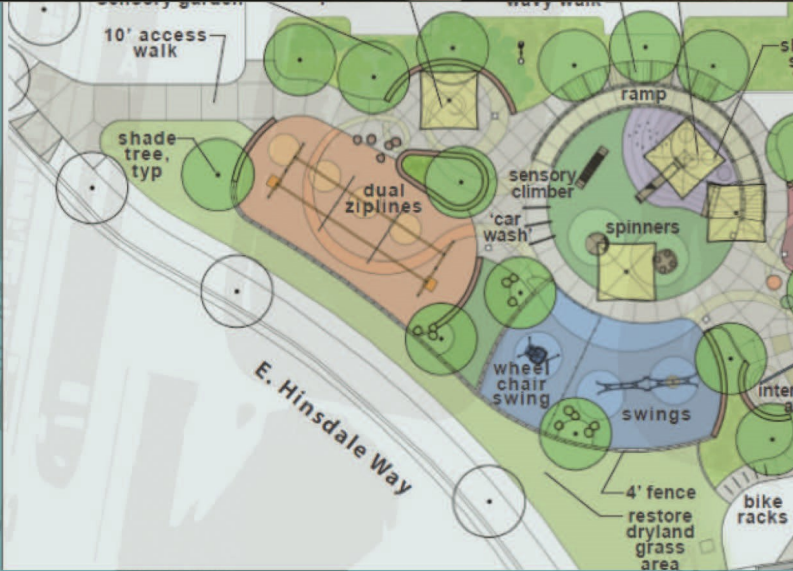




General Fund Revenue Summary



August 2020

Released September 25, 2020

General Fund Revenue Summary

In early 2020, the United States was still enjoying the longest period of economic growth in post-World War II history. At the end of February, General Fund revenues were tracking 7.4% above the adopted 2020 budget. Then the COVID-19 pandemic struck in March and the country entered into recession.

City of Aurora revenues declined significantly as a result of the pandemic-induced recession, reaching a low point in May. Staff prepared a mid-year 2020 revenue projection for the 2021 proposed

budget that reflected the new reality of the pandemic and the various ways it was impacting city revenues.

In total, the General Fund projection includes \$21.1 (5.6%) million less in revenue than the 2020 Adopted Budget had included. Collections of sales tax, lodger's tax, fines & forfeitures, and external charges for service suffered the largest reductions. The capital transfer is projected to be \$0.7 million lower, resulting in \$20.3 million less in operating revenue.

2020 Base Revenue Projection vs. Budget

Revenue Category	2020 Projection	2020 Budget	Projection (Under)/ Over 2020 Budget	
			\$	%
General Sales Tax	\$191,750,830	\$208,377,583	(\$16,626,753)	(8.0%)
Property Tax	45,330,207	41,930,207	3,400,000	8.1%
Franchise Fees and Taxes	13,921,497	15,021,497	(1,100,000)	(7.3%)
External Charges for Service	4,441,224	6,658,507	(2,217,283)	(33.3%)
Lodger's Tax	3,446,939	8,489,796	(5,042,857)	(59.4%)
Miscellaneous Income	3,864,753	1,364,753	2,500,000	183.2%
Fines & Forfeitures	2,535,347	5,070,694	(2,535,347)	(50.0%)
All Other Revenue	90,986,729	90,453,220	533,509	0.6%
Total Revenue	\$356,277,526	\$377,366,257	(\$21,088,731)	(5.6%)
Less Capital Transfer	36,344,933	37,088,013	(743,080)	(2.0%)
Operating Revenue	\$319,932,593	\$340,278,244	(\$20,345,651)	(6.0%)

Monthly Economic Data Year-to-Date August

▲ Unemployment Rate

Metro area average YTD rate (Jul) at 7.3%, up 4.5 percentage points from 2019

▼ Consumer Confidence Index

Mountain Region average YTD (Aug) at 105.8, down 22.0% from 2019

▼ Aurora Building Permits

of new dwelling Units and commercial buildings

1,842 permitted YTD (Aug), down 25.5% from 2019

▼ Metro Area Home Sales

YTD (Jul) sales show a decrease of 10.5% compared to 2019

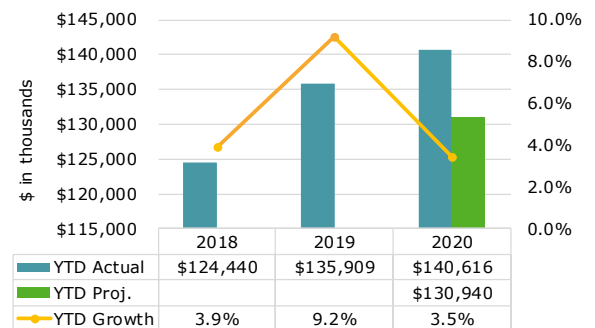
All indicator data is the most current available of as this report's publication date

Sales Tax

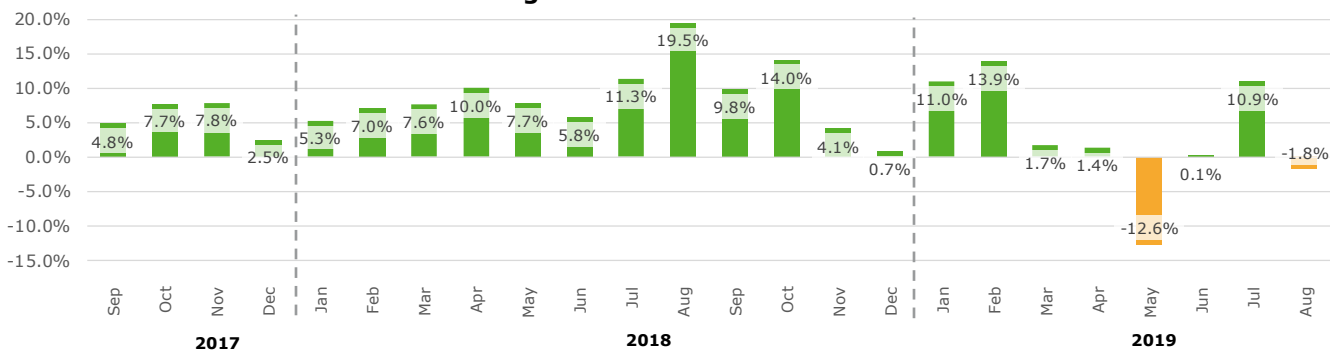
Reflecting the pandemic-induced recession, staff reduced the mid-year sales tax projection by \$16.6 million (8.0%) compared to the adopted 2020 budget. However, reflecting a faster economic recovery than projected, recent sales tax collections have been unexpectedly strong. Defying the projected decline in sales tax, YTD collections are now \$4.7 million (3.5%) higher than 2019.

The chart below shows that monthly collections increased early in the year and then fell sharply in May. Sales tax collections have quickly recovered, aided by inconsistent and one-time variable sales tax payments. There is considerable uncertainty looking forward. The shape of the economic recovery is unclear and may slow as stimulus payments end and unemployment remains high. Further, economic recovery may be affected by potential additional federal responses as well as the speed and efficacy of developing COVID-19 therapies. Finally, there is uncertainty related to whether strong one-time variable payments will continue to be received over coming months.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



Capital-Related Use Tax

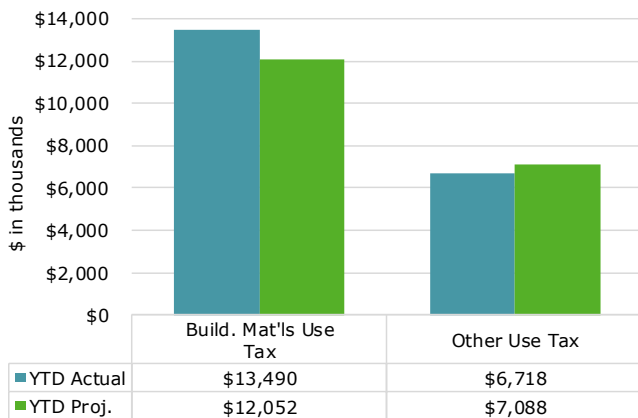
Capital-related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects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

The mid-year projection for capital-related use tax was set slightly above the budget. Year-to-date BMUT collections are ahead of projection while other use tax is behind. Together,

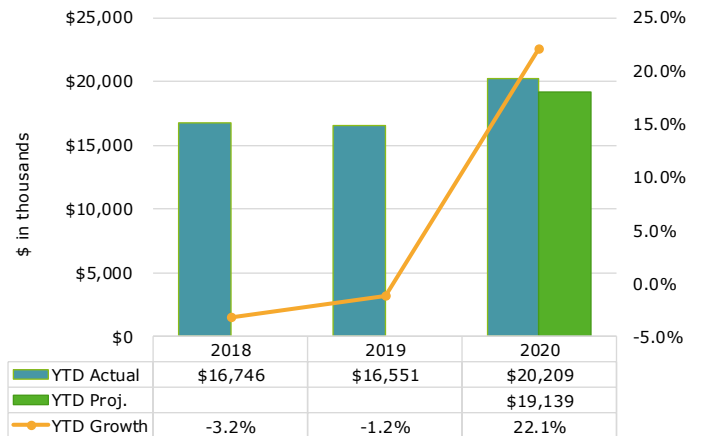
capital-related use tax collections are tracking ahead of the monthly projection plan by \$1.1 million (5.6%).

YTD revenues have increased 22.1% when comparing to the prior year as seen on the Capital-Related Use Tax Performance chart below. This positive performance has benefited from several large BMUT payments associated with the construction of large industrial and warehouse facilities in the northern part of the city, near the Denver International Airport.

Capital-Related Use Tax Components



Capital-Related Use Tax Performance



Other Sources of General Fund Revenue

As shown in the Revenue by Category table below, year-to-date General Fund Operating Revenues through August are \$10.1 million ahead of the mid-year revenue projection. The vast majority of the overage is explained by general sales tax and capital-related use tax collections as discussed in other sections of this monthly revenue summary.

Another source of revenue where collections exceeded the mid-year projection is audit revenue. YTD audit revenues are currently \$391,100 (11.2%) over the 2020 projection. YTD audit revenues have benefited from several large audits completed this year, including a \$638,300 audit completed in late August. Due to the late timing of this large recovery, this information was not included in the preparation of the mid-year projection. However, given the pattern of audit revenues significantly exceeding projection in each of the last several years (a pattern which now appears assured to repeat in 2020) the 2021 proposed budget included a \$400,000 (10.0%) increase in base audit revenues.

Lodger's tax has been one of the hardest hit sources of General Fund revenue during the pandemic-induced recession. Collections of lodger's tax are down \$2.6 million (46.1%) on a year-to-date basis compared to 2019. As a result, staff lowered the mid-year projection for lodger's by \$5.0 million (59.4%). Through August, actual lodger's tax revenue is tracking \$182,400 (6.5%) above this mid-year projection.

Outside of a few revenue streams discussed in this monthly revenue summary, we remain on track to hit our mid-year projection for most revenue streams. As can be seen in the table below, actual collections for All Other Sources is within \$215,000 (0.2%) of the mid-year projection. All Other Sources includes over a dozen other revenue streams and includes significant sources of revenue such as property tax, auto use tax, and franchise tax.



Revenue by Category - Aug. YTD (\$ in Thou.)

Revenue Category (\$ in thousands)	2020 YTD Actuals	Actuals (Under)/ Over 2020 Proj	
		\$	%
General Sales Tax	\$140,616.2	\$9,676.5	7.4%
Capital-Related Use Tax	\$20,208.8	\$1,069.5	5.6%
Audit Revenue	\$3,892.2	\$391.1	11.2%
Lodger's Tax	\$2,991.7	\$182.4	6.5%
All Other Sources	\$94,835.34	\$215.0	0.2%
Total Sources	\$262,544.3	\$11,534.5	4.6%
Less Capital Transfer	\$28,167.2	\$1,420.6	5.3%
Operating Revenue	\$234,377.0	\$10,113.9	4.5%

Finance Department Indicators (for the month ending 8/31/20)

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		
	84% (Aug)	85% (YTD) 

Investments

In light of budgetary uncertainty stemming from COVID-19, the city adopted a more defensive investing strategy focused on increased liquidity. This strategy, along with historically low interest rates, has resulted in a declining average yield. In August, the weighted average yield was 1.79%, which is down from 1.92% in 2018 and 2.23% in 2019.

The portfolio balance has increased slightly during the pandemic due to steady water revenues, recovering sales tax receipts, and expenditure reduction efforts.

	July	2018	2019	2020
Cash & Investment Portfolio		\$537.8 M	\$609.1	\$620.7 M
Weighted avg. yield		1.92%	2.23%	1.79%
Duration (months)		17.0	18.2	20.0

Financing Transactions Over Previous 12 Months

In the course of the AMC refinancing the city's credit rating was upgraded to Aaa, the highest possible.

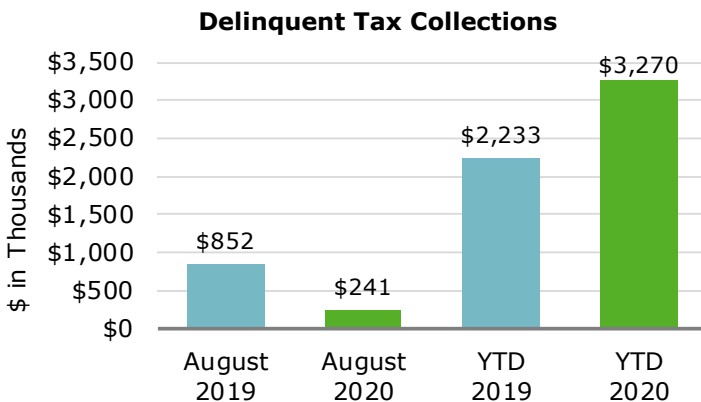
Pending transactions include Southeast Rec Center (\$30 million) and 2020 Fleet (\$4 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
2019 Fleet	\$3.9 M	19-Dec	1.97%	6.3	JPM
AMC Refinancing COPs	\$62.9 M	19-Oct	1.84%	11	Stifel
Water Prepayment*	\$-45.0 M	19-Sep	26.3% NPV	n/a	n/a

*Voluntary Prepayment of Series 2016 Step Coupon Bonds

Delinquent Tax Collections

Delinquent collections in August were \$240,800. To put this numbers in perspective, collections averaged about \$286,600 per month in the 2018-2019 time period. In this regard, August delinquent tax collections were slightly below average. Looking more broadly at year-to-date collections in 2020, however, delinquent tax collections are up \$1.0 million (46.4%) over 2019. Strong year-to-date collections have benefited from several large collections received this year.



City of Aurora

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