



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period September, 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 September, 2011 YTD Financial Statements**

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

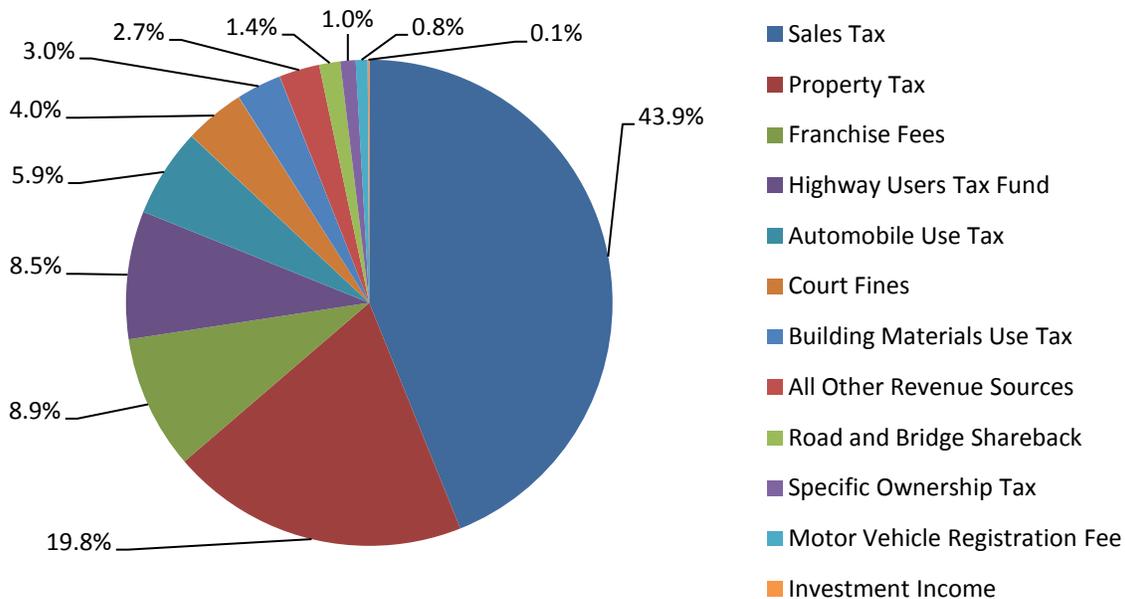
**Revenues**

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	\$ 17.7	\$ 14.4	\$ 3.3	22.9%
Property Tax	8.0	7.9	0.1	2.0%
Building Materials Use Tax	1.2	1.7	(0.5)	-28.5%
Highway Users Tax Fund	3.4	3.2	0.2	4.8%
Franchise Fees	3.6	3.6	-	0.4%
Specific Ownership Tax	0.4	0.4	-	1.5%
Motor Vehicle Registration Fees	0.3	0.3	-	-3.3%
Automobile Use Tax	2.4	2.2	0.2	7.0%
Road and Bridge Shareback	0.6	0.6	-	1.0%
Court Fines	1.6	1.7	(0.1)	-6.4%
Investment Income	-	-	-	-40.9%
All Other Revenue Sources	1.2	1.2	-	3.3%
	<u>\$ 40.4</u>	<u>\$ 37.2</u>	<u>\$ 3.2</u>	<u>8.6%</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 \$3.3 million or 22.9% more than collections YTD 2010. The majority of this increase in sales tax is from The Streets at Southglenn, Centennial Promenade, IKEA, and other out of City vendors. The Streets at SouthGlenn sales tax collections continue to increase and are approximately \$0.4 million or 26.5% higher than YTD 2010. Since the annexation of Centennial Promenade in April 2011 and the opening of IKEA in July 2011, the City has received approximately \$1.7 million in sales tax revenue which the City did not receive in 2010. The City's retail sales tax licensing program continues to identify businesses outside of Centennial that should be licensed. The sales tax received from out of City vendors has increased by approximately \$0.5 million or 11.8% compared to YTD 2010. Over ninety-nine percent of businesses located inside the City are licensed, collecting and remitting sales tax. Efforts to maintain this high level of licensure for retailers located inside of the City is a priority.

Sales tax for the top 43 filers in the City is \$0.3 million or 5.3% higher than the same period in 2010, and 12.5% over YTD 2009, not including retail sales for IKEA or Centennial Promenade. Delinquent sales tax collection YTD 2011 is \$0.2 million more than collections YTD 2010. Sales tax auditing efforts also increase overall compliance with the City's ordinance; to date, the City has collected audit revenue totaling \$0.5 million.

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 September 2011 - Top 25 Sales by 4-digit NAICS Code**

1	Furniture Stores	\$1,370,995	10.1%	\$ 305,309	349.1%
2	Full-Service Restaurants	1,227,042	9.0%	1,118,488	9.7%
3	Automobile Dealers	995,508	7.3%	948,350	5.0%
4	Wireless Telecommunications Carriers (except Satellite)	948,332	7.0%	1,014,725	-6.5%
5	Limited-Service Eating Places	948,037	7.0%	846,377	12.0%
6	Electric Power Generation, Transmission and Distribution	887,439	6.5%	865,622	2.5%
7	Sporting Goods, Hobby, and Musical Instrument Stores	879,019	6.5%	455,698	92.9%
8	Grocery Stores	835,546	6.1%	799,448	4.5%
9	Other General Merchandise Stores	624,719	4.6%	617,711	1.1%
10	Electronics and Appliance Stores	566,061	4.2%	411,927	37.4%
11	Department Stores	506,059	3.7%	411,755	22.9%
12	Automotive Parts, Accessories, and Tire Stores	418,724	3.1%	329,337	27.1%
13	Beer, Wine, and Liquor Stores	387,118	2.9%	348,329	11.1%
14	Wired Telecommunications Carriers	384,857	2.8%	426,365	-9.7%
15	Commercial and Industrial Machinery and Equipment Rental and Leasing	383,195	2.8%	355,780	7.7%
16	Automotive Repair and Maintenance	289,857	2.1%	299,714	-3.3%
17	Traveler Accommodation	288,053	2.1%	267,593	7.7%
18	Health and Personal Care Stores	280,127	2.1%	265,082	5.7%
19	Other Miscellaneous Store Retailers	237,573	1.8%	181,824	30.7%
20	Home Furnishings Stores	229,503	1.7%	181,293	26.6%
21	Electrical and Electronic Goods Merchant Wholesalers	209,281	1.5%	248,670	-15.8%
22	Clothing Stores	206,363	1.5%	154,060	34.0%
23	Building Material and Supplies Dealers	198,617	1.5%	213,898	-7.1%
24	Direct Selling Establishments	193,478	1.4%	143,552	34.8%
25	Computer Systems Design and Related Services	105,155	0.8%	274,256	-61.7%
<b>Total</b>		<b>\$13,600,657</b>	<b>100.0%</b>	<b>\$11,485,163</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 \$0.1 million or 2.0% more than 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 Budget.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2011 is \$0.5 million, or 28.5% less than collections YTD 2010. The valuation of permits for all project types, with the exception of commercial remodels, has decreased compared to YTD 2010. The number of building permits issued YTD 2011, with the exception of residential and commercial remodels, is significantly lower than the same period in 2010. Audit revenue of \$0.1 million has been received year to date.

Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2011 is \$0.2 million or 4.8% more than collections YTD 2010. This increase is primarily due to an increase in the City's monthly HUTF distribution ratio. This ratio is calculated based upon the total number of motor vehicle registrations in the City compared to the total number of registrations in the State. The State's fiscal year begins in July, which is when the City's increased distribution ratio took effect for fiscal year 2011.

Franchise Fees

Total Franchise Fee revenues YTD 2011 are consistent with collections for the same period during the prior year.

Automobile Use Tax

Automobile Use Tax revenue is \$0.2 million or 7.0% 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 have increased over 2010. New vehicle registrations increased 13.7% in Colorado YTD 2011 compared to YTD 2010. The sale of used vehicles is 5.0% less in Colorado YTD 2011 compared to YTD 2010. The Automobile Use Tax collections for vehicles sold in August were received by the City in September, 2011.

Court Fines

Court Fines revenue YTD 2011 is \$0.1 million, or 6.4% less than collections YTD 2010. Court fines and default fines contribute to the majority of the variance. The individual types of fines and fees, and their proportional amount to the total fines and fees vary from month to month. It is reasonable to expect that the various fines and fees compared to the previous year will vary slightly throughout the year.

Investment Income

Investment Income YTD 2011 is less than \$0.1 million, or 40.9% 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. The City's cash balances have also decreased slightly from \$32.6 million as of September 30, 2010, to \$32.4 million as of September 30, 2011.

	<u>Annual Yield – 2010</u>	<u>Annual Yield – 2011</u>	<u>Difference</u>
Colotrust	0.22%	0.08%	(0.14%)
Wells Fargo	0.10%	0.05%	(0.05%)

## **Expenditures**

Total expenditures and transfers YTD are \$1.6 million or 4.6% more than expenditures YTD in 2010. The net increase is attributable to variances in the City Attorney's Office, Finance, Nondepartmental, Human Resources and Risk Management Services, Public Works, and Law Enforcement departments, as well as transfers to the Capital Improvement and Land Use Funds.

- City Attorney expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is primarily due to an increase in charges related to general litigation matters handled by the City Attorney in 2011.
- Finance expenditures are \$0.2 million more than expenditures YTD in 2010. This increase is directly related to personnel vacancy savings realized in 2010, as well as an increase in fees paid for sales tax collection and processing services in 2011.
- Nondepartmental expenditures are \$1.3 million more than expenditures YTD in 2010. This increase is primarily due to the purchase of the USPS land during March, 2011. Likewise, the City began making Incentive Agreement payments for agreements associated with Centennial Promenade and IKEA, which also contribute to this increase in expenditures year-over-year.
- Human Resource and Risk Management Services expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is related to personnel vacancy savings realized in 2010, as well as an increase in expenditures related to property and casualty insurance services in 2011.
- Public Works expenditures are \$0.5 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.
- Law Enforcement expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is due to contractual increases in the 2011 budget for law enforcement services.
- Land Use Fund transfers are \$0.4 million more than expenditures YTD in 2010. This increase is primarily due to the recognition of deferred revenue in 2010 which resulted in a lower General Fund support transfer.
- Capital Improvement Fund transfers are \$1.1 million less than expenditures YTD in 2010. This decrease is primarily due to several large capital projects related to street rehabilitation, concrete replacement and Arapahoe Road improvements completed in 2010, which led to a higher General Fund support transfer. Likewise, the City has received YTD 2011 approximately \$0.7 million in federal grant revenue and third-party contributions for capital improvement purposes which have contributed to the decrease in the General Fund support transfer in 2011.

<b>GENERAL FUND – COMPARISON TO BUDGET</b>
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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**

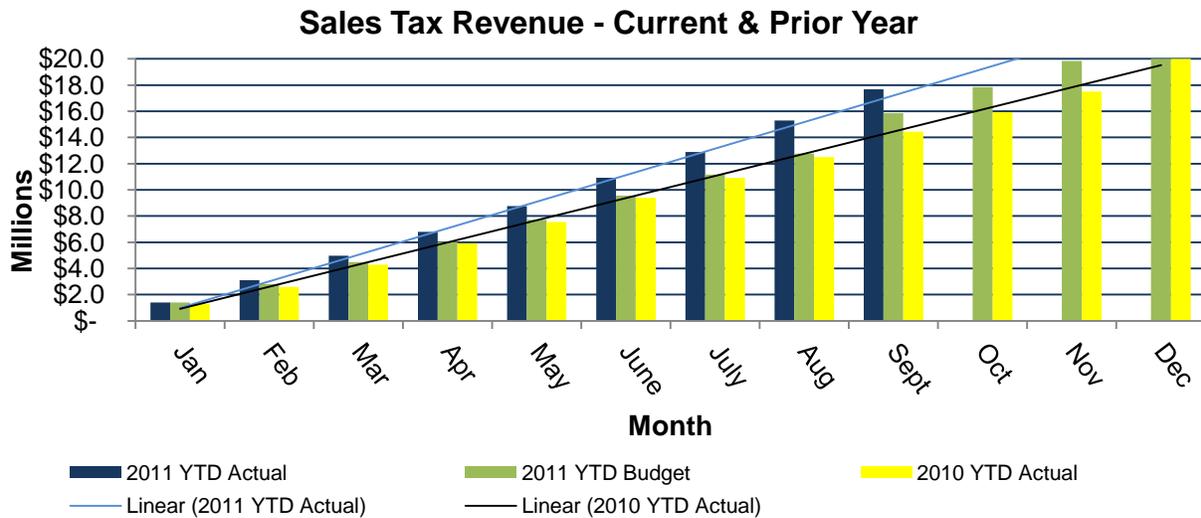
The following table is a summary comparison of the primary revenue sources; the table compares actual revenue compared to budget

	Actual YTD 2011	Budget YTD 2011	\$ Variance	% Variance
Retail Sales Tax	\$ 17.7	\$ 15.9	\$ 1.8	11.8%
Property Tax	8.0	8.2	(0.2)	-2.0%
Building Materials Use Tax	1.2	1.1	0.1	12.5%
Highway Users Tax Fund	3.4	3.1	0.3	9.8%
Franchise Fees	3.6	3.4	0.2	5.1%
Specific Ownership Tax	0.4	0.4	-	-3.0%
Motor Vehicle Registration Fees	0.3	0.3	-	11.1%
Automobile Use Tax	2.4	2.3	0.1	4.1%
Road and Bridge Shareback	0.6	0.6	-	-1.5%
Court Fines	1.6	1.6	-	-2.2%
Investment Income	-	-	-	-17.8%
All Other Revenue Sources	1.2	1.1	0.1	5.0%
	<u>\$ 40.4</u>	<u>\$ 38.0</u>	<u>\$ 2.4</u>	<u>6.4%</u>

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

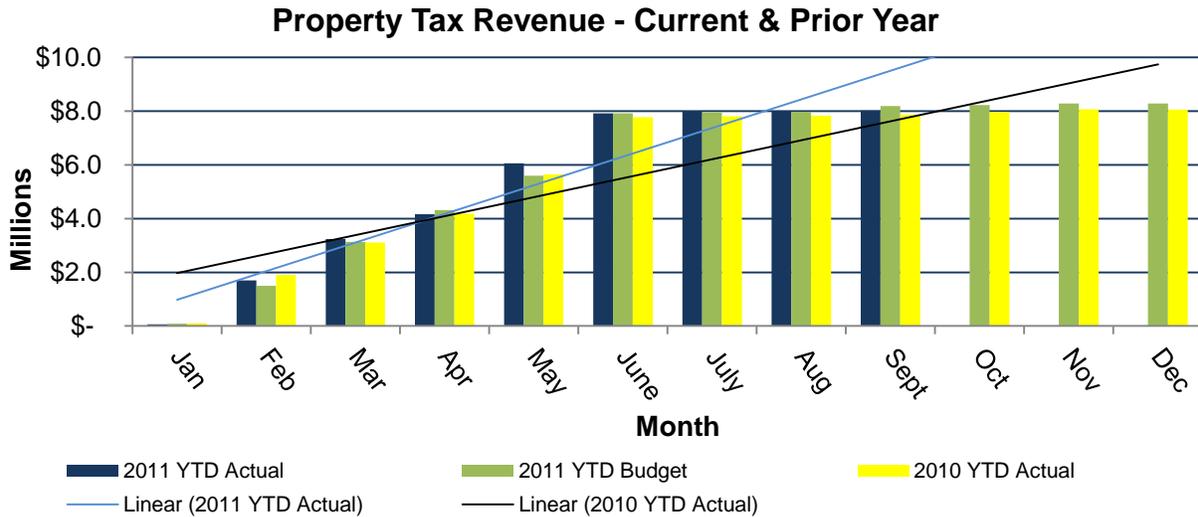
**Retail Sales Tax**

Retail sales tax revenue YTD is approximately \$1.8 million, or 11.8% favorable compared to budget. This favorable variance is the result of one-time sales tax audit receipts (\$0.5 million) that are conservatively projected in the budget and the collection of delinquent sales tax (\$0.5 million). In addition, the City's efforts to increase the number of retailers licensed and remitting to the City has contributed to this increase in sales tax compared to budget. Licensing efforts have also resulted in an unexpected increase in the number of returns filed. The number of returns filed has increased by 1,668 or 11.8% over YTD 2010.



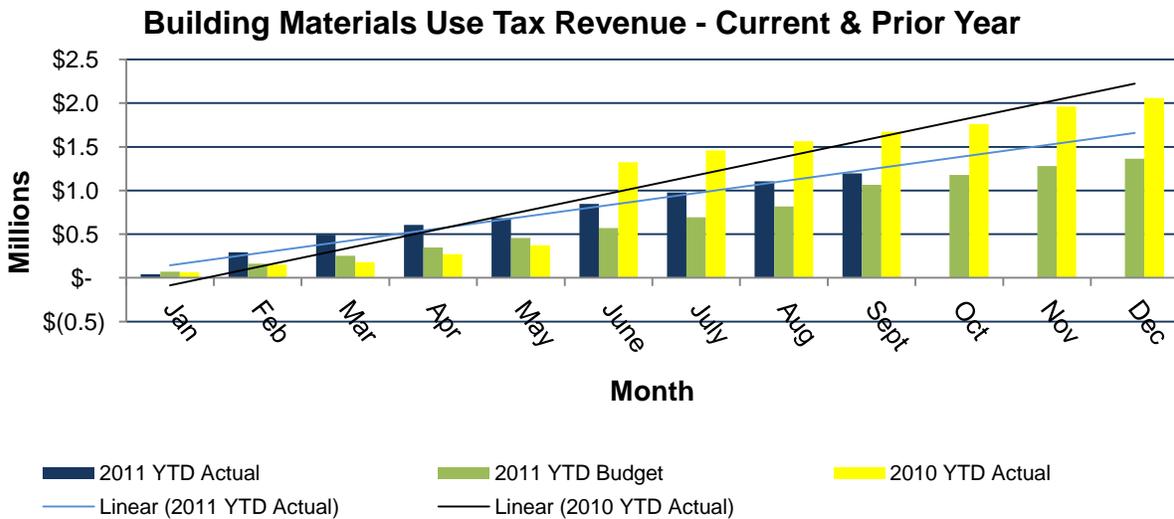
Property Tax

Property Tax revenue YTD is \$0.2 million, or 2.0% unfavorable compared to budget. The total revised budget has increased to \$8,281,645 based on the property tax certification in 2010 for collection during 2011. The unfavorable variance is expected to decrease through the remainder of the year as the City expects to receive a larger than budgeted property tax distribution in October (approximately \$90,000). In addition, the City may receive a larger distribution in November due to tax lien sales.



Building Materials Use Tax

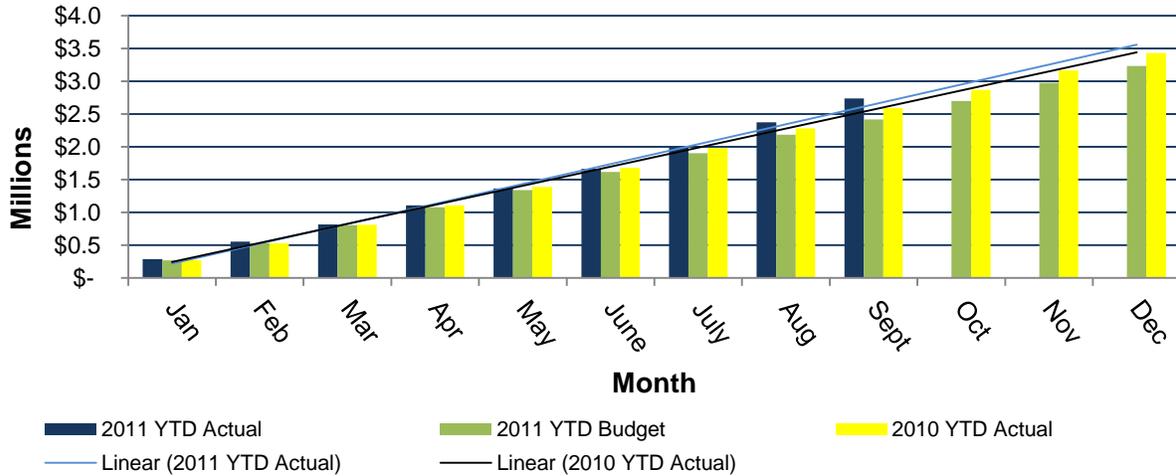
Building Materials Use Tax revenue YTD is \$0.1 million, or 12.5% favorable compared to budget. This favorable variance is due to the issuance of several building permits for new commercial projects and commercial remodel projects that were not anticipated in the budget.



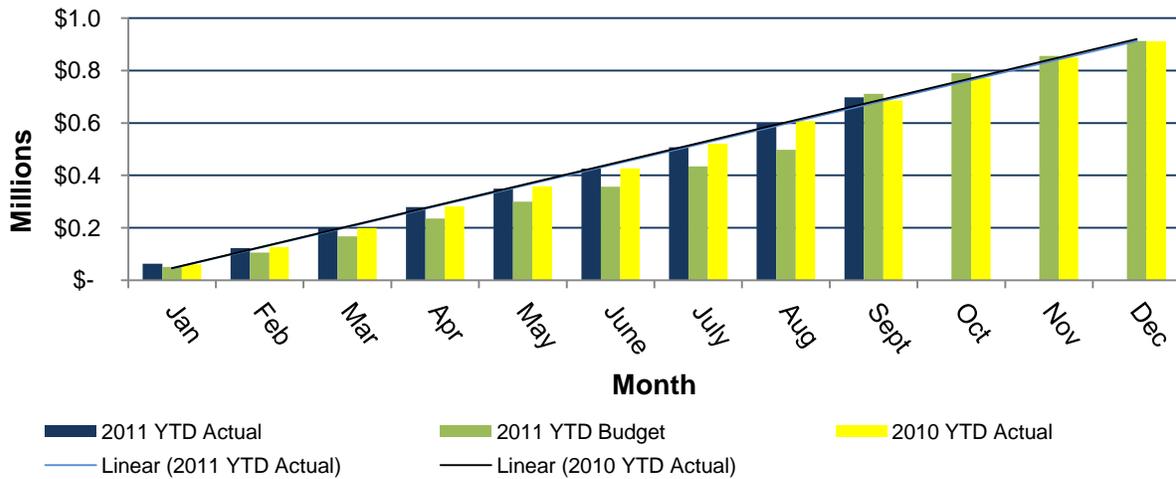
Highway Users Tax Fund

Highway Users Tax Fund revenue YTD is \$0.3 million, or 9.8% favorable to budget. This favorable variance is due to an increase in the City's HUTF distribution ratio which took effect in July 2011. This increase to the City's distribution ratio was not included in revenue projections during the budget process.

**HUTF Revenue - Current & Prior Year**



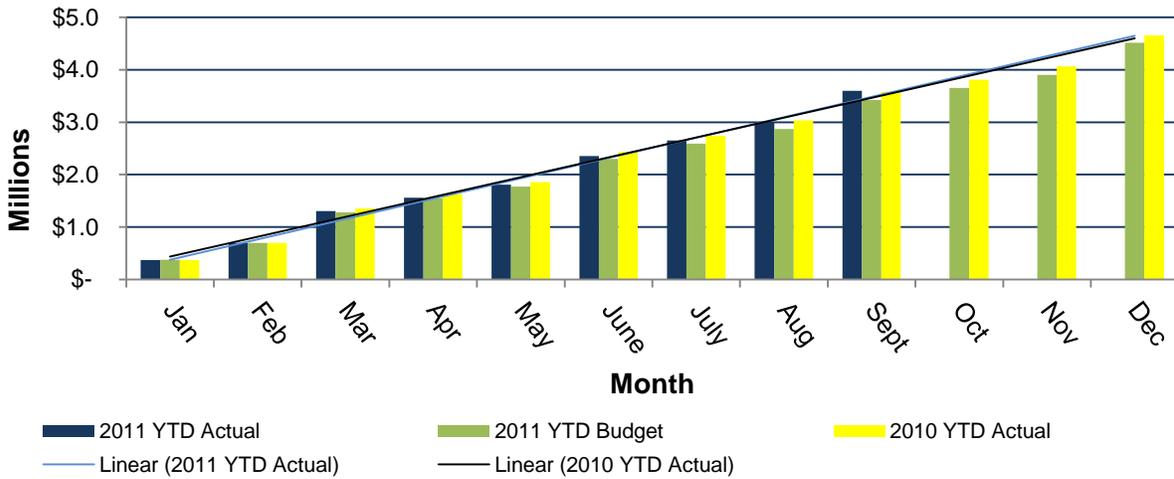
**FASTER Revenue - Current & Prior Year**



Franchise Fees

Franchise Fee revenue YTD is \$0.2 million, or 5.1%, favorable compared to budget. This favorable variance is due to budget allocations being conservatively projected. Total Franchise Fee revenue is expected to exceed the total annual budgeted amount.

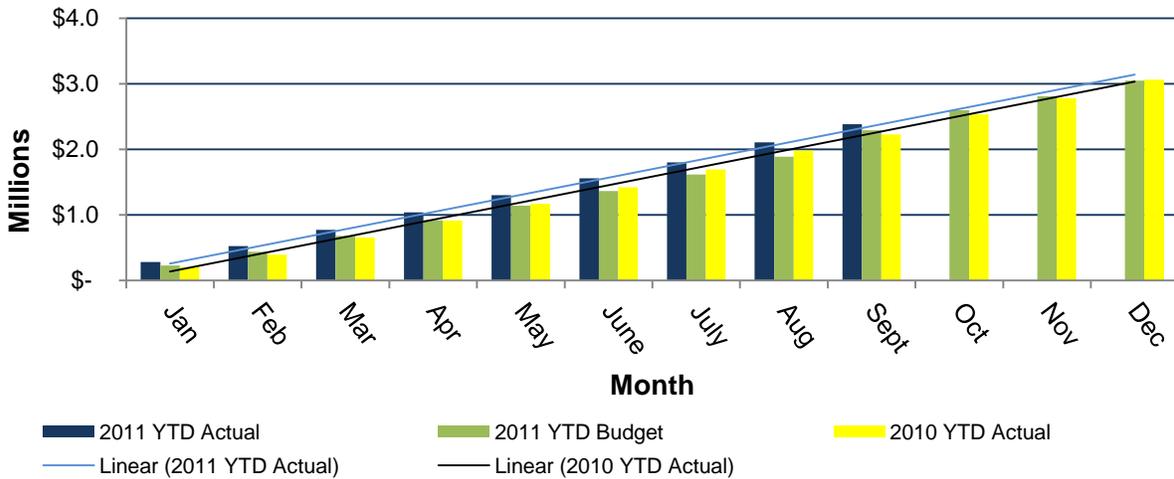
### Franchise Fee Revenue - Current & Prior Year



### Automobile Use Tax

Automobile Use Tax revenue YTD is \$0.1 million, or 4.1% favorable compared to budget. Information on the automobile industry indicates an overall increase in new car sales at the state and national levels. 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. Due to the volatility of this revenue source, the budget has been prepared conservatively for 2011.

### Auto Use Tax Revenue - Current & Prior Year



### Investment Income

Investment Income revenue YTD is less than \$0.1 million, or 17.8% unfavorable compared to budget. This decrease is directly attributable to the significant decline in earnings rates.

## Expenditures

Total expenditures and transfers YTD are \$1.3 million, or 3.6% favorable compared to budget. The net overall favorable variance is primarily due to the City Attorney's Office, Finance, Nondepartmental, Central Services, Human Resources and Risk Management Services, Support Services, Public Works, and Municipal Court, as well as the transfer to the Land Use Fund.

- City Attorney Office expenditures are less than \$0.1 million, or 9.4% unfavorable to budget. This unfavorable variance is due primarily to various legal projects and litigation that have been conducted YTD, but were not fully anticipated in the revised budget.
- Finance expenditures are \$0.1 million, or 10.8% favorable to budget. This favorable variance is partially due to additional personnel vacancy savings not anticipated in the revised budget, as well as the timing of expenditures related to contracted auditing services.
- Nondepartmental expenditures are \$0.2 million or 12.8% favorable to budget. This favorable variance is primarily due to the timing of budget allocations compared to expenditures related to incentive agreement payments. This favorable variance is expected to diminish through the remainder of the year.
- Central Services expenditures are \$0.1 million or 34.2% favorable to budget. This favorable variance is primarily due to cumulative department savings in areas such meeting expenses, training, travel, dues and memberships, and office supplies.
- Human Resources and Risk Management Services expenditures are \$0.1 million, or 11.0% favorable to budget. This favorable variance is partially due to additional personnel vacancy savings not anticipated in the revised budget, as well as lower than anticipated costs associated with personnel recruitment services and property and casualty insurance services. This variance is expected to partially diminish through the remainder of the year..
- Support Services expenditures are \$0.3 million, or 35.8% 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. The favorable variance is also due to the timing of expenditures related to Centennial Center Park and other services and supplies within Facilities. This favorable variance is expected to diminish through the remainder of the year.
- Public Works expenditures are \$0.2 million, or 2.1% favorable to budget. This favorable variance is due to cumulative department savings in areas such as personnel services, contacted services and supplies and services. This variance appears to be due to the timing of actual expenditures and budget allocations. It is anticipated that this variance will diminish through the remainder of the year.
- Municipal Court expenditures are \$0.1 million, or 3.2% favorable to budget. This favorable variance is due to cumulative department savings in areas such as personnel services, contracted services and supplies and other services. This variance is expected to diminish through the remainder of the year.
- Land Use Fund transfers are \$0.1 million, or 32.2% favorable compared to budget. This favorable variance is partially due to the timing of revenue and expenditure variances compared to budget in the Land Use Fund. 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 \$0.3 million, or 14.3% less than revenue collected during the same period in 2010. This decrease is primarily due to the recognition of one-time deferred revenue in August, 2010, as well as the collection of building permit fees from a large commercial project in June, 2010.

*Expenses*

- Expenses YTD are \$0.1 million, or 4.0% less than expenses YTD for the prior year. This decrease is primarily due to decreased expenditures related to building permit and plan review services in 2011.

**Comparison to Budget**

*Revenue*

- Revenue YTD is \$0.1 million, or 3.7% unfavorable compared to budget. This unfavorable variance is primarily due to lower than anticipated revenues related to building permit and building plan review fees.

*Expenses*

- Expenses YTD are \$0.1 million, or 6.1% favorable compared to budget. This favorable variance is primarily due to decreased expenditures related to building permit and plan review services.

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

*Revenue*

- Revenue YTD is \$0.6 million, or more than 100.0% higher than revenue collected YTD 2010. This increase is due to contributions received 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 \$2.0 million, or 64.4% higher than expenditures YTD during the prior year. This net increase is the result of higher expenditures for building improvements, new street construction, sidewalks, traffic signals, and the Vista Verde neighborhood improvements project. In addition, City Council dedicated additional funding during 2011 to the street rehabilitation program.

**Comparison to Budget**

*Revenue*

- Revenue YTD is \$0.1 million, or 20.2% favorable compared to budget. This favorable variance is primarily due to the receipt of contributions for the Chester at County Line Road right turn lane project, and higher than anticipated collections for pavement restoration fees.

*Expenditures*

- Expenditures are \$3.3 million, or 39.0% favorable compared to budget. This favorable variance is primarily due to the timing of budget allocations for expenditures related to the construction of new streets, sidewalks, traffic signals, street rehabilitation, and street surface treatments.

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

*Revenue*

- Revenue received YTD is consistent with collections for the same period during the prior year.

*Expenditures*

- Expenditures are \$3.2 million, or more than 100.0% higher than expenditures YTD during the prior year. This increase is due to expenditures related to the Centennial Center Park project.

**Comparison to Budget**

*Revenue*

- Revenue YTD is consistent with the amount budgeted.

*Expenditures*

- Expenditures are \$0.1 million, or 4.6% unfavorable compared to budget. This unfavorable variance is due to the timing of budget allocations for expenditures related to the Civic Center Park project.

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

*Revenue*

- Revenue YTD is \$0.5 million, or 29.7% above collections compared to the prior year. The majority of the increase is due to the receipt of two grants received from Arapahoe County; one for the Centennial 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 in 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 \$3.6 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 Centennial Center Park; during the current year, Open Space funds have been utilized for the purchase of the USPS property, as well as the Centennial Center Park project.

**Comparison to Budget**

*Revenue*

- Revenue YTD is consistent with the amount budgeted.

*Expenditures*

- Expenditures are \$4.2 million, or 49.4% favorable compared to budget. This favorable variance is due to the timing of the budget allocations for expenditures related to the Centennial Center Park, Centennial Link Trail, and Parker Jordan Open Space Trail projects.

<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 and Cherry Park GID's in 2011.

**Comparison to Budget**

*Revenue*

- Revenue received YTD is consistent with the budget.

*Expenditures*

- Expenditures are less than \$0.1 million, or 8.4% favorable compared to budget. This favorable variance is a result of budget allocations slightly exceeding actual expenditures related to the fencing projects for the Walnut Hills and Cherry Park GID's.

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

*Revenue*

- Revenue received YTD is \$4.0 million or more than 100.0% above revenues collected year 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 \$23.4 million, or 93.0% compared to the prior year.

*Expenditures*

- Expenditures YTD are \$4.0 million, or more than 100.0% higher compared to prior year expenditures. This increase is directly attributable to an increase in the sales tax and property tax pass-through payments by the Authority to the Southglenn Metropolitan District pursuant to the public finance agreement.

## **Comparison to Budget**

### *Revenue*

- Revenue received YTD is consistent with the budget.

### *Expenditures*

- Expenditures are less than \$0.1 million, or 0.8% favorable compared to budget. This favorable variance is a result of budget allocations exceeding actual expenditures related to sales tax and property tax pass-through payments to the Southglenn Metropolitan District.