



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended February 29, 2016; 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 2016 Annual Budget for an explanation of variances between the 2015 and 2016 Adopted Budgets.

Summary of the February, 2016 Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

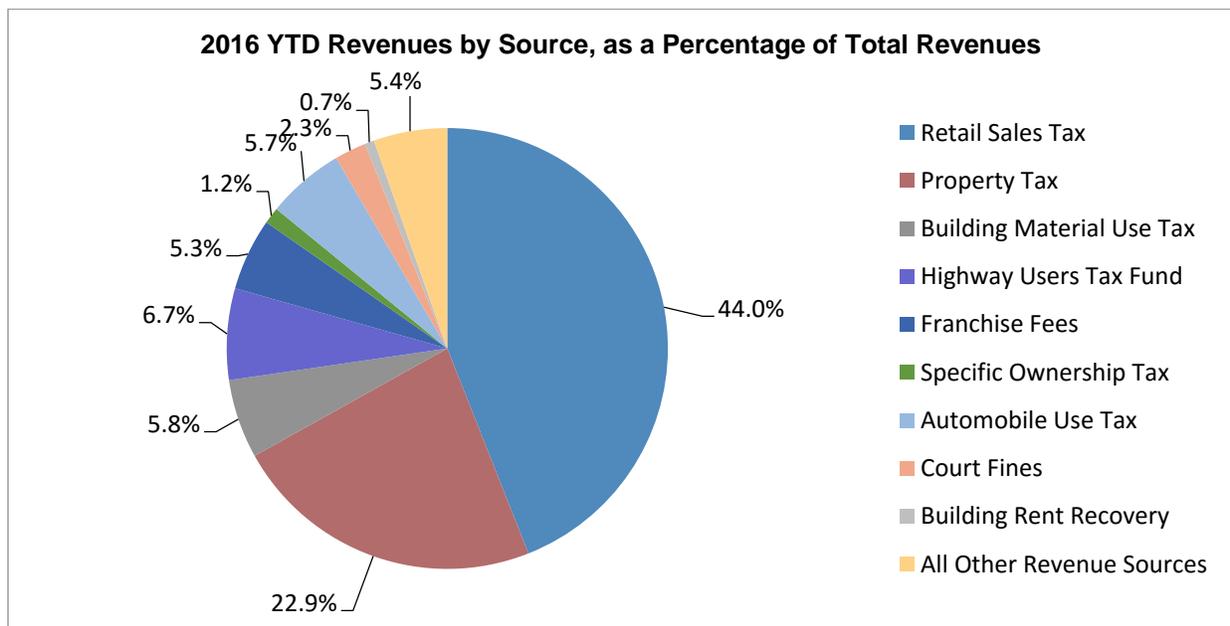
Revenues

The following table is a summary comparison of primary revenue sources YTD for 2016 and 2015:

(dollar amounts in millions)

	YTD 2016	YTD 2015	\$ Variance	% Variance
Retail Sales Tax	\$ 5.3	\$ 4.9	\$ 0.4	9.3%
Property Tax	2.8	2.3	0.5	23.0%
Building Materials Use Tax	0.7	0.3	0.4	106.5%
Highway Users Tax Fund	0.8	0.6	0.2	41.0%
Franchise Fees	0.6	0.7	(0.1)	-12.2%
Specific Ownership Tax	0.1	0.1	-	36.0%
Automobile Use Tax	0.7	0.8	(0.1)	-11.1%
Court Fines	0.3	0.3	-	-9.7%
Building Rent Recovery	0.1	0.1	-	2.0%
All Other Revenue Sources	0.7	0.3	0.4	95.7%
	<u>\$ 12.1</u>	<u>\$ 10.4</u>	<u>\$ 1.7</u>	<u>16.5%</u>

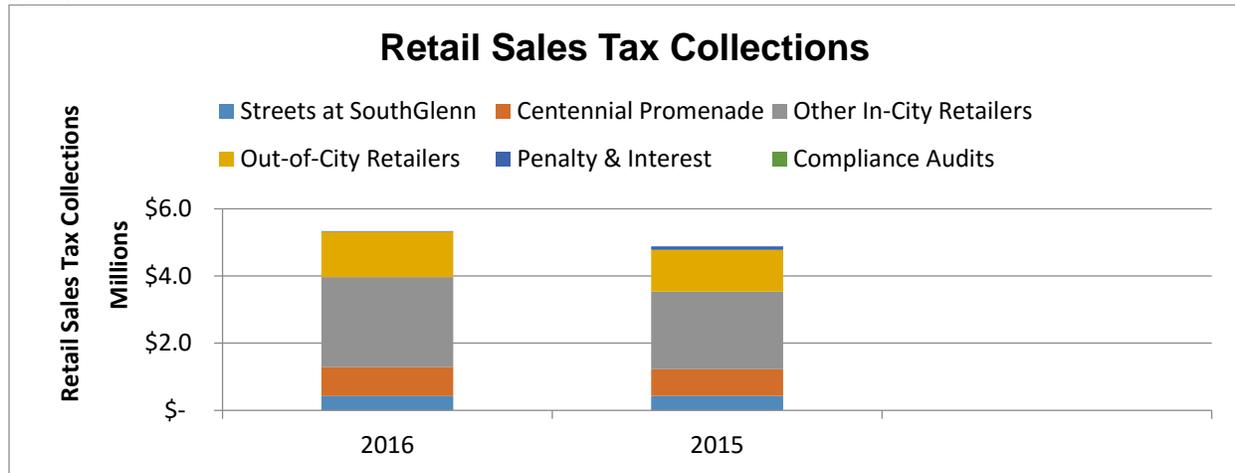
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue YTD 2016 is \$0.4 million or 9.3% more than collections YTD 2015. Sales tax revenues from in-City retailers has increased \$0.3 million over collections YTD 2015. This increase is attributable to new businesses inside of Centennial such as TopGolf and Home Goods. In addition, sales tax from out-of-City retailers has increased \$0.1 million over collections YTD 2015. The City has 225 more out-of-City retailers licensed compared to YTD 2015.

The illustration below depicts the change in the City's YTD 2016 Sales Tax Revenue as it compares to YTD 2015.



The table below represents sales tax collected 2016 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2015.

2016 YTD & 2015 YTD – Current Top 20 Sales Tax Receipts by 4-digit NAICS Code

	2016	% of 2016	2015	% of 2015
Furniture Stores	\$ 607,866.68	11.4%	\$ 543,591.06	11.1%
Full-Service Restaurants	\$ 440,346.91	8.3%	\$ 435,916.26	8.9%
Limited-Service Eating Places	\$ 301,711.12	5.7%	\$ 281,777.69	5.8%
Automobile Dealers	\$ 251,411.92	4.7%	\$ 273,716.13	5.6%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 235,391.91	4.4%	\$ 233,504.47	4.8%
Other General Merchandise Stores	\$ 226,482.62	4.2%	\$ 131,326.44	2.7%
Grocery Stores	\$ 208,632.41	3.9%	\$ 200,503.70	4.1%
Electric Power Generation, Transmission and Distribution	\$ 199,264.96	3.7%	\$ 217,045.66	4.4%
Electronics and Appliance Stores	\$ 174,501.30	3.3%	\$ 199,612.02	4.1%
Wireless Telecommunications Carriers (except Satellite)	\$ 158,825.77	3.0%	\$ 195,843.29	4.0%
Wired Telecommunications Carriers	\$ 152,145.31	2.9%	\$ 79,714.44	1.6%
Home Furnishings Stores	\$ 130,245.39	2.4%	\$ 82,261.99	1.7%
Other Amusement and Recreation Industries	\$ 117,536.11	2.2%	\$ 17,950.38	0.4%
Clothing Stores	\$ 103,666.72	1.9%	\$ 102,768.48	2.1%
Automotive Repair and Maintenance	\$ 93,777.99	1.8%	\$ 136,320.08	2.8%
Beer, Wine, and Liquor Stores	\$ 91,541.06	1.7%	\$ 90,046.74	1.8%
Data Processing, Hosting, and Related Services	\$ 90,353.40	1.7%	\$ 343.62	0.0%
Computer Systems Design and Related Services	\$ 86,433.11	1.6%	\$ 111,787.35	2.3%
Electrical and Electronic Goods Merchant Wholesalers	\$ 83,670.05	1.6%	\$ 61,957.14	1.3%
Other Miscellaneous Store Retailers	\$ 83,346.46	1.6%	\$ 81,574.23	1.7%
Total Retail Sales Tax Collected YTD from Top 20 NAICS	\$ 3,837,151		\$ 3,447,561	

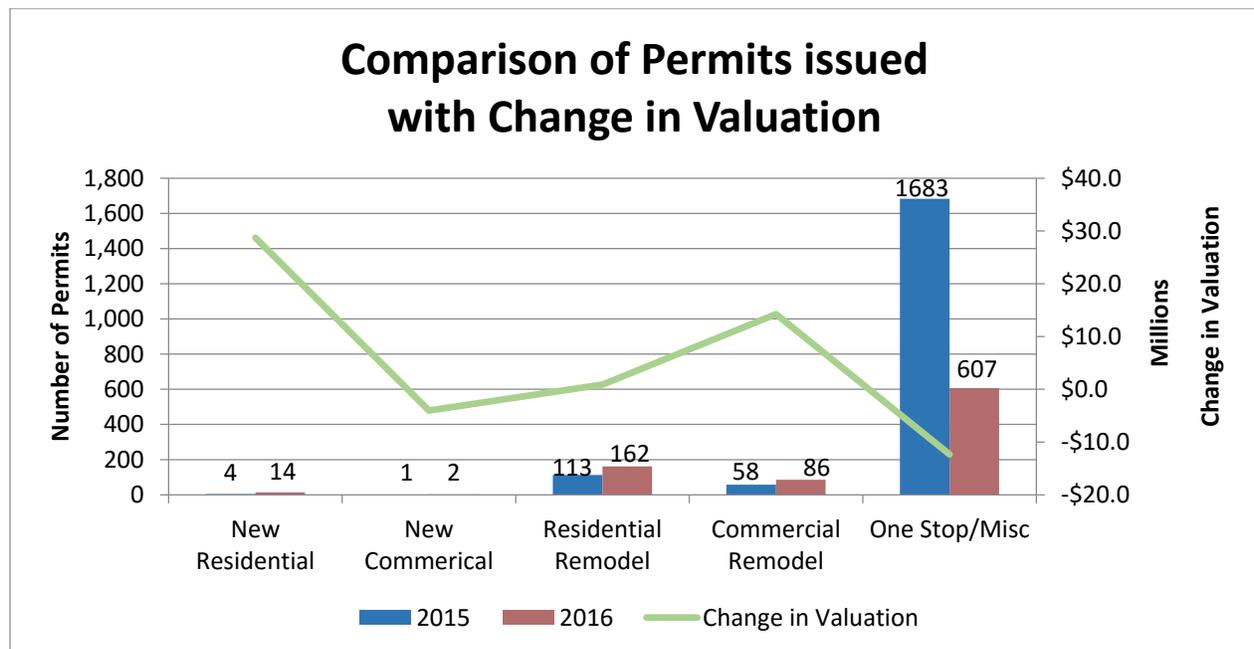
*This table only represents the top 20 NAICS codes, or 71.9% of 2016 Sales Tax collections, and does not include audit revenue.

Property Tax

Revenue received YTD 2016 is \$0.5 million or 23.0% more than collections YTD 2015. The increase of property tax is due to a 23.7% increase of assessed valuations of property. Also, the timing of property tax collections during the first six months of the year can vary from year to year. Property tax payments have three due dates throughout the year. The due date for payment in full is April 30th and due dates for the two payment option are February 28th and June 15th.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2016 is \$0.4 million or over 100.0% more than collections YTD 2015. As depicted in the graph below, 2016 Residential and Commercial permits (New and Remodel) have increased by 88, and One Stop/Miscellaneous permits have decreased by 1,076 when compared to YTD 2015. The total valuation for permits YTD has increased by \$27.5 million as compared to YTD 2015 primarily due to New Residential permits for multi-family units at Inova Dry Creek. The One Stop/Miscellaneous permits decreased compared to YTD 2015 due to re-roofing permits last year from a large hail storm at the end of September 2014.



Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2016 is \$0.2 million or 41.0% more than collections YTD 2015. The February 2015 distribution for HUTF was roughly \$0.2 million less than the amount that should have been received. The shortage occurred because fuel tax returns for January (due in February) were not received by the State of Colorado in time to process for the February distribution. The shortfall was included in the March 2015 HUTF distribution.

Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.1 million or 12.2% less than collections YTD 2015. This decrease in revenue is from the Franchise Fees from the natural gas provider. Natural gas prices have been low nationwide. In December 2015, Xcel filed its usual quarterly request with the Colorado Public Utilities Commission to adjust electricity and natural gas rates for Quarter 1, 2016. At the time of the filing for the rate adjustment, Xcel had projected a 21% reduction in natural gas bills for residential and commercial customers when compared to Quarter 1, 2015.

Automobile Use Tax

Automobile Use Tax YTD 2016 is \$0.1 million or 11.1% less than collections during 2015. The auto industry saw record automobile sales in 2015. The first two months in 2016 has had steady new vehicle registrations, but not at the levels seen in 2015.

All Other Revenue Sources

All other revenue sources during 2016 is \$0.4 million or 95.7% more than collections during 2015. The increase revenue is from the City receiving \$0.3 million from the developer for the Arapahoe Road – Waco to Himalaya widening project.

Expenditures

Total expenditures and transfers YTD for 2016 are \$1.4 million or 13.7% more than expenditures YTD 2015. The net increase is primarily due to expenditures in the following departments: Public Works, Law Enforcement, and transfers to the Capital Improvement Fund.

- Public Works expenditures YTD for 2016 are \$0.1 million or 4.0% more than expenditures YTD during 2015. This increase is primarily due to higher contracted costs for the City’s public works services provided by CH2M, and higher current year to date costs for snow removal.
- Law Enforcement expenditures YTD for 2016 are \$0.2 million or 6.8% more than expenditures YTD 2015. This increase is primarily due to higher expenditures for contracted service obligations. Council approved a supplemental for the contract increase that will be reflected in the February 2016 financial statements.
- Transfers to the Capital Improvement Fund YTD for 2016 are \$1.1 million or 63.6% more than transfers YTD 2015. This increase is primarily due to transfers for street and intersection construction and includes the Arapahoe Road – Waco to Himalaya.

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 2016 budget amounts.

Revenues

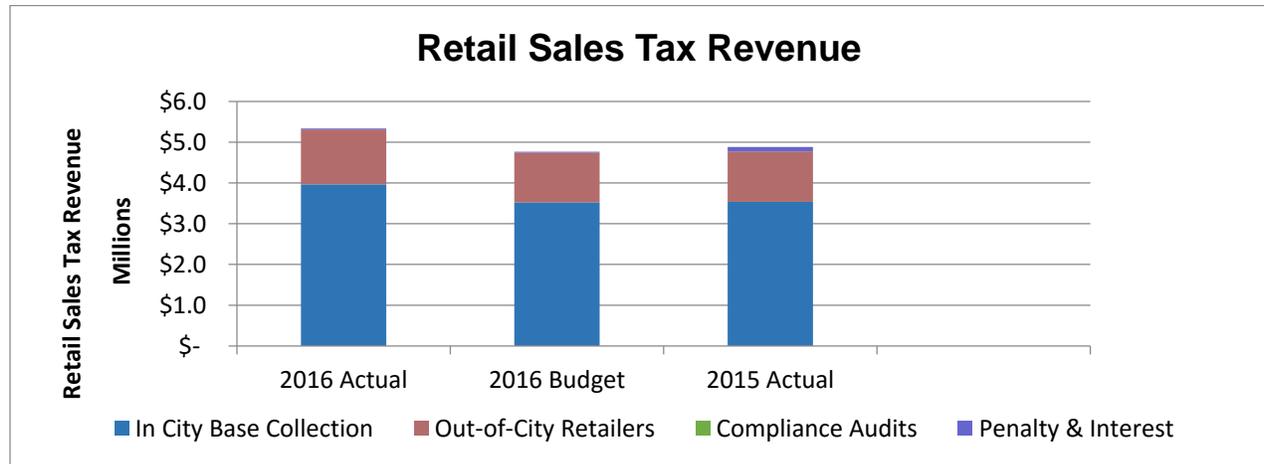
The following table is a summary comparison of primary revenue sources; the table compares actual revenue compared to budget.

	<i>(dollar amounts in millions)</i>			
	Actual 2016	Budget YTD 2016	\$ Variance	% Variance
Retail Sales Tax	\$ 5.3	\$ 4.8	\$ 0.5	12.0%
Property Tax	2.8	2.6	0.2	5.5%
Building Materials Use Tax	0.7	0.3	0.4	154.2%
Highway Users Tax Fund	0.8	0.8	-	5.4%
Franchise Fees	0.6	0.7	(0.1)	-16.0%
Specific Ownership Tax	0.1	0.1	-	36.2%
Automobile Use Tax	0.7	0.7	-	-8.5%
Court Fines	0.3	0.3	-	-10.6%
Building Rent Recovery	0.1	0.1	-	2.0%
All Other Revenue Sources	0.7	0.5	0.2	39.5%
	<u>\$ 12.1</u>	<u>\$ 10.9</u>	<u>\$ 1.2</u>	<u>10.8%</u>

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

Retail Sales Tax

Retail Sales Tax revenue YTD 2016 is \$0.5 million or 12.0% favorable compared to budget. This favorable variance is the result of higher than anticipated sales tax revenues from out-of-City retailers (\$0.1 million) and in-City retailers (\$0.4 million). These increases are primarily from newly licensed businesses, however an increase in sales tax collections from existing businesses also contributes to the variance.



Property Tax

Property Tax revenue YTD 2016 is \$0.2 million or 5.5% favorable compared to budget. The timing of Property Tax collections during the first few months of the year may vary from year to year, however the majority of property tax due is received by June each year. The City expects this variance to diminish as the year progresses.

Building Materials Use Tax

Building Materials use tax revenue YTD 2016 is \$0.4 million or more than 100.0% favorable compared to budget. The variance is due to the City receiving \$0.4 million in January from new commercial and residential permits at Inova Dry Creek. The City anticipates the variance will diminish as the year progresses.

Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.1 million or 16.0% unfavorable to budget. The unfavorable variance is due to lower than anticipated fees from the natural gas provider. The City did not anticipate a rate reduction by the provider caused by low natural gas prices during the budget process.

Expenditures

Total expenditures and transfers YTD for 2016 are \$0.9 million or 7.1% favorable compared to the Revised Budget. This favorable variance is attributable to primarily the Communication, Finance, Nondepartmental, and Public Works departments. Favorable net transfers to other funds also contributed to the favorable variance to budget.

- Communication expenditures YTD for 2016 are \$0.1 million or 46.8% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to community services and printing and publishing. Community services include community activities to such as Music and Movies and Centennial Under the Stars.
- Finance expenditures YTD for 2016 are \$0.1 million or 25.3% favorable compared to the Revised Budget. This favorable variance is due to personnel vacancy savings and sales tax audit service costs.
- Nondepartmental expenditures YTD for 2016 are \$0.3 million or 44.9% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs

attributable to incentive agreements the City has entered into in an effort to promote economic development and redevelopment in the City and lower than anticipated contracted services. 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.

- Public Works expenditures YTD for 2016 are \$0.2 million or 6.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs year to date for capital outlay for equipment.
- Net transfers from the Land Use Fund YTD for 2016 are \$0.1 million or more than 100.0% favorable compared to the Revised Budget. Revenues generated in the Land Use Fund are favorable to budget due to higher than anticipated Building Permit Fees that reduce the need for General Fund support through transfers, resulting in a favorable variance to budget.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue YTD 2016 are in line with the prior year.

Expenses

- Expenses YTD for 2016 are consistent with expenses YTD 2015.

Comparison to Budget

Revenue

- Revenues YTD 2016 are in line with the 2016 Adopted Budget.

Expenses

- Expenses during 2016 are in line with the 2016 Adopted Budget.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue YTD 2016 are in line with the prior year.

Expenditures

- Expenditures YTD for 2016 are \$1.6 million or 100.0% more than expenditures YTD 2015. This increase in expenditures is due to continued construction for streets and intersections including the Arapahoe Road - Waco to Himalaya widening project.

Comparison to Budget

Revenue

- Revenues YTD 2016 are in line with the 2016 Adopted Budget.

Expenditures

- Expenditures YTD for 2016 are \$1.2 million or over 100.0% unfavorable compared to the 2016 Adopted Budget. This unfavorable variance is primarily due to the Arapahoe Road - Waco to Himalaya widening project. Supplemental budget appropriations that include carryforwards from 2015 will be included in future financial statements subsequent to Council approval.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- Lottery proceeds are received quarterly with the first installment anticipated in March 2016.

Expenditures

- Expenditures YTD for 2016 are consistent with expenditures YTD 2015.

Comparison to Budget

Revenue

- Revenues YTD 2016 are in line with the 2016 Adopted Budget.

Expenditures

- Expenditures YTD for 2016 are in line with the 2016 Adopted Budget.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenues YTD 2016 are in line with the prior year.

Expenditures

- Expenditures YTD for 2016 are consistent with expenditures YTD 2015.

Comparison to Budget

Revenue

- Revenues YTD 2016 are in line with the 2016 Adopted Budget.

Expenditures

- Expenditures YTD for 2016 are in line with the 2016 Adopted Budget.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year

Revenue

- Revenues YTD 2016 are in line with the prior year.

Expenditures

- Expenditures YTD for 2016 are consistent with expenditures YTD 2015.

Comparison to Budget

Revenue

- Revenues YTD 2016 are in line with the 2016 Adopted Budget.

Expenditures

- Expenditures YTD for 2016 are in line with the 2016 Adopted Budget.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
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Comparison to Prior Year

Revenue

- Revenues received YTD 2016 are \$1.5 million or 81.2% less than collections during 2015. This decrease in revenues is the result of lower property tax collections from properties in the redevelopment area. The timing of property tax collections during the first few months of the year may vary from year to year, however the majority of property tax due is received by June each year.

Expenditures

- Expenditures YTD for 2016 are \$1.5 million or 81.2% less than expenditures during 2015. Expenditures during 2016 are lower than 2015 as a result of lower property tax pass-thru payments from the Authority to Southglenn Metropolitan District.

Comparison to Budget

Revenue

- Revenues YTD 2016 are in line with the 2016 Adopted Budget.

Expenditures

- Expenditures YTD for 2016 are in line with the 2016 Adopted Budget.