



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended March 31, 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 March, 2016 Financial Statements**

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

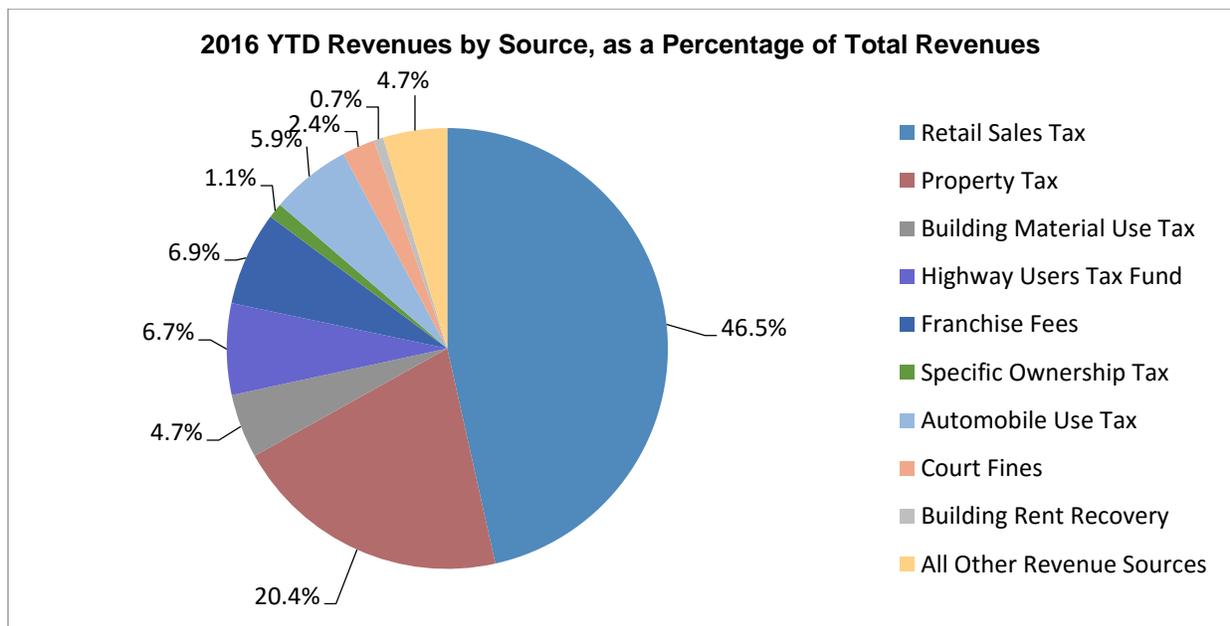
**Revenues**

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	\$ 8.5	\$ 8.6	\$ (0.1)	-1.2%
Property Tax	3.8	3.0	0.8	23.1%
Building Materials Use Tax	0.8	0.5	0.3	66.8%
Highway Users Tax Fund	1.2	1.2	-	2.1%
Franchise Fees	1.3	1.4	(0.1)	-8.1%
Specific Ownership Tax	0.2	0.2	-	28.7%
Automobile Use Tax	1.1	1.2	(0.1)	-6.8%
Court Fines	0.5	0.5	-	-10.4%
Building Rent Recovery	0.1	0.1	-	2.2%
All Other Revenue Sources	0.9	0.8	0.1	11.1%
	<u>\$ 18.4</u>	<u>\$ 17.5</u>	<u>\$ 0.9</u>	<u>4.9%</u>

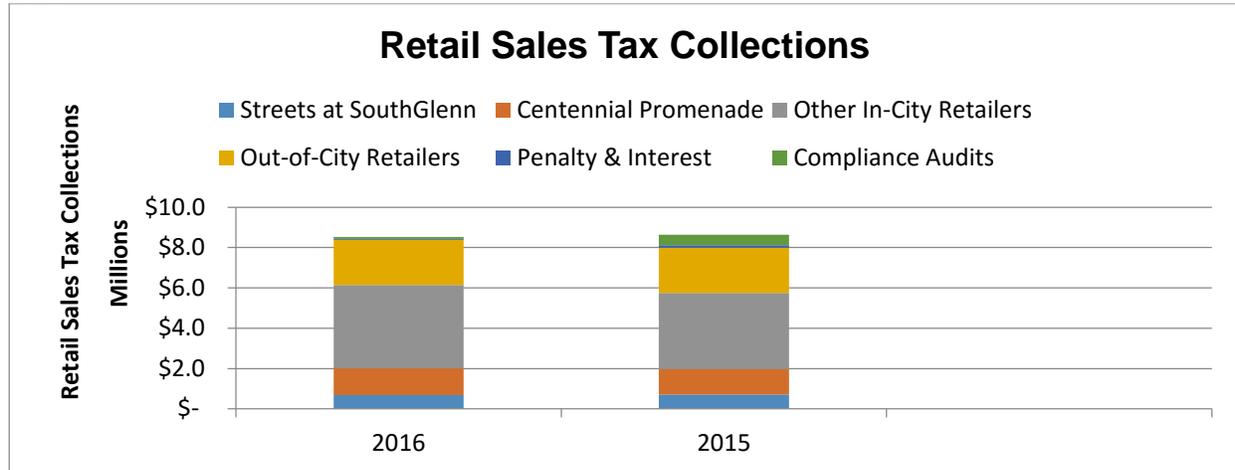
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue YTD 2016 is \$0.1 million or 1.2% less than collections YTD 2015. Sales tax revenues from in-City retailers has increased \$0.4 million over collections YTD 2015. This increase is attributable to new businesses inside of Centennial such as TopGolf and Home Goods. The increase in sales tax from in-City businesses is offset by a decrease of \$0.5 million in revenues attributed to sales tax compliance audits and penalties and interest from late filings. The City received two large audit payments in March 2015 from a general merchandise store and a software retailer.

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	\$ 921,346.78	10.8%	\$ 868,426.27	10.1%
Full-Service Restaurants	\$ 677,870.10	7.9%	\$ 674,090.62	7.8%
Limited-Service Eating Places	\$ 472,040.68	5.5%	\$ 458,403.23	5.3%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 400,815.12	4.7%	\$ 406,027.81	4.7%
Automobile Dealers	\$ 374,659.19	4.4%	\$ 424,396.42	4.9%
Grocery Stores	\$ 307,808.08	3.6%	\$ 297,146.00	3.4%
Electric Power Generation, Transmission and Distribution	\$ 307,647.70	3.6%	\$ 341,559.88	4.0%
Other General Merchandise Stores	\$ 297,739.31	3.5%	\$ 206,475.41	2.4%
Electronics and Appliance Stores	\$ 290,315.41	3.4%	\$ 329,530.43	3.8%
Wireless Telecommunications Carriers (except Satellite)	\$ 253,638.87	3.0%	\$ 302,325.25	3.5%
Home Furnishings Stores	\$ 236,314.78	2.8%	\$ 152,684.33	1.8%
Wired Telecommunications Carriers	\$ 201,133.80	2.4%	\$ 121,234.57	1.4%
Clothing Stores	\$ 179,992.05	2.1%	\$ 188,203.71	2.2%
Other Amusement and Recreation Industries	\$ 173,437.20	2.0%	\$ 28,075.22	0.3%
Automotive Repair and Maintenance	\$ 152,377.54	1.8%	\$ 189,048.45	2.2%
Beer, Wine, and Liquor Stores	\$ 142,166.85	1.7%	\$ 142,285.68	1.6%
Computer Systems Design and Related Services	\$ 137,866.04	1.6%	\$ 186,393.29	2.2%
Commercial & Industrial Machinery & Equipment Rental	\$ 136,042.63	1.6%	\$ 122,323.66	1.4%
Other Miscellaneous Store Retailers	\$ 130,327.66	1.5%	\$ 131,378.32	1.5%
Traveler Accommodation	\$ 126,995.62	1.5%	\$ 121,187.57	1.4%
<b>Total Retail Sales Tax Collected YTD from Top 20 NAICS</b>	<b>\$ 5,920,535</b>		<b>\$ 5,691,196</b>	

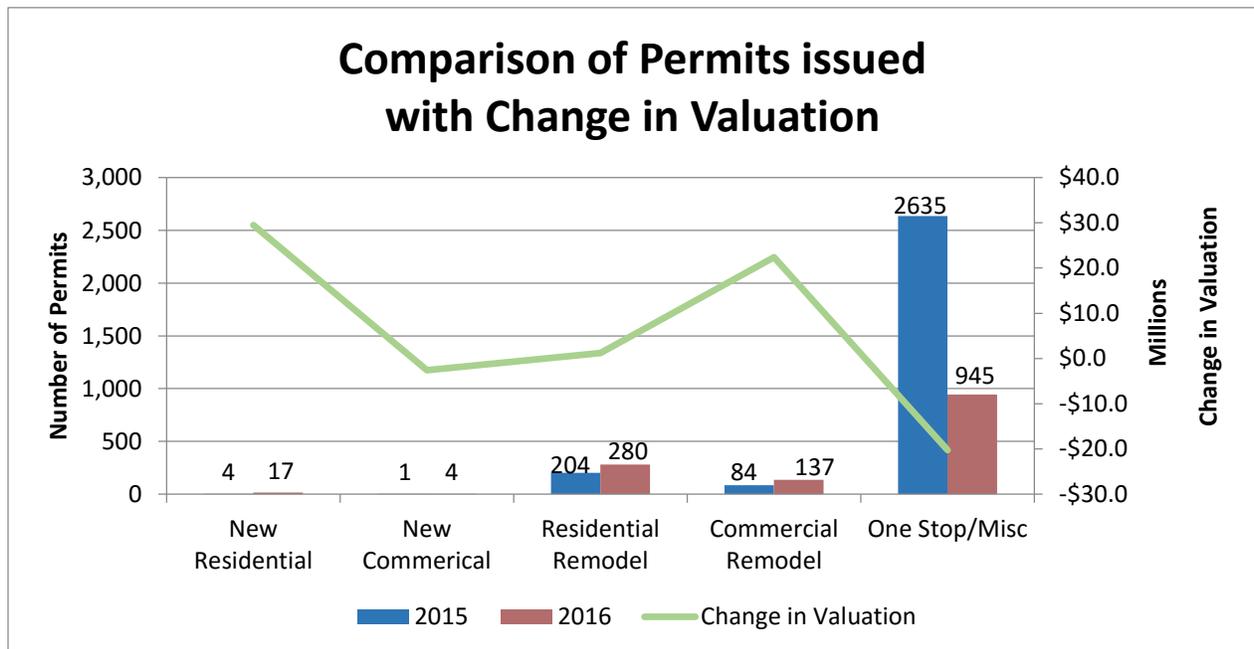
\*This table only represents the top 20 NAICS codes, or 69.4% of 2016 Sales Tax collections, and does not include audit revenue.

**Property Tax**

Revenue received YTD 2016 is \$0.8 million or 23.1% more than collections YTD 2015. The increase of property tax is due to a 23.7% increase of assessed valuations of property. 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 2016 is \$0.3 million or 66.8% more than collections YTD 2015. As depicted in the graph below, 2016 Residential and Commercial permits (New and Remodel) have increased by 145, and One Stop/Miscellaneous permits have decreased by 1,690 when compared to YTD 2015. The total valuation for permits YTD has increased by \$30.2 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 in 2015 from a large hail storm at the end of September 2014.



**Franchise Fees**

Franchise Fees revenue YTD 2016 is \$0.1 million or 8.1% 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 6.8% less than collections during 2015. According to the Colorado Automobile Dealers Association, new cars sales and used vehicle registrations dropped in March from year-ago levels, 23% and 15% respectively.

**Expenditures**

Total expenditures and transfers YTD for 2016 are \$4.1 million or 32.3% more than expenditures YTD 2015. The net increase is primarily due to expenditures in the following departments: Law Enforcement and transfers to the Capital Improvement Fund.

- Law Enforcement expenditures YTD for 2016 are \$0.3 million or 6.8% more than expenditures YTD 2015. This increase is primarily due to higher expenditures for contracted service obligations.
- Transfers to the Capital Improvement Fund YTD for 2016 are \$3.8 million or 100.0% 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 1/12<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 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.

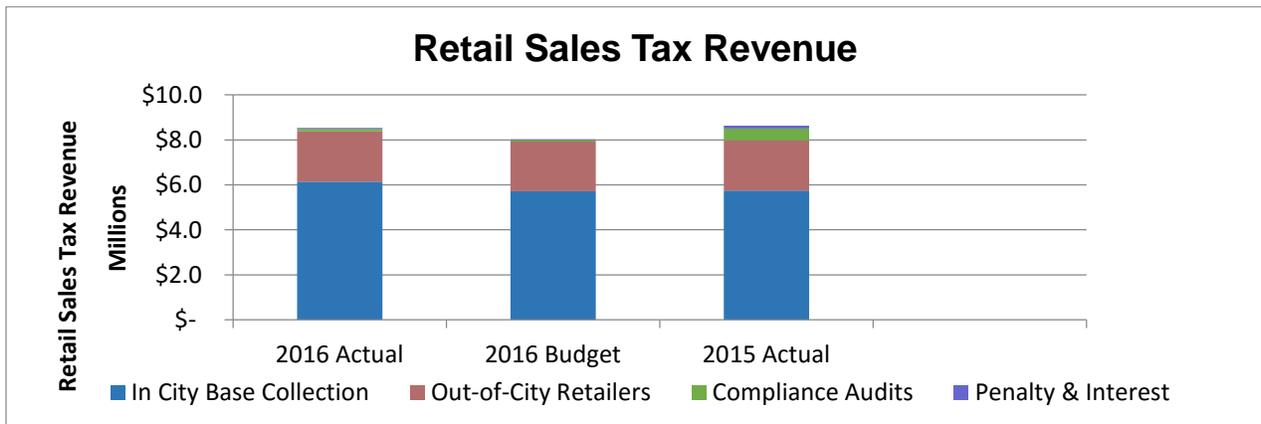
*(dollar amounts in millions)*

	Actual 2016	Budget YTD 2016	\$ Variance	% Variance
Retail Sales Tax	\$ 8.5	\$ 8.0	\$ 0.5	6.4%
Property Tax	3.8	3.5	0.3	5.6%
Building Materials Use Tax	0.8	0.4	0.4	108.3%
Highway Users Tax Fund	1.2	1.1	0.1	8.8%
Franchise Fees	1.3	1.5	(0.2)	-10.7%
Specific Ownership Tax	0.2	0.2	-	29.7%
Automobile Use Tax	1.1	1.1	-	-4.0%
Court Fines	0.5	0.5	-	-11.3%
Building Rent Recovery	0.1	0.1	-	2.2%
All Other Revenue Sources	0.9	1.3	(0.4)	-29.1%
	<u>\$ 18.4</u>	<u>\$ 17.7</u>	<u>\$ 0.7</u>	<u>3.9%</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 6.4% favorable compared to budget. This favorable variance is the result of higher than anticipated sales tax revenues from out-of-City retailers (\$0.4 million) and in-City retailers (\$0.1 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.



### Property Tax

Property Tax revenue YTD 2016 is \$0.3 million or 5.6% 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.

### Highway Users Tax Fund

Highway Users Tax Fund revenue YTD 2016 is \$0.1 million or 8.8% favorable to budget. The Highway Users Tax Fund amount available for distribution to all municipalities was projected to slightly decrease, however, the City's distribution has remained consistent with the prior period's distribution.

### Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.2 million or 10.7% 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 \$0.8 million or 4.7% favorable compared to the Revised Budget. This favorable variance is primarily attributable to the Office of Innovation, Communications, Finance, and Public Works departments. Other departments and net transfers to other funds also contributed to the favorable variance to budget.

- Office of Innovation expenditures YTD for 2016 are \$0.1 million or 51.4% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Contracted Services related to the installation of conduit and pullboxes.
- Communication expenditures YTD for 2016 are \$0.1 million or 38.7% 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. Personnel vacancy savings also contributed to the favorable variance.
- Finance expenditures YTD for 2016 are \$0.1 million or 24.6% favorable compared to the Revised Budget. This favorable variance is due to personnel vacancy savings and lower than anticipated sales tax audit service costs.
- Public Works expenditures YTD for 2016 are \$0.2 million or 5.5% 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 and lower than anticipated costs for the Public Works service provider.
- 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 is \$0.1 million or 13.7% less than collections YTD 2015. The decrease revenue compared to YTD 2015 is from the Building Permit Fees. The City had a large amount of One Stop/Miscellaneous permits issued in 2015 due to a hail storm in late 2014. The permit fees associated with these One Stop/Miscellaneous permits accounts for the increase collection in the prior year.

#### *Expenses*

- Expenses YTD for 2016 are \$0.1 million less than expenses YTD 2015. This variance is primarily due to reduced permitting and inspections through March 2016.

### **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 \$0.2 million or 91.7% less than collection YTD 2015. This decrease revenue is due to the recognition of grant revenue in 2015 for the project related to Dry Creek – Smoky Hill communications upgrade.

#### *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 is \$0.1 million or 81.8% unfavorable to budget. The unfavorable variance is due to the timing of funds received for the Dry Creek Light Rail Platform. The City expects the variance to diminish as the year progresses.

#### *Expenditures*

- Expenditures YTD for 2016 are \$2.1 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.

<b>CONSERVATION TRUST FUND</b>
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**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.

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

*Revenue*

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

*Expenditures*

- Expenditures YTD for 2016 are \$0.4 million or 100% more than expenditures YTD 2015. This increase is due to the purchase of an easement at Sumac Hill Farm Conservation under an IGA with SSPRD.

**Comparison to Budget**

*Revenue*

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

*Expenditures*

- Expenditures YTD for 2016 are \$0.1 million or 46.8% unfavorable compared to the 2016 Adopted Budget. The unfavorable variance is due to the expenditure for the Sumac Hill Farm Conservation easement.

<b>GENERAL IMPROVEMENT DISTRICT FUNDS</b>
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**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 \$0.1 million or 59.0% favorable to the 2016 Adopted Budget. This favorable variance is primarily due to lower than anticipated costs for general contracted services for Foxridge and Walnut Hills GIDs.

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

*Revenue*

- Revenues received YTD 2016 are \$0.5 million or 25.0% more than collections during 2015. This increase in revenues is the result of higher 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 \$0.5 million or 24.9% more than expenditures during 2015. Expenditures during 2016 are higher than 2015 as a result of higher 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.