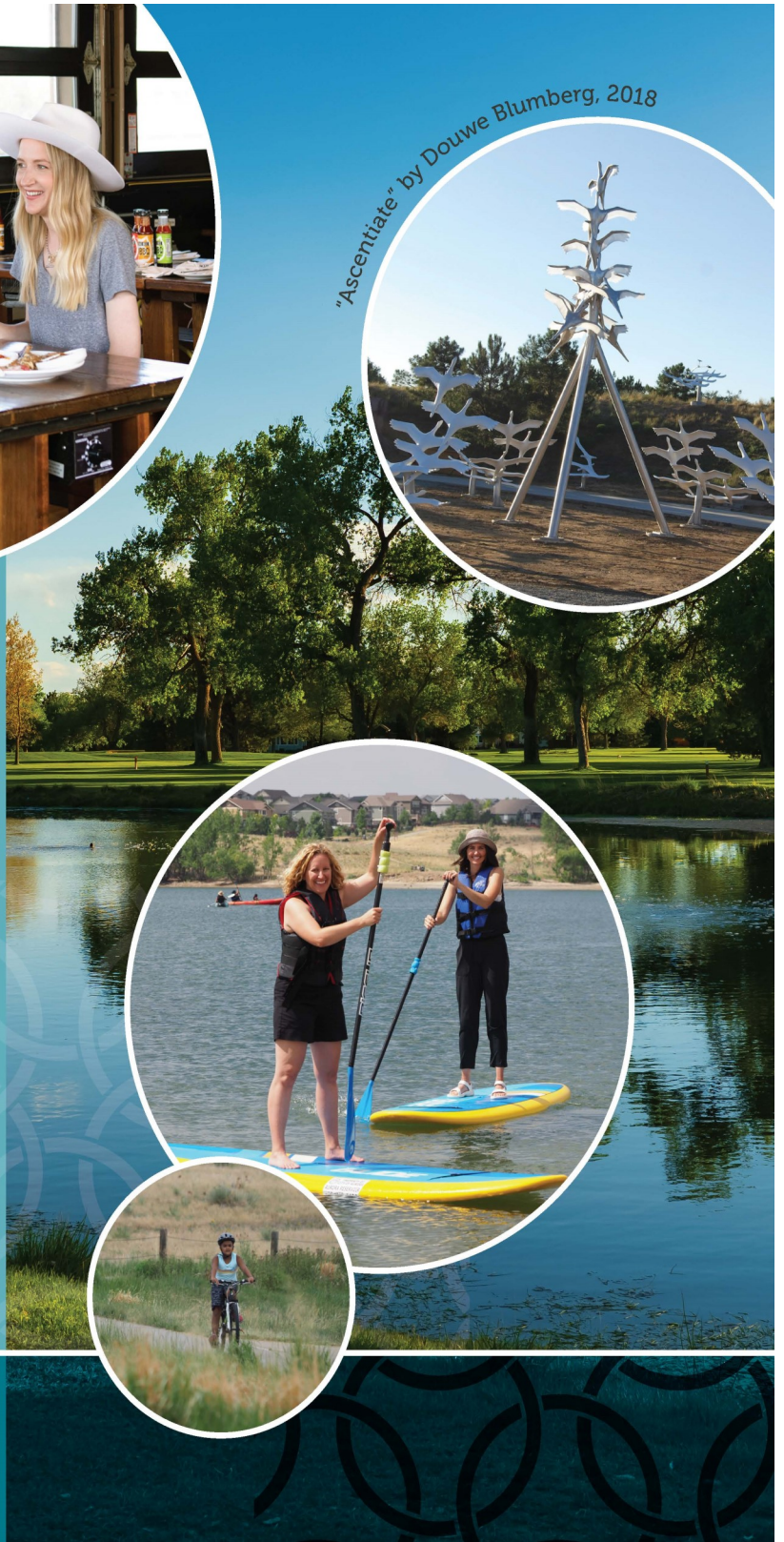




"Ascentiate" by Douwe Blumberg, 2018



2023



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

July 2023
Released Oct 9, 2023

General Fund Revenue Summary

After falling twelve straight months, the annual rate of inflation rose from 3.0% in June to 3.2% in July. Given this increase and the fact that inflation remains above the 2% target, in July the Federal Reserve raised interest rates for the 11th time since the start of 2022. While raising interest rates is intended to bring inflation under better control, there also remains a risk that high interest rates could trigger a recession. The unemployment rate in the Metro Area rose to 3.5% in July, the highest monthly rate so far this year (bringing the YTD average unemployment rate up to 3.0%).

Although year-to-date (YTD) General Fund revenues exceed the budget plan by \$19.6 million (6.7%), it is worth noting that July revenues by themselves were actually \$41,600 below the budget plan. While sales and use tax collections have driven YTD growth in General Fund revenues, July collections saw sales tax, auto use tax, and capital-related use taxes all fall below the budget plan. Given economic challenges, it is expected that growth in sales and use tax will moderate over the coming months.

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

Revenue Type (\$ in Millions)	2023 YTD Actuals	Actuals (Under)/ Over 2022		Actuals (Under)/ Over 2023 Budget	
		\$	%	\$	%
General Sales Tax	\$165.8	\$9.1	5.8%	\$7.4	4.7%
Capital-Related Use Tax	25.3	5.1	25.6%	4.9	24.0%
Auto Use Tax	18.4	0.9	4.9%	3.1	20.4%
Franchise Fees and Taxes	8.6	1.0	13.0%	1.2	16.4%
Audit Revenue	4.3	(5.0)	(53.9%)	1.3	46.1%
External Charges for Services	4.3	0.5	13.6%	0.6	17.3%
Interest Income	2.0	1.1	113.2%	0.6	40.1%
All Other Sources	83.6	4.0	5.0%	0.5	0.5%
Total Sources	\$312.2	\$16.7	5.6%	\$19.6	6.7%
Less Capital Transfer	34.5	5.2	17.9%	5.1	17.4%
Operating Revenue	\$277.7	\$11.4	4.3%	\$14.5	5.5%

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro area average YTD rate (Jul) at 3.0%, down 0.3 percentage points from 2022.

▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 3.2% (Jul) compared to 2022.

▶ Aurora Building Permits

43 commercial projects permitted YTD (Jul), up 26.5% from 2022. 1,812 residential projects permitted YTD (Jul), down 23.1% from 2022.

▲ Hotel Occupancy

YTD (Jun) hotel occupancy at 68.1%, up 2.4 percentage points compared to 2022.

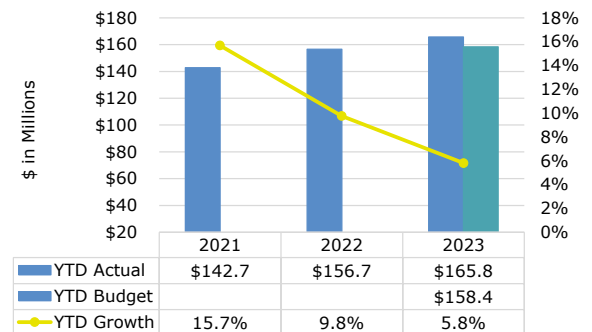
All indicator data are the most current available of as this report's publication date

Sales Tax

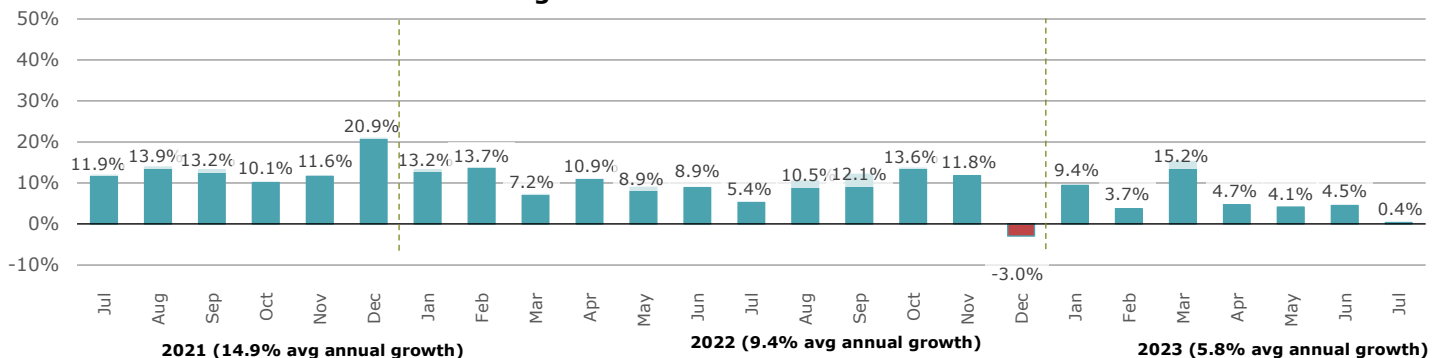
Year-to-date (YTD) sales tax collections through July are \$7.4 million (4.7%) ahead of the budget plan. Three sectors, each of which has experienced higher-than-average inflation this year, have driven most of the growth in sales tax collections. Based in part on the high cost of energy, new cars, and food, the sectors contributing the most to growth in YTD sales tax collections are Utilities (21.9%), Auto Dealers (13.3%), and Eating & Drinking Places (7.2%). Conversely, eight sectors have seen YTD collections decline.

Inflation in the Metro Area was 8.0% in 2022, explaining the vast majority of the 9.4% growth experienced in sales tax collections last year. With inflation falling for most of 2023, growth in sales tax collections is now trending down. With slowing economic growth projected through 2024, growth in sales tax collections is likely to remain modest over coming months. July collections experienced the lowest rate of growth this year, increasing only 0.4%.

Sales Tax Performance (\$ in Millions)



% Change from Same Month in Prior Year



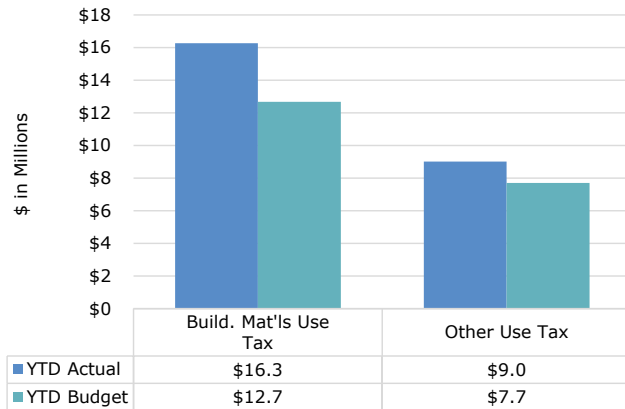
Capital-Related Use Tax

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.

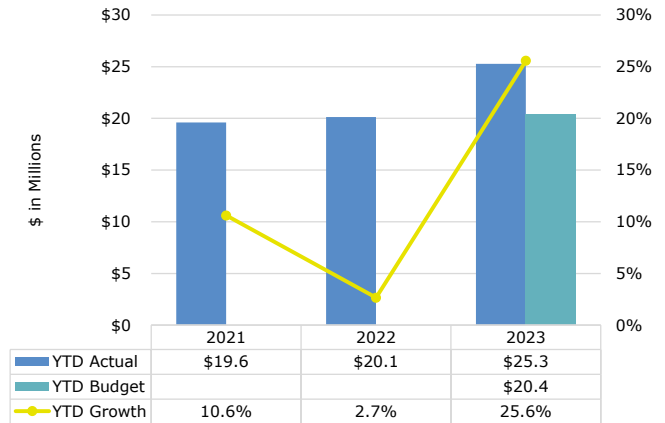
Through July, capital-related use tax revenue is \$4.9 million (24.0%) above the year-to-date (YTD) budget plan and \$5.1 million (25.6%) greater than 2022. Despite the large growth of

collections from both BMUT and other use taxes, 543 (23.1%) fewer residential projects have been submitted to the city YTD compared to 2022. However, the city has received nine (26.5%) more commercial building permits compared to last year, suggesting that commercial development is largely responsible for the revenue growth in capital-related use taxes. Because higher interest rates have raised the cost of borrowing, growth in this revenue source will likely slow in 2024.

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



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

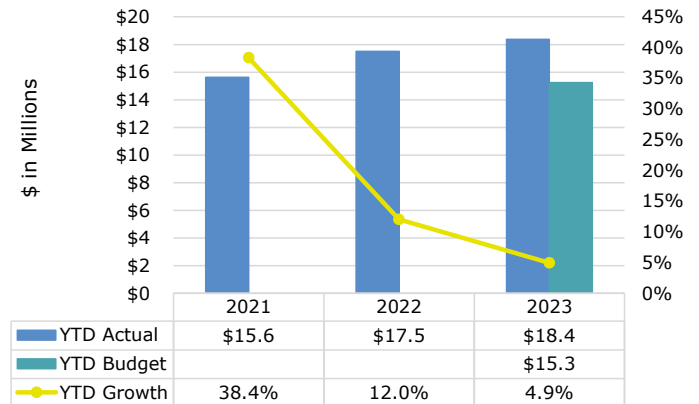


Auto Use Tax

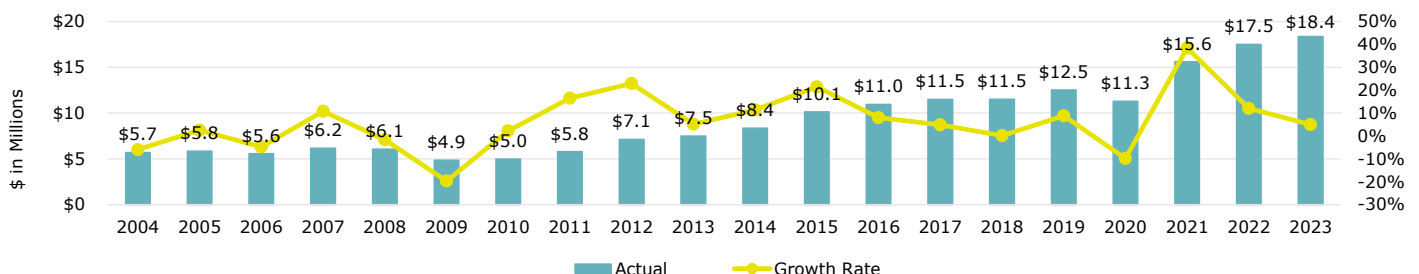
All motor vehicles, trailers, and semi-trailers purchased *outside* the city by Aurora residents are subject to the payment of use tax at the time of registration. Sales of new and used vehicles *within* the city by licensed vendors are reflected in sales tax collections. The city receives auto use tax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

For the first time in the history of this revenue source, monthly auto use tax collections in July exceeded \$3.0 million. With this record month, YTD auto use tax collections are \$3.1 million (20.4%) higher than the 2023 budget plan and 4.9% higher than a year ago. According to the Colorado Automobile Dealers Association (CADA), high interest rates, a softening economy, and weakening vehicle affordability have resulted in new vehicle sales in the first half of the year remaining essentially unchanged from the first half of 2022. Given this, the dominant driver of growth in auto use tax collections would appear to be inflation on the price of new cars, which has averaged 5.1% across the first seven months of 2023.

Auto Use Tax Performance
(\$ in Millions)





Auto Use Tax Historical Collections - July YTD



Finance Department Indicators (for the month ending 7/31/23)

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 July results. In one department, a combination of staff turnover and one vendor not sending timely invoices resulted in the delays. In the other department, a staffing shortage and validation issues related to the city's electronic accounting system caused the payment delays.

Target: 30 Days - 85%			
	81% (July)	83% (YTD)	

Investments

In an effort to fight inflation, the Federal Reserve has raised interest rates eleven times for a combined 5.25% increase since the start of 2022. With these rate increases, the weighted average yield rose to 2.60% in July. This yield is higher than the 0.98% earned in 2021 and the 1.42% 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.

July	2021	2022	2023
Cash & Investment Portfolio	\$761.8 M	\$912.6 M	\$1.027 B
Weighted avg. yield	0.98%	1.42%	2.60%
Duration (months)	20.6	19.7	20.4

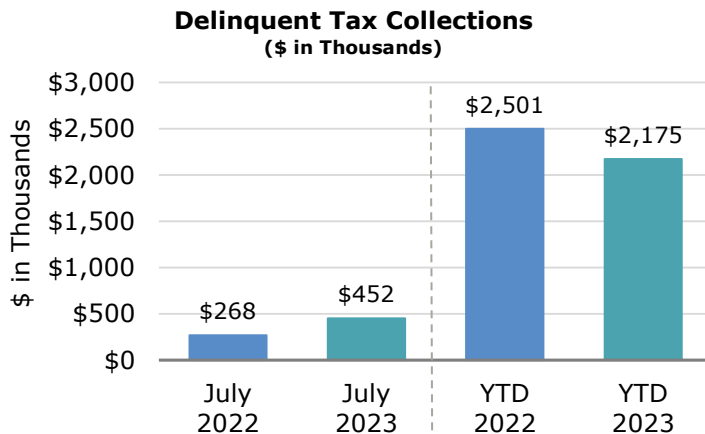
Financing Transactions Over Previous 12 Months

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

Delinquent tax collections in July were a higher-than-normal \$452,400, reflecting two large collections of audit balances. Although collections are down year-to-date given a huge collection in June 2022, collections in 2023 have averaged \$310,800 per month, which is just above the average monthly collections across all twelve months of 2022.



City of Aurora

Report Prepared by

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