

City of Round Rock Popular Annual Financial Report



For Fiscal Year Ended September 30, 2014



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of Round Rock
Texas**

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

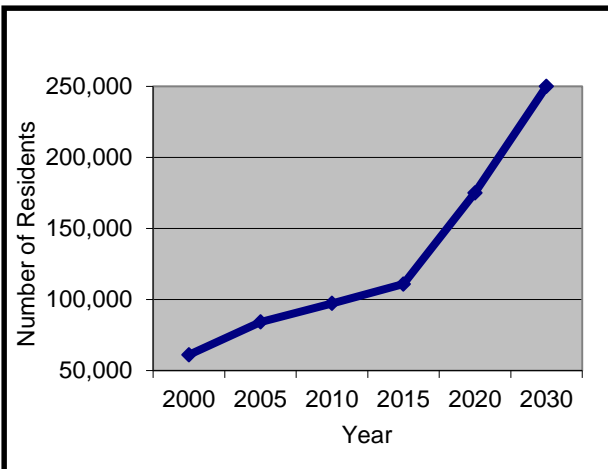


Welcome to Round Rock, Texas

One hundred years ago, Round Rock was a small Texas town with an agricultural-based economy. Little had changed since its founding in the late 1800s. In the years from 1867 through the 1880s, Round Rock became a stop on the famed Chisholm Trail as cowboys, anxious to herd their longhorns to markets in Kansas, drove their steers through Brushy Creek and past the distinctive round, table-topped rock.

The decade of the 1970s marked the beginning of a surge in development in Round Rock. During this time, Round Rock out-paced the growth of all cities in the Austin Metropolitan Area, resulting in a 353 percent increase in total population for the decade. By 1980, Round Rock had established itself as the largest city in Williamson County and a viable growth center within the flourishing Austin-Round Rock Metropolitan Area.

In the mid-90s, Round Rock led Williamson County in sales tax revenues due to the great surge in commercial and industrial activity. In 1994, Dell relocated its world headquarters from Austin to Round Rock. The expansion of the City's tax base resulted in a series of public works projects and additional public amenities.



In the late 1990's, voters overwhelmingly approved the use of hotel-motel tax revenue to fund a new minor league baseball stadium, the Dell Diamond opened, and the Round Rock Express' inaugural season ended with a Texas League championship.

With the new millennium, things changed again for Round Rock. The City opened the Clay Madsen Recreation Center. HEB announced it would build its largest grocery store in Round Rock. In 2006, Round Rock Premium Outlets and the Allen R. Baca Center for Senior and Community Activities opened. In 2007, Scott & White hospital opened its doors in northeast Round Rock. Seton Hospital opened its regional medical center, Texas A&M broke ground on a medical school branch campus, and Texas State University opened a nursing school campus and Austin Community College started building its new campus.

Continuing this rapid growth, IKEA opened in 2007, becoming the largest single retail store in Central Texas. Emerson Process Management relocated its international headquarters and technology center to Round Rock in 2012 and, most recently, Bass Pro Shops opened a 104,000 square foot store just north of the Outlets.

Today, Round Rock is a progressive, growing community of 110,000, home to international industries, several large shopping centers, major medical facilities, several university complexes, a professional quality golf course, and a Triple A baseball team. City services continue to be recognized as among the best in the Central Texas area and one of the best values. The City continues to have a reputation for being one of the safest cities in the United States. With all the growth and change, Round Rock refuses to forget its roots. Its downtown historic district retains many of the buildings that stood at the turn of the last century. Annual events still celebrate and share the City's cultural heritage.

Quick Facts About Round Rock

Services provided by the City include Police, Fire, Parks & Recreation, Library, Street Maintenance, and Water & Sewer

Population (end of FY 2014)	108,050
Per capita income (FY 2014)	\$ 31,836
Median age (FY 2014)	31.7
National unemployment rate (Dec. 2014)	5.6%
Local unemployment rate (Dec. 2014)	4.2%

<u>FY 2014 Total City Employees (FTEs)</u>	853
Sworn Police Officers	160
Fire Fighters	129

<u>Sales Tax Rate Information – Total % Collected</u>	8.25%
State	6.25%
City Operations	1.00%
Type B Corporation (Transportation & Economic Development)	0.50%
Property Tax reduction	0.50%

<u>Property Tax Information (July 2014)</u>	
Total Taxable Value	\$ 9.6 Billion
Avg. home annual tax (City portion)	\$ 823.40
Avg. home value	\$ 198,578
Property Tax per Capita	\$ 336.00

<u>Recreational Facts (2014)</u>	
Total Park Acres	2,045
Number of Athletic Fields Maintained	49

<u>Infrastructure (2014)</u>	
Street resurfacing (lane miles)	80

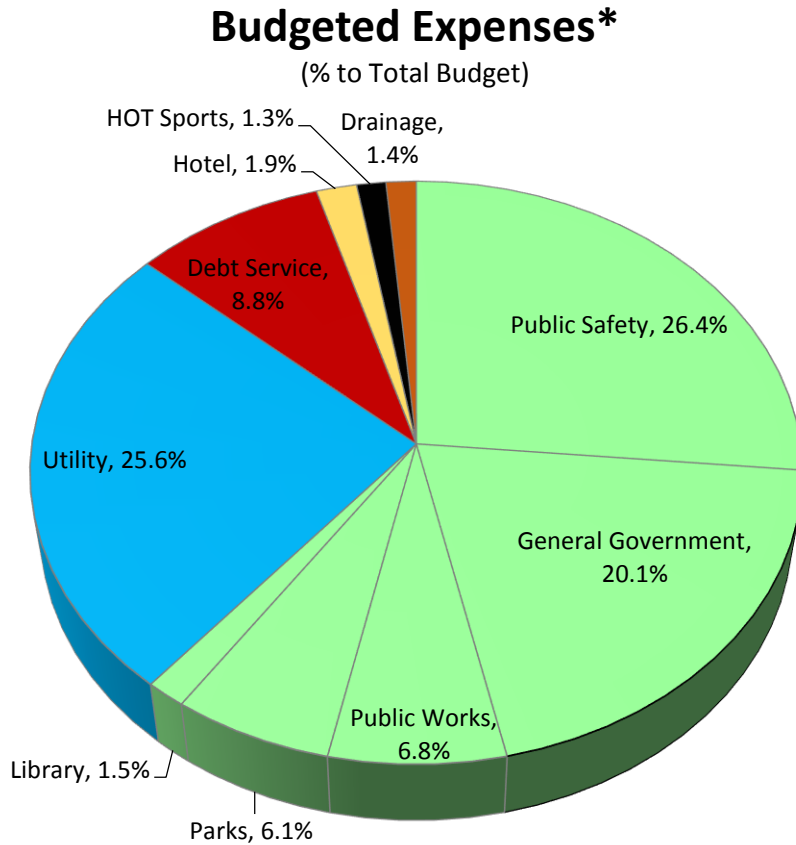
<u>Public Safety (2014)</u>	
The Round Rock Police Department earned the highest possible accreditation status	Commission on the Accreditation of Law Enforcement Agencies (CALEA)

<u>G.O. Bond Ratings: (2014)</u>	
Standard & Poor's	AA+
Moody's Investors Services	Aa1

The City has been able to use its strong bond ratings to take advantage of favorable interest rates when refinancing debt.

The Adopted Final Fiscal Year 2014 Budget

The final adopted Fiscal Year 2014 budget was \$160,686,589. This figure includes \$98,053,684 for the General Fund, \$14,181,469 for the Debt Service Fund, \$41,068,983 for the Water/Wastewater Utility Fund, \$2,234,446 for the Drainage Fund, \$2,992,062 for the Hotel Occupancy Tax (HOT) Fund and \$2,155,945 for HOT – Sport Venue Fund.



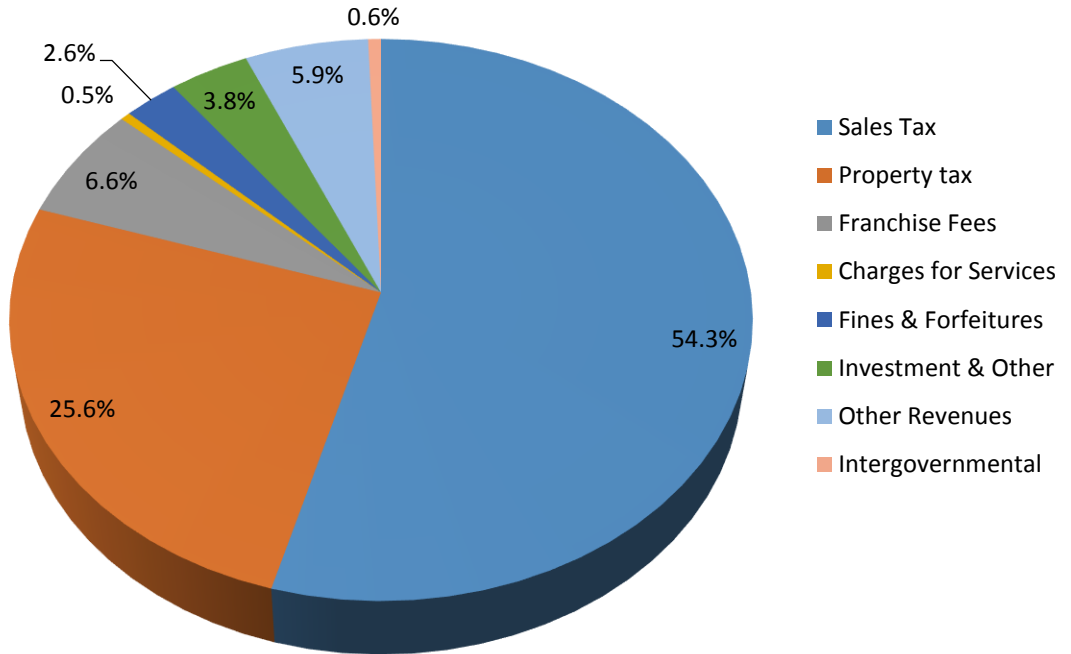
■ General Fund ■ Utility Fund ■ Debt Service ■ HOT Fund ■ Sports Fund ■ Drainage Fund

*The City maintains 26 individual governmental funds (used to account for essentially the same functions reported as governmental activities in the government-wide financial statements), along with enterprise funds to account for the water and wastewater utility and for the golf course. An internal service fund accounts for the self-funded health insurance program, and a fiduciary fund accounts for the Public Improvements Districts agency fund. For more information see page 14 for additional reporting sources.

Revenue Sources

The **2014 City property tax** rate of 41.95 cents per \$100 of assessed value remains one of the lowest in the area while enabling the City to maintain a high level of services. The City has historically collected 99% of property taxes each year.

General Fund Revenues (FY14)

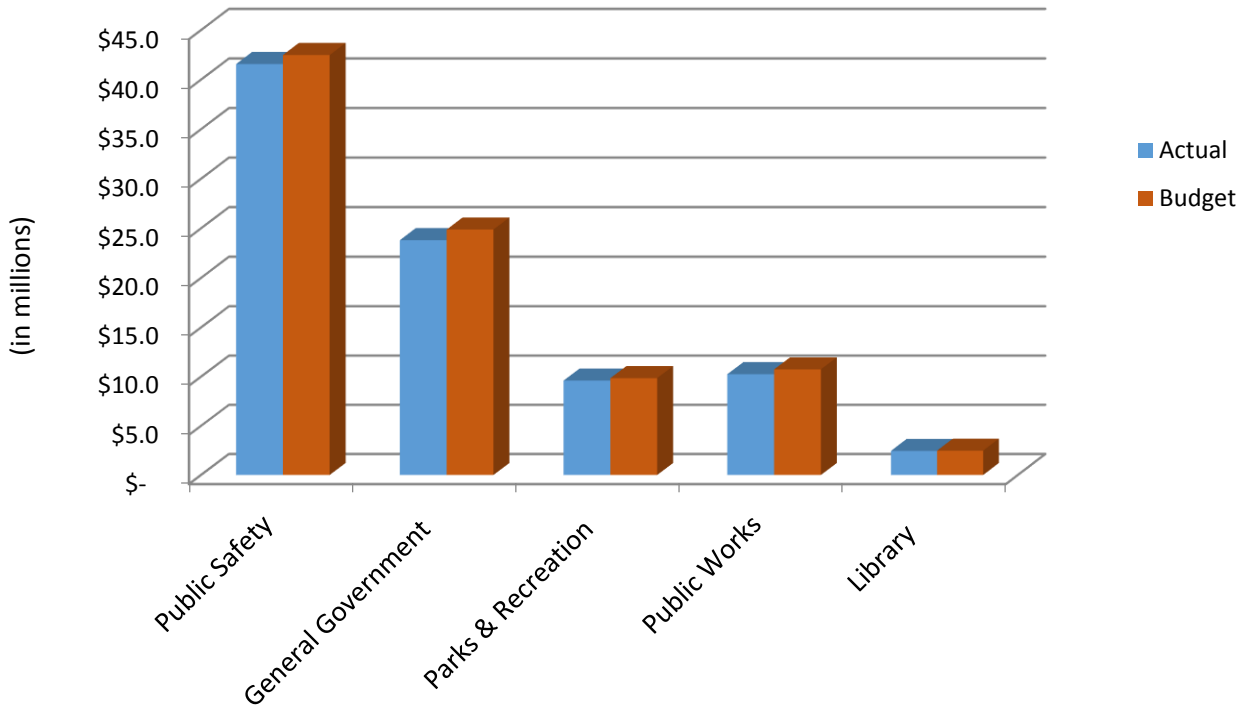


The **sales tax** rate is set at 8.25%, 2% goes to the City. Of the 2%, ½% is used for transportation improvements and economic development, with the remaining 1½% being used for general operations, property tax reduction and capital projects. The sales tax revenue source is extremely important to the City in that it helps to reduce property taxes and makes up approximately 54.3% of the general revenue. The sales tax as a revenue figure is subject to economic cycles and discretionary buying characteristics of the consumer which, accordingly, must be monitored and projected carefully.

The City has developed a **financial management policy** directed at reducing the General Fund’s operational reliance on sales tax generated from Dell, Inc. (the largest single source of sales tax revenue). This policy is designed to provide a consistent, long-term approach for the fiscal management of the City’s operating funds, balancing revenue requirements with the service needs of a growing population. Specifically, the policy is intended to help the City avoid the risk of a combined high property tax rate and a high reliance on sales tax.

City Finances

General Fund FY 14 - Actual to Budget Expenditures by Function



The City's financial condition remains healthy and has continued to improve year after year. The City's strong financial position is a result of prudent fiscal management as well as growth in the local economy experienced over the past several years.



MONEY COMING IN

Revenues & Other Sources (by fund)	FY 2014 Final Budget	FY 2014 Actual
General Fund	\$ 98,074,708	\$ 98,178,570
General Debt Service Fund*	13,852,000	13,952,192
Utility Fund	41,069,000	42,948,317
Hotel Occupancy Tax Fund	3,125,000	3,615,426
HOT – Sports Venue Fund	2,165,500	2,259,995
Drainage Fund	2,238,088	2,792,420

MONEY WELL SPENT

Expenditures & Other Uses (by fund)	FY 2014 Final Budget	FY 2014 Actual
General Fund	\$ 98,053,684	\$ 98,034,802
General Debt Service Fund*	14,181,469	14,100,850
Utility Fund	41,068,983	38,832,448
Hotel Occupancy Tax Fund	2,992,062	2,871,952
HOT – Sports Venue Fund	2,155,945	1,378,786
Drainage Fund	2,234,446	1,909,800

*Not including sources/uses related to debt refunding. The Debt Service Fund provides for the scheduled retirement of the City’s bonded and other long-term debt.

**General Fund
Condensed Balance Sheet
September 30, 2014**

ASSETS

Cash and cash Equivalents	\$4,679,063
Investments	65,309,323
Receivables (net of allowances for uncollectible)	
Property taxes, including interest and penalties	392,570
Accounts and other	5,381,140
Loans	0
Accrued interest	91,894
Interfund	352,354
Intergovernmental	225,433
Inventories	296,144
Other current assets	101,127
	\$76,829,048
Total Assets	\$76,829,048

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$8,645,949
Accrued payroll	3,743,690
Interfund payables	24,821,835
Deferred revenue	493,938
	\$37,705,412
Total Liabilities	\$37,705,412

Fund balances

Nonspendable	\$397,271
Unassigned	38,726,365
	\$39,123,636
Total Fund Balances	\$39,123,636
Total Liabilities and Fund Balances	\$76,829,048

Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the close of FY 14, the City had \$38,726,365 of unassigned fund balance, which represented 44.2% of total general fund expenditures.

City Finances

General Fund Condensed Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended September 30, 2014

Revenues

Taxes and franchise, including interest and penalties	\$82,379,720
Other	12,140,368
Total Revenues	<u>\$94,520,088</u>

Expenditures

Current operating	87,687,420
Total Expenditures	<u>87,687,420</u>

Excess (deficiency) of revenues over expenditures	<u>6,832,668</u>
---	------------------

Other Financing Sources (Uses)

Issuance of lease	727,699
Transfers in	2,930,783
Transfers out	<u>(10,347,382)</u>
Total other financing sources (uses)	<u>(6,688,900)</u>
Net change in fund balances	<u>143,768</u>
Fund balances, October 1, 2013	<u>38,979,868</u>
Fund balances, September 30, 2014	<u><u>\$39,123,636</u></u>

The General Fund is the chief operating fund of the City.

Utility Fund
Condensed Statement of Revenues, Expenses, and Changes
in Net Position
Year Ended September 30, 2014

Operating Revenues

Charges for services	\$40,762,523
Licenses, permits, and fees	2,943,355
Total operating revenues	43,705,878

Operating Expenses

Personnel services	8,939,263
Contractual services	14,200,624
Supplies	1,023,594
Materials	1,140,137
Heat, light, and power	1,829,036
Depreciation	13,739,240
Total operating expenses	40,871,894
Operating income	2,833,984

Non-operating Revenues (Expenses)

Investments and other revenues	1,397,259
Interest and fiscal charges	(3,816,976)
Total non-operating revenues (expenses)	(2,419,717)
Income before contributions and transfers	414,267

Contributions and Transfers

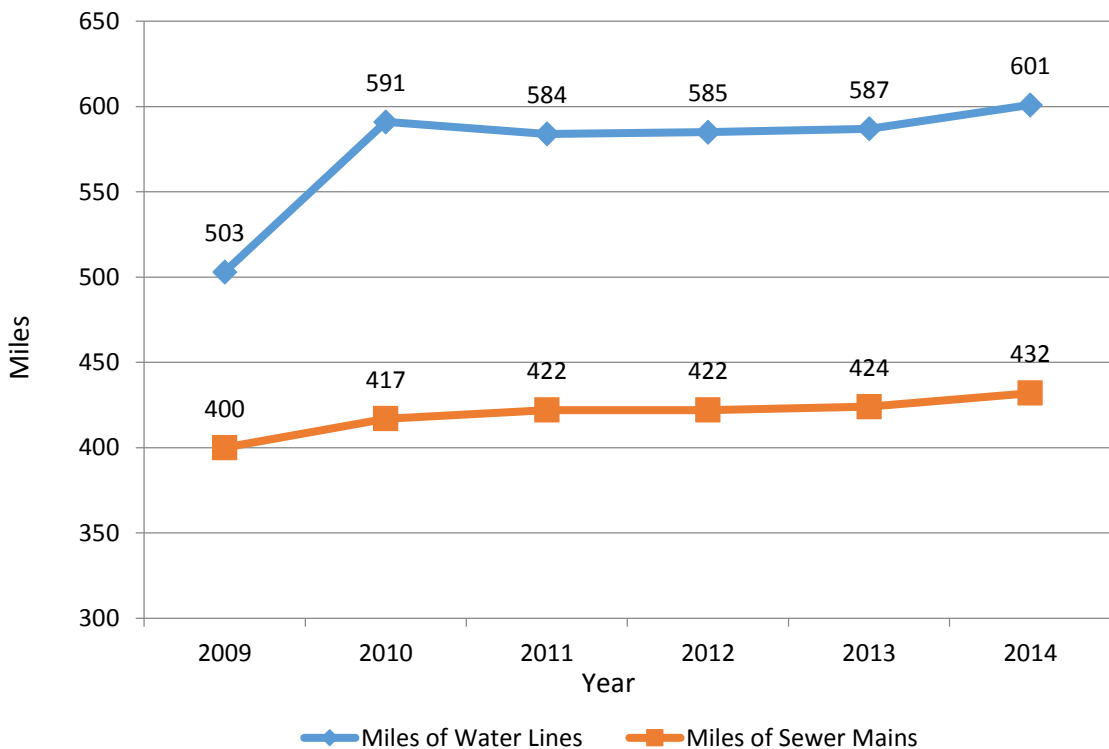
Contributions - impact fees	4,709,387
Contributions - infrastructure	5,516,915
Transfers in	1,570,994
Transfers out	(2,919,025)
Total contributions and transfers	8,878,271
Change in net position	9,292,538
Net position, October 1, 2013 as restated	330,653,902
Net position, September 30, 2014	\$339,946,440

The City's water and sewer utility continues to show increases in the number of customers and operating revenues. Scheduled uses of impact fees have allowed the current rates (which are based on cost of service) to remain stable. Round Rock water and wastewater rates continue to be among the lowest in the region.

City Finances

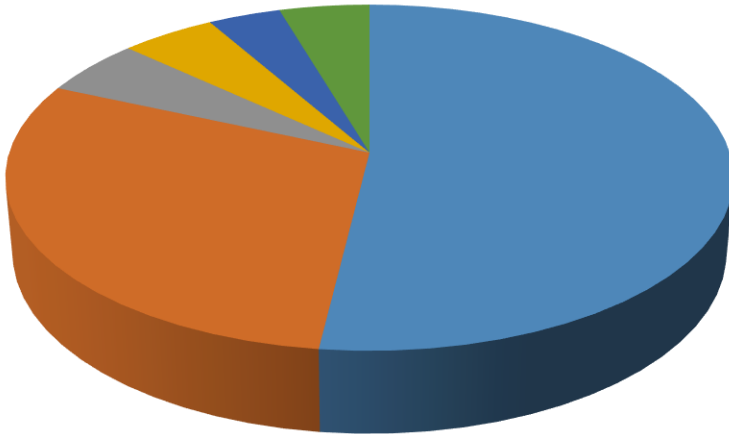
To continue to meet the projected service demands of existing and new customers, the water and wastewater utility faces a significant capital improvement program. The City updated its comprehensive utility rate study conducted by an independent rate consulting firm. Findings from the study indicated the water and wastewater utility to be in good financial health. However, in order to fund the capital improvement program and to meet increasing system demand, small, multi-year rate increases were implemented in 2013. Round Rock water and wastewater rates continue to be among the lowest in the region.

Water & Sewer Investment



Sources & Uses of Debt

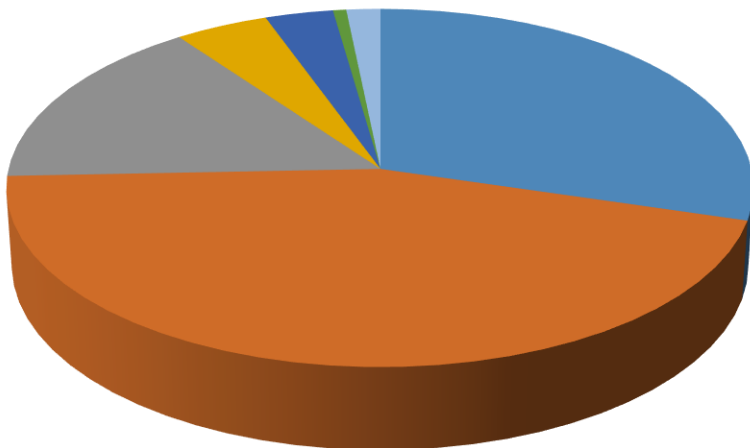
Long-Term Debt (in 000's)



- General Obligation Bonds
\$155,780
- Water and Wastewater Revenue Bonds
\$89,205
- Sales Tax Revenue Bonds
\$15,700
- State Infrastructure Bank Loans
\$14,574
- Certificates of Obligation
\$11,135
- Hotel Tax Revenue Bonds
\$13,795

As of September 30, 2014, the City had \$300,009,145 in total debt outstanding. The total debt increased by \$58,341,743 during the year, due largely to the issuance of \$66.9 million in voter approved General Obligation debt for Fire, Parks, Fire/Police training and Library facilities during 2014. In addition, \$8.0 million in utility system revenue bonds for drainage improvements was also issued. Regularly scheduled debt principal was retired during 2014 as well.

Projects Funded Principally by Debt Expenditures and Available Resources at 9/30/2014 (in 000's)



- Self-Financed Construction
\$136,089
- Round Rock Transportation System - Road Improvements
\$206,166
- Parks, Public Safety, Streets and Public Service Facilities
\$71,876
- Municipal Complex, Public Safety and Street Improvements
\$20,651
- Parks and Recreation Facilities
\$15,009
- Convention Center Complex
\$2,914
- Sports Venue Complex
\$7,489

Hotel Occupancy Tax Report

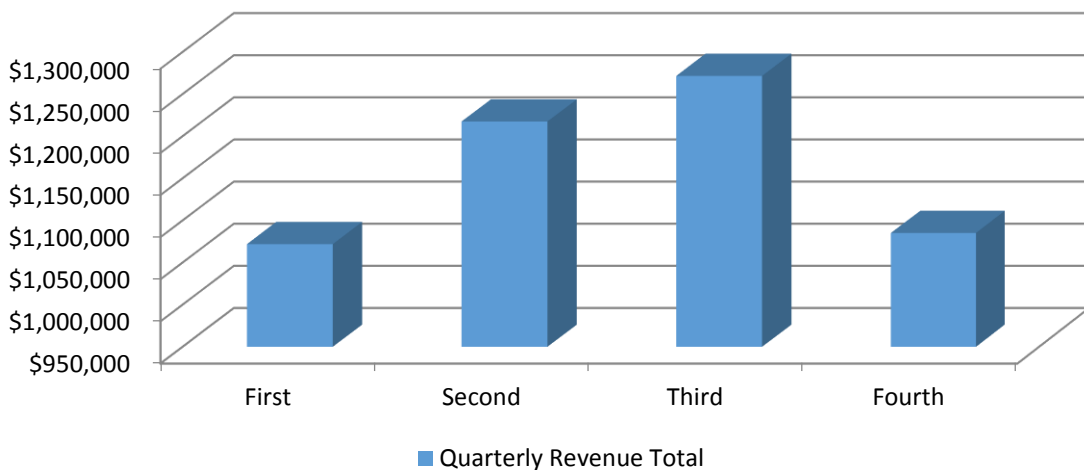


The Hotel Occupancy Tax Fund accounts for the levy and use of the hotel – motel bed tax. Proceeds from this tax are used toward tourism, cultural enhancements and promotion of the City. The Convention and Visitors Center (CVB) was launched in 2004 as part of the City’s strategy to diversify the local economy and is funded solely by the City’s hotel tax.

Round Rock continues its marketing strategy as “The Sports Capital of Texas”. Supporting this campaign, in 2011, the citizens of Round Rock voted to establish a 2% tax for a new Sports Complex.

The Round Rock Sports Center opened in January 2014, and has already hosted numerous events including basketball, volleyball, and wrestling tournaments, a table tennis tournament, a speaking event by a renowned children’s author that attracted more than 2,500 people, a 700-seat formal dinner banquet, a celebration dance with more than 2,000 participants, a cake expo, a wedding expo and even a corporate brainstorming retreat. To say that this new space is in high demand is an understatement!

Fiscal Year 2014



The Year's Top Ten Lists

Employers:

Dell, Inc.
Round Rock ISD
Sears TeleServe
City of Round Rock
Emerson Process Management
Scott & White University Medical
Campus
Texas Guaranteed Student Loan
Round Rock Medical Center
Seton Williamson Medical Center
Dresser Wayne, Inc.



Property Taxpayers:

Dell Computer Holdings, LP
CPG Round Rock, LP
Baltgem Development Corp.
Dell Computer Corp.
Columbia / St. David Healthcare
CMF 15 Portfolio, LLC
Oncor Electric Delivery, Co.
Inland American University Oaks, LP
Las Brisas Luxury Apartment Homes, LLP
Fisher-Rosemount Systems, Inc.

Hotel Taxpayers (by collections):

Austin Marriott North
Homewood Suites
Hilton Garden Inn
Hampton Inn
Residence Inn
Holiday Inn
Courtyard by Marriott
Springhill Suites
Holiday Inn Express
La Quinta Inn



The Popular Annual Financial Report (PAFR) has been prepared to inform citizens about the City of Round Rock and its operations, services and programs, as well as its financial condition. It is suitable for readers who prefer to review operational and financial information in summary form and does not substitute for the City's Comprehensive Annual Financial Report (CAFR).

This publication contains simplified information provided in the CAFR which is developed in conformity with generally accepted accounting principles (GAAP). The CAFR was independently audited by Brockway, Gersbach, Franklin & Niemeier, P.C. Although unaudited, the PAFR provides readers with a summary of the City's revenues, expenditures, and local economic indicators.

For a fully detailed, fully disclosed, GAAP based presentation of the City's financial position and results, full copies of the CAFRs are published on the City's website at

<http://www.roundrocktexas.gov/cafr>