



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended July 31, 2016; this period will be referred to as Year-to-Date (YTD) throughout this document. The monthly financial statement package includes statements for the following funds: General Fund, Land Use Fund, Capital Improvement Fund, Conservation Trust Fund, Open Space Fund, General Improvement District Funds, and the Centennial Urban Redevelopment Authority Fund. Readers are encouraged to consider the information presented here in conjunction with the unaudited financial statements attached to this report. In addition, please refer to the Executive Summary in the 2016 Annual Budget for an explanation of variances between the 2015 and 2016 Adopted Budgets.

**Summary of the July, 2016 Financial Statements**

**GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD**

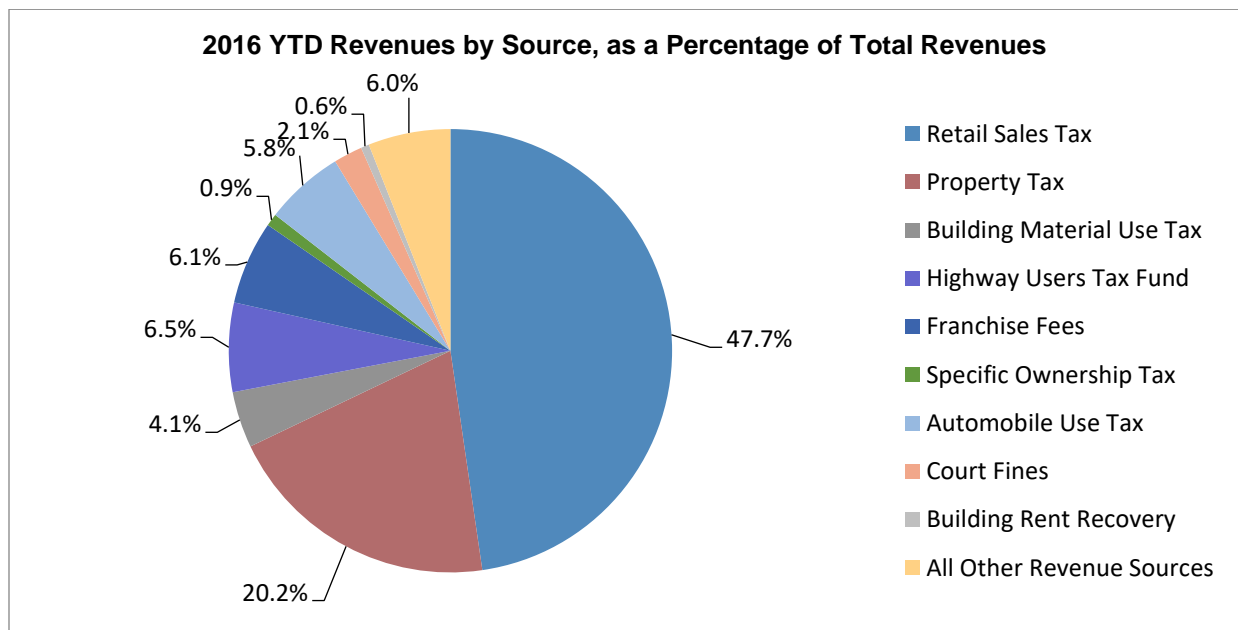
**Revenues**

The following table is a summary comparison of primary revenue sources YTD for 2016 and 2015:

*(dollar amounts in millions)*

	YTD 2016	YTD 2015	\$ Variance	% Variance
Retail Sales Tax	\$ 21.7	\$ 20.8	\$ 0.9	4.4%
Property Tax	9.2	7.8	1.4	17.6%
Building Materials Use Tax	1.8	1.5	0.3	21.7%
Highway Users Tax Fund	3.0	3.0	-	-0.9%
Franchise Fees	2.8	2.9	(0.1)	-3.9%
Specific Ownership Tax	0.4	0.3	0.1	17.6%
Automobile Use Tax	2.6	2.6	-	1.6%
Court Fines	1.0	1.1	(0.1)	-11.7%
Building Rent Recovery	0.3	0.3	-	-5.2%
All Other Revenue Sources	2.7	2.5	0.2	12.8%
	<u>\$ 45.5</u>	<u>\$ 42.8</u>	<u>\$ 2.7</u>	<u>6.5%</u>

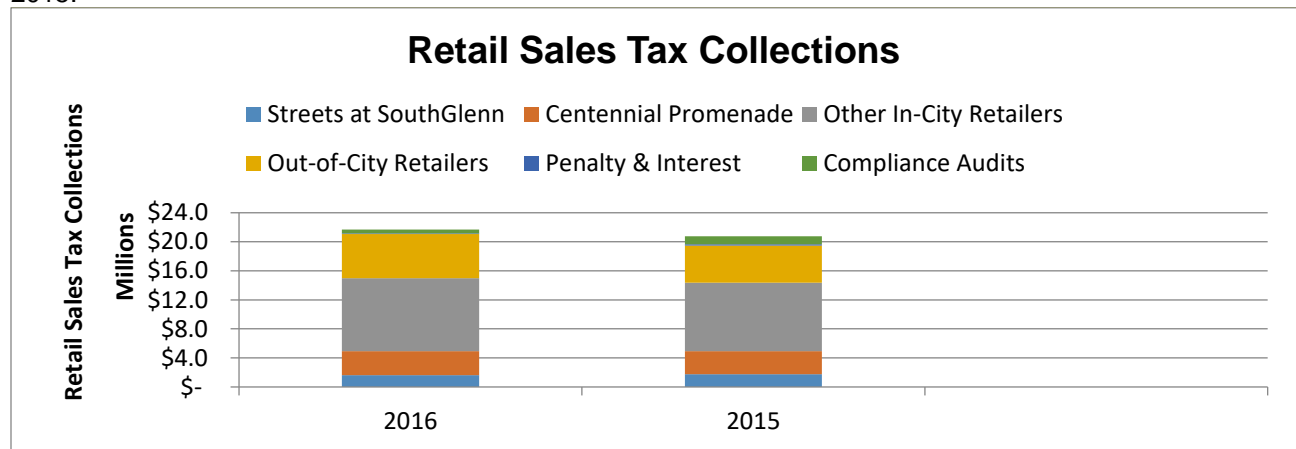
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue YTD 2016 is \$0.9 million or 4.4% more than collections YTD 2015. Sales tax revenues from in-City retailers has increased \$0.6 million over collections YTD 2015. This increase is attributable to new businesses inside of Centennial such as TopGolf and Home Goods. In addition, sales tax from out-of-City retailers has increased \$1.0 million over collections YTD 2015. The increase is offset by a decrease of \$0.7 million attributed to sales tax compliance audits and penalties and interest from late filings. The City received two large audit payments in March 2015 from a general merchandise store and a software retailer.

The illustration below depicts the change in the City's YTD 2016 Sales Tax Revenue as it compares to YTD 2015.



The table below represents sales tax collected 2016 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2015.

**2016 YTD & 2015 YTD – Current Top 20 Sales Tax Receipts by 4-digit NAICS Code**

	2016	% of 2016	2015	% of 2015
Furniture Stores	\$ 2,242,888.08	10.3%	\$ 2,181,536.10	10.5%
Full-Service Restaurants	\$ 1,619,813.54	7.5%	\$ 1,643,004.95	7.9%
Limited-Service Eating Places	\$ 1,168,691.72	5.4%	\$ 1,118,835.16	5.4%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 1,073,054.08	4.9%	\$ 1,085,972.37	5.2%
Automobile Dealers	\$ 954,091.22	4.4%	\$ 990,234.22	4.8%
Electric Power Generation, Transmission and Distribution	\$ 719,316.65	3.3%	\$ 771,855.94	3.7%
Grocery Stores	\$ 711,781.54	3.3%	\$ 713,269.60	3.4%
Electronic Shopping and Mail-Order Houses	\$ 660,892.48	3.0%	\$ 261,439.80	1.3%
Electronics and Appliance Stores	\$ 629,737.85	2.9%	\$ 664,826.37	3.2%
Other General Merchandise Stores	\$ 602,532.81	2.8%	\$ 517,243.54	2.5%
Home Furnishings Stores	\$ 589,784.58	2.7%	\$ 337,571.79	1.6%
Wireless Telecommunications Carriers (except Satellite)	\$ 583,789.37	2.7%	\$ 667,390.64	3.2%
Other Amusement and Recreation Industries	\$ 455,781.60	2.1%	\$ 71,709.96	0.3%
Clothing Stores	\$ 452,753.11	2.1%	\$ 455,614.80	2.2%
Beer, Wine, and Liquor Stores	\$ 385,176.93	1.8%	\$ 364,944.14	1.8%
Commercial and Industrial Machinery & Equipment Rental & Leasing	\$ 383,941.87	1.8%	\$ 370,736.13	1.8%
Automotive Repair and Maintenance	\$ 378,080.59	1.7%	\$ 389,799.17	1.9%
Direct Selling Establishments	\$ 366,152.19	1.7%	\$ 266,948.57	1.3%
Wired Telecommunications Carriers	\$ 363,843.30	1.7%	\$ 285,640.72	1.4%
Traveler Accommodation	\$ 357,532.10	1.6%	\$ 324,794.03	1.6%
Furniture Stores				
<b>Total Retail Sales Tax Collected YTD from Top 20 NAICS</b>	<b>\$ 14,699,636</b>		<b>\$ 13,483,368</b>	

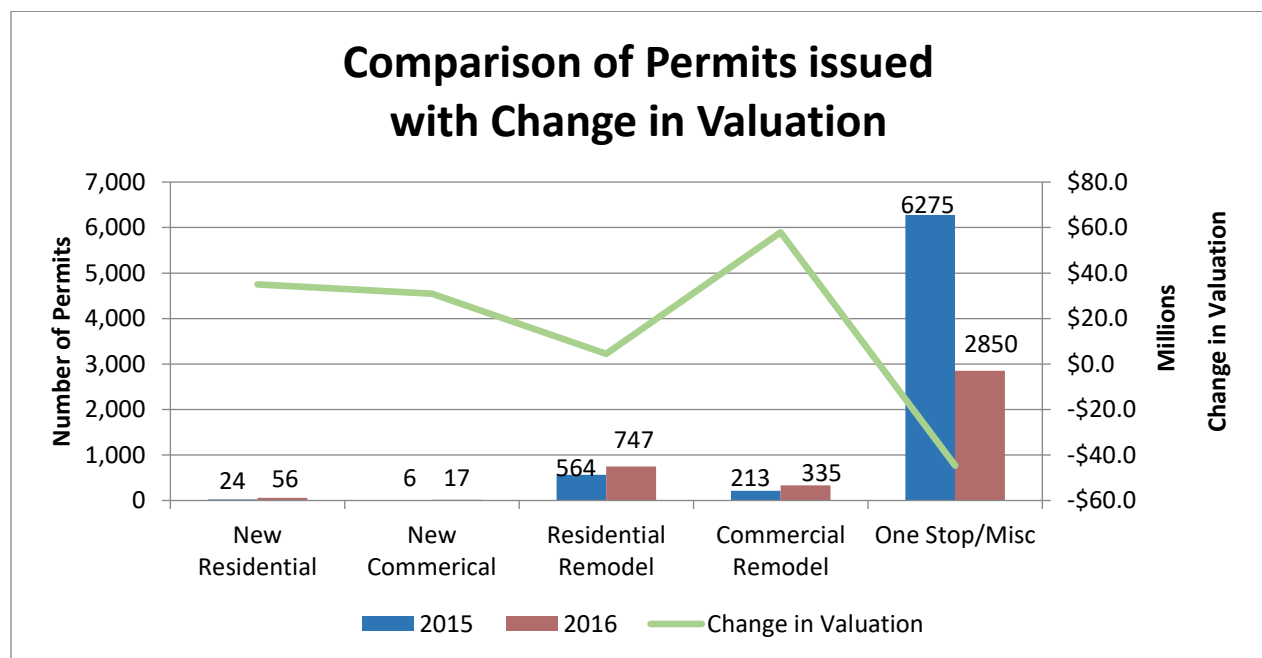
\*This table only represents the top 20 NAICS codes, or 67.8% of 2016 Sales Tax collections, and does not include audit revenue.

### Property Tax

Revenue received YTD 2016 is \$1.4 million or 17.6% more than collections YTD 2015. The increase of property tax is due to a 17.4% increase of assessed valuations of property. The timing of property tax collections during the first six months of the year can vary from year to year. Property tax payments have three due dates throughout the year. The due date for payment in full is April 30<sup>th</sup> and due dates for the two payment option are February 28<sup>th</sup> and June 15<sup>th</sup>.

### Building Materials Use Tax

Building Materials Use Tax revenue YTD 2016 is \$0.3 million or 21.7% more than collections YTD 2015. As depicted in the graph below, 2016 Residential and Commercial permits (New and Remodel) have increased by 348, and One Stop/Miscellaneous permits have decreased by 3,425 when compared to YTD 2015. The total valuation for permits YTD has increased by \$83.6 million as compared to YTD 2015 primarily due to New Residential permits for multi-family units at Inova Dry Creek and Commercial remodels. The One Stop/Miscellaneous permits decreased compared to YTD 2015 due to re-roofing permits in 2015 from a large hail storm at the end of September 2014.



### Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.1 million or 3.9% less than collections YTD 2015. This decrease in revenue is from the Franchise Fees from the natural gas provider. Natural gas prices have been low nationwide which has caused a rate reduction for consumers. Xcel projected the rate adjustment for Quarter 1, 2016 would result in a 21% reduction in natural gas bills for residential and commercial customers when compared to Quarter 1, 2015. The Quarter 2 customer bills were expected to be 9% less compared to Quarter 2, 2015.

### Court Fines

Court Fines YTD 2016 is \$0.1 million or 11.7% less than collections YTD 2015. The decrease in revenue is the result of 1,868 less court cases in the first two quarters of 2016 compared to 2015.

### Expenditures

Total expenditures and transfers YTD for 2016 are \$0.7 million or 1.8% more than expenditures YTD 2015. The net increase is primarily due to expenditures in the following departments: Public Works and Law Enforcement. Other department contributed to decreases in expenditures from the prior year.

- Public Works expenditures YTD for 2016 are \$0.5 million or 6.6% more than expenditures YTD 2015. This increase is primarily due to higher contracted costs for the City's public works services provided by CH2M.
- Law Enforcement expenditures YTD for 2016 are \$0.8 million or 6.8% more than expenditures YTD 2015. This increase is primarily due to higher expenditures for contracted service obligations.
- Other departments, including Finance, Nondepartmental and Municipal Courts contributed to decreases from 2015.

<b>GENERAL FUND – COMPARISON TO BUDGET</b>
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The City's annual budget is examined on a monthly basis. The actual receipts and expenditures are compared to the budget on a line item or departmental basis. Monthly budget allocations represent a portion of the annual budget that is assigned to each month for comparative purposes. The allocation amount may be either 1/12<sup>th</sup> of the total amount budgeted for the year, or a specific percentage for that month based on actual receipts or expenditures in prior years. The analysis below compares actual amounts to the 2016 budget amounts.

**Revenues**

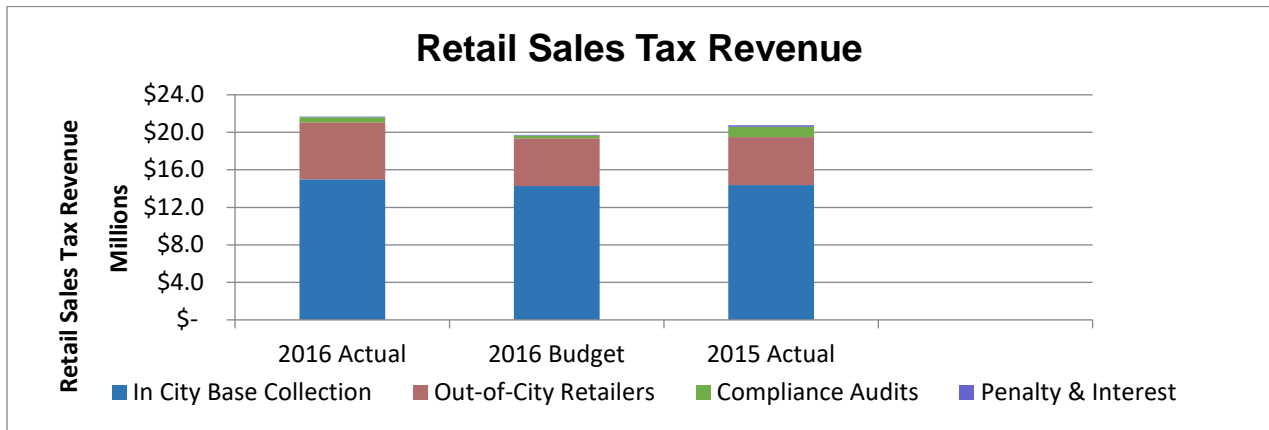
The following table is a summary comparison of primary revenue sources; the table compares actual revenue compared to budget.

	<i>(dollar amounts in millions)</i>			
	Actual	Budget YTD	\$	%
	2016	2016	Variance	Variance
Retail Sales Tax	\$ 21.7	\$ 19.7	\$ 2.0	9.9%
Property Tax	9.2	9.1	0.1	0.9%
Building Materials Use Tax	1.8	0.9	0.9	92.6%
Highway Users Tax Fund	3.0	2.8	0.2	6.5%
Franchise Fees	2.8	2.9	(0.1)	-5.5%
Specific Ownership Tax	0.4	0.4	-	19.2%
Automobile Use Tax	2.6	2.6	-	4.2%
Court Fines	1.0	1.1	(0.1)	-12.6%
Building Rent Recovery	0.3	0.3	-	-5.9%
All Other Revenue Sources	2.7	2.6	0.1	4.5%
	<u>\$ 45.5</u>	<u>\$ 42.4</u>	<u>\$ 3.1</u>	<u>7.3%</u>

Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

**Retail Sales Tax**

Retail Sales Tax revenue YTD 2016 is \$2.0 million or 9.9% favorable compared to budget. This favorable variance is primarily the result of higher than anticipated sales tax revenues from out-of-City retailers (\$1.0 million) and in-City retailers (\$0.7 million). These increases are primarily from newly licensed businesses.



Property Tax

Property Tax revenue YTD 2016 is \$0.1 million or 0.9% favorable compared to budget. The timing of Property Tax collections during the first few months of the year may vary from year to year, however the majority of property tax due is received by June each year. The City expects this variance to diminish as the year progresses.

Building Materials Use Tax

Building Materials use tax revenue YTD 2016 is \$0.9 million or more than 92.6% favorable compared to budget. The variance is primarily due to the new commercial and residential permits at Inova Dry Creek, however, the City has several other new projects that have begun this year such as Centennial Liquors and WaterWalk Hotel.

Highway Users Tax Fund

Highway Users Tax Fund revenue YTD 2016 is \$0.2 million or 6.5% favorable to budget. The Highway Users Tax Fund amount available for distribution to all municipalities was projected to slightly decrease, however, the City's distribution has remained consistent with the prior period's distribution.

Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.1 million or 5.5% unfavorable to budget. The unfavorable variance is due to lower than anticipated fees from the natural gas provider. The City did not anticipate a rate reduction by the provider caused by low natural gas prices during the budget process.

Court Fines

Court Fines revenue YTD 2016 is \$0.1 million or 12.6% unfavorable to budget. The unfavorable variance is due to lower than court cases in the Municipal Court. The City had 18% less court cases in the first two quarters 2016 compared to the three year historical quarterly average. The City did not anticipate this large of reduction in court cases during the budget process.

Expenditures

Total expenditures and transfers YTD for 2016 are \$4.3 million or 10.1% favorable compared to the Revised Budget. This favorable variance is primarily attributable to the Elected Officials, City Attorney's Office, City Manager's Office, Office of Innovation, Human Resources, Information Technology, Communications, Finance, Economic Development, Nondepartmental, and Public Works, Fleet and Facilities, Municipal Court, and Community Development Administration departments. Net transfers to other funds also contributed to the favorable variance to budget.

- Elected Officials expenditures YTD for 2016 are \$0.1 million or 21.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Benefits and Dues and Memberships. This favorable variance is expected to decrease through the remainder of the year as memberships are renewed.

- City Attorney's Office expenditures YTD for 2016 are \$0.1 million or 13.4% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to general and outside counsel legal services.
- City Manager's Office expenditures YTD for 2016 are \$0.1 million or 9.0% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Salaries and Benefits.
- Office of Innovation expenditures YTD for 2016 are \$0.6 million or 68.9% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Contracted Services related to the installation of conduit and pull boxes and expenditures under the Bloomberg Philanthropies Innovation Team Grant.
- Human Resource expenditures YTD for 2016 are \$0.1 million or 32.3% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to internship services and security services.
- Information Technology expenditures YTD for 2016 are \$0.1 million or 21.0% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated project costs related to ARG GIS and LIDAR and information technology services.
- Communication expenditures YTD for 2016 are \$0.1 million or 14.3% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to salary and benefits in addition to lower than anticipated costs for printing and publishing.
- Finance expenditures YTD for 2016 are \$0.3 million or 17.6% favorable compared to the Revised Budget. This favorable variance is due to personnel vacancy savings and lower than anticipated sales tax audit service costs.
- Economic Development expenditures YTD for 2016 are \$0.1 million or 65.7% favorable compared to the Revised Budget. This favorable variance is due primarily to lower than anticipated costs for consulting services related to development of an Economic Strategic Plan.
- Nondepartmental expenditures YTD for 2016 are \$0.9 million or 29.4% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs for litigation and Incentive Agreements. This favorable variance is expected to decrease through the remainder of the year as incentive agreements are recorded.
- Public Works expenditures YTD for 2016 are \$0.6 million or 7.2% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs year to date for the Public Works service provider, asphalt materials, and traffic signal maintenance.
- Fleet and Facilities expenditures YTD for 2016 are \$0.2 million or 33.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs year to date for capital outlay for vehicles and lower than anticipated costs for professional services and utilities for the City's office space.
- Community Development Administration expenditures YTD for 2016 are \$0.2 million or 57.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to personnel vacancy savings and lower than anticipated professional services.
- Net transfers from the Land Use Fund YTD for 2016 are \$0.7 million or more than 100.0% favorable compared to the Revised Budget. Revenues generated in the Land Use Fund are

favorable to budget due to higher than anticipated Building Permit Fees that reduce the need for General Fund support through transfers, resulting in a favorable variance to budget.

<b>LAND USE FUND</b>
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**Comparison to Prior Year**

*Revenue*

- Revenue YTD 2016 is \$0.6 million or 20.3% less than collections YTD 2015. The decrease revenue compared to YTD 2015 is from the Building Permit Fees. The City had a large amount of One Stop/Miscellaneous permits issued in 2015 due to a hail storm in late 2014. The permit fees associated with these One Stop/Miscellaneous permits accounts for the increase collection in the prior year.

*Expenses*

- Expenses YTD for 2016 are \$0.7 million less than expenses YTD 2015. This variance is primarily due to reduced permitting and inspections through July 2016. Reduced permitting and inspections for 2016 are the result of higher permits issued in 2015 a result of hail storm damage.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2016 are \$0.3 million or 19.3% favorable compared to the 2016 Adopted Budget. The favorable variance higher than anticipated Building Plan Review fees and land development applications.

*Expenses*

- Expenses during 2016 are \$0.3 million or 19.3% favorable compared to the 2016 Adopted Budget. The favorable variance is due to lower than anticipated costs associated with ongoing software supplies and for permitting and inspections.

<b>CAPITAL IMPROVEMENT FUND</b>
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**Comparison to Prior Year**

*Revenue*

- Revenue YTD for 2016 are \$4.2 million or 92.2% less than revenues YTD 2015. This decrease in revenues is attributable to funds received in 2015 from intergovernmental agreements for the Arapahoe Road – Waco to Himalaya widening project.

*Expenditures*

- Expenditures YTD for 2016 are \$5.5 million or 76.5% more than expenditures YTD 2015. This increase in expenditures is primarily attributable to building and improvement costs scheduled for 2016 and for streets and intersections including the Arapahoe Road - Waco to Himalaya widening project.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2016 are \$0.4 million or 53.9% unfavorable compared to the 2016 Adopted Budget. The unfavorable variance is from the timing of funds received for the Waco to Himalaya project.

*Expenditures*

- Expenditures YTD for 2016 are \$0.5 million or 4.3% unfavorable compared to the 2016 Adopted Budget. This unfavorable variance is primarily due to the construction related to streets and intersections and is anticipated to diminish through the remainder of the year.

<b>CONSERVATION TRUST FUND</b>
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**Comparison to Prior Year**

*Revenue*

- Revenues YTD 2016 are \$0.1 million or 24.5% higher than YTD 2015. The increase is from higher lottery proceeds received.

*Expenditures*

- Expenditures YTD for 2016 are \$0.1 million or 100% more than expenditures YTD 2015. This increase is due to Civic Center Park maintenance.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2016 are \$0.1 million or 28.2% favorable compared to the 2016 Adopted Budget. This favorable variance is due to higher than anticipated distributions from lottery proceeds

*Expenditures*

- Expenditures YTD for 2016 are \$1.8 million or 95.0% favorable compared to the 2016 Adopted Budget. This favorable variance is primarily related to less than anticipated expenditures for Trails and Park and Recreation Capital Outlay. This variance is expected to diminish through the remainder of the year.

<b>OPEN SPACE FUND</b>
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**Comparison to Prior Year**

*Revenue*

- Revenues YTD 2016 are \$0.2 million or 6.8% more than revenues YTD 2015. The increase is due County Open Space sales tax share back received in 2016 compared to 2015.

*Expenditures*

- Expenditures YTD for 2016 are \$0.4 million or 100% more than expenditures YTD 2015. This increase is due to the purchase of an easement at Sumac Hill Farm Conservation under an IGA with SSPRD.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2016 are \$0.2 million or 6.8% favorable compared to the 2016 Adopted Budget. The favorable variance is due to higher than anticipated County Open Space sales tax.

*Expenditures*

- Expenditures YTD for 2016 are \$2.0 million or 77.23% favorable compared to the 2016 Adopted Budget. The favorable variance is due to lower than anticipated expenditures costs for Open Space Trails and Park and Recreation.



<b>GENERAL IMPROVEMENT DISTRICT FUNDS</b>
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**Comparison to Prior Year**

*Revenue*

- Revenues YTD 2016 are in line with the prior year.

*Expenditures*

- Expenditures YTD for 2016 are 0.1 million or 64.5% more than expenditures YTD 2015. This increase is primarily due to costs associated with bond refunding of the Antelope GID debt.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2016 are \$0.2 million or 69.8% favorable compared to the 2016 Adopted Budget. The variance is due higher property tax collections from properties in the districts. The timing of property tax collections during the first few months of the year may vary from year to year, and the City expects this variance to diminish as the year progresses.

*Expenditures*

- Expenditures YTD for 2016 are in line with the 2016 Adopted Budget.

<b>CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND</b>
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**Comparison to Prior Year**

*Revenue*

- Revenues received YTD 2016 are \$0.5 million or 11.2% more than collections during 2015. This increase in revenues is the result of higher property tax collections from properties in the redevelopment area. The timing of property tax collections during the first few months of the year may vary from year to year, however, the majority of property tax due is received by June each year.

*Expenditures*

- Expenditures YTD for 2016 are \$0.5 million or 11.1% more than expenditures during 2015. Expenditures during 2016 are higher than 2015 as a result of higher property tax pass-thru payments from the Authority to Southglenn Metropolitan District.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2016 are \$0.5 million or 9.1% unfavorable compared to the 2016 Adopted Budget. The variance is due lower property tax collections from properties in the redevelopment area. The City expects this variance to diminish as the year progresses.

*Expenditures*

- Expenditures YTD are \$0.5 million or 9.1% favorable compared to the 2016 Adopted Budget. This favorable variance is a direct result of lower property tax pass-thru payments from the Authority to Southglenn Metropolitan District.