



"Ascentiate" by Douwe Blumberg, 2018



2023



City of Aurora

# General Fund Revenue Summary

Prepared by the Office of Budget and Financial Planning

May 2023  
Released August 1, 2023

# General Fund Revenue Summary

In its final estimate, the federal government measured U.S. gross domestic product (GDP) growth in the 1<sup>st</sup> quarter of 2023 to be 2.0% (similar to the 2.1% GDP growth experienced in 2022). The labor market in the metro area remains strong, with a year-to-date (YTD) unemployment rate of 2.8%. Although inflation continues to fall, it remains significantly above the target level. As a result, in May the Federal Reserve raised interest rates for the tenth time since the start of 2022. Raising interest rates is intended to bring inflation under better control,

but could also trigger a recession.

Consumer spending and inflation continue to drive higher-than-expected General Fund revenues. Strong sales and use tax collections were the primary reason that General Fund revenues exceeded the budget plan by \$18.2 million (9.0%) on a YTD basis. Audit revenues as well as franchise fees and taxes also contributed to revenues exceeding the budget plan. Capital-related use tax is transferred to the Capital Projects Fund and is excluded from General Fund operating revenue.

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

Revenue Type (\$ in Millions)	2023 YTD Actuals	Actuals (Under)/ Over 2022		Actuals (Under)/ Over 2023 Budget	
		\$	%	\$	%
General Sales Tax	\$118.3	\$8.1	7.3%	\$7.1	6.4%
Capital-Related Use Tax	19.6	5.1	35.6%	4.9	33.5%
Auto Use Tax	13.1	0.9	6.9%	2.6	24.6%
Franchise Fees and Taxes	6.6	0.9	16.5%	1.4	26.6%
Audit Revenue	3.1	(4.3)	(58.4%)	1.0	46.7%
Lodger's Tax	3.0	0.4	15.1%	0.3	13.0%
Interest Income	1.4	0.8	153.7%	0.4	42.5%
All Other Sources	55.1	5.5	11.1%	0.4	0.7%
<b>Total Sources</b>	<b>\$220.2</b>	<b>\$17.4</b>	<b>8.6%</b>	<b>\$18.2</b>	<b>9.0%</b>
Less Capital Transfer	25.9	5.3	25.5%	5.1	24.4%
<b>Operating Revenue</b>	<b>\$194.3</b>	<b>\$12.2</b>	<b>6.7%</b>	<b>\$13.1</b>	<b>7.2%</b>

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

### ▼ Unemployment Rate

Metro area average YTD rate (May) at 2.8%, down 0.6 percentage points from 2022.

### ▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 4.0% (May) compared to 2022.

### ▶ Aurora Building Permits

33 commercial projects permitted YTD (May), up 17.9% from 2022. 1,549 residential projects permitted YTD (May), down 7.6% from 2022.

### ▲ Hotel Occupancy

YTD (May) hotel occupancy at 65.2%, up 2.7 percentage points compared to 2022.

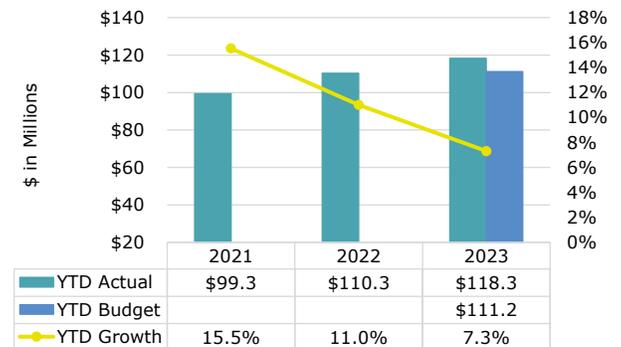
*All indicator data are the most current available of as this report's publication date*

## Sales Tax

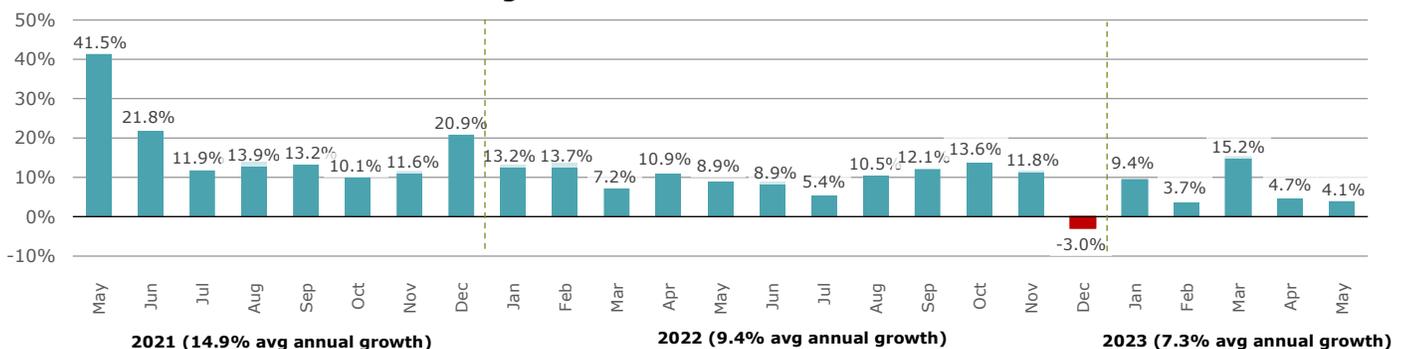
Year-to-date (YTD) sales tax collections through May are \$7.1 million (6.4%) ahead of the budget plan. Three sectors, each of which are continuing to experience significant inflation, have driven most of the growth in sales tax collections. Based in part on the high cost of energy, new cars, and food, the sectors showing the largest growth in YTD sales tax collections are Utilities (27.9%), Auto Dealers (13.8%), and Eating & Drinking Places (8.5%). Conversely, eight sectors have seen YTD collections decline.

The Sales Tax Performance chart shows that YTD sales tax collections have grown by 7.3%. Monthly growth in sales tax collections have started to slow, with recorded growth in the range of 3.7% to 4.7% being experienced in the three of the last four months. These results are consistent with baseline economic projections and reflect the impacts of higher prices, lower consumer confidence, and declining household balance sheets.

## Sales Tax Performance (\$ in Millions)



## % Change from Same Month in Prior Year

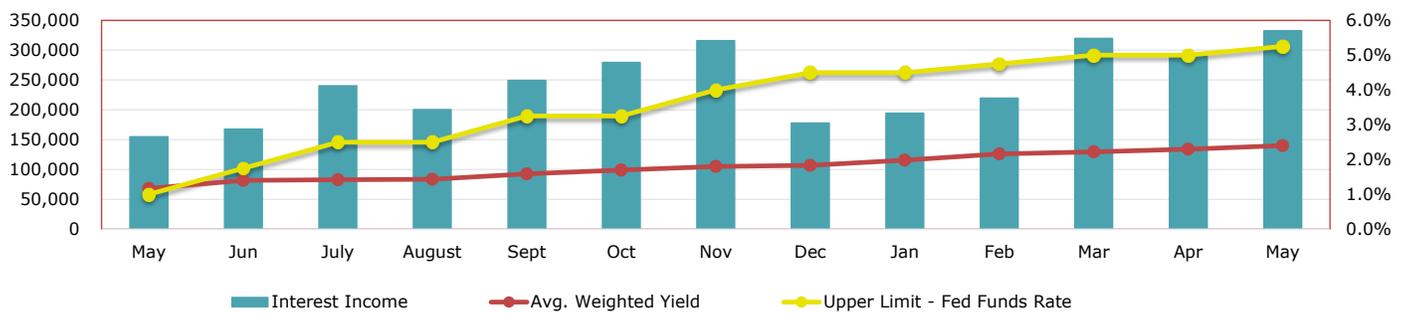


# Interest Income

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 has been trending upward over the last year. The average weighted yield earned on the General Fund balance has roughly doubled over the last year, increasing from 1.17% in May 2022 to 2.40% in May 2023. This increase corresponds with the rapid increase in interest rates driven by the Federal Reserve. The Federal Reserve has now increased interest rates ten times since the start of 2022, raising the target federal reserve rate by a combined 5.0%. 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 each month over the last year, 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, YTD interest income in the General Fund through May is \$404,400 (42.5%) greater than the budget plan. YTD interest income is also \$821,700 (153.7%) higher than earned over the same time period in 2022.

**Interest Income by Month (in \$ and by yield)  
May 2022 to May 2023**

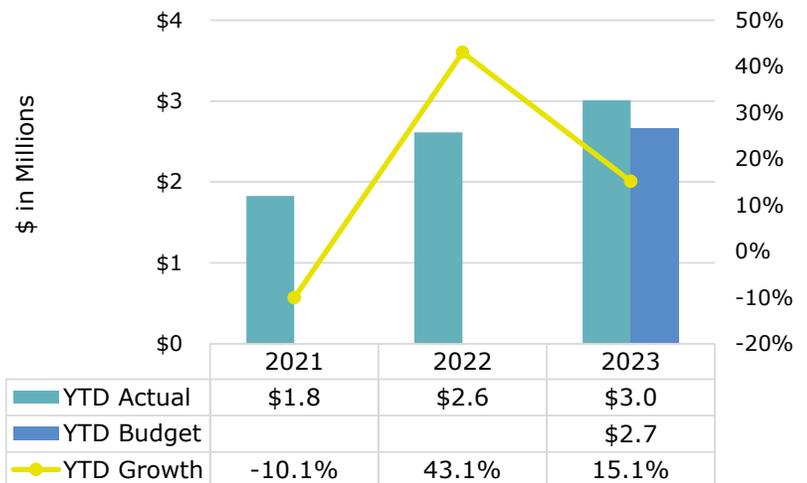


# Lodger’s Tax

Aurora charges an 8.0% tax rate on the purchase of rooms and other accommodations at hotels and similar businesses. The travel and tourism sector has steadily grown since the COVID downturn with 27 consecutive months of increases in hotel occupancy levels. Nevertheless, hotel occupancy in the metro area is still below pre-pandemic levels. In total, 65.2% of hotel rooms are occupied, the highest YTD May total since before the COVID-19 pandemic in 2019 when occupancy was at 69.9%. Airline passenger numbers also continue to grow over the record setting levels in 2022. In May, Denver saw the most passengers of any month since July 2019. Year-to-date, 3.9 million more passengers have traveled through DIA than last year, up 15.0%. According to the Rocky Mountain Lodging Report, average hotel room rates are at record highs in Metro Denver for this time of the year. Rates are at 145.69 YTD (up 8.0%) and are 4.3% higher than May of 2022.

Despite concerns of a recession, YTD collections in lodger’s tax this year reflect a robust tourism sector that continues to grow. Collections of lodger’s tax through May total \$3.0 million, up 15.1% from a year ago. These collections are also up \$346,000 (13.0%) compared to the 2023 Adopted Budget. While economic concerns could dampen demand for activities like tourism, annual lodger’s tax revenues appear to be on track to be the highest ever received.

**Lodger’s Tax Performance (\$ in Millions)**



# Finance Department Indicators (for the month ending 5/31/23)

## 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 two departments led to the May results. In one department, a vendor changed its billing process and had a booking error, resulting in most of the delays. In the other department, a staffing shortage and the need for a new purchase order caused most of the payment delays.

Target: 30 Days - 85%			
	<b>83%</b> (May)	<b>84%</b> (YTD)	

## Investments

In an effort to fight inflation, the Federal Reserve has raised interest rates ten times for a combined 5.00% increase since the start of 2022. With these rate increases, the weighted average yield rose to 2.40% in May. This yield is higher than the 1.12% earned in 2021 and the 1.17% earned in 2022.

The portfolio balance exceeded \$1.0 billion for the first time in May 2023. The increasing balance reflects growing sales and use tax receipts in the General Fund as well as increasing revenues in other city funds.

May	2021	2022	2023
Cash & Investment Portfolio	\$714.6 M	\$867.9 M	\$1.013 B
Weighted avg. yield	1.12%	1.17%	2.40%
Duration (months)	21.0	18.5	21.6

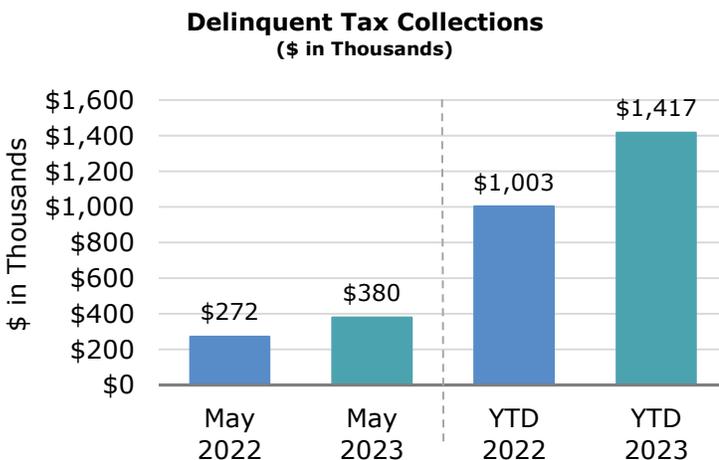
## Financing Transactions Over Previous 12 Months

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

Report Prepared by

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