



"Ascentiate" by Douwe Blumberg, 2018



2023



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

August 2023
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General Fund Revenue Summary

In 2023, the country continues with its efforts to bring inflation under control. The Federal Reserve has now raised interest rates eleven times in an effort to slow price increases. Although inflation has been falling, it still measured 3.7% in August. The labor market remains strong, but economic growth appears to be slowing.

A combination of consumer demand and inflation are driving Aurora's General Fund revenues higher. General Fund revenues through July were tracking above the budget plan, with collections of sales and use tax responsible for a majority of

the over-performance. Staff prepared a mid-year 2023 revenue projection for the 2024 Budget that reflected these trends.

The General Fund projection includes \$22.4 million more in revenue than included in the 2023 Adopted Budget. Collections of sales tax, capital-related use tax, auto use tax, and franchise fees and taxes drove the increase. Given the one-time nature of capital-related revenue, capital-related use tax is transferred to the Capital Projects Fund and is excluded from General Fund operating revenues.

2023 Base Revenue Projections vs. Budget (\$ in Millions)

Revenue Category	2023 Projection	2023 Budget	Projection (Under)/Over 2023 Budget	
			\$	%
General Sales Tax	\$281.5	\$271.2	\$10.4	3.8%
Property Tax	51.0	49.7	1.2	2.4%
Capital-Related Use Tax	38.5	34.9	3.6	10.4%
Auto Use Tax	30.1	27.1	3.0	11.1%
Franchise Fees and Taxes	18.1	16.3	1.8	11.3%
External Charges for Service	6.9	6.2	0.7	11.8%
Interest Income	3.9	3.1	0.8	26.5%
All Other Revenue	65.9	65.1	0.8	1.3%
Total Sources	\$496.0	\$473.6	\$22.4	4.7%
Less Capital Transfer	61.7	51.4	10.3	20.1%
Operating Revenue	\$434.3	\$422.2	\$12.1	2.9%

Monthly Economic Data Year-to-Date (YTD)

▼ Unemployment Rate

Metro area average YTD rate (Aug) at 3.1%, down 0.1 percentage points from 2022.

▲ Consumer Price Index

The cost of goods and services in cities in the United States increased by 3.7% (Aug) compared to 2022.

▶ Aurora Building Permits

45 commercial projects permitted YTD (Aug), up 7.1% from 2022. 2,258 residential projects permitted YTD (Aug), down 12.1% from 2022.

▲ Hotel Occupancy

YTD (Aug) hotel occupancy at 70.9%, up 2.0 percentage points compared to 2022.

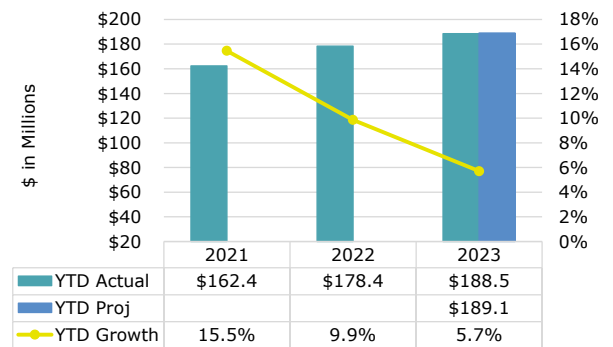
All indicator data are the most current available of as this report's publication date

Sales Tax

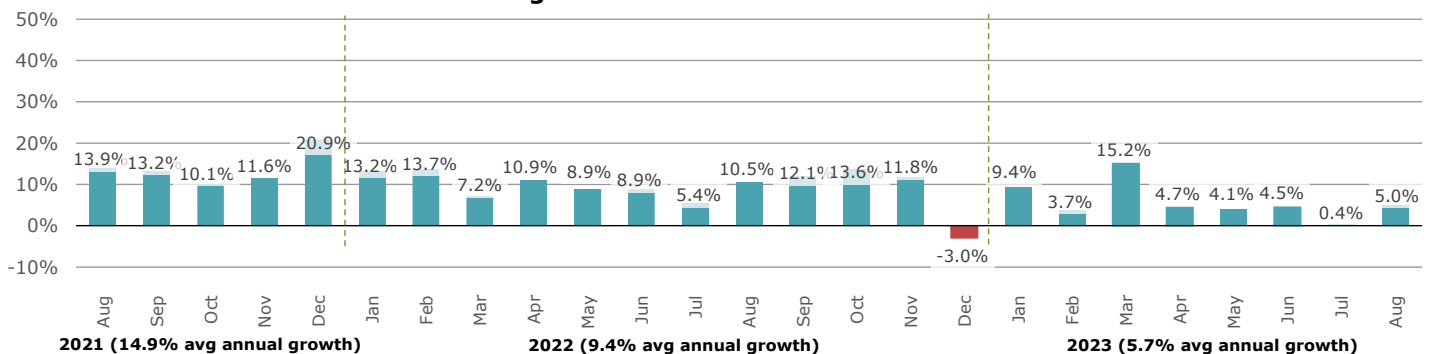
In the 2023 Adopted Budget, it was assumed that inflation in 2023 would be 2.7% and retail trade would grow by 2.9%. A year later, it is now projected that inflation in 2023 will be 4.1% and that retail trade will grow by 3.6%. Given these changes, staff raised the mid-year sales tax projection by \$10.4 million (3.8%) compared to the 2023 Budget.

The Sales Tax Performance chart shows that YTD collections have grown 5.7% compared to 2022. The 2023 projection assumes that sales tax collections in 2023 will grow by 4.7%. However, revenue growth seems to have slowed since the first quarter of the year, which is consistent with projections that the economy will slow over the course of 2023 given increasingly restrictive monetary policy used to address inflation. With surprisingly soft sales tax collections in July, YTD collections through August are now \$543,700 (0.3%) behind the projection plan.

Sales Tax Performance (\$ in Millions)



% Change from Same Month in Prior Year

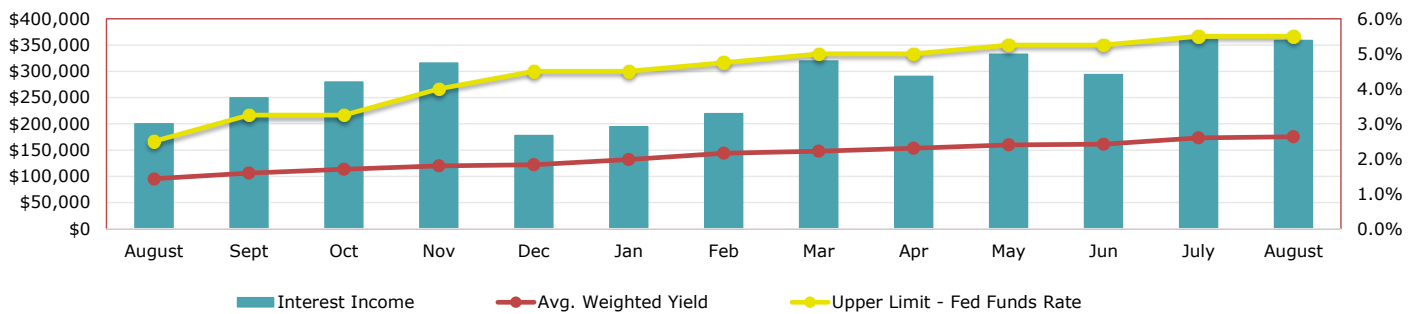


Interest Income

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.

The Monthly Interest Income chart shows that interest income earned by the General Fund has been trending upward, with the average weighted yield earned on the General Fund balance rising from 0.88% in January 2022 to 2.63% in August 2023. This coincides with the Federal Reserve raising the target interest rate eleven times since the start of 2022, for a combined 5.25% increase. As bonds and other investments held by the city mature each month, the city can take advantage of the higher interest rates as it reinvests the proceeds. In this regard, the chart shows that the average weighted yield has consistently risen each month, 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 rapidly rising yields earned by the city, staff raised the mid-year projection for interest income to \$3.9 million. For context, the city has never collected more than \$3.0 million in interest income in a year. The mid-year projection represents an increase of \$820,700 (26.5%) compared to the 2023 Original Budget.

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



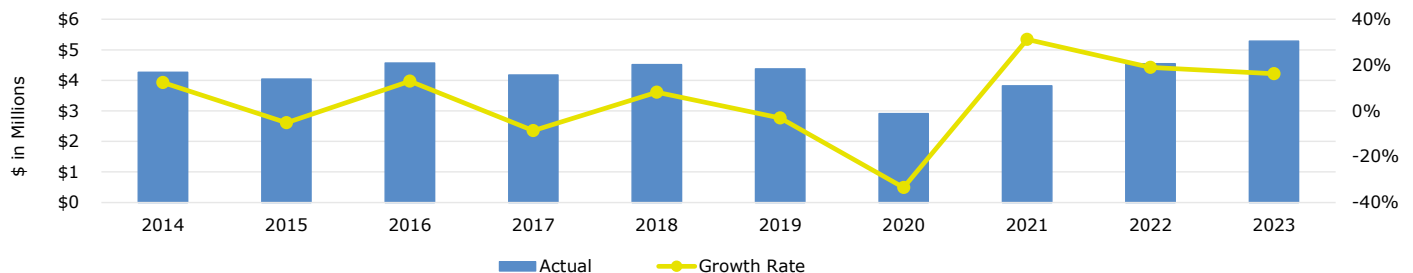
External Charges for Services

External charges for services are service fees charged to entities external to the city. Most departments charge fees of some kind including court fees, contractual reimbursements for ambulance transport services, facility rental charges, library fees, admission fees at Aurora’s two reservoirs, and housing reinspection fees.

The 2023 Adopted Budget assumed that Aurora would receive \$6.2 million in external charges for services, which was adjusted upward to \$6.9 million in the 2023 mid-year projection. The primary reasons behind the higher 2023 revenue projection were strong fee revenues generated by Parks, Recreation, and Open Space (PROS), Housing and Community Services (HCS), and the Aurora Police Department.

Year-to-date (YTD) revenues from all external charges are \$391,400 (8.6%) higher than in 2022, and \$99,800 (2.1%) above the mid-year projection. The year-over-year increase has coincided with the first million-dollar monthly collection ever received with \$1.1 million in July. In 2022, the Open Space Division brought in record high recreation-related revenues at Aurora and Quincy reservoirs. The fee revenue earned by PROS this year has been even stronger than in 2022 due to a small fee increase and continued public demand for recreation at these Open Space sites. Code Enforcement is on track to complete nearly 6,000 multi-family inspections by the end of the year, despite multiple Code Enforcement Officer vacancies. YTD revenues for Code Enforcement reinspection are currently \$371,900 due to a pandemic-related backlog of properties to inspect. This figure is nearly \$100,000 greater than the previous annual high and greater than the previous four years combined.



External Charges Historical Collections — August YTD (\$ in Millions)



Finance Department Indicators (for the month ending 8/31/23)

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 August results, caused by vendor-related errors and a staffing shortage.

Target: 30 Days - 85%			
	83% (Aug)	83% (YTD)	

Investments

The weighted average yield rose to 2.63% in August. This yield is higher than the 0.97% earned in 2021 and the 1.43% earned in 2022. This change corresponds with the rapid increase in interest rates driven by the Federal Reserve, which has raised rates eleven times since the start of 2022 for a combined increase of 5.25%

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.

August	2021	2022	2023
Cash & Investment Portfolio	\$780.9 M	\$912.6 M	\$1.029 B
Weighted avg. yield	0.97%	1.43%	2.63%
Duration (months)	20.8	18.7	19.8

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

Delinquent Tax Collections

Delinquent tax collections in August were \$294,400. Although collections are down year-to-date given a huge collection in June 2022, collections in 2023 have averaged \$308,700 per month, which is just above the average monthly collections across all twelve months of 2022.



City of Aurora

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