

Popular Annual Financial Report 2017-2018



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 for the fiscal year ended September 30, 2018. 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, 2017

Christopher P. Merrill

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, 2017. 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 7 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



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 112,201. 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 2018



Financially Sound City
Providing High Value
Services



City Infrastructure for
Today and Tomorrow



"The Sports Capital of
Texas" for Tourism and
Residents



Great Community
to Live



Authentic Downtown
- Exciting Community
Destination



Sustainable
Neighborhoods

ECONOMY

Round Rock's economy is strong and vibrant. 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 in Texas and the country. From 2010 to the projected population for 2019, the City of Round Rock has experienced population growth of 15% over the past 10 years. Long-range population estimates predict this increase continuing at a growth rate of around 2% per year for the foreseeable future. The state's strong economy, low unemployment rate, and low rate of overall taxation continues to draw new residents and businesses into Central Texas.

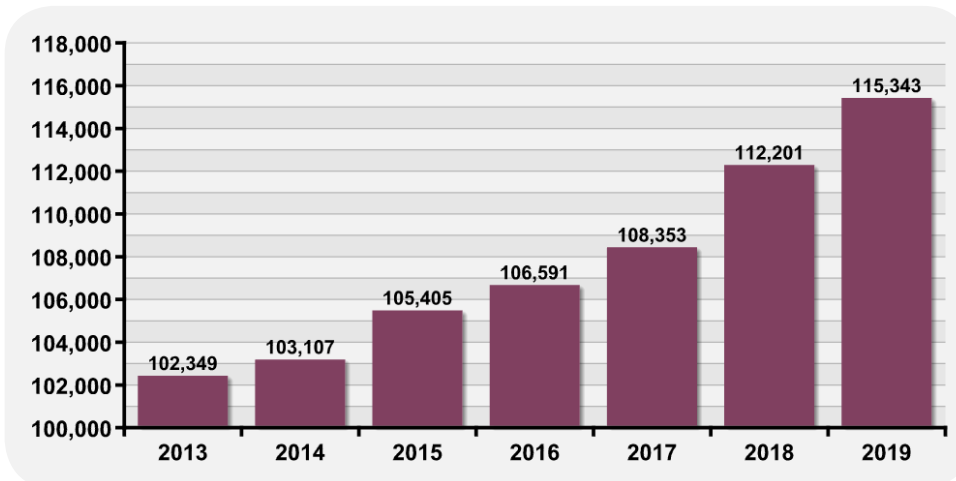
Round Rock businesses have seen continued growth in revenues, especially in the hotel and restaurant industries and more tourists and visitors come to enjoy Round Rock's "Sports Capital of Texas" sporting events, historic downtown, and unique blend of destination shopping experiences. The City had 3,000 hotel and motel rooms at the end of fiscal year 2018 with another 1,500 in various stages of development. Occupancy rates remain among the highest in the state at 78%.

Welcome to Round Rock, Texas



Courtesy of Jason O'Neal

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 2019 Budget includes a 3.0% water rate increase with future water rate increases planned for FY 2020 if needed. 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.



Downtown - Rock Studios

Round Rock by the Numbers



Horns - Rock Studios

TAX INFORMATION

2017/18

Population	112,201 as of April 2018
Property Tax Rate	\$ 0.43000
M&O .28786	Debt .14214
Median Home Value	\$ 227,714
Taxable Property Value (billions)	\$ 12.5
Property Tax per Capita	\$ 482.47

SALES TAX INFORMATION

Sales Tax Rate	8.25%
State	6.25%
City	1.00%
Type B (Roads & Economic Development)	0.50%
Property Tax Reduction	0.50%

TOP 10 EMPLOYERS

Employees
(2018)

Dell Technologies, Inc	13,000
RRISD	6,106
City of Round Rock, TX	965
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 Dover Owned Business	550

TOP 10 PROPERTY TAXPAYERS

Tax Year 2017

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

DEBT INFORMATION

Credit Ratings

General Obligation (upgraded 10/18)	S & P	AAA
Utility (upgraded 12/17)	S & P	AAA
BCRUA (upgraded 12/17)	S & P	AAA
Type B	S & P	AA
Hotel	S & P	A+

Outstanding as of 9/30/2018 (millions)

GO & CO Bonds	\$	188.3
Utility / Drainage	\$	69.4 / 7.0
HOT	\$	7.1
Venue (Sports Center)	\$	3.9
Type B	\$	13.9

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	965
Sworn Police	176 (251 in Dept. Including Civilians)
Firefighters	149 (158 in Dept. Including Civilians)

TOP 10 HOTEL TAXPAYERS

of Rooms

Austin Marriott North	295
Homewood Suites	115
Hilton Garden Inn	122
Hyatt Place	138
Home2 Suites	91
Courtyard Marriott	113
Holiday Inn Express N	109
Hampton Inn	93
Residence Inn	96
Holiday Inn	116

Economic Development



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 stores generate sales tax revenues for the City, bring in shoppers to the area which benefits neighboring retail and restaurants, and place a relatively low demand on City services such as police, fire, and parks and recreation. While traditional brick and mortar retail continues to see declines, destination shopping, both in Round Rock and across the nation, continues to thrive.

Dell is the largest employer in Round Rock with an estimated 13,000 employees in 2018. Since Dell relocated to Round Rock in 1994 the economic impact to the City has been transformative. Dell remains the City's largest sales tax payer with sales tax receipts projected to continue to grow into fiscal year 2019. Because of the company's commitment to Round Rock, the employment opportunities they offer, and the property tax and sales tax revenues they generate Dell remains a major driver to the City's economy. The City is excited to join with Dell in 2019 in celebrating the 25th anniversary of making Round Rock their home.



United Parcel Service (UPS) is the newest Fortune 500 company to expand in Round Rock with a new regional distribution center that provides additional operating capacity for the Austin area. The \$70 million facility opened in November 2018 in time for the holiday shipping season. The 225,000-square foot facility is located on fifty acres of land near SH 45 and A.W. Grimes Boulevard and will employ more than 300 people.

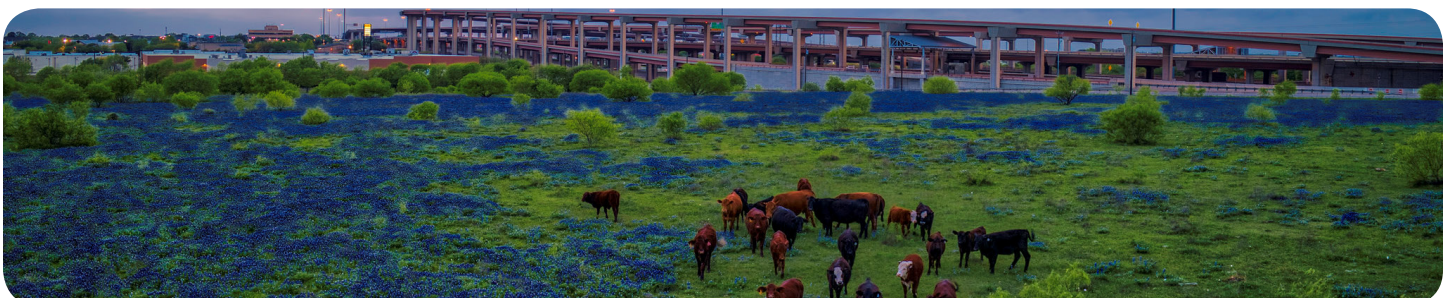
These economic development wins of the past will continue to add to the diversity of Round Rock's economy into the future as several companies have recently announced plans to locate in the City. City Centre is a Class A office development underway at the intersection of McNeil Road and IH 35. The City has committed a loan of \$2.2 million towards the total project cost of \$24 million which will culminate in a three-building business center providing a total of 125,000-square-feet of Class A office space within walking distance to the historic downtown core.

Another potential economic development project for the downtown core is in the planning process which would add a mixed-use development on the downtown block where the City's iconic water tower sits. The City has purchased all of the real estate surrounding the tower and will work with Pearlstone Holdings on redeveloping that block that could include 76,000-square feet of Class A office space, 9,600-square feet of retail space, a hotel, and a 372-space parking garage.

A new \$20 million Embassy Suites Hotel and Conference Center is planned for 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 convention and meeting space. The hotel and conference center is anticipated to open in 2020.



EMBASSY SUITES
HOTELS®



Bluebonnets, Cows, and Toll Roads - Rock Studios

Economic Development



Windmill - IgorTX

Kalahari Resorts selected Round Rock as the location of its fourth family resort and convention center. The authentically African-themed Kalahari Resorts and Convention Center will feature a minimum of 975 well-appointed guest rooms, full-service amenities, fully equipped fitness centers, on-site restaurants, unique retail shops, a state-of-the-art 150,000-square foot conference center, and a 200,000-square foot indoor/outdoor water park. This opens new opportunities for Round Rock and will provide substantial property tax revenues and diversity to the local economy and available employment opportunities. The project broke ground on May 15, 2018 and is expected to open in November 2020. 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.



An agreement with Mark IV Capital for a large mixed-use development project was finalized and approved in February 2019. The \$200 million project, named The District, will be a live, work, and play community located near the intersection of IH 35 and Texas 45. Initial plans for the development include 1 million square feet of office space, approximately 900 multifamily residential units, a hotel, a high-end grocery store, and retail/restaurant space. This mixed-use development will be a great opportunity for continued growth and diversification of the City's economy.

Round Rock continues to see significant growth in the medical industry. The City is home to several hospitals offering comprehensive world-class healthcare services. Post Acute Medical Rehabilitation Hospital is under construction at the intersection of Medical Center Way and North A.W. Grimes Boulevard. This 48,000-square foot, 40-bed facility will be the City's sixth hospital and is designed to treat patients who have suffered traumatic brain injuries and strokes and is projected to open in mid-2019.

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 opened its newest building – Willow Hall – on May 24, 2018. This new \$67.5 million, 107,000 square foot facility is home to the university's departments of communication disorders, physical therapy, and respiratory care which all moved from the university's San Marcos campus as the university continues to consolidate the College of Health Professionals in Round Rock.

Austin Community College celebrated the opening of a \$33 million, 45,000 square foot expansion of its Round Rock campus on September 26, 2018. The new expansion features the college's third state-of-the-art ACCelerator with more than 140 computers, advanced science labs, classrooms, and a social staircase where students can gather to relax or study. The new expansion will make room for the enrollment of an additional 1,000 students.



Kalahari Sunset - Rock Studios

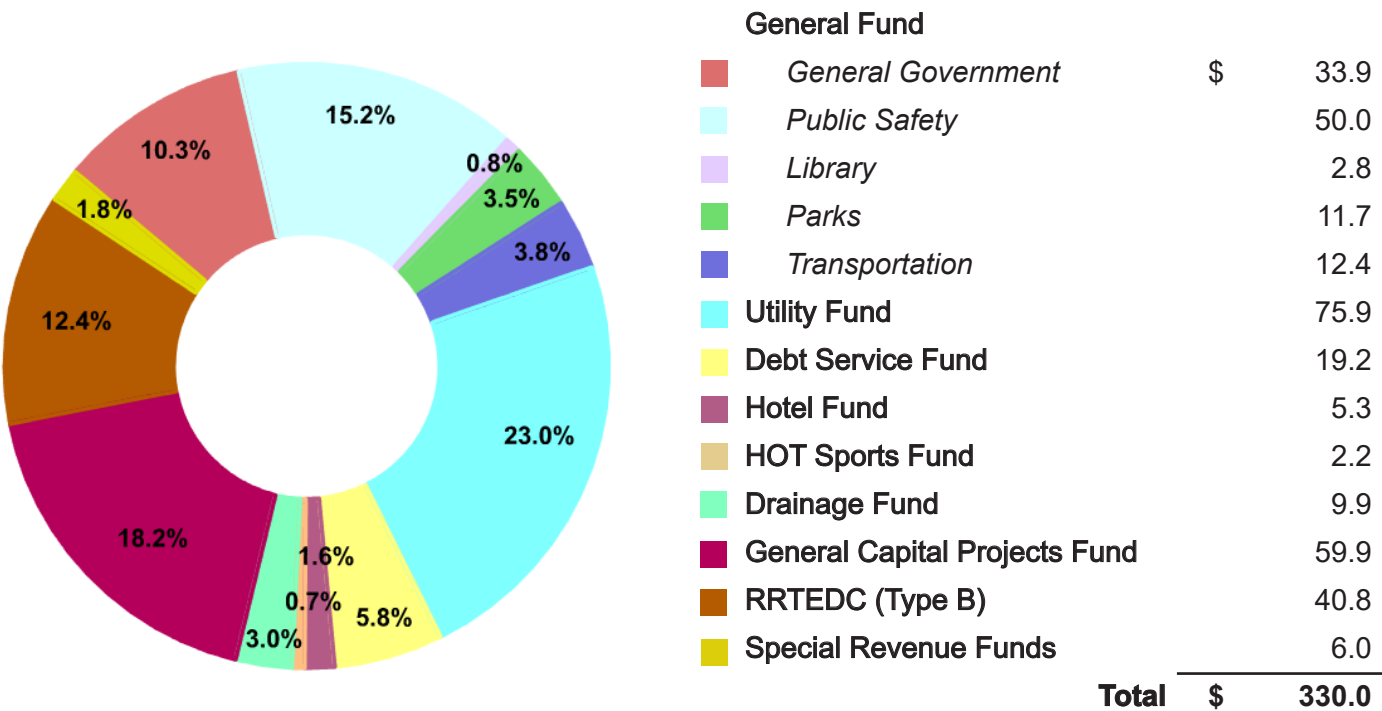
Adopted Budget

Fiscal Year 2017/18



Wildflowers - Rock Studios

ADOPTED EXPENDITURES 2017/18 (MILLIONS)



Our Round Rock - Rock Studios

General Fund

Condensed Balance Sheet



Yellow Rose - Roy
Niswanger

ASSETS

	2016	2017	2018
Cash and Cash Equivalents	\$ 8,222,738	\$ 5,705,857	\$ 4,592,238
Investments	48,363,976	47,194,877	50,244,930
Receivables (net of allowances for uncollectibles)			
Property taxes, including interest and penalties	333,829	282,358	332,301
Accounts and other	5,342,867	5,271,399	5,923,872
Accrued interest	78,691	66,614	192,181
Intergovernmental	58,984	135,339	268,422
Inventories	241,059	192,943	202,648
Other current assets	131,229	39,061	50,944
Total Assets	\$ 62,773,373	\$ 58,888,448	\$ 61,807,536

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts payable	\$ 7,002,969	\$ 5,357,875	\$ 6,184,859
Accrued payroll	2,432,216	2,743,023	1,466,541
Interfund payables	87,067	83,562	11,323
Deferred revenue	451,037	99,546	-
Total Liabilities	9,973,289	8,284,006	7,662,723
Deferred inflows of resources	-	282,358	332,301
Fund Balances			
Nonspendable	372,288	232,004	253,592
Unassigned	52,427,796	50,090,080	53,558,920
Total Fund Balances	52,800,084	50,322,084	53,812,512
Total Liabilities and Fund Balances	\$ 62,773,373	\$ 58,888,448	\$ 61,807,536

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 18, the General Fund had \$53,558,920 of unassigned fund balance, which represents 53.0% of total general fund expenditures. The Fund Balance of the General Fund increased by \$3,490,428.



Bluebonnets - Rock Studios

General Fund

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



Spring in Texas - Rock Studios

REVENUES

	2016	2017	2018
Taxes and franchise, including interest and penalties	\$ 85,075,121	\$ 85,573,078	\$94,608,539
Other	14,011,952	13,473,832	15,901,627
Total Revenues	99,087,073	99,046,910	110,510,166

EXPENDITURES

Current operating	91,129,391	92,219,776	101,046,455
Total Expenditures	91,129,391	92,219,776	101,046,455

Excess (deficiency) of revenues over expenditures	7,957,682	6,827,134	9,463,711
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OTHER FINANCING SOURCES (uses)

Transfers in	3,290,000	3,355,800	3,573,858
Transfers out	(9,155,808)	(12,660,934)	(9,547,141)
Total other financing sources (uses)	(5,865,808)	(9,305,134)	(5,973,283)
Net changes in fund balance	2,091,874	(2,478,000)	3,490,428
Fund Balances, October 1	50,708,210	52,800,084	50,322,084
Fund Balances, September 30	\$ 52,800,084	\$ 50,322,084	\$53,812,512

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

The increase in Operating Expenditures for FY 18 is partly due to the additions of 28.875 new positions. The added positions include 13 for Public Safety, 8 for General Government, 4 for Transportation, 0.50 for Library, and 3.375 for Parks.



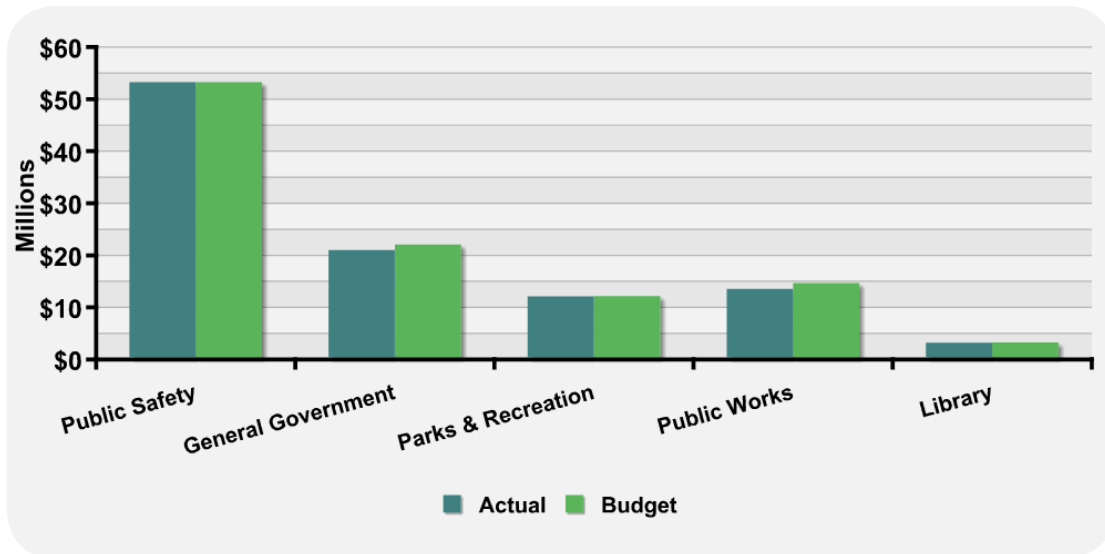
Round Rock Christmas Lights - Rock Studios

City Finances - 2017/18

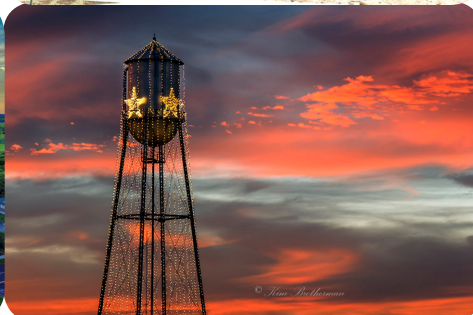
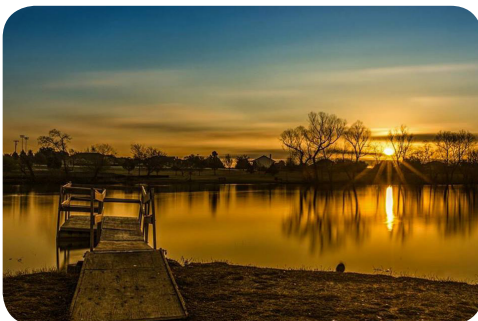


Water Tower - A E

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



Brushy Creek - Rock Studios

OPERATING REVENUES

	2016	2017	2018
Charges for service	\$ 44,406,721	\$ 47,769,478	\$ 50,715,034
Licenses, permits and fees	4,427,067	4,211,137	4,226,721
Total Operating Revenues	48,653,788	51,980,615	54,941,755

OPERATING EXPENSES

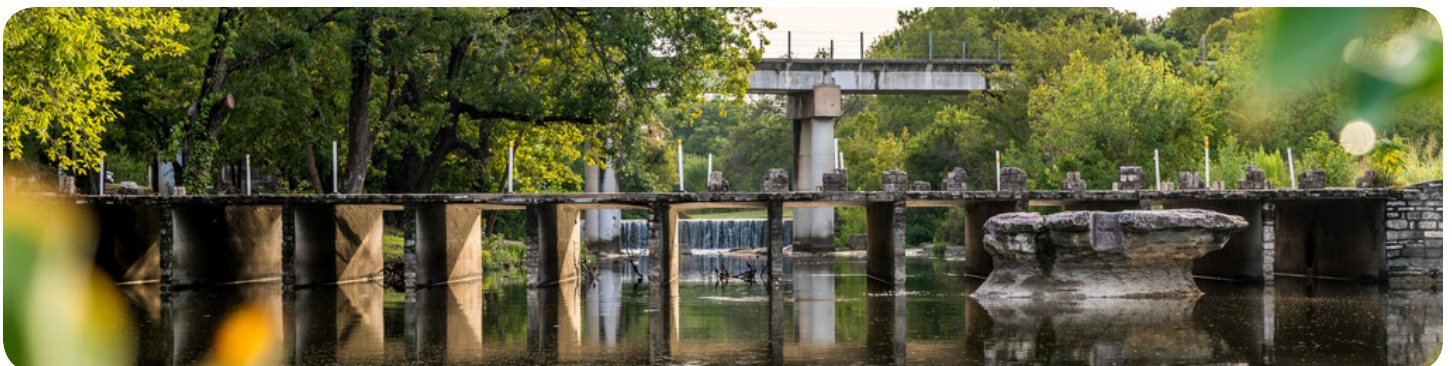
Personnel services	9,742,128	11,871,681	10,940,702
Contractual services	15,222,355	14,854,212	16,695,290
Supplies	899,513	855,379	941,689
Materials	1,191,818	1,649,261	1,450,726
Heat, light and power	1,662,779	1,618,297	1,578,540
Depreciation	15,537,530	16,373,517	17,330,156
Total operating expenses	44,256,123	47,222,347	48,937,103
Operating income	4,397,665	4,758,268	6,004,652

NON- OPERATING REVENUES (EXPENSES)

Investments and other revenues	1,211,532	2,284,171	3,122,041
Interest and fiscal charges	(3,408,336)	(3,236,894)	(2,812,623)
Total non-operating revenues (expenses)	(2,196,804)	(952,723)	309,418
Income before contributions and transfers	2,200,861	3,805,545	6,314,070

CONTRIBUTIONS & TRANSFERS

Contributions - impact fees	8,269,652	8,215,831	10,655,685
Contributions - infrastructure	11,337,434	7,298,800	19,002,230
Contributions - Other	-	65,125	206,035
Transfers out	(3,290,000)	(3,920,474)	(3,389,358)
Total contributions and transfers	16,317,086	11,659,282	26,474,592
Change in net position	18,517,947	15,464,827	32,788,662
Net position, October 1	352,032,590	370,550,537	386,015,364
Net position, September 30	\$ 370,550,537	\$ 386,015,364	\$418,804,026



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 was a 3.0% water rate increase that went into effect on October 1, 2018. This rate increase for FY 2019 is the second 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.

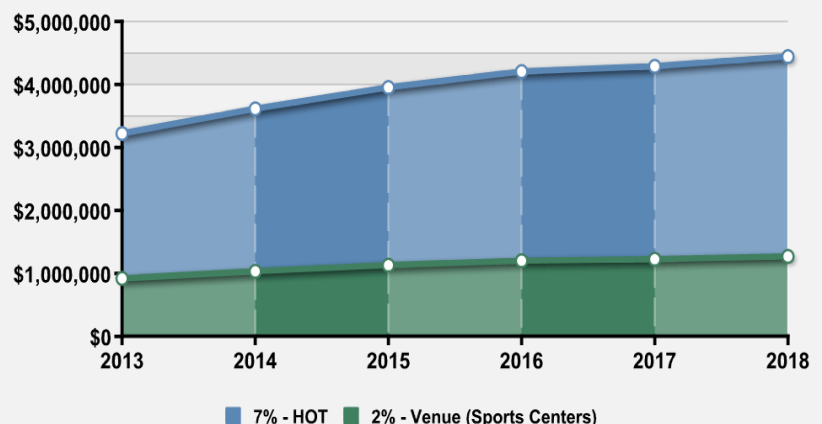
The local hotel/motel industry continues to be a particularly vibrant industry for Round Rock. Currently, 32 hotels with 3,005 rooms are open for business maintaining solid occupancy rates of 77.8% . The Ruby, Tru, Element, and A Loft Hotels are currently under construction and by the end of fiscal year 2019, 380 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 recognized by the Major League Baseball as the number one "Best Minor League Baseball Towns of 2016, 2017 and 2018".



HOTEL OCCUPANCY TAX REVENUE



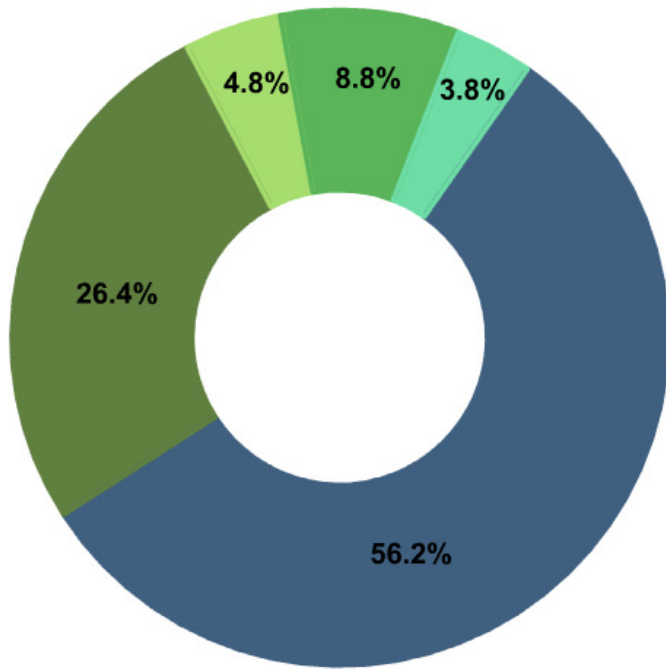
Round Rock Multipurpose Complex

Sources and Uses of Debt



Old Settlers Tree - Rock Studios

LONG-TERM DEBT (MILLIONS)



General Obligation Bonds	\$	162.8
Utility & Drainage Revenue Bonds		76.4
Sales Tax Revenue Bonds		13.9
Certificates of Obligation		25.5
Hotel Tax Revenue Bonds		11.1

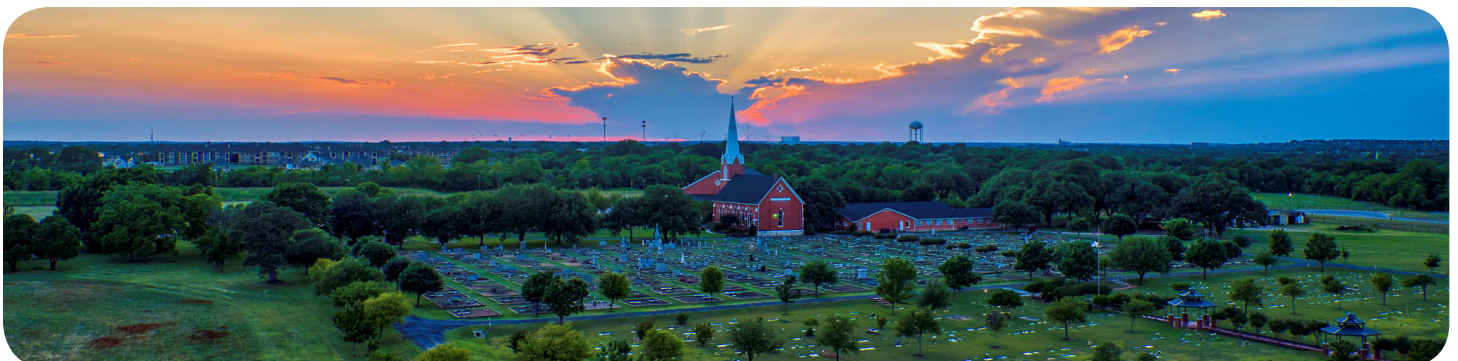
CREDIT RATINGS

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

As of September 30, 2018, the City had a total outstanding bonded debt of \$289,750,000. 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.

In December 2017, the Utility System and Brushy Creek Regional Utility Authority (BCRUA) both received a rating upgrade to AAA from Standard & Poor's and less than a year later in October 2018, the City's General Obligation (GO) bonds also received a rating upgrade to AAA from Standard & Poor's. Round Rock is one of only 8 cities in Texas with AAA ratings for both General Obligation and Utility Debt and one of 36 cities in Texas with a AAA rating for GO Debt.

Round Rock's portion of the outstanding contract revenue debt associated with the regional partnership with BCRUA is \$59,505,000.



Memorial Day Weekend - Rock Studios