



General Fund Revenue Summary

October 2021

Released December 16, 2021

General Fund Revenue Summary

Growth in the U.S. economy may be slowing. The U.S. Bureau of Economic Analysis released an advanced estimate that gross domestic product (GDP) for the third quarter of 2021 will increase at an annual rate of 2.0%, down from 6.7% growth in the second quarter. Despite this slowdown, year-to-date (YTD) unemployment in the Metro Area has continued to drop and now stands at 6.1%.

Aurora's revenues show no signs of an economic slowdown. Property tax is one of the few revenue sources to decline compared to 2020 and this reduction is

only occurring because Aurora implemented a one-time mill levy reduction in 2021 as a means of refunding property tax revenue collected above the TABOR limit in 2020. At the end of October, operating revenues were tracking \$13.4 million (4.3%) above the projection and \$37.4 million (13.0%) above 2020. Driven by strong consumer spending, the collection of sales and use tax is the primary driver of the favorable projection variance. Audit recoveries have also added to the positive performance of operating revenue.

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

Revenue Category (\$ in thousands)	2021 YTD Actuals	Actuals (Under)/ Over 2020		Actuals (Under)/ Over 2021 Projection	
		\$	%	\$	%
General Sales Tax	\$204,879.8	\$26,141.4	14.6%	\$8,992.2	4.6%
Property Tax	43,815.5	(844.0)	(1.9%)	\$187.1	0.4%
Capital-Related Use Tax	29,618.1	5,169.7	21.1%	\$2,772.0	10.3%
Auto Use Tax	23,095.4	5,518.7	31.4%	\$2,696.9	13.2%
Franchise Fees and Taxes	10,954.0	1,123.5	11.4%	\$526.8	5.1%
Audit Revenue	8,716.9	3,262.6	59.8%	\$540.0	6.6%
Construction Permits	1,771.3	37.5	2.2%	\$604.4	51.8%
All Other Sources	43,719.5	3,359.4	8.3%	\$283.4	0.7%
Total Sources	\$366,570.5	\$43,768.8	13.6%	\$16,602.7	4.7%
Less Capital Transfer	40,531.9	6,352.0	18.6%	3,184.9	8.5%
Operating Revenue	\$326,038.6	\$37,416.9	13.0%	\$13,417.8	4.3%

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro area average YTD rate (Sep) at 6.1%, down 1.5 percentage points from 2020.

▲ Consumer Confidence Index

Mountain Region average YTD (Oct) at 115.1, up 8.7% from 2020.

▲ Aurora Building Permits

54 commercial projects permitted YTD (Oct), up 14.9% from 2020. 3,399 residential projects permitted YTD (Oct), up 46.6% from 2020.

▲ Hotel Occupancy

YTD (Sep) hotel occupancy at 58.3%, up 15.1 percentage points compared to 2020.

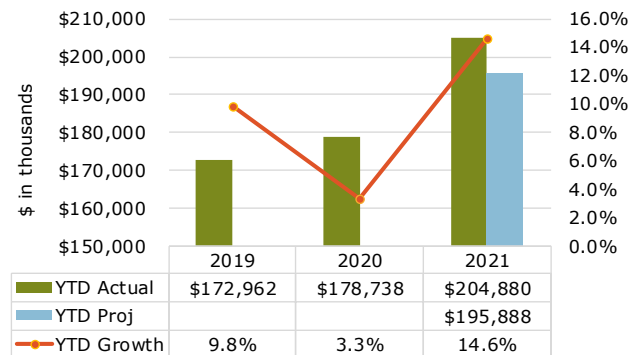
All indicator data are the most current available of as this report's publication date

Sales Tax

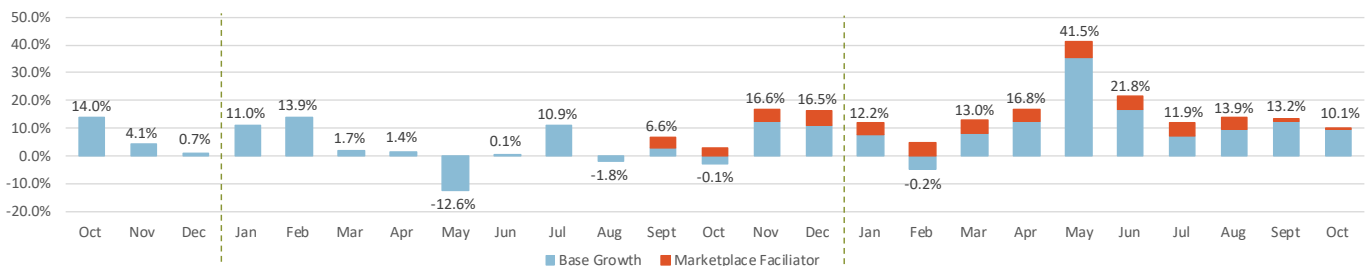
Sales tax collections through October are \$9.0 million (4.6%) ahead of the mid-year projection. As can be seen in the % Change from the Same Month in Prior Year graph below, growth in sales tax collections has consistently been in the 10.0 percent to 14.0 percent range in each of the last four months. Now that Aurora is fourteen months into implementation of the Marketplace Facilitator Ordinance, the growth in sales tax collections is almost entirely related to base growth (even though the ordinance continues to generate over \$700,000 in additional sales tax collections each month).

The Sales Tax Performance chart shows that YTD sales tax collections have grown 14.6% compared to 2020. Further, sales tax collections in 2021 are \$31.9 million (18.4%) higher than in 2019, showing how this revenue source is now well above pre-pandemic levels. Despite this, the recovery remains inconsistent, with certain business sectors such as in-person services, movie theaters, telecomm/cellular stores, and mall anchors still suffering through reduced levels of business.

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 (14.6% avg. annual growth)

Capital-Related Use Tax

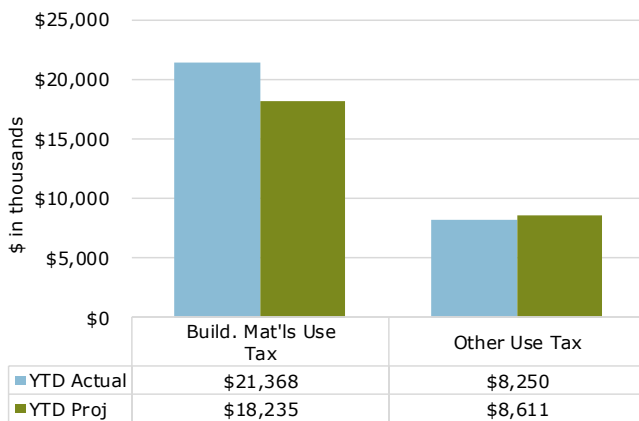
Capital-related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities relating to one-time construction projects, they are transferred out of the General Fund to the Capital Projects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

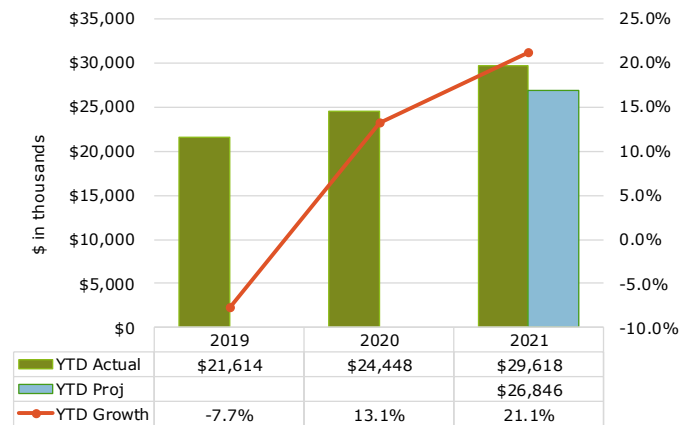
monthly projection plan by \$2.8 million (10.3%).

As seen on the Capital-Related Use Tax Performance chart below, YTD revenues have increased \$5.2 million (21.1%) when comparing to the prior year. Further, Capital-Related Use Tax has grown strongly for two straight years, showing little or no impact from the pandemic or the associated economic recession. In 2021, this revenue growth is attributable to several large commercial projects, a small number of large multi-family residential building projects, as well as a very large number of single-family residential projects.

Capital-Related Use Tax Components



Capital-Related Use Tax Performance

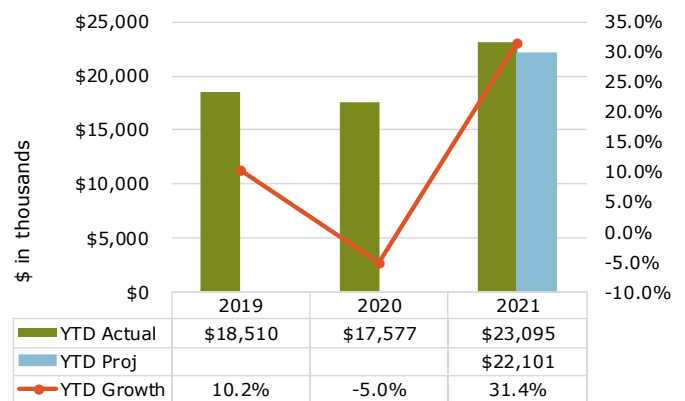


Auto Use Tax

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.

Auto use tax collections through October are \$2.7 million (13.2%) more than the projection. Higher-than-anticipated collections reflect a combination of increased vehicle sales and higher prices for both new and used vehicles. According to the Colorado Automobile Dealer's Association (CADA), year-to-date new light vehicle registrations in the state through September have increased by 18.5%. However, due to various issues affecting the supply of new vehicles, CADA is projecting that registrations will trail behind 2020 levels for the remainder of the current year. Further, CADA is also projecting that new vehicle registrations in 2022 will grow by only 0.6%.

Auto Use Tax Performance





Auto Use Tax Historical Collections - October YTD



Finance Department Indicators (for the month ending 10/31/21)

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. October's performance primarily relates to a large number of invoices from a specific company that were sent to a person who recently left the city. The invoices in question have now been paid and the affected department has worked with the vendor to send future invoices to a department e-mail address in the future, instead of using an individual's e-mail address.

Target: 30 Days for 85% of Vendor Payments			
	81% (Oct)	83% (YTD)	

Investments

In an environment of low interest rates, the weighted average portfolio yield has consistently fallen since the beginning of 2020 and now sits at historically low levels. In October the weighted average yield was 0.91%, which is down from 2.21% in 2019 and 1.70% in 2020.

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

October	2019	2020	2021
Cash & Investment Portfolio	\$599.0 M	\$608.5 M	\$801.4 M
Weighted avg. yield	2.21%	1.70%	0.91%
Duration (months)	20.5	20.4	20.8

Financing Transactions Over Previous 12 Months

Future financing transactions in 2021 include only Heavy Fleet (\$8.3 million). In early 2022, the prepayment of the Hogan Parkway loan in 2022 (\$13 million) is also anticipated to occur.

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

Delinquent Tax Collections

Delinquent tax collections in October were \$418,300, including several large collections. Despite this, 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.



City of Aurora

Report Prepared by

Office of Budget and Financial Planning

15151 East Alameda Parkway, Suite 5500
Aurora, Colorado 80012
budget1@auroragov.org

