



"Ascentiate" by Douwe Blumberg, 2018



2023



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget and Financial Planning

February 2023
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General Fund Revenue Summary

In 2022, U.S. gross domestic product (GDP) grew by 2.1%. The labor market in the metro area is strong, with a year-to-date unemployment rate of 2.9% in 2023. Inflation remains high, measuring 6.0% in February. The Federal Reserve continues to raise interest rates in an attempt to bring inflation under better control, but these increases also raise concerns about triggering a recession.

A combination of strong construction activity in the city and inflation drove higher-than-expected General Fund revenues through the first two months of

2023. Strong sales and use tax collections were the primary reason that General Fund revenues exceeded the operating budget plan by \$10.8 million (14.6%). The budget surplus also reflects better than anticipated revenues in 2022. Due to the increased base revenue, current year operating revenues will match those assumed in the 2023 Adopted Budget even if growth is flat compared to 2022. Capital-related use tax is transferred to the Capital Projects Fund and is excluded from General Fund operating revenue.

**Monthly Economic Data
Year-to-Date (YTD)**

▼ Unemployment Rate

Metro area average YTD rate (Feb) at 2.9%, down 1.2 percentage points from 2022.

▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 6.0% (Feb) compared to 2022.

▲ Aurora Building Permits

19 commercial projects permitted YTD (Feb), up 26.7% from 2022. 685 residential projects permitted YTD (Feb), up 126.1% from 2022.

▲ Hotel Occupancy

YTD (Feb) hotel occupancy at 58.7%, up 3.8 percentage points compared to 2022.

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

Revenue by Category—February Year-to-Date (\$ in Millions)

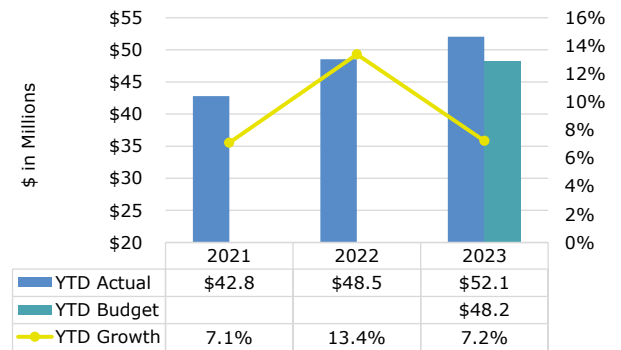
Revenue Type (\$ in Millions)	2023 YTD Actuals	Actuals (Under)/Over 2022		Actuals (Under)/Over 2023 Projection	
		\$	%	\$	%
General Sales Tax	\$52.1	\$3.5	7.2%	\$3.9	8.0%
Capital-Related Use Tax	11.1	5.0	81.5%	4.6	69.9%
Auto Use Tax	5.2	0.8	16.9%	1.1	27.3%
Audit Revenue	1.8	1.5	450.5%	1.0	121.0%
Lodger's Tax	1.1	0.2	16.9%	0.1	15.6%
Franchise Fees and Taxes	0.9	(0.4)	(29.9%)	0.2	30.8%
Interest Income	0.4	0.2	148.1%	0.1	25.2%
All Other Sources	11.9	2.8	30.3%	(0.2)	(1.8%)
Total Sources	\$84.4	\$13.5	19.0%	\$10.8	14.6%
Less Capital Transfer	13.1	5.0	61.1%	4.5	52.0%
Operating Revenue	\$71.3	\$8.5	13.6%	\$6.3	9.6%

Sales Tax

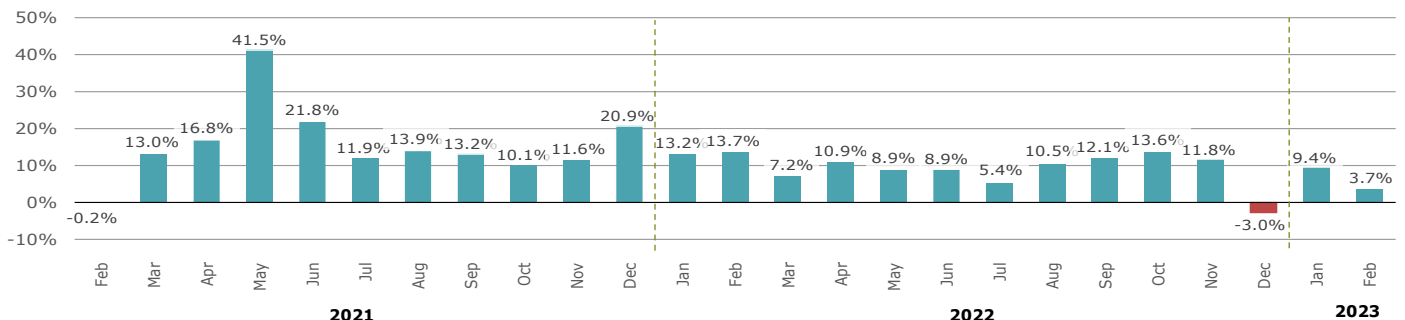
Year-to-date (YTD) sales tax collections through February are \$3.9 million (8.0%) ahead of the budget plan. While inflation drove growth across all sectors, energy-related inflation was the single most significant factor driving sales tax growth in February. With nationwide natural gas prices increasing 26.7%, sales tax collections by Aurora utilities increased by 38.8% compared to February 2022. The other sectors to show significant increases in sales tax collections were Clothing Stores (43.8%), Auto Dealers and Parts (11.1%) and Eating & Drinking Places (9.7%).

The Sales Tax Performance chart shows that year-to-date sales tax collections have grown by 7.2%. However, growth has weakened in two of the last three months compared to 2021 and 2022. Rising prices, high interest rates, lowered consumer confidence, and declining household balance sheets all pose challenges to continued growth in consumer demand looking forward.

Sales Tax Performance (\$ in Millions)



% Change from Same Month in Prior Year



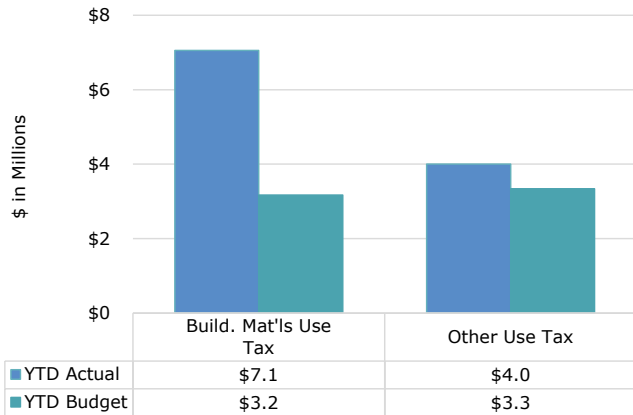
Capital-Related Use Tax

Capital-related use tax is comprised of building materials use tax (BMUT) and other (equipment and consumables) use tax. Because these revenue streams are predominantly generated by activities related to one-time construction projects, they are transferred out of the General Fund to the Capital Projects Fund to be used for one-time purposes. Therefore, this revenue is excluded from General Fund operating revenue.

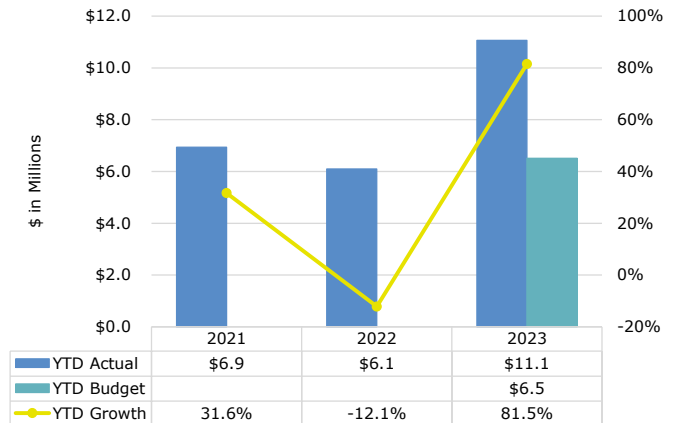
Capital-related use tax revenue exceeds the year-to-date (YTD) budget plan by \$4.6 million (69.9%), driven by significant BMUT collections.

As seen on the Capital-Related Use Tax Performance chart below, YTD revenues have increased by \$5.0 million (81.5%). This performance includes the single largest month of BMUT collections ever recorded in January 2023. Current year revenues are driven by a mix of collections from residential projects and commercial projects. Commercial projects include the construction of a new Dollar General distribution center and a new industrial park. Residential projects include three large multi-family projects, including a project to turn a former Radisson hotel into apartment units.

Capital-Related Use Tax Components
(\$ in Millions)



Capital-Related Use Tax Performance
(\$ in Millions)

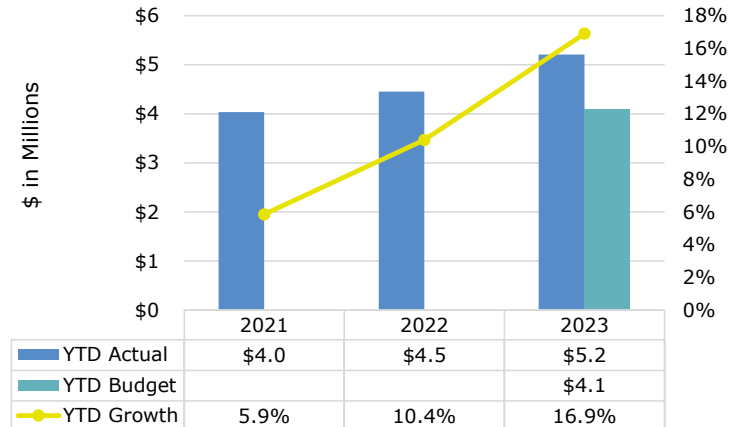


Auto Use Tax

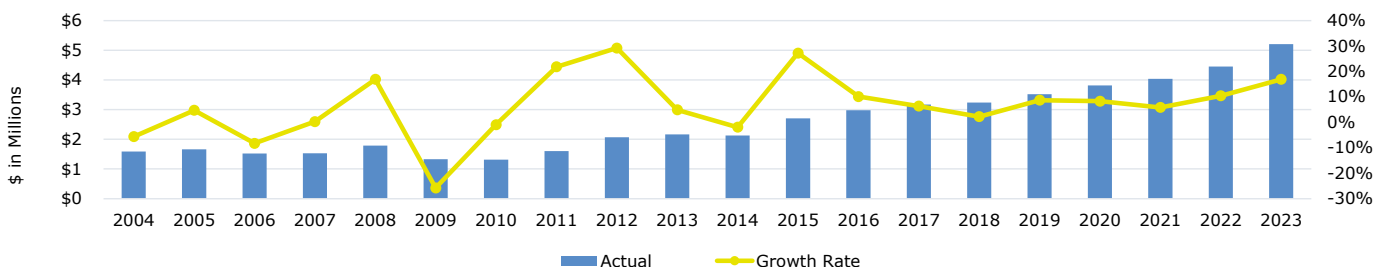
All motor vehicles, trailers, and semi-trailers purchased outside the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles within the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax up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

Auto use tax collections through February 2023 are 27.3% (\$1.1 million) higher than the 2023 budget plan and 16.9% higher than a year ago. February collections were the highest ever received. The monthly Global Supply Chain Pressure Index released by the New York Federal Reserve has dropped from its high in December 2021 to the lowest value since 2019. With supply chain issues easing, the Colorado Automotive Dealers Association (CADA) expects pent-up demand to play a major role in its 5.8% growth forecast for light vehicle registrations in 2023. While pent-up demand and inflation continues to support auto use tax revenue growth, high vehicle prices will remain a challenge for households and temper some demand.

Auto Use Tax Performance
(\$ in Millions)



Auto Use Tax Historical Collections - February YTD



Finance Department Indicators (for the month ending 2/28/23)

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 February was at 85%, bringing the year-to-date performance up to 84%.

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

Investments

In an effort to fight inflation, the Federal Reserve has raised interest rates eight times for a combined 4.5% increase since the start of 2022. With these rate increases, the weighted average yield rose to 2.16% in February. This yield is higher than the 1.49% earned in 2021 and the 0.85% earned in 2022.

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

February	2021	2022	2023
Cash & Investment Portfolio	\$630.3 M	\$806.0 M	\$996.2 M
Weighted avg. yield	1.49%	0.85%	2.16%
Duration (months)	22.1	18.4	19.4

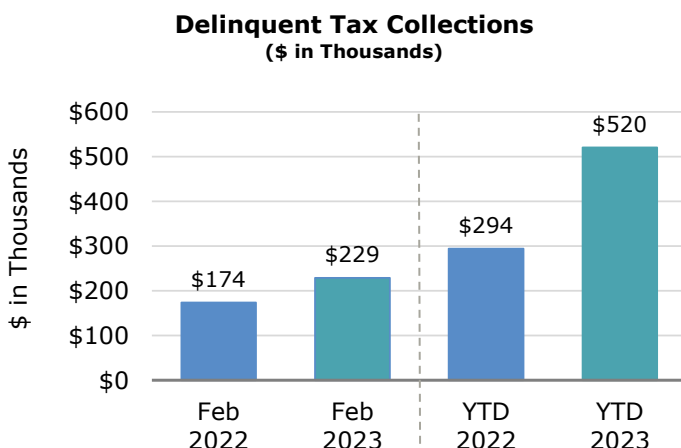
Financing Transactions Over Previous 12 Months

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.



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