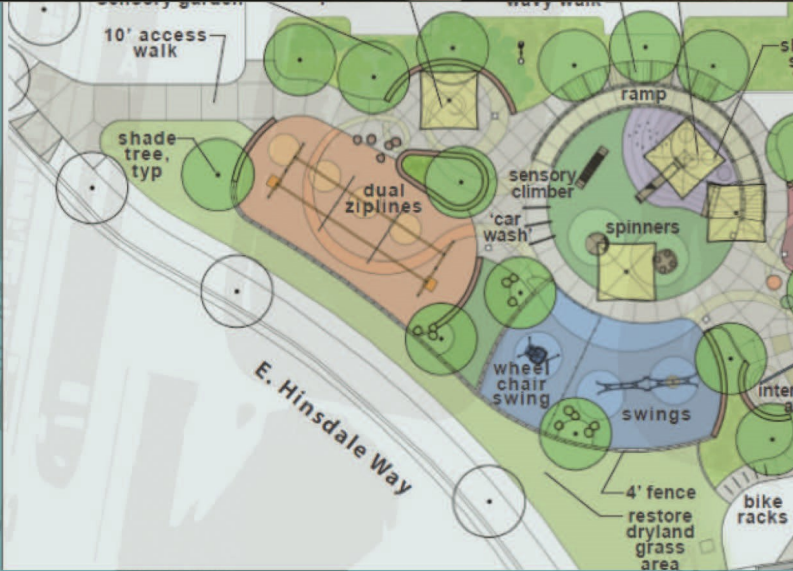




General Fund Revenue Summary



October 2020
Released November 30, 2020

General Fund Revenue Summary

City of Aurora revenues declined significantly in the second quarter as a result of the pandemic-induced recession. As a result, staff's mid-year projection lowered General Fund revenues in 2020 by \$22.1 million (5.9%).

Economic activity recovered faster than projected in the third quarter, resulting in General Fund revenues significantly exceeding the lowered projection. This trend carried into October when General Fund revenues exceeded the projection by \$6.5 million. Year-to-date, General

Fund operating revenues exceed the projection by \$20.1 million (7.5%).

Significant reductions in the mid-year revenue projection and a stronger-than-expected economic recovery have led to most revenue streams exceeding expectations. About 70 percent of the over-performance in year-to-date General Fund sources has been in sales tax collections. Capital related use tax, auto use tax, and audit revenue also contributed to the over-performance in General Fund sources.

2020 Base Revenue Projection vs. Budget

Revenue Category (\$ in thousands)	2020 YTD Actuals	Actuals (Under)/ Over 2019		Actuals (Under)/ Over 2020 Proj	
		\$	%	\$	%
General Sales Tax	\$178,738.4	\$5,776.8	3.3%	\$15,653.6	9.6%
Capital-Related Use Tax	24,448.4	2,834.3	13.1%	1,690.5	7.4%
Auto Use Tax	17,576.7	(933.4)	(5.0%)	1,138.9	6.9%
Audit Revenue	5,454.3	(72.6)	(1.3%)	1,753.1	47.4%
Lodger's Tax	3,726.6	(3,457.9)	(48.1%)	548.0	17.2%
Specific Ownership Tax	2,608.0	291.5	12.6%	296.9	12.8%
Construction Permits	1,733.8	180.7	11.6%	338.6	24.3%
All Other Sources	88,465.6	2,558.4	3.0%	1,046.5	1.2%
Total Sources	\$322,751.7	\$7,177.8	2.3%	\$22,466.0	7.5%
Less Capital Transfer	34,179.9	2,767.6	8.8%	2,326.3	7.3%
Operating Revenue	\$288,571.8	\$4,410.2	1.6%	\$20,139.8	7.5%

Monthly Economic Data Year-to-Date

▲ Unemployment Rate

Metro area average YTD rate (Sep) at 7.2%, up 4.4 percentage points from 2019

▼ Consumer Confidence Index

Mountain Region average YTD (Oct) at 105.5, down 22.1% from 2019

▼ Aurora Building Permits

47 commercial projects permitted YTD (Oct), down 6.0% from 2019. 2,319 residential projects permitted YTD (Oct), down 30.5% from 2019.

▼ Metro Area Home Sales

YTD (Sep) sales show a decrease of 4.2% compared to 2019

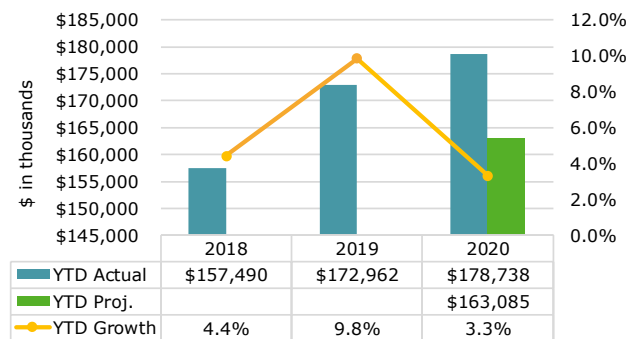
All indicator data is the most current available of as this report's publication date

Sales Tax

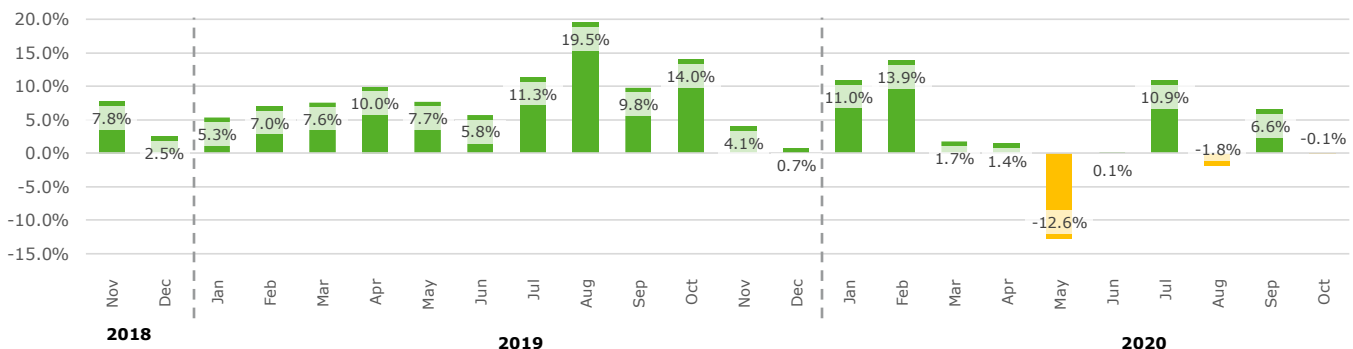
Staff reduced the mid-year sales tax projection by \$15.6 million (7.5%) compared to the adopted 2020 budget. A stronger-than-anticipated economic recovery occurred in the third quarter, aided by pent-up demand and an unprecedented level of federal stimulus. As a result, recent sales tax collections have been unexpectedly strong. YTD sales tax collections are now \$15.7 million (9.6%) higher than projection and \$5.8 million (3.3%) higher than 2019.

The chart below shows that monthly collections started to recover in July, although the recovery has not been consistent across all business sectors. One-time variable sales tax payments have driven increased collections on a YTD basis and helped drive strong July collections. Conversely, variable sales tax payments in October lagged behind 2019 levels, resulting in October sales tax collections being 0.1% lower than last year despite moderate growth from consistent taxpayers.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



Capital-Related Use Tax

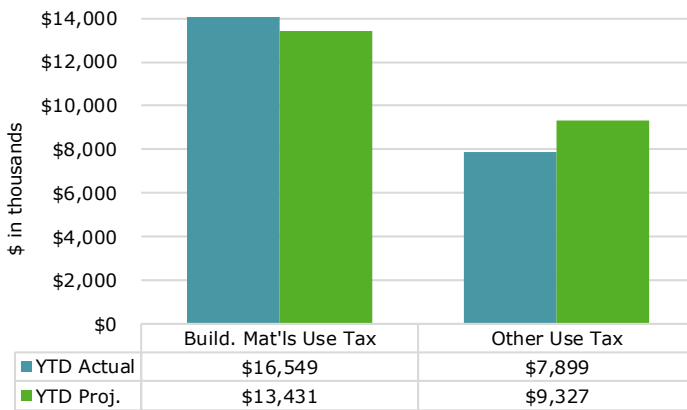
Capital-related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects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

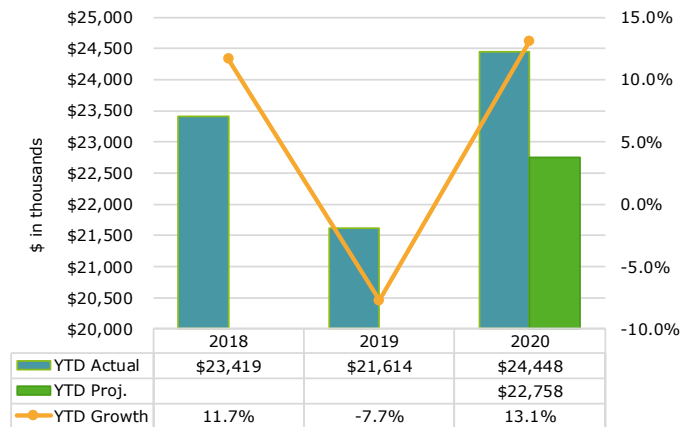
capital-related use tax collections are tracking ahead of the monthly projection plan by \$1.7 million (7.4%).

Despite the pandemic and the associated economic recession, construction activity in Aurora remains strong. As seen on the Capital-Related Use Tax Performance chart below, YTD revenues have increased 13.1% when comparing to the prior year. 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

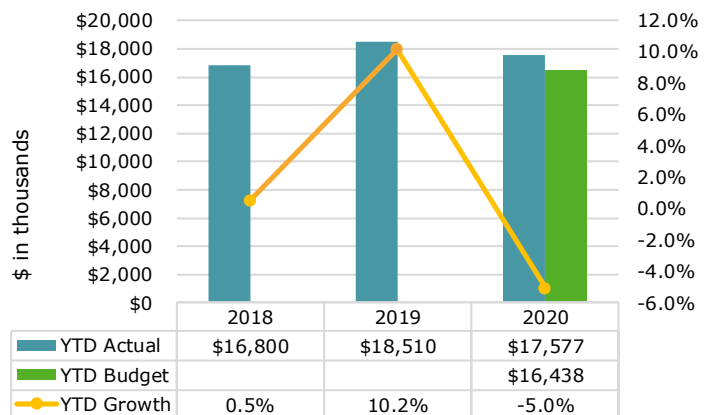


Auto Use Tax

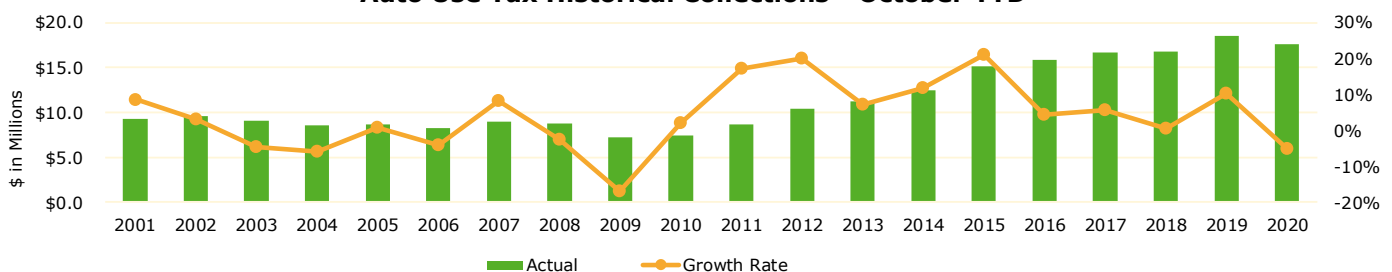
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

The 2020 adopted budget assumed a \$2.2 million decline in auto use taxes in 2020. After experiencing low collections in May and June, staff lowered the mid-year projection for auto use tax by an additional \$262,900. A combination of pent up demand, federal stimulus, low interest rates, and dealer incentives have driven growing consumer demand for vehicles in recent months. In October Aurora collected \$2.5 million in auto use taxes, representing the single largest month of collections in the city's history. After this record month, Aurora is \$1.1 million (6.9%) above the projection on a YTD basis. Despite the improving performance, YTD collections are still 5.0% below 2019 levels.

Auto Use Tax Performance





Auto Use Tax Historical Collections - October YTD



Finance Department Indicators (for the month ending 10/31/20)

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. Staffing issues in PROS, changes in the electronic systems and processes used to process invoices in Risk, and temporary delays while resolving administrative issues with a specific vendor of police equipment were all drivers behind the October results. The departments are making process adjustments to provide for more timely processing of accounts payable going forward.

Target: 30 Days for 85% of Vendor Payments	
 76% (Oct)	83% (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 October, the weighted average yield was 1.70%, which is down from 1.99% in 2018 and 2.21% in 2019.

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

October	2018	2019	2020
Cash & Investment Portfolio	\$570.3 M	\$599.0 M	\$608.5 M
Weighted avg. yield	1.99%	2.21%	1.70%
Duration (months)	15.4	20.5	20.4

Financing Transactions Over Previous 12 Months

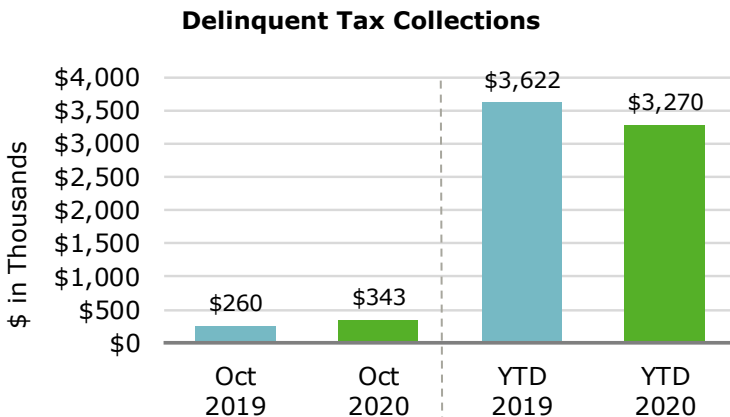
In the course of the AMC refinancing the city's credit rating was upgraded to Aaa, the highest possible.

Future transactions include Heavy Fleet (\$4 million) and Aurora Water maintenance facility (SEAM; \$120 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
2019 Fleet	\$3.9 M	19-Dec	1.97%	6.3	JPM
Southeast Rec Center	\$37.5M	20-Oct	2.39%	25.0	RBC

Delinquent Tax Collections

Delinquent collections in October were \$342,800, nearly 20% higher than recent monthly averages. Looking more broadly at year-to-date collections in 2020, delinquent tax collections are down \$351,600 (9.7%) over 2019. However, year-to-date collections through October are already higher than the full-year collection from both 2017 and 2018. As such, current year collections are seen as roughly in line with expectations despite performing below 2019 levels.



City of Aurora

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