



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the year ended December 31, 2015. 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 2015 Annual Budget for an explanation of variances between the 2014 and 2015 Revised Budgets.

Summary of the December, 2015 Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

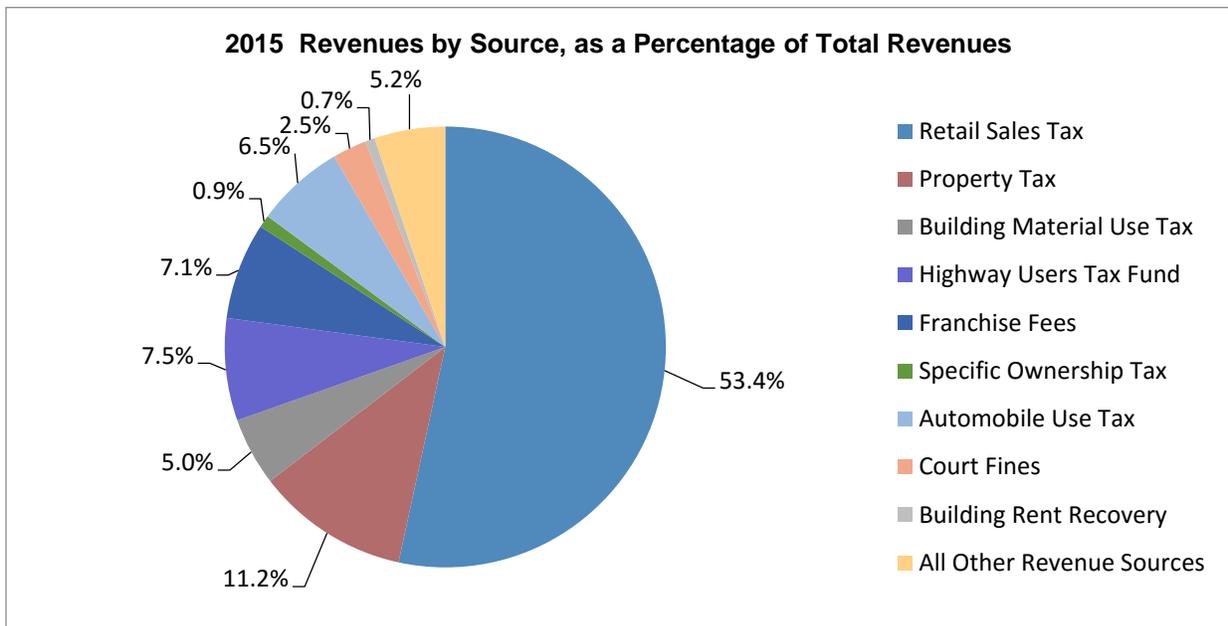
Revenues

The following table is a summary comparison of primary revenue sources for 2015 and 2014:

(dollar amounts in millions)

	Actual 2015	Actual 2014	\$ Variance	% Variance
Retail Sales Tax	\$ 37.8	\$ 35.2	\$ 2.6	7.3%
Property Tax	7.9	8.1	(0.2)	-2.5%
Building Materials Use Tax	3.5	2.3	1.2	55.4%
Highway Users Tax Fund	5.3	5.0	0.3	5.2%
Franchise Fees	5.1	5.1	-	-1.4%
Specific Ownership Tax	0.6	0.6	-	1.2%
Automobile Use Tax	4.6	4.1	0.5	11.4%
Court Fines	1.8	2.1	(0.3)	-14.3%
Building Rent Recovery	0.5	0.5	-	1.0%
All Other Revenue Sources	3.7	3.4	0.3	8.3%
	<u>\$ 70.8</u>	<u>\$ 66.4</u>	<u>\$ 4.4</u>	<u>6.4%</u>

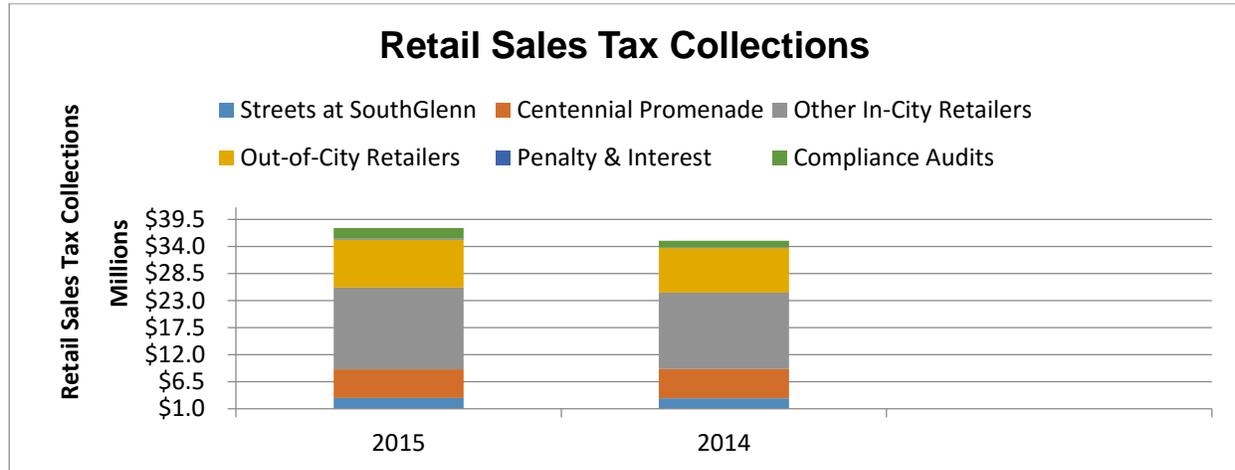
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue during 2015 is \$2.6 million or 7.3% more than collections during 2014. Sales tax revenues from in-City retailers has increased \$1.0 million over collections during 2014. This increase is attributable to new businesses inside of Centennial such as Viewhouse, TopGolf, and The Bridal Collection. In addition, sales tax from out-of-City retailers has increased \$0.7 million over collections in 2014. The City has 187 more out-of-City retailers licensed compared to 2014. Last, delinquent revenues and compliance audits contributed an additional \$0.8 million in sales tax revenues over the prior year.

The illustration below depicts the change in the City's 2015 Sales Tax Revenue as it compares to 2014.



The table below represents sales tax collected 2015 summarized by North American Industry Classification System (NAICS) codes compared to the same codes for 2014.

2015 & 2014 – Current Top 20 Sales Tax Receipts by 4-digit NAICS Code				
	2015	% of 2015	2014	% of 2014
Furniture Stores	\$ 3,878,098.05	10.3%	\$ 4,047,257.35	11.5%
Full-Service Restaurants	\$ 2,818,981.97	7.5%	\$ 2,435,986.09	6.9%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 1,971,474.34	5.2%	\$ 1,979,049.59	5.6%
Limited-Service Eating Places	\$ 1,895,983.72	5.0%	\$ 1,765,541.41	5.0%
Automobile Dealers	\$ 1,717,928.17	4.5%	\$ 1,671,644.66	4.7%
Electric Power Generation, Transmission and Distribution	\$ 1,308,637.05	3.5%	\$ 1,348,600.11	3.8%
Grocery Stores	\$ 1,282,008.24	3.4%	\$ 1,344,382.41	3.8%
Electronics and Appliance Stores	\$ 1,190,682.77	3.2%	\$ 1,502,079.69	4.3%
Wireless Telecommunications Carriers (except Satellite)	\$ 1,162,001.51	3.1%	\$ 1,231,950.82	3.5%
Clothing Stores	\$ 873,064.23	2.3%	\$ 788,730.81	2.2%
Other General Merchandise Stores	\$ 851,380.16	2.3%	\$ 926,315.85	2.6%
Direct Selling Establishments	\$ 807,686.90	2.1%	\$ 529,255.33	1.5%
Home Furnishings Stores	\$ 724,536.32	1.9%	\$ 549,653.79	1.6%
Department Stores	\$ 704,688.55	1.9%	\$ 744,123.57	2.1%
Beer, Wine, and Liquor Stores	\$ 658,579.18	1.7%	\$ 593,846.59	1.7%
Automotive Repair and Maintenance	\$ 643,508.95	1.7%	\$ 547,260.55	1.6%
Commercial and Industrial Machinery and Equipment Rental and Leasing	\$ 616,067.77	1.6%	\$ 559,547.50	1.6%
Electronic Shopping and Mail-Order Houses	\$ 613,597.55	1.6%	\$ 700,542.24	2.0%
Automotive Parts, Accessories, and Tire Stores	\$ 600,835.21	1.6%	\$ 552,892.78	1.6%
Automotive Equipment Rental and Leasing	\$ 576,334.14	1.5%	\$ 482,366.45	1.4%
Total Retail Sales Tax Collected YTD from Top 20 NAICS codes	\$ 24,896,075		\$ 24,301,028	

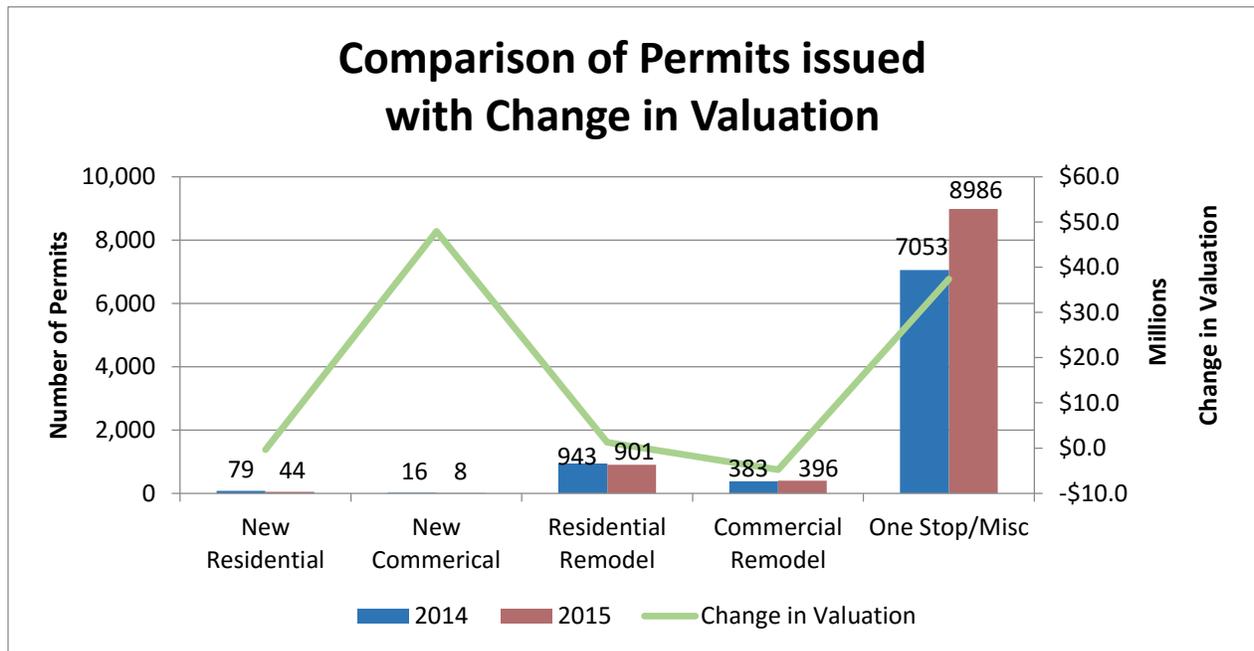
*This table only represents the top 20 NAICS codes, or 65.9% of 2015 Sales Tax collections, and does not include audit revenue.

Property Tax

Revenue received during 2015 is \$0.2 million or 2.5% less than collections during 2014. The Arapahoe County Assessor is responsible for valuing all property in the City. This decrease in property tax collections is due to a 2.4% reduction in the 2015 assessed valuation compared to 2014.

Building Materials Use Tax

Building Materials Use Tax revenue during 2015 is \$1.2 million or 55.4% more than collections during 2014. As depicted in the graph below, 2015 Residential and Commercial permits (New and Remodel) have decreased by 72, and One Stop/Miscellaneous permits have increased by 1,933 when compared to 2014. The total valuation for permits YTD has increased by \$81.4 million as compared to 2014 primarily due to One Stop/Miscellaneous and New Commercial permits. Although 2015 had 8 fewer new commercial permits than 2014, the valuation of New Commercial permits increased by \$47.9 million. These commercial construction permits includes buildings at Dry Creek Innova and Panorama Corporate Center. The remaining valuation increase is from the One Stop/Miscellaneous permits is due to a large hail storm at the end of September 2014.



Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue during 2015 is \$0.3 million or 5.2% more than collections during 2014. The percentage share of HUTF revenue is recalculated annually in July and is based on the City's: 1) previous year's vehicle registration figure as certified by the Department of Revenue to the State Treasurer and 2) previous year's miles of open, used and maintained streets as certified to the Treasurer by CDOT. There is an increase in collections during 2015 due to the recalculated percentages in July 2014 and July 2015 for the HUTF distributions received during 2015. The total funds available for distribution of HUTF funds were higher for during 2015 compared to 2014.

Automobile Use Tax

Automobile Use Tax revenue during 2015 is \$0.5 million or 11.4% more than collections during 2014. This increase in revenue collections year over year is due to steady sales and registrations of new vehicles to City residents. The auto industry has seen growing consumer demand for new vehicles in 2015 due to a better economy, slightly lower gas prices, available credit and new products. U.S. auto sales reached an all-time high in 2015 and Centennial has seen similar trends in sales.

Court Fines

Court Fines revenue during 2015 is \$0.3 million or 14.3% less than collections during 2014. This decrease in revenue is due in part to an 8.0% reduction in the number of court cases in 2015 compared to 2014. The fines and fees imposed in court cases vary based on the violation. In addition, the Municipal Court was closed for a couple weeks in September 2015 while new software was implemented.

All Other Revenue Sources

All other revenue sources during 2015 is \$0.3 million or 8.3% more than collections during 2014. During 2015, the City received \$0.5 million in 2015 for the Bloomberg Philanthropies Innovation Team Grant. This increase is primarily offset by a decrease of \$0.2 million in miscellaneous revenues for insurance proceeds received in 2014.

Expenditures

Total expenditures and transfers during 2015 are \$14.0 million or 22.4% more than expenditures during 2014. The net increase is primarily due to expenditures in the following departments: Information Technology, Finance, Public Works, Facilities and Fleet, Law Enforcement, Municipal Court, Community Development Administration, and transfers to the Capital Improvement Fund. Other departments contributed incrementally to the increase in expenditures.

- Information Technology expenditures during 2015 are \$0.4 million or 62.4% more than expenditures during 2014. This increase is primarily due to expenditures for GIS services and increased cost for software supplies.
- Finance expenditures during 2015 are \$0.3 million or 15.8% more than expenditures during 2014. This increase is primarily due to higher expenditures for auditing services related to the City's sales tax program and expenditures for temporary personnel.
- Public Works expenditures during 2015 are \$0.9 million or 7.7% more than expenditures during 2014. This increase is primarily due to higher contracted costs for the City's public works services provided by CH2M, work provided for the City's Intelligent Transportation System (ITS), and higher current year to date costs for snow removal.
- Facilities and fleet expenditures during 2015 are \$0.2 or 24.3% more than expenditures during 2014. This increase is primarily due to planned expenditures for the Civic Center building improvements.
- Law Enforcement expenditures during 2015 are \$1.4 million or 7.2% more than expenditures during 2014. This increase is primarily due to higher expenditures for contracted service obligations. Increased costs in this area is due to an additional seven (7) FTE's, including three (3) School Resource Officers, two (2) Investigators and two (2) Deputy Sheriff/K-9 Handlers.
- Municipal Court expenditures during 2015 are \$0.2 million or 9.8% more than expenditures during 2014. This increase is primarily due to higher expenditures for the purchase and implementation of new court software (Tyler Technology) and increased costs for traffic officer services.
- Community Development Administration expenditures during 2015 are \$0.2 million or 93.6% higher than expenditures during 2014. This increase is primarily due to higher expenditures for additional personnel in 2015.
- Transfers to the Capital Improvement Fund during 2015 are \$10.4 million or over 64.9% more than expenditures during 2014. This increase is primarily due to transfers for street and intersection construction and includes the Arapahoe Road – Waco to Himalaya and the Arapahoe Road – Dry Creek and Smoky Hill construction.

GENERAL FUND – COMPARISON TO BUDGET

The City's annual budget is examined on a monthly basis. The 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 actual amounts to the 2015 Revised Budget.

Revenues

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

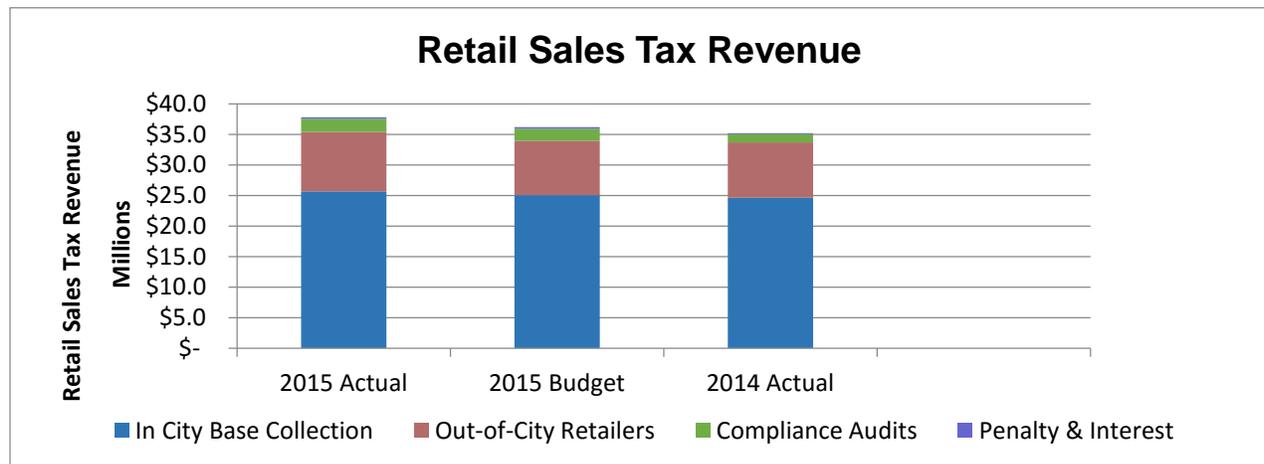
(dollar amounts in millions)

	Actual 2015	Revised Budget 2015	\$ Variance	% Variance
Retail Sales Tax	\$ 37.8	\$ 36.2	\$ 1.6	4.5%
Property Tax	7.9	7.9	-	-0.2%
Building Materials Use Tax	3.5	2.3	1.2	50.5%
Highway Users Tax Fund	5.3	5.1	0.2	4.8%
Franchise Fees	5.1	5.1	-	-0.5%
Specific Ownership Tax	0.6	0.6	-	1.2%
Automobile Use Tax	4.6	4.3	0.3	6.9%
Court Fines	1.8	1.8	-	0.1%
Building Rent Recovery	0.5	0.5	-	2.4%
All Other Revenue Sources	3.7	3.4	0.3	7.1%
	\$ 70.8	\$ 67.2	\$ 3.6	5.3%

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

Retail Sales Tax

Retail Sales Tax revenue during 2015 is \$1.6 million or 4.5% favorable compared to budget. This favorable variance is the result of higher than anticipated sales tax revenues from out-of-City retailers (\$0.8 million) and in-City retailers (\$0.6 million). These increases are primarily from newly licensed businesses, however a slight increase in sales tax collections from existing businesses also contributes to the variance. Also contributing to the favorable variance is compliance audit revenue and penalties and interest from late sales tax returns (\$0.2 million).



Building Materials Use Tax

Building Materials use tax revenue during 2015 is \$1.2 million or more than 50.5% favorable compared to budget. The City had a large increase in re-roofing permits in 2015 due to a hail storm during the fall of 2014. A steady amount of re-roofing permits and resulting use tax has been seen throughout 2015. Also, the City received a large amount of use tax from a few new commercial permits at the end of 2015 for the Dry Creek Innova and Panorama Corporate Center.

Highway Users Tax Fund

Highway Users Tax Fund revenue during 2015 is \$0.2 million or 4.8% favorable to budget. According to the Colorado Municipal League, the Highway Users Tax Fund amount available for distribution to all municipalities was projected to slightly decrease from July 2015 through June 2016. The City adjusted the revenue projections accordingly in the 2015 Revised Budget but has not seen a decrease in distribution.

Automobile Use Tax

Automobile Use Tax revenue during 2015 is \$0.3 million or 6.9% favorable compared to budget. This variance is due to higher than projected automobile sales. The auto industry had record highs for auto sales in 2015 and this increase was not anticipated in the 2015 budget process.

Expenditures

Total expenditures and transfers during 2015 are \$4.9 million or 6.0% favorable compared to budget. This favorable variance is attributable to the City Attorney, City Clerk, Office of Innovation, Human Resources, Information Technology, Communications, Finance, Economic Development, Nondepartmental, Central Services, Public Works, Facilities and Fleet, Municipal Court, and Community Development Administration departments; other departments contributed incrementally. Favorable net transfers to other funds also contributed to the favorable variance to budget.

- City Attorney's Office expenditures during 2015 are \$0.1 million or 7.7% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for the year for outside legal services.
- City Clerk expenditures during 2015 are \$0.1 million or 16.7% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for election services and municipal code codification.
- Office of Innovation expenditures during 2015 are \$1.0 million or 76.7% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for the year for services to assist the City with collecting necessary network data and project costs to standardize the City's record keeping and asset tracking practices for fiber optic facilities. A portion of these are project related, and therefore are likely that these funds will carry forward in to 2016.
- Human Resources expenditures during 2015 are \$0.1 million or 25.8% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for internship services and security services. A portion of the funding for security services is likely to be carried forward in to 2016.
- Information Technology expenditures during 2015 are \$0.2 million or 18.9% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for information technology outsourcing services, including GIS services, and costs for a comprehensive information technology assessment. As the majority of these funds are set aside for GIS services and information technology assessment, it is likely that these funds will carry forward in to 2016.
- Communications expenditures during 2015 are \$0.1 million or 14.1% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for printing and publishing of the City's newsletter, in addition to personnel vacancy savings.

- Finance expenditures during 2015 are \$0.3 million or 13.2% favorable compared to budget. This favorable variance is due to lower than anticipated costs for sales tax audit services, personnel vacancy savings, and costs associated with property/casualty premiums and deductibles.
- Economic Development expenditures during 2015 are \$0.2 million or 63.9% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for contracted services to assist in the development of an Economic Development strategic plan as well as other projects related to annexations and the recruitment and retention of businesses in the City. Lower than anticipated costs for dues and memberships also contributed to the favorable variance. As a portion of these funds have been set aside for the projects listed, it is likely that this funding will carry forward to 2016.
- Nondepartmental expenditures during 2015 are \$0.6 million or 11.6% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs associated with the Bloomberg Philanthropies grant that addresses mobility challenges throughout the City. The portion of funds related to the favorable variance for the Bloomberg Grant will likely carry forward in to 2016. Additionally, the favorable variance is attributable to incentive agreements the City has entered into in an effort to promote economic development and redevelopment in the City. In summary, under various projects, the City has agreed to either forego a portion of its sales and/or property tax to reimburse property owners for construction and maintenance of public improvements. The remaining favorable variance is due to amounts set aside for contingencies that were not utilized during the year.
- Central Services expenditures during 2015 are \$0.1 million or 27.1% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for meetings, training and travel in addition to lower than anticipated costs for printing and publishing.
- Public Works expenditures during 2015 are \$0.9 million or 6.8% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for public works services provided by CH2 traffic signal maintenance and street utilities, and costs for materials including fuel and asphalt. A portion of these budget savings will likely carry over in to 2016 as the contractual agreement with CH2 allows for funds to be carried over for the Flexible Services Account (FSA).
- Facilities and Fleet expenditures during 2015 are \$0.2 million or 14.2% favorable compared to budget. This favorable variance is primarily due to planned expenditures for the Civic Center building improvements that were not completed in 2015, and lower than anticipated costs for utilities. The City will carry forward budgeted amounts to next year.
- Municipal Court expenditures during 2015 are \$0.1 million or 3.1% favorable compared to budget. This favorable variance is primarily the result of lower than anticipated costs for prosecution services, printing and publishing, and vacancy savings.
- Community Development Administration expenditures during 2015 are \$0.1 million or 21.5% favorable compared to budget. This favorable variance is primarily the result of lower than anticipated costs for professional services to evaluate and recommend potential park improvements for areas including Dove Valley Park and Kings Point. It is likely that these funds will carry forward in to 2016 in order to complete the projects mentioned.
- Net transfers from the Land Use Fund are \$0.5 million or more than 100.0% favorable compared to budget. Revenues generated in the Land Use Fund are favorable to budget due to an increase in the City's One Stop/Miscellaneous building permits. Consequently, this favorable revenue reduces the need for General Fund support through transfers, resulting in a favorable variance to budget.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue during 2015 is \$1.3 million or 36.3% more than revenue collected during 2014. This increase in revenue is due to Building Permit and Plan Review Fees which are calculated based on the valuation of a project. The City's One Stop/Miscellaneous building permits have increased during 2015 by 1,933 permits. In addition, the total valuation of all permits are \$81.4 million more than permits issued in 2014.

Expenses

- Expenses during 2015 are \$0.9 million, or 29.2% more than expenses during 2014. Expenses related to Building Permits and Plan Revenue are the primary driver of this increase. As Building Permit and Plan Review fees (revenue) increase, the cost of the services provided by Safebuilt directly increase.

Comparison to Budget

Revenue

- Revenues during 2015 are \$0.6 million or 10.9% unfavorable compared to budget. This unfavorable variance is due to lower than anticipated Building Permit Fees (\$1.0 million) offset by a favorable variance for Review Fees (\$0.4 million). During the revised budget process, the City anticipated Building Permit Fees for all known potential projects that may receive a permit in 2015. Several of these projects did begin during 2015, thus anticipated revenues were not received.

Expenses

- Expenses during 2015 are \$1.1 million or 21.67% favorable compared to budget. Building Services and Professional Engineering Services are specific items that account for this favorable variance, which are attributable, in part to lower than anticipated Building Permit and Plan Fees as described above.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenues during 2015 are \$5.3 million or over 100.0% more than collections during 2014. This increase is due to funds received from intergovernmental agreements for the Arapahoe Road - Waco to Himalaya widening project during 2015.

Expenditures

- Expenditures during 2015 are \$3.9 million or 36.6% more than expenditures during 2014. This increase in expenditures is primarily due to new construction for streets and intersections including the Arapahoe Road - Waco to Himalaya widening project and services for construction management.

Comparison to Budget

Revenue

- Revenues received during 2015 are \$1.9 million or 23.1% unfavorable compared to budget. This unfavorable variance is due to the timing of funds received from intergovernmental agreements for the Arapahoe Road - Waco to Himalaya widening project.

Expenditures

- Expenditures during 2015 are \$33.9 million or 69.7% favorable compared to budget. This favorable variance is primarily due to the Arapahoe Road - Waco to Himalaya widening project in addition to street rehabilitation. The favorable variance in the Major Capital Project Reserve. Amounts, budgeted but unspent, in 2015 will be carried forward in the 2016 for all capital projects unfinished as of December, 2015.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- Revenues received during 2015 are in line with the prior year.

Expenditures

- Expenditures during 2015 are \$0.7 million or 84.0% less than expenditures during 2014. This decrease in expenditures is primarily due to prior year capital outlay for the Centennial Center Park and expenditures for the Potomac site improvements.

Comparison to Budget

Revenue

- Revenues during 2015 are in line with the 2015 Revised Budget.

Expenditures

- Expenditures during 2015 are \$2.2 million or 94.6% favorable compared to budget. This favorable variance is primarily due to lower than anticipated expenditures for the Waco-Himalaya Trail, multi-use trails, and Arapahoe Park and Recreation District projects for Trail Recreation Center improvements.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenues during 2015 are \$0.1 million or 5.6% more than collection during 2014. The increase revenue is attributable to higher County Open Space sales tax received.

Expenditures

- Expenditures during 2015 are \$1.0 million less or 48.8% lower than expenditures during 2014. This is due primarily to prior year expenditures for improvements at Centennial Center Park for the amphitheater.

Comparison to Budget

Revenue

- Revenues during 2015 are in line with the 2015 Revised Budget.

Expenditures

- Expenditures during 2015 are \$3.4 million or 75.8% favorable compared to budget. This favorable variance is due to lower than anticipated expenditures for parks and recreation projects including Lone Tree Creek Trail, City-wide Neighborhood Park improvements and Centennial Center Park.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year

Revenue

- Revenues received during 2015 are in line with the prior year.

Expenditures

- Expenditures during 2015 are in line with 2014 expenditures.

Comparison to Budget

Revenue

- Revenues during 2015 are in line with the 2015 Revised Budget.

Expenditures

- Expenditures during 2015 are \$0.2 million or 39.3% favorable compared to budget. This favorable variance is primarily due to lower than anticipated expenditures for general contracted services that include grounds upkeep and landscaping.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
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Comparison to Prior Year

Revenue

- Revenues received during 2015 are \$0.7 million or 10.9% less than collections during 2014. This decrease in revenues is the result of lower property tax collections in the redevelopment area. A small portion of the properties located in the redevelopment area filed a petition for abatement of property taxes which was approved by the County. The decrease in property tax collections in the redevelopment area is offset by a \$0.1 million increase in sales tax collections.

Expenditures

- Expenditures during 2015 are \$0.7 million or 10.9% less than expenditures during 2014. Expenditures during 2015 are lower than 2014 as a result of lower property tax pass-thru payments from the Authority to SouthGlenn Metropolitan District.

Comparison to Budget

Revenue

- Revenues during 2015 are \$0.4 million or 6.1% unfavorable compared to budget. This unfavorable variance is due certain properties petitioning for abatement which was approved by the County. The abatements of property tax were not anticipated of property taxes during the budget process.

Expenditures

- Expenditures during 2015 are \$0.3 million or 6.1% favorable compared to budget. This favorable variance is the result of lower property tax pass-thru payments from the Authority to the SouthGlenn Metropolitan District.