



The following financial report analysis offers readers a narrative overview and analysis of the financial activities of the City for December, 2009. 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 December, 2009 Monthly Financial Statements**

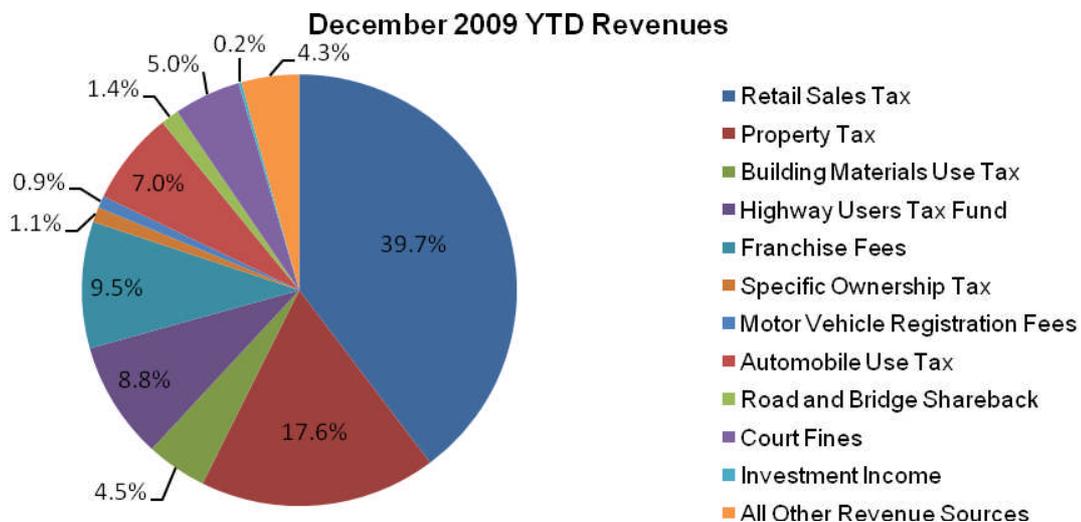
**GENERAL FUND – COMPARISON TO PRIOR YEAR**

**Revenues**

The following table is a summary comparison of the primary revenue sources year to date for 2008 and 2009:

*(dollar amounts in millions)*

	December 2009	December 2008	\$ Variance	% Variance
Retail Sales Tax	\$ 17.6	\$ 18.1	\$ (0.5)	-2.8%
Property Tax	7.8	7.6	0.2	2.6%
Building Materials Use Tax	2.0	3.3	(1.3)	-39.4%
Highway Users Tax Fund	3.9	3.6	0.3	8.3%
Franchise Fees	4.2	4.8	(0.6)	-12.5%
Specific Ownership Tax	0.5	0.6	(0.1)	-16.7%
Motor Vehicle Registration Fees	0.4	0.4	-	0.0%
Automobile Use Tax	3.1	3.5	(0.4)	-11.4%
Road and Bridge Shareback	0.6	0.6	-	0.0%
Court Fines	2.2	2.3	(0.1)	-4.3%
Investment Income	0.1	0.6	(0.5)	-83.3%
All Other Revenue Sources	1.9	2.2	(0.3)	-13.6%
	<u>\$ 44.3</u>	<u>\$ 47.6</u>	<u>\$ (3.3)</u>	<u>-6.9%</u>



Retail Sales Tax

Total retail sales tax revenues year to date during 2009 are 2.8% below collections year to date in 2008. This decrease is likely the result of continued economic deterioration through 2009. The year to date variance between 2009 and 2008 has gradually improved over the past few months of 2009 and has been cut in half since July. Although 2009 ended the year below the 2008 total collections, December was \$.3 million above December of 2008 and was higher than December collections in all prior years.

Property Tax

Property tax revenues year to date during 2009 are 2.6% above collections year to date in 2008. The increase in property tax collections during 2009 is the direct result of an increase in the total mill levy certified for collection during 2009 (5.054 mills for 2009, compared to 4.958 mills for 2008) and an increase of approximately .8% in the net assessed property valuation.

Building Materials Use Tax

Building materials use tax revenues year to date during 2009 are 39.4% below collections year to date in 2008. This decrease is directly attributable to building materials use tax collections for the Streets at SouthGlenn project during 2008.

Highway Users Tax Fund

Highway Users Tax Fund revenues year to date during 2009 are 8.3% above collections year to date in 2008. The increase in HUTF collections during 2009 is due to FASTER revenues that are combined with the City's HUTF revenue. The City began receiving FASTER revenue with the July HUTF payment. Year to date through December we have received \$.4 million in FASTER revenue. Eighteen percent of the total FASTER revenues collected are distributed to the cities. The calculation used to distribute these revenues is the same as the calculation used for the HUTF distribution. The formula is primarily based on 80% of the number of motor vehicle registrations and 20% on the number of street miles (open, used and maintained streets).

Franchise Fees

Franchise fee revenues year to date during 2009 are 12.5% below collections year to date in 2008. Although cable franchise fees are relatively consistent between 2008 and 2009, gas and electric franchise fees have continued a downward trend through the year. As a result of the mild winter in 2008/2009, significant stockpiles of natural gas have accumulated which has caused prices to decline since April (following record high prices during 2008). Electric franchise fees have also declined during 2009 compared to 2008. Milder temperatures in 2009 compared to 2008 are a contributing factor to the unfavorable variance.

Automobile Use Tax

Automobile use tax revenues year to date during 2009 are 11.4% below collections year to date in 2008. The revenue trend for automobile use tax suggests a continued decrease in revenues from prior years as fewer consumers are purchasing automobiles in light of the economic downturn, and fewer dealerships are offering incentive programs similar to those offered during 2007.

Investment Income

Investment income year to date during 2009 is 83.3% below collections year to date in 2008. This decrease is directly attributable to the significant decline in earnings rates between 2008 and 2009 as the City's cash balances have increased from \$21.5 million as of December 31, 2008, to \$25.3 million as of December 31, 2009.

	<u>Annual Yield – 2008</u>	<u>Annual Yield - 2009</u>
Colostrust	0.93%	0.32%
Wells Fargo	0.15%	0.10%

Expenditures

Total expenditures and other financing uses year to date decreased \$6.4 million, or 13.4%, to \$41.1 million compared to expenditures and other financing uses year to date in 2008. The overall decrease is primarily attributable to expenditure fluctuations during the current year in the Nondepartmental, Public Works, Public Safety, Animal Services, Communications and City Attorney's Office departments, in addition to Capital Improvement fund transfers.

- Nondepartmental expenditures year to date are \$.4 million, or \$4.9 million (92.1%) less than expenditures year to date during the prior year. The largest portion of this decrease is due to the purchase of the City's Civic Center building and land during 2008, which accounts for \$4.1 million of the total decrease. In addition, the City's intergovernmental agreement with Arapahoe County Public Works expired in 2008 and the City contracted with a private service provider for public works services incurring \$.4 million in transition costs. The variance is also the result of expenditures for the Piney Creek Trail (\$.4 million) and the Potomac & Freemont traffic signal (\$.1 million) during the prior year, offset by expenditures related to the Arapahoe County vendor fees (\$.2 million) and treasurer fees (.1 million), as well as the coyote management program during 2009.
- Public Works expenditures year to date are \$10.6 million for 2009, or \$2.5 million (19.1%) less than expenditures year to date during the prior year. This decrease is primarily due to the realignment of service costs between the Public Works department and the Capital Improvement Fund to more accurately reflect programmatic services provided and costs incurred. Specifically, capital improvement program management, street rehabilitation, concrete replacement, and other capital project type expenditures are reported in the Capital Improvement Fund during 2009, rather than in the Public Works department as in 2008.
- Public Safety expenditures year to date are \$18.1 million for 2009, or \$.3 million (1.4%) more than expenditures year to date during the prior year. This increase is partly due to \$.1 million in pass through expenditures for Justice Assistance Grant (JAG) funding in 2009, as well as \$.2 million for the annual contract increase.
- Animal Services expenditures year to date are \$.6 million for 2009, or \$.3 million (33.1%) less than expenditures year to date during the prior year. During 2008, the City's intergovernmental agreement with Arapahoe County Animal Services terminated. Consequently, during 2008 the City contracted with service providers for animal control and sheltering services; during 2008 the City incurred start up costs for this program resulting in a decrease in expenditures of \$.3 million.
- Communications expenditures year to date are \$.3 million for 2009, or \$.2 million (36.5%) less than expenditures year to date during the prior year. This decrease is partly due to transferring the costs related to the web administrator position from the Communications department to the Support Services department to better align department services. In addition, there were fewer project costs, such as the visioning project as well as one less newsletter than in the previous year.
- City Attorney's Office (CAO) expenditures year to date are \$.5 million for 2009, or \$.2 million (23.5%) less than expenditures year to date during the prior year. This favorable expenditure variance is primarily due to a vacancy for five months of the year; resulting in workload being covered under an existing flat rate fee which reduced expenditures. The CAO was also down one half of a full time equivalent employee the last two months of the year which has directly contributed to the favorable expenditure variance compared to the prior year. Also, City staff has tried to use CAO time on projects more effectively. In addition, through November, there were no major projects, claims, or lawsuits.
- Capital Improvement Fund Transfers year to date are \$2.5 million for 2009, or \$1.6 million (more than 100.0%) more than transfers year to date during 2008. The Capital Improvement Fund, year to date for 2009, includes funding for services and supplies related to streets maintenance and operations such as capital improvement program management, street rehabilitation, concrete replacement and street surface treatment which was previously reported in the Public Works

department. Beginning in 2009, these costs have been reported in the Capital Improvement Fund to better align department services and costs.

<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 2009 compared to year to date budget. On November 3, 2009 City Council approved the Revised 2009 Budget. The **revised budget** amounts for 2009 have been included on the accompanying financial statements and the analysis below compares actual amounts to the revised budget amounts.

*(dollar amounts in millions)*

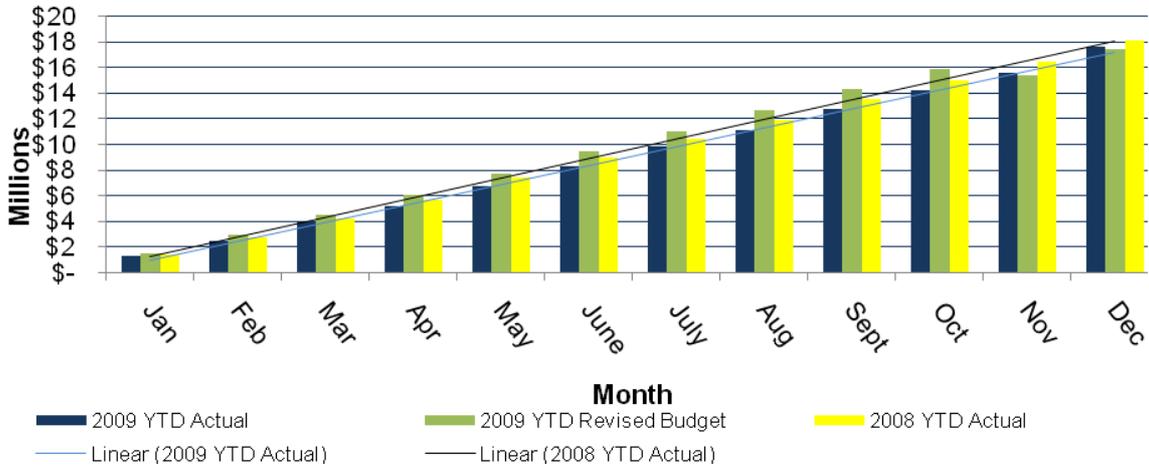
	Actual YTD 2009	Budget YTD 2009	\$ Variance	% Variance
Retail Sales Tax	\$ 17.6	\$ 17.4	\$ 0.2	1.0%
Property Tax	7.8	7.8	-	0.1%
Building Materials Use Tax	2.0	1.3	0.7	55.6%
Highway Users Tax Fund	3.9	3.5	0.4	10.2%
Franchise Fees	4.2	4.2	-	1.4%
Specific Ownership Tax	0.5	0.6	-	-3.2%
Motor Vehicle Registration Fees	0.4	0.4	-	0.1%
Automobile Use Tax	3.1	3.0	0.1	1.9%
Road and Bridge Shareback	0.6	0.6	-	4.6%
Court Fines	2.2	2.0	0.2	11.9%
Investment Income	0.1	0.2	(0.1)	-47.3%
All Other Revenue Sources	1.9	1.6	0.3	12.7%
	\$ 44.3	\$ 42.6	\$ 1.8	4.1%

**Retail Sales Tax**

Total retail sales tax revenues year to date are \$.2 million, or 1.0%, favorable to budgeted revenues. This budget was revised down due to the continued economic deterioration through the current year. The revised budget was based on historic trends; however, revenues for December of 2009 are higher than December revenues in all prior years. One element of the sales tax compliance and enforcement program is the City's ability to perform sales and use tax audits. Staff has identified and engaged sales and use tax audits which are currently being performed. Approximately \$35,000 in audit revenue was received during December.

As of December 31, 2009, there were a total of 2,922 retail sales tax licenses and 1,406 business licenses issued. As new licenses are issued, staff is diligently monitoring subsequent tax filings to ensure proper compliance. The total sales tax returns filed through December are 13,263, representing both monthly and quarterly filings. On-line filing and remittance has increased from 3.37% in February to 12.6% in December.

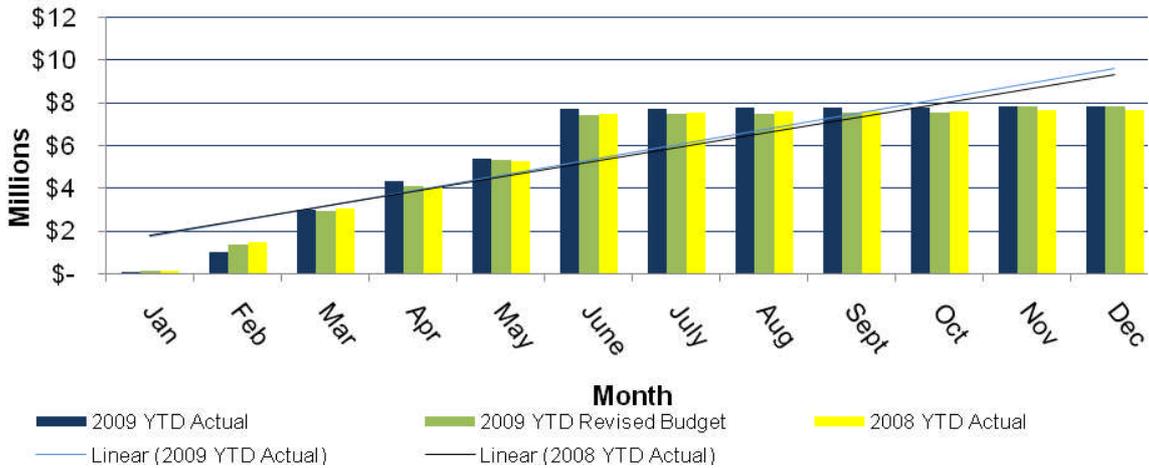
### Sales Tax Revenue - Current & Prior Year



### Property Tax

Property tax revenues year to date for 2009 are in line with the budgeted revenues. This budget was revised upward. The 2009 Adopted Budget included a decrease of 2.0% in property tax revenues; however, the City has experienced an increase of .8% in the net assessed property valuation for 2009 compared to 2008, along with an increase of 1.9% in the City's certified mill levy.

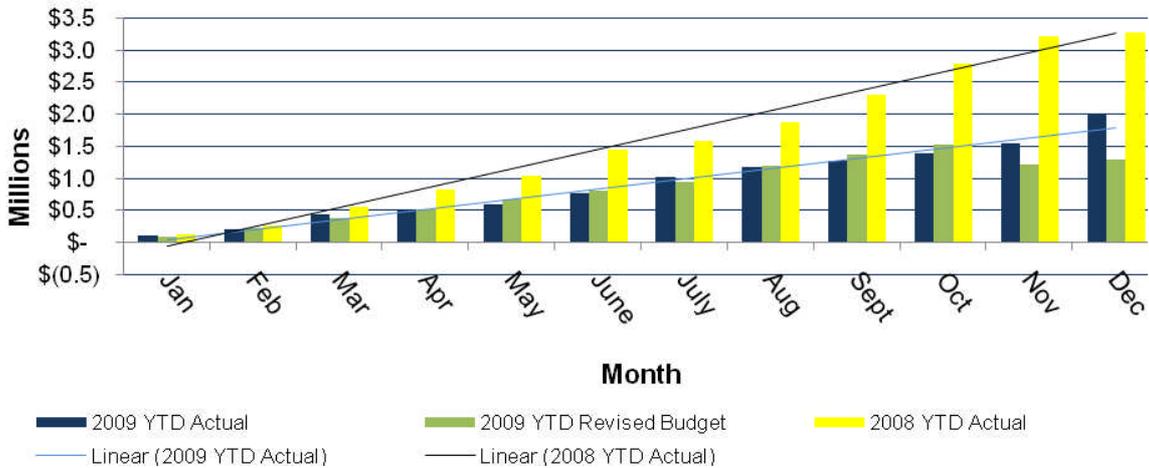
### Property Tax Revenue - Current & Prior Year



### Building Materials Use Tax

Building materials use tax revenues year to date are \$.7 million, or 55.6%, favorable to the revised budgeted revenues. This favorable variance is partly due to roof repairs for hail damage. In addition, there was a substantial audit completed for which \$.4 million was received in December.

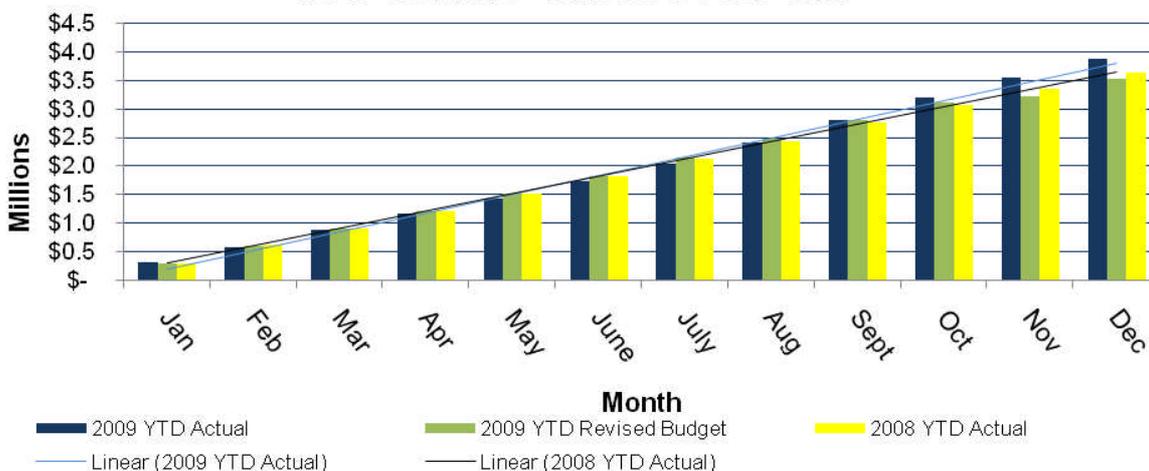
### Building Materials Use Tax Revenue - Current & Prior Year



### Highway Users Tax Fund

Highway Users Tax Fund revenues year to date are \$.4 million, or 10.2%, favorable to the revised budgeted revenues. The favorable variance to budget is due to FASTER revenues that are combined with the City's HUTF revenue. The revised budget did not include revenues for FASTER because staff did not know when the City would begin to receive those revenues or the amount expected. The City began receiving FASTER revenue with the July HUTF payment.

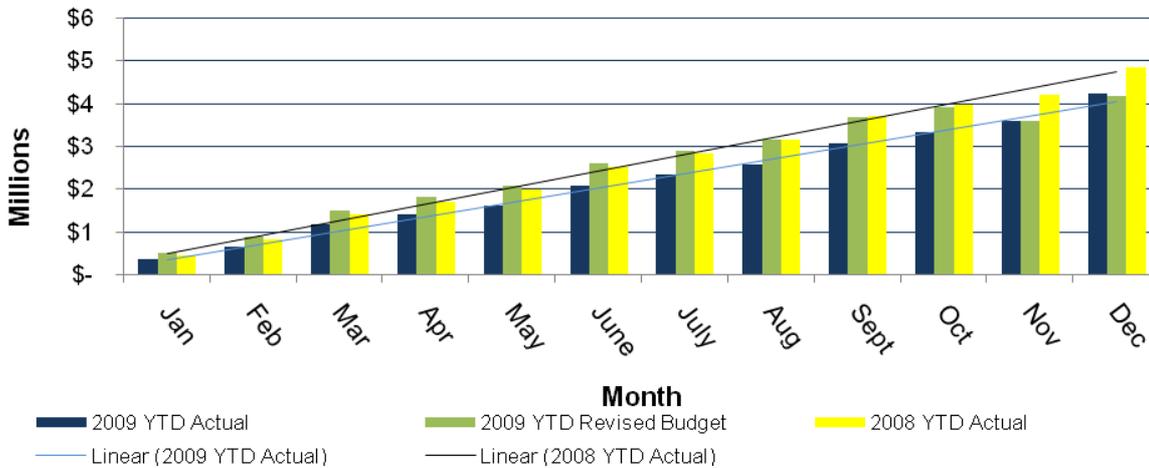
### HUTF Revenue - Current & Prior Year



### Franchise Fees

Franchise fee revenues year to date are slightly ahead of budgeted revenues. The franchise fee budget was revised downward due to a decrease in both gas and electric franchise fees; however the overall decrease is the direct result of lower gas prices. Electric franchise fees were also lower than originally budgeted in part due to milder temperatures than anticipated.

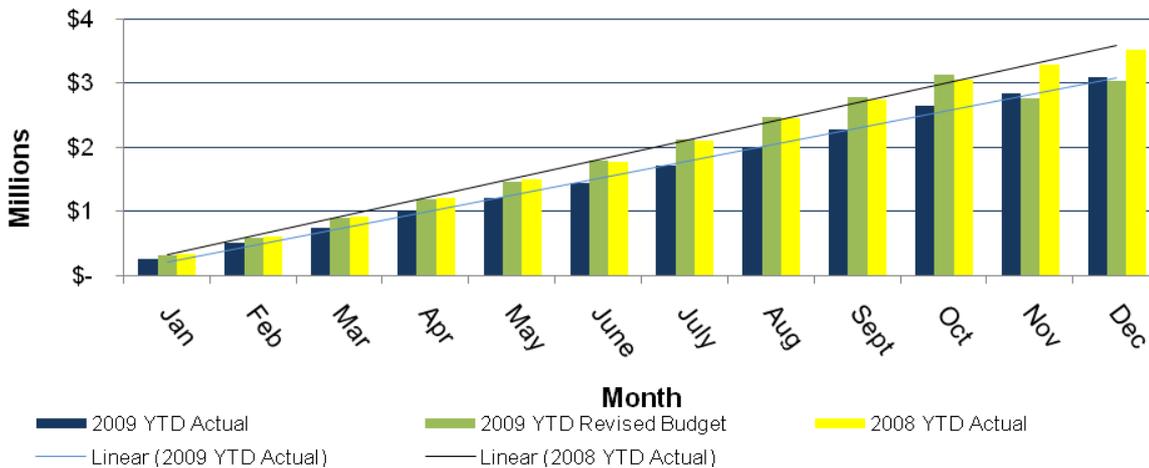
### Franchise Fee Revenue - Current & Prior Year



### Automobile Use Tax

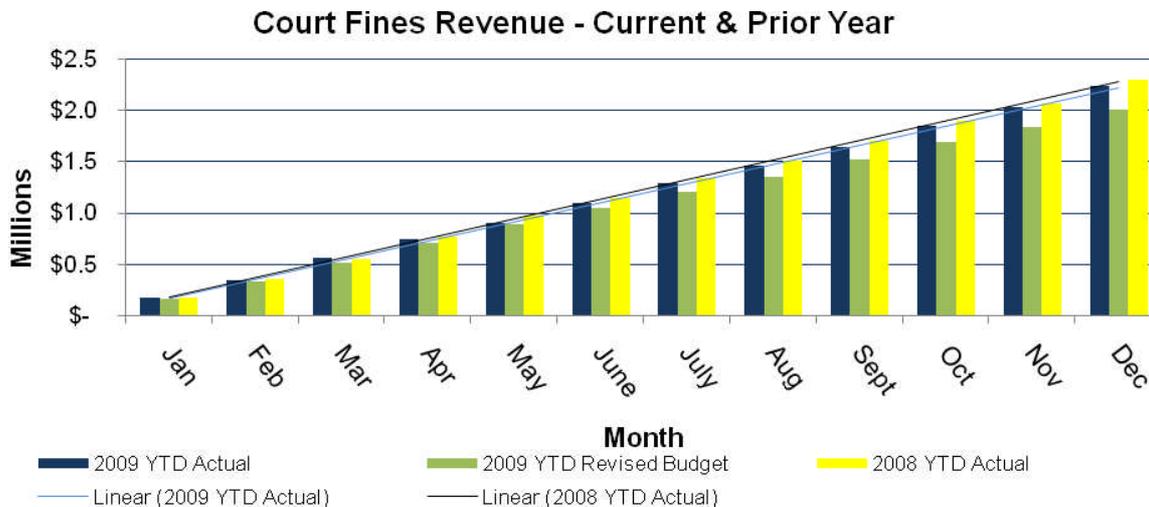
Automobile use tax revenues year to date are slightly ahead of budgeted revenues. This budget was revised downward due to slower automobile sales during the year. The City planned for a decrease in automobile sales during 2009, but the actual sales have been lower than expected resulting in the downward revision of the budget.

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



### Court Fines

Court fine revenues year to date are \$.2 million, or 11.9%, favorable to the revised budgeted revenues. This is primarily due to greater compliance attributable to the ability to pay court fines online.



**Investment Income**

Investment income year to date is 47.3% unfavorable to budgeted revenues. This unfavorable variance is the direct result of the continued, and significant, declines in earnings rates throughout the year. Although the City planned for declines in investment income in the 2009 budget, actual declines the market has experienced during 2009 have exceeded those expected.

**Expenditures**

Total expenditures and other financing uses year to date are \$1.1 million, or 2.6%, favorable compared to the year to date budget. The overall favorable variance for actual expenditures compared to budget is due to the City Attorney's Office, Finance, Central Services, Human Resources and Risk Management Services, Public Works and Municipal Court in addition to overall favorable variances in most other City departments.

- The City Attorney's Office expenditures year to date are \$.2 million, or 28.6%, favorable to the year to date budget. This favorable expenditure variance is primarily due to a staff vacancy for five months of the year; resulting in workload being covered under an existing flat rate fee which reduced expenditures. The CAO was also down one half of a full time equivalent employee the last two months of the year which has directly contributed to the favorable expenditure variance compared to budget. Also, City staff has tried to use CAO time on projects more effectively. In addition, there were no major projects, claims, or lawsuits until litigation that did not begin until mid December.
- Finance expenditures year to date are \$.2 million, or 18.3%, favorable to the year to date budget primarily due to vacancy savings, as well as savings in financial system services and special projects.
- Central Services expenditures year to date are \$.1 million, or 26.5%, favorable to the year to date budget due to savings in printing and publishing, dues and memberships, meetings, training and travel.
- Human Resources and Risk Management Services expenditures year to date are \$.2 million, or 20.8%, favorable to the year to date budget due to savings in internship wages, payroll processing, personnel recruitment services, and property and casualty insurance services.
- Public Works expenditures year to date are \$.2 million, or 1.4%, favorable to the year to date budget. This favorable variance is partially due to savings of \$.1 million for street light utility costs.
- Municipal Court expenditures year to date are \$.1 million, or 6.4%, unfavorable to the year to date budget. This unfavorable variance is due to the establishment of an allowance for doubtful

accounts as recommended by the City's auditors. This was a one-time expenditure of \$.2 million to establish the allowance.

- Most all other City department expenditures are favorable year to date compared to the Revised 2009 budget. This favorable variance is the result of vacancy savings in addition to strong fiscal management and oversight in light of the economy.

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

*Revenues*

- Total revenues collected year to date decreased \$.3 million, or 8.0%, to \$2.9 million compared to revenues collected year to date during the prior year. This decrease is attributable to the following revenue sources:
  - Building Services revenues collected year to date are \$2.1 million, or \$.1 million (6.2%) less than building services revenues collected year to date during the prior year. This decrease is the result of the completion of the Streets at SouthGlenn project.
  - Permit/Plan Review revenues collected year to date are \$.4 million, or \$.1 million (15.3%) less than permit/plan review revenues collected year to date during the prior year.

*Expenditures*

- Total expenditures year to date decreased \$.4 million, or 12.2%, to \$3.1 million compared to expenditures year to date during the prior year. This decrease is primarily due to the following:
  - Building Services expenses year to date are \$1.6 million for 2009, or \$.1 million (6.3%) less than expenditures year to date during the prior year. This decrease is the result of the completion of the Streets at SouthGlenn project.
  - Vehicles, Equipment and Software expenses of \$.1 million during the prior year related to the transition of Land Use Services to in-house staff were incurred and included the purchase of two vehicles, equipment and software; these expenses were limited to operating type expenses during the current year.
  - Professional service expenses related to city work orders of \$.1 million during the prior year were incurred; during the current year, these services were provided by in-house staff.
  - Applicant work order expenses decreased by \$.1 million during the current year, primarily due to in-house staff providing these services.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date are \$.4 million, or 18.1%, favorable compared to the year to date 2009 Revised Budget. This favorable variance to budget is primarily due to building permit and plan review fee revenue, as a result of increased permits for hail damage to roofs. In addition, an audit was completed which resulted in \$.2 million of permit revenues that were received in December.

*Expenditures*

- Total expenditures are \$.3 million, or 8.7%, unfavorable compared to the year to date budget. This unfavorable variance to budget is due to building permit and plan review fees, however the variance is offset with an increase in associated revenues.

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

*Revenues*

- Total revenues collected year to date increased \$.9 million, or 75.8%, to \$2.1 million compared to revenues collected year to date during 2008. This increase is due to Federal Grant revenues collected as a result of the Arapahoe/University and Arapahoe – Colorado to Holly projects (\$.6 million), pavement degradation fees (\$.1 million) which were accounted for in the General Fund during the prior year, and a developer contribution for drainage (\$.2 million).

*Expenditures*

- Total expenditures year to date increased \$5.1 million, or more than 100.0%, to \$8.1 million compared to expenditures year to date during the prior year. This increase is mostly the result of the Arapahoe/University and Arapahoe – Colorado to Holly projects, which are nearing completion (\$2.9 million) in addition to the realignment of service costs for the concrete replacement program and street rehabilitation (\$2.2 million), capital improvement program management (\$.5 million) and drainage (\$.2 million). This increase is partially offset by approximately \$1.0 million in building costs during the prior year.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date are \$.1 million, or 5.6%, unfavorable compared to the year to date 2009 Revised Budget. The Pavement Degradation fees were revised during 2009 contributing to the majority of the variance.

*Expenditures*

- Total expenditures are \$2.0 million, or 19.6%, favorable compared to the year to date budget. This favorable variance to budget is primarily due to remaining budget amounts for streets and intersections (new construction, as well as rehabilitation program savings).

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

*Revenues*

- Total revenues collected year to date are \$.1 million, or 17.0%, below revenues collected during the prior year. This decrease is primarily due to decreased investment income, which is the direct result of lower earnings rates.

*Expenditures*

- Total expenditures year to date are \$.1 million, or more than 100%, greater than year to date expenditures in 2008. The 2009 expenditures were for improvements at the Goodson Recreational Center.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date of \$.5 million are on target with budgeted revenues.

*Expenditures*

- Total expenditures year to date of \$.2 million are .3 million, or 66.1%, favorable to the 2009 Revised Budget. Unused project funding balances will roll forward to 2010.

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

*Revenues*

- Total revenues collected year to date decreased \$.3 million, or 13.8%, to \$2.0 million compared to revenues collected year to date during 2008. This decrease is mostly due to a drop in the Open Space Sales and Use Tax distributed by Arapahoe County, which is likely a result of economic deterioration throughout the year.

*Expenditures*

- Total expenditures year to date decreased \$2.2 million, or 81.5%, to \$.5 million compared to expenditures year to date during the prior year. This decrease is the result of the purchase of the Civic Center park land during the prior year, offset by expenditures related to the Civic Center master plan, Centennial Link Trail and Franklin Pool Spray Park during the current year.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date of \$2.0 million are on target with budgeted revenues.

*Expenditures*

- Total expenditures are \$2.6 million, or 84.1%, favorable compared to the year to date budget. Unused project funding balances will roll forward to 2010.

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

*Revenues*

- Total revenues collected year to date decreased \$.1 million, or 33.4%, to \$.3 million compared to revenues collected year to date during the prior year. This decrease is mostly due to a drop in the property taxes collected as a result of a temporary reduction in the mill levy for the payment of general obligation bonds for the Antelope General Improvement District. The mill levy was reduced as bond funds remaining from the water system project were partially utilized for principal and interest payments made in 2009. These funds must be used to reduce the amount of property taxes collected by the District during 2009 and future years in order to comply with arbitrage and bond issuance provisions.

*Expenditures*

- Total expenditures year to date are consistent with the prior year.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date of \$.3 million are on target with budgeted revenues.

*Expenditures*

- Total expenditures are \$.1 million, or 29.0%, favorable compared to the year to date budget. This favorable variance to budget is primarily due to savings in the contracted services area.

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

*Revenues*

- Total revenues collected year to date decreased \$.7 million, or 33.0%, to \$1.4 million compared to revenues collected year to date during 2008. This decrease is directly attributable to the completion of the Streets at SouthGlenn project and related Building Permit/Plan Review revenue.

*Expenditures*

- Total expenditures year to date decreased \$.3 million, or 16.8%, to \$1.5 million compared to prior year expenditures. This decrease is the result of the completion of the Streets at SouthGlenn project.

**Comparison to Budget**

*Revenues*

- Total revenues collected year to date are \$.3 million, or 16.4%, unfavorable compared to the year to date 2009 Revised Budget. This variance is directly attributable to remaining bond funds available to the Authority for capital related costs.

*Expenditures*

- Total expenditures are \$.6 million, or 29.4%, favorable compared to the year to date budget. This favorable variance is attributable to savings for building permits/plan review fees related to the Streets at SouthGlenn project, in addition to remaining bond funds to be used during 2010 for a capital project.