



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended September 30, 2014; 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 2014 Annual Budget for an explanation of variances between the 2013 and 2014 Adopted Budgets.

**Summary of the September, 2014 YTD Financial Statements**

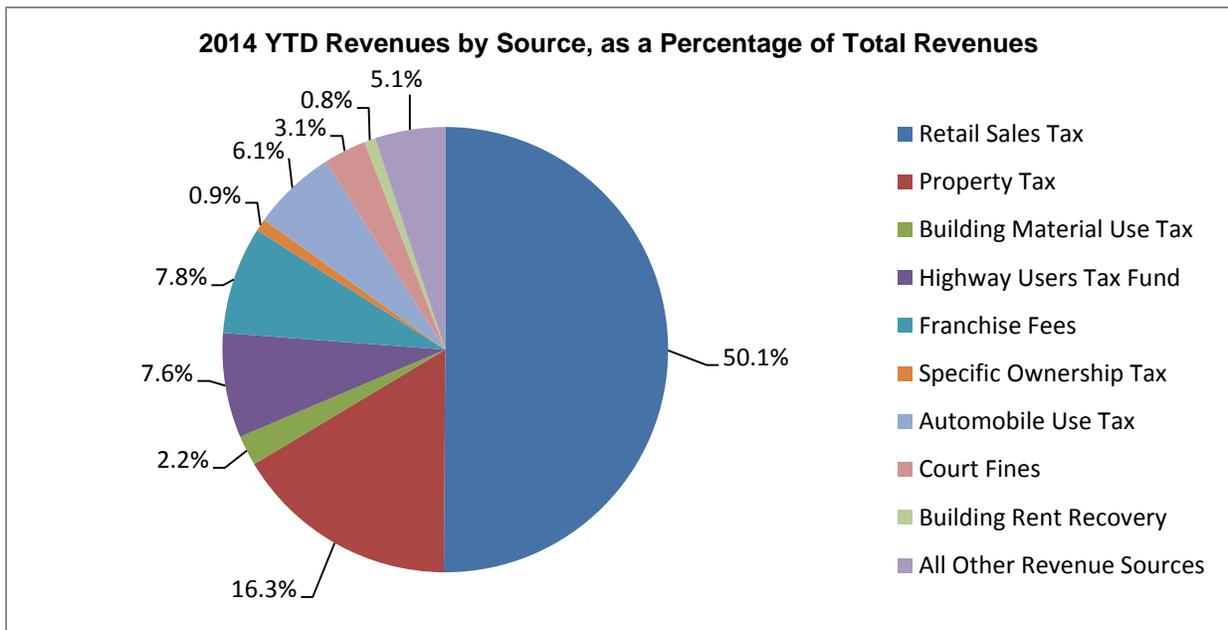
**GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD**

**Revenues**

The following table is a summary comparison of the primary revenue sources YTD for 2014 and 2013: *(dollar amounts in millions)*

|                            | YTD<br>2014    | YTD<br>2013    | \$<br>Variance | %<br>Variance |
|----------------------------|----------------|----------------|----------------|---------------|
| Retail Sales Tax           | \$ 24.9        | \$ 24.6        | \$ 0.3         | 1.5%          |
| Property Tax               | 8.1            | 7.8            | 0.3            | 3.4%          |
| Building Materials Use Tax | 1.1            | 2.5            | (1.4)          | -55.4%        |
| Highway Users Tax Fund     | 3.8            | 3.6            | 0.2            | 3.7%          |
| Franchise Fees             | 3.9            | 3.8            | 0.1            | 3.0%          |
| Specific Ownership Tax     | 0.4            | 0.4            | -              | 4.9%          |
| Automobile Use Tax         | 3.0            | 2.8            | 0.2            | 8.7%          |
| Court Fines                | 1.5            | 1.6            | (0.1)          | -4.1%         |
| Building Rent Recovery     | 0.4            | -              | 0.4            | 1156.6%       |
| All Other Revenue Sources  | 2.6            | 2.4            | 0.2            | 5.0%          |
|                            | <u>\$ 49.7</u> | <u>\$ 49.5</u> | <u>\$ 0.2</u>  | <u>0.4%</u>   |

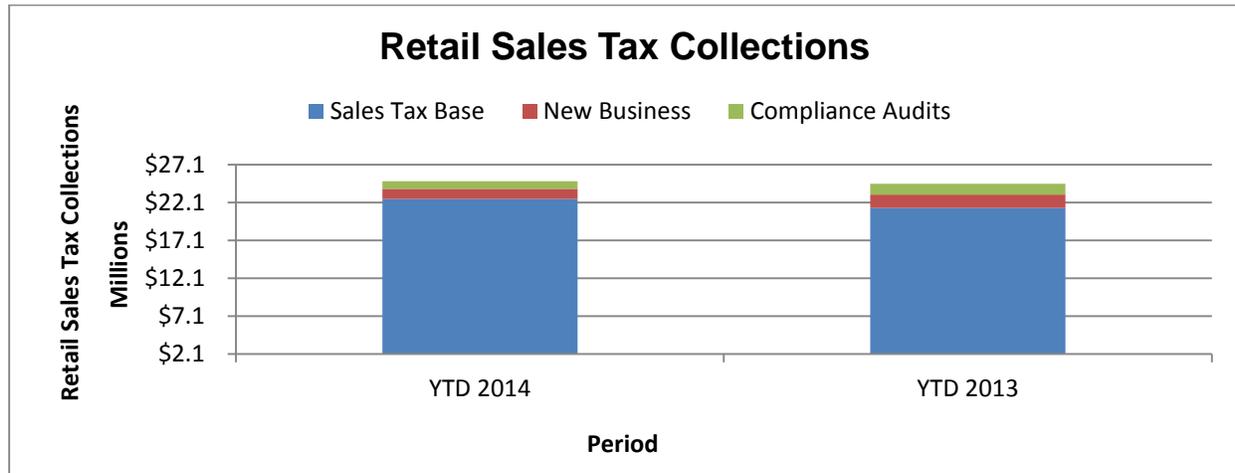
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue YTD 2014 is \$0.3 million or 1.5% more than collections YTD 2013. This is a result of higher revenues in the sales tax base revenues (\$1.1 million more than YTD 2013) offset by decreases from new businesses (\$0.4 million) and compliance audits (\$0.4 million).

The illustration below depicts the change in the City's YTD 2014 Sales Tax Revenue as it compares to YTD 2013.



The table below represents sales tax collected 2014 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2013.

**2014 YTD & 2013 YTD –Current Top 20 Sales Tax Receipts by 4-digit NAICS Code**

|  | 2014            | % of 2014 | 2013            | % of 2013 |
|--|-----------------|-----------|-----------------|-----------|
| Furniture Stores   | \$ 3,108,338.65 | 12.5%     | \$ 3,009,532.01 | 12.3%     |
| Full-Service Restaurants   | \$ 1,760,988.18 | 7.1%      | \$ 1,712,044.68 | 7.0%      |
| Sporting Goods, Hobby, and Musical Instrument Stores             | \$ 1,370,965.36 | 5.5%      | \$ 1,424,140.35 | 5.8%      |
| Limited-Service Eating Places                                    | \$ 1,322,699.95 | 5.3%      | \$ 1,155,034.67 | 4.7%      |
| Automobile Dealers   | \$ 1,219,460.39 | 4.9%      | \$ 1,238,122.90 | 5.0%      |
| Electronics and Appliance Stores                                 | \$ 1,044,585.17 | 4.2%      | \$ 904,757.22   | 3.7%      |
| Electric Power Generation, Transmission and Distribution         | \$ 1,028,197.35 | 4.1%      | \$ 960,043.26   | 3.9%      |
| Grocery Stores   | \$ 958,987.03   | 3.8%      | \$ 1,001,179.16 | 4.1%      |
| Wireless Telecommunications Carriers (except Satellite)          | \$ 906,065.23   | 3.6%      | \$ 895,905.44   | 3.6%      |
| Other General Merchandise Stores                                 | \$ 652,458.64   | 2.6%      | \$ 659,879.51   | 2.7%      |
| Clothing Stores  | \$ 504,748.37   | 2.0%      | \$ 376,459.74   | 1.5%      |
| Department Stores  | \$ 469,062.03   | 1.9%      | \$ 611,840.82   | 2.5%      |
| Commercial and Industrial Machinery & Equipment Rental & Leasing | \$ 438,890.24   | 1.8%      | \$ 459,528.91   | 1.9%      |
| Home Furnishings Stores  | \$ 430,713.60   | 1.7%      | \$ 305,949.75   | 1.2%      |
| Beer, Wine, and Liquor Stores                                    | \$ 429,470.40   | 1.7%      | \$ 417,519.02   | 1.7%      |
| Automotive Repair and Maintenance                                | \$ 416,293.64   | 1.7%      | \$ 373,041.51   | 1.5%      |
| Electronic Shopping and Mail-Order Houses                        | \$ 414,672.40   | 1.7%      | \$ 173,920.51   | 0.7%      |
| Traveler Accommodation   | \$ 384,418.97   | 1.5%      | \$ 342,729.12   | 1.4%      |
| Automotive Parts, Accessories, and Tire Stores                   | \$ 383,326.50   | 1.5%      | \$ 388,168.48   | 1.6%      |
| Wired Telecommunications Carriers                                | \$ 355,477.46   | 1.4%      | \$ 359,865.96   | 1.5%      |
| Total Retail Sales Tax Collected YTD from Top 20 NAICS codes     | \$ 17,599,820   |           | \$ 16,769,663   |           |

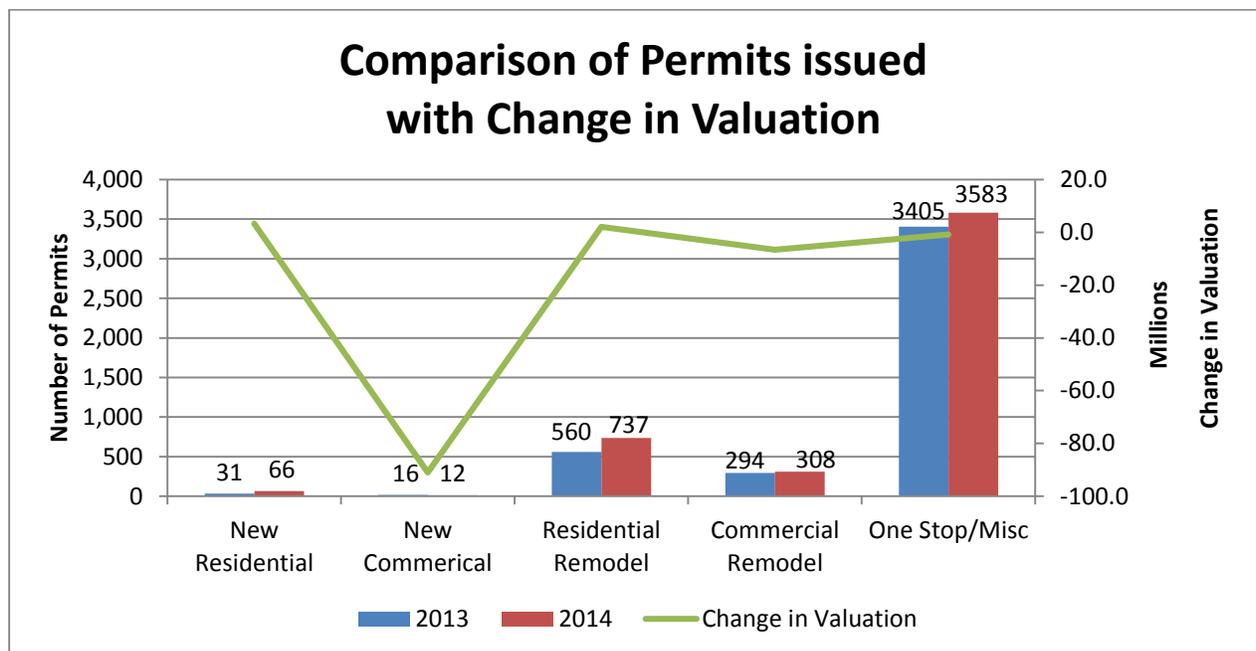
*\*This table only represents the top 20 NAICS codes, or 70.6% of 2014 YTD Sales Tax collections, and does not include audit revenue.*

Property Tax

Revenue received YTD 2014 is \$0.3 million or 3.4% more than collections YTD 2013. The increase of property tax is due to a 3.7% increase of assessed valuations of property. The timing of Property Tax collections during the first six months of the year may vary from year to year, however the majority of property tax for 2014 has been received by the City. 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 for 2014 is \$1.4 million, or 55.4% less than collections YTD 2013. As depicted in the graph below, YTD 2014 Residential and Commercial permits (New and Remodel) have increased by 222 and permits for One Stop/Miscellaneous increased by 178 when compared to YTD 2013. Despite the increase in permits in YTD 2014, the total valuation for the permits has decreased by \$112.6 million when compared to YTD 2013. The decreased total valuation is due to a large new commercial development permit issued in August 2013.



Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2014 is \$0.1 million, or 3.7% more than collections YTD 2013. 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 slight increase is from the recalculated percentages for the HUTF distributions.

Franchise Fees

Franchise Fees revenue for 2014 is \$0.1 million, or 3.0% more than collections YTD 2013. A slight increase in gas and electric rates and usages over those in 2013 has contributed to the increase in franchise fee collections.

Building Rent Recovery

Building Rent Recovery YTD 2014 is \$0.4 million, or over 100% more than collections during 2013. This favorable variance is due to rent received from leasing the City's new Eagle Street property which opened in January 2014.

## Expenditures

Total expenditures and transfers YTD 2014 are \$.2 million or 0.6% more than expenditures YTD 2013. The net increase is primarily due to the Public Works and Law Enforcement expenditures offset by decrease in transfers to the Land Use Fund and Capital Improvement Fund.

- The Public Works expenditures YTD 2014 are \$0.2 million or 2.9% more than expenditures YTD 2013. This variance is primarily due to more snow removal materials purchased by City during 2014 compared to YTD 2013.
- Law Enforcement expenditures YTD 2014 are \$0.2 million or 1.6% more than expenditures YTD 2013. This increase is primarily due to higher expenditures for contracted service obligations.
- Net transfers to the Land Use Fund and Capital Improvement Fund YTD 2014 is \$0.2 million less than transfers YTD 2013. Transfers from the Land Use Fund decreased YTD 2014 as a result of a slight reduction in Land Development Application revenues. The decrease in Capital Improvement Fund transfers is primarily the result of funding in 2013 for the Eagle Street improvements.

## GENERAL FUND – COMPARISON TO BUDGET

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 2014 budget amounts.

## Revenues

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

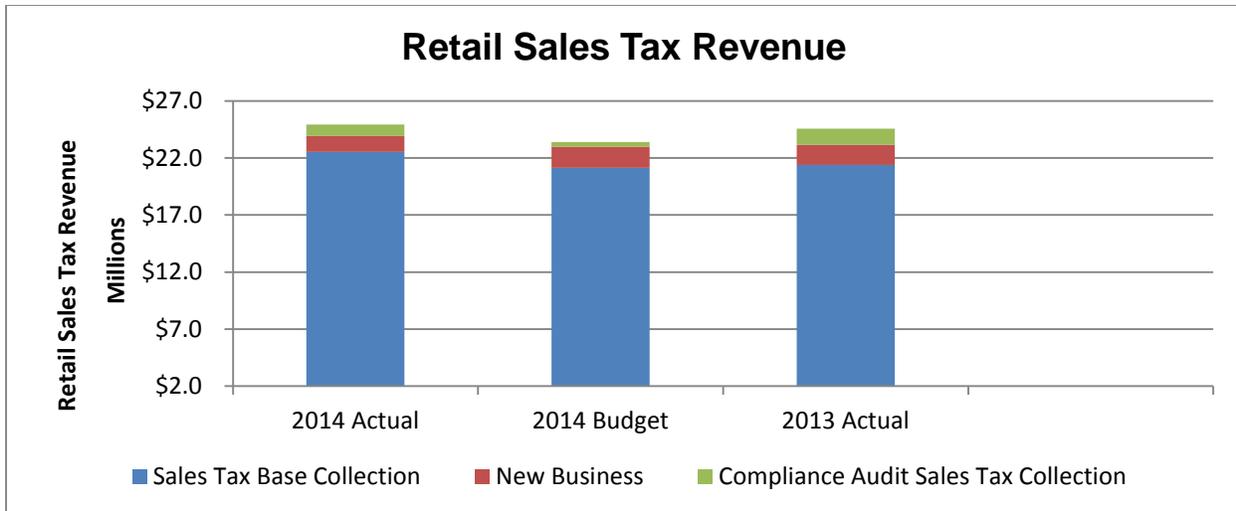
*(dollar amounts in millions)*

|                            | Actual YTD<br>2014 | Budget YTD<br>2014 | \$<br>Variance | %<br>Variance |
|----------------------------|--------------------|--------------------|----------------|---------------|
| Retail Sales Tax           | \$ 24.9            | \$ 23.4            | \$ 1.5         | 6.6%          |
| Property Tax               | 8.1                | 8.1                | -              | -0.2%         |
| Building Materials Use Tax | 1.1                | 1.3                | (0.2)          | -12.6%        |
| Highway Users Tax Fund     | 3.8                | 3.5                | 0.3            | 6.3%          |
| Franchise Fees             | 3.9                | 3.7                | 0.2            | 5.1%          |
| Specific Ownership Tax     | 0.4                | 0.4                | -              | 7.0%          |
| Automobile Use Tax         | 3.0                | 2.9                | 0.1            | 6.8%          |
| Court Fines                | 1.5                | 1.5                | -              | 2.0%          |
| Building Rent Recovery     | 0.4                | -                  | 0.4            | 1188.2%       |
| All Other Revenue Sources  | 2.6                | 2.2                | 0.4            | 12.9%         |
|                            | <u>\$ 49.7</u>     | <u>\$ 47.0</u>     | <u>\$ 2.7</u>  | <u>5.7%</u>   |

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

## Retail Sales Tax

Retail Sales Tax revenue YTD 2014 is \$1.5 million, or 6.6% favorable compared to budget. This variance is the result of sales tax base (\$1.4 million) and compliance audits (\$0.6 million) revenues. The favorable variance is offset by an unfavorable variance attributable to new businesses (\$0.5 million). Due to the City's conservative approach to forecasting sales tax revenues, this variance is expected to continue until the 2014 Adopted Budget is revised.



Property Tax

Property Tax revenue YTD 2014 is in line with budget amount.

Highway Users Tax Fund

Highway Users Tax Fund revenue YTD 2014 is \$0.3 million, or 6.3% favorable to budget. The Highway Users Trust Fund amount available for distribution to all municipalities has increased compared to the same period in 2013. The increase in the total funds available for distribution was not anticipated in the 2014 Adopted Budget.

Franchise Fees

Franchise Fee revenue for 2014 is \$0.2 million, or 5.1% favorable compared to budget. Franchise Fee revenues generally follow the ups and downs of local energy rates and usages as natural gas and electricity account for the majority of the revenue stream. The increases in electric and natural gas rates were not anticipated in the 2014 Adopted Budget.

Building Rent Recovery

Building Rent Recovery revenue YTD 2014 is \$0.4 million, or over 100% favorable compared to budget. This favorable variance is attributable to rent received from the lease of the Eagle Street property which was not anticipated in the 2014 Adopted Budget (rent negotiations were still in progress at the time the 2014 Budget was adopted). The rent recovery revenue will be adjusted in the 2014 Revised Budget.

Expenditures

Total expenditures and transfers YTD 2014 are \$3.6 million, or 7.7% favorable compared to the YTD 2014 Adopted Budget. This favorable variance is primarily attributable to variances in Finance, Public Works, and Law Enforcement departments, and transfers to the Capital Improvement Funds.

- Finance expenditures YTD 2014 are \$0.4 million or 20.9% favorable compared to budget. This favorable variance is due to Auditing Services related to the City's Sales Tax program. The City anticipates expenditures for Auditing Services to be in line with the 2014 Adopted Budget as the year progresses. Additionally, personnel vacancy savings contributed to the favorable variance; this variance is expected to diminish throughout 2014.
- Public Works (including Facilities and Fleet) expenditures YTD 2014 are \$1.0 million or 9.0% favorable compared to budget. This favorable variance is primarily due to expenditures related to the Public Works service provider, traffic signal repairs and maintenance, and building and land improvements. The City anticipates this favorable variance to diminish throughout 2014.
- Law Enforcement expenditures YTD 2014 are \$0.3 million or 1.9% favorable compared to budget. This variance is the result of actual costs related to Law Enforcement services being less than anticipated in the 2014 Adopted Budget. The City expects this variance to continue until the 2014

Adopted Budget is revised to reflect approximately \$360,000 in budget savings for the Arapahoe County Sheriff's Office 2014 contract.

- Transfers to the Capital Improvement Fund YTD 2014 is \$1.3 million favorable compared to budget. The variance in Capital Improvement Fund transfers is due primarily to the timing of street rehabilitation program expenditures. This variance is expected to diminish as the year progresses.

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

*Revenue*

- Revenue YTD 2014 is \$0.7 million, or 22.8% less than revenue collected during the same period in 2013. This decrease is primarily due to revenue reduction from Building Permit Fees, Building Plan Review Fees and Land Development Applications YTD 2014 as compared to the prior year.

*Expenses*

- Expenses YTD 2014 are \$0.5 million, or 19.3% less than expenses YTD 2013. The decrease in expense is primarily due to contracted services related to Building Permits and Inspections when compared to the prior year.

**Comparison to Budget**

*Revenue*

- Revenue YTD 2014 is \$0.2 million, or 7.2% unfavorable compared to budget. The variance is due to the decrease in building permit fees compared to YTD budget.

*Expenses*

- Expenses YTD 2014 are \$0.3 million or 12.5% favorable compared to budget. The favorable variance is due to a decrease in expenses for Building Services (building permit and plan review services).

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

*Revenue*

- Revenue YTD 2014 is \$0.1 million or 17.7% less than revenue collected YTD 2013. This decrease is due to \$0.4 million in revenues from a Waco to Himalaya reimbursement and Potomac and Briarwood Signal in 2013. This reduction in revenue is offset by an increase of \$0.3 million attributable to federal grant revenues for projects related to Vista Verde Neighborhood Improvements (Community Development Block Grant) and Signal Communication Improvements (DRCOG Grant).

*Expenditures*

- Expenditures YTD 2014 are \$2.7 million, or 47.0% more than expenditures YTD 2013. This increase is primarily due to the street rehabilitation program, the Waco to Himalaya project and building improvements.

### **Comparison to Budget**

#### *Revenue*

- Revenue received YTD 2014 is \$0.6 million or more than 100% favorable compared to budget. This favorable variance is due to federal grant revenue received earlier than anticipated in the 2014 Adopted Budget. This variance is expected to diminish as the year progresses.

#### *Expenditures*

- Expenditures YTD 2014 are \$1.7 million, or 17.1% favorable compared to budget. This favorable variance is due primarily to the timing of street rehabilitation program and building maintenance and improvement expenditures. This variance is expected to diminish as the year progresses.

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

#### *Revenue*

- Revenues YTD 2014 are in line with revenues YTD 2013.

#### *Expenditures*

- Expenditures YTD 2014 are \$0.6 million more than expenditures YTD 2013. The increase in expenditures is primarily due to the improvements at Centennial Center Park during 2014.

### **Comparison to Budget**

#### *Revenue*

- Revenues YTD 2014 are in line with the 2014 Adopted Budget.

#### *Expenditures*

- Expenditures YTD 2014 are in line with the 2014 Adopted Budget.

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

#### *Revenue*

- Revenue YTD 2014 is \$0.3 million, or 11.7% less than revenue collected YTD 2013. This decrease is due to \$0.4 million in grant revenue related to the Cherry Creek Regional Trail project in April 2013. This reduction in revenue is offset by an increase of \$0.1 million attributable to the County Open Space sales tax received compared to YTD 2013.

#### *Expenditures*

- Expenditures YTD 2014 are \$1.1 million, or 45.3% less than expenditures YTD 2013. This decrease is due to expenditures related to trails (\$0.8 million) and parks and recreation (\$0.9 million). The decrease in expenditures is offset by increased expenditures relating to improvements at Centennial Center Park (\$0.4 million) and bike lanes (\$0.2 million).

### **Comparison to Budget**

#### *Revenue*

- Revenues YTD 2014 are \$0.3 million, or 14.4% favorable compared to budget. This favorable variance is due to higher County Open Space sales tax which was not anticipated in the 2014 Adopted budget.

*Expenditures*

- Expenditures YTD 2014 are \$0.2 million, or 12.8% favorable compared to budget. This favorable variance is due to the timing of improvements made to trails and parks and recreation. The variance is expected to diminish as the year progresses.

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

*Revenue*

- Revenues received YTD 2014 are in line with the prior year.

*Expenditures*

- Expenditures for YTD 2014 are in line with YTD 2013 expenditures.

**Comparison to Budget**

*Revenue*

- Revenues received YTD 2014 are in line with budget projections.

*Expenditures*

- Expenditures YTD 2014 \$0.1 million, or 43.4% favorable compared to budget. This favorable variance is mainly related to contracted services and is expected to diminish as the year progresses.

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

*Revenue*

- Revenue received YTD 2014 is \$0.4 million, or 7.0% more than collections YTD 2013. The increase in revenues is a result of higher sales tax and property tax collections in the redevelopment area.

*Expenditures*

- Expenditures for YTD 2014 are \$0.5 million, or 7.9% more than YTD 2013 expenditures. This increase is due to the expenditures for sales tax and property tax pass-thru payments by the Authority to the Southglenn Metropolitan District.

**Comparison to Budget**

*Revenue*

- Revenues YTD 2014 are \$0.1 million, or 1.8% unfavorable compared to budget. This unfavorable variance is due to lower sales tax revenues compared to budget.

*Expenditures*

- Expenditures YTD 2014 are \$0.1 million, or 1.0% favorable compared to budget. This favorable variance is due to the expenditures for sales tax pass-thru payments by the Authority to the Southglenn Metropolitan District.