

An aerial photograph of a large, cylindrical water tower with a conical roof. The words "ROUND" and "ROCK" are painted in large, outlined letters on the tower's side. The tower is supported by a complex metal lattice structure. In the background, a suburban neighborhood with houses and streets is visible. A white five-pointed star logo is positioned in the lower right corner of the image.

Popular Annual Financial Report

Fiscal Year Ended September 30, 2019

**ROUND
ROCK**

ROUND ROCK TEXAS



RDP Productions

Table of Contents

Welcome to Round Rock.....	2
Round Rock by the Numbers.....	4
Economic Development.....	5
Adopted Budget Fiscal Year 2018/19.....	7
General Fund Balance Sheet.....	8
General Fund Revenues, Expenditures, and Changes in Fund Balances.....	9
City Finances.....	10
Utility Fund Revenues, Expenditures, and Changes in Fund Balance.....	11
Hotel Occupancy Tax Report.....	12
Sources and Uses of Debt.....	13

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, 2019. 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 is available on the City's website in its entirety.



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, 2018

Christopher P. Morill

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, 2018. 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, 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 8 consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and are submitting it to GFOA.



Welcome to Round Rock, Texas



Over 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 116,120. 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 Winter, 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.

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 part of one of the fastest growing regions in Texas and the country. From 2010 to the projected population for 2020, the City of Round Rock has experienced population growth of 19.5%. Our 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 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. The City had 3,385 hotel rooms at the end of fiscal year 2019 with another 1,451 in various stages of development. Occupancy rates remain among the highest in the state at an average of 74%.

Strategic Goals FY 2019



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

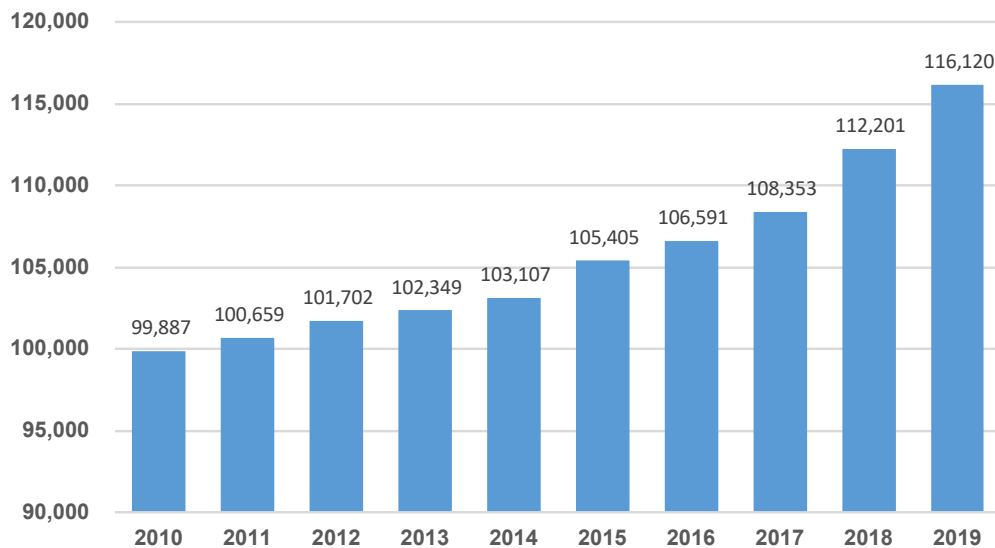


Sustainable
Neighborhoods
- Old and New

Welcome to Round Rock, Texas



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. This model is developed internally and focuses on the anticipated future funding necessary to meet the City's strategic goals. 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 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, establishing an equitable rate structure for total cost recovery. The utility rate model was last updated during 2017. A scheduled 3 percent increase in water rates that was set to take effect October 1, 2019 has been rescinded by the City Council due to cost savings in that department. The Utility Fund has saved money by reducing its power costs, improving operations, and lowering interest payments by refinancing its debt. The City's wastewater rates have not increased since 2012 with the current and future needs adequately funded within current revenues, impact fees, and other development contributions.

Round Rock by the Numbers



TAX INFORMATION

		2018/19
Population		116,120
Property Tax Rate	\$	0.420000
M&O .29813	Debt .12187	
Median Home Value	\$	241,538
Taxable Property Value (billions)	\$	13.6
Property Tax per Capita	\$	492.42

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 (2019)
Dell Technologies, Inc	13,000
Round Rock ISD	6,955
City of Round Rock, TX	1,008
Emerson Process Management	875
Round Rock Premium Outlets	800
Seton Medical Center Williamson	750
Baylor Scott & White Healthcare	750
St. David's Round Rock Medical Center	689
United Parcel Service	563
Trellis Company	485

TOP 10 HOTEL TAXPAYERS

	# of Rooms
Austin Marriott North	295
Hyatt Place	138
Hilton Garden Inn	122
Holiday Inn	116
Homewood Suites	115
Courtyard Marriott	113
Holiday Inn Express N	109
Springhill Suites	104
Residence Inn	96
Home 2 Suites	91

TOP 10 PROPERTY TAXPAYERS

Dell Computer Holdings, LP
 CPG Round Rock, LP (Premium Outlets)
 CMF 15 Portfolio, LLC (Colonial Grand Apartments)
 Baltgem Development Corp. (La Frontera Village)
 Fisher-Rosemount Systems Inc.
 Columbia/St. David Healthcare
 2811 La Frontera, LP (The District at La Frontera Apartments)
 Dell Computer Corp.
 FST La Frontera, LLC (La Frontera @ Hesters Xing Apartments)
 Baev-Lasalle Round Rock University Blvd., LLC
 (University Commons Shopping Center)

DEBT INFORMATION

Credit Ratings

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

Outstanding as of 9/30/2019 (millions)

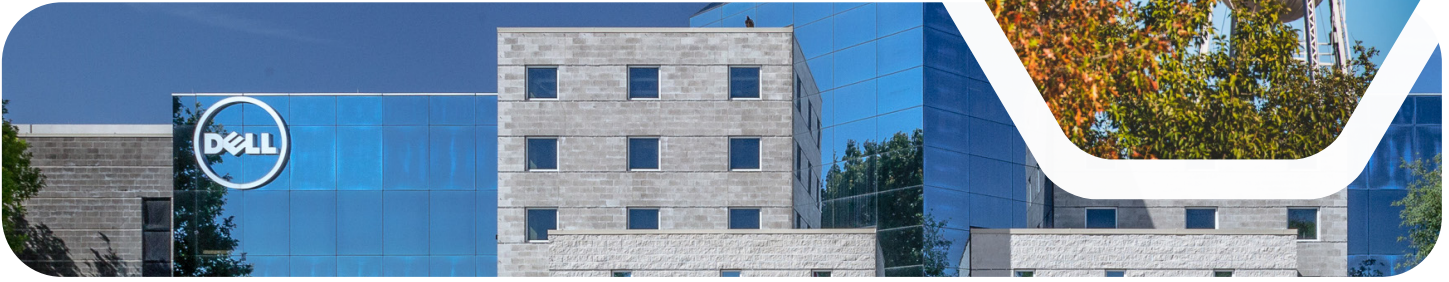
GO & CO Bonds	\$	219.3
Utility / Drainage	\$	66.6 / 6.7
HOT	\$	7.0
Venue (Sports Center)	\$	3.4
Type B	\$	31.5

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	1,008
Sworn Police	176 (254 in Dept. Including Civilians)
Firefighters	152 (162 in Dept. Including Civilians)

Economic Development



The City understands that diversification of Round Rock's economy is a key to financial stability. The long-standing partnership between the City and Round Rock Chamber continues to attract new development to the City. The funding is leveraged with the Chamber Momentum Fund to create a public/private partnership for economic development priorities. This partnership continues to yield new prospects through an inspired approach to economic development for Round Rock. The City will see new additions within the city limits in the next year resulting from these efforts.

Dell is the largest employer in Round Rock with an estimated 13,000 employees in 2019. Since Dell relocated its global headquarters 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 2020. 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 was 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 employs more than 300 people with an annual salary of at least \$50,000.

Over the next five years new economic development projects will reshape Round Rock's economy by diversifying the economy and bringing in new residents and visitors. The City entered into an agreement with Mark IV Capital for *The District* on February 14, 2019. The planned \$200 million project 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.

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 125,000-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 diversify the local economy and available employment opportunities. The project broke ground on May 15, 2018 and will 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.

Another potential economic development project is planned for the downtown block where the City's iconic water

Economic Development



tower sits. Pearlstone Holdings has expressed intent to redevelop that block that could include 76,000-square-foot of Class A office space, 9,600-square-foot of retail space, a hotel, and a 372-space parking garage.

A new Embassy Suites Hotel and Conference Center is being built for \$20 million on about 6 acres of land near the Bass Pro Shops and Round Rock Premium Outlets. The project will bring a 160-room hotel with at least 14,000-square-foot of convention and meeting space and will generate at least 60 jobs. The hotel and conference center are anticipated to open in 2021.

The local retail market place continues to increase along with population growth. The major destination retail hubs provide continued expansion and broaden Round Rock's economy. The Round Rock Premium Outlets' 430,000-square foot outlet mall and the nearby Round Rock IKEA, serves as a destination for shoppers from Central Texas and beyond. Round Rock Premium Outlets, IKEA, and similar destination-based retail stores like Bass Pro Shops which opened in 2015 were intentionally targeted by the City's economic development program to locate in Round Rock. 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 bring in shoppers.

Round Rock continues to see growth in the medical industry. The City is home to several hospitals offering comprehensive world-class healthcare services. Post-Acute Medical Rehabilitation Hospital opened on December 17, 2018 at the intersection of Medical Center Way and North A.W. Grimes Boulevard. This 48,000-square foot, 40-bed facility is the City's sixth hospital and is designed to treat patients who have suffered traumatic brain injuries and strokes.

Round Rock also has several higher education facilities, many of which focus on healthcare disciplines. These institutions of higher learning include Texas State University, Austin Community College, and the Texas A&M Health Science Center. 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.

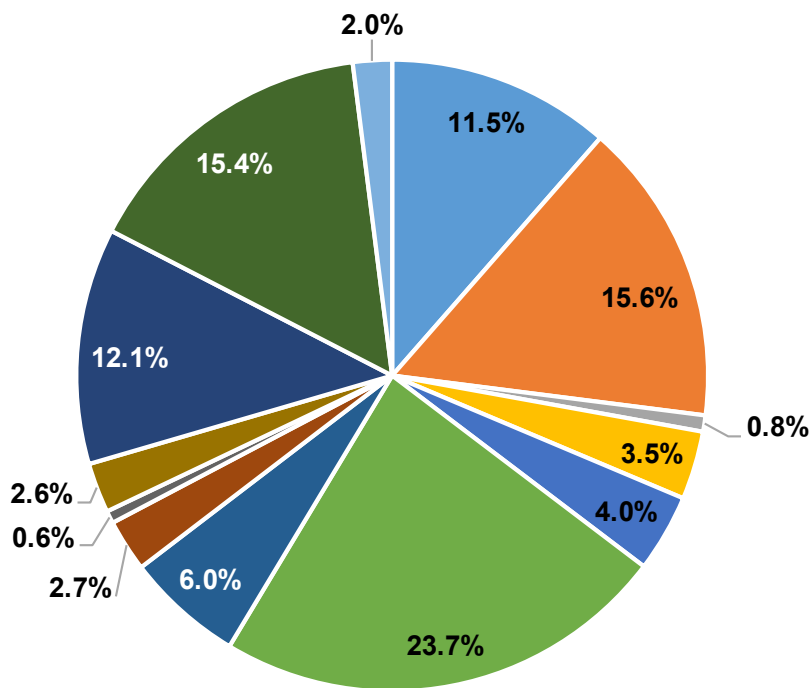
Austin Community College celebrated the opening of a \$33 million, 45,000 square foot expansion of its Round Rock campus on September 26, 2018. The new expansion features the college's third state-of-the-art ACCelerator with more than 140 computers, advanced science labs, classrooms, and a social staircase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

Adopted Budget

Fiscal Year 2018/19



ADOPTED EXPENDITURES 2018/19 (MILLIONS)



General Fund

General Government	\$	41.2
Public Safety		56.0
Library		3.0
Parks		12.6
Transportation		14.3
Utility Fund		83.8
Debt Service Fund		21.6
Hotel Fund		9.6
HOT Sports Fund		2.3
Drainage Fund		9.2
General Capital Projects Fund		43.5
RRTEDC (Type B)		55.5
Special Revenue Funds		7.2

Total \$ 359.8

General Fund

Condensed Balance Sheet



ASSETS

	2017	2018	2019
Cash and Cash Equivalents	\$ 5,705,857	\$ 4,592,238	\$ 5,735,289
Investments	47,194,877	50,244,930	46,069,854
Receivables (net of allowances for uncollectibles)			
Property taxes, including interest and penalties	282,358	332,301	368,517
Accounts and other	5,271,399	5,923,872	5,578,531
Accrued interest	66,614	192,181	172,110
Intergovernmental	135,339	268,422	511,899
Inventories	192,943	202,648	188,514
Other current assets	39,061	50,944	37,676
Total Assets	\$ 58,888,448	\$ 61,807,536	\$ 58,662,390

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts payable	\$ 5,357,875	\$ 6,184,859	\$ 6,789,776
Accrued payroll	2,743,023	1,466,541	1,779,223
Interfund payables	83,562	11,323	-
Deferred revenue	99,546	-	-
Total Liabilities	8,284,006	7,662,723	8,568,999
Deferred inflows of resources	282,358	332,301	368,517
Fund Balances			
Nonspendable	232,004	253,592	226,190
Unassigned	50,090,080	53,558,920	49,498,684
Total Fund Balances	50,322,084	53,812,512	49,724,874
Total Liabilities and Fund Balances	\$ 58,888,448	\$ 61,807,536	\$ 58,662,390

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 19, the General Fund had \$49,498,684 of unassigned fund balance, which represents 46.1% of total general fund expenditures. The Fund Balance of the General Fund decreased by \$4,087,638, due to budgeted transfers to General Self-Financed Construction fund for capital projects.

General Fund

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



REVENUES

Taxes and franchise, including interest and penalties
Other
Total Revenues

2017	2018	2019
\$ 85,573,078	\$94,608,539	\$98,412,980
13,473,832	15,901,627	17,197,427
<u>99,046,910</u>	<u>110,510,166</u>	<u>115,610,407</u>

EXPENDITURES

Current operating
Total Expenditures

92,219,776	101,046,455	107,314,317
<u>92,219,776</u>	<u>101,046,455</u>	<u>107,314,317</u>

Excess (deficiency) of revenues over expenditures

<u>6,827,134</u>	<u>9,463,711</u>	<u>8,296,090</u>
------------------	------------------	------------------

OTHER FINANCING SOURCES (uses)

Transfers in
Transfers out
Total other financing sources (uses)
Net changes in fund balance

3,355,800	3,573,858	4,555,000
(12,660,934)	(9,547,141)	(16,938,728)
<u>(9,305,134)</u>	<u>(5,973,283)</u>	<u>(12,383,728)</u>
<u>(2,478,000)</u>	<u>3,490,428</u>	<u>(4,087,638)</u>

Fund Balances, October 1

<u>52,800,084</u>	<u>50,322,084</u>	<u>53,812,512</u>
-------------------	-------------------	-------------------

Fund Balances, September 30

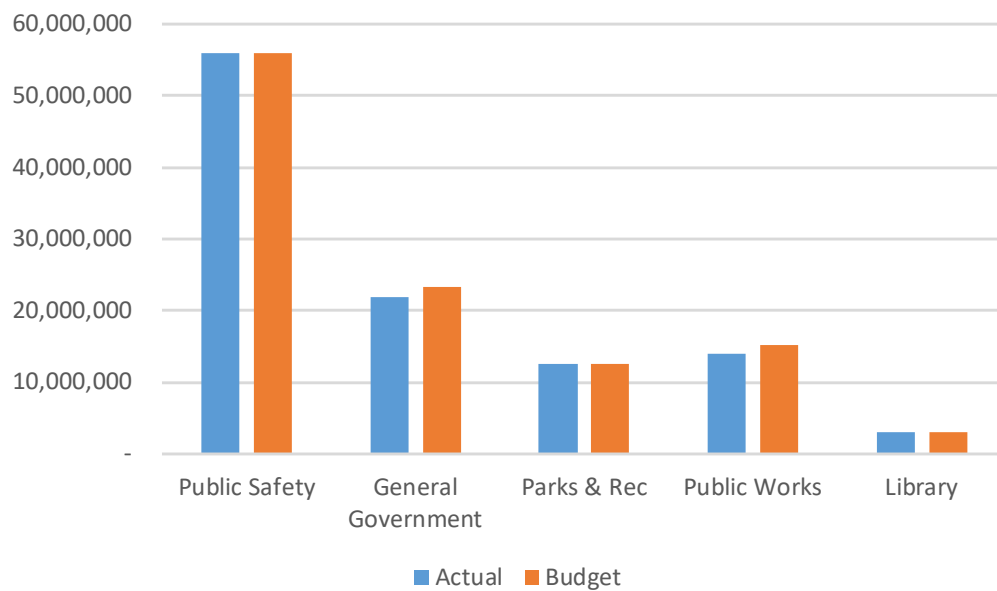
<u>\$ 50,322,084</u>	<u>\$53,812,512</u>	<u>\$49,724,874</u>
----------------------	---------------------	---------------------

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

The increase in Operating Expenditures for FY 19 is partly due to the additions of new positions. The added positions include 6.05 for Public Safety, 7.00 for General Government, 1.00 for Transportation, 0.50 for Library, and 3.00 for Parks.



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 Fund Balances



OPERATING REVENUES

Charges for service
Licenses, permits and fees
Total Operating Revenues

2017	2018	2019
\$ 47,769,478	\$ 50,715,034	\$ 51,973,150
4,211,137	4,226,721	4,828,792
51,980,615	54,941,755	56,801,942

OPERATING EXPENSES

Personnel services
Contractual services
Supplies
Materials
Heat, light and power
Depreciation
Total operating expenses
Operating income

11,871,681	10,940,702	12,809,236
14,854,212	16,695,290	14,844,774
855,379	941,689	1,265,167
1,649,261	1,450,726	2,120,572
1,618,297	1,578,540	2,188,155
16,373,517	17,330,156	18,303,211
47,222,347	48,937,103	51,531,115
4,758,268	6,004,652	5,270,827

NON- OPERATING REVENUES (EXPENSES)

Investments and other revenues
Interest and fiscal charges
Total non-operating revenues (expenses)
Income before contributions and transfers

2,284,171	3,122,041	4,772,982
(3,236,894)	(2,812,623)	(2,857,145)
(952,723)	309,418	1,915,837
3,805,545	6,314,070	7,186,664

CONTRIBUTIONS & TRANSFERS

Contributions - impact fees
Contributions - infrastructure
Contributions - Other
Transfers out
Total contributions and transfers
Change in net position
Net position, October 1
Net position, September 30

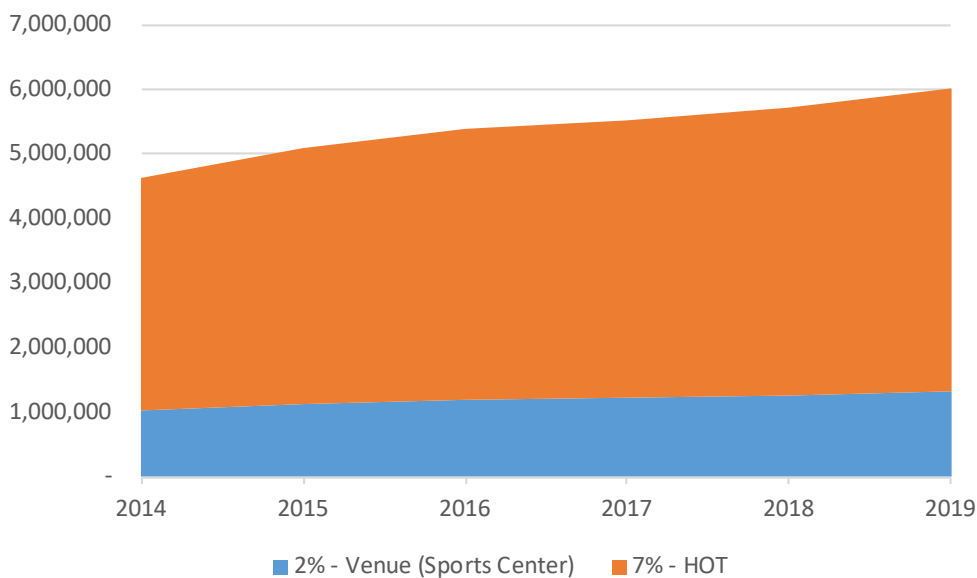
8,215,831	10,655,685	10,893,493
7,298,800	19,002,230	10,392,186
65,125	206,035	299,101
(3,920,474)	(3,389,358)	(3,775,000)
11,659,282	26,474,592	17,809,780
15,464,827	32,788,662	24,996,444
370,550,537	386,015,364	418,804,026
\$ 386,015,364	\$ 418,804,026	\$ 443,800,470

The City's water and wastewater utility continues to show an 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. There are no rate changes expected for water or wastewater for FY 2020 or FY 2021.

Hotel Occupancy Tax Report



HOTEL OCCUPANCY TAX REVENUE



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, 33 hotels with 3,385 rooms are open for business maintaining solid occupancy rates of an average of 74% . There are 1,451 new rooms are currently in development.

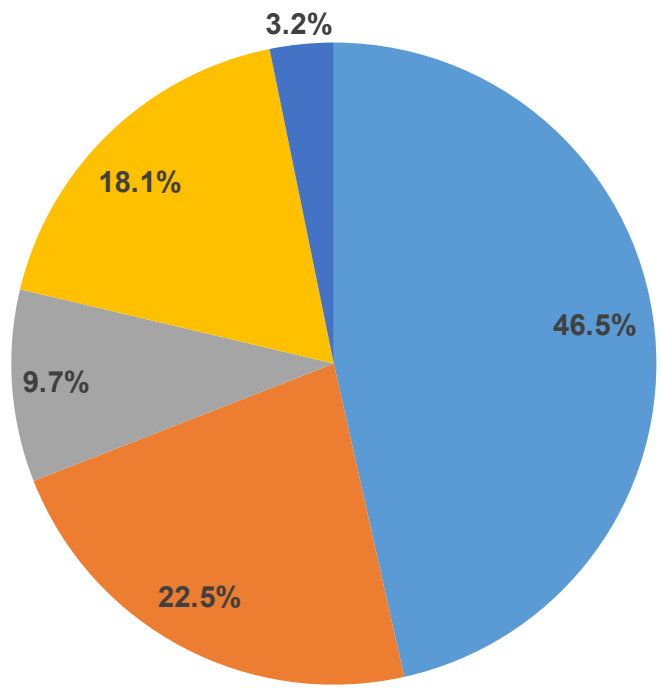
This strong industry bodes well for the hotel occupancy tax collections which supports local tourism events and debt service for event locations in the City. These include: the Dell Diamond/Convention Center, which is home to the City’s Triple A Baseball team, the Round Rock Express. Also included are the City’s facilities the Sports Center, the City’s 82,800 square foot, indoor sports venue that opened in January 2014, and the Round Rock Multipurpose Complex that 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, 2018 and 2019”. The Multipurpose Complex hosted the USA Ultimate College Championship for ultimate frisbee on May 24th-27th, 2019.

Sources and Uses of Debt



LONG-TERM DEBT (MILLIONS)



General Obligation Bonds	\$	151.4
Utility & Drainage Revenue Bonds		73.4
Sales Tax Revenue Bonds		31.5
Certificates of Obligation		58.9
Hotel Tax Revenue Bonds		10.4

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

As of September 30, 2019, the City had a total outstanding bonded debt of \$325,605,000. 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.

