenses as annual filers with closed businesses follow up to close licenses.

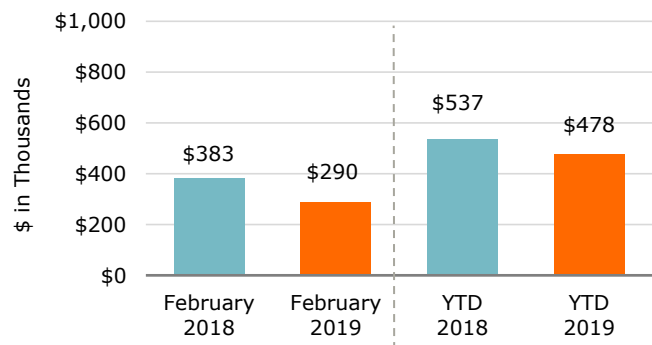
Business License Activity (Net)



Delinquent Tax Collections

February collections have returned to levels more in line with monthly averages, in comparison to 2018 when February included an unusually high number of cases. Collections over the first month or two of the year are often below average as agents are dealing with more customer service related tasks, particularly with annual filers.

Delinquent Tax Collections (\$ in Thou.)



Investments

The city continues to take advantage of higher yields with investments in the Municipal, Corporate, and Government sectors. So far in 2019 the weighted average yield rate is 2.11%, which is up from 1.31% for 2017 and 1.10% for 2015.

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.

	February	2017	2018	2019
Cash & investment portfolio		\$397.0 M	\$476.8 M	\$537.2 M
Weighted avg. yield		1.31%	1.59%	2.11%
Duration (months)		20.4	18.0	15.6

Financing Transactions Over Previous 12 Months

Pending transactions for 2019 include Aurora Municipal Center 2009A COPs refinancing (\$72 million), 2019 Heavy Fleet (\$3.4 million) and in 2020, Southeast Rec Center (\$30 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
Wastewater 2018B*	Up to \$28 M	12/18	Float	3/10.5	PNC
Wastewater 2018A	\$2.0 M	12/18	3.04%	10.5	PNC
Wastewater Interfund	\$16.0 M	12/18	2.50%	8	Water
PROS Internal Lease	\$0.07 M	9/18	2.50%	4.5	ACLIC
Police Internal Lease	\$0.36 M	9/18	2.50%	6.5	ACLIC
2018 Heavy Fleet	\$1.75 M	8/18	3.13%	6.7	Vectra
Hogan Parkway	\$19.0 M	7/18	3.10%	8.5	Vectra

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