

2022



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

February 2022
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General Fund Revenue Summary

The year 2021 ended with mostly positive economic news. Gross domestic product (GDP) grew at an estimated 7.0% in the fourth quarter of 2021. The unemployment rate in the Metro Area started 2021 at 7.0% and ended the year at 4.1%. Of concern, in the second quarter of 2021, consumer prices started to rise significantly. Year-over-year inflation in January 2022 stood at 7.5%.

A combination of strong consumer demand and inflation drove higher-than-expected General Fund revenues through the first two months of 2022. Strong

sales and use tax collections were almost entirely responsible for General Fund revenues exceeding the operating budget plan by \$6.7 million (12.0%). This equates to a 15.1% increase compared to 2021. Capital-related use tax collections were not as high as in 2021 (a record breaking year for capital-related use tax collections), but still remain high by historical standards. Timing issues related to large audit recoveries and the collection of energy-related franchise taxes are creating year-over-year variances that are expected to smoothen out as the year proceeds.

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

| Revenue Category (\$ in thousands) | 2022 YTD Actuals | Actuals (Under)/ Over 2021 | | Actuals (Under)/ Over 2022 Budget | |
|---------------------------------------|-------------------|-------------------------------|--------------|--------------------------------------|--------------|
| | | \$ | % | \$ | % |
| General Sales Tax | \$48,542.3 | \$5,736.1 | 13.4% | \$7,148.8 | 17.3% |
| Capital-Related Use Tax | 6,094.6 | (841.6) | (12.1%) | 524.5 | 9.4% |
| Auto Use Tax | 4,453.9 | 419.8 | 10.4% | 739.9 | 19.9% |
| Franchise Fees and Taxes | 1,309.9 | 1,272.0 | 3,353.7% | 189.1 | 16.9% |
| Lodgers Tax | 923.6 | 389.6 | 72.9% | 18.4 | 2.0% |
| Fines & Forfeitures | 367.6 | (62.1) | (14.5%) | (200.1) | (35.3%) |
| Audit Revenue | 334.2 | (2,976.3) | (89.9%) | (483.7) | (59.1%) |
| All Other Sources | 8,897.8 | 3,838.4 | 75.9% | (477.3) | (5.1%) |
| Total Sources | \$70,923.9 | \$7,775.7 | 12.3% | \$7,459.5 | 11.8% |
| Less Capital Transfer | 8,130.4 | (457.4) | (5.3%) | 745.4 | 10.1% |
| Operating Revenue | \$62,793.5 | \$8,233.1 | 15.1% | \$6,714.2 | 12.0% |

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro area average YTD rate (Dec) at 5.6%, down 1.8 percentage points from 2020.

▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 7.5% (Jan) compared to 2021.

▼ Aurora Building Permits

15 commercial projects permitted YTD (Feb), the same as the number in 2021. 303 residential projects permitted YTD (Feb), down 40.2% from 2021.

▲ Hotel Occupancy

YTD (Jan) hotel occupancy at 51.6%, up 18.8 percentage points compared to 2021.

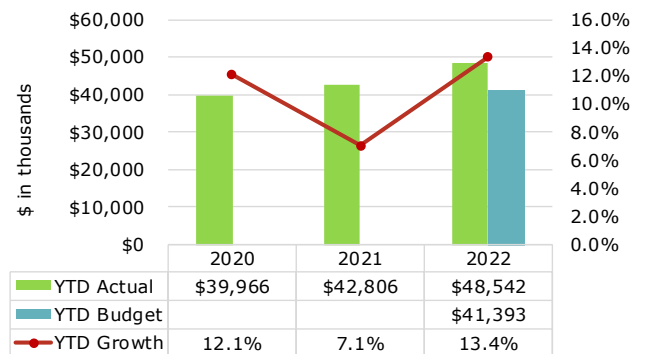
All indicator data are the most current available of as this report's publication date

Sales Tax

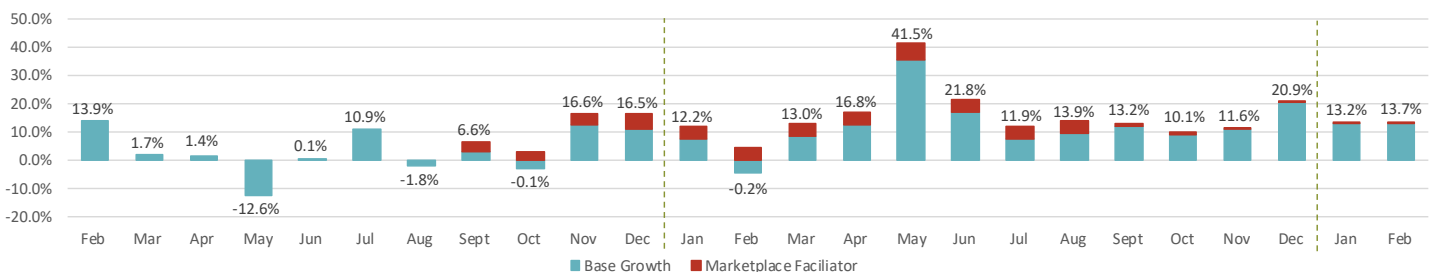
Sales tax collections through February are \$7.1 million (17.3%) ahead of the budget plan. A deeper examination of inflation in January 2022 showed that the subcomponents showing the highest inflation were Used Vehicles (40.5%), Energy (27.0%), New Vehicles (12.2%), and Commodities Less Food and Energy (11.7%). Given this, it is not surprising that the industry sectors showing the largest growth in sales tax collections were Building Materials Suppliers (23.1%), Auto Dealers and Parts (21.5%), and Utilities (21.2%).

The Sales Tax Performance chart shows that YTD sales tax collections have grown 13.4% compared to 2021. Aurora has now experienced twelve straight months of sales tax collections that have grown by double-digit percentages. As noted earlier, strong consumer demand and high inflation are major factors driving the increased sales tax collections over recent months.

Sales Tax Performance (\$ in Thou.)



% Change from Same Month in Prior Year



2020

2021

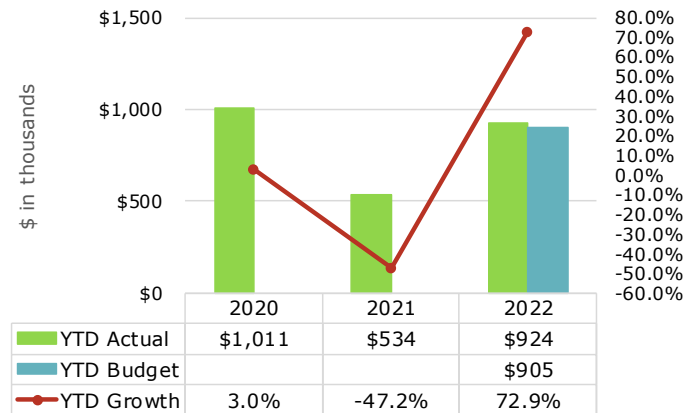
2022

Lodger's Tax

Aurora charges an 8.0% tax rate on transactions furnishing rooms and other accommodations by hotels and similar businesses. The travel and tourism sector of the economy has been heavily impacted by the pandemic. Metro Denver hotel occupancy stands at 51.6% in January 2022, slightly down from the full-year average of 58.0% for 2022. In comparison, occupancy was 41.7% in 2020 and 74.3% in 2019. In this regard, hotel visits have not yet fully recovered to pre-pandemic levels. Similarly, 5.4 million airline passengers traveled through Denver International Airport in 2021, which was 69.7% better than in 2020 but still 7.1% below 2019.

Lodger's tax collections through February are \$18,400 (2.0%) above the projection and \$389,600 (72.9%) above 2021 collections. Despite the significant growth compared to last year, lodger's tax collections have not yet recovered to pre-pandemic levels. YTD collections are still \$87,400 (8.6%) less than in 2020. As already discussed, a reduction in hotel visitation is a big reason for this decline. However, further amplifying the impact on lodger's tax collections is the fact that the average hotel room rates have also dropped. The average hotel room rate in January 2022 was \$117 per day which shows some recovery compared to the rate of \$83 in January 2021. The rate in January 2020 was \$127 and was \$126 in January 2019, showing that rates are getting close to pre-pandemic levels.

Lodger's Tax Performance

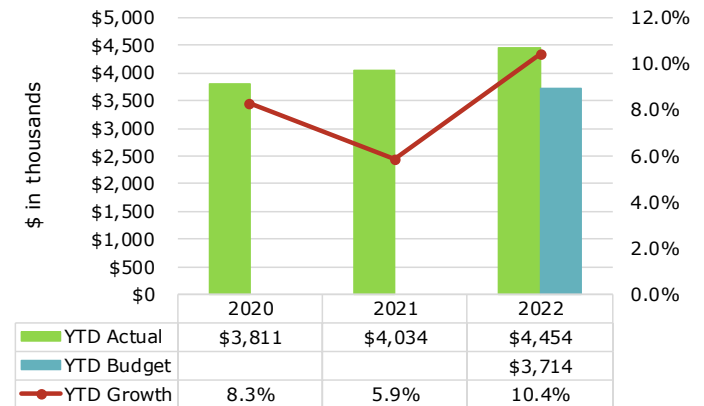


Auto Use Tax

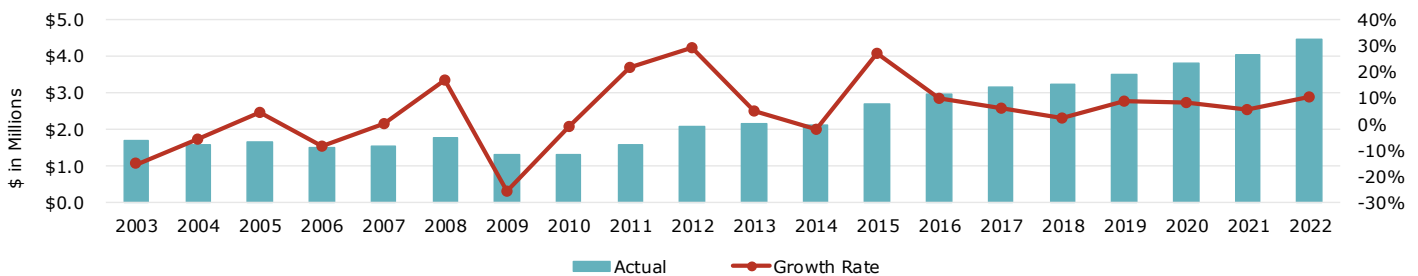
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through February are \$739,900 (19.9%) more than the budget plan. Nevertheless, this revenue source is facing some headwinds. Monthly auto use tax collections appear to be trending down slightly, with January (\$2.3 million) and February (\$2.1 million) representing the two lowest months of collections since April 2021. As a result of various supply chain issues, auto manufacturers are still struggling to produce enough new cars to meet demand. Indeed, new vehicle registration in Colorado fell 11.4% in the fourth quarter of 2021 due to the shortage of new cars. An additional challenge is rising interest rates, which may depress demand for new vehicles. Given these challenges, the Colorado Automobile Dealers Association is projecting new vehicle sales in 2022 will increase by only 0.6% and would decrease by 3.2% under a more pessimistic scenario.

Auto Use Tax Performance



Auto Use Tax Historical Collections - February YTD



Finance Department Indicators (for the month ending 2/28/22)

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. A mix of vendor billing problems and staffing issues in several departments was the primary reason for the February performance. The affected departments are adjusting staffing and working with vendors to change billing practices, which is expected to result in a more timely processing of accounts payable going forward.

| Target: 30 Days - 85% | | | |
|-----------------------|------------------|------------------|---|
| 👎 | 82% (Feb) | 84% (YTD) | 👎 |

Investments

In the fourth quarter of 2021, market interest rates finally started to rise. As a result, average yield has been relatively flat over recent months after consistently dropping for most of 2020 and 2021. In February the weighted average yield was 0.85%. February results remain down from 2.21% in 2019 and 1.65% in 2020.

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

| February | 2020 | 2021 | 2022 |
|-----------------------------|-----------|-----------|-----------|
| Cash & Investment Portfolio | \$584.1 M | \$630.3 M | \$806.0 M |
| Weighted avg. yield | 2.23% | 1.49% | 0.85% |
| Duration (months) | 20.6 | 22.1 | 18.4 |

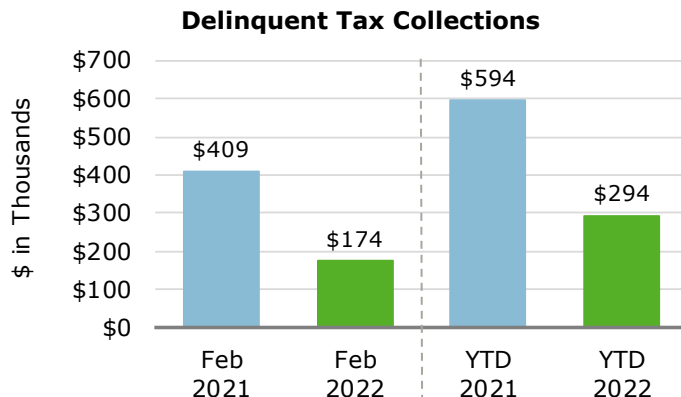
Financing Transactions Over Previous 12 Months

In February 2022 the City prepaid the \$13.0 million Hogan Parkway Loan. This transaction saves \$2.4 million in annual debt payments through 2027 and unencumbers the Tallyn's Reach Complex which was pledged to the loan. Future financing transactions include the 2022 Heavy Fleet (\$9 million).

| Purpose | Amount | Closed | Rate | Term (yrs.) | Lender/ Banker |
|---------------------------------------|----------|--------|-------|-------------|----------------|
| Series 2021-A Heavy Fleet | \$8.3M | 21-Nov | 1.16% | 6.3 | Key |
| Series 2021-B 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 February were \$173,900. Delinquent tax collections in recent months have been trending downward. As the economy improves, less taxpayers are delinquent, reducing potential collections. Revenue agent collections have been negatively impacted by staff turnover and a new process for early stages of tax collections that do not require a revenue agent. This change will eventually lead to a new performance measure that targets collections that require revenue agent intervention.



City of Aurora

Report Prepared by

Office of Budget and Financial Planning

15151 East Alameda Parkway, Suite 5500

Aurora, Colorado 80012

budget1@auroragov.org