



General Fund Revenue Summary

April 2019

Released June 20, 2019

General Fund Revenue Summary

Local economists expect the Colorado economy to continue to grow in 2019, but at a slower pace. Monthly economic indicators support this expectation, while also displaying some erratic behavior. Despite the mixed signals, General Fund revenue remains at a healthy level. The tight labor market is pushing up wages which stokes consumer spending, however it also creates a labor shortage which can limit growth. Just as this expansion passed the mark to be recorded as the longest in history, recession concerns

have surfaced suggesting cautiousness could become the norm for both businesses and consumers.

General Fund revenue collections through April, shown below, are ahead of the operating budget plan by \$4.3 million, or 4.2%. Sales Tax and Audits are central to overall General Fund revenue performance; however, much of the year-to-date (ytd) Audit revenue is one-time in nature and not expected to recur.

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

Revenue Category (\$ in thousands)	2019 YTD Actuals	Actuals (Under)/ Over 2018		Actuals (Under)/ Over 2019 Budget	
		\$	%	\$	%
General Sales Tax	\$67,038	\$3,942	6.2%	\$1,398	2.1%
Capital Related Use Tax	8,725	(730)	(7.7%)	613	7.6%
Auto Use Tax	6,638	237	3.7%	394	6.3%
Highway Users Tax	3,181	337	11.8%	311	10.8%
Franchise Fees & Taxes	3,058	207	7.3%	166	5.7%
Audit Revenue	2,599	(458)	(15.0%)	1,413	119.2%
External Charges	1,620	(395)	(19.6%)	(351)	(17.8%)
All Other Revenue	27,234	911	3.5%	1,144	4.4%
Total Revenue	\$120,093	\$4,052	3.5%	\$5,088	4.4%
Less Capital Transfer	12,390	40	0.3%	748	6.4%
Operating Revenue	\$107,703	\$4,012	3.9%	\$4,339	4.2%

Monthly Economic Data Year-to-Date April

▲ Unemployment Rate

Metro Area Apr ytd avg. rate at 3.2%, up 0.2 percentage points from 2018

▲ Consumer Confidence Index

Mountain Region Apr ytd avg at 131.7, up 0.5% from 2018

▼ Aurora Building Permits

334 residential and 5 multi-family building permits issued in April 2019

▲ Metro Area Home Sales

Apr ytd shows increase of 1.3% compared to 2018

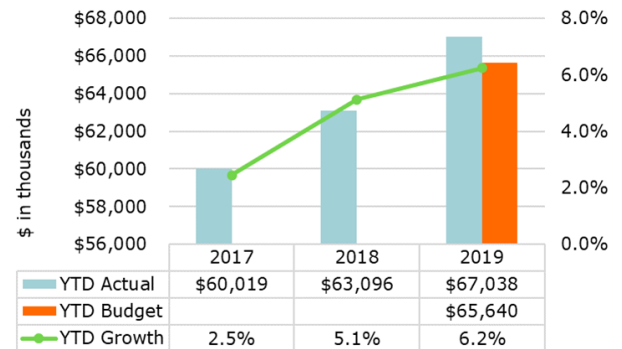
All indicator data is the most current available of as this report's publication date

Sales Tax

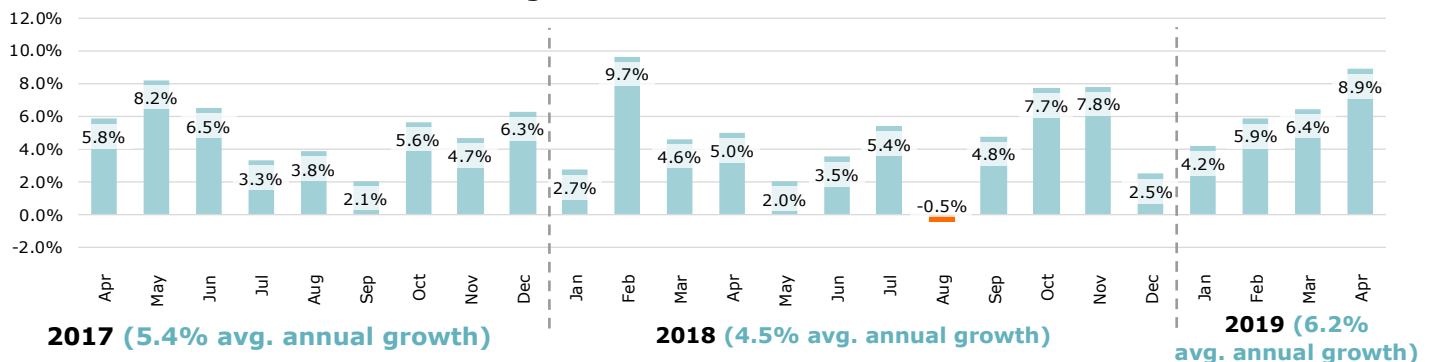
Year-to-date (YTD) sales tax collections through April are \$1.4 million (2.1%) ahead of the budget plan. This equates to a 6.2% increase over 2018, well above the 4.0% full-year average increase needed to hit the 2019 Adopted Budget. The monthly chart below shows that collections for the month of April were 8.9% higher than the same month in 2018, the largest variance since February 2018.

The chart at right shows that ytd Sales Tax collections through April have increased each of the last two years. An increasing population, appealing retail developments, and the physical space for continued expansion all contribute to robust sales tax growth. Additionally, the Wayfair decision, which requires out-of-state businesses to collect sales tax on purchases made by Colorado residents, is likely having a positive impact on collections, though the amount and extent of this impact is as yet unknown.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



Capital Related Use Tax

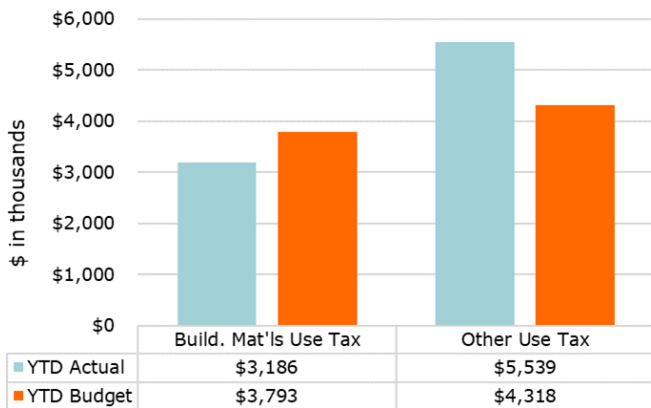
Capital-Related Use Tax is comprised of Building Materials Use Tax (BMUT) and Other (equipment and consumables) Use Tax. Because this revenue is predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects Fund to be used for one-time purposes. Therefore, these revenue streams are excluded from General Fund operating revenue.

Year-to-date BMUT collections are behind the budget plan by 16.0%, while other use tax is over budget by 28.3%. Together, Capital-Related Use Tax collections are tracking ahead of the monthly budget plan by 7.6%, or \$613,400, but are below

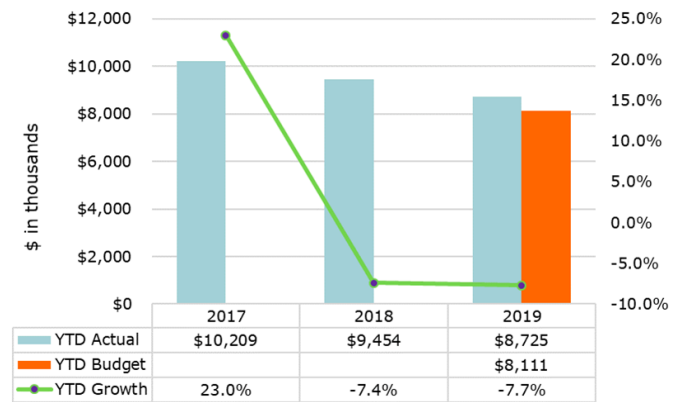
2018 collections by 7.7%, or \$729,600 as seen on the Capital Related Use Tax Performance chart below. The 2019 budget had assumed a reduction in these revenue sources and so far, the overall YTD reduction is more moderate than expected.

Capital-Related Use Tax collections are very volatile month to month—the tax payment for a single large project can have significant impact upon collections, and the initiation of a permit request is difficult to predict—making two months of data difficult to rely upon when forecasting full-year performance.

Capital-Related Use Tax Components
\$ in Thousands



Capital-Related Use Tax Performance
\$ in Thousands

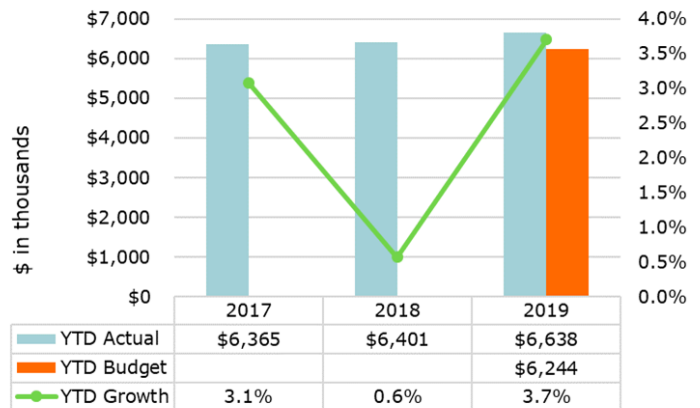


Auto Use Tax

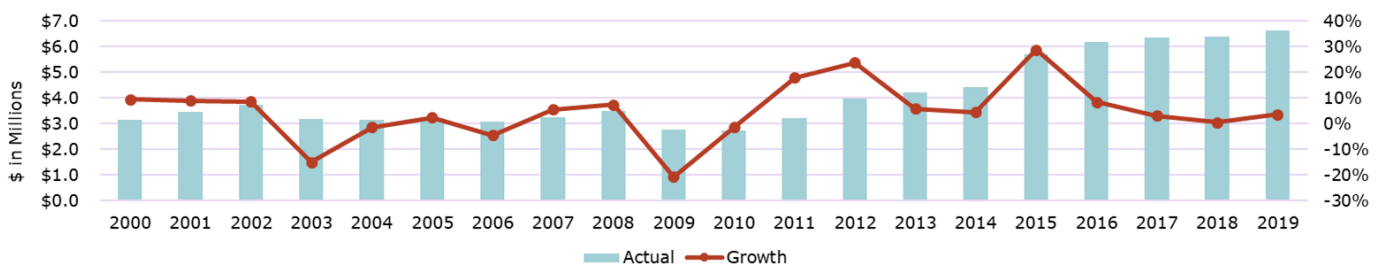
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax up to four months after the purchase date while sales tax has a one month lag. This revenue source is highly volatile, and collections above budget are not assumed to be reflective of baseline increases.

Auto use tax collections through April are \$393,700 (6.3%) more than the budget plan, and 3.7% over 2018 collections through April, as seen on the Auto Use Tax Performance chart. The 2019 budget assumed a reduction in this revenue source; while that has yet to manifest, industry experts are also forecasting a slight (1.1%) decrease in overall auto sales compared to 2019. 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



Auto Use Tax Historical Collections - April YTD



Finance Department Indicators (for the month ending 4/30/19)

Accounts Payable

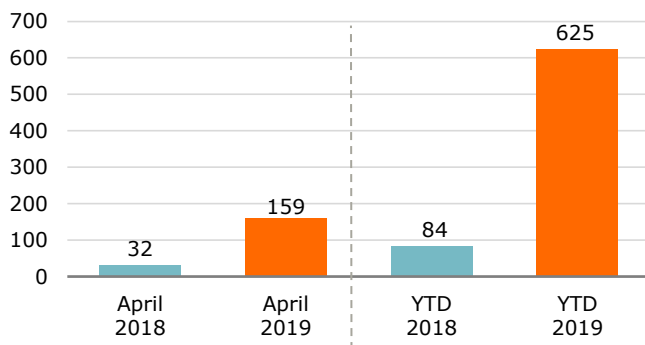
By making payments within the standard 30 days or less, the city can capture vendor discount terms, avoid penalties and interest charges and save taxpayer money. The majority of invoices have terms that range from 30 to 90 days. Once departmental processing is complete and any issues are resolved, Accounting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

Target: 30 Days for 85% of Vendor Payments	
👍 87% (Apr)	86% (YTD) 👍

Business Licensing

The city continues to see record numbers of new business license applications. This is a result of both heavy proactive compliance efforts to license previously operating businesses, as well as the result of businesses licensing as a result of new rules from the Department of Revenue regarding state sales tax collection. While the new rules do not apply to home rule municipalities, businesses are choosing to license and collect the city's sales tax.

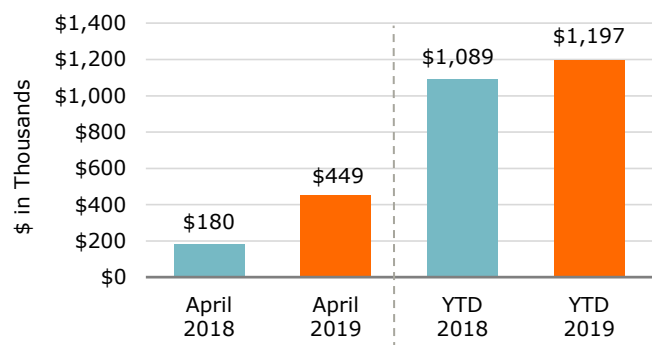
Business License Activity (Net)



Delinquent Tax Collections

Tax collections for April were well above average making year-to-date collections slightly over 2018. Collections over the first quarter were below average as staff was adjusting to a new software system. Revenue Agents are now able to focus more time on collections and catch up with delinquent accounts.

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 is 2.17%, which is up from 1.32% for 2017.

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		\$420.3 M	\$492.6 M	\$ 564.9 M
Weighted avg. yield		1.32%	1.67%	2.17%
Duration (months)		19.2	17.8	16.9

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