



General Fund Revenue Summary

August 2019

Released October 8, 2019

General Fund Revenue Summary

Local economists expect the Metro economy to continue to grow, yet at a slower pace over the rest of 2019. Alternatively, monthly economic data show sound fundamentals with low unemployment and optimistic consumer confidence.

City of Aurora revenue growth has not yet experienced slowing growth, actually quite the opposite. Staff prepared a mid-year 2019 revenue base projection for the 2020 proposed budget that had included a slowing trend but due to recent

collections, this assumption was revised to delay the slowing trend, resulting in an additional increase to the projection.

In total, the General Fund projection includes \$13.2 million more revenue than the 2019 Adopted Budget had included. Collections of sales tax, audit revenue, and auto use tax drive overall revenue performance. The capital transfer is projected to be \$1.1 million higher resulting in \$12.1 million more in operating revenue.

2019 Base Revenue Projection vs. Budget

Revenue Category	2019 Projection	2019 Budget	Projection (Under)/Over 2019 Budget	
			\$	%
General Sales Tax	\$200,681,220	\$194,392,489	\$6,288,731	3.2%
Capital Related Use Tax	23,619,401	22,805,340	814,061	3.6%
Auto Use Tax	22,113,652	19,672,218	2,441,434	12.4%
Franchise Fees and Taxes	14,720,656	15,115,321	(394,665)	(2.6%)
Lodgers Tax	8,384,984	7,724,512	660,472	8.6%
Audit Revenue	5,013,402	3,557,000	1,456,402	40.9%
General Fund Permits	1,591,066	980,004	611,062	62.4%
All Other Revenue	89,164,694	87,808,382	1,356,312	1.5%
Total Revenue	\$365,289,075	\$352,055,266	\$13,233,809	3.8%
Less Capital Transfer	34,871,190	33,735,981	1,135,209	3.4%
Operating Revenue	\$330,417,885	\$318,319,285	\$12,098,600	3.8%

Monthly Economic Data Year-to-Date August

Unemployment Rate

Metro Area average rate at 2.9%, down 0.1 percentage point from 2018 YTD average

Consumer Confidence Index

Mountain Region average at 135.8, up 4.1% from YTD 2018

Aurora Building Permits

of new dwellings and commercial buildings

1,394 permitted, down 11.1% from 2018

Metro Area Home Sales

YTD sales show an increase of 4.7% compared to 2018

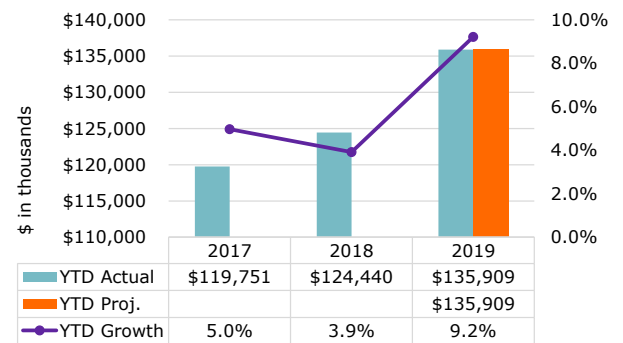
All indicator data is the most current available of as this report's publication date

Sales Tax

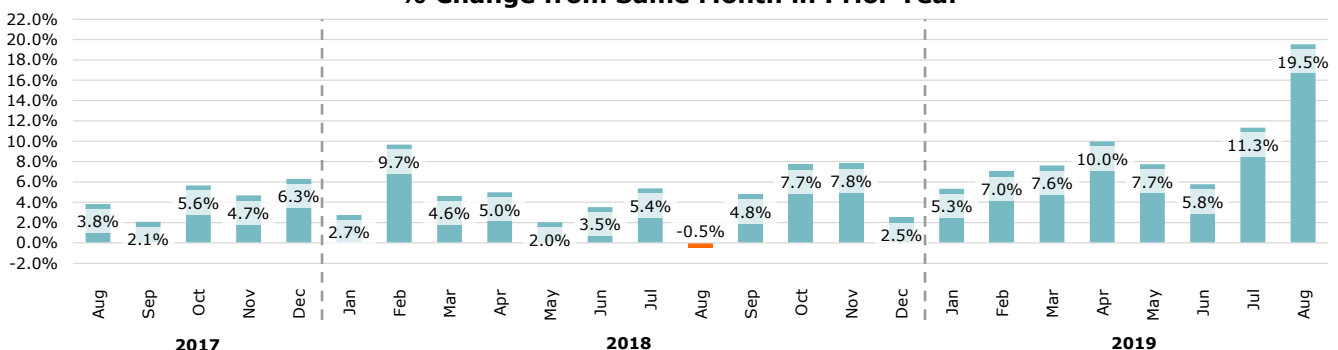
Higher than average sales tax collections in July and August led staff to increase the initial mid-year projection, making expected 2019 sales tax collections \$6.3 million more than the budget had included. When comparing to 2018, year-to-date collections are 9.2% higher as shown by the *Sales Tax Performance* chart while only a 4.0% increase over 2018 is required to achieve the 2019 budgeted amount for sales tax collections.

The chart below shows that monthly collections have been strong throughout the year. Data suggests the recent state regulation requiring out-of-Aurora retailers to collect sales tax based on the location of the buyer has had a positive impact. A more significant impact, particularly in July and August results, has stemmed from development in the city leading to business-to-business sales of IT and telecom solutions, warehouse automation, and large equipment.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



Capital Related Use Tax

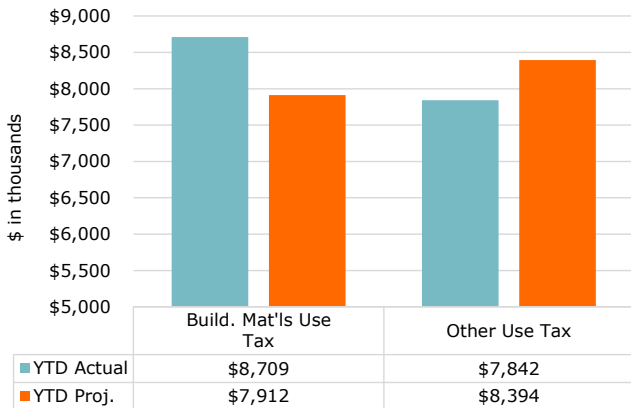
Capital-related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects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

Capital-related use tax collections are tracking ahead of budget which led staff to increase expected collections by \$814,100 for

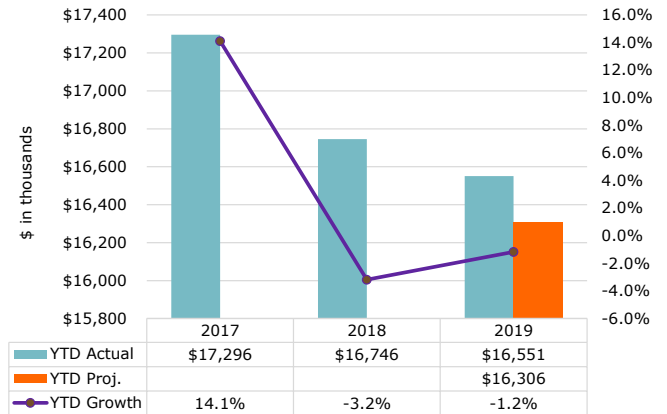
the mid-year projection. Combined, collections through August are tracking closely to projection with BMUT collections ahead of projection and other use tax collections slightly behind.

When comparing to 2018, year-to-date collections are 1.2% less as seen on the *Capital-Related Use Tax Performance* chart below. An inordinately large amount collected in October 2018 will not recur, causing annual collections to fall further behind 2018 resulting in the 17.4% decline included in the full-year projection.

Capital Related Use Tax Components
\$ in Thousands



Capital-Related Use Tax Performance
\$ in Thousands

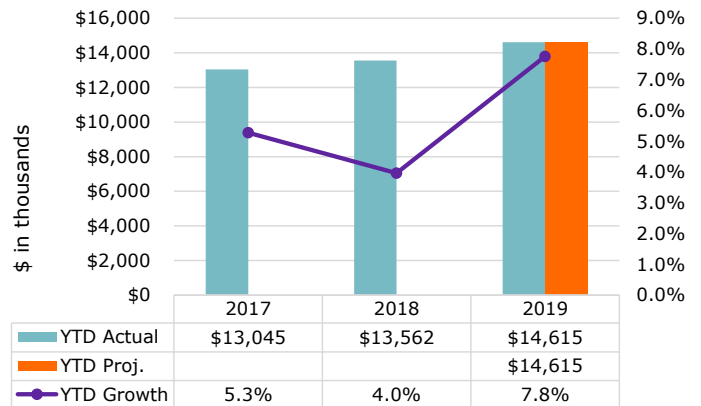


Auto Use Tax

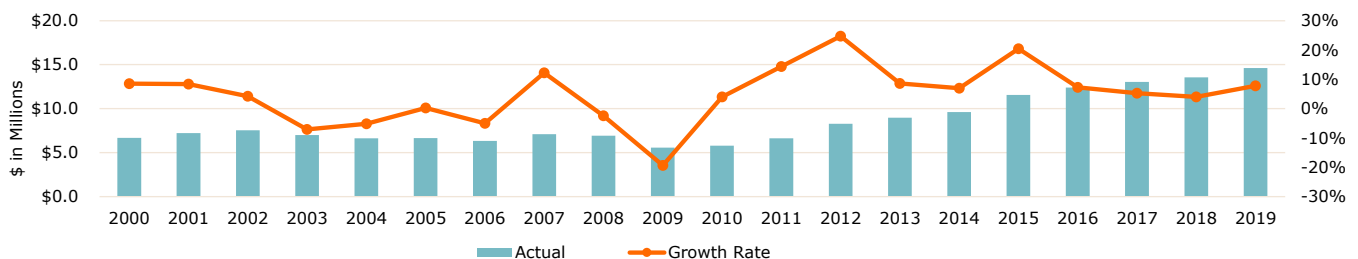
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Aurora's auto use tax collections continue to defy economists' expectation of a decline in auto sales. August year-to-date collections outpace the 2019 budget by nearly \$2 million. This data led staff to increase the initial mid-year projection making expected 2019 auto use tax collections \$2.4 million more than the budget had included. When comparing to 2018 collections, a 4.6% decline would have resulted in the 2019 budgeted amount. Instead, year-to-date collections are 7.8% higher than 2018 as shown by the *Sales Tax Performance* chart.

Auto Use Tax Performance
\$ in Thousands



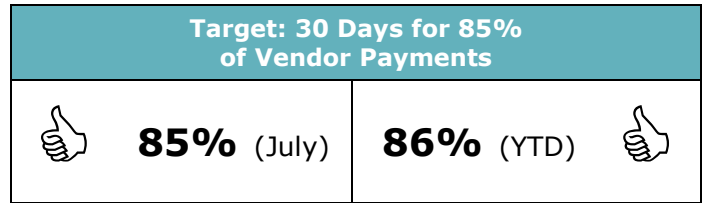
Auto Use Tax Historical Collections - August YTD



Finance Department Indicators (for the month ending 8/30/19)

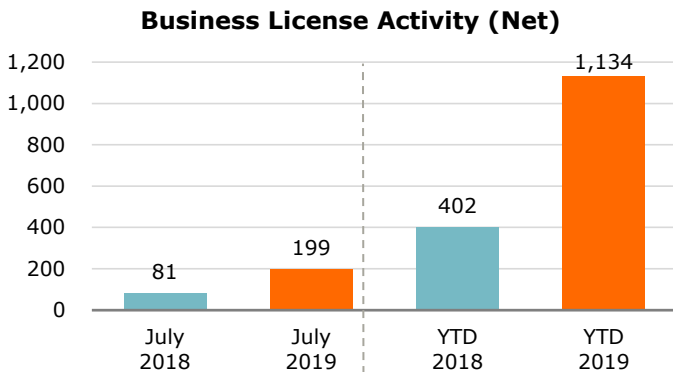
Accounts Payable

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.



Business Licensing

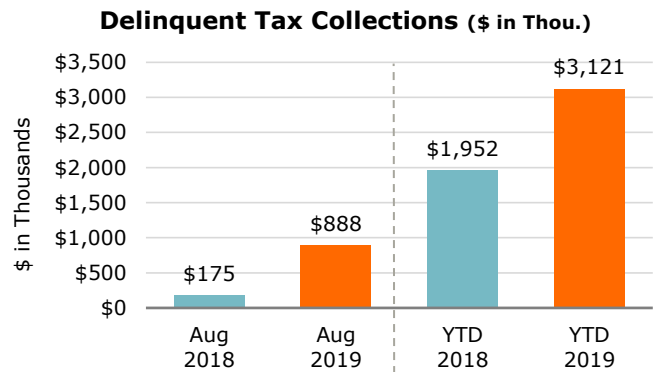
The city continues to see record numbers of new business license applications. This is a result of both heavy proactive compliance efforts to license previously operating businesses as well as businesses licensing as a result of new rules from the Department of Revenue regarding out of state sales tax collection.



August data not currently available due to system conversion

Delinquent Tax Collections

August was a record month for delinquent tax collections due to two collections from large retailers that had missed previous filings and payments. April and May also included large collections. Collections have gone from below-average over the first few months of the year to exceeding prior years as revenue agents have become fluent in the new software and are 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 1.46% for 2017 and 1.92% 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.

August	2017	2018	2019
Cash & Investment Portfolio	\$458.7 M	\$537.8 M	\$ 609.1 M
Weighted avg. yield	1.46%	1.92%	2.23%
Duration (months)	20.4	17.0	18.2

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	ACL
Police Internal Lease	\$0.36 M	9/18	2.50%	6.5	ACL

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