CITY OF ARVADA
FIRST QUARTER
FINANCIAL
REPORT

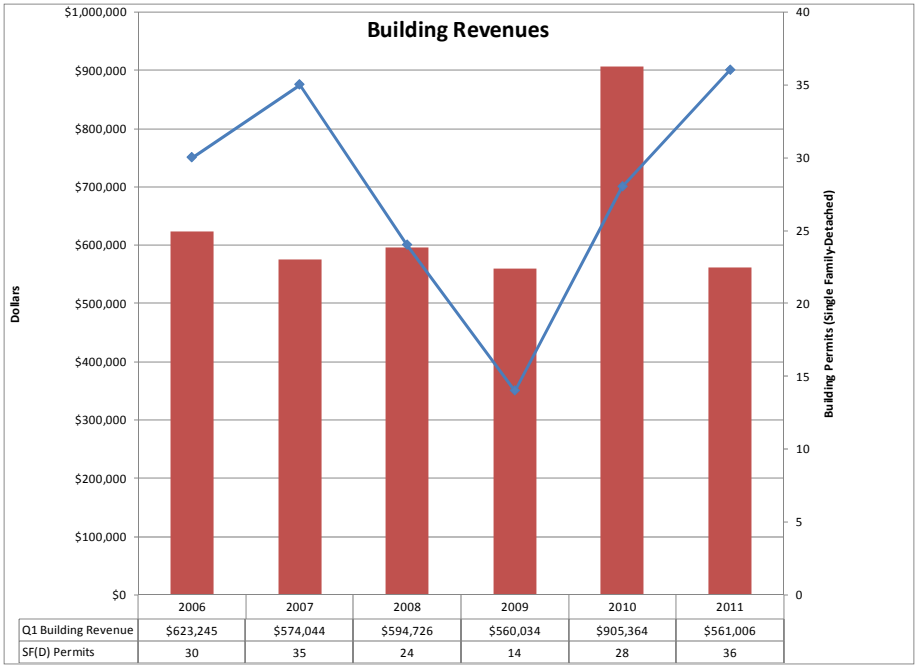
January – March, 2011

The first quarter financials indicate our economy is growing. The City continues its focus on Taking Lasting Care of our facilities, both through building for future needs and maintaining our current infrastructure. The completion of the bathrooms at the Stenger/Lutz soccer fields are an example of the City's continued capital investment.

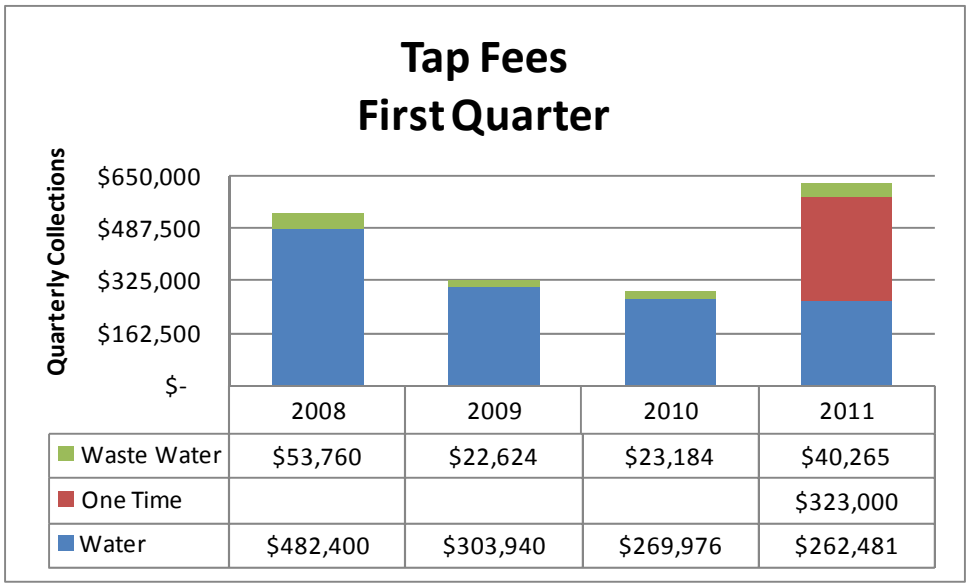
Introduction

Revenues

The first quarter financial picture for the City began to show positive signs. Our sales tax receipts for two months of receipts that are collected in January and February were 1.78 percent higher than the same period in 2010. While building revenue was lower than last year, it is important to note that we were still gaining revenue from roofing permits in early 2010 related to the 2009 storm. The following graph illustrates that the number of single-family detached (SFD) permits matches 2007. This means we are beginning to see some positive growth.



The reason we closely watch the building permits is that it also translates into system development connection charges for our water and sewer utilities. The following graph illustrates the history of our tap fees for both utilities as of the first quarter of the past three years as compared to this year.



In the first quarter the City paid for the tap fees associated with Stenger/Lutz restrooms. The Parks Department paid the Water Fund $323,000 for this connection. After this revenue is removed from the water tap fees, the pattern for 2011 is aligned with last year and the number of permits issued to date.

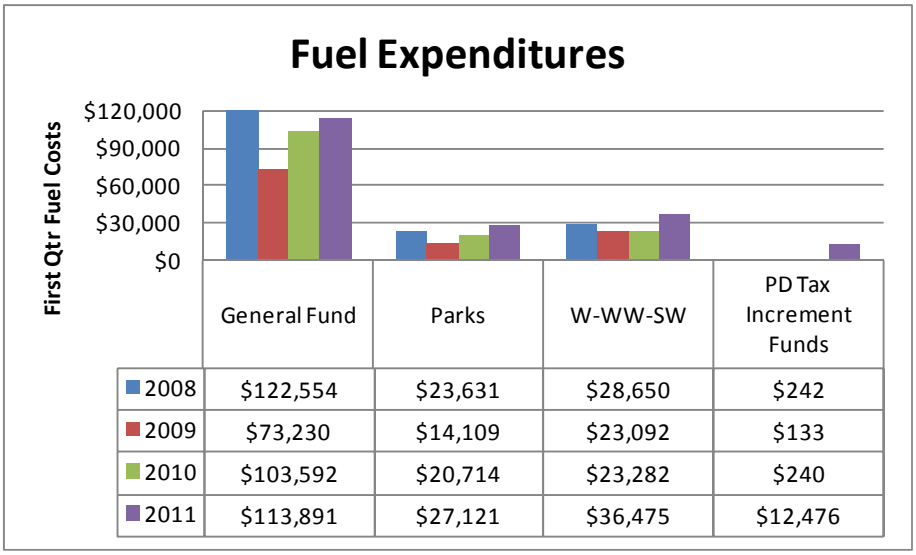
One area of concern is our property tax collections. Property tax receipts comprised 7.2 percent of our total General Fund revenues in 2010. As of the first quarter of last year, we had collected $1.5 million in revenue. This year we have collected only $1.361 million. This is 9.2 percent lower than the same period last year. It is the lowest amount collected in the first quarter since 2007. We realize that with the number of foreclosures over the past two years the total assessed valuation in our City has decreased. Our budget for the year is $4.8 million. At this point, it appears we will be short of our revenue projection in this area.

	2005	2006	2007	2008	2009	2010	2011
Property Tax Collections	$1,120,160	$1,186,843	$1,249,097	$1,646,477	$1,552,911	$1,500,684	$1,361,463

Expenditures

Our expenditures are meeting our expectations. Salaries and benefits comprise 53 percent of our total budget. Thus, when positions are vacant, the savings can accrue very quickly. In nearly every Fund, we continue to have vacant positions as we work through the hiring processes. Across all Funds, we have spent $750,000 less than budgeted for salaries and benefits in the first quarter of 2011.

Fuel expenses are also an area that we are constantly analyzing. Our total budget for the year is $1,008,443 across all Funds. The following graph illustrates our first quarter expenditures over the past four years. At this point, we believe we have an appropriate budgeted amount.



	General Fund	Parks	W-WW-SW	PD Tax Increment Funds
2008	$122,554	$23,631	$28,650	$242
2009	$73,230	$14,109	$23,092	$133
2010	$103,592	$20,714	$23,282	$240
2011	$113,891	$27,121	$36,475	$12,476

Summary

These are just a few of the highlights of the first quarter. It is always difficult to draw conclusions about the remaining year from the first quarter – and, it has actually become even more difficult these past three years.

The following pages provide highlights of our major Funds – both revenues and expenditures. At this point of the year, we see more positive economic signs in terms of our revenue. In those areas that we have some concern – such as property tax – we know we can offset these with lower than budgeted expenditures. As always, we are conservative in our revenue and expenditure estimates. This practice compels us to question every vacancy and how we might change the job to meet our needs, consider our needs and expectations and, ultimately, ensures that by the end of the year our revenues and expenditures will result in savings for future one-time needs.

We look forward to discussing any questions you have on the following information.

General Fund

General Fund

	First Quarter 2010	2010 Actual	First Quarter 2011	2011 Budget
Total Revenues	$10,873,966	$70,520,627	$10,012,021	$64,307,406
Total Expenditures[1]	$11,496,358	$64,273,335	$10,878,824	$65,135,612

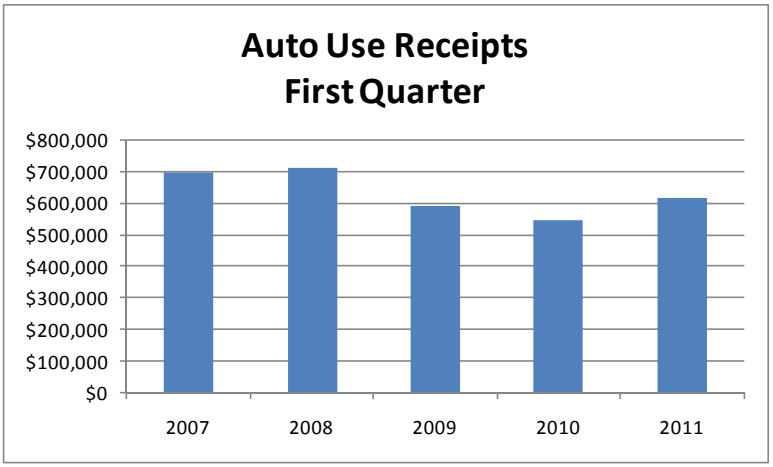
Revenue Highlights

At the first quarter of the year, we analyze three major areas: property tax, sales tax and building activity-related revenues. As we stated in the overview, our property tax receipts are approximately $139,000 lower in 2011 than in 2010. Our building activity revenue is $344,000 lower than the first quarter of 2011. Having stated this, we have issued a total of 8 more SFD permits in the first quarter of this year than the same period of 2010.

Sales Tax receipts are $107,000 ahead of the first two months' collections in 2010. This represents a 1.78% increase over last year. While this may not seem significant, the source of the revenue is very good news. Last year we had a colder winter; and our sales tax collections from electric and natural gas sales were $42,000 higher last year than this past two months. Also, our retail hardware receipts were $35,000 higher due to the fact there were still major roofing projects being completed. These decreases were more than recovered from the businesses throughout our City. The following table illustrates the collections by source of revenue.

Types of Businesses	Jan – Feb, 2010	Jan – Feb, 2011	% Change
Clothing Stores	$ 137,711	$ 138,767	0.77%
Restaurants & Fast Food	666,928	682,447	2.32%
General Department	1,079,511	1,115,507	3.33%
Grocery/Health	1,113,561	1,121,249	0.69%
Utilities/Telephone Equipment	1,223,453	1,179,695	-3.57%
Retail Hardware	367,057	331,896	-9.58%
All Others	1,430,000	1,595,460	11.57%

All other revenues are producing within normal range at this point of the year. Our Auto use is approximately 12 percent higher than the same period last year, or $79,000 more. The following chart illustrates the first quarter collections for the past five years. We have not attained 2007 levels – the year we have selected as our comparative base year. Nonetheless, we are doing well. Building Use tax collections are 17 percent of our budgeted amount. These revenues are embedded in the graph in the overview.



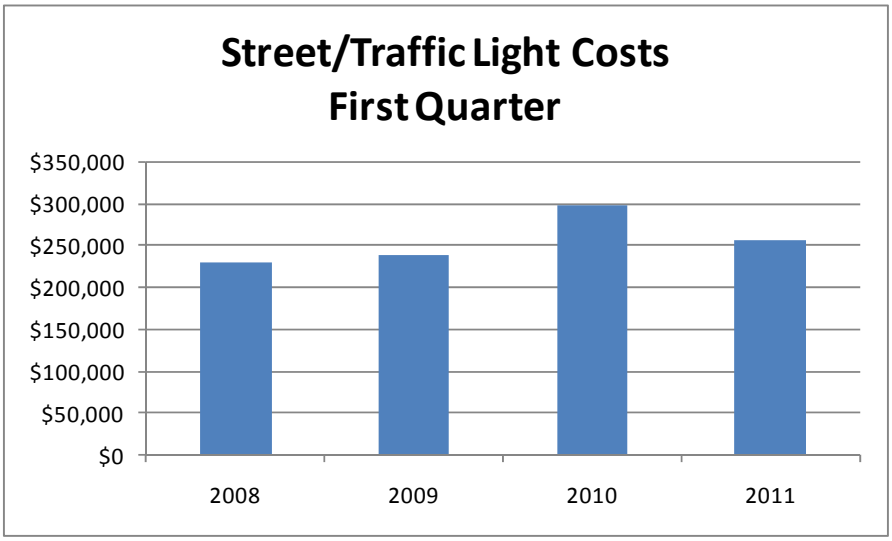
[1] The 2010 Actual Total Expenditures is the "operating budget." It represents the costs of our base services for 2010. We also transferred an additional $14.925 million for additional capital and provided a loan to the Urban Renewal Authority of $2.745 million for a total expenditure of $81.943 million.

The other challenge we have at this point of the year is our revenues from sales tax audits. Last year we had a significant year, collecting a total of $964,000. This year we thought we could attain a total of $500,000. However, with the implementation of our new sales tax system and the vacancy of one auditor position through May, we are concerned we will not attain this level in 2011.

Expenditure Highlights

Salaries and benefits comprise 53 percent of our total General Fund budget. In the first quarter of 2011 we have had over 18 positions vacant in the General Fund. Thus, we have spent $493,000 less than we expected. Also, at this point of the year, the City has also benefited by the warmer than normal weather in first quarter with savings in our utility bills. Of course, it is too early to assume these savings will continue as we might have a warmer than normal summer. However, the City benefits from the same trends we see in our own homes.

A significant surprise is our lower costs for street and traffic lights. The following graph illustrates that costs were only $255,000 this past quarter as compared to last year's first quarter total of $299,000. We have had communication with our provider regarding these costs, and we can expect to see this level of savings throughout the year. At this point, while our estimate may be optimistic, we are projecting a savings of $175,000 for the year.



As stated in the overview, we are closely monitoring and analyzing our fuel costs. At this time, we expect to use most of our budgeted allocation to meet this requirement. The more important question for us in the coming quarter is how to develop a 2012 budget for this cost.

Summary

Again, it is difficult to develop solid conclusions for the entire year from the first quarter. On the revenue side of our General Fund budget, we are seeing positive signs, and yet, the national press delights in pursuing the negative influences on our economy – and, the most recent example is the allocation of our income to fuel costs. There are impacts to our citizens' availability of discretionary spending. The next quarter usually provides an overview of discretionary spending for home and garden improvements. We will certainly understand the impacts of higher car fuel costs on these types of expenditures in our next quarterly report.

On the expenditure side, as always, we are rather conservative in our spending patterns; and this year is no different. Our largest savings is from personnel costs. It requires some time to hire for vacant positions. Thus, we will see savings from this area. The City enjoys the same positive outcomes of a warmer winter. We are seeing some positive trends with the street and traffic light costs. Having stated that, we will spend over $1.6 million for these costs in 2011. Line items for training, supplies and other miscellaneous expenditures have been reduced for three years. While there is always savings in these combined line items, we do not expect to have the level of savings we have had in the past. All our line items' savings combined will ensure we end the year lower than our budget in the General Fund.

Arvada Center

At this point of the year, the financials for the Arvada Center are within expected ranges. The table provided here illustrates that "generated" revenues – primarily ticket sales – are higher by $119,000 or 13 percent.

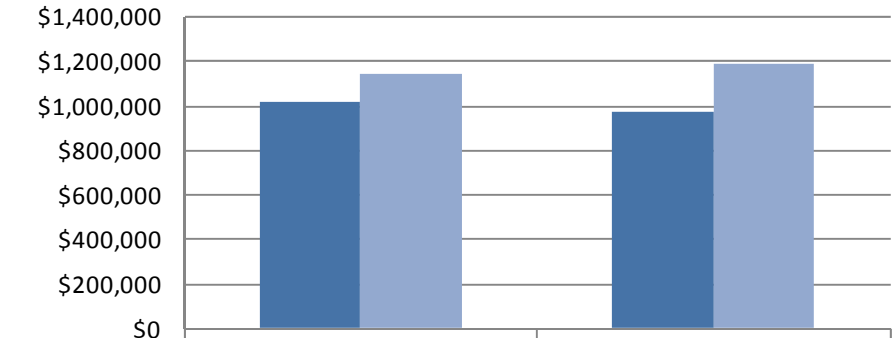
Expenditures are lower by $68,000. This is great as salaries are higher by $63,000 primarily due to the addition of a position in administration. The overall costs for the internal service charges are lower for 2011 than 2010 as true use costs were developed for the 2011 budgets for all departments.

Arvada Center
January - March

	2010 Actuals 1st Qtr	2011 Actuals 1st Qtr	YEAR TO DATE 2011 Budget
Revenues			
Generated	711,582.17	831,231.58	6,306,833.00
SCFD	247,668.16	248,790.99	818,835.00
City Cash Transfer	302,150.25	295,660.74	1,182,643.00
City In-Kind Transfer	506,571.99	491,817.51	1,967,270.00
Total Revenues	$ 1,767,972.57	$ 1,867,500.82	$ 10,275,581.00
Expenditures			
Payroll & Benefits	690,494.56	753,523.08	4,146,204.00
All Other	810,169.00	693,688.00	4,162,107.00
In-kind	506,571.99	491,817.51	1,967,270.00
Total Expenditures	$ 2,007,235.55	$ 1,939,028.59	$ 10,275,581.00

Parks Fund

First quarter 2011 revenue reflects a reduction in the transfer from the general fund as a combined result of health care savings, no salary range adjustments and a decrease in the Risk Management and Vehicle Replacement contributions.



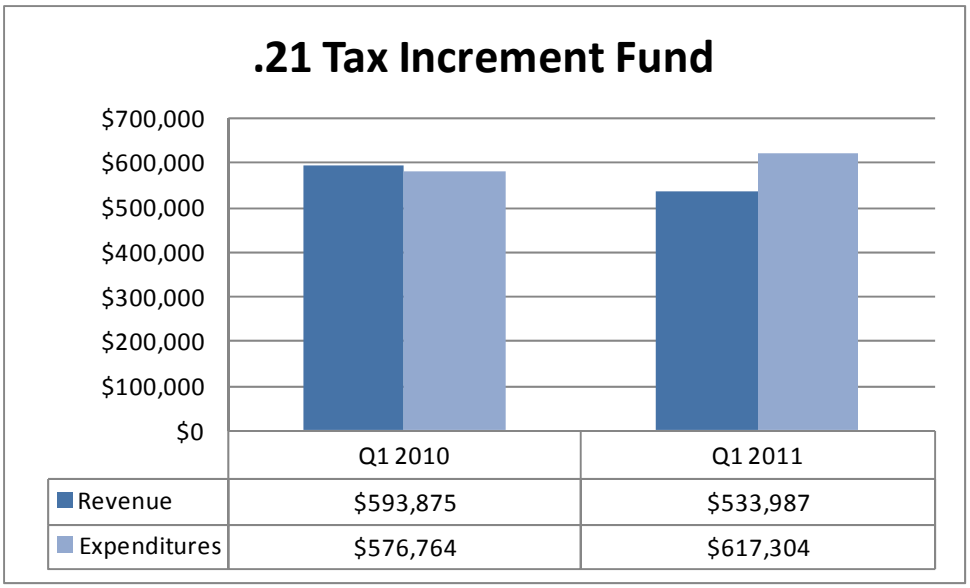
	Q1 2010	Q1 2011
Revenue	$1,014,334	$966,324
Expenditures	$1,142,965	$1,182,368

At first glance, much of the first quarter expenditure increase in Parks can be attributed to both tree removal and an early start to routine maintenance on some Parks facilities.

Special Revenue Funds

.21 Police Tax Increment Fund

First quarter revenue reflects two months of collected Sales/Use Tax. The decrease in revenue from 2010 to 2011 was due to reimbursements from various agencies that we do not expect to occur in 2011.

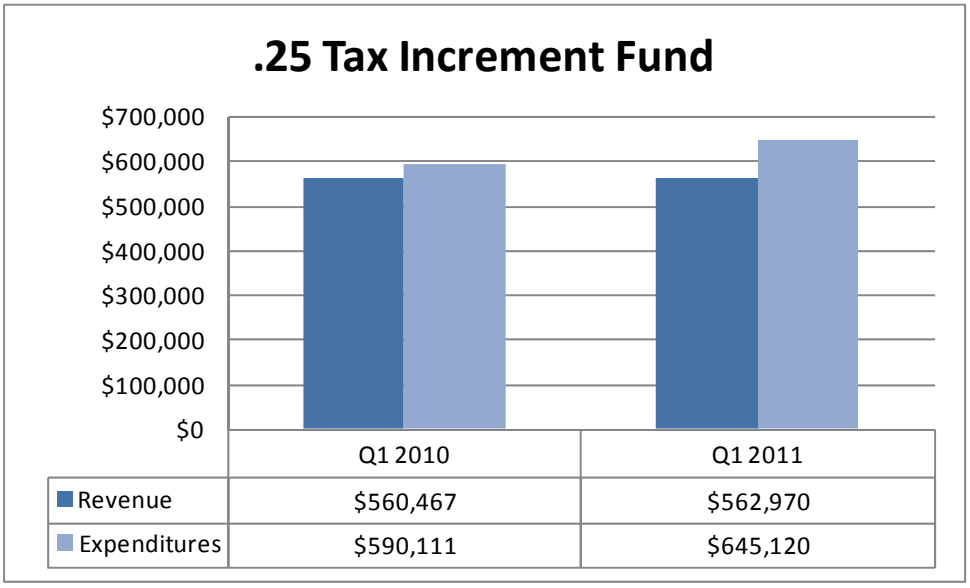


Training expenditures were front-loaded for 2011 usage. Ralston House received an annual transfer.

The City's support for Ralston House has been transferred to the Tax Increment Funds. Both funds now pay $12,500 to meet the city's total $25,000 commitment.

.25 Police Tax Increment Fund

First quarter revenue reflects two months of collected Sales/Use Tax.

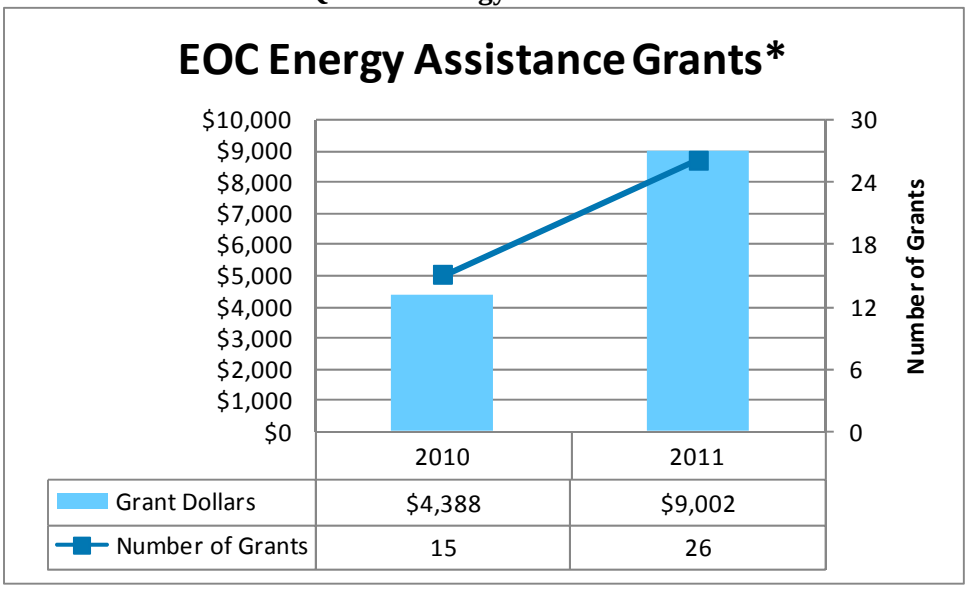


Expenditures for 2011 reflect an increase in salaries and benefits usage, and the annual transfer to Ralston House.

Community Development Fund and Housing Fund

Community Development	Q1 2010	Q1 2011	Difference
Revenues			
Community Development	$74,185	$60,528	-$13,657
Arvada Housing Authority	$940,211	$934,145	-$6,065
Total Revenues	$1,014,396	$994,673	-$19,722
Expenditures			
Community Development	$207,225	$120,702	-$86,522
Arvada Housing Authority	$1,191,213	$1,236,597	$45,385
Total Expenditures	$1,398,438	$1,357,300	-$41,138

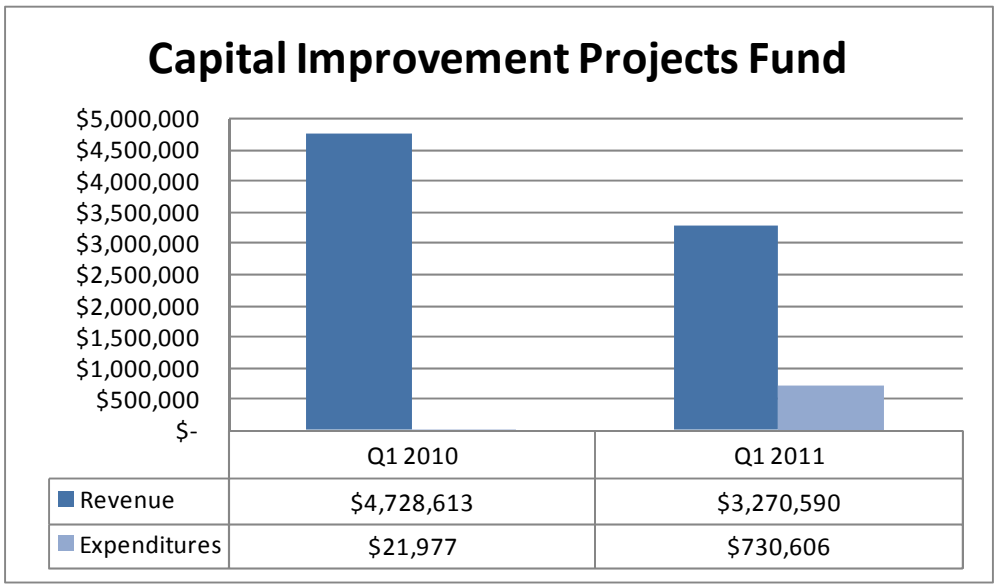
First Quarter Energy Outreach Grants



The City receives money directly from Energy Outreach Colorado (EOC), a nonprofit corporation, and distributes it to low-income residents in Arvada as assistance with costs related to energy.

Capital Improvement Fund

Revenues in the CIP Fund are down from 2010 primarily because there were transfers of $1,700,000 and $2,000,000 from the Vehicle Replacement and Insurance Fund, respectively, in 2010. Transfers from the Parks Fund (park development fees), Lands Dedicated Fund and Conservation Trust Fund are up in 2011 by about $2,483,000 due to the various parks projects that are underway in 2011.



	Q1 2010	Q1 2011
Revenue	$4,728,613	$3,270,590
Expenditures	$21,977	$730,606

Capital improvement expenditures are expected to be much greater in 2011 than in 2010. The CIP fund balance at the end of 2010 was more than $40M in anticipation of many CIP projects. Projects that will be started and/or completed in 2011 include the following:

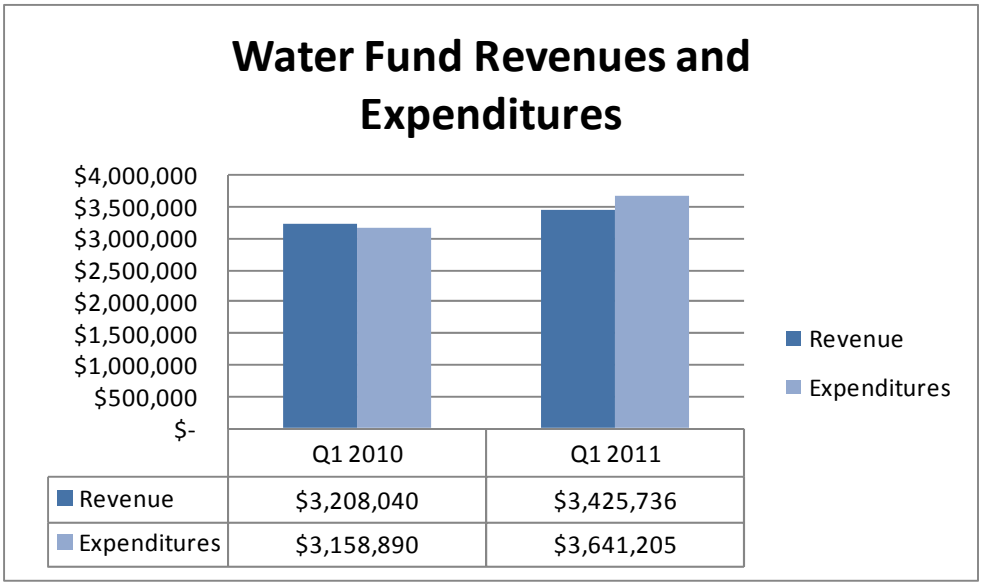
Park Projects
O'Kane Skate Park
Sunrise Ridge Phase II
McIntyre Medians
Danny Kendricks Park
Fitzmorris Irrigation project

Streets and Traffic
Advanced Traffic Management System
Ralston/Garrison Hazard Elimination
W 72nd Ave. Bike Lane
School Flashers

Other Capital Projects
Garrison Complex
Arvada Center Monument Sign
Arvada Center Wireless Microphone

Enterprise Funds – Water Fund

Water sales revenue through March 2011 is about the same as March 2010, although water consumption is down about 7.5% (712,368 gallons in 2010 and 658,633 in 2011). This is due to increased rates. Water tap fees are higher in 2011 due to a one-time tap fee that was taken in for the Stenger restrooms.

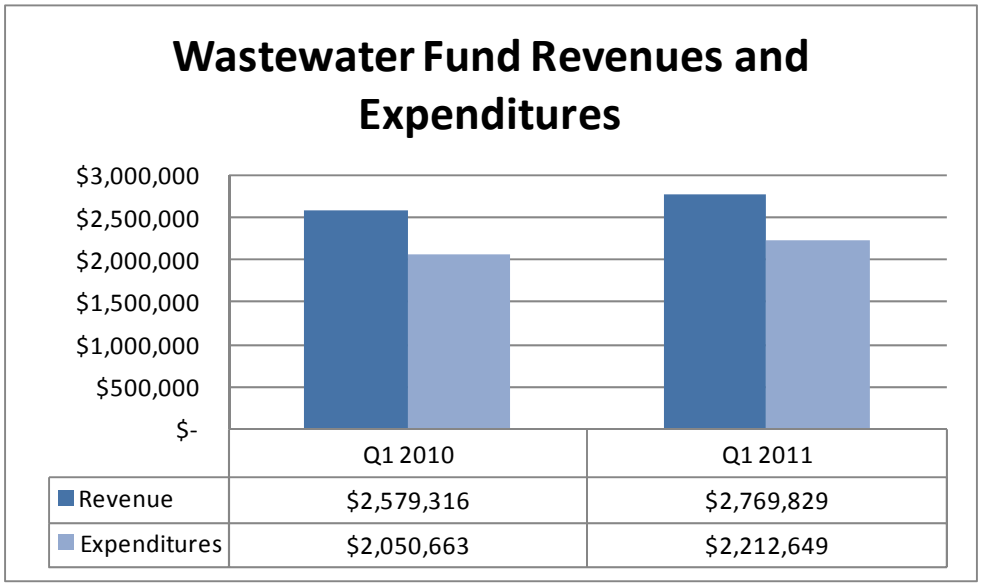


	Q1 2010	Q1 2011
Revenue	$3,208,040	$3,425,736
Expenditures	$3,158,890	$3,641,205

Capital improvement expenditures in 2011 are about $350,000 more than 2010 expenditures due to the water line extension to Ridge tank.

Enterprise Funds – Wastewater Fund

Wastewater revenues are about $175,000 more in the first quarter due to rate increases.

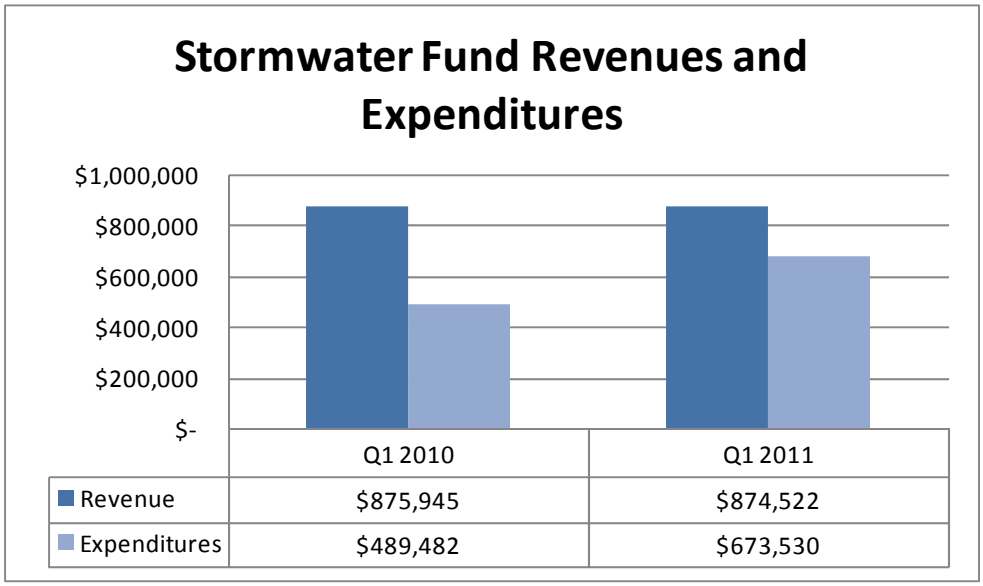


	Q1 2010	Q1 2011
Revenue	$2,579,316	$2,769,829
Expenditures	$2,050,663	$2,212,649

Expenditures in 2011 are about $161,000 higher than in 2010. $104,000 of this increase is due to payments to Metro Wastewater that are estimated to be about $400,000 higher than in 2010.

Enterprise Funds – Stormwater Fund

Revenues for the first quarter are in line with 2010 revenues.

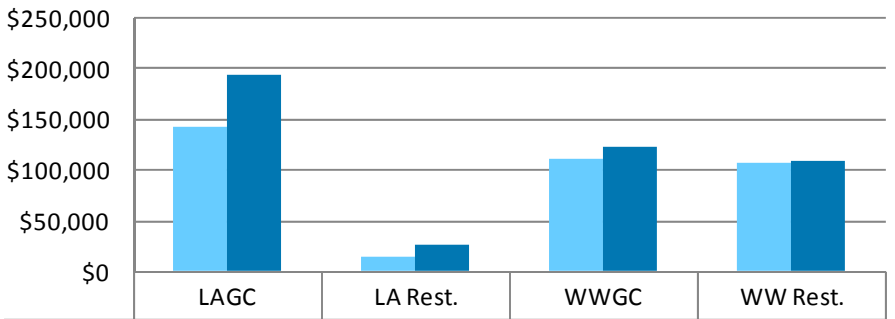


	Q1 2010	Q1 2011
Revenue	$875,945	$874,522
Expenditures	$489,482	$673,530

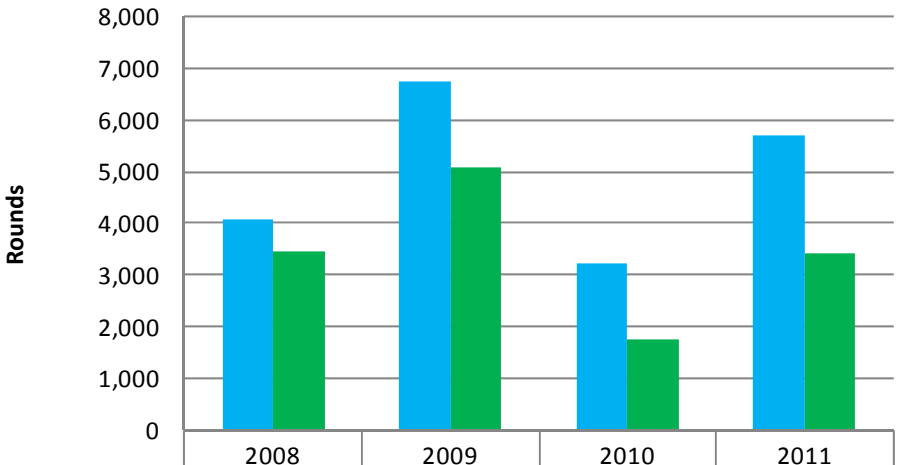
The increase in expenditures for the first quarter is due to capital expenditures for the Garrison Street bridge project that will be constructed in 2011.

Golf Fund

Weather played some role in the first quarter increases in 2011. Both January (+6.5°) and March (+2.5°) saw higher average temperatures at both Lake Arbor (LA) and West Woods (WW) over 2010, but February (-4°) was notably cooler. Overall, it was also a dryer first quarter in 2011.



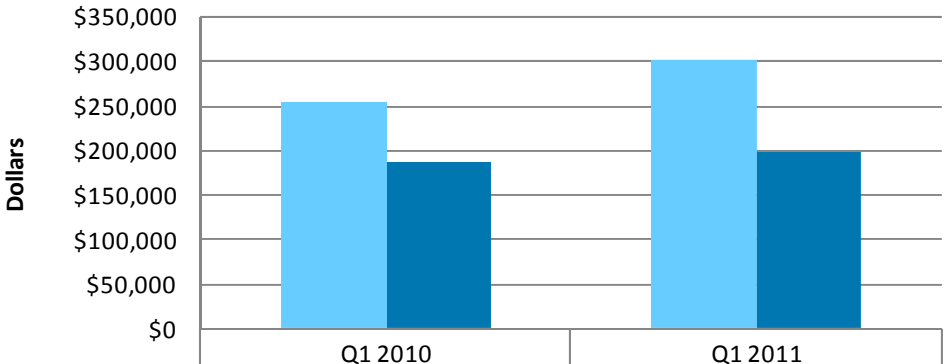
	LAGC	LA Rest.	WWGC	WW Rest.
Q1 2010	$141,856	$14,346	$109,301	$106,443
Q1 2011	$193,219	$26,307	$122,932	$107,660



	2008	2009	2010	2011
Lake Arbor	4,059	6,740	3,215	5,680
West Woods	3,452	5,076	1,743	3,414

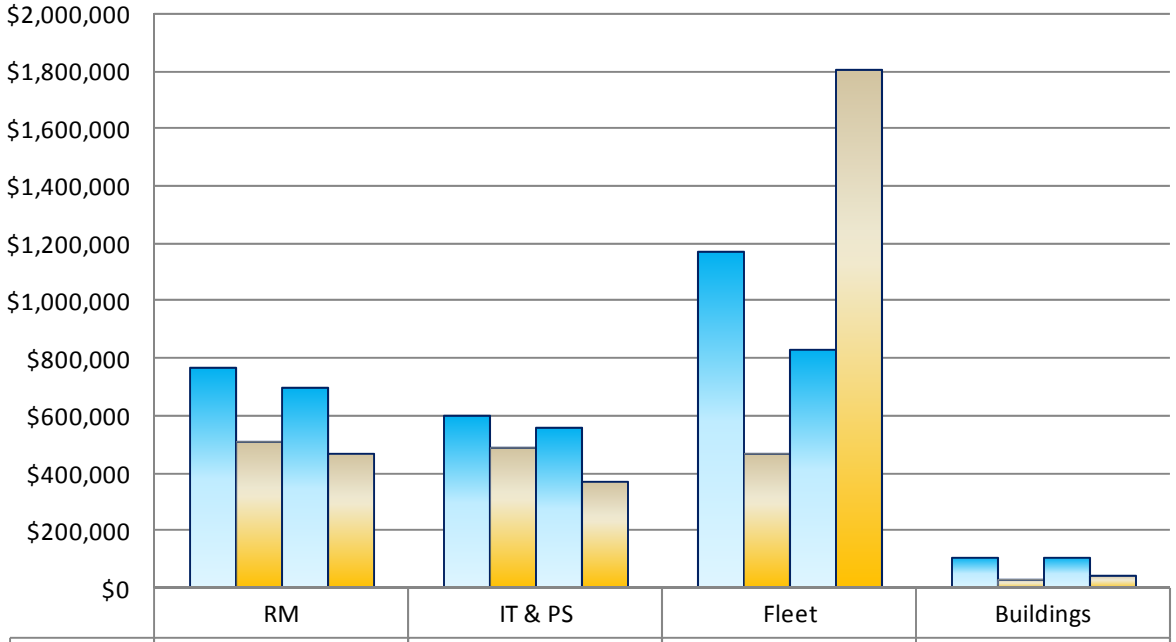
Hospitality Fund

Hospitality revenues fluctuate based on the quarter, with the first quarter traditionally generating the least business activity. The first quarter acts as a harbinger of the year, however, as client inquiries turn into decisions and bookings for the remainder of the year. After two years of declining first quarter revenues, reflecting a poor business environment within the hospitality industry, 2011 business activity showed a 16.7% increase over 2010 and the best first quarter since 2008. Most importantly, business activity from the association and social market segments are up, while other market segments have stabilized.



	Q1 2010	Q1 2011
Banquets Rev.	$253,605	$301,144
Banquets Exp.	$186,628	$197,631

Internal Service Funds



	RM	IT & PS	Fleet	Buildings
2010 Rev.	$774,442	$606,562	$1,171,887	$107,926
2010 Exp.	$516,091	$494,985	$471,250	$33,608
2011 Rev.	$701,244	$561,962	$834,164	$107,986
2011 Exp.	$474,541	$375,213	$1,808,056	$44,244

Insurance Fund

Insurance Fund	Q1 2010	Q1 2011	Difference
Revenues			
Transfers	$726,882	$668,512	-$58,370
Other	$47,561	$32,733	-$14,828
Total Revenues	$774,442	$701,244	-$73,198
Expenditures			
RM Admin.*	$405,084	$361,546	-$43,538
Risk Mgmt	$111,008	$112,995	$1,988
Total Expenditures	$516,091	$474,541	-$41,550

*Excludes $2,000,000 transfer to Capital Projects made in January 2010
**Total premiums for 2011 decreased by $944 under 2010 premiums.

Technology – Computers and Print Shop

Info Technology/ Print Shop	Q1 2010	Q1 2011	Difference
Revenues			
Maintenance	$255,569	$239,750	-$15,819
Replacement	$278,622	$243,939	-$34,683
Print Shop	$72,371	$78,273	$5,902
Total Revenues	$606,562	$561,962	-$44,600
Expenditures			
Maintenance	$316,938	$128,374	-$188,565
Replacement	$110,290	$189,417	$79,127
Print Shop	$67,757	$57,422	-$10,335
Total Expenditures	$494,985	$375,213	-$119,773

Vehicles – Maintenance and Replacement

Vehicles	Q1 2010	Q1 2011	Difference
Revenues			
Maintenance	$536,691	$536,616	-$75
Replacement	$635,196	$297,549	-$337,648
Total Revenues	$1,171,887	$834,164	-$337,723
Expenditures			
Maintenance*	$463,889	$446,433	-$17,456
Replacement**	$7,361	$1,361,623	$1,354,262
Total Expenditures	$471,250	$1,808,056	$1,336,806

*Excludes $1,700,000 transfer to Capital Projects made in March 2010
**Council approved $1,325,359 in heavy vehicle purchases on January 3.

Buildings

Buildings	Q1 2010	Q1 2011	Difference
Revenues			
Transfers	$101,838	$101,838	$0
Other	$6,088	$6,148	$61
Total Revenues	$107,926	$107,986	$61
Expenditures			
Maintenance	$7,666	$17,967	$10,301
Capital Lease	$25,942	$26,278	$336
Total Expenditures	$33,608	$44,244	$10,637

Investment Report

City of Arvada Investment Report
First Quarter 2011

Investment Portfolio Objectives

Pursuant to the City's investment policy, the primary objectives of the City's investment activities, in priority order, are safety, liquidity, and yield. Consistent with this policy, the portfolio of securities are invested in US Treasuries, US Agency debt, local government investment pools (LGIP's), commercial paper, and corporate debt subject to rating and concentration limits. The City's investment portfolio is managed to provide sufficient liquidity to meet all reasonably anticipated operating cash needs without selling securities prior to maturity.

Investment Portfolio Performance

For first quarter 2011, the portfolio managed a yield of 1.227% following annual yield of 1.526% for 2010. The benchmark yield for the City's portfolio, as established in the investment policy, is a weighted benchmark of allowable securities. For first quarter, the weighted benchmark return was .60%, constructed using the average of 2011 monthly returns. The table below shows a year-over-year comparison:

	MARCH 2010	MARCH 2011	DIFFERENCE
YTD Return	**1.526**	**1.227**	**-29 basis points**
YTD Benchmark Return	**.67**	**.60**	**-7 basis points**
Interest Booked YTD	**$766,293**	**$636,461**	**-$129,832**

Portfolio Changes- 2011

The City's portfolio has increased $3.2 million from December, 2010 to March, 2011. Changes in the portfolio from December 2010 to March, 2011 are shown in the chart below:

SECURITY SECTOR	DECEMBER 31, 2010 BALANCE	% OF PORTFOLIO	MARCH 31, 2011 BALANCE	% OF PORTFOLIO	% OF CHANGE
Cash	$17,084,994.27	8.13%	$17,098,133.23	8.01%	+.08%
Certificate of Deposit	9,097,316.63	4.33%	9,105,844.36	4.27%	+.10%
Corporate	27,000,000.00	12.84%	27,000,000.00	12.65%	0%
LGIP	62,042,876.51	29.51%	63,650,818.28	29.82%	+2.60%
US Agency	88,000,000.00	41.86%	89,650,000.00	41.98%	+1.88%
US Treasury	7,000,000.00	3.33%	7,000,000.00	3.27%	0.00%
Total	**$210,225,187.41**		**$213,504,795.87**		

As of March 31, 2011, 52% of the City's portfolio has a maturity range of less than one year. The City has invested on the short end of the maturity range in anticipation of yields increasing in the next 12 to 18 months.