



General Fund Revenue Summary

May 2019

Released July 24, 2019

General Fund Revenue Summary

Colorado's economy remained strong through May and is expected to do so throughout 2019, although some indicators exhibited year-over-year declines, most notably construction permit activity and business confidence. The tight labor market in the metro area persists; unemployment remains low. While concerns over a potential coming recession have dampened expectations, the regional and local economies show little evidence of slowing. As healthy levels of development, business in-migration, and innova-

tion, notably in the Biosciences and Technology sectors, continue to spur the economy and attract a qualified and well-educated workforce, it is likely that Colorado will remain well-positioned in the national and global economies.

General Fund revenue collections through May, shown below, are ahead of the operating budget plan by \$6.5 million, or 4.4% - Sales Tax and Auto Use Tax are central to overall General Fund revenue performance.

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

| Revenue Category (\$ in thousands) | 2019 YTD Actuals | Actuals (Under)/ Over 2018 | | Actuals (Under)/ Over 2019 Budget | |
|---------------------------------------|---------------------|-------------------------------|-------------|--------------------------------------|-------------|
| | | \$ | % | \$ | % |
| General Sales Tax | \$83,117 | \$5,758 | 7.4% | \$2,638 | 3.3% |
| Capital Related Use Tax | 10,045 | (718) | (6.7%) | 303 | 3.1% |
| Auto Use Tax | 8,626 | 519 | 6.4% | 810 | 10.4% |
| Highway Users Tax | 4,182 | 349 | 9.1% | 241 | 6.1% |
| Audit Revenue | 2,996 | (174) | (5.5%) | 1,514 | 102.2% |
| External Charges | 2,091 | (607) | (22.5%) | (357) | (14.6%) |
| General Fund Permits | 671 | 243 | 57.0% | 335 | 99.9% |
| All Other Revenue | 41,072 | 1,417 | 3.6% | 1,023 | 2.6% |
| Total Revenue | \$152,799 | \$6,787 | 4.6% | \$6,507 | 4.4% |
| Less Capital Transfer | 14,829 | 292 | 2.0% | 532 | 3.7% |
| Operating Revenue | \$137,970 | \$6,495 | 4.9% | \$5,975 | 4.5% |

Monthly Economic Data Year-to-Date May

▲ Unemployment Rate

Metro Area avg. rate at 3.0%, up 0.1 percentage points from 2018

▲ Consumer Confidence Index

Mountain Region avg at 133.8, up 1.1% from 2018

▼ Aurora Building Permits

5,847 issued through May, down 4.3% from 2018

▲ Metro Area Home Sales

May ytd shows increase of 2.9% compared to 2018

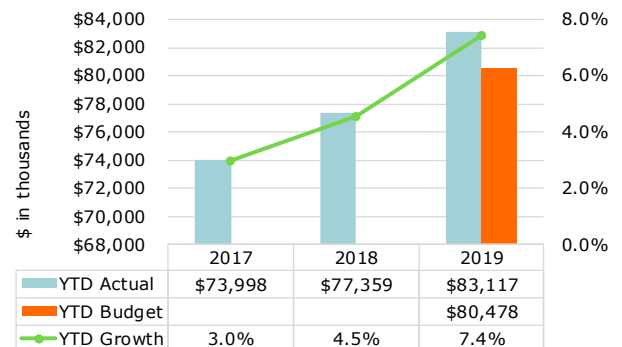
All indicator data is the most current available as of this report's publication date

Sales Tax

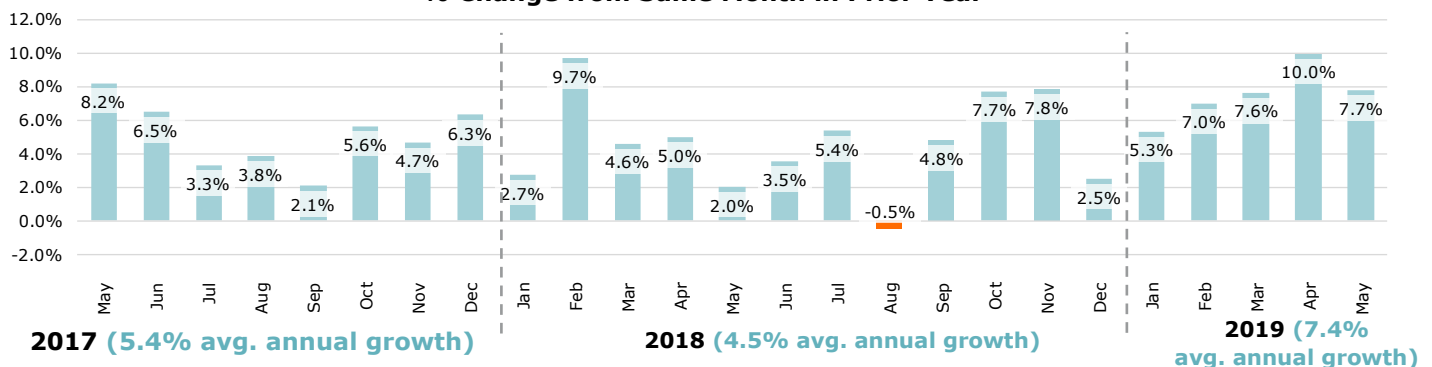
Year-to-date (YTD) sales tax collections through May are \$2.6 million (3.3%) ahead of the budget plan. This equates to a 7.4% increase over 2018, well above the 4.0% full-year average increase needed to hit the 2019 budget. The chart at right shows that for the last three years, ytd sales tax collections through May have increased. In line with general expansion, collections through May have increased every year since 2010.

The monthly chart below shows that collections have been higher than the prior year in each month through May. The new rules implemented by the Department of Revenue as a result of the Wayfair Decision have likely contributed to the year-to-date increase. In addition, a generally robust local economy has led to strong growth in the "Eating & Drinking Places" and "Discount Stores" industry categories.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



Capital Related Use Tax

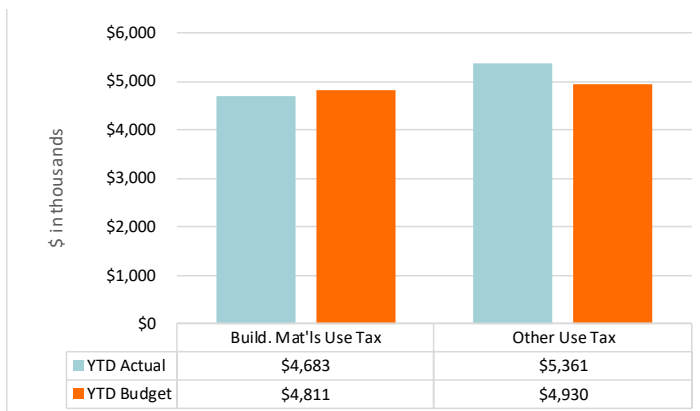
Capital-Related Use Tax is comprised of Building Materials Use Tax (BMUT) and Other (equipment and consumables) Use Tax. Given that these revenues are predominantly generated by activities relating to one-time construction projects, they are transferred from the General Fund to the Capital Projects Fund 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 2.7%, while other use tax is over budget by 8.7%. Together, Capital-Related Use Tax collections are tracking ahead of the monthly budget plan by 3.1%, or \$303,000, but are below

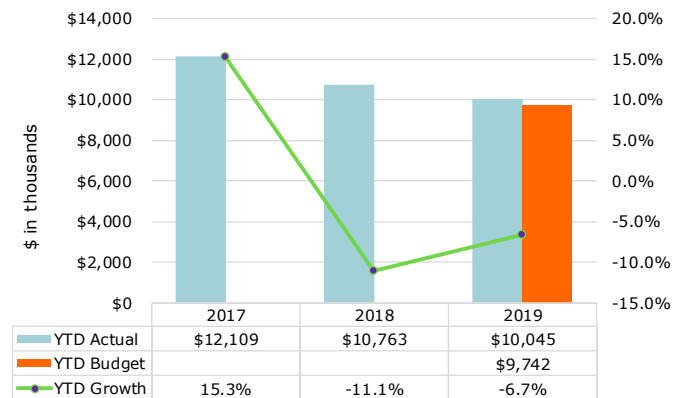
2018 collections by 6.7%, or \$718,400 as seen on the Capital Related Use Tax Performance chart below. The 2019 budget had assumed a reduction in these revenue sources and so far, the overall year-to-date (YTD) reduction is more moderate than expected.

Capital-Related Use Tax collections are very volatile month to month, and 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—even with five months' data, year-end use tax amounts cannot be known with certainty.

Capital-Related Use Tax Components
\$ in Thousands



Capital-Related Use Tax Performance
\$ in Thousands

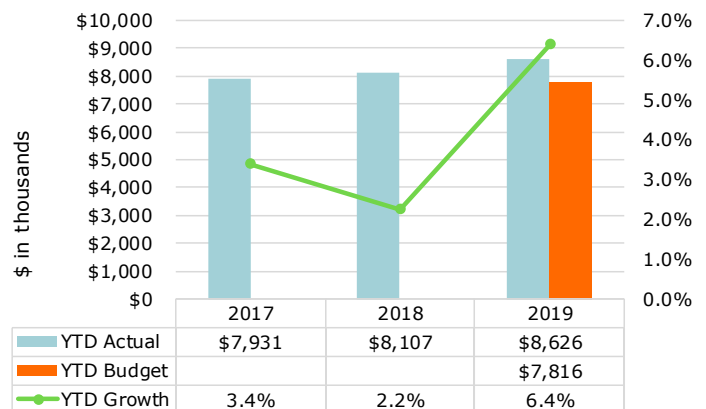


Auto Use Tax

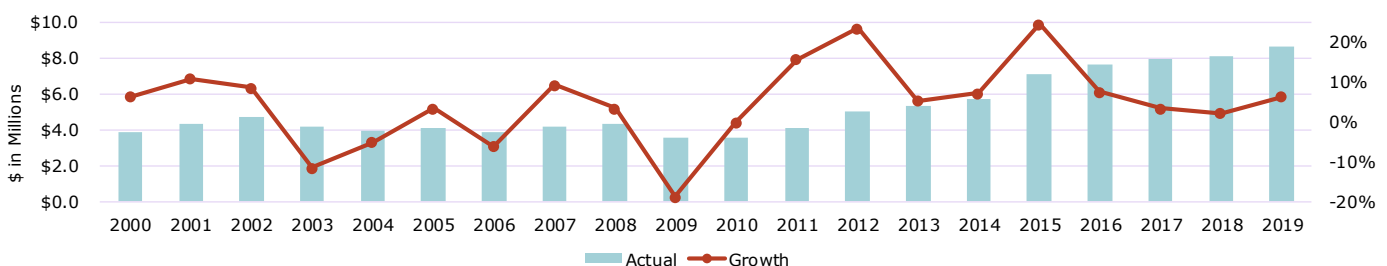
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through May are \$809,900 (10.4%) more than the budget plan, and 6.4% over 2018 collections through May, as seen on the Auto Use Tax Performance chart. The 2019 budget assumed a reduction in this revenue source; this has yet to manifest, and may not as industry and ratings experts are forecasting slight growth for the remainder of the year. Collections-to-date are strong yet history has shown that this is a volatile revenue source, and susceptible to changes in gas prices, interest rates, vehicle life spans and demographics, all of which affect consumer spending on vehicles. Given this unpredictability, staff is hesitant to count on continued growth at levels seen in recent months.

Auto Use Tax Performance



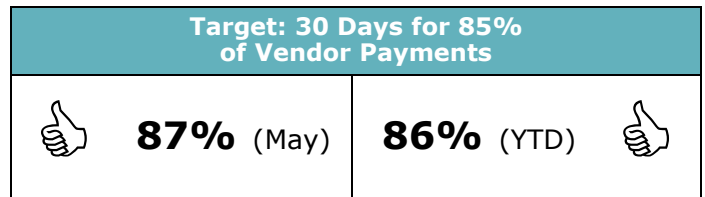
Auto Use Tax Historical Collections - May YTD



Finance Department Indicators (for the month ending 5/31/19)

Accounts Payable

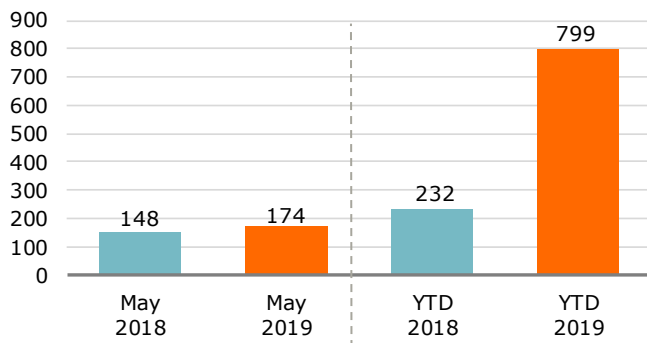
By making payments within the standard 30 days or less, the city can capture vendor discount terms, avoid penalties and interest charges and save taxpayer money. The majority of invoices have terms that range from 30 to 90 days. Once departmental processing is complete and any issues are resolved, Accounting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



Business Licensing

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.

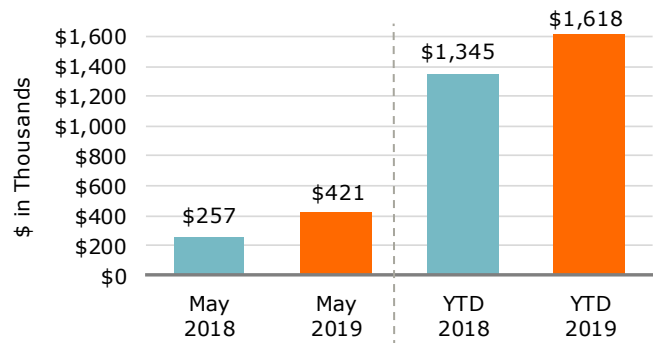
Business License Activity (Net)



Delinquent Tax Collections

Tax collections for May were well above average, driven in part by one large collection this month. Over the first five months, collections have gone from below-average to exceeding prior years as Revenue agents become fluent in the new software and begin catching up on 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 2.21%, which is up from 1.8% 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.

| | May | 2017 | 2018 | 2019 |
|-----------------------------|-----|-----------|-----------|------------|
| Cash & Investment Portfolio | | \$430.9 M | \$505.2 M | \$ 598.0 M |
| Weighted avg. yield | | 1.33% | 1.80% | 2.21% |
| Duration (months) | | 19.2 | 17.3 | 16.8 |

Financing Transactions Over Previous 12 Months

Pending transactions for 2019 include Aurora Municipal Center 2009A COPs refinancing (\$80 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 Inter-fund | \$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