



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended October 31, 2012; 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 2012 Annual Budget for an explanation of 2012 budget variances compared to the 2011 Adopted Budget.

**Summary of the October, 2012 YTD Financial Statements**

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

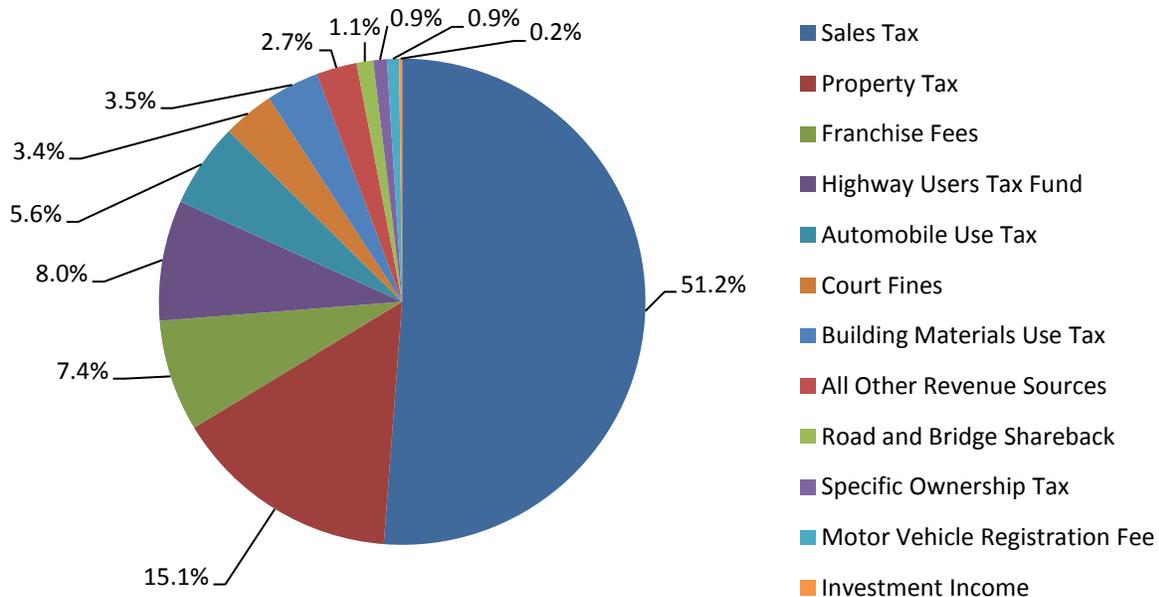
**Revenues**

The following table is a summary comparison of the primary revenue sources YTD for 2011 and 2012: *(dollar amounts in millions)*

	YTD 2012	YTD 2011	\$ Variance	% Variance
Retail Sales Tax	\$ 26.1	\$ 20.0	\$ 6.1	30.5%
Property Tax	7.7	8.0	(0.3)	-3.6%
Building Materials Use Tax	1.8	1.4	0.4	27.8%
Highway Users Tax Fund	4.0	3.8	0.2	6.8%
Franchise Fees	3.8	3.8	-	-1.8%
Specific Ownership Tax	0.4	0.4	-	3.8%
Motor Vehicle Registration Fees	0.4	0.4	-	4.4%
Automobile Use Tax	2.9	2.7	0.2	7.6%
Road and Bridge Shareback	0.6	0.6	-	1.6%
Court Fines	1.7	1.8	(0.1)	-5.3%
Investment Income	0.1	-	0.1	343.1%
All Other Revenue Sources	1.5	1.3	0.2	13.3%
	<u>\$ 51.0</u>	<u>\$ 44.2</u>	<u>\$ 6.8</u>	<u>15.4%</u>

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

**2012 YTD Revenues by Source, as a Percentage of Total Revenues**



### Retail Sales Tax

Retail Sales Tax revenue YTD 2012 is \$6.1 million or 30.5% more than collections YTD 2011. This increase is primarily due to sales tax collections from the Streets at SouthGlenn, Centennial Promenade, IKEA, Centennial Center, out-of-City vendors, and compliance audits. Centennial Promenade was annexed into the City in April 2011 and IKEA opened in July 2011. The City has received approximately \$2.2 million in sales tax revenue YTD from the Streets at SouthGlenn, Centennial Promenade, IKEA and Centennial Center which was not received YTD 2011.

The City's retail sales tax licensing program continues to identify businesses outside of Centennial that should be licensed and remitting sales tax. Sales tax revenues received from out-of-City vendors have increased by approximately \$1.1 million compared to YTD 2011. 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 auditing and delinquent collection efforts also increase overall compliance with the City's ordinance. The City collected one-time audit revenue totaling \$1.9 million more than collections YTD 2011. General sales tax collections for all other retailers have increased over \$0.9 million compared to YTD 2011.

The table below represents sales tax collected 2012 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2011.

**2012 & 2011 YTD through October 2012 - Top 25 Sales by 4-digit NAICS Code**

	<b>NAICS Description</b>	<b>2012 YTD</b>	<b>% of Total</b>	<b>2011 YTD</b>	<b>% Change</b>
1	Furniture Stores	\$3,365,621	17.9%	\$1,778,564	89.2%
2	Full-Service Restaurants	1,624,603	8.6%	1,376,795	18.0%
3	Automobile Dealers	1,236,171	6.6%	1,126,588	9.7%
4	Sporting Goods, Hobby, and Musical Instrument Stores	1,181,381	6.3%	975,906	21.1%
5	Limited-Service Eating Places	1,171,308	6.2%	1,057,092	10.8%
6	Wireless Telecommunications Carriers (except Satellite)	1,057,677	5.6%	1,052,147	0.5%
7	Grocery Stores	1,028,242	5.5%	937,798	9.6%
8	Electric Power Generation, Transmission and Distribution	966,525	5.1%	979,514	-1.3%
9	Electronics and Appliance Stores	851,457	4.5%	610,837	39.4%
10	Other General Merchandise Stores	733,097	3.9%	711,066	3.1%
11	Department Stores	611,258	3.3%	565,162	8.2%
12	Commercial and Industrial Machinery and Equipment Rental and Leasing	598,719	3.2%	446,293	34.2%
13	Automotive Parts, Accessories, and Tire Stores	475,066	2.5%	458,440	3.6%
14	Beer, Wine, and Liquor Stores	436,295	2.3%	432,399	0.9%
15	Automotive Repair and Maintenance	378,949	2.0%	351,982	7.7%
16	Jewelry, Luggage, and Leather Goods Stores	373,235	2.0%	321,539	16.1%
17	Wired Telecommunications Carriers	364,166	1.9%	423,282	-14.0%
18	Traveler Accommodation	346,926	1.8%	317,088	9.4%
19	Health and Personal Care Stores	344,873	1.8%	310,038	11.2%
20	Other Miscellaneous Store Retailers	334,488	1.8%	269,444	24.1%
21	Direct Selling Establishments	306,113	1.6%	237,837	28.7%
22	Home Furnishings Stores	295,332	1.6%	256,967	14.9%
23	Clothing Stores	256,869	1.4%	233,971	9.8%
24	Building Material and Supplies Dealers	253,436	1.4%	208,202	21.7%
25	Electrical and Electronic Goods Merchant Wholesalers	220,652	1.2%	230,143	-4.1%
	<b>Total</b>	<b>\$18,812,458</b>	<b>100.0%</b>	<b>\$15,669,095</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 2012 is \$0.3 million or 3.6% less than collections YTD 2011. While the timing of collections during the first few months of the year may vary from year to year, the majority of property tax due is received by June each year. It is anticipated, however, that total property tax collections in 2012 will be less than collections in 2011. This anticipated decrease in property tax collections is due to a slight decrease in total assessed property valuations for 2012.

### Building Materials Use Tax

Building Materials Use Tax revenue YTD 2012 is \$0.4 million or 27.8% more than collections YTD 2011. The increase in Use Tax collections is primarily due to an increase in the number of permits issued for and total valuations on residential projects and miscellaneous/one-stop permits, despite a decrease in the number of permits issued for and total valuations on commercial projects.

### Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2012 is \$0.2 million or 6.8% more than collections YTD 2011. This increase is partially due to a 12.5% increase in the City's monthly HUTF distribution ratio received during the first six months of 2012, which was not received during same period in 2011. This increase is offset by a decrease in the distribution ratio for the months of July through October 2012, as compared to those same months in 2011.

### Automobile Use Tax

Automobile Use Tax revenue is \$0.2 million or 7.6% more than collections YTD 2011. This increase is attributable to an increase in automobile sales YTD compared to the prior year, both locally and at the state level. According to the Colorado Automotive Dealers Association's newsletter, car sales and markets have increased over 2011 figures. New vehicle registrations increased 31.6% in Colorado during October 2012 compared to October 2011, and 22.9% YTD 2012 compared to YTD 2011.

### Court Fines

Court Fines revenue YTD 2012 is \$0.1 million, or 5.3% less than collections YTD 2011. Court fines and default fines contribute to the majority of this variance. While the total number of tickets issued YTD 2012 has decreased compared to the prior year, staff is currently researching the types of tickets issued YTD 2012 and will compare this data to the prior year to determine the effect, if any, on revenues.

### Investment Income

Investment Income YTD 2012 is \$0.1 million, or more than 100% more than collections YTD for the same period in 2011. This increase is attributable to the implementation of the City's new investment policy and investment strategy. This investment strategy takes into account the City's investment objectives of Safety, Liquidity, Yield, and Diversification. City staff anticipates that the City's overall investment yield will increase in future months as a result of implementing this new investment strategy. The weighted average yield of the City's investment portfolio has increased from 0.08% YTD 2011 to 0.39% YTD 2012.

### Expenditures

Total expenditures and transfers YTD are \$9.4 million or 24.0% more than expenditures YTD 2011. The net increase is attributable to variances in the City Attorney's Office, City Manager's Office, Finance, Nondepartmental, Support Services, Public Works, and Law Enforcement departments, as well as Land Use and Capital Improvement Fund transfers.

- City Attorney's Office expenditures are \$0.2 million less than expenditures YTD 2011. This decrease is a result of various legal fees for special projects, annexation, and litigation matters recorded as Nondepartmental expenditures in 2012.
- City Manager's Office expenditures are \$0.1 million less than expenditures YTD 2011. This decrease is a result of personnel vacancy savings realized during the first several months of the year during 2012.

- Finance expenditures are \$0.2 million more than expenditures YTD 2011. This increase is primarily due to an increase in expenditures related to sales tax audit and collection services in 2012.
- Nondepartmental expenditures are \$1.9 million more than expenditures YTD 2011. This net increase is partially due to an increase in legal fees for special projects, annexation and litigation matters (\$0.2) and incentive payments for agreements associated with Centennial Promenade and IKEA (\$2.1), which were not made at the beginning of 2011. These increased expenditures are offset by the USPS land purchase made in 2011 (\$0.4).
- Support Services expenditures are \$0.2 million more than expenditures YTD 2011. This increase is primarily due to the purchase of computer equipment and software upgrades, as well as an increase in utility fees related to the opening and maintenance of Centennial Center Park.
- Public Works expenditures are \$0.5 million more than expenditures YTD 2011. This net variance is partially due to an increase in salaries and benefits in 2012 as a result of 3.5 FTE positions being transferred from the Land Use Fund to Public Works. These increased expenditures are offset by a decrease in lower snow removal material costs and public works administration costs YTD 2012.
- Law Enforcement expenditures are \$0.2 million more than expenditures YTD in 2011. This increase is primarily due to a Council approved budget increase of 2.8% for 2012 law enforcement services.
- Land Use Fund Transfers are \$0.3 million less than transfers YTD 2011. This decrease is partially due to lower expenditures related to salary and benefits, which have decreased compared to the prior year due to the transfer of 3.5 FTE positions to the Public Works department in the General Fund. Additionally, expenditures related to the Bus Bench project, which was a one-time project funded by grant proceeds during 2011, have not been incurred YTD 2012.
- Capital Improvement Fund Transfers are \$6.9 million more than transfers YTD 2011. This increase is due to higher budgeted monthly transfers to the Capital Improvement Fund for projects associated with new street construction, street rehabilitation, land improvements, and building maintenance and improvements. More specifically, projects have been approved related to the Peakview/Peoria roundabout construction, Citywide street surface treatments and concrete replacement, traffic system upgrades, weather station installations, and the purchase of a new public works facility.

<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 2012 budget amounts.

**Revenues**

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

**(dollar amounts in millions)**

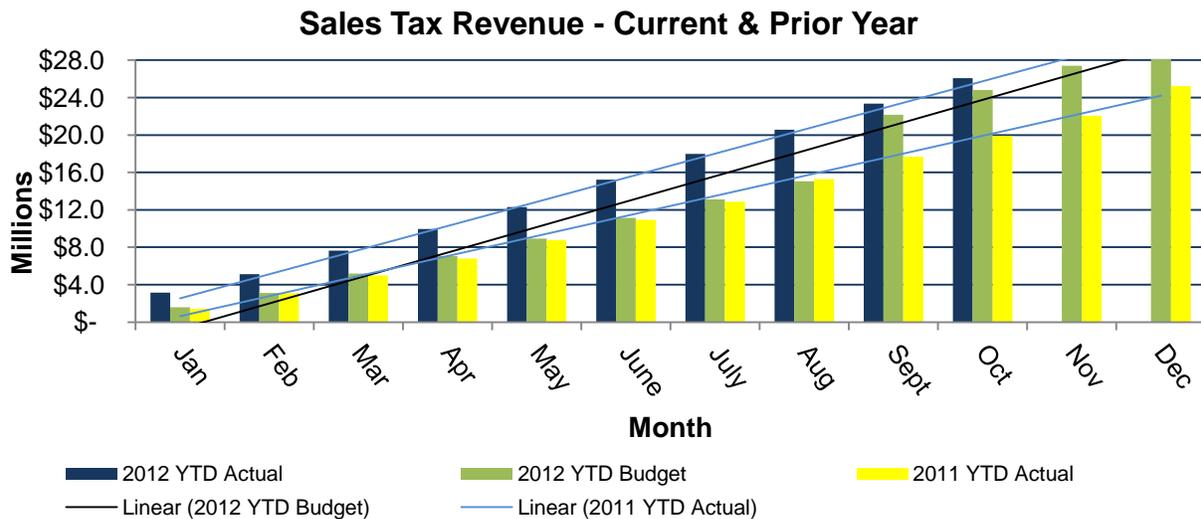
	Actual YTD 2012	Budget YTD 2012	\$ Variance	% Variance
Retail Sales Tax	\$ 26.1	\$ 24.8	\$ 1.3	5.1%
Property Tax	7.7	7.8	(0.1)	-1.1%
Building Materials Use Tax	1.8	1.1	0.7	61.6%
Highway Users Tax Fund	4.0	4.0	-	0.7%
Franchise Fees	3.8	3.8	-	-0.7%
Specific Ownership Tax	0.4	0.4	-	2.9%
Motor Vehicle Registration Fees	0.4	0.4	-	4.8%
Automobile Use Tax	2.9	2.8	0.1	2.4%
Road and Bridge Shareback	0.6	0.6	-	0.8%
Court Fines	1.7	1.7	-	0.6%
Investment Income	0.1	0.1	-	14.6%
All Other Revenue Sources	1.5	1.3	0.2	7.6%
	<u>\$ 51.0</u>	<u>\$ 48.8</u>	<u>\$ 2.2</u>	<u>4.3%</u>

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

**Retail Sales Tax**

Retail sales tax revenue YTD is \$1.3 million, or 5.1% favorable compared to budget. This favorable variance is due to the collection of one-time sales tax audit receipts and an increase in the City's sales tax base. One-time audit sales tax receipts YTD 2012 are \$.4 million favorable compared to budget.

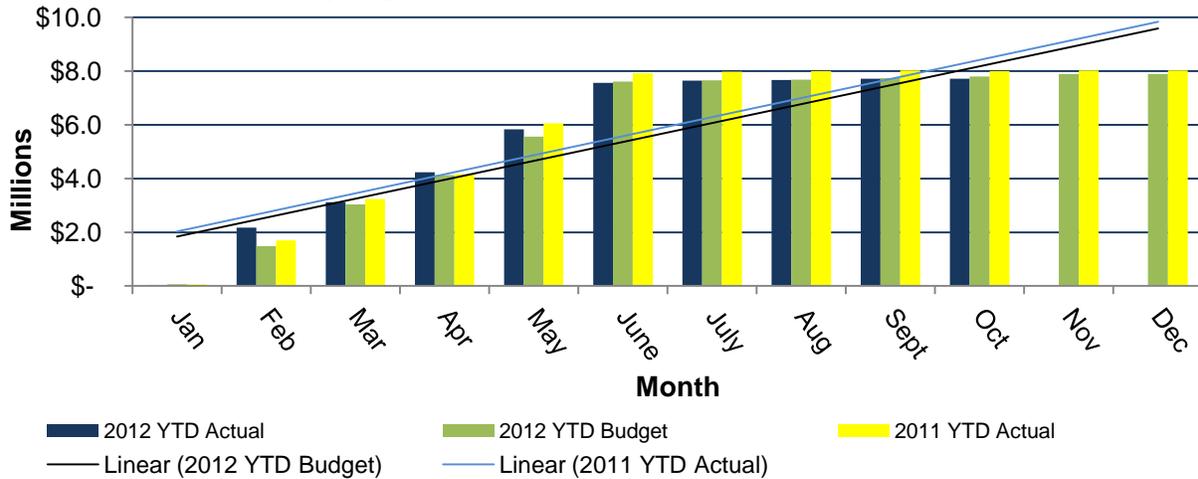
The budgeted sales tax base represents sales tax paid to the City that is not attributable to new development, one-time revenue from audits and/or delinquency revenue. Year-to-date, sales tax base receipts are \$0.9 million or 5.2% favorable compared to the budgeted sales tax base.



**Property Tax**

Property Tax revenue YTD is \$0.1 million, or 1.1% unfavorable compared to budget. This unfavorable variance is due to property tax refunds issued by Arapahoe County through the abatement process. Abatement refunds occur throughout the year and are not considered during the budget process. It is anticipated this unfavorable variance will remain throughout the rest of the year.

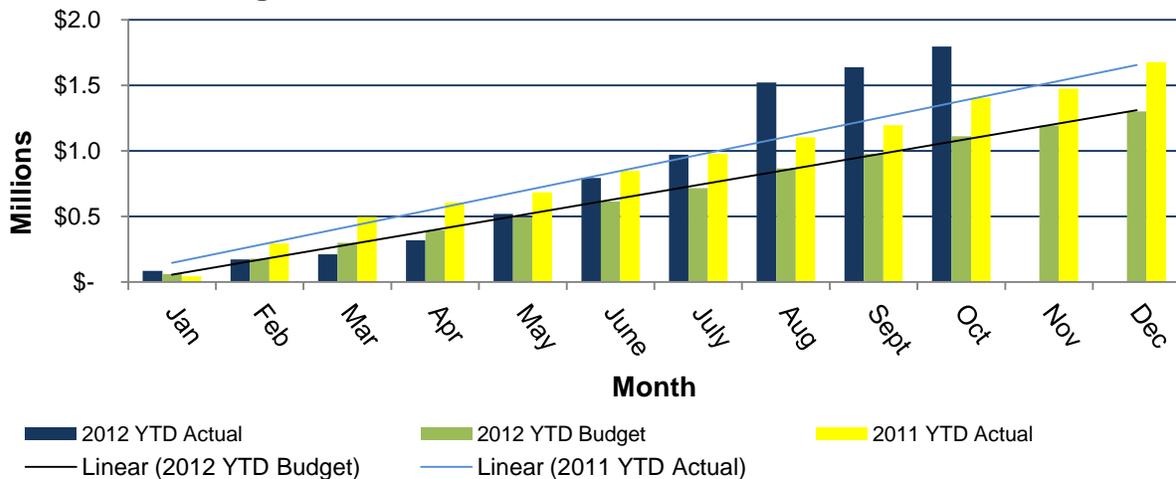
### Property Tax Revenue - Current & Prior Year



#### Building Materials Use Tax

Building Materials Use Tax revenue YTD is \$0.7 million, or 61.6% favorable compared to budget. This favorable variance is due to the issuance of several building permits for new residential projects and residential remodel projects that were not anticipated during the budget process. Additionally, Use Tax audit revenue of \$0.1 million has been received year to date, which was also not anticipated during the budget process.

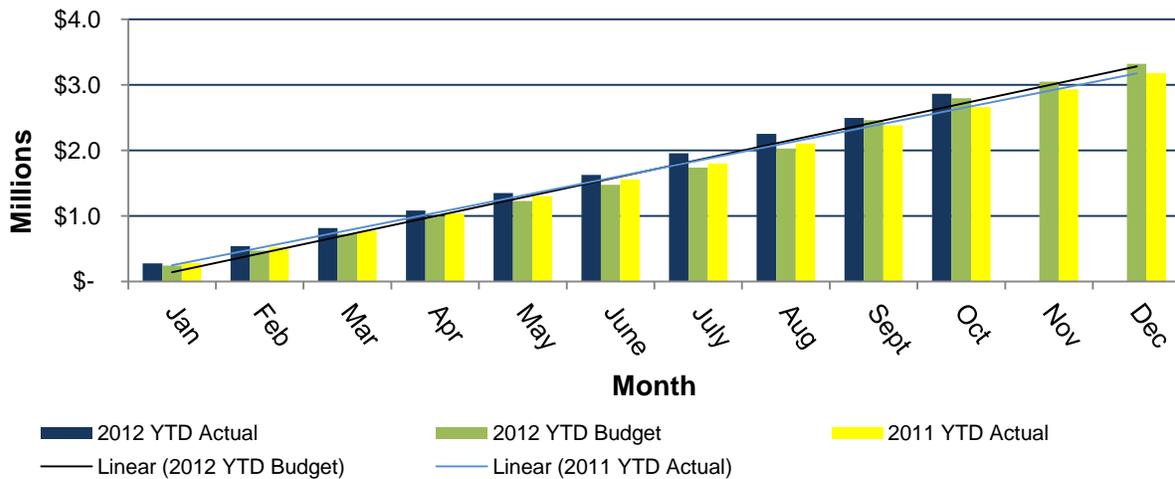
### Building Materials Use Tax Revenue - Current & Prior Year



#### Automobile Use Tax

Automobile Use Tax revenue YTD is \$0.1 million, or 2.4% favorable compared to budget. This favorable variance is a result of an increase in automobile sales YTD both locally and at the state level. It is anticipated that Automobile Use Tax revenues will remain favorable compared to budget throughout the remainder of the year.

## Auto Use Tax Revenue - Current & Prior Year



### Expenditures

Total expenditures and transfers YTD are \$1.7 million, or 3.4% favorable compared to budget. This net overall favorable variance is due to the City Attorney's Office, City Clerk's Office, City Manager's Office, Economic Development, Finance, Nondepartmental, Human Resources, Support Services, Public Works, and Community Development departments.

- City Attorney's Office expenditures are \$0.2 million or 23.5% favorable to budget. This favorable variance is primarily due to budget allocations for both general and outside council matters outpacing actual expenditures. It is anticipated, however, this favorable variance will diminish throughout the remainder of the year.
- City Clerk expenditures are \$0.1 million or 21.3% favorable to budget. This favorable variance is primarily due to budget allocations outpacing actual monthly expenditures for Professional Services. More specifically, expenditures related to a coordinated election effort between the City and Arapahoe County have not been incurred. This favorable variance is expected to diminish once the City is invoiced for these election efforts in November, 2012.
- City Manager's Office expenditures are \$0.1 million or 7.1% favorable to budget. This favorable variance is primarily due to personnel vacancy savings realized YTD. This favorable variance is expected to diminish throughout the remainder of the year.
- Economic Development expenditures are \$0.1 million or 52.2% favorable to budget. This favorable variance is partially due to budget allocations for a Cost-to-Serve Analysis project outpacing actual monthly expenditures, as this particular project started later in the year than anticipated. Additionally, budget allocations for Meetings/Training/Travel have outpaced actual expenditures as plans to attend certain meetings and training events have been postponed.
- Finance expenditures are \$0.1 million or 8.9% favorable to budget. This favorable variance is partially due to budget allocations for Financial System Services outpacing actual monthly expenditures. This favorable variance is expected to diminish throughout the remainder of the year. Additionally, expenditures related to Salaries and Benefits have been less than anticipated YTD, contributing to this overall favorable variance.
- Nondepartmental expenditures are \$0.1 million or 2.0% favorable to budget. This favorable variance is primarily due to lower than anticipated expenditures related to incentive agreement payments. It is anticipated this favorable variance will diminish throughout the remainder of the year.

- Human Resources expenditures are \$0.1 million or 13.6% favorable to budget. This favorable variance is primarily due to lower than anticipated expenditures related to salary and benefits, as a result of 1.0 FTE vacant position being eliminated, and another position being filled on a part-time basis.
- Support Services expenditures are \$0.2 million or 15.8% favorable to budget. This favorable variance is due to lower than anticipated expenditures related to information technology outsourcing services, software supplies, and utilities. Additionally, certain projects related to enhancements to and maintenance of the Civic Center building have occurred later in the year than anticipated, thus resulting in a favorable variance.
- Public Works expenditures are \$0.6 million, or 5.4% favorable to budget. This favorable variance is partially due to lower than anticipated expenditures YTD for Snow Removal Materials, Roadway Data Collection services, Signal Maintenance and Repairs, and Street Light and Signal Utilities. Additionally, monthly budget allocations are made for Public Works Transition Contingency Costs, however, minimal expenditures have been incurred YTD for such costs, resulting in a favorable variance to budget.
- Community Development expenditures after transfers are \$0.1 million, or 23.6% favorable to budget. This favorable variance is due to lower than anticipated expenditures for the I-25 Corridor Sub Area Plan. This favorable variance is expected to diminish throughout the remainder of the year as this project began later in the year than anticipated.

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

*Revenue*

- Revenue YTD is \$0.5 million, or 19.8% more than revenue collected during the same period in 2011. This variance is due to an increase in revenues related to Building Permit Fees and Building Plan Review Fees compared to the prior year.

*Expenses*

- Expenses YTD are \$0.2 million, or 7.4% more than expenses YTD for the prior year. This variance is partially due to an increase in expenses related to permit and plan review fees in 2012 compared to YTD 2011 (\$0.5). This increase is offset by lower expenses related to salary and benefits, which have decreased compared to the prior year due to the transfer of 3.5 FTE positions to the Public Works department in the General Fund (\$0.3).

**Comparison to Budget**

*Revenue*

- Revenue YTD 2012 is \$0.5 million, or 23.0% favorable compared to budget. This favorable variance is due to higher than anticipated Building Permit Fee collections.

*Expenses*

- Expenses YTD are \$0.4 million, or 15.3% unfavorable compared to budget. This unfavorable variance is primarily due to higher permit and plan review fees, which are partially offset by a favorable variance in areas such as equipment and building maintenance and legal services.

## CAPITAL IMPROVEMENT FUND

### Comparison to Prior Year

#### *Revenue*

- Revenue YTD is \$0.6 million, or 63.7% higher than revenue collected YTD 2011. This increase is due to the receipt of grant revenue for the Arapahoe Road - Holly to Krameria project (CDOT), Signal Master System project (EECBG), Weather Station project (CDOT), and the Signal Communication Improvements project (DRCOG).

#### *Expenditures*

- Expenditures YTD are \$4.3 million, or 77.3% more than expenditures YTD during the prior year. During 2011, funds were utilized primarily for rehabilitation purposes, with additional expenditures for management of related rehabilitation and construction projects (\$5.6). However in 2012, funds have been utilized for the construction of the Peakview/Peoria roundabout, City-wide street resurface treatments and concrete replacements, upgrades to the City's signal master system, and the purchase of a new Public Works facility (\$9.9).

### Comparison to Budget

#### *Revenue*

- Revenue YTD is \$0.1 million, or 7.7% unfavorable to budget. This unfavorable variance is due to Federal Grant Revenue allocations (EECBG and DRCOG) outpacing actual receipts. In the case of grants, revenues are not recognized until actual expenditures have been incurred.

#### *Expenditures*

- Expenditures are \$2.1 million, or 17.7% favorable compared to budget. This favorable variance is primarily due to the timing of expenditures compared to budget allocations for projects related to the construction of the Peakview/Peoria roundabout, City-wide street resurface treatments and concrete replacements, and upgrades to the City's signal master system.

## CONSERVATION TRUST FUND

### Comparison to Prior Year

#### *Revenue*

- Revenue YTD is less than \$0.1 million, or 12.7% more than revenue collected YTD 2011. This increase is due to higher Lottery Proceeds compared to the prior year.

#### *Expenditures*

- Expenditures YTD are \$3.2 million, or 93.9% less than expenditures YTD during the prior year. This decrease is due to the construction of Centennial Center Park, which was completed in 2011.

### Comparison to Budget

#### *Revenue*

- Revenue YTD is less than \$0.1 million, or 10.2% favorable compared to budget. This favorable variance is due to actual Lottery Proceeds outpacing monthly budget allocations.

#### *Expenditures*

- Expenditures are \$0.1 million, or 22.2% favorable compared to budget. This favorable variance is primarily due to the timing of expenditures compared to budget allocations for projects related to Natural Area Restoration. This favorable variance is expected to diminish throughout the year.

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

*Revenue*

- Revenue YTD is \$0.5 million or 16.5% less than revenue collected YTD 2011. This decrease is due to lower grant revenue collections compared to the prior year. While the City has entered into several Open Space grant agreements, the receipt of funds from these grants varies from year to year based upon the terms and conditions of the grant agreements.

*Expenditures*

- Expenditures YTD are \$4.0 million, or 81.8% less than expenditures YTD during the prior year. During 2011, Open Space funds were used for the purchase of the USPS land, construction of Centennial Center Park, open space maintenance and enhancements, and legal services. Open Space funds YTD 2012 have been used for trails, land improvements, and parks maintenance.

**Comparison to Budget**

*Revenue*

- Revenue received YTD is consistent with the budget.

*Expenditures*

- Expenditures YTD 2012 are \$3.2 million, or 78.4% favorable compared to budget. This favorable variance is primarily due to monthly budget allocations related to regional park enhancements and the construction of Centennial Link Trail outpacing actual expenditures. This favorable variance is expected to diminish throughout the year.

<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 2011.

*Expenditures*

- Expenditures YTD are \$0.2 million, or 49.7% less than expenditures YTD during the prior year. YTD 2011 GID funds were used to install split rail fencing within the Walnut Hills GID. No such projects have been started YTD 2012.

**Comparison to Budget**

*Revenue*

- Revenue received YTD is consistent with the budget.

*Expenditures*

- Expenditures are \$0.1 million, or 45.4% favorable compared to budget. This favorable variance is primarily due to budget allocations for contracted services and miscellaneous expenditures in both the Walnut Hills and Foxridge GID's outpacing actual YTD expenditures. This favorable overall variance, however, is expected to diminish throughout the remainder of the year.

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

*Revenue*

- Revenue received YTD is \$1.2 million, or 24.8% more than the prior year. This favorable variance is primarily due to higher property and sales tax collections for the Authority as a result of higher assessed property valuations and improved retail conditions. Assessed property valuations increased \$4,054,360 or 12.3% compared to the prior year. Additionally, the Authority has received construction funds for the installation of a new traffic signal at the intersection of Arapahoe Road and Vine Street, which were not received in 2011.

*Expenditures*

- Expenditures YTD are \$1.2 million, or 23.3% more than the prior year. This increase is a result of higher property tax and sales tax pass-thru payments by the Authority to the SouthGlenn Metropolitan District due to higher property and sales tax collections for The Streets at SouthGlenn. Additionally, construction service costs have increased over 2011 due to the construction of a new traffic signal at Arapahoe Road and Vine Street.

**Comparison to Budget**

*Revenue*

- Revenue received YTD is \$0.1 million, or 2.3% favorable compared to budget. This favorable variance is due to the timing of sales tax payments compared to monthly budget allocations. Monthly budget allocations are based on receipts for the same period in the prior year. It is anticipated this favorable variance will diminish throughout the remainder of the year.

*Expenditures*

- Expenditures YTD 2012 are consistent with budgeted amounts.