



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended September 30, 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 September, 2012 YTD Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

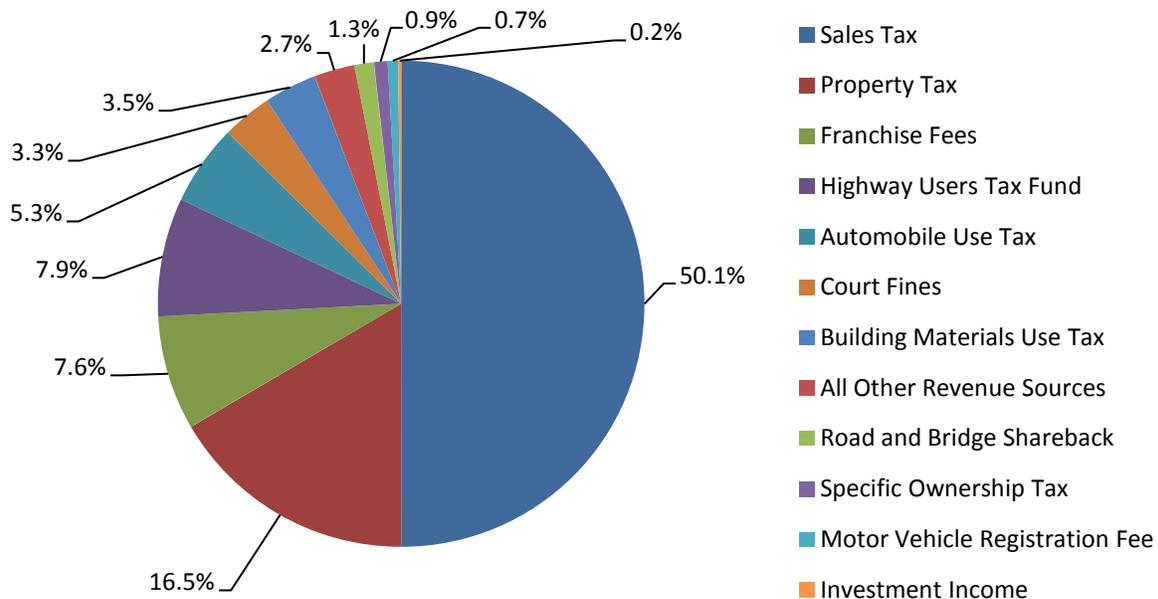
Revenues

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	\$ 23.3	\$ 17.7	\$ 5.6	31.6%
Property Tax	7.7	8.0	(0.3)	-3.9%
Building Materials Use Tax	1.6	1.2	0.4	36.9%
Highway Users Tax Fund	3.7	3.4	0.3	6.9%
Franchise Fees	3.5	3.6	(0.1)	-2.1%
Specific Ownership Tax	0.4	0.4	-	2.2%
Motor Vehicle Registration Fees	0.3	0.3	-	1.5%
Automobile Use Tax	2.5	2.4	0.1	4.7%
Road and Bridge Shareback	0.6	0.6	-	1.6%
Court Fines	1.5	1.6	(0.1)	-5.4%
Investment Income	0.1	-	0.1	325.9%
All Other Revenue Sources	1.4	1.2	0.2	13.1%
	<u>\$ 46.6</u>	<u>\$ 40.4</u>	<u>\$ 6.2</u>	<u>15.3%</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 \$5.6 million or 31.6% 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. The City has received approximately \$2.3 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 \$0.9 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 \$1.6 million more than collections YTD 2011. General sales tax collections for all other retailers have increased over \$0.8 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 September 2012 - Top 25 Sales by 4-digit NAICS Code

NAICS Description	2012 YTD	% of Total	2011 YTD	% Change
1 Furniture Stores	\$ 3,056,994	18.1%	\$ 1,370,942	123.0%
2 Full-Service Restaurants	1,470,013	8.7%	1,227,042	19.8%
3 Automobile Dealers	1,120,774	6.6%	995,508	12.6%
4 Sporting Goods, Hobby, and Musical Instrument Stores	1,079,262	6.4%	879,019	22.8%
5 Limited-Service Eating Places	1,055,679	6.2%	948,037	11.4%
6 Wireless Telecommunications Carriers (except Satellite)	940,775	5.6%	948,332	-0.8%
7 Grocery Stores	926,659	5.5%	835,546	10.9%
8 Electric Power Generation, Transmission and Distribution	866,214	5.1%	887,439	-2.4%
9 Electronics and Appliance Stores	764,039	4.5%	566,150	35.0%
10 Other General Merchandise Stores	649,546	3.8%	626,831	3.6%
11 Commercial and Industrial Machinery and Equipment Rental and Leasing	548,534	3.2%	383,195	43.2%
12 Department Stores	546,122	3.2%	506,059	7.9%
13 Automotive Parts, Accessories, and Tire Stores	412,271	2.4%	392,724	5.0%
14 Beer, Wine, and Liquor Stores	394,262	2.3%	387,118	1.9%
15 Wired Telecommunications Carriers	345,336	2.0%	384,857	-10.3%
16 Automotive Repair and Maintenance	341,449	2.0%	315,857	8.1%
17 Jewelry, Luggage, and Leather Goods Stores	336,816	2.0%	266,026	26.6%
18 Health and Personal Care Stores	309,775	1.8%	280,127	10.6%
19 Traveler Accommodation	300,134	1.8%	288,053	4.2%
20 Other Miscellaneous Store Retailers	299,799	1.8%	237,573	26.2%
21 Home Furnishings Stores	268,126	1.6%	229,682	16.7%
22 Direct Selling Establishments	249,827	1.5%	194,141	28.7%
23 Clothing Stores	230,981	1.4%	206,363	11.9%
24 Building Material and Supplies Dealers	225,898	1.3%	190,308	18.7%
25 Electrical and Electronic Goods Merchant Wholesalers	194,784	1.2%	209,281	-6.9%
Total	\$ 16,934,067	100.0%	\$ 11,893,894	

*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 3.9% 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 property tax valuations for 2012.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2012 is \$0.4 million or 36.9% more than collections YTD 2011. The increase in Use Tax collections is primarily due to an increase in the number of permits issued for residential projects and miscellaneous/one-stop permits, despite a decrease in permits issued for commercial projects.

Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2012 is \$0.3 million or 6.9% 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, August and September 2012, as compared to those same months in 2011.

Franchise Fees

Franchise fee revenues YTD 2012 are \$0.1 million or 2.1% less than collections YTD 2011. This decrease is primarily due to a reduction in Gas Franchise Fees of 11.2% compared to YTD 2011. While Staff continues to try and identify the exact cause for this decrease, the reduction is most likely due to mild weather in 2012 which has kept the demand for natural gas lower than during the prior year.

Automobile Use Tax

Automobile Use Tax revenue is \$0.1 million or 4.7% 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 29.7% in Colorado during September 2012 compared to September 2011, and 21.9% YTD 2012 compared to YTD 2011.

Court Fines

Court Fines revenue YTD 2012 is \$0.1 million or 5.4% 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 0.38% YTD 2012.

Expenditures

Total expenditures and transfers YTD are \$7.3 million or 20.5% more than expenditures YTD 2011. The net increase is attributable to variances in the City Manager's Office, Communications, Finance, Nondepartmental, Support Services, Public Works, Law Enforcement, and Community Development departments, as well as Land Use and Capital Improvement Fund transfers.

- City Manager's Office expenditures are \$0.2 million less than expenditures YTD 2011. This decrease is a result of personnel vacancy savings realized during 2012 compared to YTD 2011.

- Communications expenditures are \$0.1 million more than expenditures YTD 2011. This increase is primarily due to higher expenditures related to community services and events compared to 2011.
- 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 \$1.4 million more than expenditures YTD 2011. This net increase is partially due to an increase in attorney fees for litigation matters (\$0.1) and incentive agreement payments (\$1.7), which were not incurred during 2011. This increase in expenditures was offset by the USPS land purchase made in 2011 (\$0.4).
- Support Services expenditures are \$0.1 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 \$0.3 million more than expenditures YTD 2011. This net increase is primarily 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 increase of 2.8% for 2012 law enforcement services.
- Community Development expenditures are \$0.1 million less than expenditures YTD in 2011. This decrease is primarily due to lower expenditures related to salary and benefit expenditures, which have decreased compared to the prior year due to the transfer of 1.0 FTE position from Community Development to the Land Use Fund.
- 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 \$5.5 million more than transfers YTD 2011. This increase is due to higher 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.

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 1/12th 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.

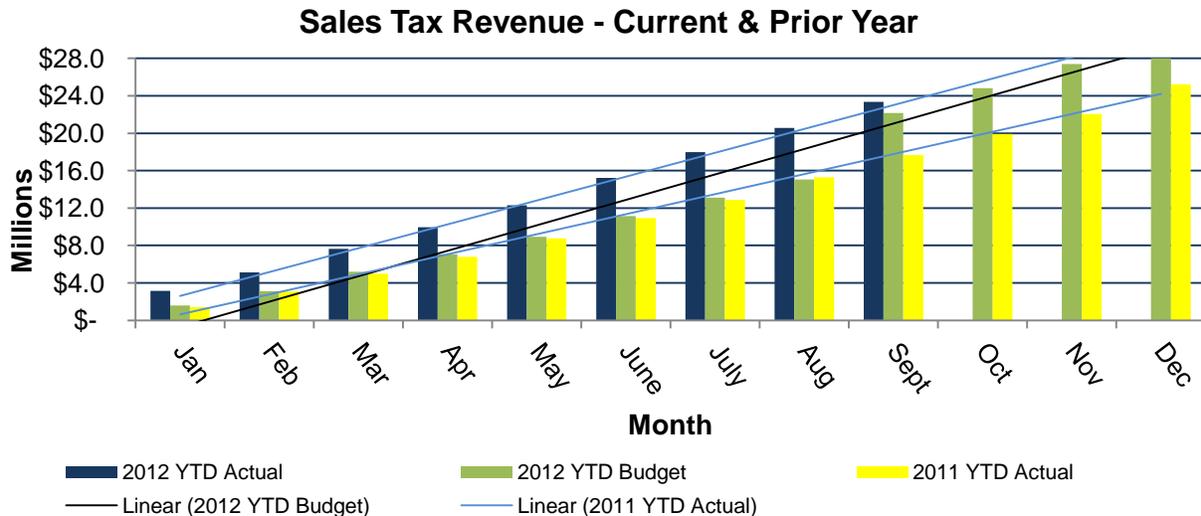
	<i>(dollar amounts in millions)</i>			
	Actual YTD 2012	Budget YTD 2012	\$ Variance	% Variance
Retail Sales Tax	\$ 23.3	\$ 22.1	\$ 1.2	5.4%
Property Tax	7.7	7.7	-	-0.3%
Building Materials Use Tax	1.6	1.0	0.6	67.8%
Highway Users Tax Fund	3.7	3.6	0.1	1.6%
Franchise Fees	3.5	3.5	-	-0.7%
Specific Ownership Tax	0.4	0.4	-	4.2%
Motor Vehicle Registration Fees	0.3	0.3	-	0.0%
Automobile Use Tax	2.5	2.5	-	1.4%
Road and Bridge Shareback	0.6	0.6	-	0.8%
Court Fines	1.5	1.5	-	1.3%
Investment Income	0.1	0.1	-	12.0%
All Other Revenue Sources	1.4	1.3	0.1	6.5%
	\$ 46.6	\$ 44.6	\$ 2.0	4.6%

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

Retail Sales Tax

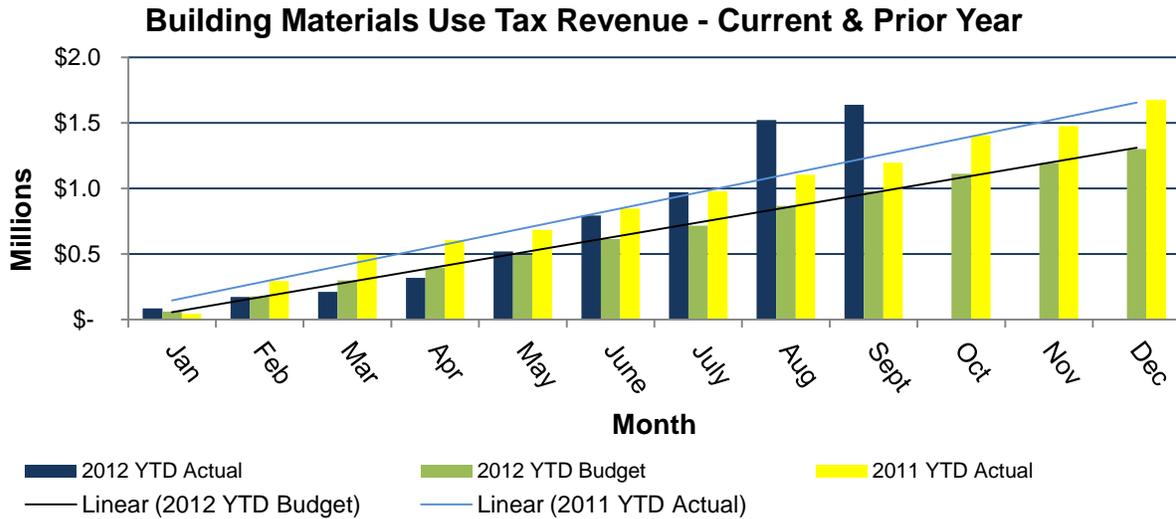
Retail sales tax revenue YTD is \$1.2 million, or 5.4% favorable compared to budget. This favorable variance is due to the collection of one-time sales tax audit receipts and an increase in the City's sales tax base. One-time audit sales tax receipts YTD 2012 are \$0.3 million favorable compared to budget.

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 delinquency revenue. Year-to-date, sales tax base receipts are \$0.9 million or 6.1% favorable compared to the budgeted sales tax base.



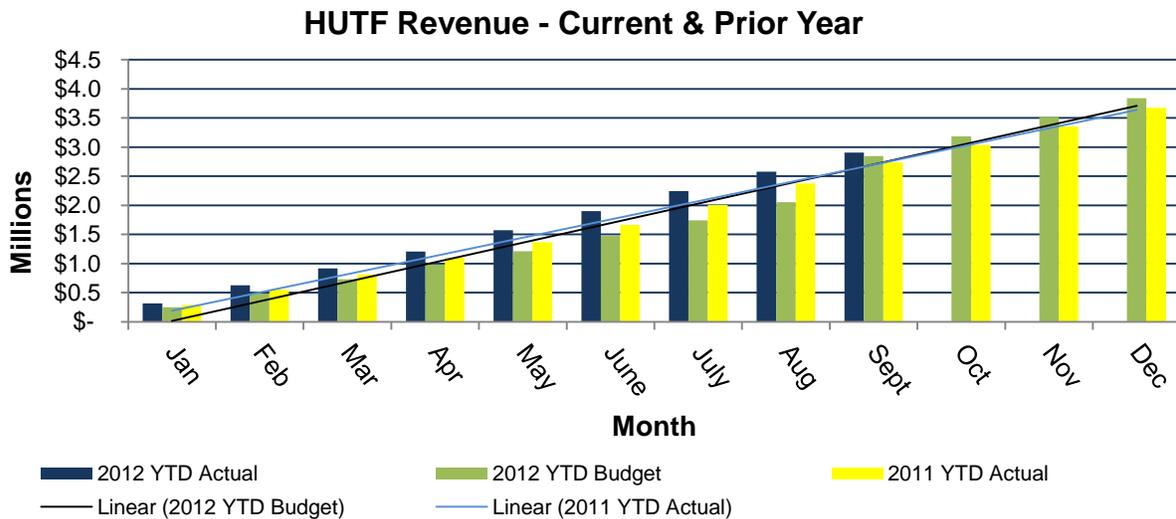
Building Materials Use Tax

Building Materials Use Tax revenue YTD is \$0.6 million, or 67.8% 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.

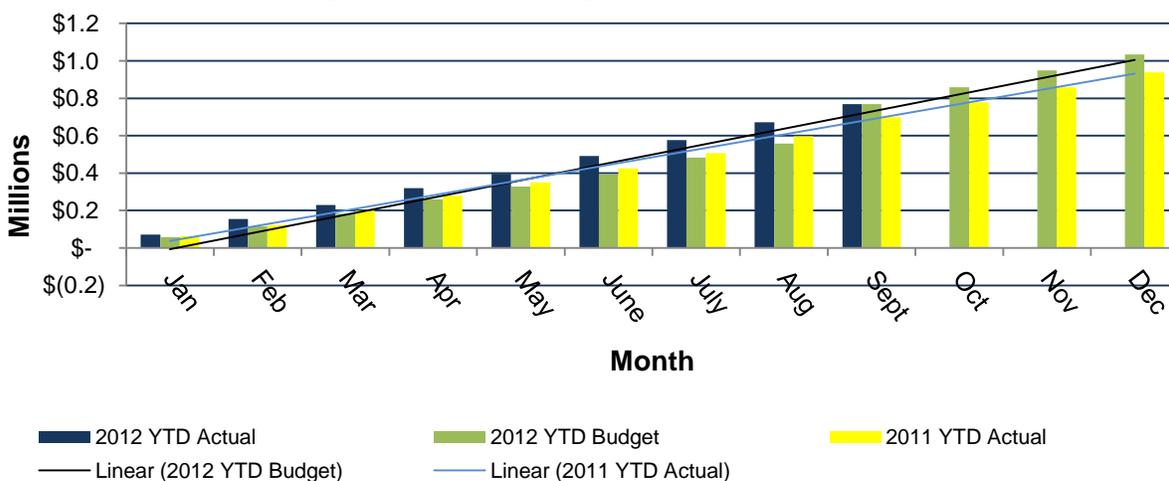


Highway Users Tax Fund

Highway Users Tax Fund revenue YTD is \$0.1 million, or 1.6% favorable to budget. This favorable variance is due to actual receipts outpacing monthly budget allocations. It is anticipated this favorable variance will diminish throughout the remainder of the year due to a decrease in the 2012 Revised Budget and a revision of the City's distribution ratio for the months of July through December 2012.



FASTER Revenue - Current & Prior Year



Investment Income

Investment Income revenue YTD is less than \$0.1 million, or 12.0% favorable compared to budget. This increase is attributable to the implementation of the City's new investment strategy, which was not in effect during the 2012 Budget process.

Expenditures

Total expenditures and transfers YTD are \$2.1 million, or 4.8% favorable compared to budget. The net overall favorable variance is due to the City Clerk's Office, City Manager's Office, Economic Development, Finance, Nondepartmental, Human Resources, Support Services, and Public Works departments.

- City Clerk expenditures are \$0.1 million or 21.8% 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 8.1% 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 63.5% 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. This overall favorable variance is expected to diminish throughout the remainder of the year.
- Finance expenditures are \$0.1 million or 8.3% 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 \$0.4 million or 13.2% 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 13.5% 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 24.4% 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 have occurred later in the year than anticipated, thus resulting in a favorable variance. It is anticipated, however, this favorable variance will diminish throughout the remainder of the year.
- Public Works expenditures are \$0.7 million, or 7.9% 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. It is anticipated, however, this overall favorable variance will diminish throughout the remainder of the year.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.4 million, or 19.9% more than revenue collected during the same period in 2011. This increase 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 \$0.1 million, or 6.2% more than expenses YTD for the prior year. This increase is partially due to an increase in expenses related to permit and plan review fees in 2012 compared to YTD 2011 (\$0.4). 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 22.0% favorable compared to budget. This favorable variance is due to higher than anticipated Building Permit Fee collections.

Expenses

- Expenses YTD are \$0.3 million, or 14.8% unfavorable compared to budget. This unfavorable variance is primarily due to higher permit and plan review fees, which are partially offset by favorable expense variances for equipment and building maintenance and legal services.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.7 million, or 82.5% 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 83.4% more than expenditures YTD during the prior year. During 2011 YTD funds were utilized primarily for rehabilitation purposes, with additional expenditures for the management of related rehabilitation and construction projects (\$5.1). However, in 2012 YTD 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 (\$9.4).

Comparison to Budget

Revenue

- Revenue received YTD is consistent with the budget.

Expenditures

- Expenditures are \$2.2 million, or 18.8% 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 12.6% more than revenue collected YTD 2011. This increase is due to higher Lottery Proceeds compared to the prior year.

Expenditures

- Expenditures YTD are \$3.0 million, or 93.8% 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 23.8% 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 and Park Maintenance. This favorable variance is expected to diminish throughout the year.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is consistent with the prior year.

Expenditures

- Expenditures YTD are \$3.8 million, or 86.7% 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 \$2.3 million, or 80.2% 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.

GENERAL IMPROVEMENT DISTRICT (GID) FUNDS

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 54.0% 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 49.9% 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 overall favorable variance, however, is expected to diminish throughout the remainder of the year.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
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Comparison to Prior Year

Revenue

- Revenue received YTD is \$1.3 million, or 27.5% 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. 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 \$1.3 million, or 27.0% 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 \$0.3 million, or 5.3% 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 are \$0.3 million, or 5.1% unfavorable compared to budget. This unfavorable variance is primarily due to sales tax pass-through payments by the Authority to the Southglenn Metropolitan District outpacing monthly budget allocations. This unfavorable variance is expected to diminish throughout the remainder of the year.