

2022



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

October 2022
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General Fund Revenue Summary

U.S. inflation in June was 9.1%, the highest rate in forty years. The rate of inflation has fallen in each of the four months since this peak, but prices in October were still 7.7% higher than they were one year ago. In its ongoing effort to fight inflation, in September the Federal Reserve raised interest rates for the fifth time this year. 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 measuring 3.4% in October.

Despite the mix of positive and negative economic indicators, consumer demand and inflation continue to drive strong YTD General Fund operating revenues. General Fund revenue collections through October, summarized below, are ahead of the operating projection by \$6.7 million (1.9%). This equates to an 11.9% increase over 2021. Collections of sales tax, capital-related use tax, and auto use tax are the primary drivers of this performance. Capital-related use tax, which is transferred to the Capital Projects Fund, is excluded from General Fund operating revenue.

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

Revenue Type (\$ in Millions)	2022 YTD Actuals	Actuals (Under)/ Over 2021		Actuals (Under)/ Over 2022 Projection	
		\$	%	\$	%
General Sales Tax	\$226.4	\$21.5	10.5%	\$3.3	1.5%
Capital-Related Use Tax	30.6	1.0	3.2%	2.2	7.7%
Auto Use Tax	25.6	2.5	10.7%	2.3	9.9%
Audit Revenue	10.4	1.6	18.8%	0.4	3.9%
Lodger's Tax	7.0	1.4	23.8%	0.2	2.7%
External Charges for Services	5.4	0.5	11.0%	0.3	5.5%
General Fund Permits	2.1	0.4	20.1%	0.3	18.2%
All Other Sources	100.5	12.6	14.3%	(0.0)	0.0%
Total Sources	\$407.9	\$41.4	11.3%	\$9.0	2.2%
Less Capital Transfer	42.9	2.5	6.1%	2.3	5.7%
Operating Revenue	\$365.0	\$38.9	11.9%	\$6.7	1.9%

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro Area average YTD rate (Oct) at 3.4%, down 2.3 percentage points from 2021.

▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 7.7% (Oct) compared to 2021.

▼ Aurora Building Permits

53 commercial projects permitted YTD (Oct), down 1.9% from 2021. 3,093 residential projects permitted YTD (Oct), down 9.8% from 2021.

▲ Hotel Occupancy

YTD (Oct) Metro Area hotel occupancy at 70.4%, up 11.3 percentage points compared to 2021.

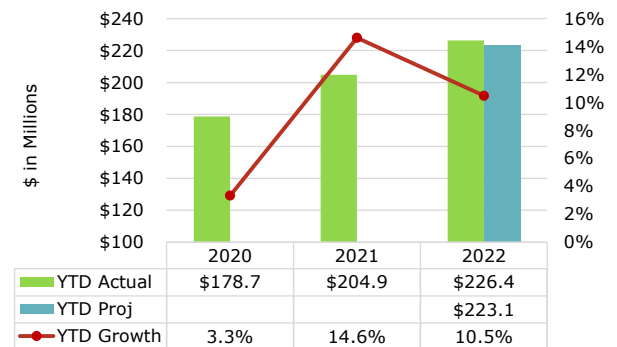
All indicator data are the most current available as of this report's publication date

Sales Tax

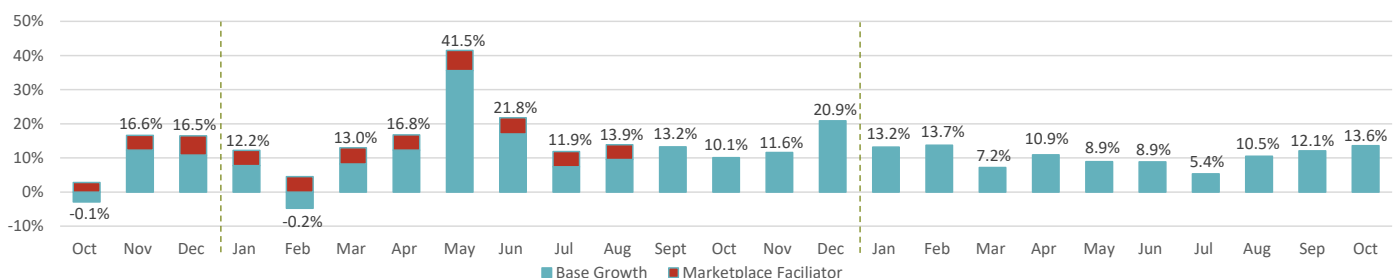
Sales tax collections through October are \$3.3 million (1.5%) ahead of the projection. Sales tax collections from four sectors saw double-digit growth in October, including Auto Dealers and Parts (19.7%), Utilities (18.2%), Building Materials (13.1%), and Electronics/Computers (12.5%). High energy prices were the predominant factor behind the Utility sector results, while two new car dealerships and rising car prices were the primary drivers of the Auto Dealers and Parts sector results. Conversely, six sectors saw their sales tax collections decline compared to October 2021.

The Sales Tax Performance chart shows that YTD sales tax collections have grown 10.5%. After growth in sales tax collections started to decline in the early summer months, collections have now grown by double-digit amounts for three straight months. Even after adjusting for inflation, it appears that retail sales in recent months grew over the same months in 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)

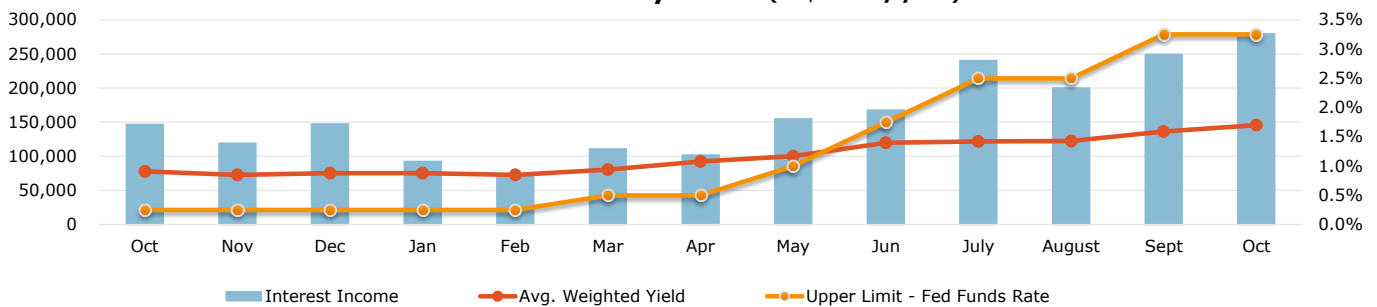
2022 (10.5% avg growth)

Interest Income

Moneys collected by the city’s General Fund that are not immediately needed for city operations are invested by the Debt, Investment, and Treasury Management Division in the Finance Department. These moneys are invested in a manner to balance the goals of minimizing credit and market risk, providing necessary liquidity, and offering a competitive yield.

As can be seen in the Monthly Interest Income chart below, interest income earned by the General Fund started the year at low levels and then began to rise in March 2022. The average weighted yield earned on the General Fund balance has risen from a low of 0.85% in February to 1.70% in October, which is the primary reason that interest income has risen over recent months. This increase corresponds with the rapid increase in interest rates driven by the Federal Reserve. As of October, the Federal Reserve had increased interest rates five times in 2022, with the target federal funds rate sitting at 3.0% to 3.25%. As bonds and other investments held by the city mature each month, proceeds may be reinvested and the city can take advantage of the higher interest rates currently offered by the market. In this regard, the chart shows average weighted yield has risen in each of the last eight months, but the rate still lags behind the federal rate as the city can only take advantage of the higher rates when its current holdings mature. Given the rapid growth in average weighted yield, interest income in the General Fund through October is \$152,100 (10.0%) greater than the projection plan. YTD interest income is also \$221,500 (15.3%) higher than earned over the same time period in 2021.

Interest Income by Month (in \$ and by yield)

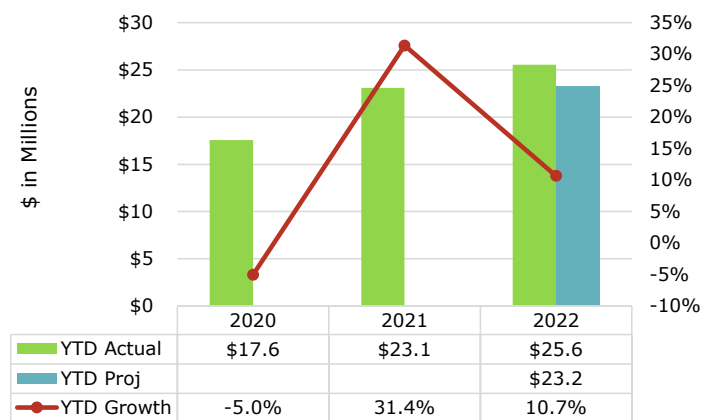


Auto Use Tax

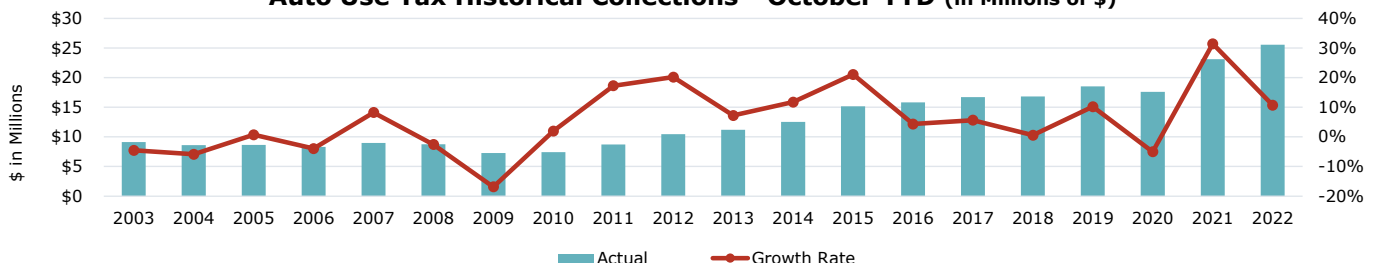
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through October 2022 are 9.9% (\$2.3 million) higher than projected. While new retail light vehicle registrations through the third quarter are down 14.5% in Colorado and 16.9% nationally, average new vehicle prices remain high. This has significantly influenced monthly collections. Since the end of the first quarter, Aurora has received 6 of the top 7 monthly collections in the history of the tax, including a record \$2.9 million in September. Looking forward, the Colorado Automobile Dealers Association assumes supply chain issues will begin to diminish, with new vehicle registrations in the state predicted to end the year 8.7% below 2021 before increasing by 4.8% in 2023. Nevertheless, the impacts on monthly auto use tax collections remain uncertain due to potential supply chain easing coupled with pent-up demand, higher interest rates, and future price developments.

Auto Use Tax Performance (in Millions of \$)



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



Finance Department Indicators (for the month ending 10/31/22)

Accounts Payable

When the city makes payments within the standard 30 days or less, it can capture vendor discount terms, avoid penalties and interest charges, and save taxpayer money. Payment delays in three departments led to the October results. These delays were caused by vendor invoicing issues, an increased volume of bills requiring verification before an invoice is paid, and the creation of a new program which has temporarily resulted in delays processing associated invoices.

Target: 30 Days - 85%		
👎	83% (Oct)	85% (YTD) 👍

Investments

In an effort to fight inflation, the Federal Reserve made five separate rate hikes for a combined 3.0% in 2022 (the last of which was in September). Given this environment, the weighted average yield has risen over recent months and reached 1.70% in October. This yield is the same as was earned in 2020 but is higher than the 0.91% 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.

October	2020	2021	2022
Cash & Investment Portfolio	\$608.5 M	\$801.4 M	\$933.5 M
Weighted avg. yield	1.70%	0.91%	1.70%
Duration (months)	22.0	20.8	20.3

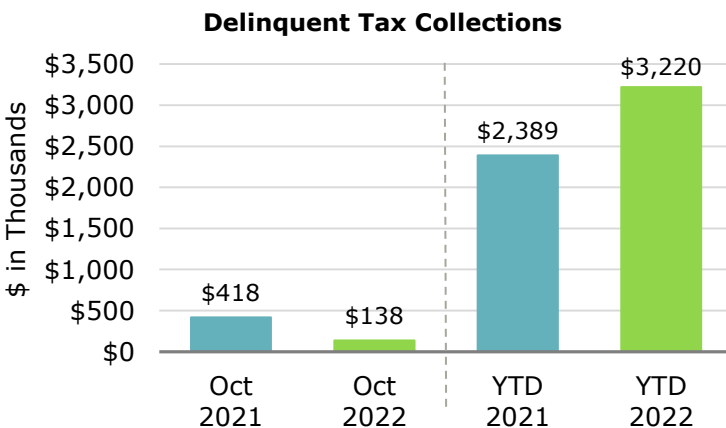
Financing Transactions Over Previous 12 Months

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 Sewer Improvement Revenue Bonds (\$45 million) and Fire SCBA Equipment Lease (\$2.5 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
Series 2022-Conference Center & Parking Garage	\$20.6M	22-Oct	4.06%	17.0	NBH
Series 2022-Road Improvement COPs	\$32.0M	22-Sept	3.69%	20.0	RBCCM
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 October were \$138,100. The relatively low collections partially reflect the impact of turnover in revenue agent positions. Regardless, year-to-date collections are up significantly over 2021 and reflect a large delinquent tax payment received in June.



City of Aurora

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