



The following financial report analysis offers readers a narrative overview and analysis of the financial activities of the City for May, 2010. 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 May, 2010 Monthly Financial Statements**

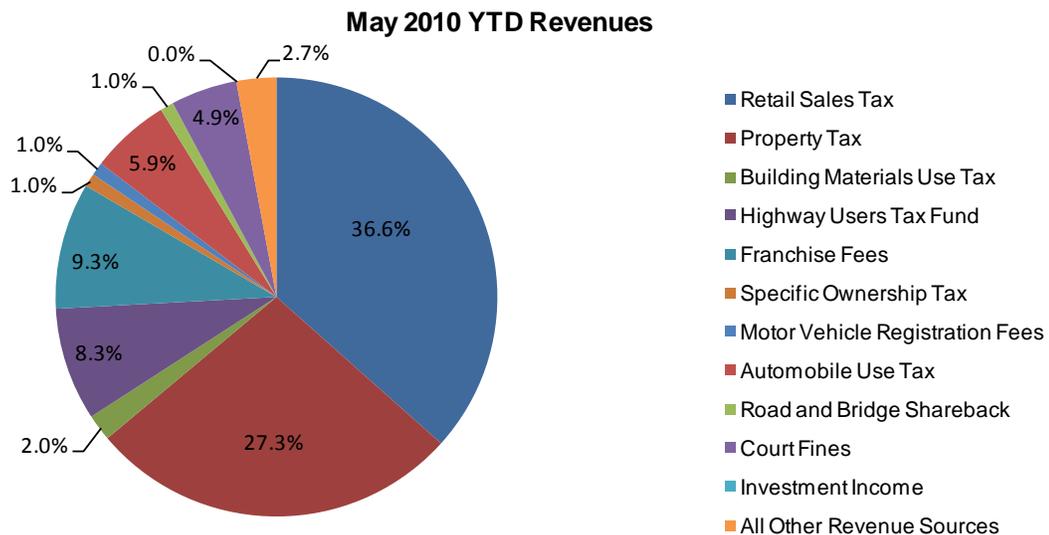
**GENERAL FUND – COMPARISON TO PRIOR YEAR**

**Revenues**

The following table is a summary comparison of the primary revenue sources year to date for 2009 and 2010:

*(dollar amounts in millions)*

	May 2010	May 2009	\$ Variance	% Variance
Retail Sales Tax	\$ 7.5	\$ 6.7	\$ 0.8	11.9%
Property Tax	5.6	5.3	0.3	5.7%
Building Materials Use Tax	0.4	0.6	(0.2)	-33.3%
Highway Users Tax Fund	1.7	1.4	0.3	21.4%
Franchise Fees	1.9	1.6	0.3	18.8%
Specific Ownership Tax	0.2	0.2	-	0.0%
Motor Vehicle Registration Fees	0.2	0.2	-	0.0%
Automobile Use Tax	1.2	1.2	-	0.0%
Road and Bridge Shareback	0.2	0.2	-	0.0%
Court Fines	1.0	0.9	0.1	11.1%
Investment Income	-	-	-	0.0%
All Other Revenue Sources	0.6	0.7	(0.1)	-14.3%
	<u>\$ 20.5</u>	<u>\$ 19.0</u>	<u>\$ 1.5</u>	<u>7.9%</u>



### Retail Sales Tax

Total retail sales tax revenues year to date during 2010 are \$.8 million, or 11.9% above collections year to date in 2009. This increase is partly the result of an increase in sales tax generated by retailers at The Streets at SouthGlenn that were not open during the same period in 2009. The sales tax revenue generated by retailers at The Streets at SouthGlenn year to date is 91.8% higher compared to the prior year. The number of retailers licensed and remitting at The Streets at SouthGlenn are 42 in May, 2010 compared to only 9 in May, 2009. In addition, there were 317 new business licenses issued in 2010 and some of the businesses that have been recently licensed have filed approximately \$.2 million in delinquent returns for prior periods, contributing to the positive variance compared to 2009. Finally, there was approximately \$55,000 in audit revenue collected year to date in 2010 contributing to the overall favorable variance compared to prior year.

The table below represents total sales tax collected year to date summarized by NAICS (North American Industry Classification System) codes. The top seven NAICS categories represent 44.7% of the total retail sales tax year to date through May, 2010. This table compares year to date through May, 2010 to year to date through May, 2009. The increase in 2010 sales tax collected is mostly attributable to an increased number of filers and several new businesses year to date compared to prior year. The wireless telecommunications carriers and electric power generation, transmission, and distribution categories have seen slightly higher sales. Staff will continue to closely monitor this revenue source.

**2010 & 2009 YTD through May - Top 25 Sales by 4-digit NAICS code**

<b>NAICS Description</b>	<b>2010 Total</b>	<b>% of Total</b>	<b>2009 Total</b>	<b>% Change</b>
1 Wireless Telecommunications Carriers (except Satellite)	634,766	8.4%	494,686	28.3%
2 Full-Service Restaurants	554,679	7.4%	507,345	9.3%
3 Automobile Dealers	504,018	6.7%	437,623	15.2%
4 Electric Power Generation, Transmission and Distribution	458,302	6.1%	360,002	27.3%
5 Limited-Service Eating Places	456,046	6.0%	382,457	19.2%
6 Grocery Stores	434,624	5.8%	325,187	33.7%
7 Other General Merchandise Stores	327,959	4.3%	316,653	3.6%
8 Sporting Goods, Hobby, and Musical Instrument Stores	232,724	3.1%	214,949	8.3%
9 Wired Telecommunications Carriers	214,025	2.8%	295,375	-27.5%
10 Department Stores	211,307	2.8%	185,498	13.9%
11 Beer, Wine, and Liquor Stores	198,224	2.6%	169,544	16.9%
12 Electronics and Appliance Stores	191,559	2.5%	234,793	-18.4%
13 Health and Personal Care Stores	184,053	2.4%	106,714	72.5%
14 Automotive Parts, Accessories, and Tire Stores	166,101	2.2%	137,781	20.6%
15 Furniture Stores	164,128	2.2%	119,356	37.5%
16 Automotive Repair and Maintenance	158,754	2.1%	153,165	3.6%
17 Commercial and Industrial Machinery and Equipment Rental and Leasing	144,523	1.9%	93,342	54.8%
18 Traveler Accommodation	126,303	1.7%	106,724	18.3%
19 Electrical and Electronic Goods Merchant Wholesalers	120,251	1.6%	36,050	233.6% *
20 Lawn and Garden Equipment and Supplies Stores	109,820	1.5%	115,946	-5.3%
21 Computer Systems Design and Related Services	99,472	1.3%	32,346	207.5% *
22 Other Miscellaneous Store Retailers	99,390	1.3%	103,258	-3.7%
23 Building Material and Supplies Dealers	94,674	1.3%	91,985	2.9%
24 Home Furnishings Stores	88,556	1.2%	47,287	87.3% *
25 Clothing Stores	78,214	1.0%	70,287	11.3%
26 All Other Businesses	1,490,938	19.8%	1,527,468	-2.4%
<b>Total</b>	<b>7,543,410</b>	<b>100.0%</b>	<b>6,665,823</b>	

\* Not included in 2009 Top 25 Sales by 4-digit NAICS code

Property Tax

Total property tax revenues year to date during 2010 are 5.7% above collections year to date in 2009. The timing of property tax collections for 2010 has been inconsistent with the trend over prior years. The majority of property tax is typically collected through June. Overall, collections for 2010 compared to 2009 are expected to be higher as a result of a 3.7% increase in assessed property valuations certified for 2010, compared to 2009.

Building Materials Use Tax

Building Materials Use Tax revenues year to date during 2010 are 33.3% below collections year to date in 2009. This decrease is due to the completion of The Streets at SouthGlenn; this trend is expected to continue throughout the year.

Highway Users Tax Fund

Highway Users Tax Fund revenues year to date during 2010 are 21.4% above collections year to date in 2009. This increase is due to the FASTER (Funding Advancements for Surface Transportation and Economic Recovery) revenues the City began to receive in July, 2009.

Franchise Fees

Franchise fee revenues year to date during 2010 are 18.8% above collections year to date in 2009. Xcel electric rates increased for the second quarter by around 8% compared to the first quarter of the year. Mild weather in 2009 kept demand for natural gas lower than expected, which resulted in natural gas storage levels much higher than prior year levels, and the five-year average. The higher storage levels resulted in lower prices (Xcel reduced natural gas prices by 17-18%) for the second quarter of 2010, compared to the second quarter of 2009. Despite lower prices, revenues are up due to increased usage as compared to the prior year.

First quarter cable franchise fee revenue is 10.1% above the first quarter of 2009. This is due to a combination of a rate increase during the first quarter of 2010, and a significant increase in the number of subscribers within the City compared to the first quarter of 2009. Staff will provide update on cable franchise revenues for the June analysis, as this is a quarterly revenue source.

Specific Ownership Tax

Specific Ownership Tax revenues year to date during 2010 are in line with collections year to date in 2009.

Automobile Use Tax

Automobile Use Tax revenues are consistent with prior year revenues.

Investment Income

Investment income year to date during 2010 is 56.8% below collections year to date in 2009. This decrease is directly attributable to the significant decline in earnings rates between 2009 and 2010 as the City's cash balances have increased slightly from \$24.4 million as of May 31, 2009, to \$25.3 million as of May 31, 2010.

	<u>Annual Yield – 2009</u>	<u>Annual Yield – 2010</u>
Colotrust	0.50%	0.20%
Wells Fargo	0.10%	0.10%

Expenditures

Total expenditures and other financing uses year to date increased \$.1 million, or .8%, to \$16.5 million compared to expenditures and other financing uses year to date in 2009. The overall increase is attributable to variances in the City Attorney, Nondepartmental, Human Resources and Risk Management Services, Public Works and Law Enforcement departments, as well as the Land Use and Capital Improvement funds transfers.

- City Attorney expenditures are \$.1 million above expenditures year to date in 2009. This increase is partly due to the EECBG (Energy Efficiency and Conservation Block Grant) program and the Medical Marijuana case and research, in addition to several other projects.

- Nondepartmental expenditures are \$.1 million below expenditures year to date in 2009. This decrease is due to timing of expenditures for strategic planning, lower costs for the coyote management program, as well as the completion of the Potomac/Fremont traffic signal during 2009.
- Human Resources and Risk Management Services expenditures are less than \$.1 million below expenditures year to date in 2009. This decline is primarily due to a decrease in premiums for property and casualty insurance services.
- Public Works expenditures are \$.2 million more than expenditures year to date in 2009 primarily due to an increase in snow removal material and fuel. The purchase of additional snow removal material during 2010 was necessary as a result of a few Spring snow storms, in addition to restocking materials to 90% capacity. There was also an increase in fuel expenditures through the first quarter of 2010 compared to the prior year due to greater usage (as a result of more storms and more streets plowed) and increased fuel costs in 2010.
- Law Enforcement expenditures are \$.1 million more than expenditures year to date in 2009. This increase is the result of annual contractual cost increases and the pass-through of JAG grant funds.
- Land Use Fund transfers year to date are \$.2 million less than transfers year to date during 2009. This decrease is partly due to fewer expenses related to Applicant Work Orders and Land Development Code Rewrite, in addition to the completion of a couple of other Land Use projects during 2009.
- Capital Improvement Fund transfers year to date are \$.1 million more than transfers year to date during 2009. In January of 2009, the Capital Improvement Fund transfer was a negative \$.2 million due to reallocation of funding for specific capital improvement projects.

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

The following table is a summary comparison of the primary revenue sources year to date for 2010 compared to year to date budget.

*(dollar amounts in millions)*

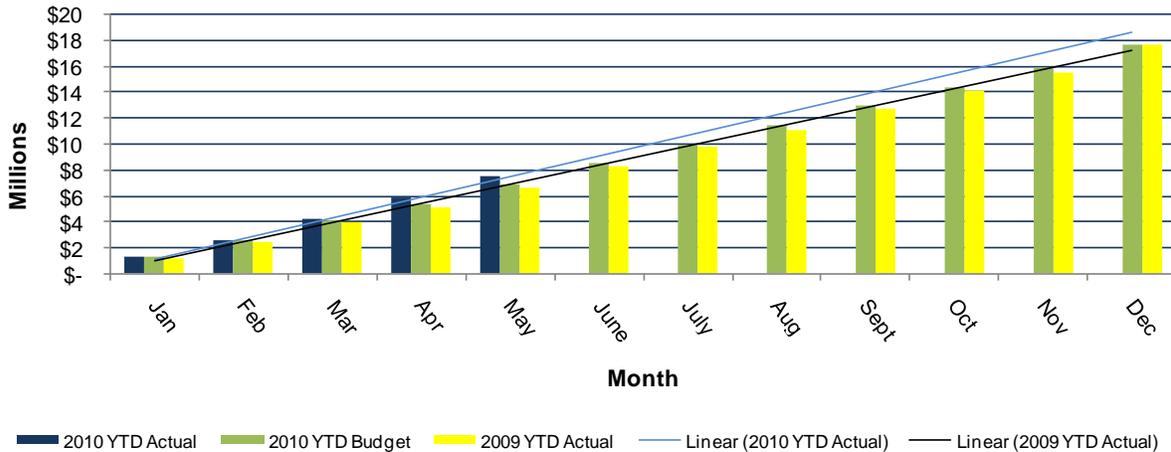
	Actual YTD 2010	Budget YTD 2010	\$ Variance	% Variance
Retail Sales Tax	\$ 7.5	\$ 6.9	\$ 0.6	8.9%
Property Tax	5.6	5.5	0.1	2.1%
Building Materials Use Tax	0.4	0.4	-	-7.4%
Highway Users Tax Fund	1.7	1.3	0.4	32.6%
Franchise Fees	1.9	1.8	0.1	3.4%
Specific Ownership Tax	0.2	0.2	-	-11.9%
Motor Vehicle Registration Fees	0.2	0.2	-	11.5%
Automobile Use Tax	1.2	1.3	(0.1)	-12.5%
Road and Bridge Shareback	0.2	0.2	-	2.1%
Court Fines	1.0	0.9	0.1	11.9%
Investment Income	-	0.1	(0.1)	-77.4%
All Other Revenue Sources	0.6	0.6	-	11.6%
	\$ 20.5	\$ 19.4	\$ 1.1	5.7%

**Retail Sales Tax**

Total retail sales tax revenues year to date are \$.6 million, or 8.9% favorable to year to date budgeted revenues. Some businesses that have been recently licensed have also filed approximately \$.2 million in delinquent returns for prior periods that contribute to this favorable variance compared to budget. There was approximately \$55,000 in audit revenue year to date.

Year to date as of May 31, 2010, there were a total of 329 retail sales tax licenses and 153 business licenses issued. As new licenses are issued, staff is diligently monitoring subsequent tax filings to ensure proper program compliance. The total sales tax returns filed year to date including prior year periods through June are 7,185. On-line filing and remittance has increased from 3.37% in February of 2009 to 18.43% in May, 2010.

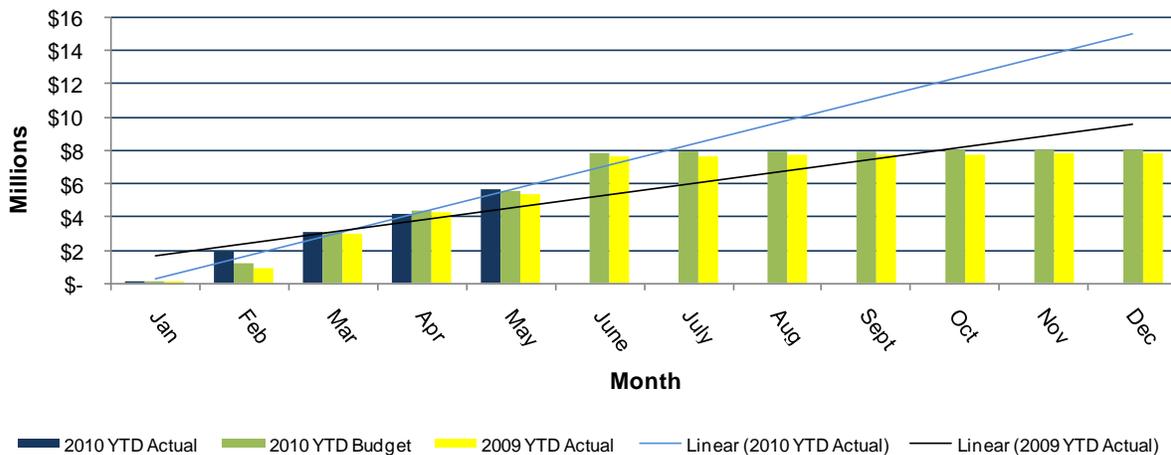
**Sales Tax Revenue - Current & Prior Year**



Property Tax

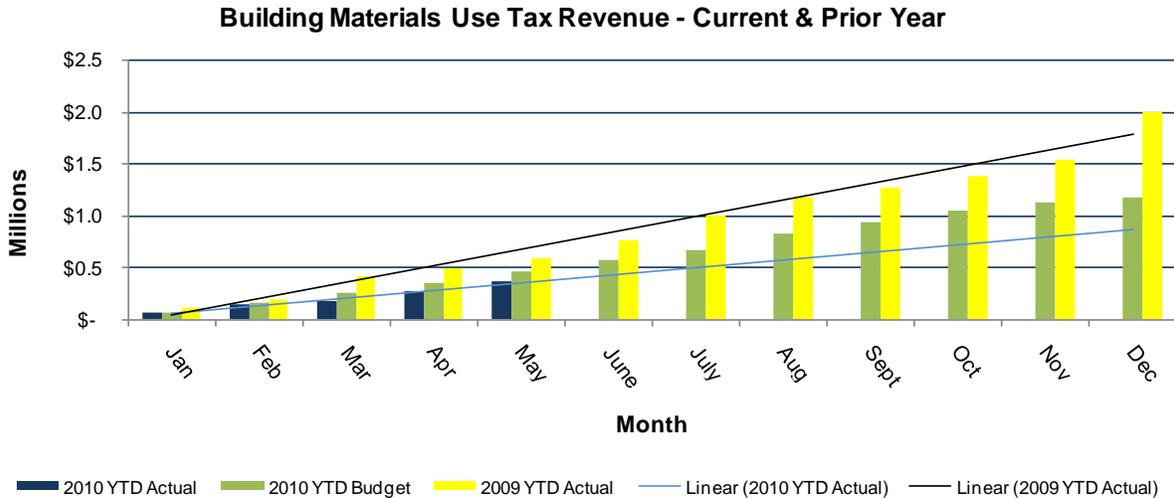
Property tax revenues year to date for 2010 are \$.1 million, or 2.1% favorable to budgeted revenues. This favorable variance is due to the timing of property tax payments compared to budget allocations. The budget was allocated based on the timing of payments received during the prior three years, however, the timing of property tax payments is inconsistent with the trend over prior years.

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



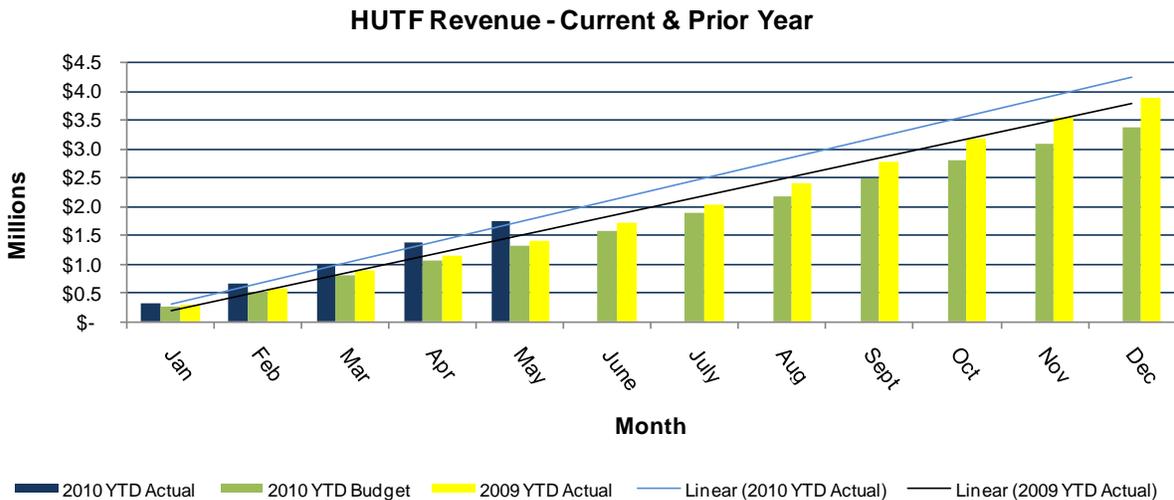
Building Materials Use Tax

Building Materials Use Tax revenues year to date for 2010 are less than \$.1 million, or 7.4% unfavorable to budgeted revenues. This unfavorable variance is partly due to \$50,000 in refunds of revenue collected in the prior year for contractors not subject to use tax. There was approximately \$14,000 in audit revenues received year to date.



Highway Users Tax Fund

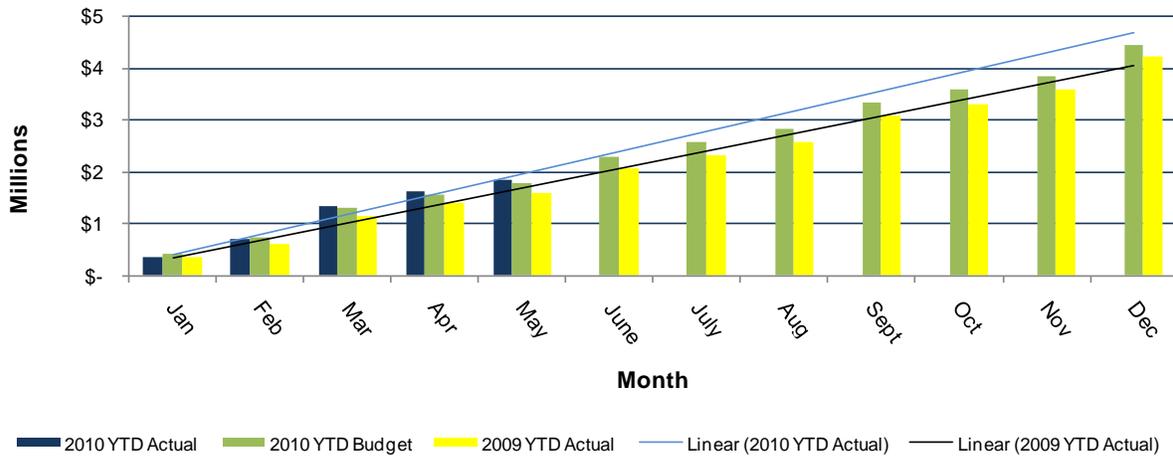
Highway Users Tax Fund revenues year to date for 2010 are \$.4 million, or 32.6% favorable compared to budgeted revenues. This favorable variance is due to the FASTER revenues that are included with the HUTF payments, but were not budgeted as the City did not know when the revenues would begin or how much to expect. Without the FASTER revenue, HUTF revenue is in line with the budget.



Franchise Fees

Franchise fee revenues year to date are \$.1 million or 3.4% favorable compared to budgeted revenues. This favorable variance is due to an increase in electric and cable franchise fee revenues. Xcel electric rates increased for the second quarter by around 8% compared to the first quarter of the year and by 14.2% compared to budget. The cable franchise fee increase is due to a combination of a rate increase during the first quarter of 2010, and a significant increase in the number of subscribers within the City compared to budget.

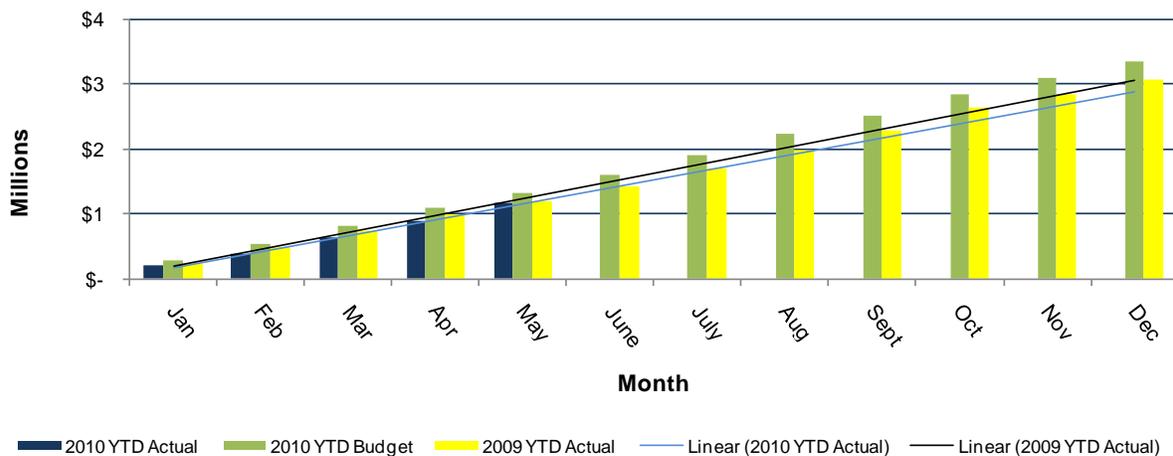
**Franchise Fee Revenue - Current & Prior Year**



Automobile Use Tax

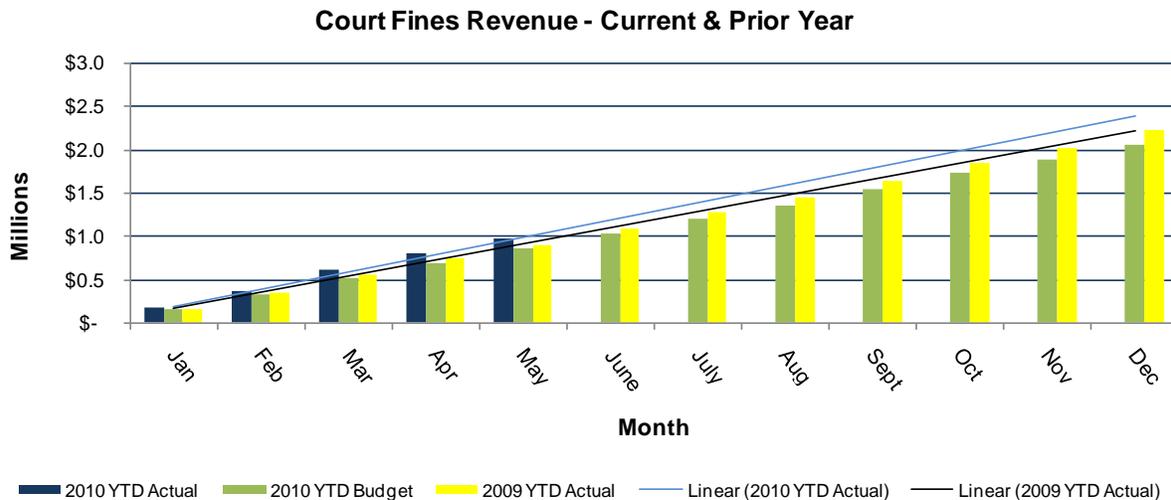
Automobile Use Tax revenues year to date are \$.1 million, or 12.5% unfavorable to budgeted revenues. Collections continue to deteriorate below what the City expected due to lower auto sales. The City lagged the trend with the decline that started in 2008, and is expected to also lag the trend with the recovery and has been reflected in the budget. According to Colorado Automobile Dealers Association, new vehicle registrations increased 20.3% in May, 2010 from May, 2009 and used vehicles declined 6.1% for the same period (this only includes vehicles seven years old or newer).

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



### Court Fines

Court fines year to date for 2010 are \$.1 million, or 11.9% favorable compared to budgeted revenues. This favorable variance is partly attributable to the timing of budget allocations as well as greater compliance with the ability to pay court fines online. The budget and monthly allocations are based on prior year actual trends.



### Investment Income

Investment income year to date is 77.4% unfavorable compared to budgeted revenues. This unfavorable variance is the direct result of the continued, and significant, declines in earnings rates.

### Expenditures

Total expenditures and other financing uses year to date are \$1.0 million, or 5.5% favorable compared to the year to date budget. The overall favorable variance for actual expenditures compared to budget is primarily due to the Economic Development, Finance, Nondepartmental, Human Resources and Risk Management Services, Support Services, Public Works and Law Enforcement departments, as well as the Land Use Fund transfer.

- Economic Development expenditures year to date are \$.1 million, or 65.0% favorable to the year to date budget. This favorable variance is partly due to budget savings related to projects, as well as the timing of budget allocations.
- Finance expenditures year to date are \$.1 million, or 22.9% favorable to the year to date budget. This favorable variance is primarily due to vacancy savings and the timing of budget allocations related to projects.
- Nondepartmental expenditures year to date are \$.1 million, or 30.8% favorable to the year to date budget. This favorable variance is partly due to lower costs for the coyote management program, and the timing of budget allocations.
- Human Resources and Risk Management Services expenditures year to date are \$.2 million, or 39.4% favorable to the year to date budget. This favorable expenditure variance is primarily due to a decrease in premiums for property and casualty insurance services, compared to premiums expected, which may result in an annual savings, as well as vacancy savings.
- Support Services expenditures are \$.1 million, or 21.6% favorable to the year to date budget. This favorable variance is primarily due to the timing of expenditures as compared to the allocation of the budget for specific projects within the Information Technology division.

- Public Works expenditures are \$.1 million, or 1.8% favorable to the year to date budget. This favorable variance is primarily due to the timing of expenditures as compared to the allocation of the budget. In addition, there was a reduction in striping and street sweeping services resulting in less fuel expenditures compared to the budget.
- Law Enforcement expenditures are \$.1 million, or .9% favorable to the year to date budget. This favorable variance is due to timing of budget allocations as a result of a budget supplemental for approximately \$120,000 that was approved by City Council in April, 2010 for the School Resource Officer at Arapahoe High School. The cost for the School Resource Officer is spread equally throughout the year, therefore the favorable variance will diminish as the year progresses.
- Land Use Fund Transfers are \$.1 million, or 25.4% favorable to the year to date budget. This favorable variance to budget is due to increased Building Services revenue from a large commercial project, thereby reducing the transfer required by the Land Use Fund.
- Most all other City department expenditures are favorable year to date compared to budget. This favorable variance is the result of the timing of expenditures compared to the budget allocations.

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

#### *Revenues*

- Total revenues collected year to date increased less than \$.1 million, or 5.3%, to \$.9 million compared to revenues collected year to date during the prior year. Building Services revenues collected year to date are \$.7 million, or \$.1 million, 12.5% more than revenues collected year to date during the prior year. This increase is the result of plan review fees for a large commercial project.

#### *Expenses*

- Total expenses year to date decreased \$.2 million, or 12.0%, to \$1.1 million compared to expenditures year to date during the prior year. This decrease is a result of fewer expenses related to Applicant Work Orders and the Land Development Code Rewrite. In addition, expenses related to the Sub Area Plan moved to Planning & Development for 2010 as the cost is not specific to the Land Use Fund.

### **Comparison to Budget**

#### *Revenues*

- Total revenues collected year to date are less than \$.1 million, or 4.7% unfavorable compared to year to date budgeted revenues. This unfavorable variance is partly due to the timing of budget allocations for the EECEBG (Energy Efficiency and Conservation Block Grant) and DRCOG (Denver Regional Council of Governments) grant revenues. Building Services revenues are favorable compared to year to date budget by 23.0%.

#### *Expenses*

- Total expenses are \$.1 million, or 8.7% favorable compared to the year to date budget. This favorable variance is due to the timing of budget allocations compared to actual expenses for grant projects of \$.2 million. This favorable variance is partially offset by unfavorable Building Services expenses compared to budget of \$.1 million due to higher than expected Building Services revenue year to date. Building Services expenses are unfavorable to year to date budget by 23.1% due to favorable variance of Building Services revenues.

## CAPITAL IMPROVEMENT FUND

### Comparison to Prior Year

#### *Revenues*

- Total revenues collected year to date decreased \$1.7 million, or 97.1% compared to revenues collected year to date during 2009. This decrease is due to Federal Grant revenues collected as for the Arapahoe/University and Arapahoe/Colorado to Holly projects during the prior year.

#### *Expenditures*

- Total expenditures year to date decreased \$2.8 million, or 87.9%, to \$.4 million compared to expenditures year to date during the prior year. This decrease is mostly the result of the Arapahoe/University and Arapahoe/Colorado to Holly projects, which had \$2.7 million expended year to date in 2009. In addition, there was \$.2 million expended on the Potomac and Fremont traffic signal during the prior year.

### Comparison to Budget

#### *Revenues*

- Total revenues collected year to date are \$.1 million, or 59.2% unfavorable compared to the year to date budget. This unfavorable variance is due to timing of the budget allocations which is the result of a budget supplemental for approximately \$60,000 that was approved by City Council in April, 2010. This budget supplemental is for the Curb Cut Program which allows homeowners to replace their roll-over curb-walks with new concrete curb cuts in front of their driveways at the homeowner's expense. In addition, the pavement degradation fee schedule was revised resulting in lower than expected pavement degradation revenues.

#### *Expenditures*

- Total expenditures are \$1.3 million, or 77.8% favorable compared to the year to date budget. This favorable variance is due to budgeted funds that were carried forward from the prior year for the Arapahoe/University, Arapahoe/Colorado to Holly, and other projects, as well as the associated timing of project budget allocations. In addition, there was a budget supplemental for approximately \$60,000 that was approved by City Council in April, 2010 for the Curb Cut Program that did not begin until May. This program will have offsetting revenues resulting in a net zero impact to the fund.

## CONSERVATION TRUST FUND

### Comparison to Prior Year

#### *Revenues*

- Total revenues collected year to date are less than \$.1 million, or 14.8% below revenues collected during the prior year. This decrease is due to lower investment earnings during the current year, which is the direct result of declining earnings rates. The amount invested has increased from \$3.7 million at the end of May, 2009, to \$4.0 million at the end of May, 2010.

#### *Expenditures*

- There are no year to date expenditures for 2009 or 2010.

### Comparison to Budget

#### *Revenues*

- Total revenues collected year to date are 7.8% below budgeted revenues due to a decrease in lottery proceeds as well as investment earnings, which is the direct result of lower earnings rates.

#### *Expenditures*

- There are no year to date budgeted or actual expenditures for 2010.

## OPEN SPACE FUND

### **Comparison to Prior Year**

#### *Revenues*

- Total revenues collected year to date decreased less than \$.1 million, or 54.8% compared to revenues collected year to date during 2009. This decrease is due to lower investment earnings, which is the direct result of declining earnings rates. The amount invested has increased from \$6.3 million at the end of May, 2009, to \$7.7 million at the end of May, 2010.

#### *Expenditures*

- Total expenditures year to date increased \$.3 million, or more than 100.0%, to \$.4 million compared to expenditures year to date during the prior year. This increase is the result of expenditures for Broncos Parkway Trailhead, Piney Creek Hollow Park, Piney Creek Trail Bridge and Tagawa Access Road projects.

### **Comparison to Budget**

#### *Revenues*

- Total revenues collected year to date are less than \$.1 million, or 45.8% below budgeted revenues due to a decrease in investment earnings, which is the direct result of lower earnings rates.

#### *Expenditures*

- Total expenditures are \$.8 million, or 67.0% favorable compared to the year to date budget. This favorable variance is due to timing of budget allocations as a result of a budget supplemental for approximately \$190,000 that was approved by City Council in April, 2010 for the Tagawa Access Road project. In addition, there were budget carry forward amounts allocated to April totaling approximately \$372,000 for South Suburban Park and Recreation District projects.

## GENERAL IMPROVEMENT DISTRICT FUNDS

### **Comparison to Prior Year**

#### *Revenues*

- Total revenues collected year to date increased less than \$.1 million, or 5.8% compared to revenues collected year to date during the prior year. This increase is due to timing of property tax payments, and is consistent with the payment pattern the City is experiencing in the General Fund.

#### *Expenditures*

- Total expenditures year to date are less than \$.1 million, or more than 100% higher than the prior year. This increase is due to the timing of the interest payment on the debt which occurred earlier than it did in the prior year.

### **Comparison to Budget**

#### *Revenues*

- Total revenues collected year to date are 9.3% favorable compared to the year to date budget. This favorable variance to budget is due to timing of property tax payments.

#### *Expenditures*

- Total expenditures are 64.4% favorable compared to the year to date budget. This favorable variance to budget is due to the timing of the budget allocations and is expected to diminish as the year progresses.

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

*Revenues*

- Total revenues collected year to date increased \$.4 million, or more than 100.0% compared to revenues collected year to date during 2009. This increase is due to higher property tax collections as a result of an increase in the amount certified for collection. This increase is partially offset by a decrease in building permit revenues from the prior year.

*Expenditures*

- Total expenditures year to date increased \$.5 million, or more than 100.0% compared to prior year expenditures. This increase is directly attributable to the property tax pass-through payment by the Authority to the Southglenn Metropolitan District pursuant to the public finance agreement.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date are \$.2 million, or 33.6% favorable compared to the year to date budgeted revenues. This variance is due to the timing of property tax payments in comparison to the allocation of the budget and is consistent with the payment pattern the City is experiencing in the General Fund.

*Expenditures*

- Total expenditures are \$.2 million, or 35.6% unfavorable compared to the year to date budget. This unfavorable variance is directly related to the timing of property tax payments and the related pass-through of these revenues to the Southglenn Metropolitan District as a result of the public finance agreement between the Authority and District.