



General Fund Revenue Summary

August 2021

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General Fund Revenue Summary

After a very brief recession in 2020, the United States has now recovered its pre-pandemic level of economic output. Fueled by strong consumer spending, the economy experienced robust growth in the first half of 2021. Despite this, Metro Area employment has not returned to pre-pandemic levels and the unemployment rate stands at 6.4% year-to-date.

City of Aurora revenues have recovered from the recession more quickly than anticipated. At the end of July, General Fund revenues were tracking significantly above the budget plan, with collections of

sales and use tax responsible for 84.8% of the over-performance. Staff prepared a mid-year 2021 revenue projection for the 2022 proposed budget that reflected these trends.

The General Fund projection includes \$47.7 million more in revenue than included in the 2021 Adopted Budget. Collections of sales tax, capital-related use tax, audit recoveries, property tax, and auto use tax drove the increase. Interestingly, outside of these five sources, the net of all other revenue streams is projected to decline slightly.

2021 Base Revenue Projection vs. Budget

Revenue Category	2021 Projection	2021 Budget	Projection (Under)/ Over 2021 Budget	
			\$	%
General Sales Tax	\$227,237,131	\$193,981,756	\$33,255,375	17.1%
Property Tax	43,811,941	40,782,997	3,028,944	7.4%
Capital-Related Use Tax	31,313,785	23,443,525	7,870,260	33.6%
Auto Use Tax	23,524,814	21,453,024	2,071,790	9.7%
Franchise Fees and Taxes	15,027,588	14,330,099	697,489	4.9%
Audit Revenue	8,370,982	4,791,222	3,579,760	74.7%
External Charges for Service	5,866,317	7,687,592	(1,821,275)	(23.7%)
All Other Revenue	52,677,800	53,629,902	(952,102)	(1.8%)
Total Revenue	\$407,830,358	\$360,100,117	\$47,730,241	13.3%
Less Capital Transfer	43,451,310	34,597,742	8,853,568	25.6%
Operating Revenue	\$364,379,048	\$325,502,375	\$38,876,673	11.9%

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro area average YTD rate (Jul) at 6.4%, down 1.3 percentage points from 2020.

▲ Consumer Confidence Index

Mountain Region average YTD (Aug) at 114.0, up 7.6% from 2020.

▲ Aurora Building Permits

41 commercial projects permitted YTD (Aug), down 2.4% from 2020. 2,043 residential projects permitted YTD (Aug), up 13.5% from 2020.

▲ Hotel Occupancy

YTD (Jul) hotel occupancy at 54.8%, up 12.6 percentage points compared to 2020.

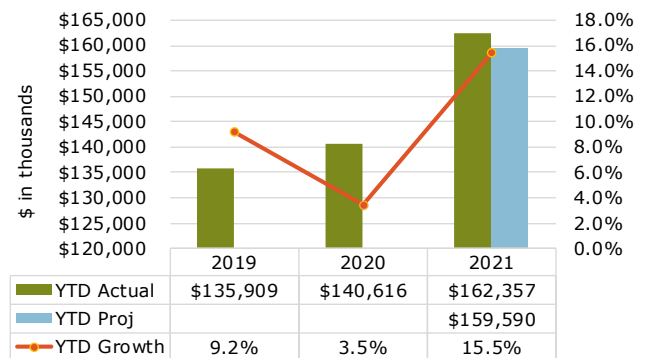
All indicator data are the most current available of as this report's publication date

Sales Tax

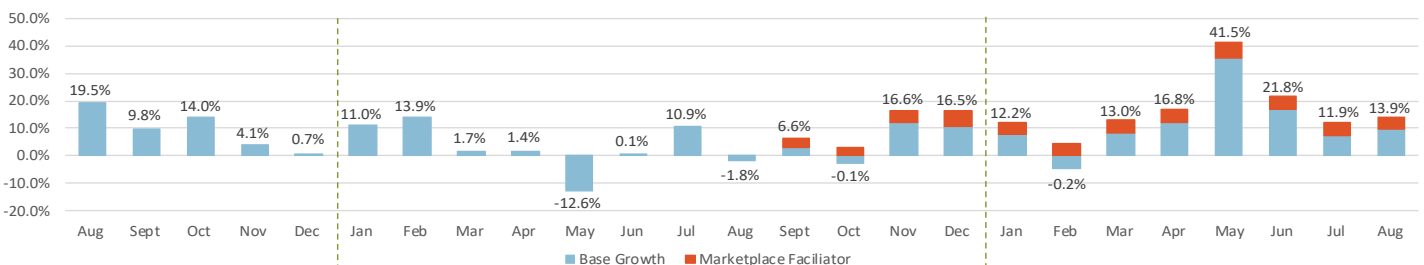
Because the economy has bounced back more sharply than expected and the Marketplace Facilitator Ordinance has generated more revenue than previously projected, staff raised the mid-year sales tax projection by \$33.3 million (17.1%) compared to the 2021 budget. The economic recovery and strong retail sales continue to exceed expectations, as YTD sales tax collections are now \$2.8 million (1.7%) higher than the mid-year projection.

The Sales Tax Performance chart shows that YTD sales tax collections have grown 15.5% compared to 2020. Aurora has collected \$6.6 million YTD related to the Marketplace Facilitator Ordinance, accounting for 30.2% of the growth in sales tax collections. Concerns about COVID-19 variants, inflation, labor shortages, and supply chain disruptions create some concerns about growth in sales tax collections going forward. Further, since the Marketplace Facilitator Ordinance has now been implemented for 12 months, it will likely not be a major source of growth in sales tax collections in future months.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



2019 (8.7% avg. annual growth)

2020 (5.3% avg. annual growth)

2021 (15.5% avg. annual growth)

External Charges for Services

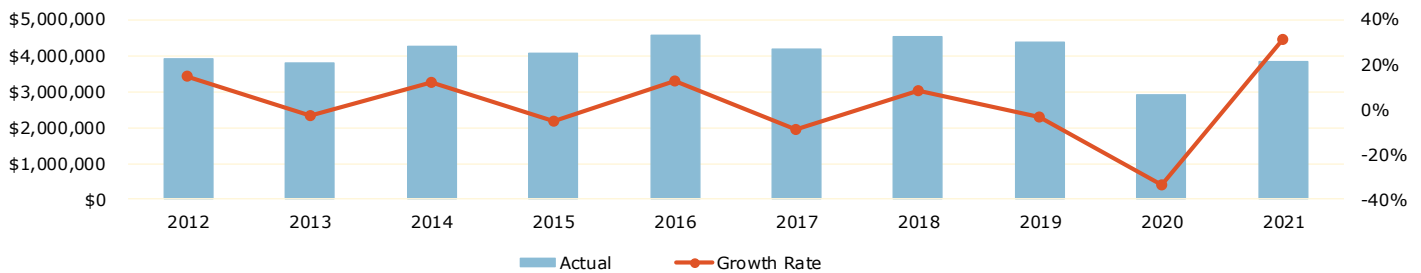
External charges for services are service fees charged to entities external to the city. Most departments charge fees of some kind. This source of General Fund revenue includes court fees, contractual reimbursements for ambulance transport services, facility rental charges, library fees, admission fees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

The 2021 Adopted Budget assumed that Aurora would receive \$7.7 million in external charges for services in 2021. This amount included \$1.2 million from three new fees for fire services. Because monthly collections of external charges have been consistently below the budget plan each month, staff lowered the expected revenue from this source by \$1.8 million (23.7%) in the mid-year projection. Although base collections of external charges have not recovered from the pandemic as expected, another important factor behind reduced collections is the new fees for fire services. One of the new fees, the treat

no transport fee, will no longer be implemented and another fee, the scene mitigation fee, is scheduled for year-end implementation. The final new fee, first inspection fee for fire code inspections, was implemented in late May, but has not generated as much revenue as originally projected.

Through August, collections are tracking slightly ahead of projection yet remain behind pre-pandemic levels. As seen in the 10 Year History of Revenue from External Charges for Services chart below, revenue from this source dropped during the pandemic and still has not fully recovered. The \$3.8 million in external charges collected YTD is less than the YTD collections in each year from 2014 to 2019. Year-to-date collections of housing reinspection fees, court fees, and ambulance reimbursements have all contributed to this 2021 under-performance.

External Charges for Services Historical Collections—August YTD



Capital-Related Use Tax

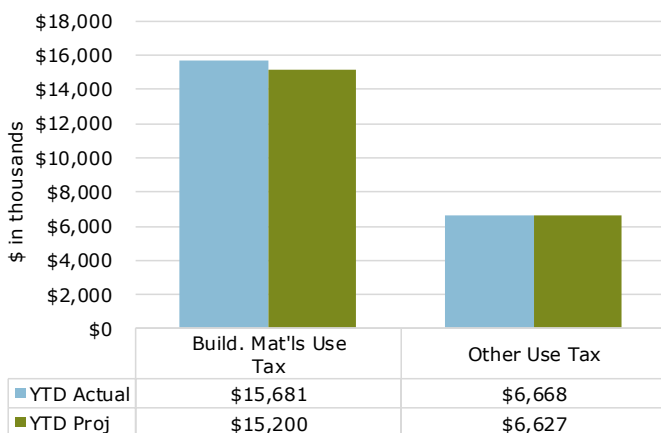
Capital-related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects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

While the Adopted 2021 budget assumed that the collection of capital-related use taxes would decline in 2021, the reality is that collections are increasing. Reflecting this trend, the mid-year projection was raised by \$7.9 million (33.6%). This projection includes an increase of \$8.8 million in BMUT use tax

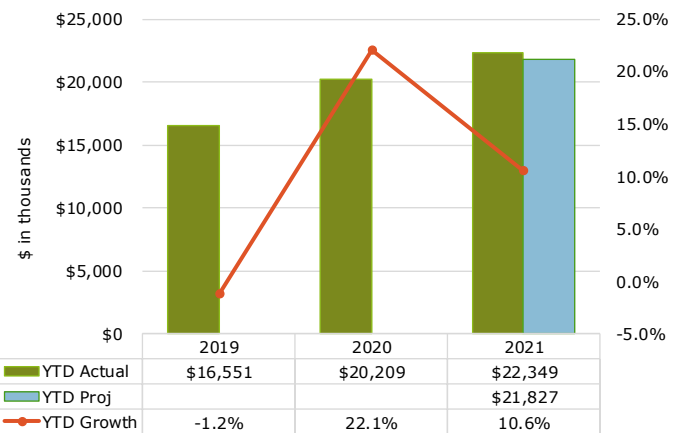
collections and a decrease of \$932,600 in other use tax. At the end of August, capital-related use tax was \$521,600 (2.4%) above the mid-year projection.

YTD revenues have increased \$2.1 million (10.6%) when comparing to the prior year. While this performance has benefitted from several large BMUT payments related to substantial storage facility projects in north Aurora, it is also true that well over half of the BMUT revenue has come from residential projects. Construction of both multi-family homes and single family homes have contributed significantly to current year revenues.

Capital-Related Use Tax Components





Capital-Related Use Tax Performance



Finance Department Indicators (for the month ending 8/31/21)

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. Staffing vacancies in two departments were partly behind the August performance, as were several vendor issues in one department. The affected departments are making adjustments to staffing and working to resolve vendor issues, with the goal of more timely processing of accounts payable going forward.

Target: 30 Days for 85%			
	82% (Aug)	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 August the weighted average yield was 0.97%, which is down from 2.23% in 2019 and 1.79% in 2020.

The portfolio balance has increased over recent months due to the receipt of federal ARPA funds, steady water revenues, strong sales tax receipts, and expenditure reduction efforts.

August	2019	2020	2021
Cash & Investment Portfolio	\$609.1 M	\$620.7 M	\$780.9 M
Weighted avg. yield	2.23%	1.79%	0.97%
Duration (months)	18.2	20.0	20.8

Financing Transactions Over Previous 12 Months

The only future financing transaction currently planned is related to Heavy Fleet (\$10 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/Banker
Series 2021 Water Taxable Refunding	\$265.2M	21-Aug	2.37%	25.0	Morgan Stanley
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 August were \$226,400. Delinquent tax collections this year have generally trailed behind collections in 2020. As the economy improves, less taxpayers are delinquent, reducing potential collections. Collections have also been negatively impacted by staff turnover and a new process which allows most potentially delinquent taxpayers to receive both more time and system notifications before a delinquency case is opened.



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Delinquent Tax Collections

