



"Ascentiate" by Douwe Blumberg, 2018



2023



City of Aurora



Fund Performance Report | General Fund

Prepared by the Office of Budget
and Financial Planning

For the Quarter Ending
March 31, 2023
Released May 18, 2023

Table of Contents

Economic Update _____ 3

2023 Revenues (General Fund Sources of Funds)_____ 4

2023 Expenditures (General Fund Uses of Funds) _____ 5

Fund Summary _____ 6

Appendices _____ 7

I. General Fund Overview _____ 8

II. Glossary and Column Descriptions _____ 9

III. Finance Department Indicators_____ 10











Economic Update

National gross domestic product (GDP) grew by 2.1% in 2022. Economic growth may be slowing in 2023, with an initial estimate from the U.S. Bureau of Economic Analysis finding U.S. GDP growth of 1.1% in the first quarter of 2023. While inflation remains high, the rate of inflation has been falling since mid-2022. In March 2023, the inflation rate (5.0%) reached its lowest level since April 2021. The Federal Reserve has raised interest rates nine times since the start of 2022 and the general belief is that the country is nearing the point where additional interest rate increases will not be needed. Higher interest rates increase the cost of borrowing and are intended to reduce spending, which in turn will theoretically decrease inflation. It is unknown whether the Federal Reserve can decrease inflation to target levels without causing a recession. Regardless, labor markets remain strong and the year-to-date (YTD) unemployment rate in the U.S. was 3.5% as of March. Also of note on a national level, the failure of Silicon Valley Bank in March was followed by other signs of distress in the banking industry, creating additional concerns about the fragile state of the U.S. economy.

Colorado’s labor market remains stronger than the nation as a whole. As of March, the YTD unemployment rate in Colorado was 2.8%. However, pessimism about the economic future continues to be widespread. The Leeds Business Confidence Index (LBCI), a local measure of business expectations, rose to 45.1 ahead of the second quarter of 2023 (a score above 50.0 is positive). Five of the six components of this index received pessimistic outlooks, with a slightly positive rating (50.4) for industry sales. More than half of the respondents believe the U.S. will enter a recession in 2023, citing concerns about interest rates and inflation.

With consumers continuing to spend and with job growth still occurring, the unemployment rate in the Metro Area stood at 2.6% in March. While local retail sales outpaced inflation in 2022, continued growth in local retail sales faces a number of headwinds including low consumer confidence, higher borrowing costs and prices, declining real wages, and a reduction in household savings. Of further concern, inflation in the Metro Area has generally been higher than the national rate. In March 2023, inflation in the Denver-Aurora-Lakewood area measured 5.7% in contrast to national inflation at 5.0%. On the plus side, the number of passengers traveling through Denver International Airport was up 18.8% in the first quarter of 2023 and hotel occupancy rate in Metro Area hotels was 58.7% YTD through February 2023 (3.8% higher than 2022).

Local Economic Indicators

2023 Current Month Compared to Prior Year		2023 YTD Avg Compared to Prior Year	
Metro Area Unemployment Rate			
	2.6% (Mar) Down 0.7 percentage points	2.9% Down 0.8 percentage points	
Consumer Confidence Index (CCI) Mountain Region			
	113.6 (Mar) +15.8%	109.4 -3.3%	
AURORA BUILDING PERMITS # of New Commercial Buildings			
	6 (Mar) +0.0%	25 +19.0%	
AURORA BUILDING PERMITS # of New Residential Buildings			
	96 (Mar) -82.4%	781 -7.8%	
Consumer Price Index (Year-over-Year Increase for U.S. Urban Consumers)			
Mar 2023 5.0%	Feb 2023 6.0%	Jan 2023 6.4%	 Mar 2022 8.5%
LEEDS Business Confidence Index (LBCI) (values above 50 indicate expansion)			
Q2 2023 45.1	Q1 2023 39.8	Q4 2022 39.8	 Q2 2022 53.9
LBCI Component	Q2 2023	Change Quarterly	Change Annual
State Economy	46.4	▲	▼
National Economy	37.1	▲	▼
Industry Sales	50.4	▲	▼
Industry Profits	47.6	▲	▼
Industry Hiring	46.7	▲	▼
Capital Expenditures	42.4	▲	▼
LBCI	45.1	▲	▼

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 first quarter were higher than the budget by \$13.6 million (11.7%). This over-performance is shown in the *2023 Revenue Performance by Type* table. First quarter revenues reflect a combination of continued growth in consumer demand and higher prices. Sales and use tax collections accounted for 83.5% of the over-performance in total sources. Franchise taxes collections were \$1.1 million (47.9%) over budget, with higher energy prices driving additional collections from electricity and natural gas franchises. Audit revenue has also contributed to the favorable revenue performance.

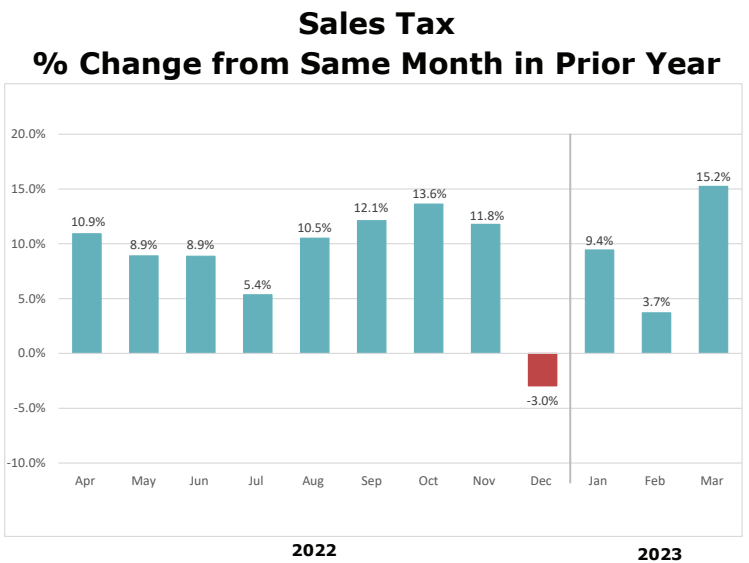
As the *% Change from Same Month in Prior Year* graph indicates, growth in sales tax collections has been inconsistent in recent months. Ignoring the volatility associated with any single month, year-to-date collections through March are up 9.3% compared to the first quarter of 2022. This compares favorably to the U.S. Census Bureau estimate that retail and food services sales in the first quarter grew by 5.2% nationally. However, monthly growth in national retail sales appears to be slowing. With a slowdown of projected economic growth in 2023 and numerous economic challenges for consumers, it is not expected that growth in retail sales will continue at the current level as the year progresses.

Through March, strong growth in sales tax collections from Utilities (42.0%), Auto Dealers and Parts (18.2%), and Eating and Drinking Places (9.9%) drove the vast majority of the overall increase in sales tax collections from top taxpayers. Significant increases in the price of natural gas and electricity was a major factor behind the growth in collections from Utilities. Growth in collections from Auto Dealers and Parts was driven by the rising cost of new vehicles, the opening of a new car dealership in Aurora, and by the easing of supply chain issues that reduced the supply of new cars in 2022. Seven sectors saw sales tax collections decline in the first quarter. Some of these declines, such as those seen by furniture stores, partly reflect the high amount of spending that occurred in some sectors during the COVID-19 pandemic. As we move beyond the pandemic, consumers have shifted spending away from goods and back towards some of the services that suffered during the pandemic, such as restaurants, entertainment, and travel.

See page 6 for detail revenue performance by source.

2023 Revenue Performance by Type

Revenue Type (\$ in Millions)	2023 YTD Actuals	Actuals (Under)/ Over 2023 Budget	
		\$	%
General Sales Tax	\$71.5	\$5.5	8.3%
Capital-Related Use Tax	13.4	4.3	46.8%
Auto Use Tax	7.7	1.6	27.4%
Franchise Fees and Taxes	3.3	1.1	47.9%
Audit Revenue	2.2	0.9	74.3%
Lodger's Tax	1.7	0.2	16.2%
Interest Income	0.7	0.2	35.7%
All Other Sources	29.5	(0.2)	(0.6%)
Total Sources	\$129.9	\$13.6	11.7%
Less Capital Transfer	16.9	4.3	34.5%
Operating Revenue	\$113.0	\$9.3	9.0%



Sales Tax

Top Taxpayers by Industry Category

Industry Category (\$ in thousands)	YTD March		\$ Variance	% Change
	2023	2022		
Eating & Drinking Places	\$9,336.0	\$8,494.7	\$841.3	9.9%
Discount Stores	7,153.2	7,122.7	30.5	0.4%
Auto Dealers and Parts	5,440.9	4,604.1	836.8	18.2%
Utilities	5,549.2	3,907.4	1,641.8	42.0%
Building Materials	5,269.1	5,505.9	(236.8)	(4.3%)
Electronics/Computers	2,990.6	2,698.9	291.7	10.8%
Grocery Stores	2,978.7	2,764.3	214.4	7.8%
Telecommunication/Cellular	2,477.2	2,725.6	(248.4)	(9.1%)
Clothing and Clothing Accessories	2,082.2	1,914.7	167.5	8.7%
Beer, Wine, and Liquor Stores	1,319.9	1,327.8	(7.9)	(0.6%)
Department Stores	960.2	993.1	(32.9)	(3.3%)
Sport Goods, Hobby, Books, Music	920.9	961.4	(40.5)	(4.2%)
Industrial Sales	603.8	625.6	(21.8)	(3.5%)
Furniture and Home Furnishings	546.3	633.4	(87.1)	(13.7%)
Other Top Taxpayers	6,613.7	6,294.7	319.0	5.1%
Top Taxpayers	\$54,242.0	\$50,574.3	\$3,667.7	7.3%
Total of All Other Taxpayers	20,251.8	17,072.1	3,179.7	18.6%
Total Sales Tax Collections	\$74,493.8	\$67,646.5	\$6,847.4	10.1%
Less Sales Tax Incentives	2,993.9	2,229.4	764.5	34.3%
Total Reported Sales Tax	\$71,499.9	\$65,417.1	\$6,082.8	9.3%

Expenditures (General Fund Uses of Funds)

General Fund operating expenditures through the first quarter of 2023 are under the budget plan, developed by using historical spending trends, by \$1.2 million or 1.3%. This outcome is overwhelmingly driven by delays in capital equipment purchases. The personal services expenditure category is also under budget while expenditures for supplies/other exceed the budget plan. When including transfers out to other funds, total expenditures were \$3.1 million (2.9%) over budget, due to a \$4.3 million (34.5%) increase in the capital revenue transfer. Increases in the capital revenue transfer are indicative of stronger than expected construction activity in the city and are entirely offset by higher construction-related revenue.

At the end of the first quarter of 2023, Career Services vacancies stood at 181.00 FTE in the General Fund, down 13.5% from the peak of 209.15 vacancies in June 2022. The sustained, high number of vacancies has taken a toll on staff. Along with civil service attrition, this has resulted in salaries and benefits savings of \$5.1 million as shown on the *2023 Personnel Expenditures* chart. Much of these savings were used for turnover and retention related accrued leave payouts and higher than typical overtime expenditures, causing the overages in special pay and overtime. Savings were also used to cover the increase in variable hour staffing expenditures.

The supplies/other expenditure category is \$914,700 (14.0%) over budget. This is driven by one large payment in March for the expanded body-worn camera (BWC) contract in Information Technology (IT). In the 2023 budget, BWC contracts were consolidated under IT with one vendor but the budget plan did not anticipate one large payment, making this a timing issue that will resolve as the year progresses.

Expenditures for capital purchases, to include heavy equipment, vehicles, and other capitalized purchases, are under the budget plan by \$1.5 million. This is due to continued supply chain issues and the inability for vendors to fulfill orders at this time. These savings are considered a timing issue. The savings in the fleet/risk category are also driven by the supply chain issue. Because vehicles are not being delivered, upfitting costs, charged back to departments via fleet interfund charges, are not yet being incurred.

Utilities costs are also more than the budget plan, primarily due to the cost and usage of natural gas. This was driven by a colder than typical winter and natural gas prices above the assumed rate for that time period.

See page 6 for detail by expenditure category.

2023 Expenditure Performance

Expenditure Category (\$ in Millions)	YTD Mar Actuals	Actuals Under/ (Over) Budget	
		\$	%
Personal Services	\$68.9	\$0.8	1.1%
Variable Hour Comp.	0.9	(0.3)	(42.1%)
Professional/Technical	5.3	(0.1)	(1.2%)
Supplies/Other	7.4	(0.9)	(14.0%)
Utilities	1.9	(0.2)	(9.1%)
Fleet/Risk Interfund	5.5	0.4	6.6%
Capital Purchases	0.6	1.5	71.8%
Total Operating Exp.	\$90.6	\$1.2	1.3%
Capital Rev. Transfer	16.9	(4.3)	(34.5%)
Other Transfers Out	2.6	0.0	0.0%
Total Uses of Funds	\$110.1	(\$3.1)	(2.9%)

2023 Personnel Expenditures

Personnel Category (\$ in Thousands)	YTD Mar Budget	YTD Mar Actuals	Actuals Under/ (Over) Budget
Regular Employee Salary & Benefits	\$67,764.3	\$62,635.8	\$5,128.6
Special Pay	551.6	2,943.6	(2,392.0)
Overtime Compensation	1,366.3	3,325.7	(1,959.4)
Variable Hour Compensation	637.4	905.6	(268.2)
Total Salary & Other Compensation	\$70,319.8	\$69,810.7	\$509.1

General Fund Vacancies	Q1
Total Career Service	181.00

2023 Citywide Utilities

Utility (\$ in Thousands)	YTD Mar Budget	YTD Mar Actuals	Actuals Under/ (Over) Budget
Electricity	\$398.9	\$404.9	(\$6.1)
Natural Gas	161.0	293.3	(132.3)
Non-Routine Maint	217.0	237.3	(20.2)
Street Lights-XCEL	786.2	802.4	(16.2)
Traffic Lights, Signs	34.2	36.6	(2.4)
Water/Sewer	151.6	133.8	17.8
Other Utilities	0.0	0.3	(0.3)
Total Mar YTD	\$1,748.9	\$1,908.7	(\$159.7)

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)	2023 Budget	YTD Actual thru Mar 2023	2023 Year-to-Date Sources Over/(Under)			
			2022	2023 Budget	% Chg vs 2022	% Chg vs Budget
Sales Tax - General	271,173,019	\$71,499,945	\$6,082,835	\$5,467,525	9.3%	8.3%
Use Tax - Capital Related	34,920,187	13,405,151	4,516,933	4,271,681	50.8%	46.8%
Use Tax - Automobile	27,120,445	7,672,222	740,428	1,648,029	10.7%	27.4%
Property Tax	49,745,107	20,154,322	2,654,340	0	15.2%	0.0%
Franchise Fees & Taxes	16,251,309	3,284,376	841,422	1,063,594	34.4%	47.9%
Highway User's Fees & Taxes	12,890,630	1,562,974	(34,089)	(34,089)	(2.1%)	(2.1%)
Other Auto Related (SOT, MV Fees)	4,617,372	667,771	(56,759)	(85,704)	(7.8%)	(11.4%)
Audit Revenue	4,995,964	2,177,360	(766,012)	928,370	(26.0%)	74.3%
Other Taxes	14,874,644	2,627,648	271,659	223,022	11.5%	9.3%
Other Intergovernmental Fees & Taxes	3,277,697	87,861	(140,490)	2,918	(61.5%)	3.4%
Business Licenses & Other Permits	3,936,585	676,507	(73,181)	(31,288)	(9.8%)	(4.4%)
Fines & Forfeitures	2,620,422	530,140	(34,998)	(97,281)	(6.2%)	(15.5%)
Internal Charges for Services	12,930,148	3,151,058	349,395	76,611	12.5%	2.5%
External Charges for Services	6,151,568	1,435,691	145,026	92,803	11.2%	6.9%
Other General Fund Revenue	7,479,249	989,689	449,325	103,172	83.2%	11.6%
Total General Fund Revenue	\$472,984,346	\$129,922,716	\$14,945,836	\$13,629,364	13.0%	11.7%
Transfers In from Other Funds	584,916	0	0	0	n/a	n/a
Total Sources of Funds	\$473,569,262	\$129,922,716	\$14,945,836	\$13,629,364	13.0%	11.7%
General Fund Operating Revenue ¹	\$424,306,722	\$112,974,023	\$10,329,563	\$9,285,299	10.1%	9.0%

Expenditures (Uses of Funds)	2023 Budget	YTD Actual thru Mar 2023	2023 Year-to-Date Uses Under/(Over)			
			2022	2023 Budget	% Chg vs 2022	% Chg vs Budget
Personal Services	\$299,182,870	\$68,905,111	(\$9,491,462)	\$777,217	(16.0%)	1.1%
Variable Hour Employee Compensation	2,645,001	905,608	(267,899)	(268,162)	(42.0%)	(42.1%)
Professional & Technical Services	32,540,221	5,298,206	(1,002,426)	(64,232)	(23.3%)	(1.2%)
Supplies/Other	29,236,960	7,436,697	(2,533,049)	(914,745)	(51.7%)	(14.0%)
Utilities	13,130,000	1,908,654	(311,527)	(159,738)	(19.5%)	(9.1%)
Fleet/Risk Interfund Charges	23,644,236	5,523,068	(529,319)	387,991	(10.6%)	6.6%
Capital Purchases (Equip, Vehicles, Other)	7,495,967	578,571	273,127	1,470,898	32.1%	71.8%
General Fund Operating Expenditures	\$407,875,255	\$90,555,915	(\$13,862,556)	\$1,229,229	(18.1%)	1.3%
Capital Related Revenue Transfer Out ²	49,262,540	16,948,693	(4,616,273)	(4,344,065)	(37.4%)	(34.5%)
All Other Transfers Out to Other Funds	31,883,260	2,584,054	13,984,169	0	84.4%	0.0%
Total Uses of Funds	\$489,021,055	\$110,088,662	(\$4,494,660)	(\$3,114,836)	(4.3%)	(2.9%)
Less Carryforward Budget	(13,632,848)					
Increase/(Use) of Available Funds³	(\$1,818,945)					

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

1. Operating revenue accounts for the transfer out of construction related use tax to the Capital Projects Fund (CPF).
2. The transfer to the CPF is calculated in December and transferred out of the General Fund. For the purposes of this report, an

effective transfer using current revenue collections has been calculated and included as an actual.

3. The 2023 Adopted Budget includes the planned use of \$1.8 million in funds available to help fund \$5.5 million in one-time amendments.



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.

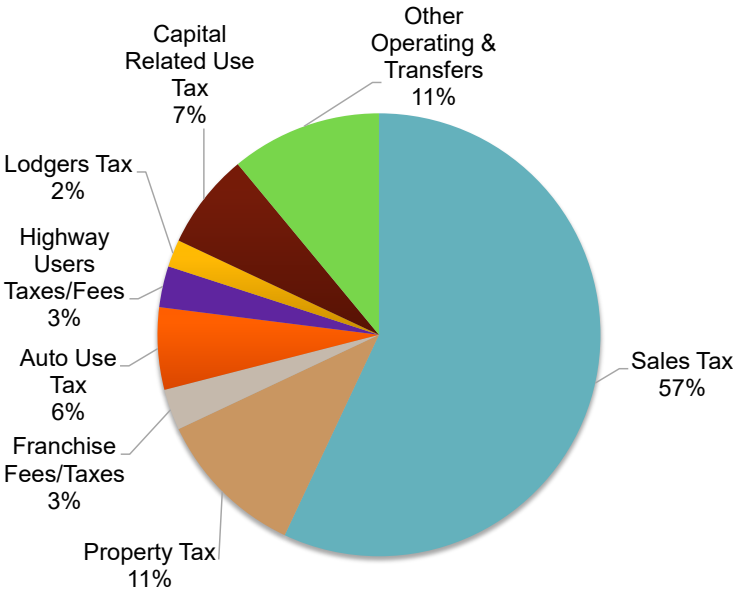
Retail sales remain the backbone of Aurora's General Fund, accounting for roughly 57% of total revenue. Use tax is a companion tax to sales tax and is associated with purchases of commodities and equipment. Approximately 70% of all General Fund revenue is dependent on purchases when use tax revenues (e.g. building materials use tax, automobile use tax, and equipment use tax) are included.

Uses of Funds

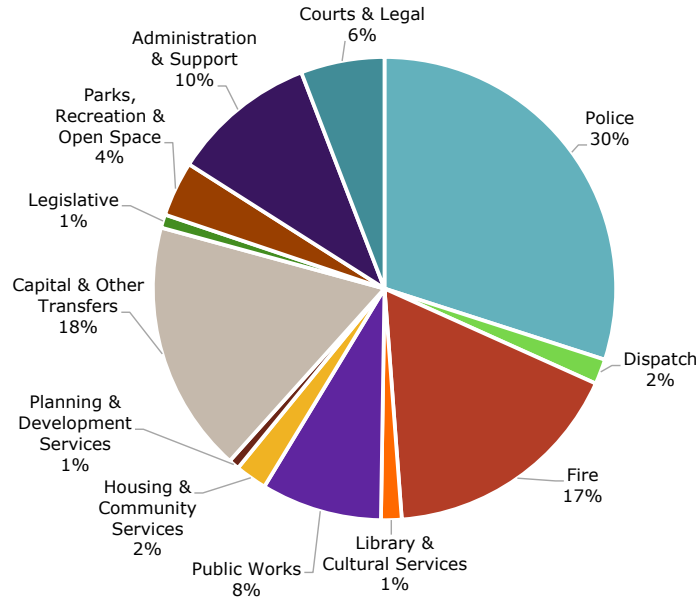
Uses of funds mainly result from expenditures incurred by the departments included in the General Fund. The majority of general services, programs, and activities for the citizens of Aurora are supported by this fund, as well as the City Council and the administrative management functions. Other uses 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 2023.

2023 General Fund Revenue (Sources)



2023 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
--	--	--	--

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 2023 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 a negative 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.
- 2023 Budget:** The 2023 Adopted Budget plus prior year encumbrance carryforwards, transfers, and approved supplemental amendments.
- 2023 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.
 - 2022 - The \$ difference between 2023 year-to-date / current month actuals compared to the 2022 actuals for the same timeframe.
 - 2023 Budget/Projection - The \$ difference between the 2023 year-to-date / current month actuals through the current month compared to the 2023 year-to-date budget/projection spending plan for the same timeframe.
 - Percent Chg vs 2022 - The percentage change between 2023 year-to-date actuals through the current month and the 2022 actuals through the same month.
 - Percent Chg vs Budget/Projection - The percentage change between the 2023 year-to-date actuals and the year-to-date budget/projection spending plan.

Finance Department Indicators (for the month ending 3/31/23)

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 one department led to the March results. These delays were caused by an increased volume of bills requiring verification before an invoice is paid along with staffing issues related to processing these invoices.

Target: 30 Days for 85% of Vendor Payments			
	84% (Mar)	84% (YTD)	

Investments

In an effort to fight inflation, the Federal Reserve has raised interest rates nine times for a combined 4.75% increase since the start of 2022. With these rate increases, the weighted average yield rose to 2.22% in March. This yield is higher than the 1.35% earned in 2021 and the 0.94% earned in 2022.

The portfolio balance has generally increased over recent months, in part due to growing strong sales and use tax receipts in the General Fund as well as increasing revenues in other city funds.

March	2021	2022	2023
Cash & Investment Portfolio	\$643.4 M	\$828.3 M	\$989.3 M
Weighted avg. yield	1.35%	0.94%	2.22%
Duration (months)	22.2	19.9	21.0

Financing Transactions Over Previous 12 Months

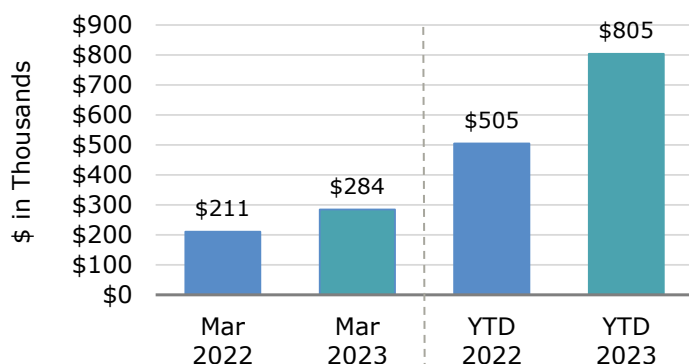
Future financing transactions include the Fire SCBA Equipment Lease (\$2.5 million) and the 2023 Heavy Fleet (\$6.5 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/Banker
Series 2023 Wastewater	\$45.7M	23-Feb	3.99%	30	Morgan Stanley
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

Delinquent Tax Collections

Although year-to-date (YTD) delinquent tax collections are up significantly over 2022, the reality is that monthly collections so far this year are roughly in line with average monthly collections in 2021 and 2022.

Delinquent Tax Collections (\$ in Thousands)



City of Aurora

Report Prepared by
Office of Budget and Financial Planning

15151 East Alameda Parkway, Suite 5500
Aurora, Colorado 80012
budget1@auroragov.org