

2022



City of Aurora

Fund Performance Report

General Fund

Prepared by the Office of Budget
and Financial Planning

For the Quarter Ending
March 31, 2022
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Economic Update











National gross domestic product (GDP) grew by a strong 5.7% in 2021. Concerns about inflation and the impacts of war in Ukraine, however, make future growth less certain. Federal efforts to address inflation have already resulted in one interest rate hike and additional increases are expected. Higher interest rates are likely to slow economic activity going forward. Given these concerns, a number of economists are lowering their expectations for 2022. Goldman Sachs has lowered its projection for GDP growth in 2022 to 1.75% and the Conference Board projects GDP growth of 3.0% this year. The national unemployment rate in February was 4.1%, which is considerably improved from 6.6% in February 2021. Further, the nation has now recovered 90.4% of the jobs lost during the pandemic-induced recession in 2020.

Colorado's unemployment rate was 4.0% in February and the State has now fully recovered all the jobs lost during the recent recession. There is guarded optimism looking forward. The Leeds Business Confidence Index (LBCI), a local measure of business expectations, fell to 53.9 ahead of the second quarter of 2022 (a score above 50.0 is positive). Of the components of this index, industry hiring received the highest score at 60.4. Only one component received a pessimistic outlook. Citing both the Russia/Ukraine conflict as well as inflation, respondents gave the national economy a pessimistic rating of 40.4.

The unemployment rate in the Metro Area was 3.9% in February. Consumer demand has been a big part of economic recovery, with retail sales in the Metro Area increasing by 17.4% in 2021 compared to 2020. It is unclear how strong consumer demand will remain given rising prices, higher interest rates, and the expiration of federal stimulus funding. It is concerning that the consumer confidence index fell from 124.4 in February to 97.5 in March. On a positive note, construction in Aurora has remained strong despite the recent recession and the number of commercial projects permitted this year is strong by historical standards.

One of the hardest hit sectors during the pandemic was travel and tourism. While this sector has not recovered to pre-pandemic levels, data from this sector continues to show that a strong recovery is in progress. For example, the number of passengers traveling through Denver International Airport was up 57.5% year-to-date (YTD) through February, but still remains 12.3% below 2020 passenger levels. Similarly, hotel occupancy in the Metro Area YTD through February has been 54.9%, which compares favorably to the 36.5% occupancy rate over the same time period in 2021.

Local Economic Indicators

2022 Current Month Compared to Prior Year		2022 YTD Avg Compared to Prior Year	
Metro Area Unemployment Rate			
	3.9% (Feb) Down 2.4 percentage points	3.9% Down 2.5 percentage points	
Consumer Confidence Index (CCI) Mountain Region			
	97.5 (Mar) -19.8%	112.9 +11.0%	
AURORA BUILDING PERMITS # of New Commercial Buildings			
	6 (Mar) +50.0%	21 +10.5%	
AURORA BUILDING PERMITS # of New Residential Buildings			
	546 (Mar) +28.2%	849 -12.2%	
Consumer Price Index (Year-over-Year Increase for U.S. Urban Consumers)			
	Mar 2022 8.5%	Feb 2022 7.9%	Mar 2021 2.6%
LEEDS Business Confidence Index (LBCI) (values above 50 indicate expansion)			
	Q2 2022 53.9	Q1 2022 58.0	Q2 2021 64.4
LBCI Component	Q2 2022	Change Quarterly	Change Annual
State Economy	51.9	▼	▼
National Economy	40.4	▼	▼
Industry Sales	59.1	▼	▼
Industry Profits	55.0	▼	▼
Industry Hiring	60.4	▼	▼
Capital Expenditures	56.7	▼	▼
LBCI	53.9	▼	▼

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

Revenues (General Fund Sources of Funds)

Total General Fund sources in the first quarter were higher than the budget plan by \$12.0 million (11.6%). This over-performance is shown in the *2022 Revenue Performance by Type* table. First quarter revenues reflected a recovering economy driven in large part by increasing consumer demand and rising prices. Sales and use tax collections accounted for 91.5% of the over-performance in total sources. Audit revenues also contributed to the favorable revenue performance.

Several General Fund sources have come in under the 2022 budget plan. For example, the 2022 budget assumed revenue from fines & forfeitures would return to pre-pandemic (2019) levels, but in the first quarter of 2022 collections were running 50.1% behind revenues collected in the first quarter of 2019. Similarly, external charges for services are running behind budget, in large part due to lower-than-expected court fees and fees collected by the Aurora Fire Department.

As can be seen in the *% Change from Same Month in Prior Year* graph, sales tax collections experienced a streak of double-digit growth each month extending as far back as March 2021. Some of this growth was a result of the implementation of the new Marketplace Facilitator Ordinance starting in September 2020. Growth in sales tax collections over the last year has also been driven by strong retail sales and, more recently, rising prices. The streak of double-digit growth in sales tax collections was broken in March, when growth was 7.2%. With inflation running above 8.0% in each of the last two months, the 7.2% growth rate in sales tax collections in March may indicate that consumers in Aurora are starting to reduce consumption in response to rapidly increasing prices.

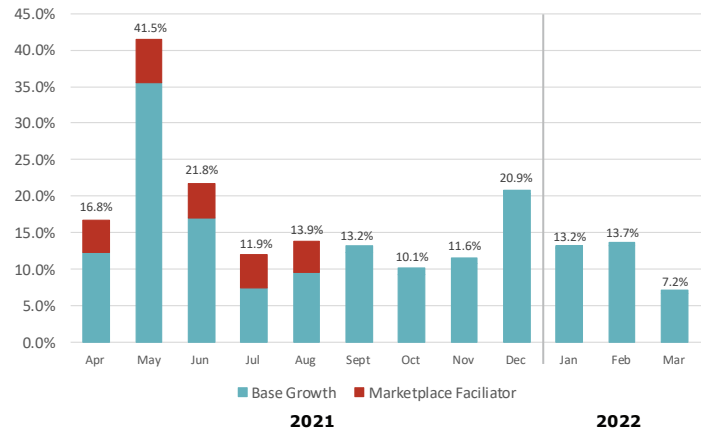
In March, some of the fastest-rising components of the All Urban Consumers Consumer Price Index (CPI-U) were used car prices (35.3%), utility gas service (21.6%), new vehicle prices (12.5%), commodities less food and energy (11.7%), and electricity (11.1%). Based on this, it is not surprising that some of the industry sectors experiencing the highest rate of sales tax growth include Auto Dealers (22.1%), Building Materials stores (19.1%), and Utilities (15.7%). Eating and Drinking Places (25.1%) was the sector experiencing the largest growth in sales tax collections. With the CPI-U saying that prices for food away from home increased by 8.8% in March, it would appear that increased consumer demand for food and drink drove a significant portion of the results in this sector.

See page 6 for detail revenue performance by source.

2022 Revenue Performance by Type

Revenue Type (\$ in thousands)	2022 YTD Actuals	Actuals (Under)/ Over 2022 Budget	
		\$	%
General Sales Tax	\$65,417.1	\$8,198.2	14.3%
Capital-Related Use Tax	8,888.2	1,247.7	16.3%
Auto Use Tax	6,931.8	1,522.5	28.1%
Audit Revenue	2,943.4	1,716.5	139.9%
Franchise Fees and Taxes	2,443.0	366.0	17.6%
External Charges for Services	1,290.8	(198.3)	(13.3%)
Fines & Forfeitures	565.1	(407.3)	(41.9%)
All Other Sources	26,497.6	(451.5)	(1.7%)
Total Sources	\$114,977.0	\$11,993.6	11.6%
Less Capital Transfer	12,332.7	1,568.6	14.6%
Operating Revenue	\$102,644.3	\$10,425.1	11.3%

Sales Tax % Change from Same Month in Prior Year



Sales Tax Top Taxpayers by Industry Category

Industry Category (\$ in thousands)	YTD March		\$ Variance	% Change
	2022	2021		
Eating & Drinking Places	\$8,710.4	\$6,961.5	\$1,748.9	25.1%
Discount Stores	7,122.7	6,665.9	456.8	6.9%
Building Materials	5,305.1	4,455.2	850.0	19.1%
Auto Dealers and Parts	4,761.1	3,900.2	860.9	22.1%
Utilities	3,907.4	3,378.2	529.2	15.7%
Electronics/Computers	2,698.9	3,220.2	(521.3)	(16.2%)
Telecommunication/Cellular	2,660.7	2,992.5	(331.8)	(11.1%)
Grocery Stores	2,483.6	2,426.5	57.1	2.4%
Clothing and Clothing Accessories	1,658.0	1,500.3	157.7	10.5%
Beer, Wine, and Liquor Stores	1,316.9	1,377.0	(60.1)	(4.4%)
Department Stores	993.1	947.5	45.7	4.8%
Sport Goods, Hobby, Books, Music	889.9	856.8	33.1	3.9%
Furniture and Home Furnishings	633.4	619.3	14.1	2.3%
Industrial Sales	474.0	698.2	(224.2)	(32.1%)
Other Top Taxpayers	6,194.4	5,609.2	585.1	10.4%
Top Taxpayers	\$49,809.6	\$45,608.4	\$4,201.2	9.2%
Total of All Other Taxpayers	17,836.9	14,359.0	3,477.8	24.2%
Total Sales Tax Collections	\$67,646.5	\$59,967.4	\$7,679.0	12.8%
Less Sales Tax Incentives	2,229.4	1,416.9	812.5	57.3%
Total Reported Sales Tax	\$65,417.1	\$58,550.6	\$6,866.5	11.7%

Expenditures (General Fund Uses of Funds)

First quarter of 2022 General Fund operating expenditures are under the budget plan by \$4.2 million or 5.2%. This outcome is overwhelmingly driven by a downturn in personal services expenditures. The supplies/other category expenditures are also significantly under budget while expenditures for professional/technical services exceed the budget plan. Interestingly, total General Fund uses of funds is over budget resulting in a \$10.8 million or 11.4% budget variance.

As can be seen in the *2022 Transfer Detail chart*, there are two main reasons that Total Fund Uses are over budget. First, stronger-than-budgeted capital-related revenue collections increased the transfer out to the Capital Projects Fund. The second, more predominate reason is seen in the other transfers out category and stems from the prepayment of Hogan Parkway debt. The budget for this transaction is included in the 2022 Spring Supplemental amendment process and will be reflected in the second quarter report.

The professional/technical services expenditure category is \$653,500 (17.9%) over budget. This is partly due to IT and other technical-related expenditures early in the year but also due to an increase in contracted services. Departments with significant vacancies have contracted for services which will be covered by vacancy savings citywide.

The supplies/other expenditure category is \$1.6 million (24.4%) under budget. A significant amount of new appropriations was added to this category in the 2022 budget, particularly in the areas of IT and Public Safety. Most of these new appropriations have not yet been spent as it will take planning and preparation to carry out these new efforts.

One year ago, Career Services vacancies stood at 91.0 FTE in the General Fund. Today, vacancies in the fund have increased 91% to 173.95 FTE. Experts are trying to understand why the nation is experiencing what is coined as 'The Great Resignation' and have found many influencing factors. The Harvard Business Review has noted the Five R's: retirement, relocation, reconsideration, reshuffling and reluctance, all exacerbated by the pandemic. Regardless of the cause, this level of sustained vacancies has taken a toll on staff. Along with civil service attrition, this has resulted in salaries and benefits savings of \$5.1 million as shown on the *2022 Personnel Expenditures* chart. These savings were used for higher-than-typical turnover-related accrued leave payouts (special pay) and overtime expenditures, causing the overages in special pay and overtime.

All other operating expenditures combined are tracking closely to the year-to-date budget plan.

See page 6 for detail by expenditure category.

2022 Expenditure Performance

Expenditure Category (\$ in thousands)	YTD Mar Actuals	Actuals Under/ (Over) Budget	
		\$	%
Personal Services	\$59,413.6	\$3,062.8	4.9%
Temp Compensation	637.7	39.5	5.8%
Professional/Technical	4,295.8	(653.5)	(17.9%)
Supplies/Other	4,903.6	1,584.4	24.4%
Utilities	1,597.1	13.9	0.9%
Fleet/Risk Interfund	4,993.7	178.1	3.4%
Capital Purchases	851.7	(7.9)	(0.9%)
Total Operating Exp.	\$76,693.4	\$4,217.4	5.2%
Capital Rev Transfer	12,332.7	(1,568.6)	(14.6%)
Other Transfers Out	16,568.2	(13,445.6)	(430.6%)
Total Uses of Funds	\$105,594.3	(\$10,796.8)	(11.4%)

2022 Transfer Detail

Transfers Out to Other Funds (\$ in thousands)	YTD Mar Budget	YTD Mar Actuals	Actuals Under/ (Over) Budget
General Fund Capital-Related Revenue	\$10,764.1	\$12,332.7	(\$1,568.6)
Transfers to the Aurora Capital Leasing Corporation:			
Hogan Parkway	0.0	13,445.6	(13,445.6)
Fleet Replacement	3,071.2	3,071.2	0.0
Crime Lab Equipment	51.4	51.4	0.0
Total Transfers Out	\$13,886.7	\$28,900.9	(\$15,014.2)

2022 Personnel Expenditures

Personnel Category (\$ in thousands)	YTD Mar Budget	YTD Mar Actuals	Actuals Under/ (Over) Budget
Regular Employee Salary & Benefits	\$60,148.3	\$55,049.2	\$5,099.1
Special Pay	834.3	1,869.4	(1,035.2)
Overtime Compensation	1,493.9	2,495.1	(1,001.2)
Temporary Compensation	677.2	637.7	39.5
Total Salary & Other Compensation	\$63,153.7	\$60,051.4	\$3,102.3
General Fund Vacancies		Q1	
Total Career Service		173.95	

General Fund | Fund Summary

The General Fund is the operating fund for the City of Aurora. It accounts for receipts, appropriations, and expenditures unless sepa-

rate fund reporting is required. For an overview of the General Fund budget, including a breakdown of uses and departments, see page 8.

Revenues (Sources of Funds)	2022 Budget	YTD Actual thru Mar 2022	2022 Year-to-Date Sources Over/(Under)			
			2021	2022 Budget	% Chg vs 2021	% Chg vs Budget
Sales Tax - General	234,162,053	\$65,417,110	\$6,866,545	\$8,198,207	11.7%	14.3%
Use Tax - Capital Related	29,096,379	8,888,218	(594,908)	1,247,679	(6.3%)	16.3%
Use Tax - Automobile	24,199,869	6,931,793	1,098,924	1,522,477	18.8%	28.1%
Property Tax	45,820,061	17,499,982	3,776,593	(0)	27.5%	(0.0%)
Franchise Fees & Taxes	15,147,809	2,442,954	1,311,143	365,960	115.8%	17.6%
Highway User's Fees & Taxes	12,301,052	1,597,062	(180,907)	(199,401)	(10.2%)	(11.1%)
Other Auto Related (SOT, MV Fees)	5,050,891	724,530	2,314	(113,266)	0.3%	(13.5%)
Audit Revenue	4,907,627	2,943,372	(1,646,417)	1,716,465	(35.9%)	139.9%
Other Taxes	14,462,124	2,355,989	438,850	(14,685)	22.9%	(0.6%)
Other Intergovernmental Fees & Taxes	2,792,401	228,351	172,943	2,438	312.1%	1.1%
Business Licenses & Other Permits	3,322,767	749,688	129,519	171,873	20.9%	29.7%
Fines & Forfeitures	4,023,306	565,138	(247,655)	(407,350)	(30.5%)	(41.9%)
Internal Charges for Services	11,581,877	2,801,663	980,329	(29,137)	53.8%	(1.0%)
External Charges for Services	7,169,532	1,290,805	195,271	(198,332)	17.8%	(13.3%)
Other General Fund Revenue	3,723,197	540,364	(285,038)	(269,307)	(34.5%)	(33.3%)
Total General Fund Revenue	\$417,760,945	\$114,977,019	\$12,017,506	\$11,993,621	11.7%	11.6%
Transfers In from Other Funds	0	0	0	0	n/a	n/a
Total Sources of Funds	\$417,760,945	\$114,977,019	\$12,017,506	\$11,993,621	11.7%	11.6%
General Fund Operating Revenue ¹	\$375,855,259	\$102,644,334	\$12,088,814	\$10,425,053	13.3%	11.3%

Expenditures (Uses of Funds)	2022 Budget	YTD Actual thru Mar 2022	2022 Year-to-Date Uses Under/(Over)			
			2021	2022 Budget	% Chg vs 2021	% Chg vs Budget
Personal Services	\$270,438,038	\$59,413,650	(\$4,843,379)	\$3,062,818	(8.9%)	4.9%
Temporary Compensation	2,757,383	637,709	(26,130)	39,505	(4.3%)	5.8%
Professional & Technical Services	21,450,180	4,295,780	(973,326)	(653,540)	(29.3%)	(17.9%)
Supplies/Other	26,074,714	4,903,648	(26,113)	1,584,419	(0.5%)	24.4%
Utilities	11,548,800	1,597,127	(71,686)	13,931	(4.7%)	0.9%
Fleet/Risk Interfund Charges	20,687,485	4,993,748	(465,229)	178,123	(10.3%)	3.4%
Capital Purchases (Equip, Vehicles, Other)	10,013,343	851,697	660,153	(7,855)	43.7%	(0.9%)
General Fund Operating Expenditures	\$362,969,943	\$76,693,359	(\$5,745,710)	\$4,217,400	(8.1%)	5.2%
Capital Related Revenue Transfer Out ²	41,905,686	12,332,685	71,308	(1,568,568)	0.6%	(14.6%)
All Other Transfers Out to Other Funds	28,821,719	16,568,223	(14,725,811)	(13,445,596)	(799.3%)	(430.6%)
Total Uses of Funds	\$433,697,348	\$105,594,268	(\$20,400,214)	(\$10,796,764)	(23.9%)	(11.4%)
Less Carryforward Budget	(7,548,762)					
Increase/(Use) of Available Funds ³	(\$8,387,641)					

See page 9 for glossary and detailed data description for each column.

1. Operating revenue accounts for the transfer out of construction related use tax to the Capital Projects Fund (CPF).
2. The transfer to the CPF is calculated in December and transferred out of the General Fund.
3. The 2022 Adopted Budget includes the planned use of \$8.4

million in funds available to fund \$8.5 million in one-time amendments.



Appendices



General Fund Overview

Fund Description

The General Fund is the operating fund for the City of Aurora. It accounts for receipts, appropriations, and expenditures unless separate fund reporting is required.

Sources of Funds

Sources of funds include nearly all taxes and other resources traditionally associated with city operations. Revenues and expenditures from the 0.25% voter-approved sales tax for the police officer staffing mandate are included in this fund. Other sources include transfers in from other funds.

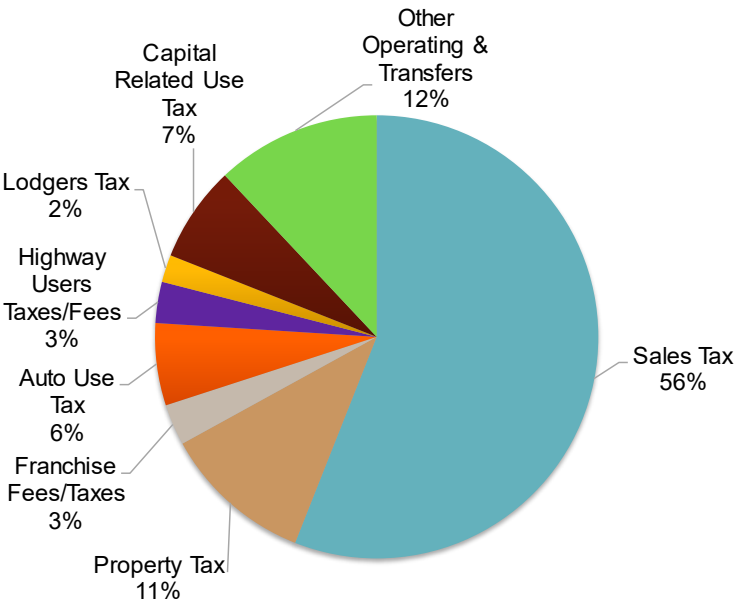
Retail sales remain the backbone of Aurora's General Fund, accounting for roughly 56% of total revenue. Use tax is a companion tax to sales tax and is associated with purchases of commodities and equipment. Approximately two-thirds of all General Fund revenue is dependent on purchases when use tax revenues (e.g. building materials use tax, automobile use tax, and equipment use tax) are included.

Uses of Funds

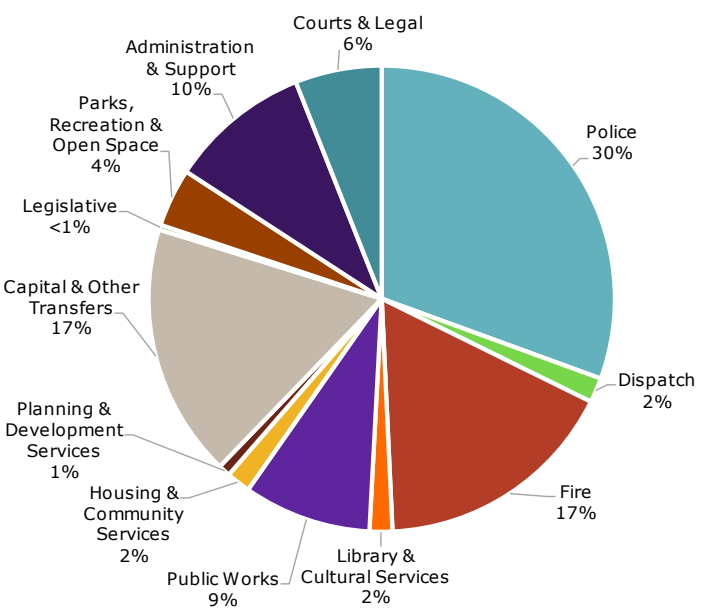
Uses of funds mainly result from expenditures incurred by the departments included in the General Fund. The majority of general services, programs and activities for the citizens of Aurora are supported by this fund, as well as the City Council and the administrative management functions. Other uses include transfers out to other funds, such as the transfer to the Capital Projects Fund.

Public safety functions, including Fire, Aurora911 Dispatch, Police, and Courts & Legal account for 55.0% of total General Fund appropriations in 2022.

2022 General Fund Revenue
(Sources)



2022 General Fund Appropriations
(Uses)



General Fund Departments

<ul style="list-style-type: none">Aurora911City AttorneyCivil Service CommissionCommunicationsCourt AdministrationFinance	<ul style="list-style-type: none">FireGeneral ManagementHousing and Community ServicesHuman ResourcesInformation TechnologyJudicial	<ul style="list-style-type: none">Library & Cultural ServicesNon-Departmental (snow removal, transfers, contingencies)Parks, Recreation & Open Space	<ul style="list-style-type: none">Mayor & City CouncilPlanning & Development ServicesPolicePublic DefenderPublic Works
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Glossary

- Accrual Basis:** Transactions are recorded as they occur, regardless of the timing of related cash flows.
- Actuals:** Transactions recorded in the accounting system on a cash basis. Certain revenue sources are recorded on the accrual basis instead of the cash basis.
- Cash Basis:** Transactions are recorded in accordance with cash flow regardless of economic transaction timing.
- Encumbrances:** The legal commitment of appropriated funds to purchase an item or service in the future. An encumbrance is recorded when a purchase order is recorded. The encumbrance is reduced as cash payments are made against the purchase order. If there is an encumbered balance at the end of any given year, the balance will carryforward and be added to the next year’s working budget to cover the cash outlay in that year.
- Spending Plan/Projection Plan/Revenue Plan:** For current month and year-to-date comparison purposes, the 2022 budget and revenue assumptions have been projected monthly, or calendarized. Various methods were used in the process including: historical seasonality, known payment schedules, payroll and benefit calendars, and the straight line basis (1/12th per month).
- Variance:** Used to describe the difference or resulting percentage change in comparative data. Bracketed variances indicate an unfavorable result.
-



Column Descriptions

- Sources of Funds:** All revenue received from external/internal sources and interfund transfers into the fund.
- Uses of Funds:** All departmental expenditures incurred and interfund transfers out of the fund.
- 2022 Budget:** The 2022 Adopted Budget plus prior year encumbrance carryforwards, transfers and approved supplemental amendments.
- 2022 Projection:** A detailed estimate prepared mid-year for use in current year budget balancing and as the basis for the subsequent budget year estimates.
- YTD Actual thru the Current Month:** The year-to-date actual sources and uses of funds.
- Year-to-Date / Current Month Variance:**
- Over/(Under) - Current year sources under the prior year or budgeted/projected sources are unfavorable, indicated by brackets.
 - Under/(Over) - Current year uses over the prior year or budgeted/projected uses are unfavorable, indicated by brackets.
 - 2021 - The \$ difference between 2022 year-to-date / current month actuals compared to the 2021 actuals for the same timeframe.
 - 2022 Budget/Projection - The \$ difference between the 2022 year-to-date / current month actuals through the current month compared to the 2022 year-to-date budget/projection spending plan for the same timeframe.
 - Percent Chg vs 2021 - The percentage change between 2022 year-to-date actuals through the current month and the 2021 actuals through the same month.
 - Percent Chg vs Budget/Projection - The percentage change between the 2022 year-to-date actuals and the year-to-date budget/projection spending plan.

Finance Department Indicators (for the month ending 3/31/22)

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 across several departments have resulted in this performance metric just missing the 85% target on a year-to-date basis. The affected departments have been making adjustments to staffing, vendor practices, and backlogs. The city met the 85% target for the month of March.

Target: 30 Days for 85% of Vendor Payments			
	85% (Mar)	84% (YTD)	

Investments

As interest rates rise from historic lows, the portfolio yield will also begin to rise as new investments capture these higher market rates. In March the weighted average yield was 0.94%. March results remain down from 2.14% in 2020 and 1.35% in 2021.

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.

March	2020	2021	2022
Cash & Investment Port-	\$585.6 M	\$643.4 M	\$828.3 M
Weighted avg. yield	2.14%	1.35%	0.94%
Duration (months)	20.9	22.2	19.9

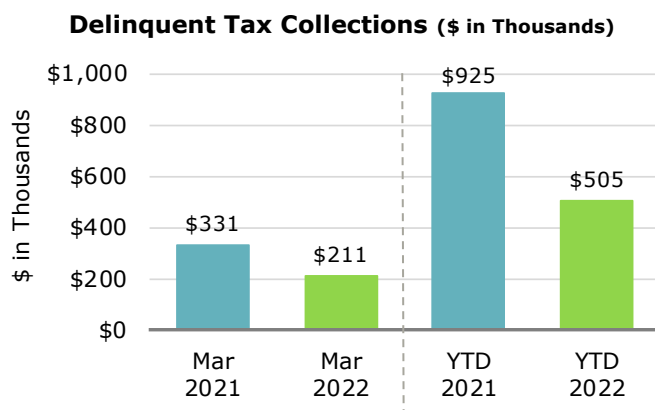
Financing Transactions Over Previous 12 Months

In February 2022 the City prepaid the \$13.4 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 March were \$210,700. 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

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