

CITY OF ROUND ROCK

POPULAR ANNUAL FINANCIAL REPORT

2014 - 2015



ROUND ROCK
TEXAS

Purpose

The purpose of this Popular Annual Financial Report (PAFR) is to summarize and simplify the information provided in the City's Comprehensive Annual Financial Report (CAFR) which is developed in conformity with generally accepted accounting principles (GAAP) and is independently audited by Brockway, Gersbach, Franklin & Niemeier, P.C. Although unaudited, the PAFR provides readers a summary of the City's revenues, expenditures and local economic indicators. This report is intended for readers that prefer to review operational and financial information in summary form and does not substitute for the City's CAFR.

For a fully detailed, fully disclosed GAAP based presentation of the City's financial position, the CAFR, in its entirety, is available at

www.roundrocktexas.gov/cafr



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, 2014

A handwritten signature in black ink, reading 'Jeffrey R. Egan'.

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Round Rock, Texas for its Popular Annual Financial Report for the fiscal year ended September, 30, 2014. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Round Rock, Texas has received a Popular Award for the last 4 consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



Welcome to Round Rock, Texas



Courtesy of Bill Whiting

One hundred years ago, Round Rock was a small Texas town based around an agriculture economy. In the late 1880's Round Rock became a stop on the famed Chisholm Trail as cowboys drove herds of steer through Brushy Creek and past the distinctive, table-topped Round Rock for which our town was named.

Today, the City of Round Rock is now the largest City located within Williamson County and adjacent to the City of Austin. The City has experienced tremendous growth and this has placed pressures on resources, consequently, the City must respond to an increased demand for services. To adequately prepare for the effect of this activity on the City, much effort goes into planning and funding infrastructure and service programs. Each February, Council reviews the City's successes and challenges and refines both the short term and long term strategic goals for the City. These goals set the direction for staff and financial resources and are the basis for following year's budget development.

Strategic Goals



Economy

While Texas moves forward cautiously due to declining oil prices, the Central Texas area's geographic and economic distance from the oil industry has insulated it from any major impacts. Unemployment continues to be below the national average. The unemployment rate for the City is 3.2%, and remains lower than the Austin metro wide rate of 4.5% and the national rate of 4.8%. The Austin MSA has one of the lowest unemployment rates among the nation's 100 largest metro areas. Hiring continues to outpace the nation and job creation was led by professional and business services. Education and health sectors also saw an increase in jobs in the area.

Residential and commercial real estate activity in the City is continuing to grow. Residential permits are expected grow from 327 single family units in 2014/15 to 686 units in 2015/16.

Round Rock ranked No. 3 for Livability.com's "10 Best Affordable Places to Live in 2015." The study conducted by NerdWallet distinguished between cheap and affordable by comparing income with cost of living. According to a socioeconomic growth study by WalletHub, Round Rock has the best of every thing including, jobs, schools,

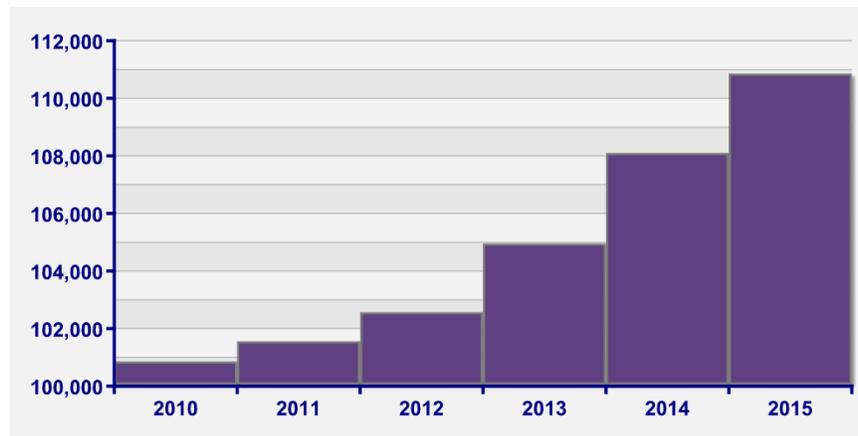
Welcome to Round Rock, Texas



Courtesy of Bill Whiting

museums and night life. The study compared 515 U.S. cities of varying sizes across ten key metrics, ranging from population growth to unemployment rate decrease and Round Rock ranked No. 10 overall.

Round Rock Population Growth



Long-term Financial Planning

The sales tax revenue source is extremely important to the City. It makes up 20.8% of city-wide revenues and approximately 50% of General Fund revenues. Sales tax revenue is subject to economic cycles and discretionary buying characteristics of the consumer and must be monitored closely. The City adopted a Financial Management Policy in 2009 to reduce the operational reliance on sales tax specifically related to Dell, Inc. to 20% of total sales tax collected by 2017. In the past several years, the business model of Dell, Inc. had shifted from primarily a computer manufacturer and seller to a global technology services provider. The City's General Fund reliance on net sales tax revenue from Dell, Inc. is budgeted at 15% and the goal is considered met with the 2015/16 budget.

In addition to the influence of Dell, Inc. on the Round Rock economy, economic activity of the Round Rock Premium Outlets, Bass Pro Shops, IKEA, and the expansion of the medical and education sectors in the community, continue to strengthen and diversify our economic base.

The City sets utility rates based on the cost of service. This model establishes an equitable rate structure for total cost recovery. In order to fund the capital improvement program and to meet increasing system demand and operational cost pressures, multiple-year rate increases were implemented. Even with the rate increases, Round Rock water and wastewater rates continue to be among the lowest in the region.



Courtesy of Rock Studios

Round Rock by the Numbers



Courtesy of Oscar Amos

Tax Information

	2014/15
Population	110,800
Property Tax Rate	\$ 0.41465
M&O .25426	Debt .16039
Average Home Value	\$ 198,578
Taxable Property Value (billions)	\$ 9.6
Property Tax per Capita	\$ 361

Sales Tax Information

Sales Tax Rate	8.25%
State	6.25%
City	1.00%
Type B	0.50%
Property Tax Reduction	0.50%

Top 10 Employers

	# of Jobs
Dell, Inc	13,000
RRISD	5,800
Sears Teleserve	1,500
City of Round Rock, TX	830
Scott & White Healthcare	750
Emerson Process Management	750
TX Guaranteed Student Loan	700
Round Rock Medical Center	690
Seton Williamson Med Center	450
Wayne, a GE Energy Business	450

Top 10 Property Taxpayers

Dell Computer Holdings, LP
CPG Round Rock, LP (Preimum Outlets)
Seton Healthcare
Dell Computer Corp.
Baltgem Development Group (La Frontera Village)
Columbia / St. Davids Healthcare
CMF 15 Portfolio, LLC (Colonial Grand Aprt)
Oncor Electric Delivery Co.
Las Brisas Luxury Apartment Homes, LLP
FST La Frontera LLC (La Frontera @ Hesters Xing)

Debt Information

Credit Ratings

General Obligation	S & P	AA+
	Moody's	Aa1
4B	S & P	AA
	Moody's	Aa3
	Fitch	AA
Utility	S & P	AA
	Moody's	Aa2
Hotel	S & P	A
	Moody's	
	Fitch	A+
BRCUA	S & P	AA-
	Moody's	Aa3

Outstanding as of 9/30/2015 (millions)

GO & CO Bonds	\$	184.6
Utility / Drainage	\$	78.1 / 8
HOT	\$	5.7
Sports center	\$	7.5
Type B	\$	11.9 + 13 (SIB)

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

City Employees

	FTEs	867.25	Dept Total
Sworn Police	160		233
Firefighters	129		137

Top 10 Hotel Taxpayers

of Rooms

Austin Marriott North	295
Homewood Suites	115
Hilton Garden Inn	122
Hampton Inn	93
Residence Inn	96
Courtyard by Marriott	113
Holiday Inn	124
Springhill Suites	104
Microtel Inn & Suites	100
Holiday Inn Express	91

Economic Development



Courtesy of Oscar Amos

The City understands that diversification of Round Rock's economy is a key to financial stability. The local retail market place continues to thrive. The major destination retail hubs provide continued expansion and broaden Round Rock's economy. These include **Round Rock Premium Outlets**, which provides over 430,000 square feet of retail space containing 125 stores in an outdoor village setting and a movie theater. Adjacent to the outlets is a shopping center featuring **IKEA** along with other national and regional retailers. **Bass Pro Outdoor World, LLC** opened a 100,000 square foot facility in June 2015 and employs approximately 175 employees.

Round Rock also continues to see significant growth in the medical industry. Round Rock is home to several hospitals offering comprehensive healthcare services. In order to keep up with population growth, these providers have expanded their facilities and services making Round Rock a major healthcare destination.

To complement the healthcare activities, Round Rock is home to several higher education facilities, many of which focus on healthcare disciplines. The City recognizes that a highly educated workforce is an important component of a well-rounded economic foundation. Several educational facilities such as: **Texas A&M Health Science Center, Texas State University, Austin Community College** and the **Art Institute** call Round Rock home.

The Texas Legislature passed a tuition revenue bond in the 84th legislative session. The passage of the \$48.6 million bond bill will allow **Texas State University** to expand its existing health professional buildings in Round Rock. It is the goal of Texas State to move its entire health professions department to the City. The new health professional building will include 107,000 square feet and will provide space for a 35 percent enrollment increase in health professions programs. The bond bill will not fund the total cost of construction, therefore the university will rely on philanthropic gifts, a \$5 million donation has already been received from the St. David's Foundation. The project will total \$64 million and break ground in 2017.

Additionally, the City Council has approved several economic development agreements in recent months. The resulting economic expansions have created new jobs, modernized work equipment and/or brought new services to Round Rock. The long standing partnership between the City and Round Rock Chamber of Commerce continues to attract new development to the City. The funding is leveraged with the Chamber of Commerce Momentum funding to create a public/private partnership for economic development priorities. This partnership continues to yield a new, inspired approach to economic development for Round Rock. The City will see new additions within the city limits in the next year.

Airco Mechanical, a commercial and residential heating, ventilation and air conditioning service provider will relocate its central Texas headquarters to Round Rock. The company will bring 400 new jobs and is investing millions of dollars in the rehabilitation of an existing facility in Round Rock. The new headquarters is revitalizing a 47,000 square foot vacant building located on the Interstate 35 frontage road.

Odyssey Technical Solutions, LLC which is currently located in the City's extraterritorial jurisdiction will be relocating their operations into a larger facility within the city limits of Round Rock. Odyssey is the leading repairer of equipment primarily used in the semiconductor manufacturing industry. They are investing \$5.4 million in land, building, and personal property and will move all current employees to the new location.

Houghton Mifflin Harcourt (HMH) is relocating its Texas regional office to Round Rock. HMH is a leading provider for pre-K-12 education content, services and cutting-edge technology solutions. The project will bring over 270 new jobs and will be the main tenant in a new 100,000 square foot Class A office building. The relocation is estimated to be complete in July 2016.

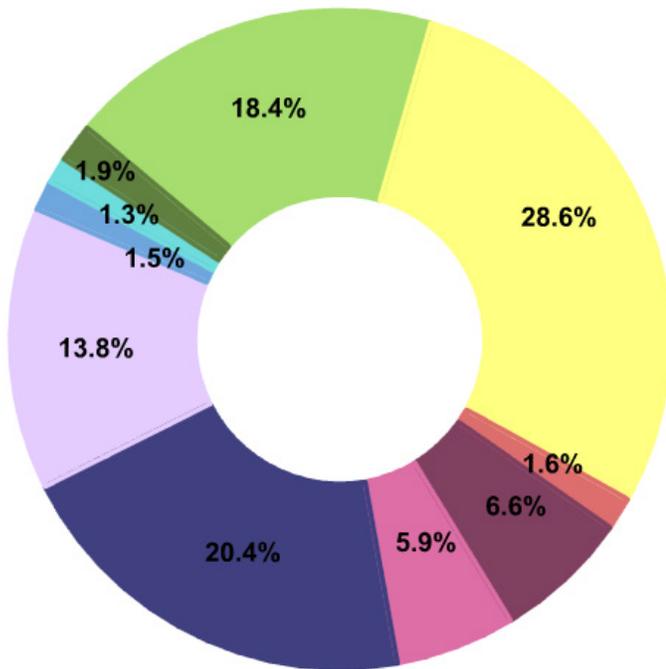
Adopted Budget

Fiscal Year 2014/15



Courtesy of Nancy Cotton

Adopted Expenditures 2014/15 (millions)



General Fund	
General Government	\$ 28.7
Public Safety	\$ 44.7
Library	\$ 2.5
Parks	\$ 10.3
Transportation	\$ 9.2
Utility Fund	\$ 31.9
Debt Service Fund	\$ 21.6
Hotel Fund	\$ 2.3
HOT Sports Fund	\$ 2.0
Drainage Fund	\$ 2.9
Total	\$ 156.1



General Fund

Condensed Balance Sheet



Courtesy of Simply CVR

Assets

	2013	2014	2015
Cash and Cash Equivalents	\$ 10,174,733	\$ 4,679,063	\$ 14,646,659
Investments	64,972,120	65,309,323	41,901,278
Receivables (net of allowances for uncollectibles)			
Property Taxes, including interest and penalties	335,674	392,570	269,866
Accounts and other	4,871,283	5,381,140	5,922,670
Loans	-	-	-
Accrued Interest	162,485	91,894	63,018
Interfund	291,221	352,354	11,758
Intergovernmental	108,447	225,433	144,426
Inventories	291,134	296,144	286,027
Other current assets	83,953	101,127	144,794
Total Assets	<u>\$ 81,311,050</u>	<u>\$ 76,829,048</u>	<u>\$ 63,390,496</u>

Liabilities and Fund Balances

Liabilities

Accounts Payable	\$ 9,781,262	\$ 8,645,949	\$ 8,197,302
Accrued Payroll	3,322,887	3,743,690	3,997,585
Interfund Payables	28,869,301	24,821,835	88,339
Deferred Revenue	357,732	493,938	399,060
Total Liabilities	<u>\$ 42,331,182</u>	<u>\$ 37,705,412</u>	<u>\$ 12,682,286</u>
Fund Balances			
Nonspendable	\$ 375,087	\$ 397,271	\$ 430,821
Unassigned	38,604,781	38,726,365	50,277,389
Total Fund Balances	<u>38,979,868</u>	<u>39,123,636</u>	<u>50,708,210</u>
Total Liabilities and Fund Balance	<u>\$ 81,311,050</u>	<u>\$ 76,829,048</u>	<u>\$ 63,390,496</u>

Unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. At the close of FY 15, the General Fund had \$50,277,389 of unassigned fund balance, which represent 56.091% of total general fund expenditures.



Courtesy of Oscar

General Fund

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances



Courtesy of Michael Zuber

Revenues

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Taxes and franchise, including interest and penalties	\$ 79,456,403	\$ 82,379,720	\$ 83,719,817
Other	<u>11,033,292</u>	<u>12,140,368</u>	<u>12,956,835</u>
Total Revenues	\$ 90,489,695	\$ 94,520,088	\$ 96,676,652

Expenditures

Current operating	\$ 82,942,988	\$ 87,687,420	\$ 89,639,444
Total Expenditures	<u>\$ 82,942,988</u>	<u>\$ 87,687,420</u>	<u>\$ 89,639,444</u>

Excess (deficiency) of revenues over expenditures	7,546,707	6,832,668	7,037,208
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Other Financing Sources (Uses)

Issuance of lease	\$ 445,980	\$ 727,699	\$ 1,327,490
Transfers in	2,832,850	2,930,783	3,290,000
Transfers out	<u>(9,079,094)</u>	<u>(10,347,382)</u>	<u>(70,124)</u>
Total other financing sources (uses)	(5,800,264)	(6,688,900)	4,547,366
Net changes in fund balance	<u>1,746,443</u>	<u>143,768</u>	<u>11,584,574</u>
Fund Balances, October 1	<u>37,233,425</u>	<u>38,979,868</u>	<u>39,123,636</u>
Fund Balances, September 30	<u>\$ 38,979,868</u>	<u>\$ 39,123,636</u>	<u>\$ 50,708,210</u>

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



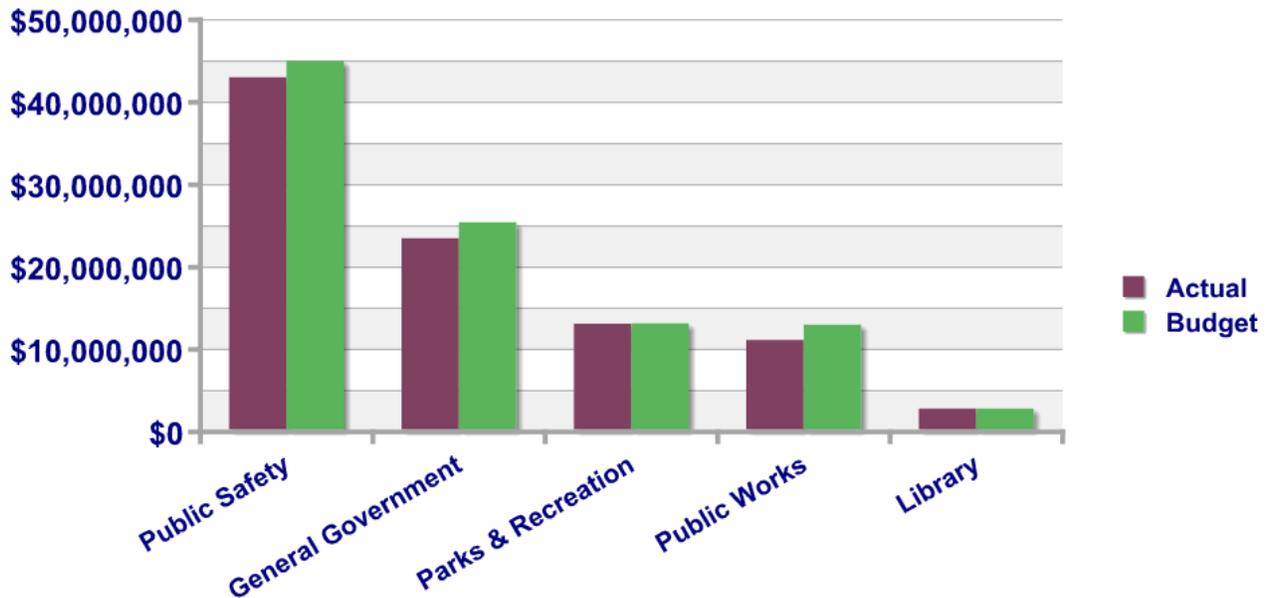
Courtesy of Jeffrey W. Spencer

City Finances – 2014/15



Courtesy of Javier Garcia

General Fund – 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.



Utility Fund

Condensed Statement of Revenues, Expenditures, and Changes in Net Position



Courtesy of Michael Zuber

Operating Revenues

	2013	2014	2015
Charges for Service	\$ 43,094,185	\$ 40,762,523	\$ 41,880,906
Licenses, permits, and fees	-	2,943,355	4,017,184
Total Operating Revenues	<u>43,094,185</u>	<u>43,705,878</u>	<u>45,898,090</u>

Operating Expenses

Personnel services	\$ 7,602,658	\$ 8,939,263	\$ 9,228,272
Contract services	14,116,021	14,200,624	14,500,269
Supplies	872,363	1,023,594	1,005,655
Materials	859,109	1,140,137	831,371
Heat, light and power	1,951,428	1,829,036	1,783,408
Depreciation	<u>13,625,826</u>	<u>13,739,240</u>	<u>14,677,799</u>
Total Operating Expenses	<u>\$ 39,027,405</u>	<u>\$ 40,871,894</u>	<u>\$ 42,026,774</u>
Operating Income	4,066,780	2,833,984	3,871,316

Non-operating Revenues (Expenses)

Investments and other revenues	\$ 1,385,272	\$ 1,397,259	\$ 863,900
Interest and fiscal charges	<u>(3,722,633)</u>	<u>(3,816,976)</u>	<u>(3,897,654)</u>
Total non-operating revenue (expenses)	<u>\$ (2,387,361)</u>	<u>\$ (2,419,717)</u>	<u>\$ (3,033,754)</u>
Income before contributions and transfers	1,679,419	414,267	837,562

Contributions and Transfers

Contributions - impact fees	\$ 5,288,378	\$ 4,709,387	\$ 7,933,508
Contributions - infrastructure	1,225,991	5,516,915	7,066,261
Contributions - other	-	-	2,742,799
Transfers in	38,641	1,570,994	-
Transfers out	<u>(2,471,700)</u>	<u>(2,919,025)</u>	<u>(3,290,000)</u>
Total contributions and transfers	4,081,310	8,878,271	14,452,568
Change in net position	<u>5,760,729</u>	<u>9,292,538</u>	<u>15,290,130</u>
Net position, October 1, as restated	<u>\$ 326,226,621</u>	<u>\$ 330,653,902</u>	<u>\$ 336,742,460</u>
Net position, September 30	<u>331,987,350</u>	<u>339,946,440</u>	<u>352,032,590</u>

The City's water and sewer utility continues to show increase 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.

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.

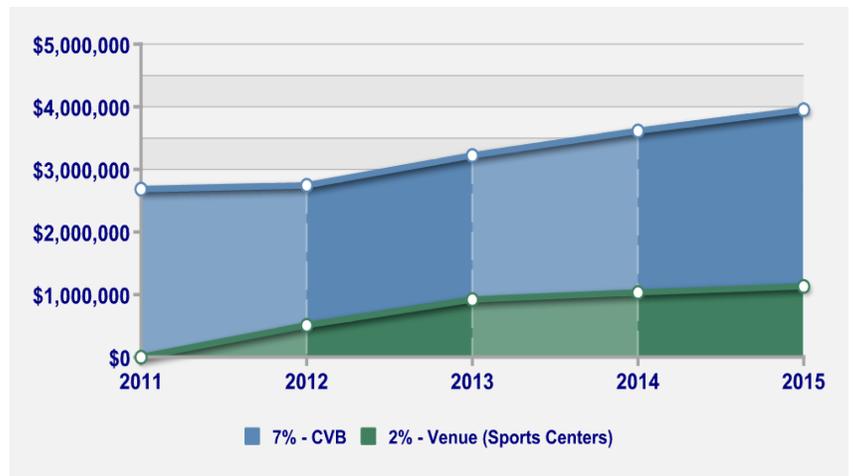
The local hotel/motel industry continues to be a particularly vibrant industry for Round Rock. Currently, 26 hotels with 2,711 rooms are open for business maintaining solid occupancy rates of 75.8% . There are three hotel developments that are in various stages of completion and by the end of fiscal year 2016, 438 new rooms will be added.



This strong industry bodes well for the hotel occupancy tax collections which supports local tourism events and debt service for the Dell Diamond/Convention Center which is home to the City’s Triple A Baseball team, the Round Rock Express and the Sports Center, the City’s 82,800 square foot, indoor sports venue opened in January 2014.

With several area sports facilities in place and statewide events being planned, Round Rock continues its marketing strategy as the “Sports Capital of Texas.” Tourism is an expanded component of the City’s overall economic development strategy. The City’s efforts were recently recognized by the Major League Baseball as the number one “Best Minor League Baseball Towns of 2015”.

Hotel Occupancy Tax Revenue



*2012 was the 1st year for the Venue Tax



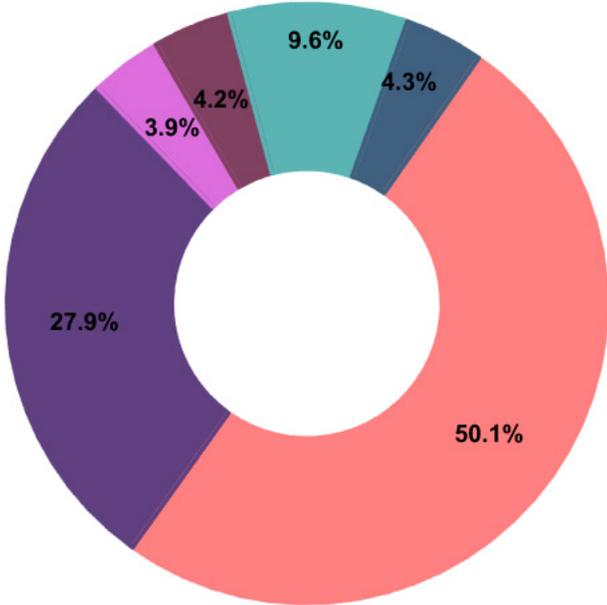
Courtesy of Peter

Sources and Uses of Debt



Courtesy of Kim & Greg

Long-Term Debt (millions)



General Obligation Bonds	\$	154.9
Water & Wasterwater Revenue Bonds	\$	86.1
Sales Tax Revenue Bonds	\$	11.9
State Infrastructure Bank Loans	\$	13.0
Certificates of Obligation	\$	29.7
Hotel Tax Revenue Bonds	\$	13.3

As of September 30, 2015, the City had total debt outstanding of \$308,951,624. The total debt increased by \$8,942,479. The net increase is largely due to the issuance of \$27.3 million in debt for transportation improvements during 2015. Regularly scheduled debt principal was retired during 2015 as well.



Courtesy of frame of austin