



"Ascendiate" by Douwe Blumberg, 2018



2023



City of Aurora

# General Fund Revenue Summary

Prepared by the Office of Budget  
and Financial Planning

April 2023  
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# General Fund Revenue Summary

In 2023, economic growth (as measured by U.S. gross domestic product or "GDP") appears to be slowing. Despite this, the labor market in the metro area remains strong, with a year-to-date unemployment rate of 2.8% in 2023. Inflation remains high, measuring 4.9% in April. High interest rates driven by the Federal Reserve, two bank failures, and a potential default by the U.S. Government on federal debt all represent potential concerns related to economic growth in the short term.

A combination of consumer spending and

inflation drove higher-than-expected General Fund revenues through the first four months of 2023. Strong sales and use tax collections were the primary reason that General Fund revenues exceeded the budget plan by \$15.5 million (9.8%). Additionally, audit revenues as well as franchise fees and taxes contributed to revenues exceeding the budget plan on a year-to-date basis. Capital-related use tax is transferred to the Capital Projects Fund and is excluded from General Fund operating revenue.

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

Revenue Type (\$ in Millions)	2023 YTD Actuals	Actuals (Under)/ Over 2022		Actuals (Under)/ Over 2023 Budget	
		\$	%	\$	%
General Sales Tax	\$96.8	\$7.2	8.0%	\$6.5	7.2%
Capital-Related Use Tax	15.9	4.9	43.9%	3.9	32.9%
Auto Use Tax	10.5	0.8	8.7%	2.2	26.9%
Franchise Fees and Taxes	4.8	0.9	24.4%	1.3	37.0%
Audit Revenue	2.6	(4.0)	(60.4%)	1.0	57.5%
Lodger's Tax	2.3	0.3	17.3%	0.3	15.3%
Interest Income	1.0	0.6	169.5%	0.3	40.1%
All Other Sources	40.0	2.6	6.9%	(0.0)	(0.1%)
<b>Total Sources</b>	<b>\$174.0</b>	<b>\$13.4</b>	<b>8.3%</b>	<b>\$15.5</b>	<b>9.8%</b>
Less Capital Transfer	20.9	4.9	30.3%	4.1	24.6%
<b>Operating Revenue</b>	<b>\$153.1</b>	<b>\$8.5</b>	<b>5.9%</b>	<b>\$11.3</b>	<b>8.0%</b>

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

### ▼ Unemployment Rate

Metro area average YTD rate (Apr) at 2.8%, down 0.7 percentage points from 2022.

### ▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 4.9% (Apr) compared to 2022.

### ▲ Aurora Building Permits

29 commercial projects permitted YTD (Apr), up 20.8% from 2022. 1,046 residential projects permitted YTD (Apr), up 2.1% from 2022.

### ▲ Hotel Occupancy

YTD (Apr) hotel occupancy at 62.9%, up 2.9 percentage points compared to 2022.

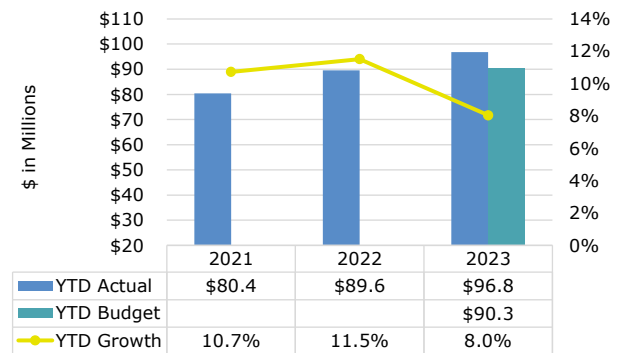
*All indicator data are the most current available of as this report's publication date*

# Sales Tax

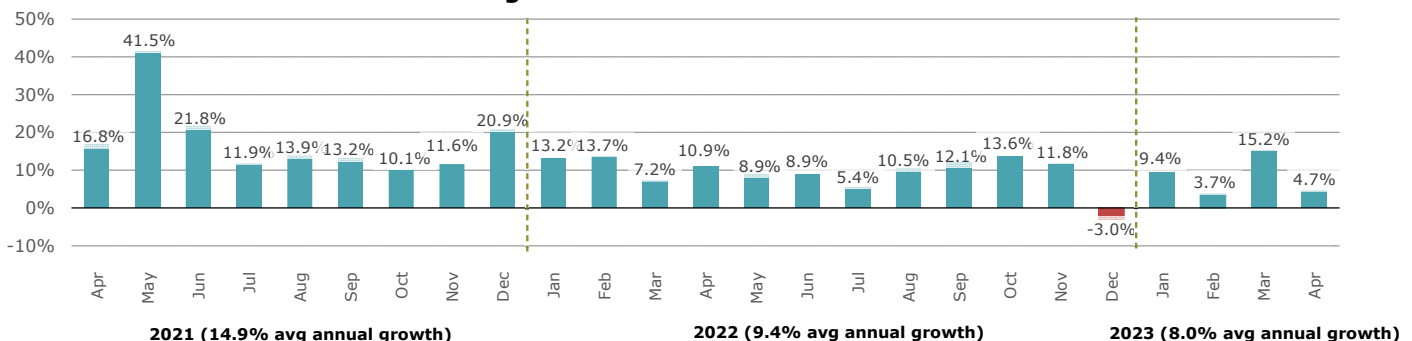
Year-to-date (YTD) sales tax collections through April are \$6.5 million (7.2%) ahead of the budget plan. Three sectors, each of which are continuing to experience significant inflation, have driven most of the growth in sales tax collections. Based in part on the high cost of energy, new cars, and food, the sectors showing the largest growth in sales tax collections year-to-date (YTD) are Utilities (33.4%), Auto Dealers (16.8%), and Eating & Drinking Places (9.2%). Conversely, six sectors have seen YTD collections decline.

The Sales Tax Performance chart shows that YTD sales tax collections have grown by 8.0%. Through April, monthly growth in sales tax collections has been volatile and is projected to slow through the remainder of the year. A slowing economy, persistent inflation, high interest rates, lower consumer confidence, and declining household balance sheets all create headwinds which are projected to result in state retail trade growth which is lower than in 2021 and 2022.

## Sales Tax Performance (\$ in Millions)



## % Change from Same Month in Prior Year

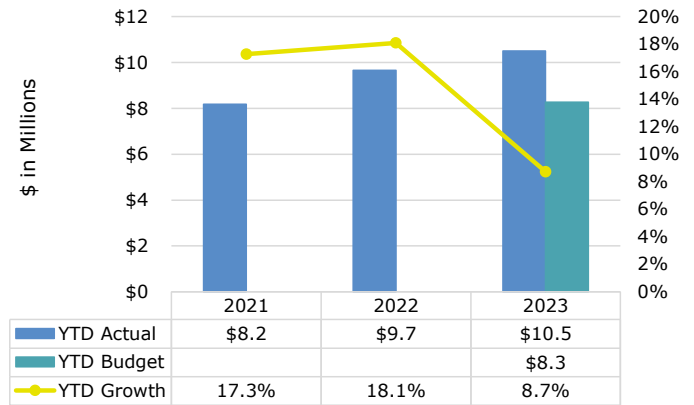


# Auto Use Tax

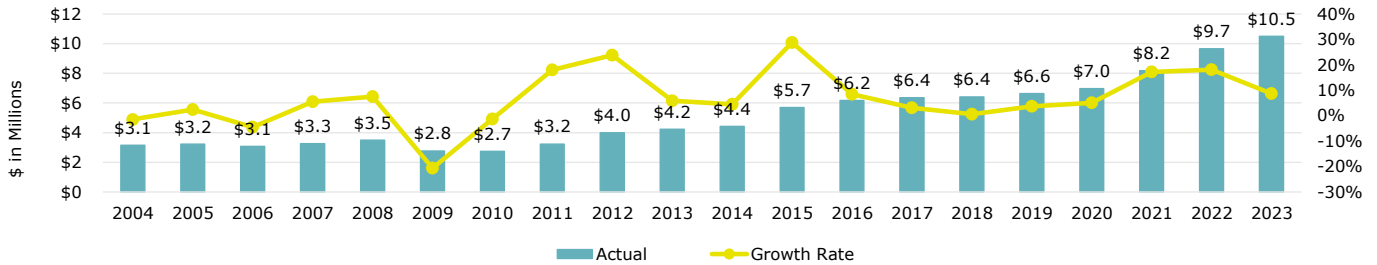
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

Auto use tax collections through April 2023 are 26.9% (\$2.2 million) higher than the 2023 budget plan and 8.7% higher than a year ago. Monthly auto use tax collections have consistently beaten the budget plan each month in 2023. According to the National Automobile Dealers Association (NADA), new light vehicle sales in the United States are up 8.9% year-to-date. NADA credited the increased sales to both the increasing number of new cars available for sale and a pent-up demand for new cars that built up over recent years when supply chain issues limited the production of new cars. Rising new car prices are also contributing to increasing auto use tax collections.

**Auto Use Tax Performance (\$ in Millions)**



**Auto Use Tax Historical Collections - April YTD**

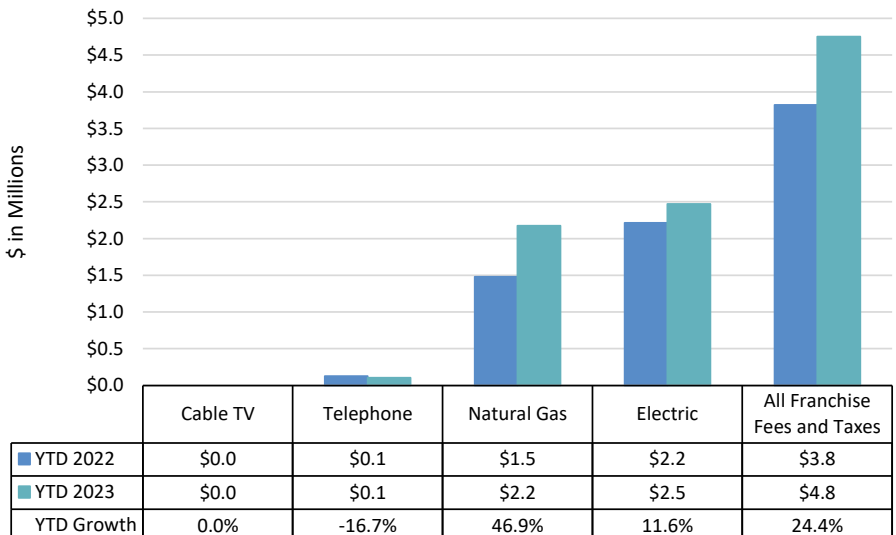


# Franchise Fees and Taxes

Franchise fees and taxes are levied on certain business sectors for the right to operate and provide service within the City of Aurora. These fees and taxes are paid in addition to other taxes the corporation is responsible for, such as income and sales tax. In Aurora, this revenue source consists of four distinct streams: telephone tax, cable TV fees, natural gas fees, and electric fees. Any business providing services in these areas is responsible for the associated cost per the agreed upon rate with the City of Aurora. All fees and taxes are collected monthly apart from cable TV fees, which are collected quarterly.

Year-to-date (YTD) franchise fees and taxes collections through April total \$4.8 million. Electric and natural gas franchise fees account for nearly 98% of the total YTD amount. Telephone occupational taxes make up \$105,000 of the total, while the first payment for cable TV fees is typically collected in May. National inflation data shows historically high price levels of natural gas (2<sup>nd</sup> highest ever in January) and electricity (highest ever in February), which are the main reason for the 24.4% increase in revenue collections YTD. This trend has begun to reverse as energy prices have declined since the beginning of the year. The U.S. Energy Information Administration (EIA) is forecasting the natural gas spot price in 2023 to decrease 54.7% compared to 2022. Given these changes and projections, it is difficult to predict how long such strong growth in franchise fees and taxes collections will continue.



**Franchise Fees and Taxes Components and Performance (\$ in Millions)**



# Finance Department Indicators (for the month ending 4/30/23)

## 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. Performance in April was at 86%, with the year-to-date performance remaining at 84%.

Target: 30 Days - 85%	
 <b>86%</b> (Apr)	<b>84%</b> (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 2.30% in April. This yield is higher than the 1.26% earned in 2021 and the 1.08% 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.

April	2021	2022	2023
Cash & Investment Portfolio	\$647.6 M	\$840.0 M	\$997.7 M
Weighted avg. yield	1.26%	1.08%	2.30%
Duration (months)	22.2	19.1	20.9

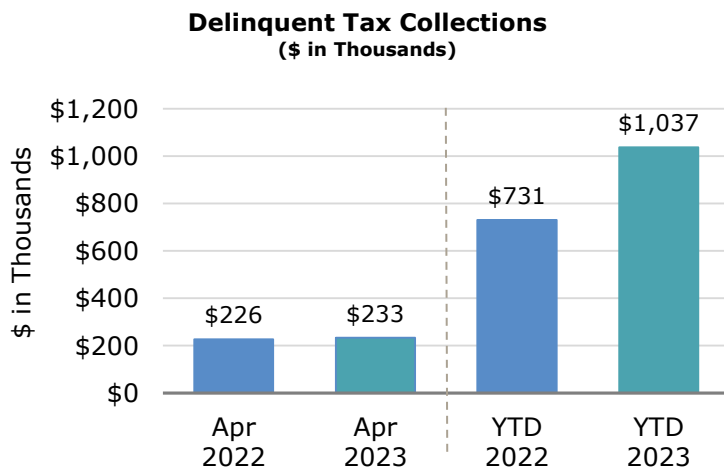
## Financing Transactions Over Previous 12 Months

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.



## City of Aurora

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