

2022



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

August 2022

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General Fund Revenue Summary

In the first half of 2022, the United States experienced the highest rate of inflation in forty years. Further, U.S. gross domestic product (GDP) declined in each of the first two quarters of 2022. Despite these troubling economic conditions, the labor market remains strong.

The rising prices of goods and services are driving Aurora's General Fund revenues higher. General Fund revenues through July were tracking above the budget plan, with collections of sales and use tax responsible for the vast majority of the over-performance. Staff prepared

a mid-year 2022 revenue projection for the 2023 proposed budget that reflected these trends.

The General Fund projection includes \$42.8 million more in revenue than included in the 2022 Budget. Collections of sales tax, capital-related use tax, audit recoveries, franchise fees and taxes, and auto use tax drove the increase. Offsetting these increases slightly, revenue from external charges for service and fines and forfeitures are projected to decline below the amounts assumed in the 2022 Budget.

2022 Base Revenue Projection vs. Budget

Revenue Category	2022 Projection	2022 Budget	Projection (Under)/ Over 2022 Budget	
			\$	%
General Sales Tax	\$263,229,402	\$234,162,053	\$29,067,349	12.4%
Capital-Related Use Tax	33,502,888	29,096,379	4,406,509	15.1%
Auto Use Tax	27,120,445	24,199,869	2,920,576	12.1%
Franchise Fees and Taxes	17,381,079	15,147,809	2,233,270	14.7%
Audit Revenue	10,453,436	4,907,627	5,545,809	113.0%
External Charges for Services	6,057,047	7,169,532	(1,112,485)	(15.5%)
Fines & Forfeitures	2,382,202	4,023,306	(1,641,104)	(40.8%)
All Other Revenue	100,393,465	99,054,370	1,339,095	1.4%
Total Revenue	\$460,519,964	\$417,760,945	\$42,759,019	10.2%
Less Capital Transfer	47,519,402	41,905,686	5,613,716	13.4%
Operating Revenue	\$413,000,562	\$375,855,259	\$37,145,303	9.9%

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 8.3% (Aug) compared to 2021.

▲ Aurora Building Permits

42 commercial projects permitted YTD (Aug), up 2.4% from 2021. 2,588 residential projects permitted YTD (Aug), up 24.1% from 2021.

▲ Hotel Occupancy

YTD (Aug) hotel occupancy at 68.9%, up 12.1 percentage points compared to 2021.

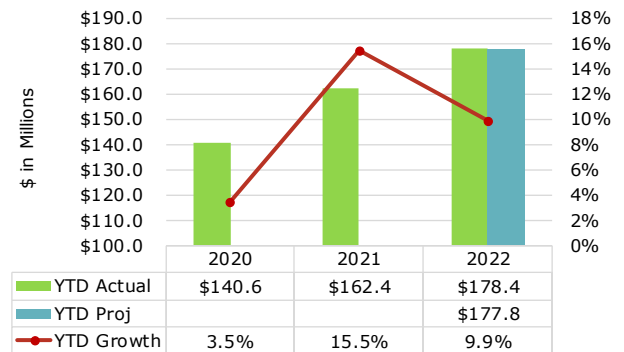
All indicator data are the most current available as of this report's publication date

Sales Tax

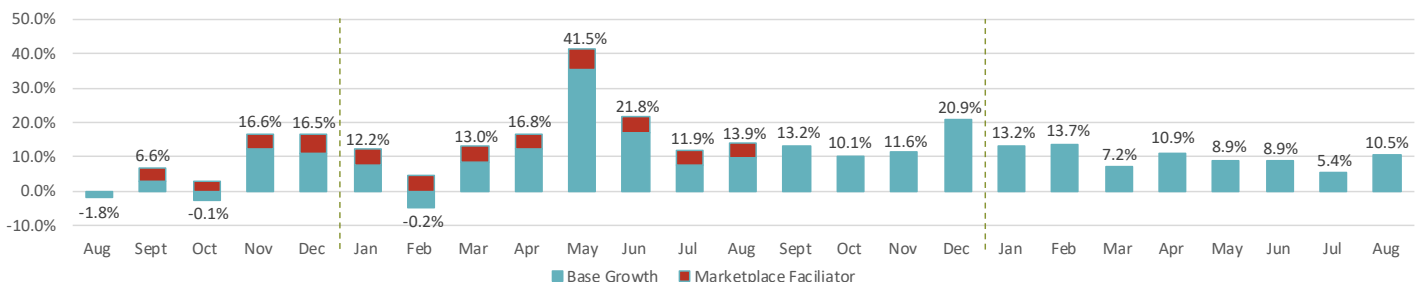
The high level of inflation that has been driving strong growth in sales tax collections this year was not projected in the 2022 Original Budget. Given this unexpected development, staff raised the mid-year sales tax projection by \$29.1 million (12.4%) compared to the 2022 Original Budget. Although growth is expected to slow moving forward, YTD sales tax collections are now \$586,000 (0.3%) higher than the mid-year projection.

The Sales Tax Performance chart shows that YTD sales tax collections have grown 9.9% compared to 2021. While growth has generally started to slow, August sales tax collections grew by 10.5%. August collections were aided by a \$523,800 (84.8%) increase in variable sales tax collections compared to August 2021. "Variable sales tax" is a term coined to describe payments that are inconsistent in nature and generally involve large business-to-business sales.

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 (9.9% avg growth YTD)

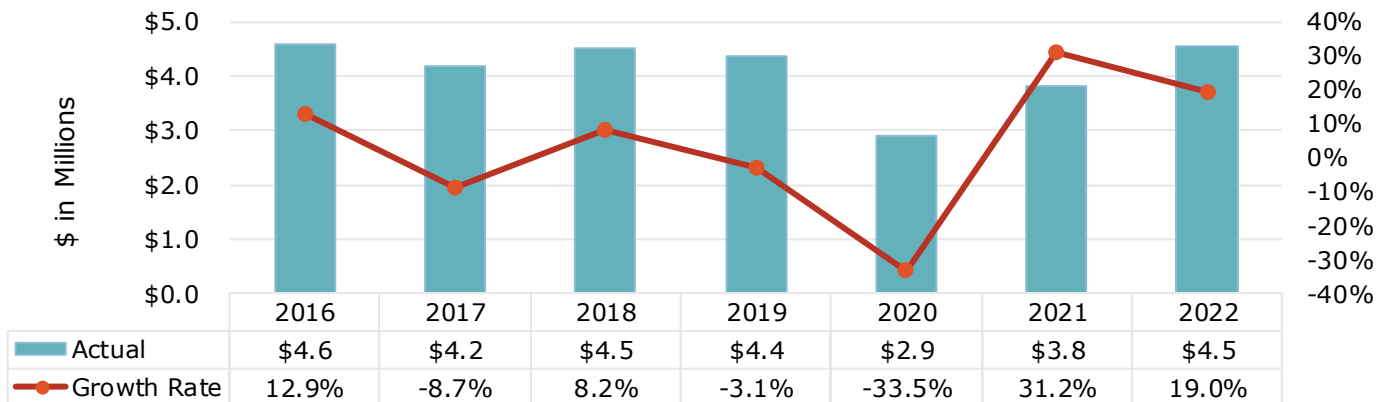
External Charges for Services

External charges for services are service fees charged to entities external to the city. Most departments charge fees of some kind including court fees, contractual reimbursements for ambulance transport services, facility rental charges, library fees, admission fees at Aurora’s two reservoirs, and housing reinspection fees.

The 2022 Adopted Budget assumed that Aurora would receive \$7.2 million in external charges for services, which was adjusted downward to \$6.1 million in the 2022 mid-year projection. This downward revision is partially attributed to the new fees in Aurora Fire Rescue, which were adopted as part of the 2021 budget process, not generating as much revenue as previously anticipated.

Year-to-date (YTD) revenues from all external charges are \$726,800 (19.0%) higher than 2021 and \$208,100 (4.8%) above the new projection. The year-over-year increase is due in part to the timing of contractual revenues from ambulance transport services and the rollout of a new Fire inspection fee. Both items are on track to meet the 2022 mid-year projection. In addition, year-to-date revenues from recreation fees associated with two reservoirs operated by the Parks, Recreation, and Open Space Department have been stronger than projected. Aurora Reservoir had its highest ever visitation for June and July in 2022. Apart from April, each remaining month had the second highest monthly attendance on record. With record attendance and fee increases for improved maintenance of resources and facilities, the department is setting revenue records for the year.

External Charges Historical Collections—August YTD (in Millions of \$)



Auto Use Tax

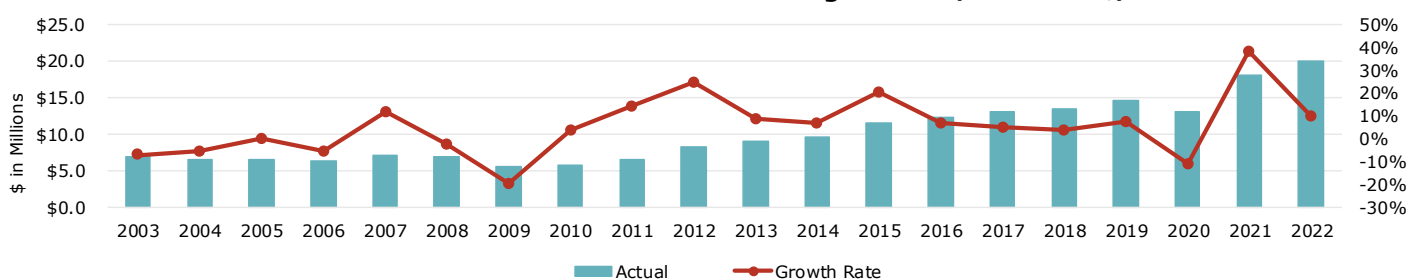
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through August are \$546,500 (2.8%) more than the projection plan. Further, YTD auto use tax collections are \$1.9 million (10.4%) greater than in 2021. This is surprising since new vehicle registrations in the first half of 2022 fell by 11.3% in Colorado. This trend may be starting to reverse as the National Automobile Dealers Association reported that new light vehicle sales in the U.S. increased by 0.7% in August. By year end, the Colorado Automobile Dealers Association expects new car sales in the state will have fallen by 2.6%. Although new car sales have declined on a YTD basis, the increase in auto use tax collections reflects the higher price of cars sold this year. According to J.D. Power, the average transaction price for new car purchases in August 2022 was \$46,259, up 11.5% and the highest price on record.

Auto Use Tax Performance (in Millions of \$)





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



Finance Department Indicators (for the month ending 8/31/22)

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 August performance related to Housing and Community Services. The department had a number of outstanding invoices resulting from: (1) delays creating and implementing the new Homeless 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% (Aug)	85% (YTD) 

Investments

In an effort to fight inflation, the Federal Reserve raised interest rates by a combined 2.25% across four rates hikes (the last of which was in July). Given this environment, the weighted average yield has consistently risen over recent months and reached 1.43% in August. This yield remains down from 1.79% in 2020 but is higher than the 0.97% 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.

August	2020	2021	2022
Cash & Investment Portfolio	\$620.7 M	\$780.9 M	\$912.6 M
Weighted avg. yield	1.79%	0.97%	1.43%
Duration (months)	20.0	20.8	18.7

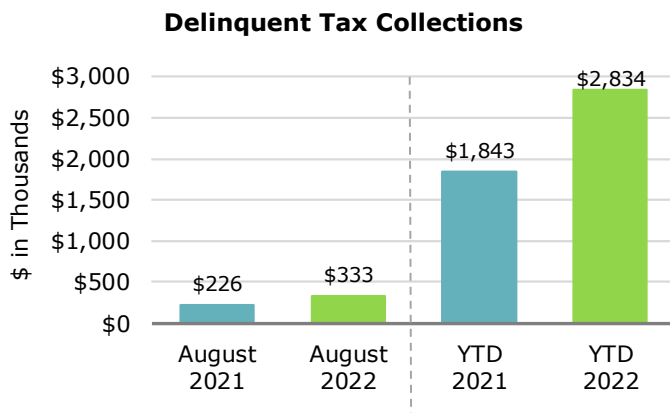
Financing Transactions Over Previous 12 Months

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 Road Improvements COP (\$35 million) and AURA Conference Center and Parking Structure refinancing (\$21 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
Series 2022-A Heavy Fleet	\$6.2M	22-Aug	2.71%	6.7	Bank of America
Series 2021-A Heavy Fleet	\$8.3M	21-Nov	1.16%	6.3	Key

Delinquent Tax Collections

Delinquent tax collections in August were \$332,600. Year-to-date collections are up significantly over 2021 and reflect a large delinquent tax payment received in June.



City of Aurora

Report Prepared by

Office of Budget and Financial Planning

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