

2022



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

July 2022
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General Fund Revenue Summary

U.S. inflation in June was 9.1%, the highest rate in forty years. Inflation in July dropped to 8.5% and remains a serious economic headwind. In its ongoing effort to fight inflation, the Federal Reserve raised interest rates for the fourth time this year in July. Interest rate increases are expected to reduce economic growth and slow inflation. The labor market in the Metro Area remains strong, with the year-to-date (YTD) unemployment rate declining to 3.4% in July.

Despite economic concerns, a combination of consumer demand and inflation

continue to drive strong year-to-date General Fund operating revenues. Sales and use tax collections were the primary reason for General Fund revenues exceeding the operating budget plan by \$28.6 million (12.0%). This equates to an 11.7% increase compared to 2021. Audit recoveries have also contributed to operating revenues exceeding the budget plan. Conversely, year-to-date revenue from fines and forfeitures has come in \$1.0 million (43.1%) under the budget plan.

Revenue by Category – July Year-to-Date (\$ in Millions)

Revenue Type (\$ in Millions)	2022 YTD Actuals	Actuals (Under)/ Over 2021		Actuals (Under)/ Over 2022 Budget	
		\$	%	\$	%
General Sales Tax	\$156.7	\$13.9	9.8%	\$19.7	14.4%
Capital-Related Use Tax	20.1	0.5	2.7%	3.2	19.0%
Auto Use Tax	17.5	1.9	12.0%	3.9	28.5%
Audit Revenue	9.2	1.4	17.2%	6.4	222.9%
Franchise Fees and Taxes	7.7	0.9	13.3%	0.6	9.0%
Lodger's Tax	4.4	1.1	34.6%	0.2	4.2%
Fines & Forfeitures	1.4	(0.6)	(28.7%)	(1.0)	(43.1%)
All Other Sources	78.6	10.4	15.2%	(0.2)	(0.2%)
Total Sources	\$295.5	\$29.5	11.1%	\$32.8	12.5%
Less Capital Transfer	29.4	1.7	6.0%	4.2	16.7%
Operating Revenue	\$266.2	\$27.9	11.7%	\$28.6	12.0%

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro area average YTD rate (Jul) at 3.4%, down 2.7 percentage points from 2021.

▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 8.5% (Jul) compared to 2021.

▶ Aurora Building Permits

34 commercial projects permitted YTD (Jul), down 5.6% from 2021. 2,371 residential units permitted YTD (Jul), up 27.6% from 2021.

▲ Hotel Occupancy

YTD (Jul) hotel occupancy at 67.6%, up 12.8 percentage points compared to 2021.

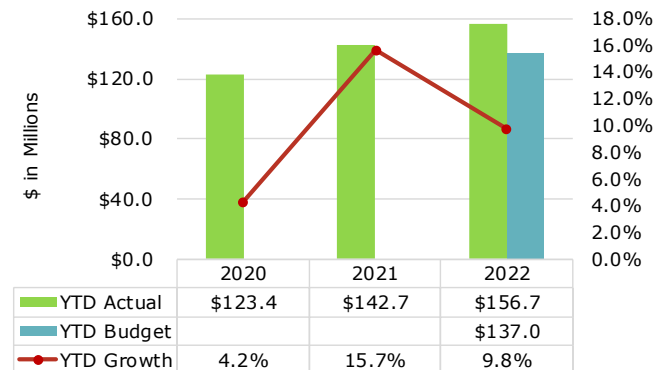
All indicator data are the most current available as of this report's publication date

Sales Tax

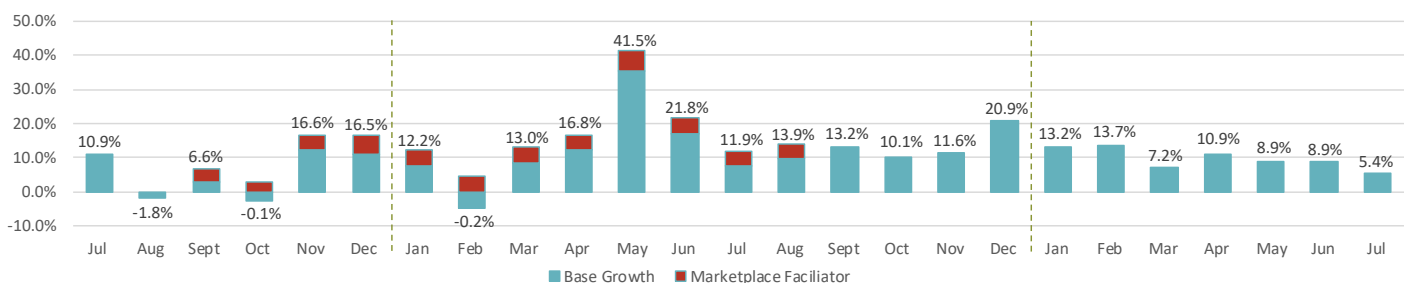
Sales tax collections through July are \$19.7 million (14.4%) ahead of the budget plan. Driven in part by the high cost of energy and other commodities, the two sectors showing the largest growth in sales tax collections were building materials stores (16.9%) and utilities (9.4%). Seven sectors saw declines in collections. For example, despite inflation generating additional sales tax for each good and service sold, collections from department stores were down 12.6% and collections from furniture stores were down 7.9%.

The Sales Tax Performance chart shows that YTD sales tax collections have grown 9.8%. A streak of twelve straight months with double-digit growth in sales tax collections ended in March 2022. Although we remain on track to meet the budgeted amount of sales tax revenue, growth in sales tax collections has slowed considerably over recent months. Growth in sales tax collections in July was 5.4%, the lowest level of growth since February 2021.

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)

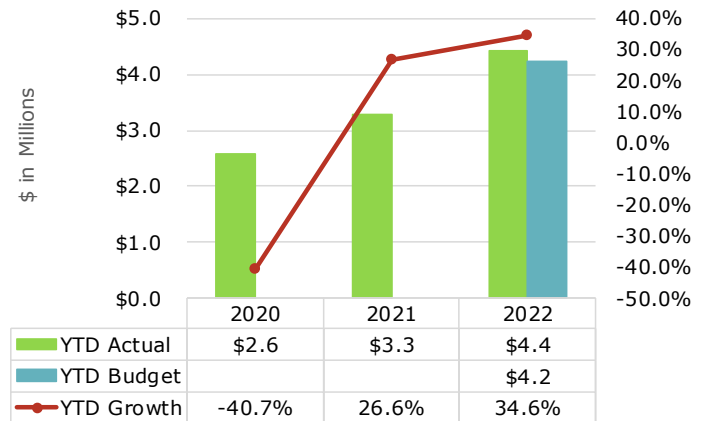
2022 (9.8% avg growth)

Lodger's Tax

Aurora charges an 8.0% tax rate on the purchase of rooms and other accommodations at hotels and similar businesses. In 2022, the travel and tourism sector of the economy has been making a strong recovery from the recession induced by the COVID-19 pandemic. YTD Metro Denver hotel occupancy stands at 67.6% in July 2022. In comparison, occupancy was 54.8% over the same time period in 2021. However, hotel occupancy over the first seven months of 2019 was 75.1%. In this regard, hotel visits have not yet fully recovered to pre-pandemic levels. Similarly, 38.6 million airline passengers traveled through Denver International Airport in the first seven months of 2022, which was 24.3% better than in 2021 but still 2.1% below 2019.

Although airline passengers and hotel occupancy have yet to fully recover to pre-pandemic levels, collections of lodger's tax in June and July both exceeded the same months in 2019. This marks the first time that revenues have exceeded a pre-pandemic baseline. With airline passengers and hotel occupancy both down, it would appear that the growing collections of lodger's tax is largely fueled by increasing hotel prices. Indeed, the average cost of a hotel room in the Metro Area in July 2022 was \$173, which is 5.0% higher than in 2019. Year-to-date, collections of lodger's tax have increased by \$1.1 million (34.6%) compared to 2021. With this strong growth, YTD lodger's tax collections are now \$178,400 (4.2%) above the budget plan. Despite the growing amount of economic concerns, monthly collections of lodger's tax have grown by double-digit percentages each month this year and show no signs of slowing down.

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

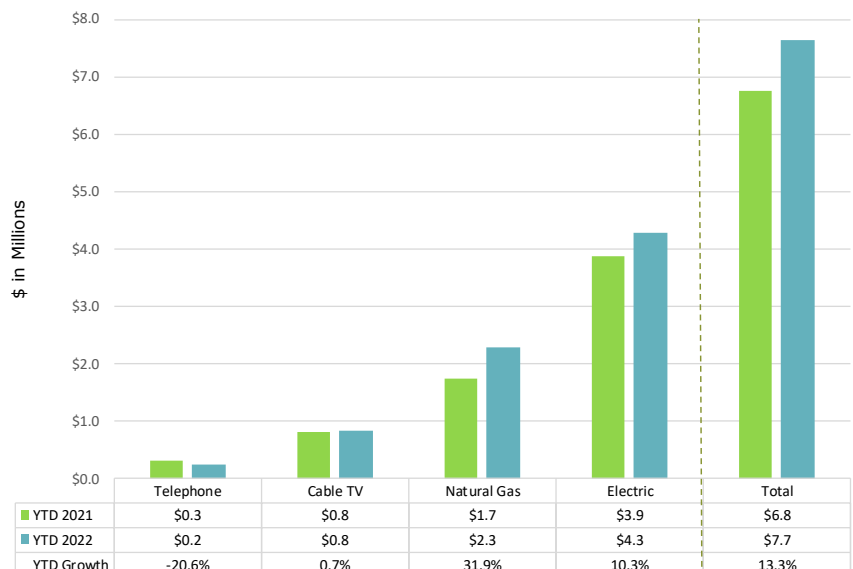


Franchise Fees and Taxes

Franchise fees and taxes are levied on certain business sectors for the right to operate and provide service within the City of Aurora. These fees and taxes are paid in addition to other taxes the corporation is responsible for, such as income and sales tax. In Aurora, this revenue source consists of four distinct streams: telephone tax, cable TV fees, natural gas fees, and electric fees. Any business providing services in these areas is responsible for the associated cost per the agreed upon rate with the City of Aurora. All fees and taxes are collected monthly apart from cable TV fees, which are collected quarterly.

Overall year-to-date (YTD) franchise fee and tax collections through the month of July total \$7.7 million. Electric and natural gas franchise fees account for nearly 86.0% of the total amount. Combined, revenue from telephone and cable TV services account for less than \$1.1 million. Compared to 2021, YTD franchise revenues have increased by 13.3% in 2022. Nearly all these gains have occurred in the natural gas (31.9%) and electric (10.3%) utility sectors. Inflation appears to be responsible for all the growth experienced this year, with inflation rates of 30.5% for piped gas service and 15.2% for electricity. Though telephone taxes account for only \$247,000 YTD, these collections are 20.6% lower than collections last year. If this decrease continues through the remainder of the year, it will mark the second consecutive year telephone tax revenues have decreased more than 20%.

Franchise Fees and Taxes Components and Performance (in Millions of \$)



Finance Department Indicators (for the month ending 7/31/22)

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. The biggest issue in July performance is related to Housing and Community Services. The department had a number of outstanding invoices resulting from: (1) delays creating and implementing the new Homeless Camping Ordinance Abatement program, and; (2) a high volume of work needing verification by a Code Enforcement Officer before an invoice is paid. Some of these issues may persist for several months before being resolved.

Target: 30 Days - 85%		
👎	84% (Jul)	86% (YTD) 👍

Investments

In an effort to fight inflation, the Federal Reserve hiked interest rates by a combined 2.25% across four rate hikes through July 2022. Given this environment, weighted average yield has consistently risen over recent months and reached 1.42% in July. This yield remains down from 1.79% in 2020 but is higher than the 0.98% 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.

July	2020	2021	2022
Cash & Investment Portfolio	\$625.9 M	\$761.8 M	\$912.6 M
Weighted avg. yield	1.79%	0.98%	1.42%
Duration (months)	20.2	20.6	19.7

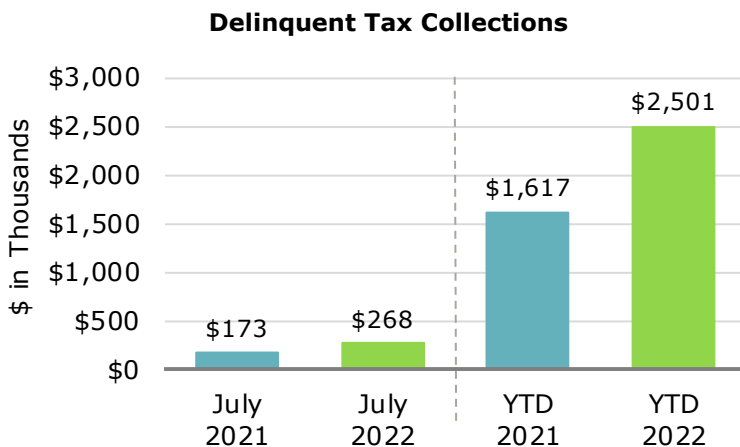
Financing Transactions Over Previous 12 Months

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 2022 Heavy Fleet (\$9 million), Road Improvements COP (\$35 million), and AURA Conference Center and Parking Structure refinancing (\$21 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 July were \$268,100. Year-to-date collections are up significantly over 2021 and reflect a large delinquent tax payment received in June.



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