

2022



City of Aurora

Fund Performance Report

General Fund

Prepared by the Office of Budget
and Financial Planning

For the Quarter Ending
June 30, 2022

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Economic Update











National gross domestic product (GDP) decreased by 1.6% in the first quarter of 2022. Further, according to an advanced estimate by the federal government, GDP decreased by 0.9% in the 2nd quarter. One simple definition of a recession is GDP decreasing in two consecutive quarters. However, labor markets remain strong, making it unclear if the economy is actually in recession. The U.S. unemployment rate was 3.8% in June, which remains low, but is up from a rate of 3.4% in May. Inflation in the United States continues to increase and reached 9.1% in June. Over recent months, the Federal Reserve has been aggressively raising interest rates in an attempt to slow inflation. Theoretically, raising interest rates should lower demand and reduce inflation, but higher interest rates also dampen economic growth.

After dropping for 11 straight months, Colorado's unemployment rate increased to 3.2% in June (from 3.0% in May). There are concerns about the economy looking forward. The Leeds Business Confidence Index (LBCI), a local measure of business expectations, fell to 41.1 ahead of the third quarter of 2022 (a score above 50.0 is positive). This is the fifth-lowest outlook in the 20-year history of the index. All of the components of this index received pessimistic outlooks, with the national economy receiving the lowest score with 27.7 points. Respondents cited inflation, interest rates, and supply chain issues as major factors behind the unfavorable outlook.

The unemployment rate in the Metro Area has mirrored the rate for Colorado over the last two months and stood at 3.2% in June. Consumer demand has been strong, although it may be slowing. Retail sales in the Metro Area have increased by 16.3% year-to-date (YTD) through May. It is unclear how strong consumer demand will remain given rising prices and higher interest rates. It is concerning that the consumer confidence index for the Mountain Region, which includes Colorado, fell by 15.0% in June compared to May 2022. On a positive note, construction in Aurora has remained strong, with the number of YTD permits for both commercial and residential projects showing increases compared to 2021.

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 30.2% YTD through June, but still remains 1.6% below 2019 passenger levels. Similarly, hotel occupancy in the Metro Area YTD through June has been 65.7%, which compares favorably to the 50.9% 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			
	3.2% (Jun) Down 3.0 percentage points	3.5% Down 2.7 percentage points	
Consumer Confidence Index (CCI) Mountain Region			
	98.6 (Jun) -23.7%	110.9 -3.5%	
AURORA BUILDING PERMITS # of New Commercial Buildings			
	6 (Jun) -33.3%	34 +6.3%	
AURORA BUILDING PERMITS # of New Residential Buildings			
	515 (Jun) +201.2%	2,198 +31.8%	
Consumer Price Index (Year-over-Year Increase for U.S. Urban Consumers)			
	June 2022 9.1%	May 2022 8.6%	June 2021 5.4%
LEEDS Business Confidence Index (LBCI) (values above 50 indicate expansion)			
	Q3 2022 41.1	Q2 2022 53.9	Q3 2021 67.3
LBCI Component	Q3 2022	Change Quarterly	Change Annual
State Economy	39.8	▼	▼
National Economy	27.7	▼	▼
Industry Sales	46.4	▼	▼
Industry Profits	42.2	▼	▼
Industry Hiring	48.3	▼	▼
Capital Expenditures	42.1	▼	▼
LBCI	41.1	▼	▼

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 through the second quarter were higher than the budget plan by \$29.6 million (13.8%). This over-performance is shown in the *2022 Revenue Performance by Type* table. Year-to-date (YTD) revenues reflect a combination of growing consumer demand and higher prices. Sales and use tax collections accounted for 78.3% of the over-performance in total sources.

Several other General Fund sources are showing differences from the budget plan. Audit revenues are \$6.2 million over the budget plan and are the biggest source of variance outside of sales tax. Franchise taxes collections are \$933,700 over the budget plan, with higher energy prices driving additional collections from electricity and natural gas franchises. Finally, a projected increase in revenue from fines & forfeitures has not materialized, resulting in this revenue source being down \$842,000 from the budget plan.

As can be seen in the *% Change from Same Month in Prior Year* graph, sales tax collections were consistently experienced double-digit growth in the later portions of 2021 and in the first two months of 2022. Growth in sales tax collections over the last year has been driven by a combination of strong retail sales and rising prices. Growth in sales tax collections appears to be slowing and has been under ten percent in three of the last four months. With U.S. inflation measuring at 9.1% in June, this means that growth in sales tax collections over recent months is predominantly driven by price inflation.

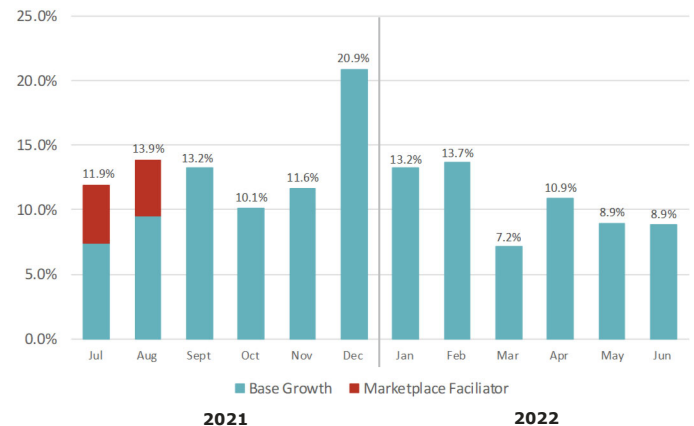
In June, four industry sectors had experienced double-digit growth in year-to-date sales tax collections, including Eating and Drinking Places (19.6%), Utilities (16.5%), Building Materials (15.9%), and Auto Dealers and Parts (12.2%). Many of these results reflect industry-specific inflation impacts. For example, the All Urban Consumers Consumer Price Index (CPI-U) in June showed that the cost of utility gas service had increased by 38.4% compared to one year ago and the cost of electricity was up 13.7%. Given this, it would appear that energy price increases were the predominant driver of growth in sales tax collections from utilities. In contrast, sales tax collections from Eating and Drinking Places up 19.6% YTD. With CPI data showing that prices for food away from home had increased 7.7% compared to last year, 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 Millions)	2022 YTD Actuals	Actuals (Under)/ Over 2022 Budget	
		\$	%
General Sales Tax	\$131.1	\$16.5	14.4%
Capital-Related Use Tax	17.9	3.3	22.4%
Auto Use Tax	14.9	3.4	29.4%
Audit Revenue	8.6	6.2	252.4%
Franchise Fees and Taxes	6.6	0.9	16.5%
External Charges for Services	3.2	(0.3)	(8.1%)
Fines & Forfeitures	1.2	(0.8)	(41.2%)
All Other Sources	60.4	0.4	0.7%
Total Sources	\$243.8	\$29.6	13.8%
Less Capital Transfer	25.3	4.0	19.1%
Operating Revenue	\$218.5	\$25.6	13.2%

Sales Tax % Change from Same Month in Prior Year



Sales Tax Top Taxpayers by Industry Category

Industry Category (\$ in millions)	YTD June		\$ Variance	% Change
	2022	2021		
Eating & Drinking Places	\$18.7	\$15.6	\$3.1	19.6%
Discount Stores	14.0	13.5	0.6	4.2%
Building Materials	12.7	10.9	1.7	15.9%
Auto Dealers and Parts	9.7	8.7	1.1	12.2%
Utilities	7.5	6.4	1.1	16.5%
Electronics/Computers	5.4	5.6	(0.2)	(4.3%)
Telecommunication/Cellular	5.3	5.6	(0.3)	(5.2%)
Grocery Stores	4.7	4.5	0.1	3.1%
Clothing and Clothing Accessories	3.4	3.3	0.2	4.7%
Beer, Wine, and Liquor Stores	2.6	2.7	(0.1)	(4.3%)
Department Stores	1.8	1.8	0.0	2.4%
Sport Goods, Hobby, Books, Music	1.7	1.7	0.1	3.7%
Furniture and Home Furnishings	1.3	1.3	(0.0)	(0.4%)
Industrial Sales	1.1	1.5	(0.4)	(27.5%)
Other Top Taxpayers	12.2	11.1	1.1	9.8%
Top Taxpayers	\$102.1	\$94.2	\$7.9	8.4%
Total of All Other Taxpayers	33.6	27.0	6.6	24.4%
Total Sales Tax Collections	\$135.8	\$121.3	\$14.5	12.0%
Less Sales Tax Incentives	4.7	2.8	1.9	66.6%
Total Reported Sales Tax	\$131.1	\$118.5	\$12.6	10.6%

Expenditures (General Fund Uses of Funds)

General Fund operating expenditures through the second quarter of 2022 are under the budget plan by \$11.6 million, or 6.8%. This outcome is overwhelmingly driven by a downturn in personal services expenditures. Spending against the supplies/other and capital purchases categories is also significantly under budget. After accounting for transfers out to other funds, the total General Fund budget variance is reduced down to \$6.9 million, or 3.3%.

As can be seen in the *2022 Transfer Detail chart*, transfers are over budget for two main reasons. First, stronger-than-budgeted capital-related revenue collections increased the transfer out to the Capital Projects Fund. The other transfers out category is also over budget and stems from an incentive payment in relation to a large data center in Aurora. The budget for these transactions will be included in a future 2022 supplemental amendment.

The supplies/other expenditure category is \$2.2 million (17.2%) under the budget plan. A significant amount of new appropriations was added to this category in the 2022 budget, particularly in the areas of IT and Public Safety. Much of these new appropriations have not yet been spent as a result of supply issues and delivery delays. Departments are hopeful to have these issues resolved by the end of the year.

The capital purchases category is under the budget plan by \$2.7 million (51.3%). The most of these savings are the result of vehicle and heavy equipment production and delivery delays. Once again, departments are hopeful to at least have purchase orders in place by the end of the year.

Before the “Great Resignation”, Career Services vacancies stood at 91.0 FTE in the General Fund at the end of the first quarter of 2021. At the end of the second quarter of 2022, vacancies in the fund have increased 124% to 203.5 FTE. Experts are trying to understand what is driving this national trend but 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 \$11.7 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. Human Resources is developing strategies for retention and inflation relief that, once approved, will be funded by these vacancy savings.

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 June Actuals	Actuals Under/ (Over) Budget	
		\$	%
Personal Services	\$118,919.7	\$7,023.6	5.6%
Temp Compensation	1,196.6	22.8	1.9%
Professional/Technical	10,183.9	(354.0)	(3.6%)
Supplies/Other	10,449.3	2,176.1	17.2%
Utilities	4,365.6	(297.0)	(7.3%)
Fleet/Risk Interfund	10,031.7	306.0	3.0%
Capital Purchases	2,546.1	2,686.8	51.3%
Total Operating Exp.	\$157,692.8	\$11,564.3	6.8%
Capital Rev Transfer	25,292.0	(4,074.4)	(19.2%)
Other Transfers Out	18,462.4	(551.3)	(3.1%)
Total Uses of Funds	\$201,447.2	\$6,938.5	3.3%

2022 Transfer Detail

Transfer Detail (\$ in thousands)	YTD June Actuals	Actuals Under/ (Over) Budget
General Fund Capital-Related Revenue	\$25,292.0	(4,074.4)
Transfers to the Aurora Capital Leasing Corporation:		
Hogan Parkway	13,445.6	0.0
Fleet Replacement	3,071.2	0.0
AMC Lease Payment	1,213.5	0.0
Other Lease Payments	130.8	0.0
Other Transfers:		
Incentive Payment	551.3	(551.3)
Court Surcharge Programs	50.0	0.0
Total Transfers Out	\$43,754.4	(4,625.7)

2022 Personnel Expenditures

Personnel Category (\$ in thousands)	YTD June Budget	YTD June Actuals	Actuals Under/ (Over) Budget
Regular Employee Salary & Benefits	\$121,700.3	\$110,045.1	\$11,655.2
Special Pay	1,571.0	3,311.7	(1,740.7)
Overtime Compensation	2,671.9	5,562.8	(2,890.9)
Temporary Compensation	1,219.3	1,196.6	22.8
Total Salary & Other Compensation	\$127,162.5	\$120,116.2	\$7,046.3

General Fund Vacancies	Q1	Q2
Total Career Service	173.95	203.5

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 June 2022	2022 Year-to-Date Sources Over/(Under)			
			2021	2022 Budget	% Chg vs 2021	% Chg vs Budget
Sales Tax - General	\$234,162,053	\$131,085,679	\$12,632,133	\$16,544,190	10.7%	14.4%
Use Tax - Capital Related	29,096,379	17,860,487	766,599	3,264,507	4.5%	22.4%
Use Tax - Automobile	24,199,869	14,892,802	1,836,068	3,380,867	14.1%	29.4%
Property Tax	45,820,061	37,183,437	7,344,711	0	24.6%	0.0%
Franchise Fees & Taxes	15,147,809	6,606,308	830,924	933,707	14.4%	16.5%
Highway User's Fees & Taxes	12,301,052	4,382,378	(372,921)	(552,461)	(7.8%)	(11.2%)
Other Auto Related (SOT, MV Fees)	5,050,891	1,708,238	(160,740)	(337,408)	(8.6%)	(16.5%)
Audit Revenue	4,907,627	8,648,239	1,883,721	6,194,425	27.8%	252.4%
Other Taxes	14,462,124	5,996,780	820,456	1,545	15.9%	0.0%
Other Intergovernmental Fees & Taxes	2,792,401	1,555,001	173,528	468,200	12.6%	43.1%
Business Licenses & Other Permits	3,322,767	1,639,276	155,102	233,148	10.5%	16.6%
Fines & Forfeitures	4,023,306	1,202,150	(420,928)	(842,026)	(25.9%)	(41.2%)
Internal Charges for Services	11,581,877	5,627,274	1,959,172	(34,327)	53.4%	(0.6%)
External Charges for Services	7,169,532	3,158,081	452,302	(277,815)	16.7%	(8.1%)
Other General Fund Revenue	3,723,197	2,293,136	621,794	640,091	37.2%	38.7%
Total General Fund Revenue	\$417,760,945	\$243,839,264	\$28,521,920	\$29,616,642	13.2%	13.8%
Transfers In from Other Funds	0	0	(150,919)	0	(100.0%)	n/a
Total Sources of Funds	\$417,760,945	\$243,839,264	\$28,371,001	\$29,616,642	13.2%	13.8%
General Fund Operating Revenue ¹	\$375,855,259	\$218,547,287	\$26,582,982	\$25,542,227	13.8%	13.2%

Expenditures (Uses of Funds)	2022 Budget	YTD Actual thru June 2022	2022 Year-to-Date Uses Under/(Over)			
			2021	2022 Budget	% Chg vs 2021	% Chg vs Budget
Personal Services	\$271,065,166	\$118,919,653	(\$8,573,087)	\$7,023,551	(7.8%)	5.6%
Temporary Compensation	2,658,831	1,196,570	16,285	22,770	1.3%	1.9%
Professional & Technical Services	27,846,007	10,183,924	(1,631,306)	(354,006)	(19.1%)	(3.6%)
Supplies/Other	26,526,202	10,449,260	(1,676,083)	2,176,090	(19.1%)	17.2%
Utilities	11,548,800	4,365,615	(533,156)	(296,972)	(13.9%)	(7.3%)
Fleet/Risk Interfund Charges	20,675,485	10,031,706	(880,090)	306,036	(9.6%)	3.0%
Capital Purchases (Equip, Vehicles, Other)	9,887,843	2,546,107	(59,901)	2,686,792	(2.4%)	51.3%
General Fund Operating Expenditures	\$370,208,334	\$157,692,835	(\$13,337,338)	\$11,564,261	(9.2%)	6.8%
Capital Related Revenue Transfer Out ²	41,905,686	25,291,978	(1,788,019)	(4,074,416)	(7.6%)	(19.2%)
All Other Transfers Out to Other Funds	46,029,771	18,462,426	(15,101,012)	(551,323)	(449.2%)	(3.1%)
Total Uses of Funds	\$458,143,791	\$201,447,239	(\$30,226,369)	\$6,938,523	(17.7%)	3.3%
Less Carryforward Budget	(7,548,762)					
Increase/(Use) of Available Funds ³	(\$32,834,084)					

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

- Operating revenue accounts for the transfer out of construction related use tax to the Capital Projects Fund (CPF).
- The transfer to the CPF is calculated in December and transferred out of the General Fund.
- The 2022 Adopted Budget includes the planned use of \$8.4 million in funds available to fund \$8.5 million in one-time amendments.
- The 2022 Spring Supplemental added \$24.4 million in appropriation including the following significant items: transfer to the Capital Projects Fund of additional funds available (\$4.0 m); Independent Consent Decree Monitor (\$4.7 m); and pre-payment of Hogan Parkway debt (\$13.1 m).



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.

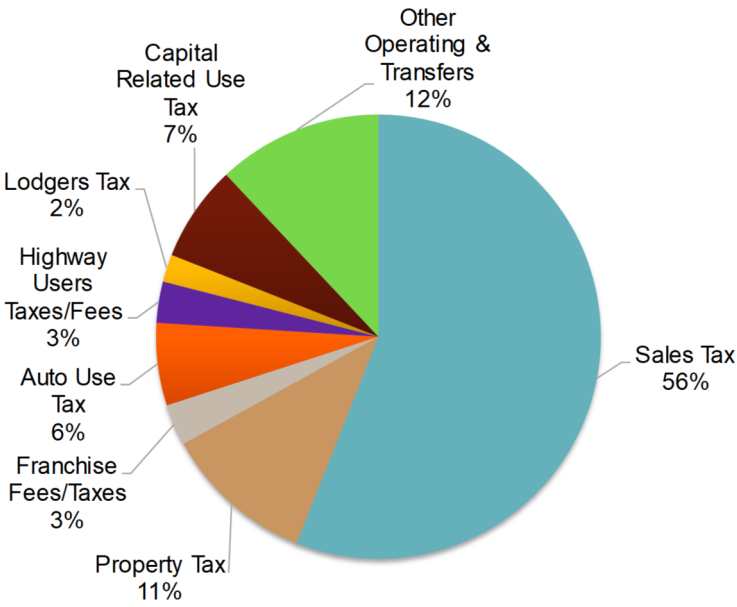
Retail sales remain the backbone of Aurora's General Fund, accounting for roughly 56% of total revenue. Use tax is a companion tax to sales tax and is associated with purchases of commodities and equipment. Approximately two-thirds of all General Fund revenue is dependent on purchases when use tax revenues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

Uses of Funds

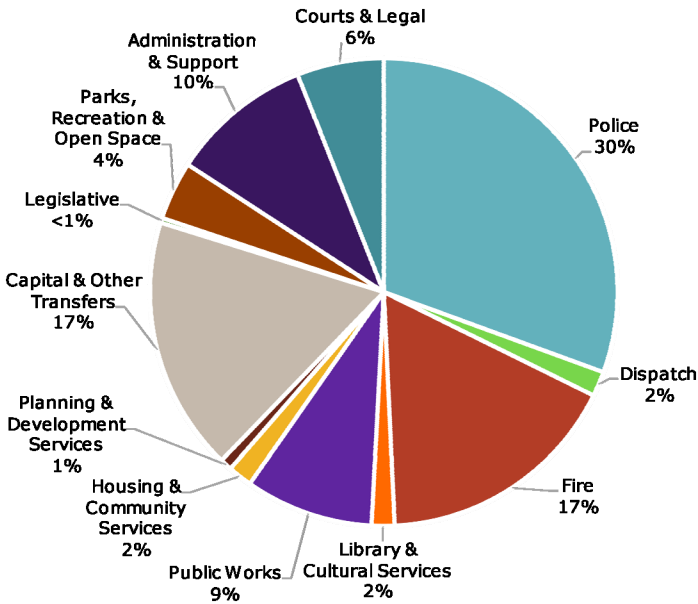
Uses of funds mainly result from expenditures incurred by the departments included in the General Fund. The majority of general services, programs and activities for the citizens of Aurora are supported by this fund, as well as the City Council and the administrative management functions. Other uses 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 6/30/22)

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 June was at 87%, with the year-to-date performance at 86%.

Target: 30 Days for 85% of Vendor Payments			
👍	87% (Mar)	86% (YTD)	👍

Investments

In an effort to fight inflation, the Federal Reserve hiked interest rates by a combined 1.5% across three rates hikes in the first half of 2022. Given this environment, weighted average yield has consistently risen over recent months and reached 1.40% in June. This yield remains down from 1.90% in 2020 but is higher than the 1.13% 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.

June	2020	2021	2022
Cash & Investment Portfolio	\$607.2 M	\$703.5 M	\$932.9 M
Weighted avg. yield	1.90%	1.13%	1.40%
Duration (months)	19.8	22.2	20.3

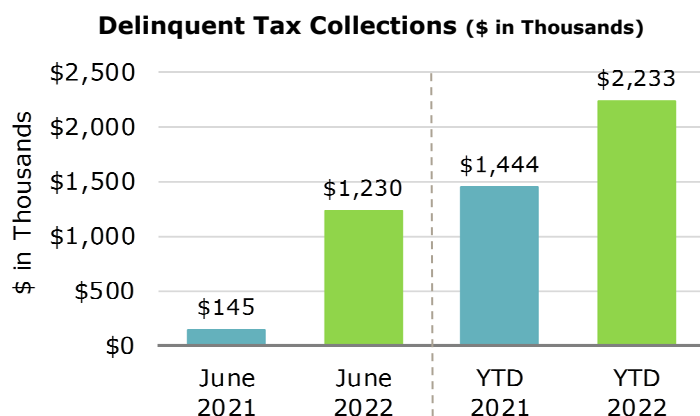
Financing Transactions Over Previous 12 Months

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 June were \$1.2 million. This is the largest amount of monthly delinquent taxes collected in recent history. June collections included a large collection case, which involved both a large tax audit balance as well as unpaid taxes over multiple periods.



City of Aurora

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