

2022



City of Aurora

# General Fund Revenue Summary

Prepared by the Office of Budget  
and Financial Planning

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# General Fund Revenue Summary

Current economic news is dominated by persistently high inflation and the associated efforts of the federal government to address inflation by aggressively raising interest rates. Most economists are now lowering their projections for economic growth in 2022, with there also being growing concern that a recession in the near term is increasingly possible. On the positive side, the unemployment rate in the Metro Area continues to decline and fell to 3.6% year-to-date in April.

Despite the darkening economic outlook, a combination of consumer demand and

inflation continue to drive strong year-to-date General Fund revenues. Sales and use tax collections were the primary reason for General Fund revenues exceeding the operating budget plan by \$21.9 million (13.6%). This equates to a 13.0% increase compared to 2021. Audit recoveries have also contributed to 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.

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

### ▼ Unemployment Rate

Metro area average YTD rate (Apr) at 3.6%, down 2.7 percentage points from 2021.

### ▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 8.6% (May) compared to 2021.

### ▲ Aurora Building Permits

28 commercial projects permitted YTD (May), up 21.7% from 2021. 1,683 residential projects permitted YTD (May), up 12.4% from 2021.

### ▲ Hotel Occupancy

YTD (Apr) hotel occupancy at 60.0%, up 16.6 percentage points compared to 2021.

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

## Revenue by Category—May Year-to-Date (\$ in Millions)

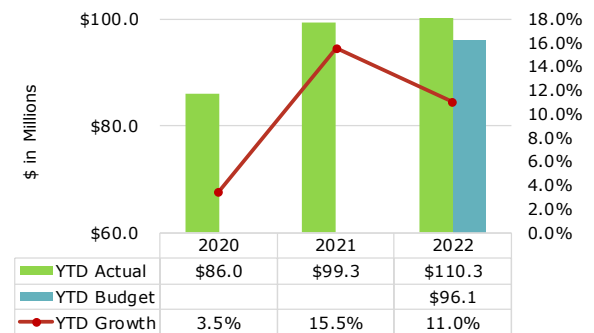
Revenue Type (\$ in Millions)	2022 YTD Actuals	Actuals (Under)/ Over 2021		Actuals (Under)/ Over 2022 Budget	
		\$	%	\$	%
General Sales Tax	\$110.3	\$10.9	11.0%	\$14.2	14.7%
Capital-Related Use Tax	14.4	(0.6)	(3.8%)	2.3	19.2%
Auto Use Tax	12.3	1.8	16.8%	2.9	30.7%
Audit Revenue	7.3	0.9	14.6%	5.3	258.7%
Franchise Fees and Taxes	5.7	0.7	15.1%	0.8	16.4%
Lodger's Tax	2.6	0.8	43.1%	(0.0)	(0.5%)
Fines & Forfeitures	1.0	(0.4)	(25.7%)	(0.7)	(40.8%)
All Other Sources	49.5	7.1	16.7%	0.2	0.3%
<b>Total Sources</b>	<b>\$203.2</b>	<b>\$21.4</b>	<b>11.7%</b>	<b>\$24.9</b>	<b>14.0%</b>
Less Capital Transfer	20.7	0.3	1.6%	3.0	17.2%
<b>Operating Revenue</b>	<b>\$182.5</b>	<b>\$21.0</b>	<b>13.0%</b>	<b>\$21.9</b>	<b>13.6%</b>

## Sales Tax

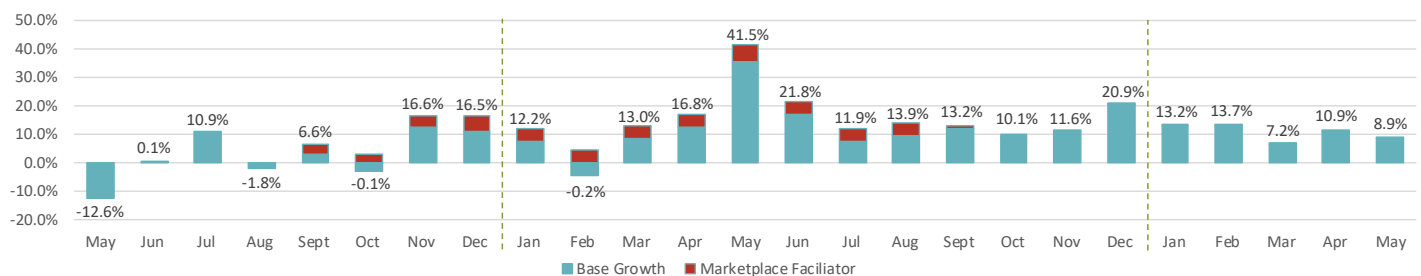
Sales tax collections through May are \$14.2 million (14.7%) ahead of the budget plan. Recent consumer price index (CPI) data shows high rates of inflation in energy (34.6%), used cars (16.1%), new cars (12.6%), food (10.1%), and commodities (8.5%). Given this, it is not surprising that the industry sectors showing the largest growth in sales tax collections in May include building materials (18.9%), utilities (17.1%), eating and drinking places (15.5%), and auto dealers and parts (13.2%).

The Sales Tax Performance chart shows that year-to-date sales tax collections have grown 11.0% 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, reduced personal savings, 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 (11.0% avg growth)

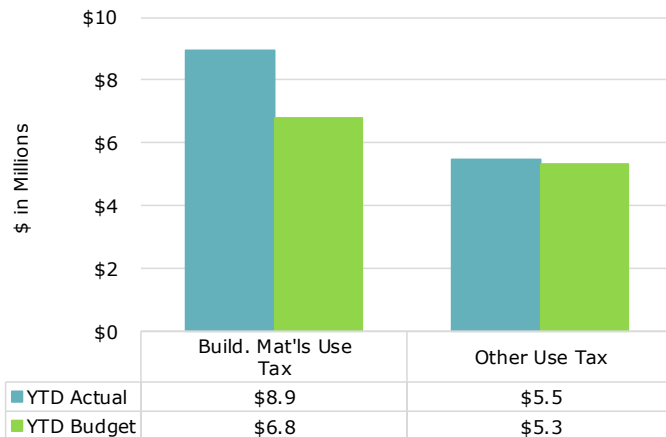
# Capital-Related Use Tax

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.

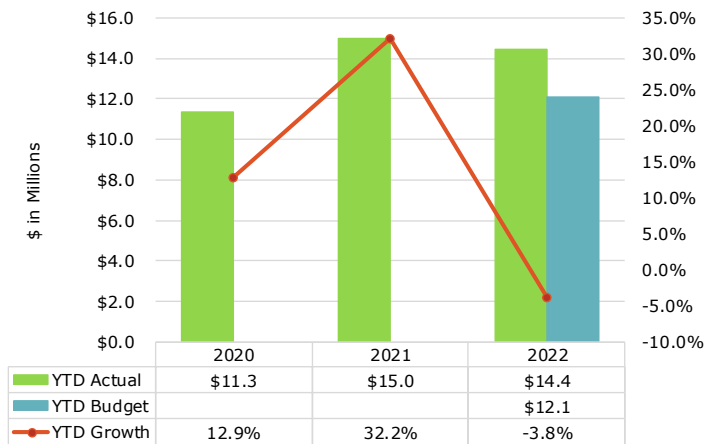
Year-to-date (YTD) BMUT collections are significantly ahead of projection while other use tax is slightly ahead of projection. Together, capital-related use tax collections are tracking ahead of the monthly projection plan by \$2.3 million (19.2%).

As seen on the Capital-Related Use Tax Performance chart below, YTD revenues have decreased by \$562,400 (3.8%) compared to 2021. However, Aurora received a record amount of capital-related use tax in 2021, so trailing slightly behind last year should actually be viewed as a relatively positive result. The \$14.4 million in YTD capital-related use tax collections in 2022 are the second-highest ever through the first five months of the year and as considerably higher than the \$10.0 million collected in 2019 (the last year before the COVID-19 pandemic).

**Capital-Related Use Tax Components**



**Capital-Related Use Tax Performance**

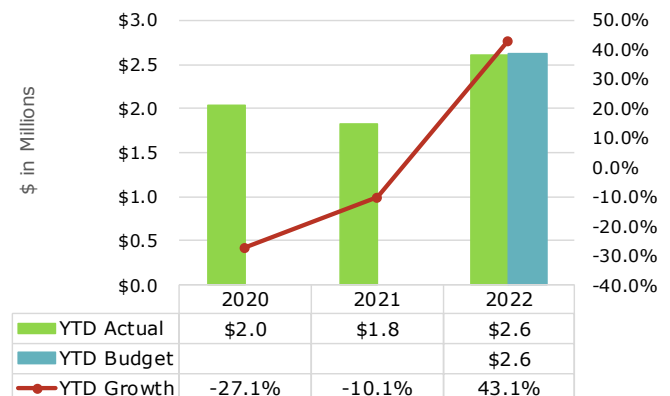


# Lodger's Tax

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 continues to recover from the COVID-19 pandemic. YTD Metro Denver hotel occupancy stands at 60.0% in April 2022. In comparison, occupancy was 43.4% over the same time period in 2021. However, hotel occupancy over the first four months of 2019 was 67.9%. In this regard, hotel visits have not yet fully recovered to pre-pandemic levels. Similarly, 19.9 million airline passengers traveled through Denver International Airport in the first four months of 2022, which was 43.2% better than in 2021 but still 1.7% below 2019.

After two years of declining YTD growth in lodger's tax collections, the first five months of collections in 2022 have grown by 43.1%. With this growth, YTD lodger's tax collections are \$13,500 (0.5%) below the budget plan. Despite this, lodger's tax collections have not yet recovered to pre-pandemic levels. YTD collections are still \$172,800 (6.2%) less than in 2019. As already discussed, a reduction in hotel visitation is a big reason for this decline. YTD average hotel room rates are also lower than before the pandemic. However, rates have steadily increased this year and in May the YTD average room rate in 2022 is \$128, which is 42.0% higher than it was a year ago and is only 3.4% below 2019 levels. Given high energy/travel costs and other economic headwinds, it is not clear if the recovery in lodger's tax revenues will continue moving forward.



**Lodger's Tax Performance (in Millions of \$)**



# Finance Department Indicators (for the month ending 5/31/22)

## 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. Performance in May was at 87%, bringing the year-to-date performance up to 86%.

Target: 30 Days - 85%	
 <b>87%</b> (May)	<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 increase in 2022 after consistently dropping for most of 2020 and 2021. In May the weighted average yield was 1.17%. May yield remains down from 1.92% in 2020 but is slightly higher than the 1.12% earned 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.

May	2020	2021	2022
Cash & Investment Portfolio	\$608.3 M	\$714.6 M	\$867.9 M
Weighted avg. yield	1.92%	1.12%	1.17%
Duration (months)	18.2	21.0	18.5

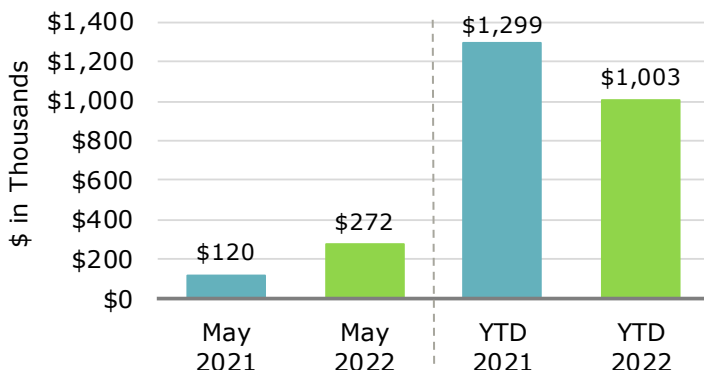
## Financing Transactions Over Previous 12 Months

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

## Delinquent Tax Collections

Delinquent tax collections in May were \$272,000. Delinquent tax collections in recent months have been trending downward. With a relatively 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.



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