



General Fund Revenue Summary

July 2019

Released September 17, 2019

General Fund Revenue Summary

Local economists expect the Colorado economy to continue to grow over the second half of 2019 but at a slower pace. Nevertheless, monthly economic data show sound fundamentals with low unemployment and optimistic consumer confidence. Metro Area Home Sales data has shown signs of leveling off while growth in the number of new dwellings/office space permitted in Aurora has declined compared to 2018, yet remain at a healthy level.

General Fund revenue collections through July, shown below, are ahead of the operating budget plan by \$9.6 million, or 4.9%. This equates to a 6.7% increase over 2018, which is up from the 5.6% increase seen last year during this timeframe. Collections of sales tax, audit revenue, and auto use tax drive overall revenue performance. Both sales and auto use tax collections are closely tied to economic cycles.

Monthly Economic Data Year-to-Date July

Unemployment Rate

Metro Area avg. rate at 3.0%, no change from 2018 YTD average

Consumer Confidence Index

Mountain Region avg. at 134.0, up 3.0% from YTD 2018

Aurora Building Permits

of new dwellings and commercial buildings

1,241 permitted through July, down 14.9% from 2018

Metro Area Home Sales

July YTD shows increase of 2.4% compared to 2018

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

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

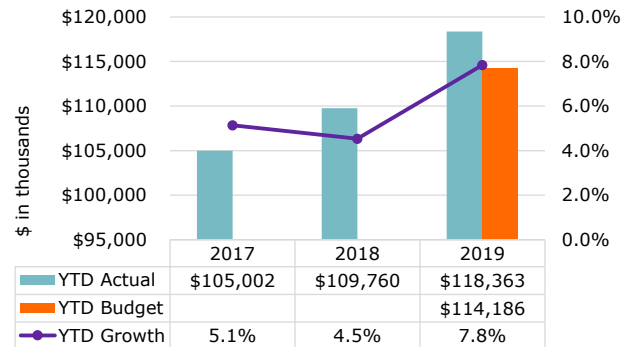
Revenue Category (\$ in thousands)	2019 YTD Actuals	Actuals (Under)/ Over 2018		Actuals (Under)/ Over 2019 Budget	
		\$	%	\$	%
General Sales Tax	\$118,363	\$8,602	7.8%	\$4,176	3.7%
Capital Related Use Tax	14,677	(242)	(1.6%)	1,274	9.5%
Auto Use Tax	12,527	1,018	8.8%	1,330	11.9%
Audit Revenue	4,213	498	13.4%	2,138	103.1%
External Charges	3,593	(390)	(9.8%)	(152)	(4.0%)
Fines and Forfeitures	2,769	(417)	(13.1%)	(94)	(3.3%)
General Fund Permits	1,042	422	68.1%	528	102.8%
All Other Revenue	69,104	3,551	5.4%	2,012	3.0%
Total Revenue	\$226,289	\$13,042	6.1%	\$11,212	5.2%
Less Capital Transfer	21,778	279	1.3%	1,572	7.8%
Operating Revenue	\$204,510	\$12,763	6.7%	\$9,641	4.9%

Sales Tax

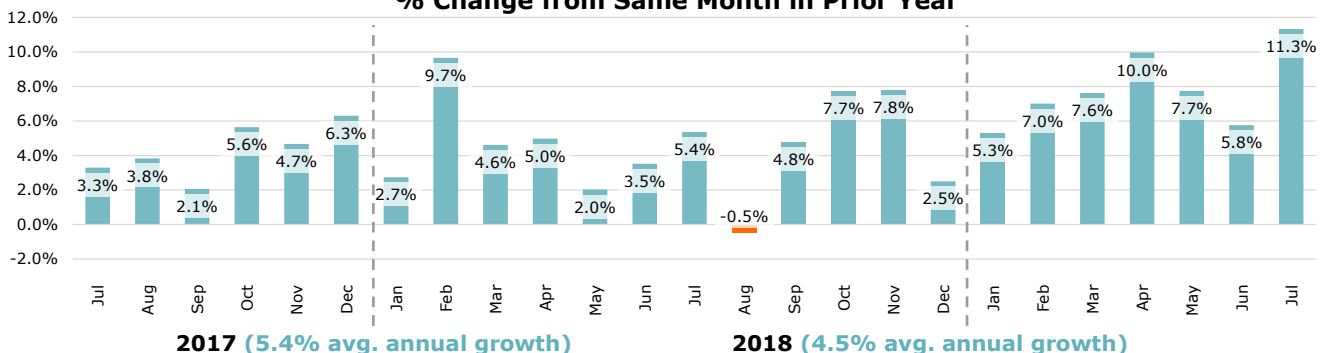
Year-to-date (YTD) sales tax collections through July are \$4.2 million (3.7%) ahead of the budget plan. This equates to a 7.8% increase over 2018. The monthly chart below shows that collections for the month of July are 11.3% higher than the same month in 2018.

The Sales Tax Performance chart shows that collections through July have increased annually since 2017. The declining rate of growth seen in 2018 is to be expected in a mature economy yet 2019 data shows an increase. In addition to strong economic fundamentals, sales tax revenue has benefitted this year from HB 19-1240 which requires certain 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. The effect of this is more pronounced in months when quarterly payments are collected like April and July.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



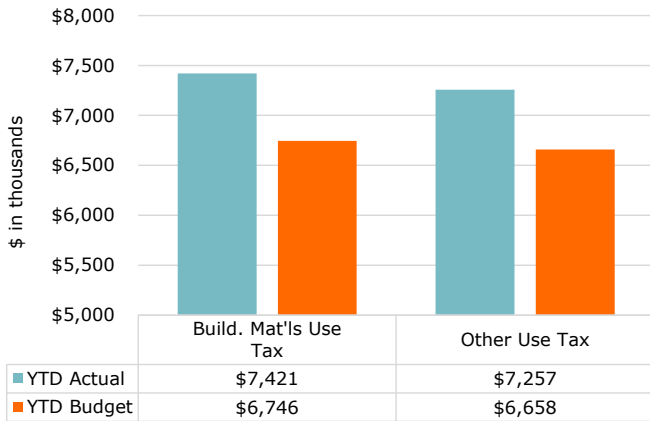
Capital Related Use Tax

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.

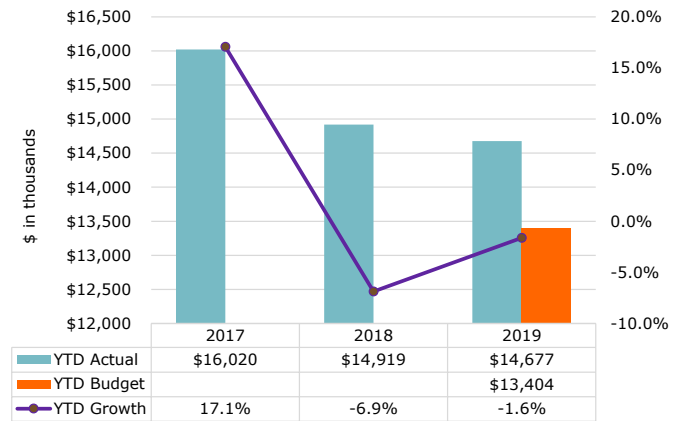
Year-to-date, both BMUT and other use tax collections are ahead of budget plan. Together, capital related use tax

collections are tracking ahead of the monthly budget plan by 9.5%, or \$1.3 million. This equates to an 1.6% 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 July is more moderate than the budget had incorporated.

Capital Related Use Tax Components
\$ in Thousands



Capital Related Use Tax Performance
\$ in Thousands

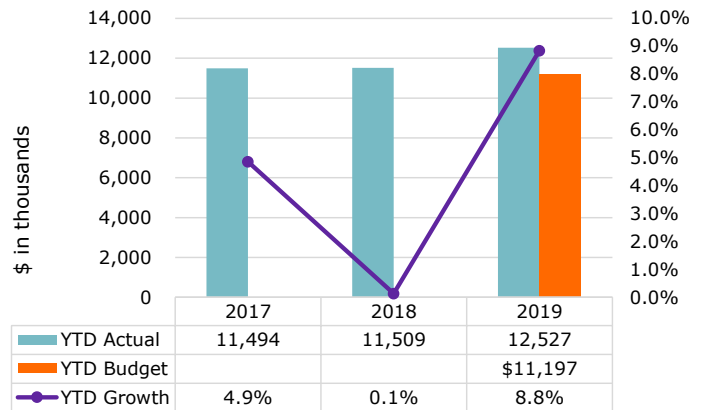


Auto Use Tax

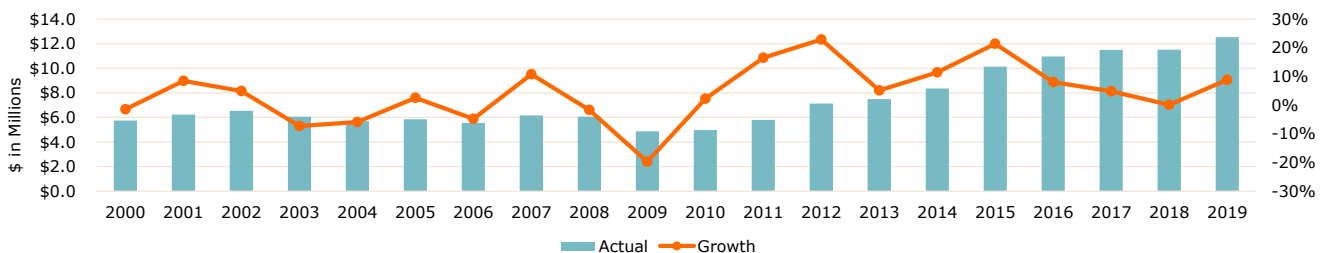
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through July are \$1.3 million (11.9%) more than the budget plan. This equates to an 8.8% increase over 2018 collections through July 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. More than half way through the year collections remain 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



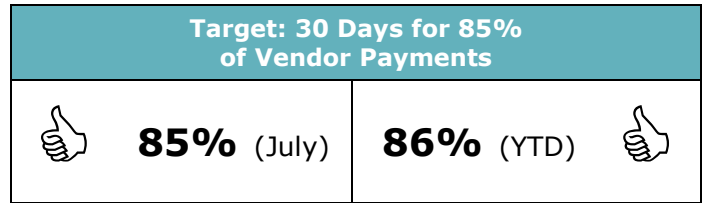
Auto Use Tax Historical Collections - July YTD



Finance Department Indicators (for the month ending 7/31/19)

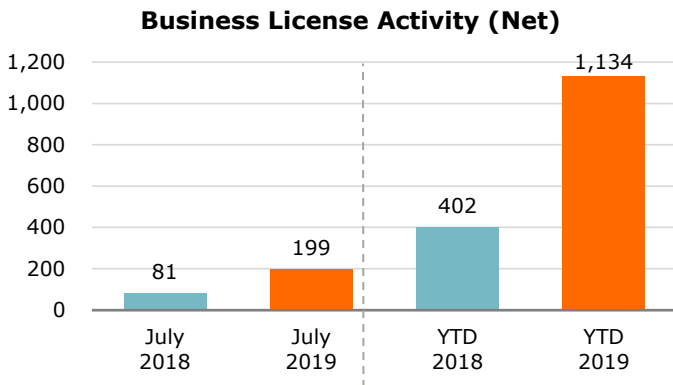
Accounts Payable

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.



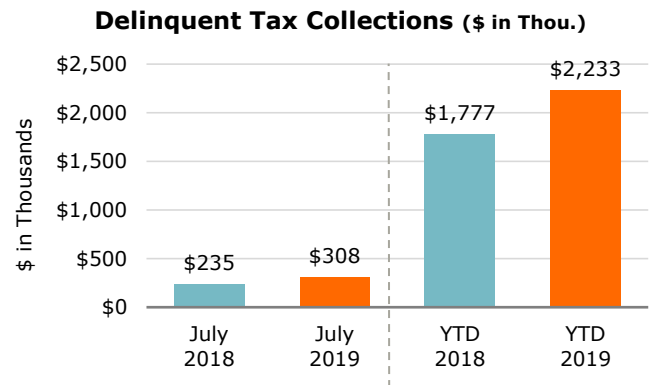
Business Licensing

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 businesses licensing as a result of new rules from the Department of Revenue regarding out of state sales tax collection.



Delinquent Tax Collections

Tax collections are trending higher than recent averages in part due to large collections in April and May. Collections have gone from below-average over the first few months of the year to exceeding prior years as revenue agents become fluent in the new software and begin catching up on delinquent accounts.



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 1.42% for 2017 and 1.83% 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.

	July	2017	2018	2019
Cash & investment portfolio		\$460.9 M	\$509.8 M	\$ 597.2 M
Weighted avg. yield		1.42%	1.83%	2.23%
Duration (months)		20.4	16.3	18.6

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

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