



General Fund Revenue Summary

May 2021

Released July 9, 2021

General Fund Revenue Summary

Amid falling COVID-19 infection rates and reduced pandemic-related restrictions, consumer spending has increased significantly in recent months and is a major factor driving the continuing economic recovery. Despite this, the Metro Area unemployment rate has shown only incremental improvement, falling from 6.9 percent in January to 6.3 percent in April (and standing at 6.6% year-to-date). Concerns about inflation, labor shortages, and supply chain disruptions create some concern about the economic recovery moving forward.

General Fund operating revenue through May, summarized below, is ahead of the budget plan by \$23.9 million (17.4%). This equates to a 13.5% increase over 2020. Given strong consumer spending, it is not surprising that collections of sales and use tax are the primary drivers of this 2021 performance. Audit recoveries have also added to the positive performance of General Fund operating revenue. Capital-related use tax is transferred to the Capital Projects Fund and is excluded from General Fund operating revenue.

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

| Revenue Category (\$ in thousands) | 2021 YTD Actuals | Actuals (Under)/ Over 2020 | | Actuals (Under)/ Over 2021 Budget | |
|---------------------------------------|--------------------|-------------------------------|--------------|--------------------------------------|--------------|
| | | \$ | % | \$ | % |
| General Sales Tax | \$99,348.2 | \$13,351.9 | 15.5% | \$19,364.6 | 24.2% |
| Capital-Related Use Tax | 14,989.8 | 3,653.5 | 32.2% | \$5,112.6 | 51.8% |
| Auto Use Tax | 10,515.1 | 2,185.3 | 26.2% | \$2,071.8 | 24.5% |
| Audit Revenue | 6,399.0 | 4,632.8 | 262.3% | \$4,402.7 | 220.5% |
| Franchise Fees and Taxes | 4,929.7 | 514.8 | 11.7% | \$402.3 | 8.9% |
| External Charges | 1,897.4 | 299.6 | 18.8% | (\$1,252.0) | (39.8%) |
| Lodger's Tax | 1,826.8 | (204.5) | (10.1%) | (\$449.6) | (19.7%) |
| All Other Sources | 41,753.1 | (1,031.5) | (2.4%) | (\$11.4) | 0.0% |
| Total Sources | \$181,659.1 | \$23,401.9 | 14.8% | \$29,640.9 | 19.5% |
| Less Capital Transfer | 20,341.2 | 4,158.9 | 25.7% | 5,698.6 | 38.9% |
| Operating Revenue | \$161,317.9 | \$19,243.0 | 13.5% | \$23,942.4 | 17.4% |

Monthly Economic Data Year-to-Date

▲ Unemployment Rate

Metro area average YTD rate (Apr) at 6.6%, up 1.1 percentage points from 2020.

▼ Consumer Confidence Index

Mountain Region average YTD (May) at 112.2, down 3.9% from 2020.

▲ Aurora Building Permits

23 commercial projects permitted YTD (May), up 9.5% from 2020. 1,460 residential projects permitted YTD (May), up 42.7% from 2020.

▼ Hotel Occupancy

YTD (Apr) hotel occupancy at 43.4%, down 3.6 percentage points compared to 2020.

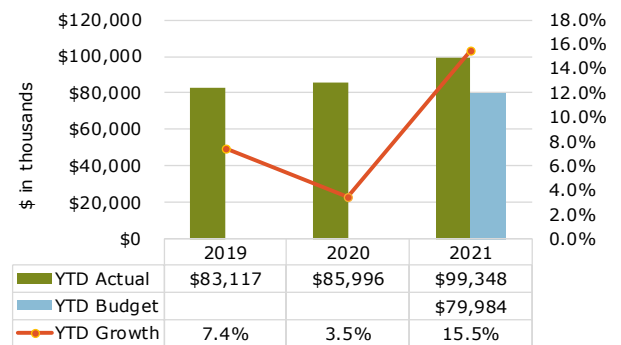
All indicator data are the most current available of as this report's publication date

Sales Tax

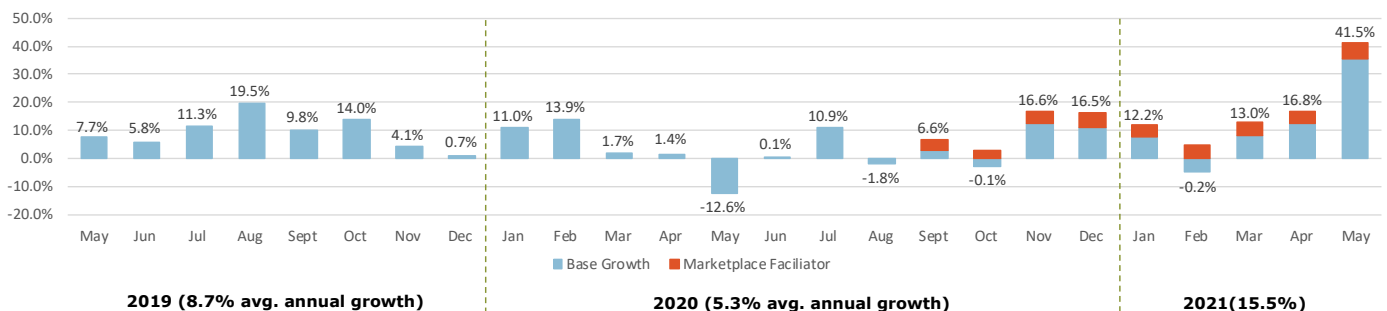
Sales tax collections through May are \$19.4 million (24.2%) ahead of the budget plan. May 2021 sales tax collections were \$5.6 million (41.5%) higher than May 2020. Sales tax collections in May 2020 were notably weak and reflected April 2020 business activity, when non-essential businesses were closed and residents were sheltering at home. Perhaps of more meaning, May 2021 sales tax collections are 23.6% higher than May 2019, showing that current collections are considerably higher than before the pandemic.

The Sales Tax Performance chart shows that collections in 2021 have grown a robust 15.5% YTD compared to 2020. An important factor behind that growth is implementation of the new Marketplace Facilitator ordinance. Aurora has now collected \$4.1 million YTD related to the ordinance, accounting for 30.6% of the YTD growth in sales tax collections. If this new revenue were removed, YTD growth in sales tax collections in 2021 would still be 10.8%.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



External Charges for Service

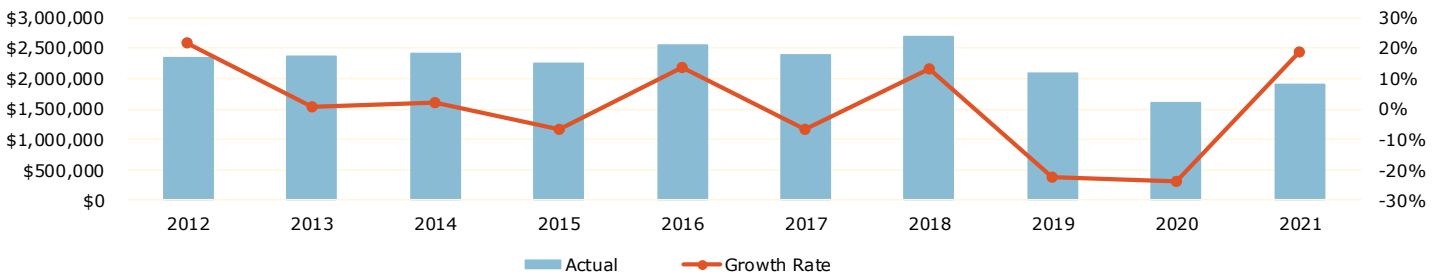
External charges for service are service fees charged to entities external to the city. Most departments charge fees of some kind. This source of General Fund revenue includes court fees, contractual reimbursements for ambulance transport services, facility rental charges, library fees, admission fees at Aurora's two reservoirs, and housing reinspection fees.

The 2021 Adopted Budget assumes that the City of Aurora will receive \$7.7 million in external charges for service in 2021. This amount includes \$1.2 million to be collected by the Fire Department through three new fees. Aurora has collected \$1.9 million in external charges year-to-date. Although this amount is \$299,600 (18.8%) higher than what was collected in the first five months of 2021, it is also \$1.3 million (39.8%) below the budget plan. A major factor behind the under-performance of this revenue stream is that the Fire Department has not yet

implemented any of its new fees. While the first inspection fee for fire code inspections and the scene mitigation fee for traffic accidents will be implemented later this year, the Fire Department no longer plans to implement the third, the treat no transport fee included in the budget plan.

As seen in the 10 Year History of Revenue from External Charges for Service chart below, revenue from external charges dropped during the pandemic and still has not fully recovered. The \$1.9 million in external charges collected year-to-date is less than the YTD collections in each year from 2011 to 2019. Year-to-date collections of housing reinspection fees, court fees, and ambulance reimbursements have all contributed to this 2021 under-performance. YTD revenue from external charges in 2019 was misleadingly low and reflect a timing issue in the collection of reimbursements for ambulance services.

10 Year History of External Charges for Service Revenue



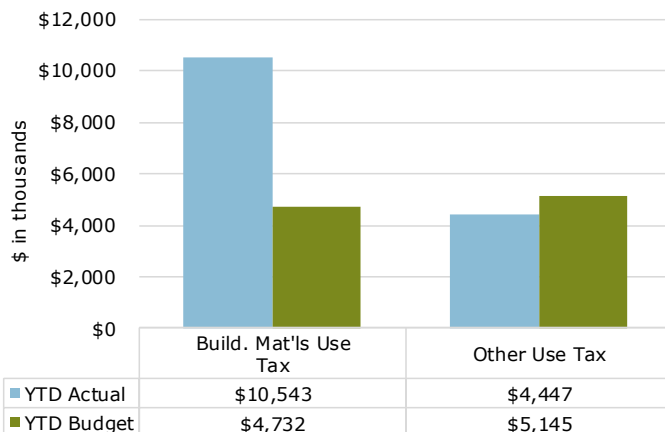
Capital-Related Use Tax

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.

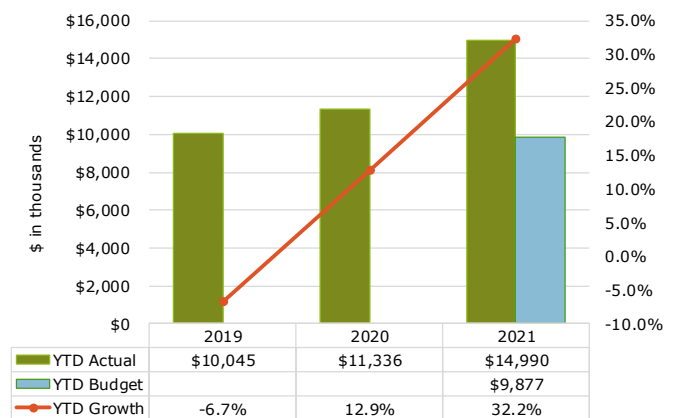
Year-to-date (YTD) BMUT collections are significantly ahead of projection while other use tax is slightly behind. Together, capital-related use tax collections are tracking ahead of the monthly projection plan by \$5.1 million (51.8%).

As seen on the Capital-Related Use Tax Performance chart below, YTD revenues have increased \$3.7 million (32.2%) when comparing to the prior year. This performance is mostly attributable to several large one-time BMUT payments received in January and February. These large BMUT payments relate to the construction of a large storage facility near Denver International Airport and two large multi-family residential projects near Stanley Marketplace.

Capital-Related Use Tax Components





Capital-Related Use Tax Performance



Finance Department Indicators (for the month ending 5/31/21)

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. In May, staffing vacancies and a delay in approving a purchase order led to a backlog of invoices in the Police Department, resulting in only 82% of vendor payments being made in a timely basis. Given the one-time nature of the problem, the Police Department anticipates making more timely payments going forward.

| Target: 30 Days for 85% | | | |
|-----------------------------------------------------------------------------------|------------------|------------------|-------------------------------------------------------------------------------------|
|  | 82% (May) | 84% (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 May, the weighted average yield was 1.12%, which is down from 1.92% in 2019 and 2.21% in 2020.

The portfolio balance has increased over recent months due to steady water revenues and strong growth in General Fund revenues.

| May | 2019 | 2020 | 2021 |
|-----------------------------|-----------|-----------|-----------|
| Cash & Investment Portfolio | \$598.0 M | \$608.3 M | \$714.6 M |
| Weighted avg. yield | 2.21% | 1.92% | 1.12% |
| Duration (months) | 16.8 | 18.2 | 21.0 |

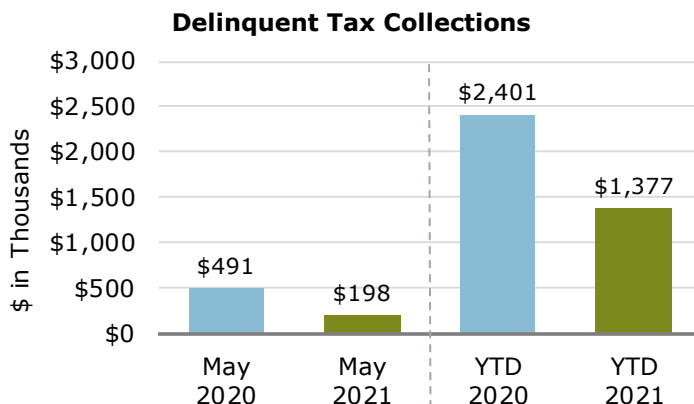
Financing Transactions Over Previous 12 Months

Future financing transactions include Heavy Fleet (\$10 million) and Aurora Water Series 2016 Refinance (\$250 million).

| Purpose | Amount | Closed | Rate | Term (yrs.) | Lender/ Banker |
|----------------------------|----------|--------|-------|-------------|----------------|
| SEAM Facility (Water) | \$120.5M | 21-May | 2.36% | 30.0 | Morgan Stanley |
| SEAM Facility (Wastewater) | \$60.3M | 21-May | 2.66% | 30.0 | Morgan Stanley |
| Southeast Rec Center | \$37.5M | 20-Oct | 2.39% | 25.0 | RBC |

Delinquent Tax Collections

Delinquent tax collections in May were \$198,300. Delinquent tax collections this year have generally trailed behind collections in 2020. As the economy improves, less taxpayers are delinquent, reducing potential collections. Despite trailing 2020 collections, the current year performance meet expectations with 2021 collections roughly in line with average monthly collections in 2018 and 2019.



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