

2022



City of Aurora

# General Fund Revenue Summary

Prepared by the Office of Budget  
and Financial Planning

April 2022  
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# General Fund Revenue Summary

After enjoying strong economic growth in 2021, growth appears to be slowing down. National Gross Domestic Product (GDP) is estimated to have declined at an annualized rate of 1.5% in the first quarter of 2022. Also of concern, consumer prices have been rising rapidly and year-over-year inflation in April reached 8.3%. On the positive side, the unemployment rate in the Metro Area continues to decline and fell to 3.8% year-to-date in March.

A combination of strong consumer demand and inflation drove higher-than-

expected General Fund revenues through the first four months of 2022. Sales and use tax collections were the primary reason for General Fund revenues exceeding the operating budget plan by \$17.5 million (13.7%). This equates to a 14.4% increase compared to 2021. Audit recoveries have also contributed to the operating revenues exceeding the budget plan. Conversely, year-to-date revenue from both external charges for services as well as fines and forfeitures have come in significantly under the budget plan.

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

Revenue Type (\$ in thousands)	2022 YTD Actuals	Actuals (Under)/ Over 2021		Actuals (Under)/ Over 2022 Budget	
		\$	%	\$	%
General Sales Tax	\$89,600.4	\$9,246.4	11.5%	\$11,456.3	14.7%
Capital-Related Use Tax	11,072.2	(740.1)	(6.3%)	978.1	9.7%
Auto Use Tax	9,660.4	1,479.3	18.1%	2,257.3	30.5%
Audit Revenue	6,618.5	811.8	14.0%	4,982.6	304.6%
Franchise Fees and Taxes	3,821.3	624.3	19.5%	522.8	15.8%
External Charges for Services	1,720.4	56.3	3.4%	(332.0)	(16.2%)
Fines & Forfeitures	851.0	(250.9)	(22.8%)	(496.1)	(36.8%)
All Other Sources	37,621.6	7,105.7	23.3%	(301.2)	(0.8%)
<b>Total Sources</b>	<b>\$160,965.8</b>	<b>\$18,332.8</b>	<b>12.9%</b>	<b>\$19,067.8</b>	<b>13.4%</b>
Less Capital Transfer	16,047.0	50.6	0.3%	1,600.2	11.1%
<b>Operating Revenue</b>	<b>\$144,918.7</b>	<b>\$18,282.3</b>	<b>14.4%</b>	<b>\$17,467.6</b>	<b>13.7%</b>

## Monthly Economic Data Year-to-Date (YTD)

### ▼ Unemployment Rate

Metro area average YTD rate (Mar) at 3.8%, down 2.6 percentage points from 2021.

### ▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 8.3% (Apr) compared to 2021.

### ▶ Aurora Building Permits

24 commercial projects permitted YTD (Apr), up 26.3% from 2021. 1,026 residential projects permitted YTD (Apr), down 10.9% from 2021.

### ▲ Hotel Occupancy

YTD (Mar) hotel occupancy at 57.8%, up 17.3 percentage points compared to 2021.

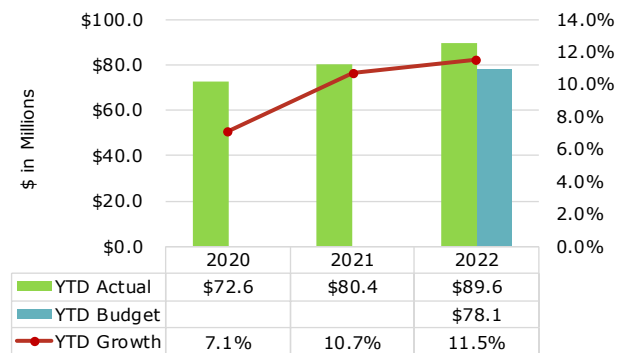
*All indicator data are the most current available as of this report's publication date*

## Sales Tax

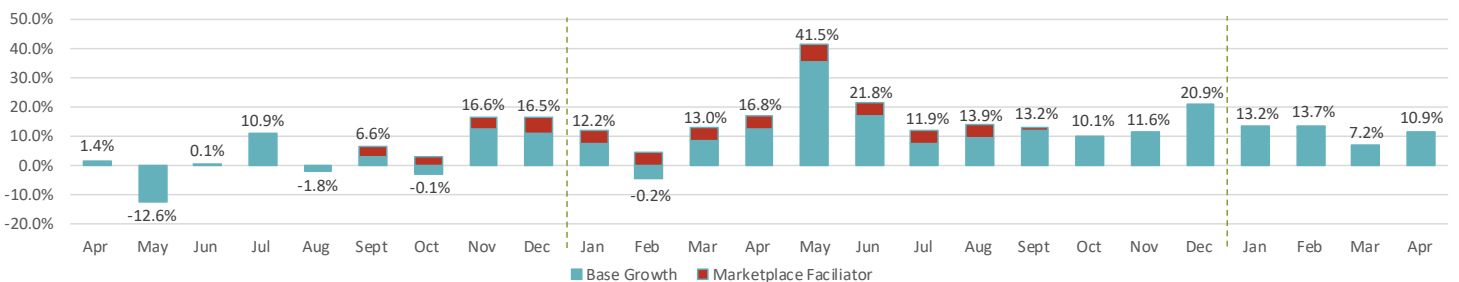
Sales tax collections through April are \$11.5 million (14.7%) ahead of the budget plan. Recent consumer price index (CPI) data shows particularly high inflation in energy as well as the price of new and used vehicles. Given this, it is not surprising that two of the industry sectors showing the largest growth in sales tax collections were Utilities (26.8%) and Auto Dealers and Parts (18.6%). Building Materials (22.7%) and Eating and Drinking Places (17.3%) also saw double-digit growth in April 2022 sales tax collections.

The Sales Tax Performance chart shows that year-to-date sales tax collections have grown 11.5% compared to 2021. While higher prices are likely to drive some sales tax growth over coming months, it is less clear if strong consumer demand will continue going forward given the combined impacts of high inflation, slow growth in personal income, and rising interest rates.

## Sales Tax Performance (in Millions of \$)



## % Change from Same Month in Prior Year



2020 (5.3% avg annual growth)

2021 (14.9% avg annual growth)

2022 (11.5% avg growth)

# Audit Recoveries

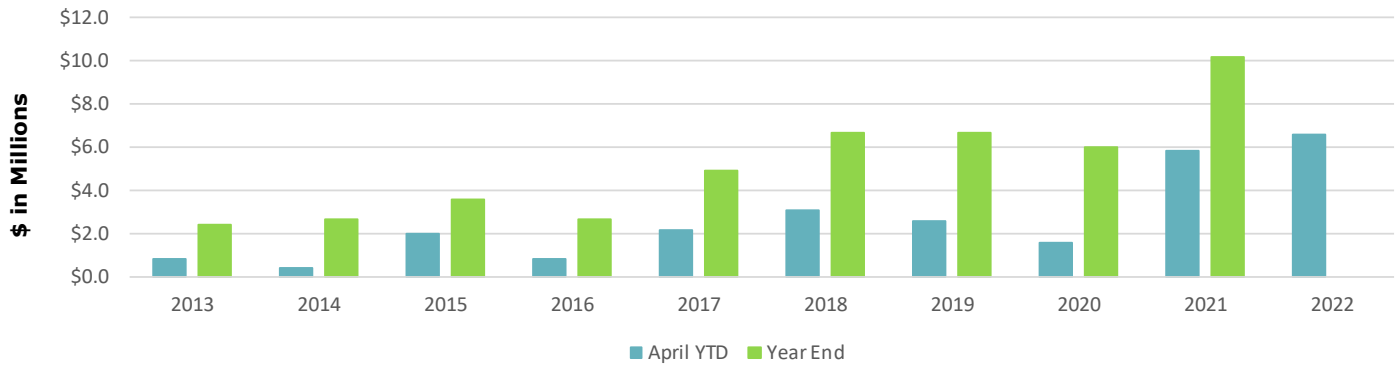
The Tax Division assists the City of Aurora with collecting certain business-related taxes such as sales tax, use tax, and occupational privilege tax. To ensure compliance with city ordinances, the Tax Division uses a variety of tools ranging from public education to auditing tax returns.

The Adopted 2022 Budget assumes that the City of Aurora will receive \$4.9 million in audit recoveries across the twelve months of 2022. Through just four months, Aurora has already received \$6.6 million in audit recoveries. This amount is \$811,800 (14.0%) more than was collected in the first four

months of 2021. About 77 percent of the current year audit recoveries have related to two large, multi-year audits of large retailers that were concluded in 2022.

As seen in the 10 Year History of Audit Collections chart below, the highest level of audit recoveries in recent history was the \$10.2 million recovered in 2021. Given strong year-to-date recoveries, 2022 has a chance to exceed this amount. That said, large audit recoveries are one-time in nature and currently high levels of audit recoveries do not necessarily lead to continued high levels of recoveries moving forward.

**10 Year History of Audit Collections (in Millions of \$)**

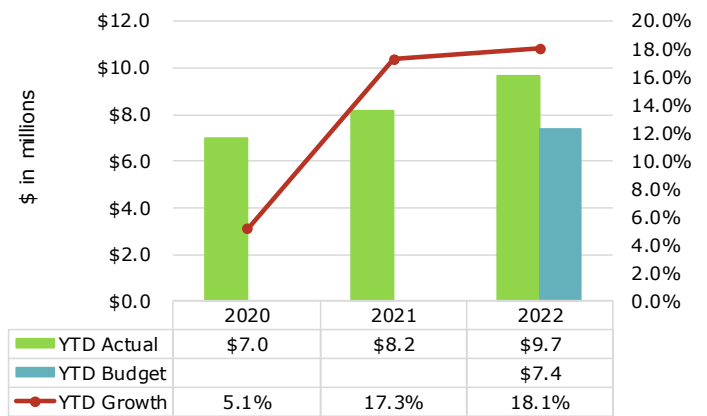


# Auto Use Tax

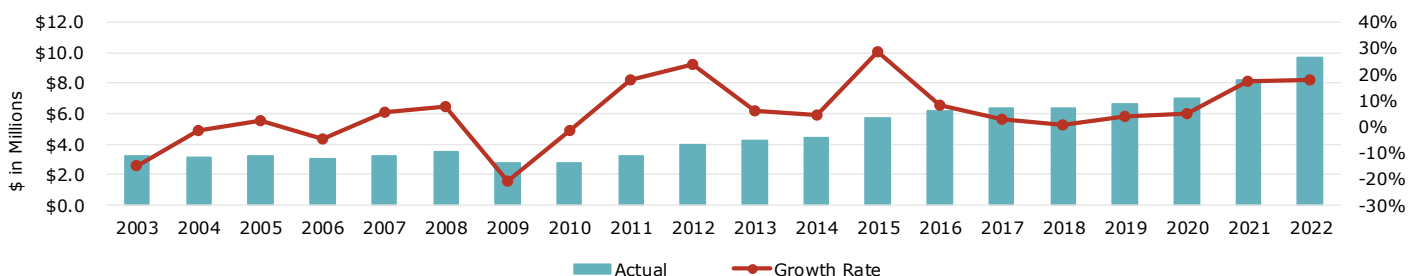
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through April are \$2.3 million (30.5%) more than the budget plan. Despite April 2022 collections being the second highest month ever recorded, it is unclear if strong collections will continue moving forward. As a result of various supply chain issues, auto manufacturers are still struggling to produce enough new cars to meet demand. Indeed, year-over-year new vehicle registration in Colorado fell 10.0% in the first quarter of 2022 due to the shortage of new cars. An additional challenge is rapidly rising interest rates, which may depress demand for new vehicles for the rest of the year. Positively impacting auto use tax collections, a combination of inflation and manufacturers focusing production on higher-priced models has resulted in the price of the average vehicle transaction increasing by 18.7% in April 2022.

**Auto Use Tax Performance (in Millions of \$)**





**Auto Use Tax Historical Collections - April YTD (in Millions of \$)**



# Finance Department Indicators (for the month ending 4/30/22)

## 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. Performance in April was at 90%, bringing the year-to-date performance up to 86%.

Target: 30 Days - 85%	
 <b>90%</b> (Apr)	<b>86%</b> (YTD) 

## Investments

In the fourth quarter of 2021, market interest rates finally started to rise. As a result, average yield started to rise in 2022 after consistently dropping for most of 2020 and 2021. In April the weighted average yield was 1.08%. April yield remains down from 2.00% in 2020 and 1.26% 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.

April	2020	2021	2022
Cash & Investment Portfolio	\$607.8 M	\$647.6 M	\$840.0 M
Weighted avg. yield	2.00%	1.26%	1.08%
Duration (months)	19.1	22.2	19.1

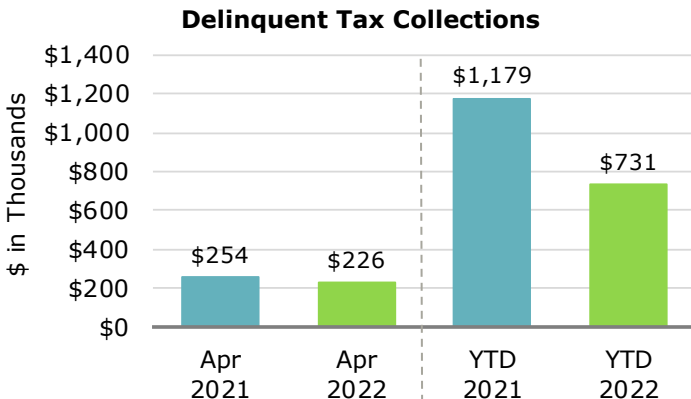
## Financing Transactions Over Previous 12 Months

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 roadway maintenance (\$35 million) and 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 April were \$226,200. Delinquent tax collections in recent months have been trending downward. With a strong economy, 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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