An aerial photograph of a river flowing through a landscape with trees showing autumn colors. A bridge spans the river in the upper half, and a dam is visible in the lower half. The water is a mix of blue and green. A semi-transparent dark rectangle is overlaid on the middle of the image, containing the title text.

# **Popular Annual Financial Report 2016-2017**





## 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 Whitley Penn L.L.P. 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 on the City's website.



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, 2016**

*Christopher P. Morrell*

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, 2016. 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, accessibility, 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 has received a Popular Award for the last 6 consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

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# 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 1880s, Round Rock became a stop on the famed Chisholm Trail as cowboys drove herds of steer through Brushy Creek and past the distinctive, table-top-shaped round rock for which our town was named.

Today, the City of Round Rock is a fast growing, economically diverse community with a population of 108,353. 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' budget.

## STRATEGIC GOALS FY 2017



Financially Sound City  
Providing High Value  
Services



City Infrastructure for  
Today and Tomorrow



Great Community  
to Live



"The Sports Capital of  
Texas" for Tourism and  
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 part of one of the fastest growing regions across the nation. From 2009 to the projected population for 2018, the City of Round Rock has experienced population growth of almost 12% 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 2% and 3% per year for the foreseeable future.

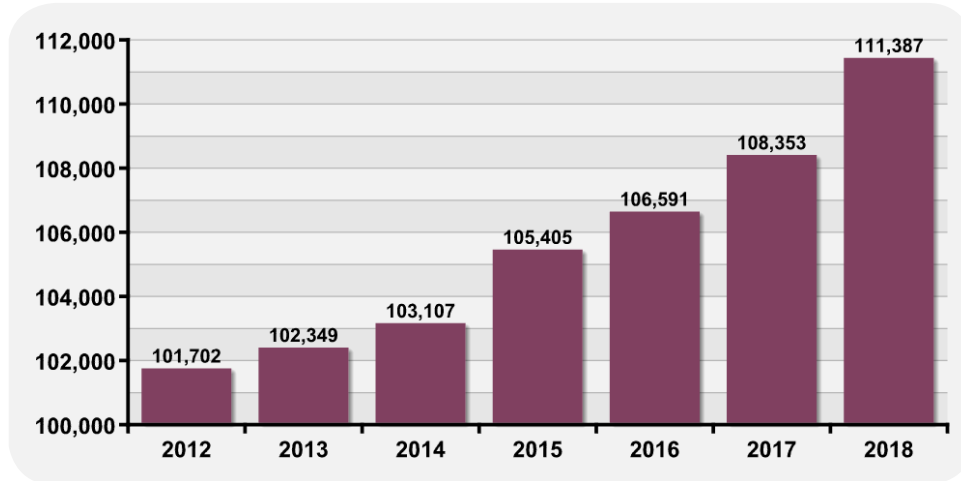
A likely driver of the City's population growth is a strong local economy. The City's unemployment rate is 3.2%, remaining lower than the Austin MSA rate of 3.3% and the statewide rate of 4.1%. While the Texas economy faced some uncertainties due to unstable oil prices and the aftermath of Hurricane Harvey, the Central Texas area's geographic and economic distance from the oil industry and the recovering Coastal region insulated 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 Kelly Colson

## ROUND ROCK POPULATION GROWTH



## LONG-TERM FINANCIAL PLANNING

The City uses long range financial planning for all major funds to help plan ahead for major operational changes, like opening a new fire station or staffing a new library. The City uses a 5-year planning model for the General Fund which projects revenues and expenditures over a long-term period using assumptions about economic conditions and future spending scenarios. 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 completed an update to the long-range water and wastewater rate model in fiscal year 2017. This long-range financial planning tool maps out the anticipated revenues and expenses for the Utility Fund over the next 10 years based on certain assumptions. Based on the updated model, the FY 2018 Budget includes a 3.5% water rate increase with future water rate increases planned for FY 2019 and FY 2020. The City's wastewater rates are not increasing since the model shows the future needs of the wastewater program are adequately funded within current revenues, impact fees, and other developer contributions.



Prete Plaza Splash Pad Courtesy of Kelly Colson



# Round Rock by the Numbers



Courtesy of Oscar Amos

## TAX INFORMATION

2016/17

Population	108,353	as of April 2017
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	<b>8.25%</b>
State	6.25%
City	1.00%
Type B	0.50%
Property Tax Reduction	0.50%

## TOP 10 EMPLOYERS

Employees  
(2017)

Dell Technologies, Inc	12,000
RRISD	5,800
City of Round Rock, TX	956
Emerson Process Management	875
Round Rock Premium Outlets	800
Scott & White Healthcare	750
Round Rock Medical Center	689
Sears Teleserve	600
Liquidation Channel	600
Wayne, a GE Energy Business	550

## TOP 10 PROPERTY TAXPAYERS- Tax Year 2016

Dell Computer Holdings, LP
CPG Round Rock, LP (Premium Outlets)
Baltgem Development Group (La Frontera Village)
CMF 15 Portfolio, LLC/ Colonial Grand Apartments
Columbia/St. David Healthcare
Dell Computer Corp.
Baev-LaSalle Round Rock University Blvd, LLC (University Commons Shopping Center)
FST La Frontera (La Frontera @ Hesters Xing Apartments)
Fisher Rosemount Systems, Inc. (Emerson)
Lodge MultiFamily Austin LP (Lodge at Warner Ranch Apts)

## DEBT INFORMATION

### Credit Ratings

General Obligation	S & P	AA+
Type B	S & P	AA
Utility (upgraded 12/17)	S & P	AAA
Hotel	S & P	A
BCRUA (upgraded 12/17)	S & P	AAA

### Outstanding as of 9/30/2017 (millions)

GO & CO Bonds	\$	196.9
Utility / Drainage	\$	74.2 / 7.4
HOT	\$	4.4
Sports Center	\$	7.3
Type B	\$	17.5

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	921.13	<b>Dept Total</b>
Sworn Police	177	247.9
Firefighters	134	142

## TOP 10 HOTEL TAXPAYERS

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

# Economic Development



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.

As retail stores and shopping centers across Round Rock continue to age, the City is realizing the importance of supporting and enabling redevelopment of its retail infrastructure. The City partnered with the Round Rock Chamber of Commerce for a business and retail redevelopment study to learn how to start looking at these issues.

The Round Rock IKEA celebrated its 10th anniversary in November 2016. Over the past 10 years IKEA has brought in over 18 million shoppers to the City from all over Texas, Mexico, and beyond. IKEA has diversified the City's economy and brought in tens of millions of dollars in sales tax revenues. The store underwent an expansion and renovation in June 2012 which added 54,000-square feet, doubled the size of the store's warehouse, and covered the roof in solar panels.



**Kalahari**  
RESORTS &  
CONVENTIONS

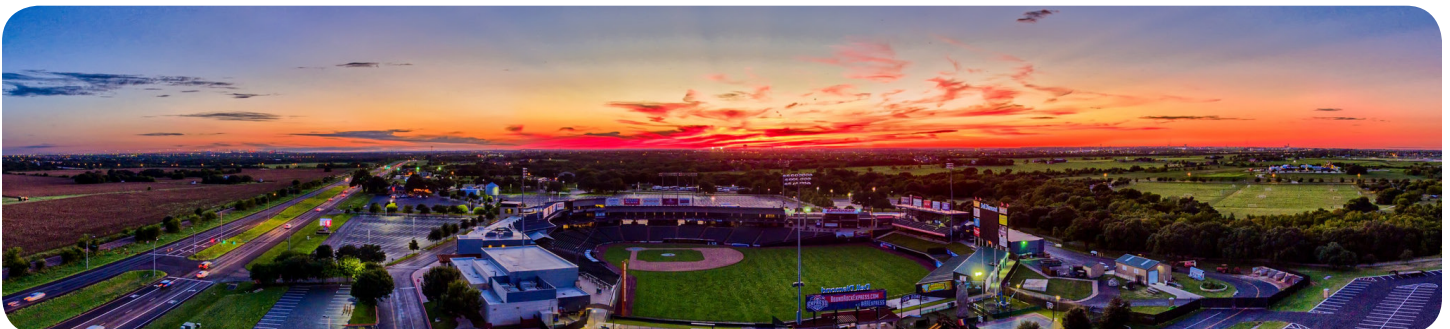
The convention and resort business is a new industry for Round Rock that will provide substantial property tax revenues and diversify the local economy. Kalahari Resorts and Convention Center is under design and will feature a minimum of 975 guest rooms, a 150,000 square-foot convention center, a 200,000 square-foot indoor/outdoor water park, and other potential indoor and outdoor activities. 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.

A new Embassy Suites Hotel and Conference Center is planned to be built for \$20 million on about 6 acres of land near Bass Pro Shops and Round Rock Premium Outlets. The project will bring a 160-room hotel with at least 14,000-square feet of conven-

tion and meeting space and will generate at least 60 jobs. The hotel and conference center is anticipated to open in 2019.



EMBASSY SUITES  
HOTELS®



# Economic Development



The City Council approved a Memorandum of Understanding in November 2017 with Mark IV Capital, which plans to build a master-planned, mixed-use development with 1 million square feet of commercial and residential development in south Round Rock. The development, named The District, will be located on approximately 65 acres at SH 45 and North Greenlawn Boulevard. Work is expected to begin during FY 2018.

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 late 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.

Mesa Creek, a 60,000-square foot Class-A office building, is being built on a 16-acre plot on Old Settlers Boulevard near Mesa Drive. The project helps ease a shortage of office space in the City and will bring in over 50 jobs. The ground-breaking for the project was held on May 24, 2017 with completion scheduled for early 2018.

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 opened a 39,000-square foot cancer care facility on the campus of the Baylor Scott & White Medical Center on University Boulevard on September 7, 2017. The facility offers a comprehensive approach to cancer treatment, housing numerous departments and services including medical and neurological oncology, radiology, pain management, social workers, physical therapy, occupational therapy, and more.



BaylorScott&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 under construction on a new \$70 million building on their Round Rock campus which, when complete in 2018, will house their College of Health Professions.

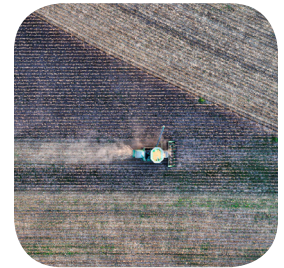


Hometown Colors - RockStudios



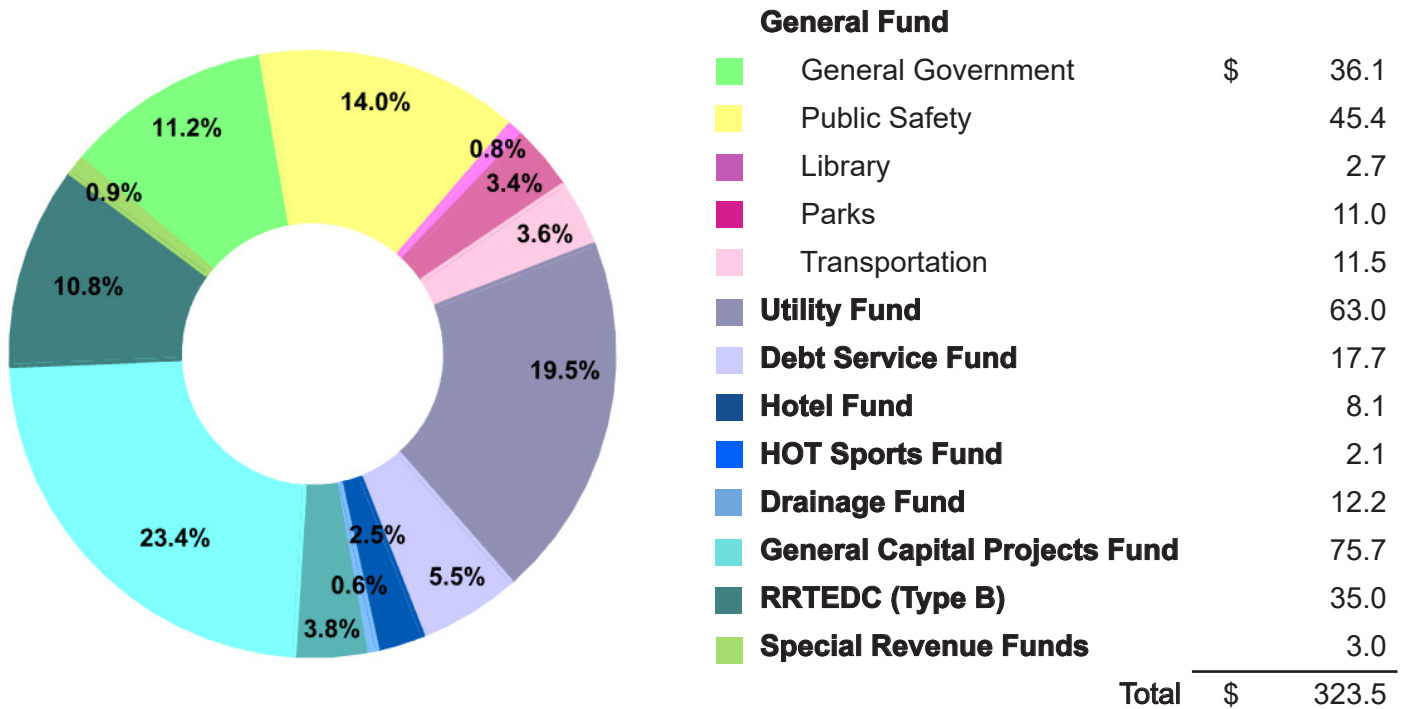
# Adopted Budget

## Fiscal Year 2016/17



Harvest by RockStudios

### ADOPTED EXPENDITURES 2016/17 (MILLIONS)



Brushy Creek Lake Sunset - Jeffrey W. Spencer



# General Fund

## Condensed Balance Sheet



Courtesy of Simply CVR

### ASSETS

	2015	2016	2017
Cash and Cash Equivalents	\$ 14,646,659	\$ 8,222,738	\$ 5,705,857
Investments	41,901,278	48,363,976	47,194,877
Receivables (net of allowances for uncollectibles)			
Property taxes, including interest and penalties	269,866	333,829	282,358
Accounts and other	5,922,670	5,342,867	5,271,399
Loans	-	-	-
Accrued interest	63,018	78,691	66,614
Interfund	11,758	-	-
Intergovernmental	144,426	58,984	135,339
Inventories	286,027	241,059	192,943
Other current assets	144,794	131,229	39,061
<b>Total Assets</b>	<b>\$ 63,390,496</b>	<b>\$ 62,773,373</b>	<b>\$ 58,888,448</b>

### LIABILITIES AND FUND BALANCES

Liabilities			
Accounts payable	\$ 8,197,302	\$ 7,002,969	\$ 5,357,875
Accrued payroll	3,997,585	2,432,216	2,743,023
Interfund payables	88,339	87,067	83,562
Deferred revenue	399,060	451,037	99,546
<b>Total Liabilities</b>	<b>12,682,286</b>	<b>9,973,289</b>	<b>8,284,006</b>
Fund Balances			
Nonspendable	430,821	372,288	232,004
Unassigned	50,277,389	52,427,796	50,090,080
<b>Total Fund Balances</b>	<b>50,708,210</b>	<b>52,800,084</b>	<b>50,322,084</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 63,390,496</b>	<b>\$ 62,773,373</b>	<b>\$ 58,888,448</b>

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 17, the General Fund had \$50,090,080 of unassigned fund balance, which represent 54.3% of total general fund expenditures. The Fund Balance of the General Fund decreased by \$2,478,000 due to planned transfers to fund one-time capital projects.



Round Rock Wildflower Sunset - Rock Studios

# General Fund

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



Round Rock Tower -  
Courtesy of Djmarcsuarez

### REVENUES

	2015	2016	2017
Taxes and franchise, including interest and penalties	\$ 83,719,817	\$ 85,075,121	\$ 85,573,078
Other	12,956,835	14,011,952	13,473,832
Total Revenues	96,676,652	99,087,073	99,046,910

### EXPENDITURES

Current operating	89,639,444	91,129,391	92,219,776
Total Expenditures	89,639,444	91,129,391	92,219,776

Excess (deficiency) of revenues over expenditures	7,037,208	7,957,682	6,827,134
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### OTHER FINANCING SOURCES (uses)

Issuance of lease	1,327,490	-	-
Transfers in	3,290,000	3,290,000	3,355,800
Transfers out	(70,124)	(9,155,808)	(12,660,934)
Total other financing sources (uses)	4,547,366	(5,865,808)	(9,305,134)
Net changes in fund balance	11,584,574	2,091,874	(2,478,000)
Fund Balances, October 1	39,123,636	50,708,210	52,800,084
Fund Balances, September 30	\$ 50,708,210	\$ 52,800,084	\$ 50,322,084

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

The increase in Operating Expenditures for FY 17 is partly due to the additions of 14 new positions. The added positions include 10 for Public Safety, 2 for General Government and 1 for Transportation.



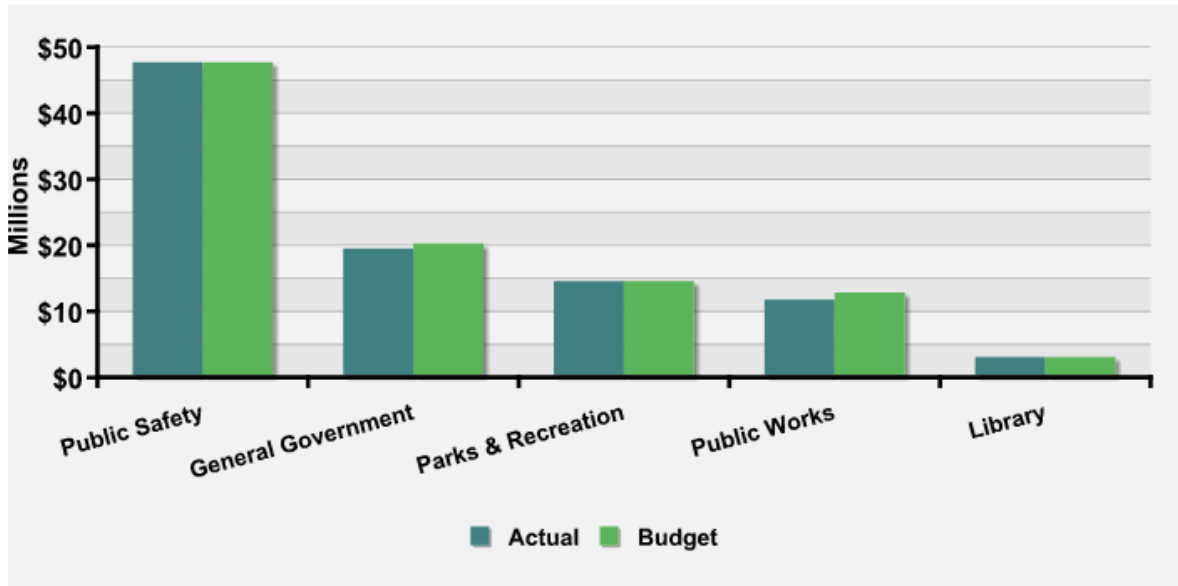
Sunset over Round Rock - Oscar Amos



# City Finances - 2016/17



## 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.



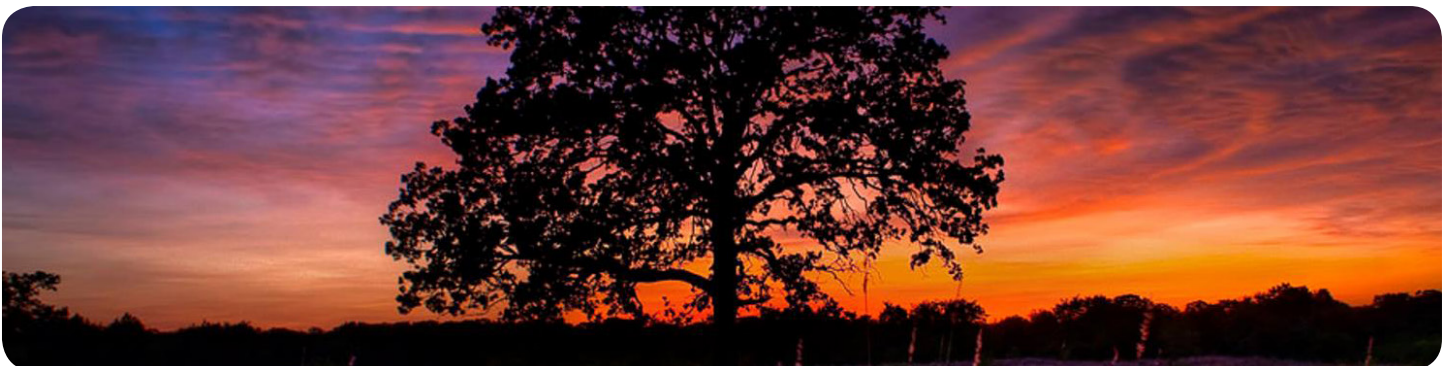
# Utility Fund

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



Courtesy of Oscar

	2015	2016	2017
<b>OPERATING REVENUES</b>			
Charges for service	\$ 41,880,906	\$ 44,406,721	\$ 47,769,478
Licenses, permits and fees	4,017,184	4,427,067	4,211,137
Total Operating Revenues	45,898,090	48,653,788	51,980,615
<b>OPERATING EXPENSES</b>			
Personnel services	9,228,272	9,742,128	10,669,214
Contractual services	14,500,269	15,222,355	14,854,212
Supplies	1,005,655	899,513	855,379
Materials	831,371	1,191,818	1,649,261
Heat, light and power	1,783,408	1,662,779	1,618,297
Depreciation	14,677,799	15,537,530	16,373,517
Total operating expenses	42,026,774	44,256,123	46,019,880
Operating income	3,871,316	4,397,665	5,960,735
<b>NON- OPERATING REVENUES (EXPENSES)</b>			
Investments and other revenues	863,900	1,211,532	2,284,171
Interest and fiscal charges	(3,897,654)	(3,408,336)	(3,236,894)
Total non-operating revenues (expenses)	(3,033,754)	(2,196,804)	(952,723)
Income before contributions and transfers	837,562	2,200,861	5,008,012
<b>CONTRIBUTIONS &amp; TRANSFERS</b>			
Contributions - impact fees	7,933,508	8,269,652	8,215,831
Contributions - infrastructure	7,066,261	11,337,434	7,298,800
Contributions - Other	-	-	65,125
Transfers in	2,742,799	-	-
Transfers out	(3,290,000)	(3,290,000)	(3,920,474)
Total contributions and transfers	14,452,568	16,317,086	11,659,282
Change in net position	15,290,130	18,517,947	16,667,294
<b>Net position, October 1</b>	336,742,460	352,032,590	370,550,537
<b>Net position, September 30</b>	\$352,032,590	\$ 370,550,537	\$ 387,217,831



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. There is a 3.5% water rate increase that went into effect on October 1, 2017. This rate increase for FY 2018 is the first year of a three year planned implementation stemming from a recently updated water and wastewater rate model. No changes to wastewater rates are expected over the next three years.



# 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.

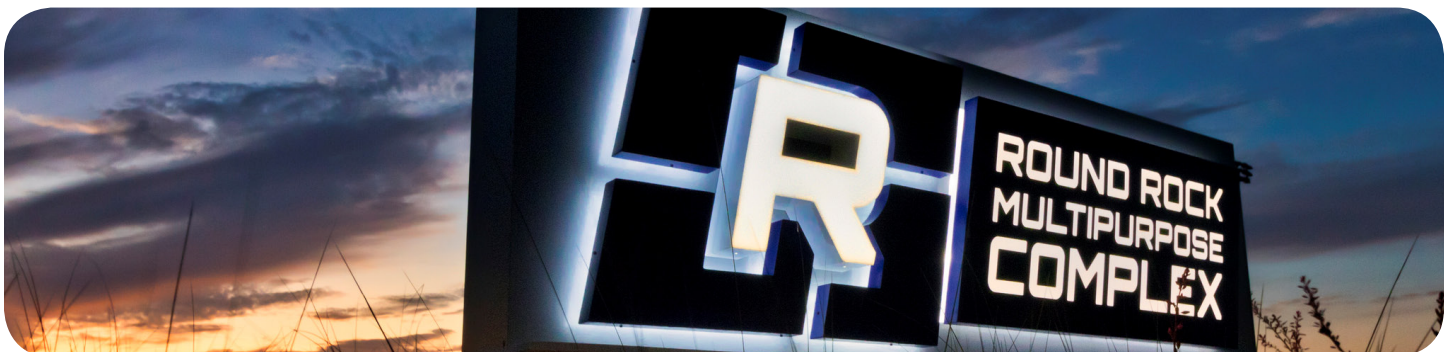
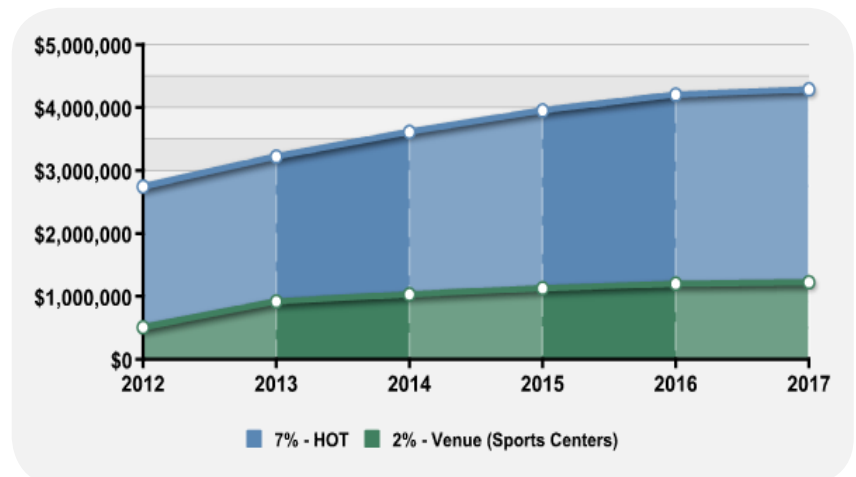
The local hotel/motel industry continues to be a particularly vibrant industry for Round Rock. Currently, 30 hotels with 3,000 rooms are open for business maintaining solid occupancy rates of 77.1% . The Hilton Tru Hotel is currently under construction and by the end of fiscal year 2018, 98 new rooms 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. The Round Rock Multipurpose Complex opened in May 2017.

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, 2016



## HOTEL OCCUPANCY TAX REVENUE

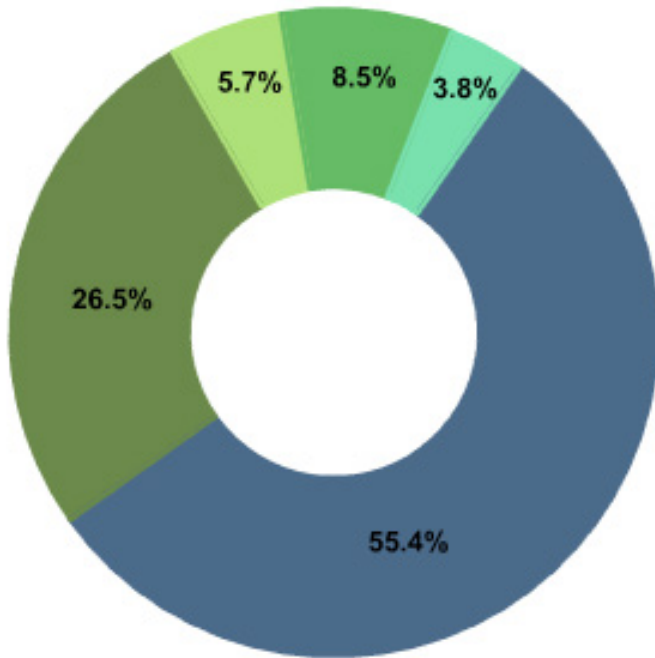


# Sources and Uses of Debt



Courtesy of RockStudios

## LONG-TERM DEBT (MILLIONS)



General Obligation Bonds	\$	170.6
Utility & Drainage Revenue Bonds		81.6
Sales Tax Revenue Bonds		17.5
Certificates of Obligation		26.3
Hotel Tax Revenue Bonds		11.7

### CREDIT RATINGS

General Obligation	S & P	AA+
Type B	S & P	AA
Utility (upgraded)	S & P	AAA
Hotel	S & P	A
BCRUA (upgraded)	S & P	AAA

As of September 30, 2017, the City had a total outstanding bonded debt of \$307,715,000. 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 was able to refund a Type B debt issue during FY 2017 which saved a total of \$600,951 in debt service with annual interest rate savings of \$90,449.

In December 2017, the Utility System and BCRUA both received a rating upgrade to AAA from Standard & Poor's with comments stating "The upgrade reflects the city's continued extremely strong financial risk profile, which we believe is sustainable even with planned use of a portion of substantial available reserves in coming years to pay for growth-driven capital expenditures."

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 \$56,860,000.



Round Rock Multipurpose Complex