

The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period April, 2011; 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 2011 Annual Budget for an explanation of 2011 budget variances compared to the 2010 Adopted Budget.

### Summary of the April, 2011 YTD Financial Statements

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

##### Revenues

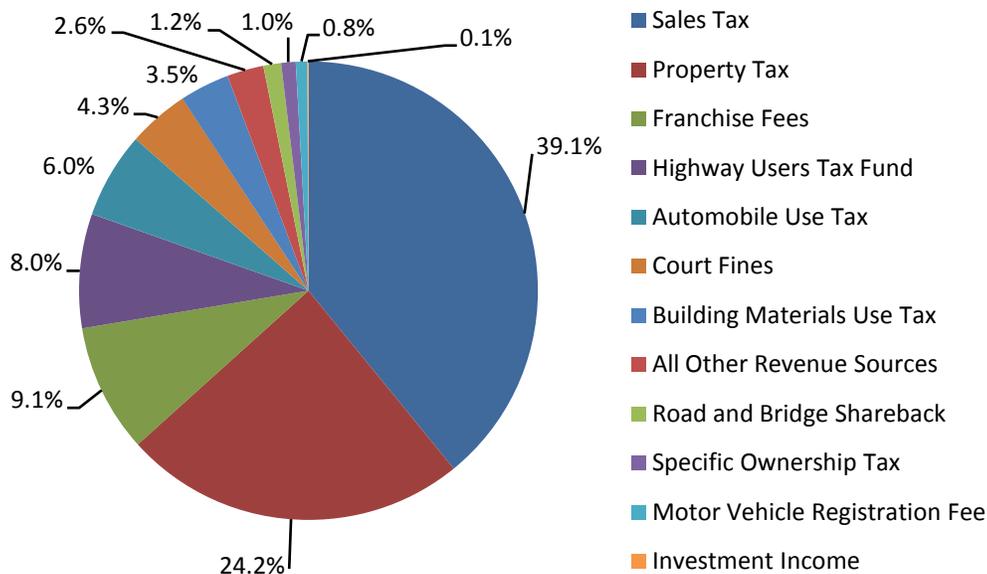
The following table is a summary comparison of the primary revenue sources YTD for 2010 and 2011:

*(dollar amounts in millions)*

	YTD 2011	YTD 2010	\$ Variance	% Variance
Retail Sales Tax	\$ 6.7	\$ 5.9	\$ 0.8	13.6%
Property Tax	4.2	4.2	-	-0.7%
Building Materials Use Tax	0.6	0.3	0.3	122.8%
Highway Users Tax Fund	1.4	1.4	-	-0.3%
Franchise Fees	1.6	1.6	-	-4.1%
Specific Ownership Tax	0.2	0.2	-	-4.7%
Motor Vehicle Registration Fees	0.1	0.1	-	-6.2%
Automobile Use Tax	1.0	0.9	0.1	14.2%
Road and Bridge Shareback	0.2	0.2	-	1.0%
Court Fines	0.7	0.8	(0.1)	-8.1%
Investment Income	-	-	-	-17.5%
All Other Revenue Sources	0.5	0.5	-	-1.9%
	<u>\$ 17.2</u>	<u>\$ 16.1</u>	<u>\$ 1.1</u>	<u>6.6%</u>

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

#### 2011 YTD Revenues by Source, as a Percentage of Total Revenues



### Retail Sales Tax

Retail Sales Tax revenue YTD 2011 is \$0.8 million, or 13.6% more than collections YTD 2010. The increase in collections continues to be due to several factors including licensing of a larger number of retailers physically located inside and outside of the City. The Streets at SouthGlenn center sales tax collections is approximately \$212,264, or 38.8% higher than YTD 2010. Sales tax collected from the top 41 filers in the City is approximately \$0.2 million, or 7.4% higher than for the same period in 2010, and 21.8% over YTD 2009. Delinquent sales tax collection YTD 2011 is \$0.2 million, or more than 100.0% over collections YTD 2010, and continues to contribute to the sales tax increase year to date compared to the prior year.

The City's retail sales tax licensing program continues to identify businesses that should be licensed. Ninety-eight percent of businesses located in the City are licensed, collecting and remitting sales tax. The efforts to maintain this high level of licensure for retailers located inside of the City is a priority as is the identification of retailers located outside of the City that should be licensed, collecting and remitting sales tax. Sales tax auditing efforts also increase overall compliance with the City's ordinance; to date, the City has collected audit revenue totaling \$204,000. On-line filing of tax returns and remittance of amounts due has increased from 15.3% in April, 2010 to 23.0% for April, 2011.

The table below represents sales tax collected YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2010.

#### 2011 & 2010 YTD through April 2011 - Top 25 Sales by 4-digit NAICS Code

NAICS Description	2011 YTD	% of Total	2010 YTD	% Change
1 Full-Service Restaurants	541,598	10.4%	460,139	17.7%
2 Wireless Telecommunications Carriers (except Satellite)	425,682	8.2%	455,848	-6.6%
3 Automobile Dealers	420,590	8.1%	391,001	7.6%
4 Limited-Service Eating Places	380,440	7.3%	354,186	7.4%
5 Electric Power Generation, Transmission and Distribution	372,234	7.2%	378,295	-1.6%
6 Grocery Stores	353,854	6.8%	340,817	3.8%
7 Electronics and Appliance Stores	256,963	4.9%	167,878	53.1%
8 Sporting Goods, Hobby, and Musical Instrument Stores	255,387	4.9%	185,470	37.7%
9 Other General Merchandise Stores	253,898	4.9%	256,956	-1.2%
10 Department Stores	190,987	3.7%	169,492	12.7%
11 Wired Telecommunications Carriers	183,009	3.5%	175,322	4.4%
12 Automotive Parts, Accessories, and Tire Stores	173,306	3.3%	128,463	34.9%
13 Furniture Stores	171,879	3.3%	134,880	27.4%
14 Beer, Wine, and Liquor Stores	159,106	3.1%	138,202	15.1%
15 Commercial and Industrial Machinery and Equipment Rental and Leasing	152,229	2.9%	165,478	-8.0%
16 Automotive Repair and Maintenance	123,273	2.4%	127,429	-3.3%
17 Health and Personal Care Stores	114,704	2.2%	111,767	2.6%
18 Traveler Accommodation	103,534	2.0%	96,154	7.7%
19 Home Furnishings Stores	91,539	1.8%	61,628	48.5%
20 Electrical and Electronic Goods Merchant Wholesalers	88,123	1.7%	111,303	-20.8%
21 Other Miscellaneous Store Retailers	87,517	1.7%	80,569	8.6%
22 Direct Selling Establishments	79,758	1.5%	56,702	40.7%
23 Clothing Stores	76,538	1.5%	61,876	23.7%
24 Building Material and Supplies Dealers	69,062	1.3%	70,533	-2.1%
25 Computer Systems Design and Related Services	68,442	1.3%	94,230	-27.4%
Total	<b>\$ 5,193,650</b>		<b>\$4,774,617</b>	

\*Total does not agree to sales tax revenue reported on the accompanying financial statements as this table only represents the top 25 NAICS codes and does not include audit revenue.

Property Tax

Property Tax revenue YTD 2011 is consistent with the collections YTD 2010. The timing of collections during the first few months of the year may vary from year to year, however the majority of the property tax due is received by June each year. Property tax payments have three due dates throughout the year. The due date for a 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>. Overall, collections for 2011 are expected to be slightly higher than amounts collected during 2010 due to an increase in assessed property valuation of approximately 0.6%. Assessed property valuations are provided by Arapahoe County and reported in the 2011 Adopted Budget.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2011 is \$0.3 million, or 122.8% more than collections YTD 2010. This increase is due to the issuance of a building permit for a new commercial project in February, 2011, audit revenue of \$89,000 received year to date, and the issuance of permits for several large commercial remodels.

The number of building permits issued YTD 2011 is 23.3% lower than the same period in 2010, however the total valuation of projects is 83.6% higher than during 2010. An examination of the types of permits issued indicates that there has been an increase in the number of permits except for smaller projects and new residential projects.

Automobile Use Tax

Automobile Use Tax revenue is \$0.1 million, or 14.2% more than collections YTD 2010. An increase in automobile sales YTD compared to the prior year continues to occur locally and at the state and national levels. According to the Colorado Automobile Dealers Association’s newsletter, car sales and markets are rebounding in spite of challenged consumer confidence, skyrocketing gasoline prices and global catastrophes. However, the affects of the earthquake and tsunami in Japan on this industry remains to be seen. The Automobile Use Tax collections for vehicles sold in March were received by the City in April, 2011.

Court Fines

Court Fines revenue is less than \$0.1 million, or 8.1% less than collections YTD 2010. The various court fees and fines revenues vacillate throughout the year depending on the tickets written by the various enforcement agencies. Court Fines, however, are those fines within this category that are imposed by the City court as part of the judgments rendered and account for the majority of the variance.

Investment Income

Investment Income YTD 2011 is less than \$0.1 million, or 17.5% less than collections for the same period in 2010. This decrease is directly attributable to the significant decline in earnings rates between 2010 and 2011 as the City’s cash balances have increased from \$25.4 million as of April 30, 2010, to \$30.3 million as of April 30, 2011.

	<u>Annual Yield – 2010</u>	<u>Annual Yield – 2011</u>	<u>Difference</u>
Colostrust	0.21%	0.15%	(0.06%)
Wells Fargo	0.10%	0.05%	(0.05%)

All Other Revenue Sources

All Other Revenue Sources YTD 2011 is less than \$0.1 million, or 1.9% less than collections YTD 2010. This category includes all of the other sources which individually may be slightly more or less than YTD 2010.

Expenditures

Total expenditures and transfers YTD are \$1.1 million, or 7.9% more than expenditures YTD in 2010. The net increase is attributable to variances in the City Manager’s Office, Communications, Finance, Nondepartmental, Human Resources and Risk Management Services, Public Works, and Code Compliance departments, as well as transfers to the Capital Improvement Fund.

- City Manager’s Office expenditures are less than \$0.1 million more than expenditures YTD in 2010. This increase is a result of higher personnel costs due to a net increase of 1.5 full-time

equivalent (FTE) positions reported in the City Manager's Office for 2011 (2.0 FTE were reported in the Communications Department during 2010, and are reported in the City Manager's Office in 2011; 1.5 FTE were reported in the City Manager's Office during 2010, and are reported in the Public Works Department in 2011).

- Communications expenditures are \$0.1 million less than expenditures YTD in 2010. This decrease is primarily due to the reclassification of 2.0 FTE from the Communications Department to the City Manager's Office during 2011.
- Finance expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is directly related to personnel vacancy savings realized in 2010.
- Nondepartmental expenditures are \$0.4 million more than expenditures YTD in 2010. This increase is directly attributable to the purchase of the USPS land during March, 2011.
- Human Resource and Risk Management Services expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is directly related to personnel vacancy savings realized in 2010.
- Public Works expenditures are \$0.3 million more than expenditures YTD in 2010. This increase is partly due to higher personnel costs as a result of the reclassification of 1.5 full-time equivalent (FTE) positions from the City Manager's Office, as well as a 5% increase in the Public Works service provider contract for 2011.
- Code Compliance expenditures are \$0.1 million less than expenditures YTD in 2010. This decrease is primarily due to the timing of payment for contracted services. This variance is expected to diminish by year end.
- Capital Improvement Fund transfers are \$0.3 million more than transfers YTD in 2010. This increase is due to higher expenditures in the Capital Improvement Fund for new street construction, street rehabilitation program and the Vista Verde neighborhood improvements.

**GENERAL FUND – COMPARISON TO BUDGET**

The City's annual budget is examined on a monthly basis and 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 the year to date 2011 budget amounts.

**Revenues**

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

*(dollar amounts in millions)*

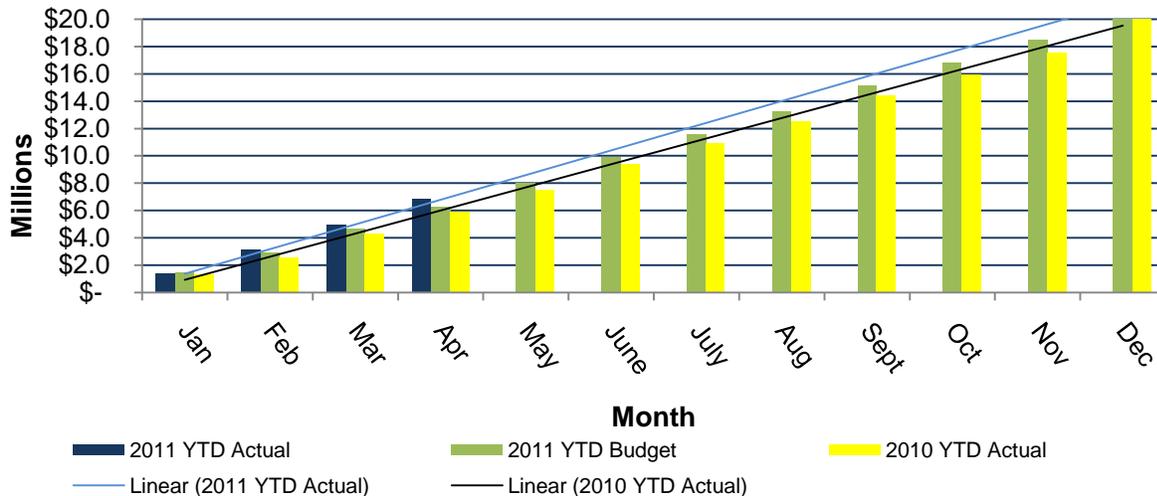
	Actual YTD 2011	Budget YTD 2011	\$ Variance	% Variance
Retail Sales Tax	\$ 6.7	\$ 6.0	\$ 0.7	11.6%
Property Tax	4.2	4.3	(0.1)	-3.6%
Building Materials Use Tax	0.6	0.3	0.3	73.7%
Highway Users Tax Fund	1.4	1.3	0.1	5.5%
Franchise Fees	1.6	1.5	0.1	0.7%
Specific Ownership Tax	0.2	0.2	-	-10.2%
Motor Vehicle Registration Fees	0.1	0.1	-	9.6%
Automobile Use Tax	1.0	0.9	0.1	13.3%
Road and Bridge Shareback	0.2	0.2	-	0.0%
Court Fines	0.7	0.8	(0.1)	-2.7%
Investment Income	-	-	-	-47.2%
All Other Revenue Sources	0.5	0.5	-	31.9%
	<u>\$ 17.2</u>	<u>\$ 16.1</u>	<u>\$ 1.1</u>	<u>6.7%</u>

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

**Retail Sales Tax**

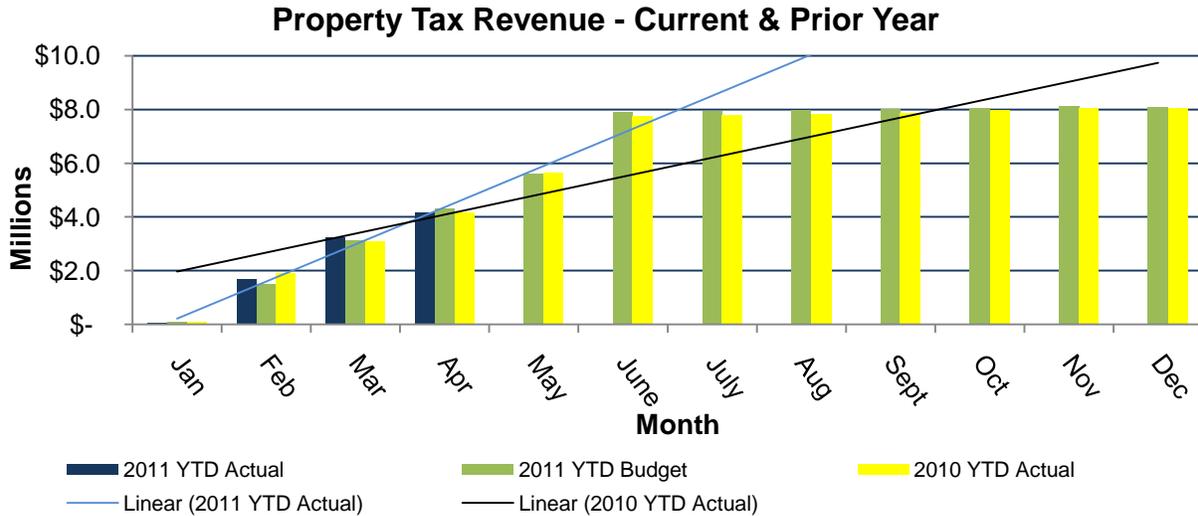
Retail Sales Tax revenue YTD is \$0.7 million, or 11.6% favorable compared to budget. This favorable variance is the result of one-time sales tax audit receipts (\$204,000) that are conservatively projected in the budget, the collection of delinquent sales tax, and collections from businesses located outside of the City that were not previously licensed, collecting and remitting sales tax. The monthly budget allocations for sales tax are based on receipts for the same period in prior years.

**Sales Tax Revenue - Current & Prior Year**



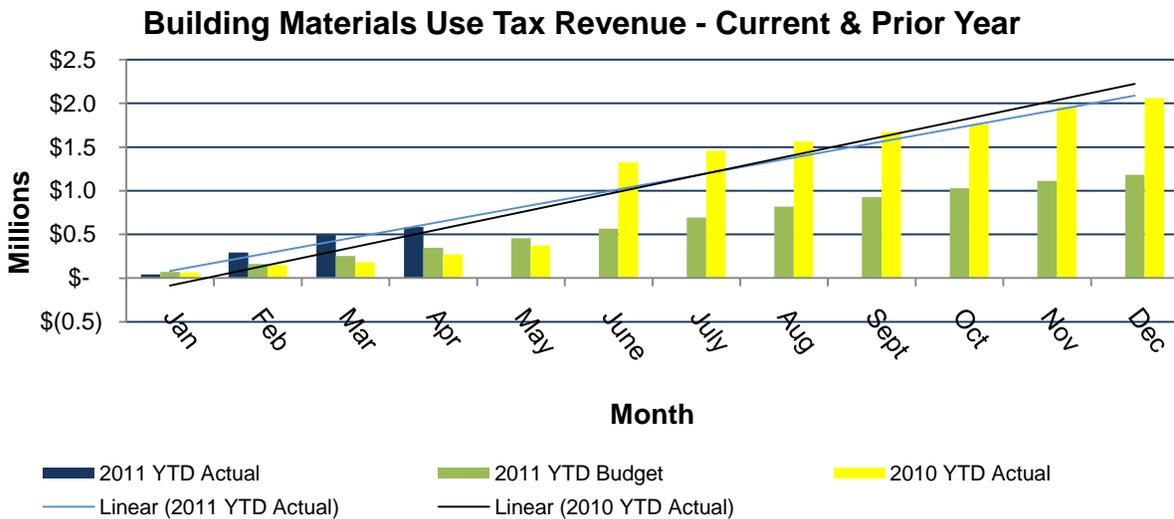
Property Tax

Property Tax revenue YTD is \$0.1 million, or 3.5% unfavorable compared to budget. This unfavorable variance is due to the timing of property tax payments as compared to the monthly budget allocations; monthly budget allocations are based on receipts for the same period in prior years. The total budget is expected to increase from the 2011 Adopted Budget of \$8,110,140 to \$8,281,645 for 2011 based on the property tax certification in 2010 for property tax collection during 2011.



Building Materials Use Tax

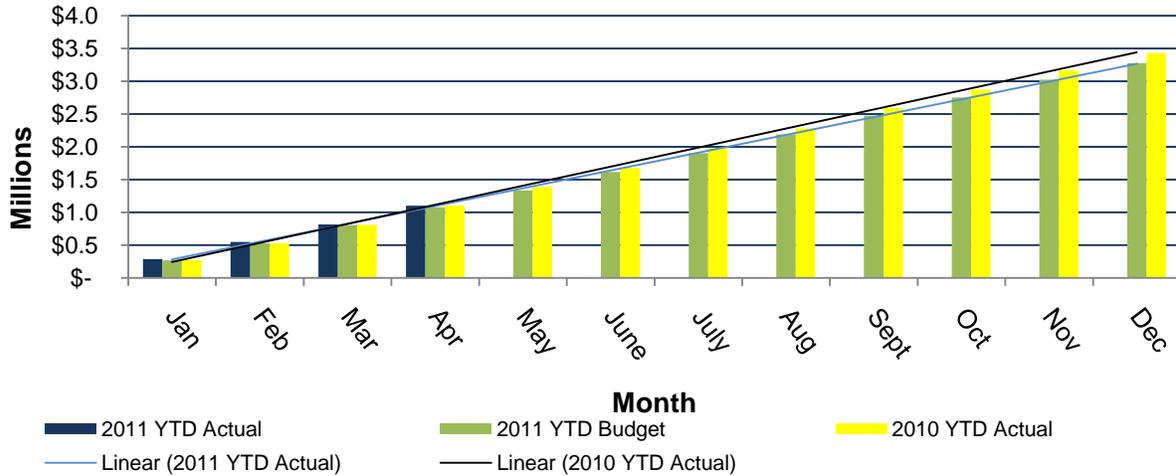
Building Materials Use Tax revenue YTD is \$0.3 million, or 73.7% favorable compared to budget. This favorable variance is due to the issuance of a large building permit for a new commercial project not included in the budget, and several commercial remodel projects that were not included in the budget, and audit revenue receipts of \$89,000.



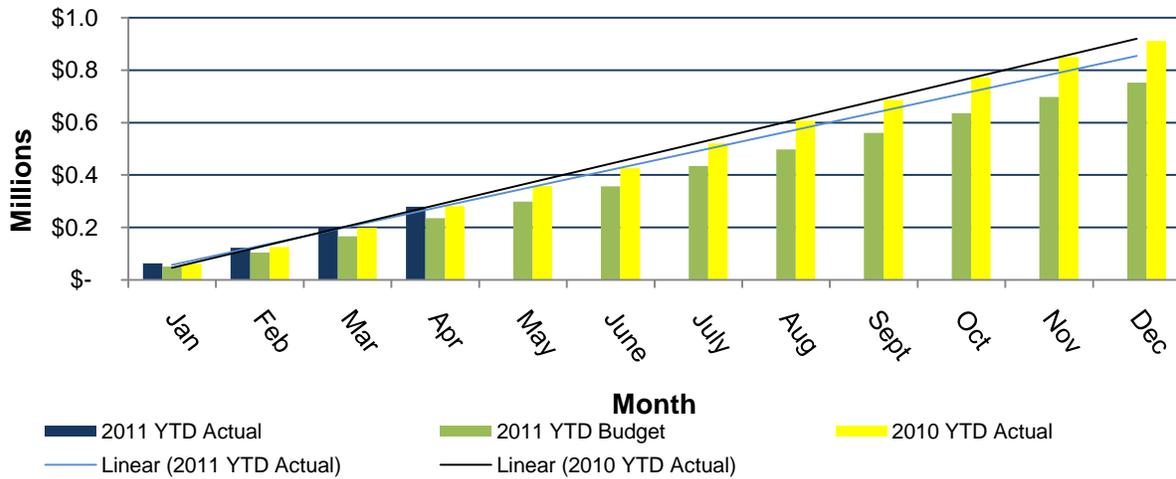
Highway Users Tax Fund

Highway Users Tax Fund revenue YTD is \$0.1 million, or 5.5% favorable to budget. The City began to receive FASTER revenue in July, 2009, therefore the budget allocations for FASTER revenue is based on one year of historical data.

**HUTF Revenue - Current & Prior Year**

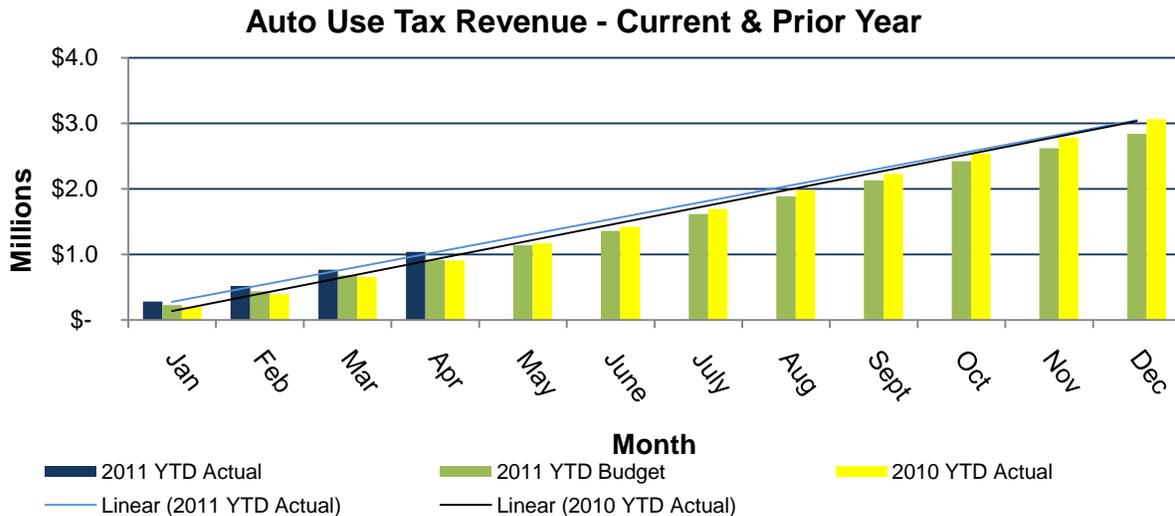


**FASTER Revenue - Current & Prior Year**



### Automobile Use Tax

Automobile Use Tax revenue YTD is \$0.1 million, or 13.3% favorable compared to budget. Automobile industry information indicates an overall increase in new car sales at the state and national level. There is normally a forty-five (45) day period after the purchase of a vehicle during which the registration of that vehicle should occur. The economic recovery has a volatile impact on the sales of automobiles and a variance is anticipated for the balance of the year.



### Investment Income

Investment Income revenue YTD is less than \$0.1 million, or 47.2% unfavorable compared to budget. This decrease is directly attributable to the significant decline in earnings rates.

### Expenditures

Total expenditures and transfers YTD are \$0.8 million, or 5.5% favorable compared to budget. The overall favorable variance is primarily due to the Finance, Nondepartmental, Human Resources and Risk Management Services, Support Services, and Code Compliance departments, as well as the transfer to the Land Use Fund.

- Finance expenditures are \$0.1 million, or 13.8% favorable to budget. This favorable variance is due to personnel vacancy savings, as well as the timing of expenditures related to the 2010 audit of the City's financial statements.
- Nondepartmental expenditures are \$0.2 million, or 30.0% favorable to budget. This favorable variance is the result of sales and use tax incentive payments budgeted, but not paid year to date. This variance is expected to diminish by year end.
- Human Resources and Risk Management Services expenditures are \$0.1 million, or 20.1% favorable to budget. This favorable variance is due to personnel vacancy savings, as well as premium savings for property, casualty and workers compensation insurance services, compared to premiums expected.
- Support Services expenditures are \$0.2 million, or 38.3% favorable to budget. This favorable variance is partially due to the delay of website hosting and other projects, and the timing of equipment and GIS software purchases in the Information Technology division. In addition, the City entered into new copier contracts during the latter part of 2010 which are projected to produce overall expenditure savings during 2011. The favorable variance is also due to the timing of expenditures related to the Civic Center Park and other services and supplies within Facilities.

- Code Compliance expenditures are \$0.1 million, or 50.6% favorable to budget. This favorable variance is primarily due to the timing of payments made for contracted services. This variance is expected to diminish by year end.
- Land Use Fund transfers are \$0.2 million, or 57.3% favorable compared to budget. This favorable variance is partially due to the timing of revenue and expenditure variances compared to budget. In addition, an overall favorable revenue variance compared to budget required a smaller total transfer from the General Fund.

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

*Revenue*

- Revenue YTD is \$0.1 million, or 14.8% more than revenue collected during the same period in 2010. This increase is primarily due to an increase in building permit fees, land development applications, and construction drawing revenue. In addition, during the current year approximately \$42,000 has been collected in grant revenue for the bus bench project through a DRCOG grant. These increases are partially offset by a decrease in building plan review fees, sign permit fees and transit shelter administration revenue. The City will continue to receive revenue from advertisements on bus shelters, but the City started a non-ad based bus bench program in 2011; therefore, there will no longer be any revenue collected from advertisements on bus benches.

*Expenses*

- Expenses YTD are \$0.1 million, or 9.1% more than expenses YTD for the prior year. This increase is the result of expenses related to Innoprise annual software support, Building Services office remodel costs and higher personnel costs. In addition, the Land Use Fund incurred expenses related to the Bus Bench project that started late in 2010 and continued into 2011.

**Comparison to Budget**

*Revenue*

- Revenue YTD is \$0.3 million, or 43.2% favorable compared to budget. This favorable variance is primarily due to building permit and building plan review fees collected for a large new commercial project not included in the budget. In addition, land development applications, construction drawing fees, and other permit fees are higher than anticipated in the 2011 budget. Finally, Federal Grant revenue was received for the bus bench project earlier in the year than projected.

*Expenses*

- Expenses YTD are \$0.1 million, or 10.4% unfavorable compared to budget. This unfavorable variance is primarily due to higher building permit and plan review fees compared to budget; these higher costs are offset by an increase in related revenues.

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

*Revenue*

- Revenue YTD is \$0.3 million, or more than 100.0% higher than revenue collected YTD 2010. This increase is due to contributions for the Chester at County Line Road right turn lane project and the receipt of federal grant revenue for several capital projects.

*Expenditures*

- Expenditures YTD are \$0.5 million, or more than 100.0% higher than expenditures YTD during the prior year. This net increase is the result of higher expenditures for new street construction, traffic control enhancements, the City's street rehabilitation program, and the Vista Verde neighborhood improvements project. This increase is partially offset by a decrease in expenditures for the Environmental Assessment project.

**Comparison to Budget**

*Revenue*

- Revenue YTD is \$0.2 million, or more than 100.0% favorable compared to budget. This favorable variance is due to the receipt of federal grant revenue for various EECBG and CDBG projects, contributions for the Chester at County Line Road right turn lane project, and curb cut program reimbursements.

*Expenditures*

- Expenditures are \$0.2 million, or 30.7% unfavorable compared to budget. This unfavorable variance is primarily due to the timing of budget allocations for expenditures related to the City's street rehabilitation program and the Vista Verde neighborhood improvements project.

**CONSERVATION TRUST FUND**

**Comparison to Prior Year**

*Revenue*

- Revenue YTD is consistent with the prior year.

*Expenditures*

- Expenditures are \$0.4 million, or more than 100.0% higher than expenditures YTD during the prior year. This increase is due to expenditures related to the Civic Center Park project.

**Comparison to Budget**

*Revenue*

- Revenue YTD is less than \$0.1 million, or 33.7% favorable compared to budget. The majority of this variance is due to an increase in the receipt of Lottery Proceeds.

*Expenditures*

- Expenditures are \$0.1 million, or 20.4% favorable compared to budget. This favorable variance is due to the timing of budget allocations for expenditures related to the Civic Center Park project.

**OPEN SPACE FUND**

**Comparison to Prior Year**

*Revenue*

- Revenue YTD is \$0.5 million, or more than 100.0% above collections during the prior year. This is a result of two grants received from Arapahoe County - one for the Civic Center Park and one for the Centennial Link Trail project.

Open Space Fund revenues are received from the Arapahoe County Open Space Sales Tax and Investment Income. The County distributes fifty percent of revenue derived from the .25% tax based on population to incorporated cities and towns to help enhance their parks, trails and open spaces. This revenue is distributed by June 1<sup>st</sup> of each year based on collections from May 16<sup>th</sup> of the prior year through May 15<sup>th</sup> of the current year. The revenues are invested until the time

they are used and the investment income is allocated directly to the fund. Investment income is slightly below YTD 2010 collections due to lower earnings rates.

*Expenditures*

- Expenditures YTD are \$2.9 million, or more than 100.0% higher than expenditures YTD during the prior year. YTD 2010, Open Space funds were utilized for the Piney Creek Hollow Park and the Civic Center Park; during the current year, Open Space funds have been utilized for the purchase of the USPS property, Parker Jordan Open Space annual maintenance, as well as the Centennial Link Trail and Civic Center Park projects.

**Comparison to Budget**

*Revenue*

- Open Space revenue is \$0.2 million, or 98.3% favorable to budget. This favorable variance is directly related to the receipt of two grants. One of the grants was included in the 2011 Budget, while the other will be included in the 2011 Revised Budget. Investment income is slightly below YTD budget.

*Expenditures*

- Expenditures are \$0.1 million, or 3.9% favorable compared to budget. This favorable variance is due to the timing of the budget allocation for expenditures related to the Civic Center Park project.

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

*Revenue*

- Revenue received YTD for the consolidated GID Funds is consistent with revenues collected YTD 2010.

*Expenditures*

- Expenditures YTD are \$0.2 million, or more than 100% higher than expenditures YTD during the prior year. This increase is due to expenditures related to the installation of split rail fencing in the Walnut Hills GID.

**Comparison to Budget**

*Revenue*

- Revenue received YTD is consistent with the budget.

*Expenditures*

- Expenditures are \$0.1 million, or 29.6% unfavorable compared to budget. This unfavorable variance is due to the timing of contracted services expenditures compared to the budget allocation for these expenditures as they relate to the fencing project for the Walnut Hills GID.

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

*Revenue*

- Revenue received YTD is \$1.3 million, or more than 100.0% above revenues collected to date during the prior year. This favorable variance is due to higher property tax collections for The Streets at SouthGlenn as a result of higher assessed property valuations; the valuation increased \$23,410,800, or 93.0% compared to the prior year.

*Expenditures*

- Expenditures YTD increased \$1.3 million, or more than 100.0% higher compared to prior year expenditures. This increase is directly attributable to an increase in the property tax pass-through payment by the Authority to the Southglenn Metropolitan District pursuant to the public finance agreement.

**Comparison to Budget**

*Revenue*

- Revenue YTD is \$1.3 million, or more than 100.0% favorable compared to budget. This favorable variance is due to an increase in assessed property valuation during 2010, for amounts certified for collection during 2011. This favorable variance is also due to the timing of property tax payments compared to monthly budget allocations. Monthly budget allocations are based on receipts for the same period in prior years.

*Expenditures*

- Expenditures are \$1.4 million, or more than 100.0% unfavorable compared to budget. This unfavorable variance is due to an increase in the property tax pass-through payment as a result of higher collections. The Authority is the collecting agent for property taxes for the SouthGlenn redevelopment area; the amounts collected are then passed through to the Southglenn Metro District. The total amount budgeted for 2011 will be increased in the 2011 Revised Budget.