

Popular Annual Financial Report

Ended September 30, 2016

2015-2016



ROUND ROCK TEXAS

RoundRockTexas.gov

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/
departments/finance/
financialreports/#CAFR](http://www.roundrocktexas.gov/departments/finance/financialreports/#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, 2015

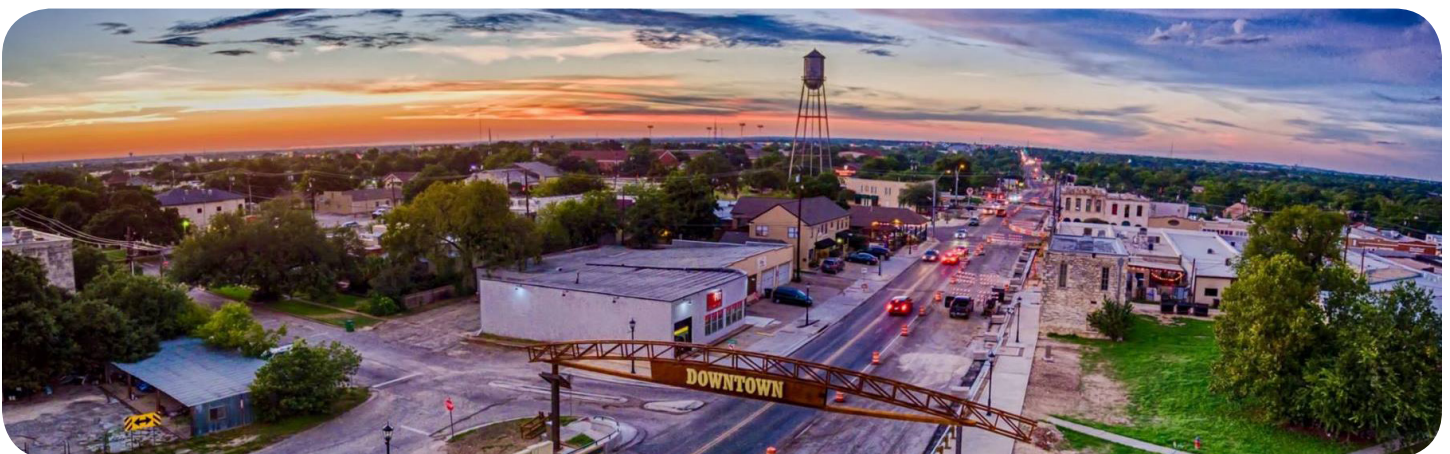
A handwritten signature in black ink, reading "Jeffrey R. Enos".

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, 2015. 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 Re-

porting, 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 5 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 the fastest growing, economically diverse community with a population of 107,517. The City has experienced tremendous population growth which has led to an increased demand for city 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, the City 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 the allocation of staff and financial resources and are the basis for the development of the following years'

STRATEGIC GOALS



Financially Sound City
Providing High Value
Services



City Infrastructure for
Today and Tomorrow



Great Community
to Live



"The Sports Capital of
Texas" for Tourism &
Residents



Authentic Downtown -
Exciting Community
Destination



Sustainable
Neighborhoods

ECONOMY

Round Rock continues to see strong population and economic growth. As the largest city in Williamson County and part of the Austin Metropolitan Statistical Area (MSA), Round Rock is a key city in one of the fastest growing regions across the nation. From 2008 to the projected population for 2017, the City of Round Rock has experienced population growth of over twenty percent (20%) over the past 10 years. The long-range population estimates from the City's Planning and Development Services Department predict this increase continuing at a growth rate of between two (2) and three (3) percent per year for the foreseeable future.

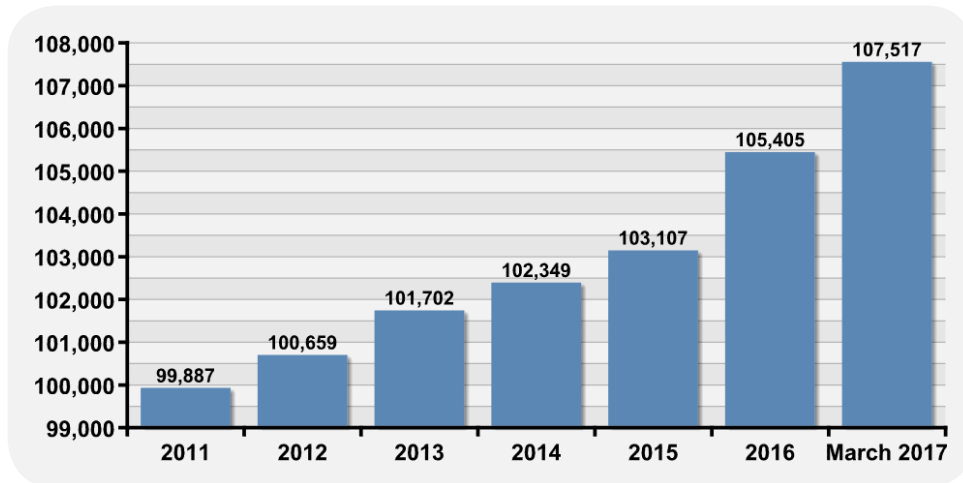
A leading driver of the City's population growth is a strong local economy. The City's unemployment rate is 3.0%, remaining lower than the Austin MSA rate of 3.1% and the statewide rate of 4.4%. As the Texas economy faces some uncertainties due to unstable oil prices, the Central Texas area's geographic and economic distance from the oil industry has and will likely continue to insulate the region from major impacts. Round Rock businesses have seen continued growth in revenues, especially in the hotel and restaurant industries, as more tourists and visitors come to enjoy Round Rock's "Sports Capital of Texas" sporting events, historic downtown, and unique blend of destination shopping experiences.

Welcome to Round Rock, Texas



Courtesy of Bill Whiting

ROUND ROCK POPULATION GROWTH



LONG-TERM FINANCIAL PLANNING

A new comprehensive long range financial planning model was created in fiscal year 2016 to reflect the changing economic environment and challenges the City will be facing over the next five years and beyond. The basis of this model is to ensure that the City is responding to continual growth with a limited revenue base. The model takes a comprehensive approach to evaluating the long-term needs for property tax rates and other revenues to provide for the maintenance and operations of the General Fund. The City's General Fund relies heavily on sales tax as a revenue source. The sales tax is a less stable revenue source than the property tax but provides the taxpayers with more discretion and a lower property tax rate. Because of this revenue makeup, the City tends to carry higher fund balances, estimates sales tax revenues conservatively, and introduces new programs somewhat more cautiously until projected revenue levels are attained. The City is also more attentive to the health of its economy because of the reliance upon commerce to produce the sales tax revenues.

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.



Round Rock by the Numbers



Courtesy of Oscar Amos

TAX INFORMATION

2016/17

Population	107,517
Property Tax Rate	\$ 0.425000
M&O .27187 Debt .15313	
Average Home Value	\$ 240,179
Taxable Property Value (billions)	\$ 11.3
Property Tax per Capita	\$ 414.07

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	11,000
RRISD	5,800
Sears Teleserve	1,500
City of Round Rock, TX	918
Emerson Process Management	875
Round Rock Premium Outlets	800
Scott & White Healthcare	750
Round Rock Medical Center	689
Liquidation Channel	600
Wayne, a GE Energy Business	550

TOP 10 PROPERTY TAXPAYERS

Dell Computer Holdings, LP
CPG Round Rock, LP (Premium Outlets)
Dell Computer Corp.
Baltgem Development Group (La Frontera Village)
CMF 15 Portfolio, LLC (Colonial Grand Apt)
Columbia / St. Davids Healthcare
Fisher Rosemount Systems Inc. (Emerson)
Baev-LaSalle (University Commons)
Las Brisas Luxury Apartment Homes, LLP
Oncor Electric Delivery Co.

DEBT INFORMATION

Credit Ratings

General Obligation	S & P	AA+
	Moody's	Aa1
Type B	S & P	AA
	Moody's	Aa3
	Fitch	AA
Utility	S & P	AA+
	Moody's	Aa2
Hotel	S & P	A
	Fitch	A+
BCRUA	S & P	AA+
	Moody's	Aa3

Outstanding as of 9/30/2016 (millions)

GO & CO Bonds	\$	176.6
Utility / Drainage	\$	77 / 7.7
HOT	\$	4.9
Sports Center	\$	7.3
Type B	\$	9.2 + 11.5 (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	918.13	Dept Total
Sworn Police	145	242
Firefighters	134	137

TOP 10 HOTEL TAXPAYERS

of Rooms

Austin Marriott North	295
Homewood Suites	115
Hilton Garden Inn	122
Residence Inn	96
Hampton Inn	93
Courtyard by Marriott	113
Home 2 Suites	91
Holiday Inn	116
Springhill Suites	104
Holiday Inn Express N	91

Economic Development



Courtesy of Oscar Amos

The City has a long-standing relationship with the Round Rock Chamber of Commerce, known as the Round Rock Economic Development Partnership. This partnership attracts new development to the City and focuses on the retention of current businesses. This partnership also works with the Williamson County Economic Development Partnership and the Texas Workforce Commission. The six target sectors for growth include: advanced manufacturing; clean energy; computer systems development; corporate offices, operations and support services; destination retail; and health care and biotechnology. The resulting economic development wins have created new jobs, modernized work equipment and brought new services to Round Rock. The most recent wins are discussed below.



The convention and resort business is a new industry for Round Rock that will provide substantial property tax revenues and diversify the local economy. The proposed project with Kalahari Resorts and Conventions is under design and will feature a minimum of 975 guest rooms, a 15,000 square-foot convention center,

a 200,000 square-foot indoor/outdoor water park, and other potential indoor and outdoor activities. The development will also include restaurants, additional entertainment, recreation, and other mixed uses. Its 352 acre site and proximity to Old Settlers Park and the Dell Diamond - two well-established venues that draw more than a million visitors annually - bodes well for a successful, tourism-oriented development.

ProPortion Foods LLC, a Los Angeles-based food service company, finalized an economic development agreement in December 2015 to relocate its office, food processing, storage, and warehouse facility to the City. The company bought an established building at 101 Chisolm Valley Trail. Total investment in renovations to the building must be at least \$13 million and ProPortion Foods must retain at least 400 full-time employees over a five-year period.



ProPortion
Foods



United Parcel Service (UPS) announced they will be the next Fortune 500 company to expand in Round Rock with a new regional distribution center that will provide additional operating capacity for the Austin area. The \$70 million facility, projected to open in 2018, will be 225,000 square feet located on fifty acres of land near SH 45 and A.W. Grimes Boulevard. The new distribution center will employ more than 300 employees.



Economic Development



Courtesy of Oscar Amos



**Houghton
Mifflin
Harcourt**

Houghton Mifflin Harcourt (HMH) relocated its Texas regional office to Round Rock in July 2016. Their relocation brought over 270 jobs to the City with an average salary including benefits, of at least \$70,000. HMH now anchors a brand new 100,000 square-foot class A office building in La Frontera.

conditioning service provider, has relocated its Central Texas headquarters and its 400 employees to a previously vacant 47,000 square-foot building located on the Interstate 35 frontage road at 1000 S. IH 35.

Airco Mechanical, a commercial and residential heating, ventilation, and air



Round Rock continues to see significant growth in the medical industry. The City is home to several hospitals offering comprehensive world-class healthcare services. These hospitals continue to expand their facilities and services to keep up with Round Rock's growing population. Baylor Scott & White Health broke ground on March 8, 2016 on a new 100,000 square-foot cancer care facility on the campus of the Baylor Scott & White Medical Center on University Boulevard. The facility is scheduled to open in 2017 and will provide services for radiation, medical oncology, surgical oncology, and hematology.



Baylor Scott & White
HEALTH

To complement the healthcare and medical facilities, Round Rock is home to several higher education facilities, many of which focus on healthcare disciplines. These institutions of higher learning include the Texas A&M Health Science Center, Texas State University, Austin Community College, and the Art Institute of Austin. Texas State University is undergoing construction of a new \$70 million building on their Round Rock campus which, when complete in 2018, will house their College of Health Professions.

TEXAS  **STATE**
UNIVERSITY

The rising STAR of Texas



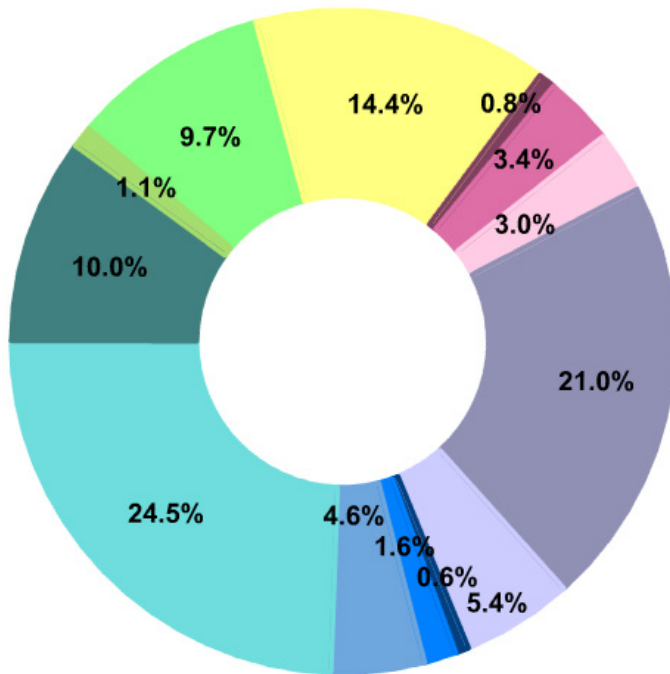
Adopted Budget

Fiscal Year 2015/16



Courtesy of Roy Niswanger

ADOPTED EXPENDITURES 2015/16 (MILLIONS)



General Fund

General Government	\$	30.1
Public Safety		44.8
Library		2.6
Parks		10.6
Transportation		9.4
Utility Fund		65.4
Debt Service Fund		16.9
Hotel Fund		4.9
HOT Sports Fund		2.0
Drainage Fund		14.2
General Capital Projects Fund		76.3
RRTEDC (Type B)		31.2
Special Revenue Funds		3.3

Total	\$	311.7
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Sunset Over Round Rock - Oscar Amos

General Fund

Condensed Balance Sheet



Courtesy of Simply CVR

ASSETS

	2014	2015	2016
Cash and Cash Equivalents	\$ 4,679,063	\$ 14,646,659	\$ 8,222,738
Investments	65,309,323	41,901,278	48,363,976
Receivables (net of allowances for uncollectibles)			
Property Taxes, including interest and penalties	392,570	269,866	333,829
Accounts and other	5,381,140	5,922,670	5,342,867
Accrued Interest	91,894	63,018	78,691
Interfund	352,354	11,758	-
Intergovernmental	225,433	144,426	58,984
Inventories	296,144	286,027	241,059
Other current assets	101,127	144,794	131,229
Total Assets	<u>\$ 76,829,048</u>	<u>\$ 63,390,496</u>	<u>\$ 62,773,373</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable	\$ 8,645,949	\$ 8,197,302	\$ 7,002,969
Accrued Payroll	3,743,690	3,997,585	2,432,216
Interfund Payables	24,821,835	88,339	87,067
Deferred Revenue	493,938	399,060	451,037
Total Liabilities	<u>\$ 37,705,412</u>	<u>\$ 12,682,286</u>	<u>\$ 9,973,289</u>

Fund Balances

Nonspendable	\$ 397,271	\$ 430,821	\$ 372,288
Unassigned	38,726,365	50,277,389	52,427,796
Total Fund Balances	<u>39,123,636</u>	<u>50,708,210</u>	<u>52,800,084</u>
Total Liabilities and Fund Balance	<u>\$ 76,829,048</u>	<u>\$ 63,390,496</u>	<u>\$ 62,773,373</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 16, the General Fund had \$52,427,796 of unassigned fund balance, which represent 57.5% of total general fund expenditures.



Round Rock Wildflower Sunset - Rock Studios

General Fund

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



Prete Plaza Artwork -
Courtesy of Beth Wilson

REVENUES

	2014	2015	2016
Taxes and franchise, including interest and penalties	\$ 82,379,720	\$ 83,719,817	\$ 85,075,121
Other	12,140,368	12,956,835	14,011,952
Total Revenues	\$ 94,520,088	\$ 96,676,652	\$ 99,087,073

EXPENDITURES

Current operating	\$ 87,687,420	\$ 89,639,444	\$ 91,129,391
Total Expenditures	\$ 87,687,420	\$ 89,639,444	\$ 91,129,391

Excess (deficiency) of revenues over expenditures	6,832,668	7,037,208	7,957,682
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OTHER FINANCING SOURCES (USES)

Issuance of lease	\$ 727,699	\$ 1,327,490	\$ -
Transfers in	2,930,783	3,290,000	3,290,000
Transfers out	(10,347,382)	(70,124)	(9,155,808)
Total other financing sources (uses)	(6,688,900)	4,547,366	(5,865,808)
Net changes in fund balance	143,768	11,584,574	2,091,874
Fund Balances, October 1	38,979,868	39,123,636	50,708,210
Fund Balances, September 30	\$ 39,123,636	\$ 50,708,210	\$ 52,800,084

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

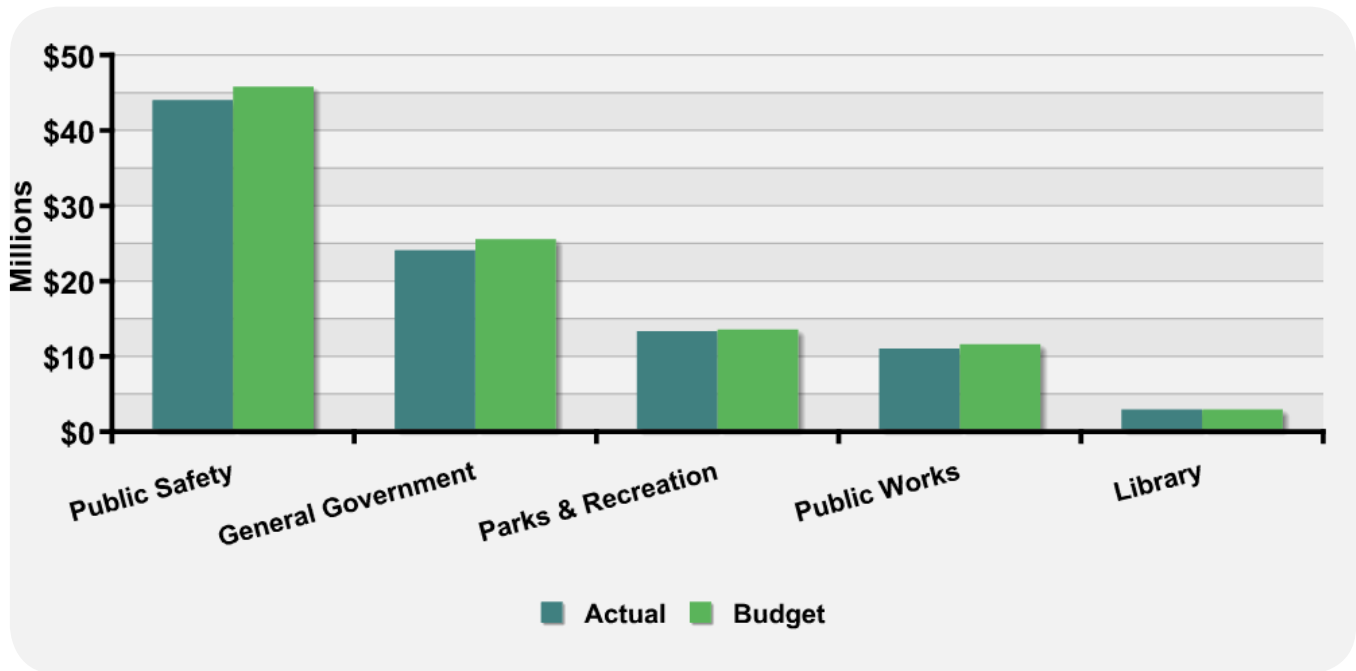


Prete Plaza - Beth Wilson

City Finances - 2015/16



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 Oscar

OPERATING REVENUES

	2014	2015	2016
Charges for Service	\$ 40,762,523	\$ 41,880,906	\$ 44,406,721
Licenses, permits, and fees	2,943,355	4,017,184	4,247,067
Total Operating Revenues	43,705,878	45,898,090	48,653,788

OPERATING EXPENSES

Personnel services	\$ 8,939,263	\$ 9,228,272	\$ 9,742,128
Contract services	14,200,624	14,500,269	15,222,355
Supplies	1,023,594	1,005,655	899,513
Materials	1,140,137	831,371	1,191,818
Heat, light and power	1,829,036	1,783,408	1,662,779
Depreciation	13,739,240	14,677,799	15,537,530
Total Operating Expenses	\$ 40,871,894	\$ 42,026,774	\$ 44,256,123
Operating Income	2,833,984	3,871,316	4,397,665

NON-OPERATING REVENUES (EXPENSES)

Investment and other revenues	\$ 1,397,259	\$ 863,900	\$ 1,211,532
Interest and fiscal charges	(3,816,976)	(3,897,654)	(3,408,336)
Total non-operating revenue (expenses)	\$ (2,419,717)	\$ (3,033,754)	\$ (2,196,804)
Income before contributions and transfers	414,267	837,562	2,200,861

CONTRIBUTIONS AND TRANSFERS

Contributions - impact fees	\$ 4,709,387	\$ 7,933,508	\$ 8,269,652
Contributions - infrastructure	5,516,915	7,066,261	11,337,434
Contributions - other	-	2,742,799	-
Transfers in	1,570,994	-	-
Transfers out	(2,919,025)	(3,290,000)	(3,290,000)
Total contributions and transfers	8,878,271	14,452,568	16,317,086
Change in net position	9,292,538	15,290,130	18,517,947
Net position, October 1, as restated	\$ 330,653,902	\$ 336,742,460	\$ 352,032,590
Net position, September 30	339,946,440	352,032,590	370,550,537

The City's water and wastewater 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.

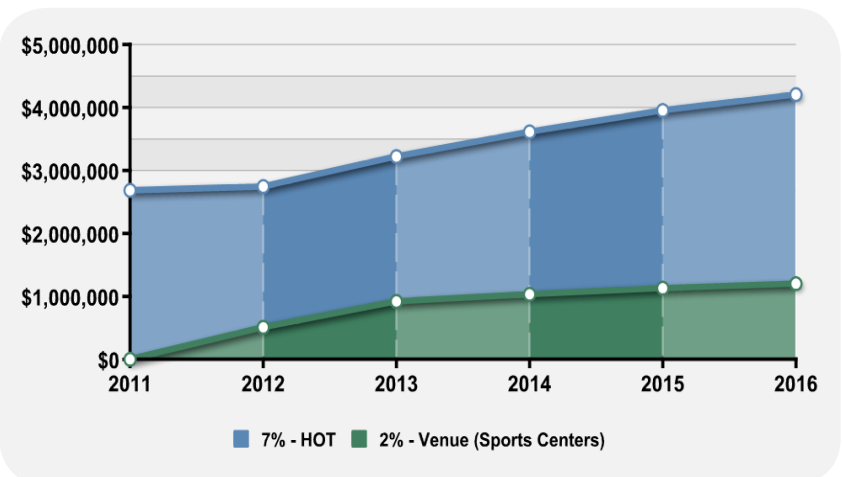
The local hotel/motel industry continues to be a particularly vibrant industry for Round Rock. Currently, 27 hotels with 2,788 rooms are open for business maintaining solid occupancy rates of 75.6% . There are two hotel developments that are in various stages of completion and by the end of fiscal year 2017, 240 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 where recently recognized by the Major League Baseball as the number one "Best Minor League Baseball Towns of 2015 and 2016".



HOTEL OCCUPANCY TAX REVENUE



*2012 was the 1st year for the Venue Tax

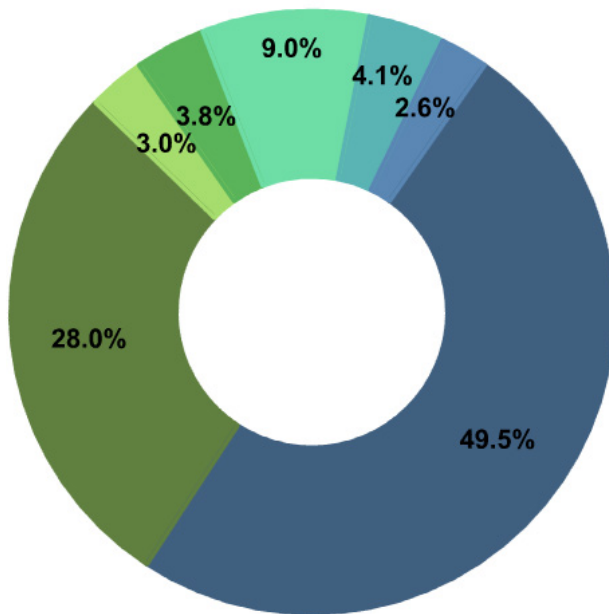


Sources and Uses of Debt



Courtesy of RockStudios

LONG-TERM DEBT (MILLIONS)



General Obligation Bonds	\$	149.5
Water & Wastewater Revenue Bonds		84.7
Sales Tax Revenue Bonds		9.1
State Infrastructure Bank Loans		11.5
Certificates of Obligation		27.1
Hotel Tax Revenue Bonds		12.3
Capital Leases		7.8

As of September 30, 2016, the City had a total outstanding bonded debt of \$302,135,856. Round Rock uses municipal bonds to strategically fund large capital infrastructure projects like new road improvements, parks, large water and wastewater treatment facilities, trails, fire stations, public safety training facilities and libraries.

The City is also a member in the regional partnership of the Brushy Creek Regional Utility Authority (BCRUA). Round Rock's portion of the outstanding contract revenue debt associated with this partnership is \$58,690,000.



Round Rock Multipurpose Complex