



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended June 30, 2015; 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 2015 Annual Budget for an explanation of variances between the 2014 and 2015 Revised Budgets.

**Summary of the June, 2015 YTD Financial Statements**

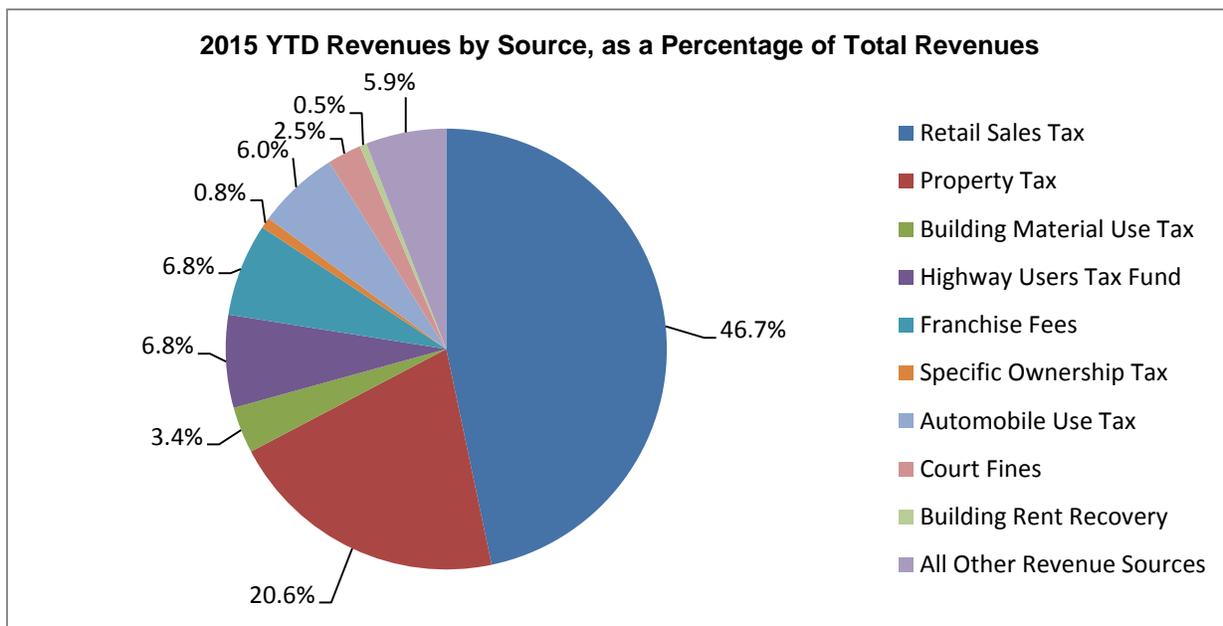
**GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD**

**Revenues**

The following table is a summary comparison of the primary revenue sources YTD for 2015 and 2014: *(dollar amounts in millions)*

	YTD 2015	YTD 2014	\$ Variance	% Variance
Retail Sales Tax	\$ 17.6	\$ 15.6	\$ 2.0	12.8%
Property Tax	7.8	8.0	(0.2)	-2.7%
Building Materials Use Tax	1.3	0.6	0.7	104.9%
Highway Users Tax Fund	2.6	2.4	0.2	9.0%
Franchise Fees	2.5	2.6	(0.1)	-2.0%
Specific Ownership Tax	0.3	0.3	-	5.5%
Automobile Use Tax	2.3	1.9	0.4	20.6%
Court Fines	0.9	1.0	(0.1)	-9.5%
Building Rent Recovery	0.2	0.2	-	-1.3%
All Other Revenue Sources	2.3	1.7	0.6	36.7%
	<u>\$ 37.8</u>	<u>\$ 34.3</u>	<u>\$ 3.5</u>	<u>10.2%</u>

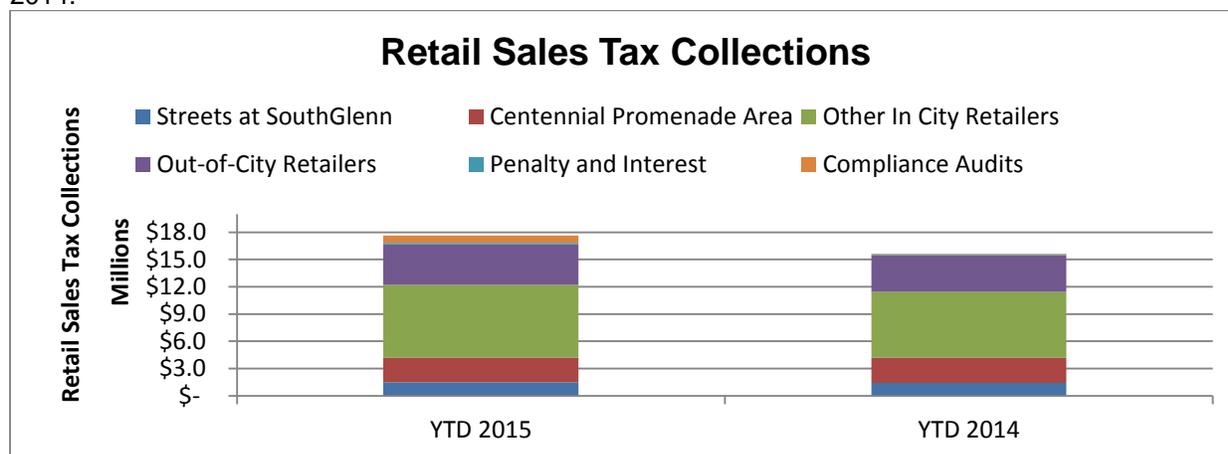
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



### Retail Sales Tax

Retail Sales Tax revenue YTD 2015 is \$2.0 million or 12.8% more than collections YTD 2014. Sales tax revenues from in-City retailers has increased \$0.8 million over collections YTD 2014. This increase from in City retailers is from new businesses inside of Centennial such as Viewhouse, The Bridal Collection and Service King Paint & Body. In addition, sales tax from out-of-City retailers has increased \$0.4 million over collections YTD 2014. The City has 171 more out-of-City retailers licensed YTD than June 2014. Last, delinquent revenues and compliances 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 YTD 2015 Sales Tax Revenue as it compares to YTD 2014.



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

**2015 YTD & 2014 YTD –Current Top 20 Sales Tax Receipts by 4-digit NAICS Code**

	2015	% of 2015	2014	% of 2014
Furniture Stores	\$ 1,820,991.99	10.3%	\$ 1,935,438.85	12.4%
Full-Service Restaurants	\$ 1,401,674.55	8.0%	\$ 1,129,995.82	7.2%
Limited-Service Eating Places	\$ 964,542.50	5.5%	\$ 852,262.67	5.5%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 917,365.61	5.2%	\$ 897,310.76	5.7%
Automobile Dealers	\$ 835,487.03	4.7%	\$ 767,924.77	4.9%
Grocery Stores	\$ 615,917.05	3.5%	\$ 616,906.76	3.9%
Electronics and Appliance Stores	\$ 587,802.90	3.3%	\$ 663,269.61	4.2%
Wireless Telecommunications Carriers (except Satellite)	\$ 578,512.20	3.3%	\$ 604,917.45	3.9%
Electric Power Generation, Transmission and Distribution	\$ 543,054.12	3.1%	\$ 659,431.43	4.2%
Other General Merchandise Stores	\$ 437,054.43	2.5%	\$ 424,686.27	2.7%
Clothing Stores	\$ 400,356.53	2.3%	\$ 322,695.78	2.1%
Automotive Repair and Maintenance	\$ 334,794.07	1.9%	\$ 284,848.67	1.8%
Department Stores	\$ 328,412.33	1.9%	\$ 338,818.05	2.2%
Commercial and Industrial Machinery & Equipment Rental & Leasing	\$ 322,207.01	1.8%	\$ 297,279.63	1.9%
Beer, Wine, and Liquor Stores	\$ 306,020.91	1.7%	\$ 279,276.47	1.8%
Data Processing, Hosting, and Related Services	\$ 302,826.25	1.7%	\$ 1,774.42	0.0%
Home Furnishings Stores	\$ 295,001.46	1.7%	\$ 232,391.00	1.5%
Automotive Parts, Accessories, and Tire Stores	\$ 271,838.23	1.5%	\$ 245,492.09	1.6%
Other Miscellaneous Store Retailers	\$ 267,354.03	1.5%	\$ 217,893.34	1.4%
Traveler Accommodation	\$ 265,368.98	1.5%	\$ 234,735.48	1.5%
<b>Total Retail Sales Tax Collected YTD from Top 20 NAICS codes</b>	<b>\$ 11,796,582</b>		<b>\$ 11,007,349</b>	

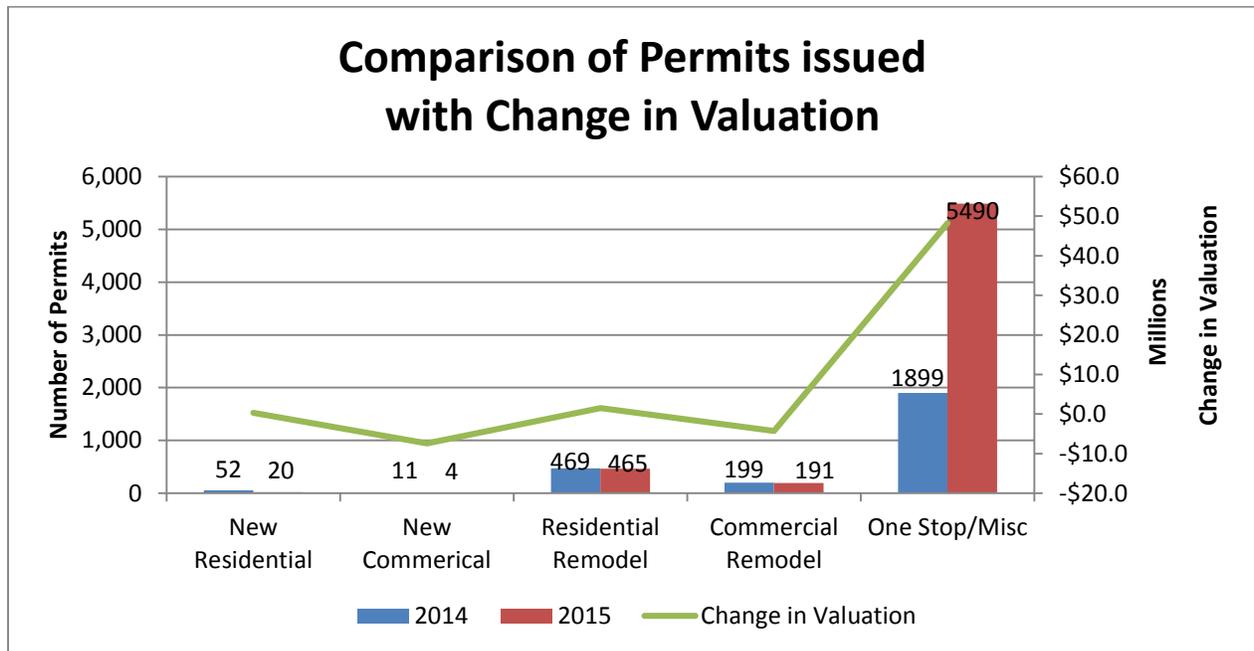
\*This table only represents the top 20 NAICS codes, or 66.9% of 2015 YTD Sales Tax collections, and does not include audit revenue.

Property Tax

Revenue received YTD 2015 is \$0.2 million or 2.7% less than collections YTD 2014. The decrease in property tax collection is due to a 2.4% decrease in assessed valuation 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 30<sup>th</sup> and due dates for the two payment option are February 28<sup>th</sup> and June 15<sup>th</sup>.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2015 is \$0.7 million or over 100.0% more than collections YTD 2014. As depicted in the graph below, YTD 2015 Residential and Commercial permits (New and Remodel) have decreased by 51 and permits for One Stop/Miscellaneous permits increased by 3,591 when compared to YTD 2014. The total valuation for permits YTD has increased by \$38.4 million when compared to YTD 2014. The majority of the increase in valuation is from One Stop/Miscellaneous permits which is specifically due to re-roofing permits. The increase in these permits is due to a large hail storm at the end of September 2014.



Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2015 is \$0.2 million or 9.0% more than collections YTD 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. The increase in collections YTD is due to the recalculated percentages in July 2014 for the HUTF distributions.

Franchise Fees

Franchise Fees revenue YTD 2015 is \$0.1 million, or 2.0% less than collections YTD 2014. The decrease in collections year over year is due to the drop in natural gas prices. The cost of fuel is passed on to customers each quarter. According to the utility provider, the drop in natural gas prices in the early months in 2015 lead to a nine percent reduction for the average residential bill.

Automobile Use Tax

Automobile Use Tax revenue YTD 2015 is \$0.4 million or 20.6% more than collections YTD 2014. This increase in revenue collections year over year is due to steady sales and registrations of new vehicles. The auto industry continues to see growing consumer demand for new vehicles due to a better economy, slightly lower gas prices, available credit and new products.

All Other Revenue Sources

All other revenue sources YTD 2015 is \$0.6 million or 36.7% more than collections YTD 2014. This increase in revenue collections year over year is due to the Bloomberg Philanthropies Innovation Team Grant in which the City will receive up to \$1.5 million throughout three years.

Expenditures

Total expenditures and transfers YTD 2015 are \$4.4 million or 16.4% more than expenditures YTD 2014. The net increase is primarily due to Public Works expenditures, Law Enforcement expenditures, Finance expenditures, Information Technology expenditures, and transfers to the Capital Improvement Fund.

- Public Works expenditures YTD 2015 are \$0.5 million or 8.6% more than expenditures YTD 2014. This increase is primarily due to higher contracted costs for the City's public works services provided by CH2M.
- Law Enforcement expenditures YTD 2015 are \$0.7 million or 7.0% more than expenditures YTD 2014. This increase is primarily due to higher expenditures for contracted service obligations. Increased costs in this area are 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.
- Finance Department expenditures YTD 2015 are \$0.3 million or 26.9% more than expenditures YTD 2014. This increase is primarily due to higher expenditures for auditing services related to the City's sales tax program.
- Information Technology expenditures YTD 2015 are \$0.2 million or 55.3% more than expenditures YTD 2014. This increase is primarily due to higher expenditures for Geographical Information Systems (GIS) Services relating to enhancements to base systems to coordinate information and mapping in a unified manner for users, both internal and external to the City.
- Transfers to the Capital Improvement Fund YTD 2015 are \$2.7 million or over 63.1% more than expenditures YTD 2014. This increase is primarily due to transfers for street and intersection construction and includes the Arapahoe Road - Waco to Himalaya, in addition to the Arapahoe Road - Dry Creek and Smokey Hill construction.

<b>GENERAL FUND – COMPARISON TO BUDGET</b>
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The City's annual budget is examined on a monthly basis. The year to date actual receipts and expenditures are compared to the budget on a line item or departmental basis. Monthly budget allocations represent a portion of the annual budget that is assigned to each month for comparative purposes. The allocation amount may be either 1/12<sup>th</sup> of the total amount budgeted for the year, or a specific percentage for that month based on actual receipts or expenditures in prior years. The analysis below compares year to date actual amounts to year to date 2015 budget amounts.

**Revenues**

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

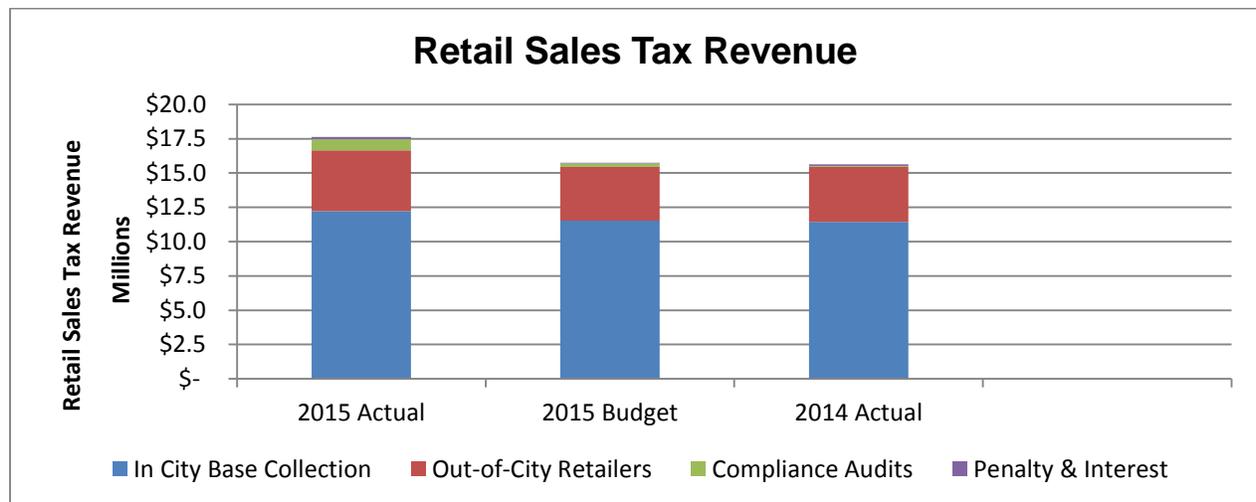
*(dollar amounts in millions)*

	Actual YTD 2015	Budget YTD 2015	\$ Variance	% Variance
Retail Sales Tax	\$ 17.6	\$ 15.8	\$ 1.8	11.9%
Property Tax	7.8	7.8	-	-1.1%
Building Materials Use Tax	1.3	0.4	0.9	201.7%
Highway Users Tax Fund	2.6	2.5	0.1	4.7%
Franchise Fees	2.5	2.6	(0.1)	-1.4%
Specific Ownership Tax	0.3	0.3	-	9.9%
Automobile Use Tax	2.3	1.8	0.5	29.1%
Court Fines	0.9	1.0	(0.1)	-9.5%
Building Rent Recovery	0.2	0.2	-	-1.3%
All Other Revenue Sources	2.3	2.1	0.1	8.6%
	<u>\$ 37.8</u>	<u>\$ 34.5</u>	<u>\$ 3.3</u>	<u>9.7%</u>

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

**Retail Sales Tax**

Retail Sales Tax revenue YTD 2015 is \$1.8 million or 11.9% favorable compared to budget. This favorable variance is the result of higher than anticipated sales tax revenues from out-of-City retailers (\$0.5 million) and in-City retailers (\$0.7 million). These increases are from newly licensed businesses and a slight increase in sales from existing businesses. The additional favorable variance of \$0.6 million is from compliance audits and penalties and interest from late sales tax returns.



**Property Tax**

Property Tax revenue YTD are in line with the 2015 Adopted 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.

**Building Materials Use Tax**

Building Materials use tax revenue YTD 2015 is \$0.9 million or more than 100.0% favorable compared to budget. The City had a large increase in re-roofing permits in 2015 due to a hail storm in the fall of 2014. The increase in permits and the subsequent use tax was not anticipated during the budget process.

### Highway Users Tax Fund

Highway Users Tax Fund revenue YTD 2015 is \$0.1 million, or 4.7% favorable compared to budget. The favorable variance is from an increased distribution to all municipalities due to the higher number of vehicle registrations.

### Franchise Fees

Franchise Fee revenue for 2015 is \$0.1 million, or 1.4% unfavorable compared to budget. A slight decrease in average gas and electric rates for the first portion of 2015 was not anticipated in the 2015 Adopted Budget.

### Automobile Use Tax

Automobile Use Tax revenue YTD 2015 is \$0.5 million or 29.1% favorable compared to the budget. This variance is due to higher than anticipated automobile sales. Many analysts in the auto industry believe auto sales will remain strong throughout 2015, and this variance as a result will continue until the revenue is adjusted in the 2015 Revised Budget.

### Expenditures

Total expenditures and transfers YTD 2015 are \$2.4 million or 7.2% favorable compared to budget. This favorable variance is attributable to the Office of Innovation, Human Resources, Finance, Nondepartmental, Public Works, Facilities and Fleet, and Law Enforcement departments. Favorable net transfers to other funds also contributed to the favorable variance to budget.

- Office of Innovation expenditures YTD 2015 are \$0.3 million or 72.6% favorable compared to budget. This favorable variance is primarily due to lower than anticipated project specific and professional services to assist the City with collecting necessary network data and standardize the City's record keeping and asset tracking practices for its fiber optic facilities, with a goal of incorporating the data gathered into a business plan.
- Human Resources expenditures YTD 2015 are \$0.1 million or 35.9% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for security services and internship services.
- Finance expenditures YTD 2015 are \$0.2 million or 11.9% favorable compared to budget. This favorable variance is primarily due to personnel vacancy savings. This variance is expected to diminish through the remainder of the year.
- Nondepartmental expenditures YTD 2015 are \$0.4 million or 17.1% favorable compared to budget. This favorable variance is primarily due to expenditures related to incentive agreements the City has entered into in an effort to promote economic development and redevelopment.. 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. This variance is expected to diminish through the remainder of the year.
- Public Works expenditures YTD 2015 are \$0.4 million or 5.6% favorable compared to budget. This favorable variance is primarily due to lower than anticipated costs for public works services provided by CH2M. This variance is expected to diminish through the remainder of the year.
- Fleet and Facilities expenditures YTD 2015 are \$0.2 million or 32.6% favorable compared to budget. This favorable variance is primarily due to planned expenditures for the Civic Center building improvements that have not occurred YTD. This variance is expected to diminish through the remainder of the year.
- Law Enforcement expenditures YTD for 2015 are \$0.2 million or 2.0% favorable compared to budget. This favorable variance is primarily the result of actual costs related to Law Enforcement services being less than anticipated in the 2015 Revised Budget.

- Net transfers from the Land Use Fund YTD are \$0.3 million or more than 100% favorable to budget. Revenues generated YTD 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.

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

*Revenue*

- Revenue YTD 2015 is \$0.9 million or 61.6% more than revenue collected during the same period in 2014. This increase revenue is due to the Building Permit Fees and Building Plan Review Fees which are calculated based on the valuation of a project. The City's One Stop/Miscellaneous building permits have increased YTD 2015 by 3,591 permits. The increased permits had created the valuation YTD to be \$38.4 million than YTD 2014.

*Expenses*

- Expenses YTD 2015 are \$0.6 million, or 49.0% more than expenses YTD 2014. Expenses related to building permits and inspections are the primary driver of this increase. As building permit fees (revenue) increase, the building related cost of the contracted services provided by Safebuilt directly increase.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are \$0.6 million or 37.2% favorable compared to budget. This variance is due to higher than anticipated Building Permit and Building Plan Review Fees as a result of an increase in building permits issued. The increase activity is from the One Stop/Miscellaneous permits, specifically re-roofing permits in the City due to a large hail storm in September 2014.

*Expenses*

- Expenses YTD 2015 are \$0.3 million or 21.9% unfavorable compared to budget. This variance is due primarily to expenses associated with building permits issued. As building permit fees (revenue) increase, the building related cost of the contracted services provided by Safebuilt directly increase.

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

*Revenue*

- Revenues YTD 2015 are \$0.4 million or 66.6% less than collections YTD 2014. This decrease revenue is due to higher federal grant revenue received YTD 2014 for projects related to Vista Verde Neighborhood Improvements and Signal Communication Improvements.

*Expenditures*

- Expenditures for YTD 2015 are in line with YTD 2014 expenditures.

### **Comparison to Budget**

#### *Revenue*

- Revenues received YTD 2015 are \$2.3 million or 91.6% 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. This variance is expected to diminish as the year progresses.

#### *Expenditures*

- Expenditures YTD 2015 are \$6.5 million or 62.3% favorable compared to budget. This favorable variance is primarily due to the Arapahoe Road - Waco to Himalaya widening project and street rehabilitation. The favorable variance is expected to diminish as the year progresses.

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

#### *Revenue*

- Revenues YTD 2015 are in line with the prior year.

#### *Expenditures*

- Expenditures YTD 2015 are \$0.6 million or 99.7% less than expenditures YTD 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 YTD 2015 are in line with the 2015 Adopted Budget.

#### *Expenditures*

- Expenditures YTD 2015 are \$0.1 million or 98.8% favorable compared to budget. This favorable variance is primarily due to lower than anticipated YTD expenditures for the Waco-Himalaya Trail, multi-use trails, and Arapahoe Park and Recreation District projects for Trail Recreation Center improvements. This variance is expected to diminish as the year progresses.

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

#### *Revenue*

- Revenues YTD 2015 are \$0.2 million or 10.4% more than collection YTD 2014. The increase revenue is attributable to higher County Open Space sales tax received.

#### *Expenditures*

- Expenditures YTD 2015 are \$0.9 million less or 83.4% lower than expenditures YTD 2014. This is due primarily to prior year expenditures for improvements at Centennial Center Park for the amphitheatre.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are \$0.2 million, or 10.7% favorable compared to budget. This favorable variance is due to higher County Open Space sales tax which was not anticipated in the 2015 Adopted budget.

*Expenditures*

- Expenditures YTD 2015 are \$1.9 million or 91.8% favorable compared to budget. This favorable variance is due to less than anticipated YTD expenditures for parks and recreation to include expenditures for the Lone Tree Creek Trail, City-wide Neighborhood Park improvements and the Centennial Center Park. This variance is expected to diminish and trail work continues through the year.

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

*Revenue*

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

*Expenditures*

- Expenditures for YTD 2015 are in line with YTD 2014 expenditures.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2015 are in line with the 2015 Adopted Budget.

*Expenditures*

- Expenditures YTD 2015 are \$0.1 million or 48.1% favorable compared to budget. This favorable variance is primarily due to less than anticipated YTD expenditures for general contracted services that include grounds upkeep and landscaping.

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

*Revenue*

- Revenues received YTD 2015 are \$0.9 million or 16.5% less than collections YTD 2014. The decrease in revenues is a result of lower property tax collections in the redevelopment area. The timing of property tax collections during the first six months of the year can vary from year to year.

*Expenditures*

- Expenditures YTD 2015 are \$0.9 million or 16.6% less than expenditures YTD 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 YTD 2015 are \$0.8 million or 13.8% unfavorable compared to budget. This unfavorable variance is due to the property tax in the redevelopment area.

#### *Expenditures*

- Expenditures YTD 2015 are \$0.8 million or 13.8% favorable compared to the 2015 Budget. This favorable variance is the result of lower property tax pass-thru payments from the Authority to the Southglenn Metropolitan District.