



"Ascentiate" by Douwe Blumberg, 2018



2023



City of Aurora

General Fund Revenue Summary

Prepared by the Office of Budget
and Financial Planning

October 2023
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General Fund Revenue Summary

In October, the rate of inflation dropped to 3.2%. While still above the target of 2.0% inflation, the Federal Reserve chose not to raise interest rates during its last meeting in September, raising hopes that additional increases may not be needed. GDP growth in the 3rd quarter of 2023 has been estimated at a surprisingly strong 4.9%. Similarly, labor markets remain strong, with the year-to-date (YTD) unemployment rate in the Metro Area measuring at 3.1% as of October.

A combination of consumer demand and inflation are driving Aurora's General Fund revenues higher. General Fund revenues through October were \$7.6 million (1.8%) above the projection, with audit recoveries, capital-related use tax collections, and auto use tax collections being the primary drivers of the over-performance. Capital-related use tax, which is transferred to the Capital Projects Fund, is excluded from General Fund operating revenues. As a result, General Fund operating revenues are only up \$5.6 million (1.5%) compared to the 2023 projection.

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

Revenue Type (\$ in Millions)	YTD Oct Actuals	Actuals (Under)/ Over 2022		Actuals (Under)/ Over Projection	
		\$	%	\$	%
General Sales Tax	\$237.4	\$11.0	4.9%	(\$0.7)	(0.3%)
Capital-Related Use Tax	35.6	5.0	16.4%	\$1.9	5.7%
Auto Use Tax	27.0	1.4	5.5%	\$1.6	6.1%
Highway Users Tax	9.2	(0.0)	(0.1%)	\$0.2	2.4%
Audit Revenue	8.2	(2.1)	(20.7%)	\$3.1	59.5%
Lodger's Tax	7.8	0.8	10.9%	\$0.1	1.6%
External Charges for Service	6.0	0.6	11.2%	\$0.8	15.6%
All Other Sources	99.4	6.1	6.6%	\$0.6	0.6%
Total Sources	\$430.5	\$22.7	5.6%	\$7.6	1.8%
Less Capital Transfer	48.3	5.4	12.5%	2.0	4.4%
Operating Revenue	\$382.2	\$17.4	4.8%	\$5.6	1.5%

Monthly Economic Data Year-to-Date (YTD)

Unemployment Rate

Metro area average YTD rate (Oct) at 3.1%, the same as the rate in 2022.

Consumer Price Index

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

Aurora Building Permits

53 commercial projects permitted YTD (Oct), the same number as 2022. 2,989 residential projects permitted YTD (Oct), down 2.7% from 2022.

Hotel Occupancy

YTD (Oct) hotel occupancy at 72.4%, up 2.0 percentage points compared to 2022.

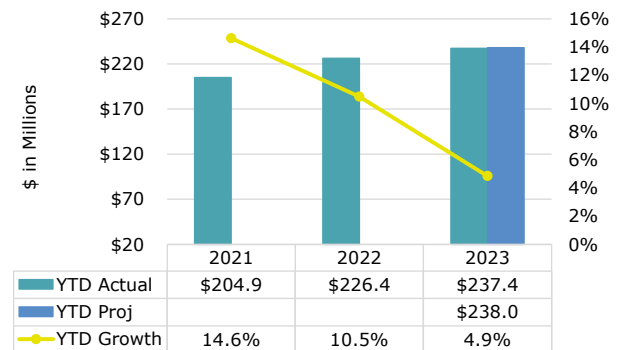
All indicator data are the most current available of as this report's publication date

Sales Tax

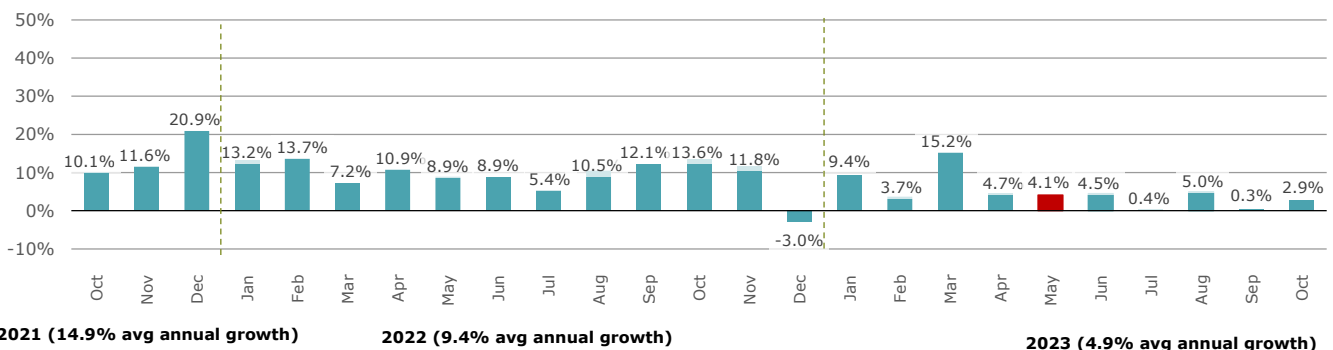
YTD sales tax collections through October are \$659,700 (0.3%) below the projection. The projection assumed that sales tax collections in the current year would grow by 4.7%. As can be seen in the graph below, in recent months sales tax growth has been trending down and has generally been below this assumed level of growth.

Compared to 2022, sales tax collections are up 4.9% YTD. Inflation in the Metro Area is only measured every other month and has averaged 5.5% through September (compared to 4.4% average inflation nationally during this same time period). This suggests that inflation is the principal driver of growth in Aurora's sales tax collections. The sales tax incentive at the Cornerstar Urban Renewal Area expired at the end of September 2023, which will positively impact sales tax collections in future months.

Sales Tax Performance



% Change from Same Month in Prior Year



Audit Revenue

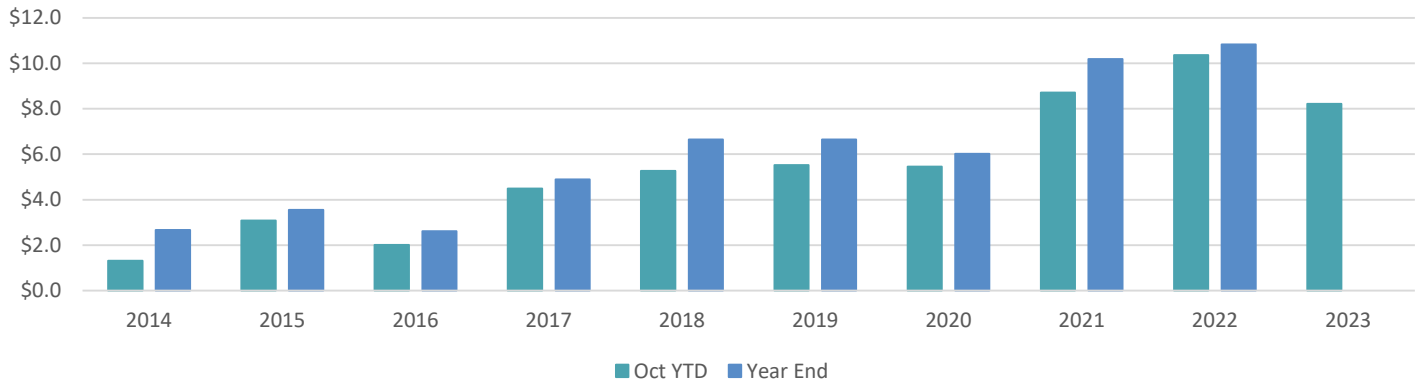
The Tax Division assists the City of Aurora with collecting certain business-related taxes such as sales tax, use tax, and occupational privilege tax. To ensure compliance with city ordinances, the Tax Division uses a variety of tools ranging from public education to auditing tax returns.

The Adopted 2024 Budget projected that the City of Aurora will receive \$5.7 million in audit recoveries across the twelve months of 2023. Through just ten months, Aurora has already received \$8.2 million in audit recoveries. Monthly audit revenue in September and October has been especially strong and was boosted by several large recoveries, including a \$967,100 recovery in September. These large recoveries reflect the

completion of significant (time-intensive) audits completed by senior auditors in the Tax Division.

As seen in the 10-Year History of Audit Collections chart below, the highest level of audit recoveries in recent history was the \$10.8 million recovered in 2022. Year-to-date (YTD) recoveries are \$2.1 million (20.7%) behind revenues collected in the first ten months of 2022. That said, large audit recoveries are one-time in nature and these types of recoveries were not assumed in the 2023 projection. Given this, YTD audit recoveries are \$3.1 million (59.5%) over the projection and represent the single largest reason that General Fund revenues are tracking above the current year projection.

10-Year History of Audit Collections (\$ in Millions)

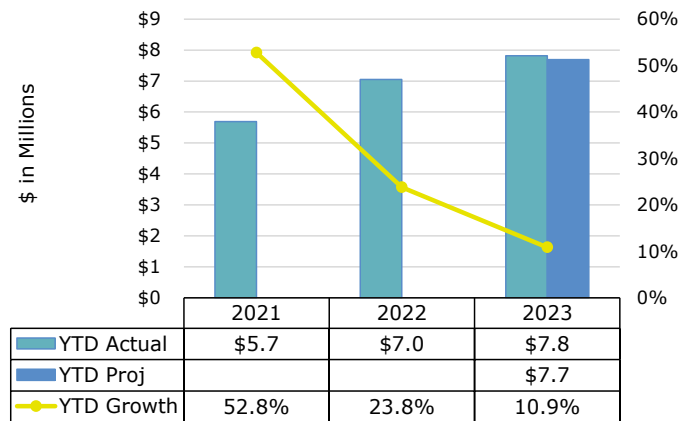


Lodger's Tax

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 in the metro area continues to grow year-over-year as evidenced by strong hotel room occupancy in the metro area and passenger traffic through the airport. According to the Rocky Mountain Lodging Report, 75.1% of hotel rooms were occupied in October with 72.4% occupied year to date (YTD). The latter figure is the highest YTD occupancy level since 2019, and both figures are, respectively, 1.3% and 2.0% greater than in 2022. Occupancy remains high despite YTD average hotel room rates being 6.5% (\$10) higher than a year ago. This figure (\$165) is also the highest YTD rate ever for the metro Denver area. At DIA, airline passenger traffic continues to grow over 2022's record levels. Each of the last five months, from June through October, rank in the top five highest monthly passenger levels in the history of DIA. Three of these months (July, August, and October) eclipsed the 7 million passenger threshold, a previously unsurpassed level. Through October, 64.9 million passengers have travelled through DIA, which is 7.1 million (12.3%) more than last year, and just 4.4 million passengers short of the annual record set in 2022.

The 2023 collections for lodger's tax reflect growth in local tourism coupled with steady increases in hotel room rates experienced over the course of the year. This year, all but one month has outperformed the monthly projection and YTD collections are at \$7.8 million, up 10.9% from a year ago. Comparatively, general sales tax collections are 4.9% greater than in 2022, which is below the average YTD inflation rate of 5.5% for the Denver-Aurora-Lakewood metro area. This makes the large growth in lodger's tax collections even more impressive. The robust, continuous growth in metro area tourism suggests that Aurora will set a new record for lodger's tax collections this year.



Lodger's Tax Performance (\$ in Millions)



Finance Department Indicators (for the month ending 10/31/23)

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. While October results met the performance target, year-to-date performance is slightly below the goal due to department staffing issues and vendor-related errors.

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

Investments

The weighted average yield rose to 2.75% in October. This yield is higher than the 0.91% earned in 2021 and the 1.70% 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, although it dipped just below this level in October. The increasing balance reflects growing sales and use tax receipts in the General Fund as well as increasing revenues in other city funds.

October	2021	2022	2023
Cash & Investment Portfolio	\$801.4 M	\$933.5 M	\$996.5M
Weighted avg. yield	0.91%	1.70%	2.75%
Duration (months)	20.8	20.3	21.7

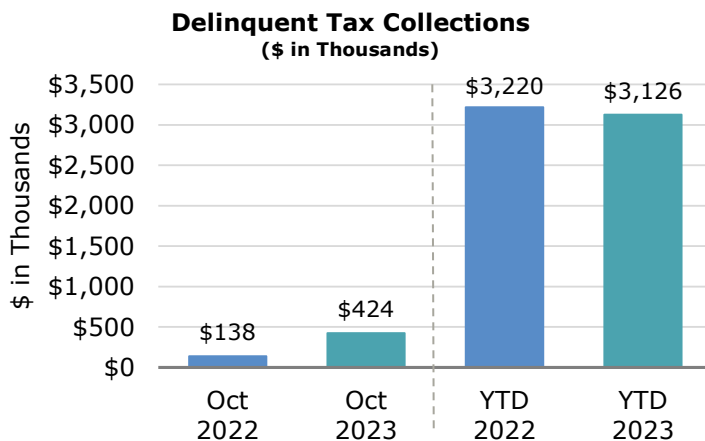
Financing Transactions Over Previous 12 Months

Future financing transactions include 2024 Aurora Water Loan (\$100.0 million), 2024 Heavy Fleet (\$7.0 million), and Fire SCBA Equipment Lease (\$2.5 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/Banker
Series 2023-A Heavy Fleet	\$6.9M	23-Aug	3.71%	6.7	JPM
Series 2023 Wastewater	\$45.7M	23-Feb	3.99%	30	Morgan Stanley

Delinquent Tax Collections

Delinquent tax collections in October were \$424,400, reflecting several larger collections completed by Tax Division staff. With this strong month of revenue, year-to-date collections are now only slightly behind 2022.



City of Aurora

Report Prepared by

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