



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended October 31, 2015; 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.

**Summary of the October, 2015 YTD Financial Statements**

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

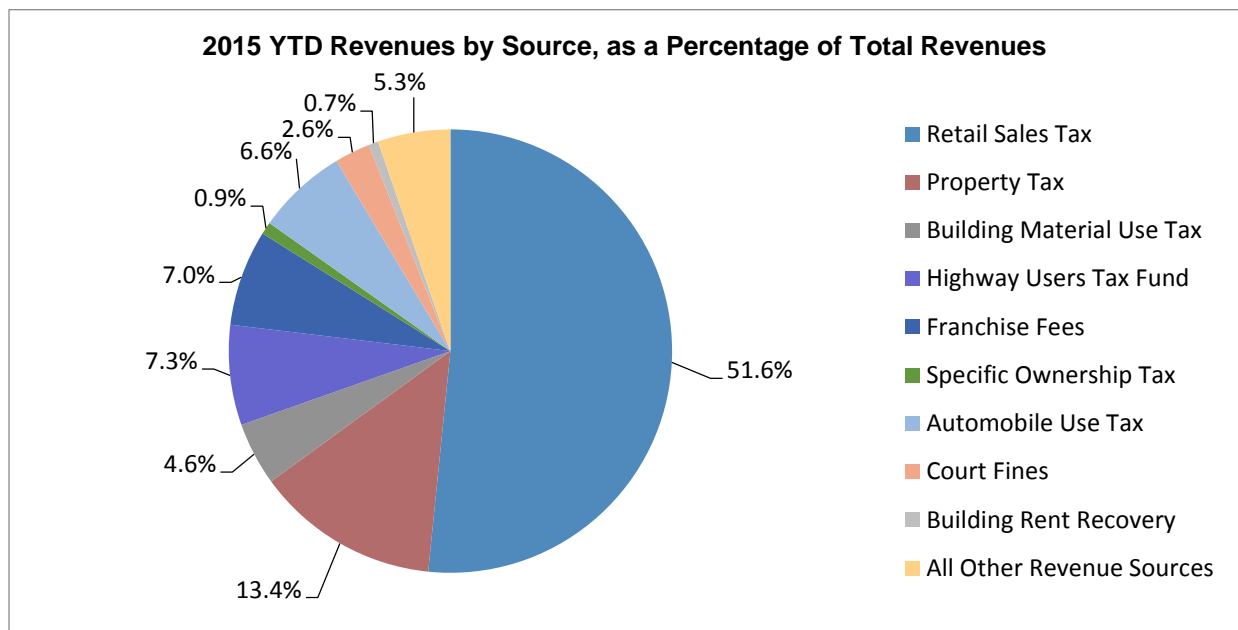
**Revenues**

The following table is a summary comparison of primary revenue sources YTD for 2015 and 2014:

*(dollar amounts in millions)*

	YTD 2015	YTD 2014	\$ Variance	% Variance
Retail Sales Tax	\$ 30.4	\$ 27.7	\$ 2.7	9.8%
Property Tax	7.9	8.1	(0.2)	-3.0%
Building Materials Use Tax	2.7	1.5	1.2	79.1%
Highway Users Tax Fund	4.3	4.2	0.1	1.8%
Franchise Fees	4.1	4.2	(0.1)	-1.6%
Specific Ownership Tax	0.5	0.5	-	5.7%
Automobile Use Tax	3.9	3.4	0.5	14.6%
Court Fines	1.5	1.7	(0.2)	-11.7%
Building Rent Recovery	0.4	0.4	-	0.6%
All Other Revenue Sources	3.3	2.8	0.5	17.9%
	<u>\$ 59.0</u>	<u>\$ 54.5</u>	<u>\$ 4.5</u>	<u>8.2%</u>

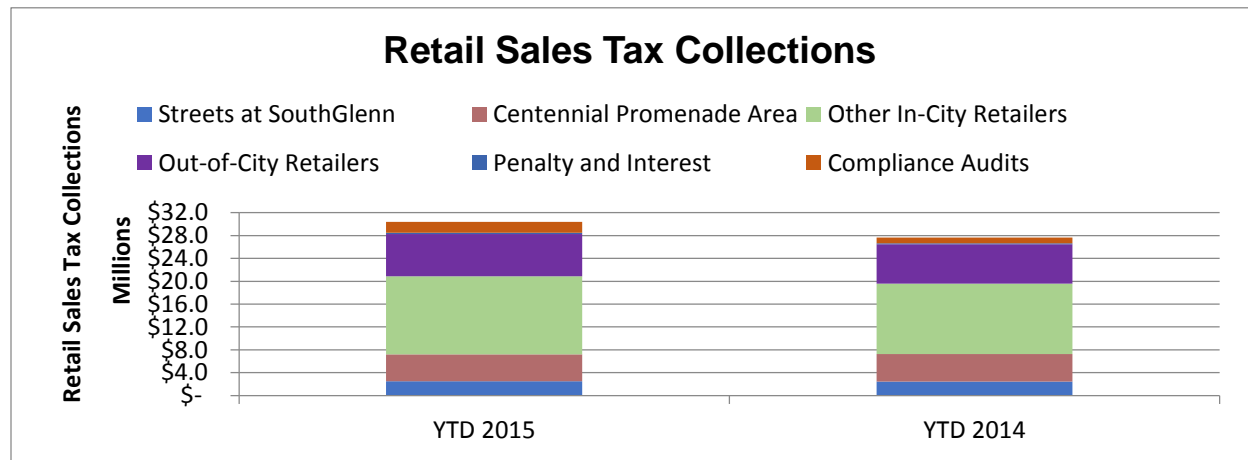
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue YTD 2015 is \$2.7 million or 9.8% more than collections YTD 2014. Sales tax revenues from in-City retailers has increased \$1.3 million over collections YTD 2014. This increase is attributable to new businesses inside of Centennial such as Viewhouse, TopGolf, and The Bridal Collection. In addition, sales tax from out-of-City retailers has increased \$0.5 million over collections YTD 2014. The City has 184 more out-of-City retailers licensed YTD than October 2014. Last, delinquent revenues and compliance audits contributed an additional \$0.9 million in sales tax revenues over the prior year.

The illustration below depicts the change in the City's YTD 2015 Sales Tax Revenue as it compares to YTD 2014.



The table below represents sales tax collected 2015 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2014.

**2015 YTD & 2014 YTD –Current Top 20 Sales Tax Receipts by 4-digit NAICS Code**

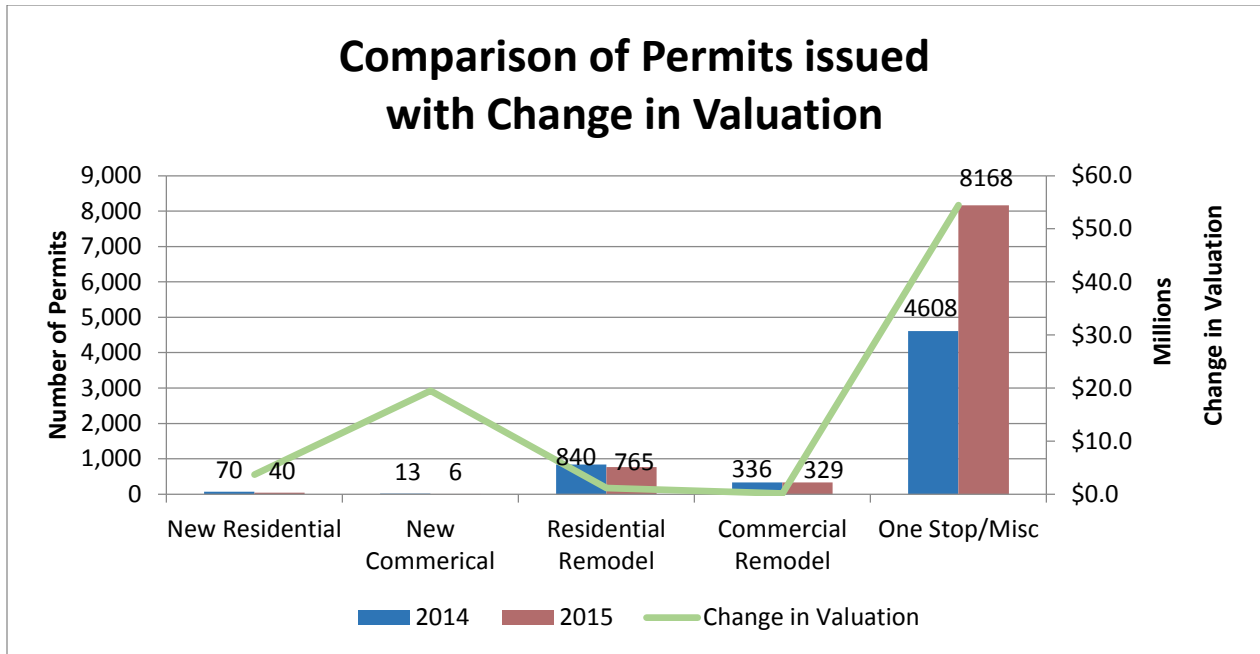
	2015	% of 2015	2014	% of 2014
Furniture Stores	\$ 3,235,236.11	10.6%	\$ 3,399,877.47	12.1%
Full-Service Restaurants	\$ 2,349,643.37	7.7%	\$ 1,991,447.48	7.1%
Limited-Service Eating Places	\$ 1,600,065.67	5.3%	\$ 1,476,612.68	5.3%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 1,517,995.82	5.0%	\$ 1,487,733.01	5.3%
Automobile Dealers	\$ 1,447,272.98	4.8%	\$ 1,379,603.87	4.9%
Electric Power Generation, Transmission and Distribution	\$ 1,099,622.65	3.6%	\$ 1,132,808.22	4.0%
Grocery Stores	\$ 1,032,243.01	3.4%	\$ 1,059,661.90	3.8%
Wireless Telecommunications Carriers (except Satellite)	\$ 956,948.15	3.1%	\$ 1,013,054.82	3.6%
Electronics and Appliance Stores	\$ 927,075.03	3.1%	\$ 1,126,106.17	4.0%
Other General Merchandise Stores	\$ 754,634.26	2.5%	\$ 727,590.81	2.6%
Clothing Stores	\$ 664,871.81	2.2%	\$ 566,351.33	2.0%
Automotive Repair and Maintenance	\$ 542,539.85	1.8%	\$ 459,947.04	1.6%
Department Stores	\$ 534,418.93	1.8%	\$ 551,343.36	2.0%
Beer, Wine, and Liquor Stores	\$ 526,526.62	1.7%	\$ 478,916.89	1.7%
Commercial and Industrial Machinery & Equipment Rental & Leasing	\$ 522,620.75	1.7%	\$ 479,680.33	1.7%
Home Furnishings Stores	\$ 496,467.08	1.6%	\$ 432,979.25	1.5%
Traveler Accommodation	\$ 490,540.21	1.6%	\$ 442,706.96	1.6%
Data Processing, Hosting, and Related Services	\$ 483,486.57	1.6%	\$ 3,021.37	0.0%
Automotive Parts, Accessories, and Tire Stores	\$ 476,732.38	1.6%	\$ 436,258.04	1.6%
Other Miscellaneous Store Retailers	\$ 474,133.18	1.6%	\$ 376,524.31	1.3%
<b>Total Retail Sales Tax Collected YTD from Top 20 NAICS codes</b>	<b>\$ 20,133,074</b>		<b>\$ 19,022,225</b>	

*\*This table only represents the top 20 NAICS codes, or 66.2% of 2015 YTD Sales Tax collections, and does not include audit revenue.*  
Property Tax

Revenue received YTD 2015 is \$0.2 million or 3.0% less than collections YTD 2014. The decrease in property tax collection is due to a 2.4% decrease in assessed valuation of property. 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>. The majority of property tax revenue has been collected for the year.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2015 is \$1.2 million or 79.1% more than collections YTD 2014. As depicted in the graph below, YTD 2015 Residential and Commercial permits (New and Remodel) have decreased by 119, and One Stop/Miscellaneous permits have increased by 3,560 when compared to YTD 2014. The total valuation for permits YTD has increased by \$79.0 million as compared to YTD 2014. The majority of the increase in valuation is from One Stop/Miscellaneous permits, and specifically is due to re-roofing permits. The increase in these permits is due to a large hail storm at the end of September 2014.



Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2015 is \$0.1 million or 1.8% more than collections YTD 2014. The percentage share of HUTF revenue is recalculated annually in July and is based on the City's: 1) previous year's vehicle registration figure as certified by the Department of Revenue to the State Treasurer and 2) previous year's miles of open, used and maintained streets as certified to the Treasurer by CDOT. There is an increase in collections YTD due to the recalculated percentages in July 2014 for the HUTF distributions received from January through July 2015.

Franchise Fees

Franchise Fees revenue YTD 2015 is \$0.1 million or 1.6% less than collections YTD 2014. The decrease in collections year over year is due to the drop in natural gas prices. The cost of fuel is passed on to customers each quarter. According to the utility provider, the drop in natural gas prices in the early months of 2015 has led to a reduction for the average consumer's bill.

Automobile Use Tax

Automobile Use Tax revenue YTD 2015 is \$0.5 million or 14.6% more than collections YTD 2014. This increase in revenue collections year over year is due to steady sales and registrations of new vehicles. The auto industry has seen growing consumer demand for new vehicles in 2015 due to a better economy, slightly lower gas prices, available credit and new products.

### Court Fines

Court Fines revenue YTD 2015 is \$0.2 million or 11.7% less than collections YTD 2014. This decrease in revenue is due to fewer court cases in 2015 compared to 2014. The Municipal Court has had 10.3% fewer court cases YTD compared to the same period in 2014. In addition, the Municipal Court was closed for a couple weeks in September 2015 while new software was implemented.

### All Other Revenue Sources

All other revenue sources YTD 2015 is \$0.5 million or 17.9% more than collections YTD 2014. This increase in revenue collections year over year is due to the Bloomberg Philanthropies Innovation Team Grant for which the City received \$0.5 million in 2015.

### Expenditures

Total expenditures and transfers YTD 2015 are \$9.8 million or 20.5% more than expenditures YTD 2014. The net increase is primarily due to expenditures in the following departments: Finance, Public Works, Law Enforcement, Municipal Court, and transfers to the Capital Improvement Fund. Other departments contributed incrementally to the increase in expenditures.

- Finance Department expenditures YTD 2015 are \$0.3 million or 15.3% more than expenditures YTD 2014. This increase is primarily due to higher expenditures for auditing services related to the City's sales tax program and expenditures for temporary personnel.
- Public Works expenditures YTD 2015 are \$0.8 million or 8.7% more than expenditures YTD 2014. This increase is primarily due to higher contracted costs for the City's public works services provided by CH2M upon contract renewal and additional scope of work for the City's Intelligent Transportation System (ITS), and higher current year to date costs for snow removal.
- Law Enforcement expenditures YTD 2015 are \$1.1 million or 7.0% more than expenditures YTD 2014. This increase is primarily due to higher expenditures for contracted service obligations. Increased costs in this area are due to an additional seven (7) FTE's, including three (3) School Resource Officers, two (2) Investigators and two (2) Deputy Sheriff/K-9 Handlers.
- Municipal Court expenditures YTD 2015 are \$0.3 million or 14.4% more than expenditures YTD 2014. This increase is primarily due to higher expenditures for the purchase and implementation of new court software (Tyler Technology) and increased costs for traffic officer services.
- Transfers to the Capital Improvement Fund YTD 2015 are \$7.2 million or over 76.2% more than expenditures YTD 2014. This increase is primarily due to transfers for street and intersection construction and includes the Arapahoe Road – Waco to Himalaya and the Arapahoe Road – Dry Creek and Smokey hill construction.

<b>GENERAL FUND – COMPARISON TO BUDGET</b>
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The City's annual budget is examined on a monthly basis. The year to date 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 year to date actual amounts to year to date budget amounts (2015 Revised Budget) as presented in the accompanying financial statements.

**Revenues**

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

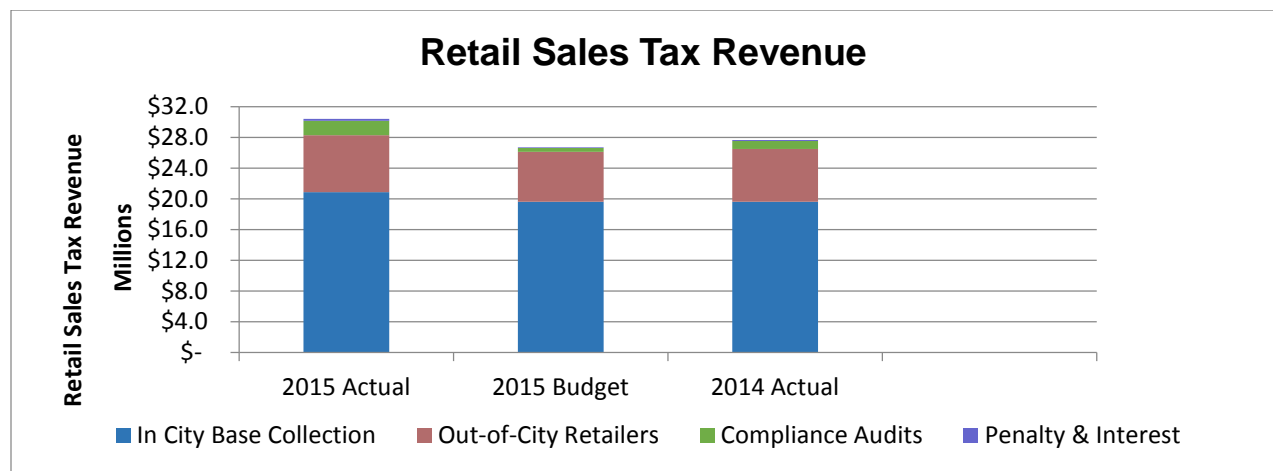
**(dollar amounts in millions)**

	Actual YTD 2015	Budget YTD 2015	\$ Variance	% Variance
Retail Sales Tax	\$ 30.4	\$ 26.7	\$ 3.7	13.8%
Property Tax	7.9	8.0	(0.1)	-2.1%
Building Materials Use Tax	2.7	1.0	1.7	164.3%
Highway Users Tax Fund	4.3	4.3	-	1.0%
Franchise Fees	4.1	4.2	(0.1)	-1.6%
Specific Ownership Tax	0.5	0.5	-	11.7%
Automobile Use Tax	3.9	3.1	0.8	25.6%
Court Fines	1.5	1.7	(0.2)	-11.0%
Building Rent Recovery	0.4	0.4	-	0.9%
All Other Revenue Sources	3.3	2.9	0.4	11.3%
	<u>\$ 59.0</u>	<u>\$ 52.8</u>	<u>\$ 6.2</u>	<u>11.7%</u>

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

**Retail Sales Tax**

Retail Sales Tax revenue YTD 2015 is \$3.7 million or 13.8% favorable compared to budget. This favorable variance is the result of higher than anticipated sales tax revenues from out-of-City retailers (\$0.9 million) and in-City retailers (\$1.3 million). These increases are primarily from newly licensed businesses, however a slight increase in sales from existing businesses also contributes to the variance. Also contributing to the favorable variance is compliance audit revenue and penalties and interest from late sales tax returns (\$1.5 million). The City believes retail sales will continue to be strong through the remainder of the year. As a result, this variance will remain until sales tax revenue projections are adjusted in the 2015 Revised Budget.



**Property Tax**

Property Tax revenue YTD 2015 is \$0.1 million or 2.1% unfavorable 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 has been received for 2015.

**Building Materials Use Tax**

Building Materials use tax revenue YTD 2015 is \$1.7 million or more than 100.0% favorable compared to budget. The City had a large increase in re-roofing permits in 2015 due to a hail storm during the fall of 2014. The increase in permits and the subsequent use tax was not anticipated during the budget process and will continue until the 2015 budget projection is revised.

### Automobile Use Tax

Automobile Use Tax revenue YTD 2015 is \$0.8 million or 25.6% favorable compared to budget. This variance is due to higher than anticipated automobile sales. Many analysts in the auto industry believe auto sales will remain strong throughout 2015 and this variance, as a result, will continue until the revenue is adjusted in the 2015 Revised Budget.

### Court Fines

Court Fines revenue YTD 2015 is \$0.2 million or 11.0% unfavorable compared to budget. The total number of court cases that have occurred year to date is slightly lower than the historic average. In addition, the Court was closed for a short period in September 2015 as new system software was implemented. The decrease in court cases and the related fines were not anticipated during the budget process therefore projections will be reviewed in the 2015 Revised Budget.

### Expenditures

Total expenditures and transfers YTD 2015 are \$5.1 million or 8.1% favorable compared to budget. This favorable variance is attributable to the Office of Innovation, Human Resources, Information Technology, Communications, Finance, Economic Development, Nondepartmental, Public Works, Facilities and Fleet, Law Enforcement, Municipal Court, and Community Development Administration departments; other departments contributed incrementally. Favorable net transfers to other funds also contributed to the favorable variance to budget.

- Office of Innovation expenditures YTD 2015 are \$0.8 million or 79.5% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs year to date for services to assist the City with collecting necessary network data. In addition, the City is working on a project to standardize the City's record keeping and asset tracking practices for fiber optic facilities, with a goal of incorporating the data gathered into a business plan.
- Human Resources expenditures YTD 2015 are \$0.1 million or 27.9% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for security services and internship services.
- Information Technology expenditures YTD 2015 are \$0.3 million or 26.2% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for information technology outsourcing services, including GIS services, and year to date costs for a comprehensive information technology assessment.
- Communications expenditures YTD 2015 are \$0.1 million or 15.0% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for printing and publishing of the City's newsletter, in addition to personnel vacancy savings.
- Finance expenditures YTD 2015 are \$0.4 million or 15.7% favorable compared to budget. This favorable variance is due to personnel vacancy savings, sales tax audit services and costs associated with property/casualty premiums and deductibles. This variance is expected to diminish through the remainder of the year.
- Economic Development expenditures YTD 2015 are \$0.2 million or 78.8% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs YTD for contracted services to assist in the development of an Economic Development strategic plan as well as other projects related to annexations and the recruitment and retention of businesses in the City.
- Nondepartmental expenditures YTD 2015 are \$0.7 million or 15.5% favorable compared to budget. This favorable variance is primarily due to expenditures related to incentive agreements the City has entered into in an effort to promote economic development and redevelopment in the City. In summary, under various projects, the City has agreed to either forego a portion of its sales and/or property tax to reimburse property owners for construction and maintenance of public improvements. Additionally, the favorable variance is due to lower than anticipated costs

associated with the Bloomberg Philanthropies grant that addresses mobility challenges throughout the City. This variance is expected to diminish through the remainder of the year.

- Public Works expenditures YTD 2015 are \$0.8 million or 7.3% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs year to date for public works services provided by CH2M and lower than anticipated costs for materials and traffic signal maintenance. This variance is expected to diminish through the remainder of the year.
- Facilities and Fleet expenditures YTD 2015 are \$0.2 million or 18.3% favorable compared to budget. This favorable variance is primarily due to planned expenditures for the Civic Center building improvements that have not occurred YTD. This variance is expected to diminish through the remainder of the year.
- Law Enforcement expenditures YTD for 2015 are \$0.3 million or 2.0% favorable compared to budget. This favorable variance is primarily the result of actual costs related to Law Enforcement services being less than anticipated in the 2015 Adopted Budget. This variance will be addressed in the 2015 Revised Budget.
- Municipal Court expenditures YTD for 2015 are \$0.1 million or 4.2% favorable compared to budget. This favorable variance is primarily the result of vacancy savings and lower than anticipated costs for prosecution services.
- Community Development Administration expenditures YTD for 2015 are \$0.1 million or 19.3% favorable compared to budget. This favorable variance is primarily the result of lower than anticipated costs for professional services to evaluate and recommend potential park improvements for areas including Dove Valley Park and Kings Point.
- Net transfers from the Land Use Fund YTD are \$0.6 million or more than 100.0% favorable compared to budget. Revenues generated YTD in the Land Use Fund are favorable to budget due to an increase in the City's One Stop/ Miscellaneous building permits. Consequently, this favorable revenue reduces 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 2015 is \$1.5 million or 52.7% more than revenue collected during the same period in 2014. This increase in revenue is due to Building Permit and Plan Review Fees which are calculated based on the valuation of a project. The City's One Stop/Miscellaneous building permits have increased YTD 2015 by 3,560 permits. Consequently, total valuation of all permits YTD are \$79.0 million more than YTD 2014 and has resulted in an increase in revenue collection.

*Expenses*

- Expenses YTD 2015 are \$1.0 million, or 40.9% more than expenses YTD 2014. Expenses related to Building Permits and Plan Revenue are the primary driver of this increase. As Building Permit and Plan Review fees (revenue) increase, the cost of the services provided by Safebuilt directly increase.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are \$1.5 million or 53.5% favorable compared to budget. This favorable variance is due to higher than anticipated Building Permit and Plan Review Fees as a result of an increase in building permits issued. The increase in activity is from the One Stop/Miscellaneous permits, specifically re-roofing permits in the City as the result of a large hail storm in September 2014.

*Expenses*

- Expenses YTD 2015 are \$0.8 million or 33.7% unfavorable compared to budget. This variance is due primarily to an increase in Building Permit and Plan Review activity. As building permit fees (revenue) increase, the cost of the services provided by Safebuilt directly increase.

**CAPITAL IMPROVEMENT FUND**

**Comparison to Prior Year**

*Revenue*

- Revenues YTD 2015 are \$6.1 million or over 100.0% more than collections YTD 2014. This increase is due to funds received from intergovernmental agreements for the Arapahoe Road - Waco to Himalaya widening project during 2015.

*Expenditures*

- Expenditures YTD 2015 are \$2.7 million or 28.6% more than expenditures YTD 2014. This increase in expenditures is primarily due to new construction for streets and intersections including the Arapahoe Road - Waco to Himalaya widening project and services for construction management.

**Comparison to Budget**

*Revenue*

- Revenues received YTD 2015 are \$0.4 million or 6.6% favorable compared to budget. This favorable variance is due to the timing of funds received from intergovernmental agreements for the Arapahoe Road - Waco to Himalaya widening project. This variance is expected to diminish as the year progresses.

*Expenditures*

- Expenditures YTD 2015 are \$8.4 million or 40.5% favorable compared to budget. This favorable variance is primarily due to the Arapahoe Road - Waco to Himalaya widening project and street rehabilitation. This favorable variance is expected to diminish as the year progresses.

**CONSERVATION TRUST FUND**

**Comparison to Prior Year**

*Revenue*

- Revenues YTD 2015 are \$0.1 million or 30.6% less than collections YTD 2014. The September 2015 distribution was delayed due to the State implementing a new accounting system; the September distribution was received in November and will be recognized in the November 2015 financial statements.



*Expenditures*

- Expenditures YTD 2015 are \$0.6 million or 82.7% less than expenditures YTD 2014. This decrease in expenditures is primarily due to prior year capital outlay for the Centennial Center Park and expenditures for the Potomac site improvements.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 is \$0.1 million or 33.7% unfavorable compared to budget. The receipt of revenues was delayed due to a new state accounting software. The timing of the distribution of funds are not statutorily mandated, however a portion of revenues are generally released in September of each year. This variance is expected to diminish in November 2015, when the revenue from the State is received.

*Expenditures*

- Expenditures YTD 2015 are \$1.2 million or 90.5% favorable compared to budget. This favorable variance is primarily due to lower than anticipated YTD expenditures for the Waco-Himalaya Trail, multi-use trails, and Arapahoe Park and Recreation District projects for Trail Recreation Center improvements. This variance is expected to diminish as the year progresses.

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

*Revenue*

- Revenues YTD 2015 are \$0.1 million or 5.6% more than collection YTD 2014. The increase revenue is attributable to higher County Open Space sales tax received.

*Expenditures*

- Expenditures YTD 2015 are \$0.8 million less or 48.4% lower than expenditures YTD 2014. This is due primarily to prior year expenditures for improvements at Centennial Center Park for the amphitheater.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are \$0.2 million, or 10.7% favorable compared to budget. This favorable variance is due to higher County Open Space sales tax collections not anticipated during the budget process.

*Expenditures*

- Expenditures YTD 2015 are \$2.0 million or 70.1% favorable compared to budget. This favorable variance is due to lower than anticipated YTD expenditures for parks and recreation projects including Lone Tree Creek Trail, City-wide Neighborhood Park improvements and Centennial Center Park. This variance is expected to diminish as trail work continues through the year.

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

*Revenue*

- Revenues received YTD 2015 are in line with the prior year.

*Expenditures*

- Expenditures for YTD 2015 are in line with YTD 2014 expenditures.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are in line with the 2015 Revised Budget.

*Expenditures*

- Expenditures YTD 2015 are \$0.2 million or 52.7% favorable compared to budget. This favorable variance is primarily due to lower than anticipated YTD expenditures for general contracted services that include grounds upkeep and landscaping.

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

*Revenue*

- Revenues received YTD 2015 are \$0.8 million or 12.5% less than collections YTD 2014. This decrease in revenues is the result of lower property tax collections in the redevelopment area. A small portion of the properties located in the redevelopment area filed a petition for abatement of property taxes which was approved by the County.

*Expenditures*

- Expenditures YTD 2015 are \$0.8 million or 13.0% less than expenditures YTD 2014. Expenditures during 2015 are lower than 2014 as a result of lower property tax pass-thru payments from the Authority to Southglenn Metropolitan District.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are \$0.9 million or 14.1% unfavorable compared to budget. This unfavorable variance is due certain properties petitioning for abatement which was approved by the County. The abatements of property tax were not anticipated during the budget process.

*Expenditures*

- Expenditures YTD 2015 are \$0.9 million or 14.0% favorable compared to budget. This favorable variance is the result of lower property tax pass-thru payments from the Authority to the Southglenn Metropolitan District.