



POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2020





Table of Contents

Welcome to Round Rock.....	2
Round Rock by the Numbers.....	4
Economic Development.....	5
Adopted Budget Fiscal Year 2019/20.....	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, 2020. 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 City has applied for the PAFR award for the fiscal year ended September 30, 2019 and is awaiting a response from GFOA. 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 118,024. 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

COVID-19 has had an unprecedented impact on local economies across the nation. Despite the ongoing pandemic, Round Rock's economy has remained strong. 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 2011 to the projected population for 2021, the City of Round Rock had experienced population growth of 17.3% over the last 10 years. Our long-range population estimates predict this increase continuing at a growth rate of around 2% per year for the foreseeable future. The strong economy, low unemployment rate, and low rate of overall taxation continues to draw new residents and businesses into Central Texas. While the State of Texas economy has been impacted by downturn in the oil and gas industry, Round Rock and Central Texas have almost no exposure to that sector and have not been affected. The City reacted quickly to the economic impact by making targeted reductions that resulted in limited service impacts and no employee layoffs.

Round Rock's businesses have faced challenges, adapted, and have continued to see growth in revenues in these economic conditions in spite of COVID-19. The hotel and restaurant industries have endured the most hardships during the pandemic with those revenues reduced, but have fared better than expected. The City had 3,294 hotel rooms at the end of fiscal year 2020. The City gained an additional 975 rooms with the opening of Kalahari on November 12, 2020 and has another 551 in various stages of construction. COVID-19 has impacted the City's hotel occupancy rates, which are slowly recovering. Tourism is important to welcoming a wide range of tourists for local events year-round.

Strategic Goals FY 2020



Financially Sound City
Providing High Value Services



Great Community to Live



City Infrastructure:
for Today and Tomorrow



Authentic Downtown
- Exciting Community Destination



"Sports Capital of Texas"
for Tourism and Residents

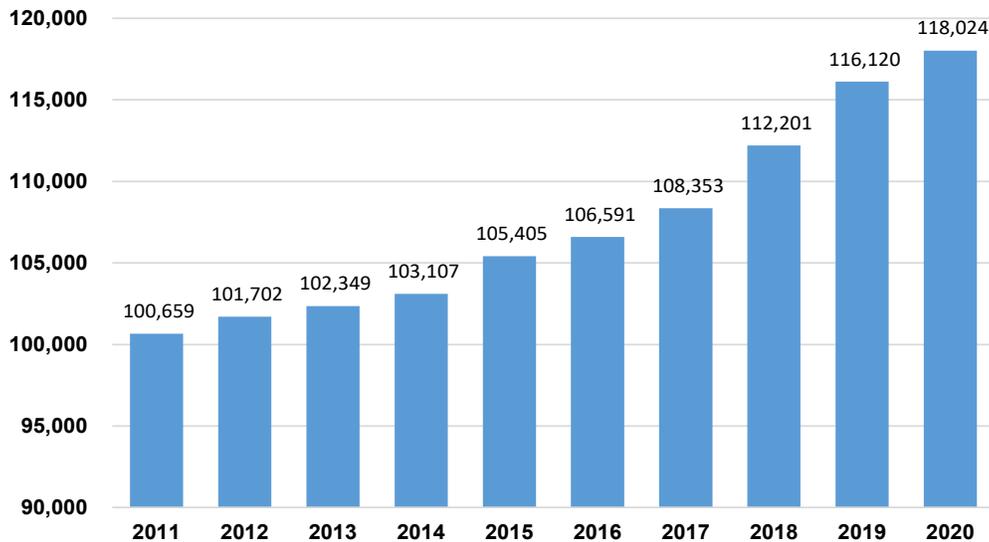


Sustainable Neighborhoods
- Old and New

Welcome to Round Rock, Texas



Round Rock Population Growth



Long-Term Financial Planning

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.

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. The model will be updated in 2021. The last water rate increase went into effect October 1, 2018. There has been no water rate increases because 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 are not increasing since the model shows that the future needs of the wastewater program are adequately funded within current revenues, impact fees, and other development contributions. The last retail wastewater rate increase went into effect October 1, 2012. A new cost of service study will be performed in fiscal year 2021 taking into consideration new capital master plans and demand data.

Round Rock by the Numbers



TAX INFORMATION

		2019/20
Population		118,024
Property Tax Rate	\$	0.4390
M&O	.3135	Debt .1255
Median Home Value	\$	255,198
Taxable Property Value (billions)	\$	15.4
Property Tax per Capita	\$	548.26

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%

PRINCIPAL EMPLOYERS

	Employees (2020)
Dell Technologies	13,000
Round Rock ISD	6,955
City of Round Rock, TX	1,019
Round Rock Premium Outlets	800
Seton Medical Center Williamson	750
Baylor Scott & White Healthcare	750
St. David's Round Rock Medical Center	689
Emerson Process Management	682
Amazon	600
United Parcel Services	563

PRINCIPAL HOTEL TAXPAYERS

	# of Rooms
Austin Marriott North	295
Hyatt Place	138
Hilton Garden Inn	122
Homewood Suites	115
Courtyard Marriott	113
Holiday Inn Express N	109
Springhill Suites	104
Towneplace Suites	102
Residence Inn	96
Home 2 Suites by Hilton	91

PRINCIPAL PROPERTY TAXPAYERS

Dell Computer Holdings, LP
 CPG Round Rock, LP (Round Rock Premium Outlets)
 Baltgem Development Corp. (La Frontera Village Apartments)
 CMF 15 Portfolio, LLC (Colonial Grand Apartments)
 Fisher-Rosemount Systems, Inc. (Emerson)
 Dell Computer Corp.
 Columbia/ St. David Healthcare
 2811 LA Frontera LP (Griffis Apartments)
 BT-OH LLC (UPS)
 FST La Frontera LLC (La Frontera Square Apartments)

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 9/30/2020 (millions)

GO & CO Bonds	\$	229.2
Utility / Drainage	\$	63.8 / 6.4
HOT	\$	6.9
Venue (Sports Center)	\$	2.9
Type B	\$	27.8
Limited Tax Notes	\$	4.5

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	1019.45
Sworn Police	180 (258 in Dept. Including Civilians)
Firefighters	153 (163 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.

Round Rock's economy has become stronger and more diverse because of a variety of business relocations bringing capital investment, job opportunities, and new residents to the City.

Recent Wins and New Businesses

Round Rock will be welcoming two new manufacturing facilities in August 2021. **Triple Temp Cold Storage LLC** will operate a new 125,000-square-foot cold storage and manufacturing facility in southwest Round Rock on a 10-acre site near Bratton Lane. The facility is expected to generate 60 new jobs with salaries averaging \$60,000 a year and will also serve as an incubator for entrepreneurs to create new food products and take them to market. The cold storage and incubator will be the first to market in the Austin-Round Rock area. **East/West Manufacturing** will be relocating and expanding to a new 43,000-square-foot facility in North Round Rock on Steam Way. They will produce high-quality Printed Circuit Board (PCB) assemblies, custom cables, and electrical/mechanical assemblies for multiple industries globally. **East/West** will relocate 30 jobs and create 30 new jobs over five years with the average salary being \$50,000 a year. The company will also invest \$5 million in the new facility with an additional \$650,000 in business personal property.

Amazon is the newest Fortune 500 company to expand in Round Rock with a new delivery station on a 32-acre site at the Chisholm Trail Center near IH 35 and Old Settlers Boulevard. The industrial park has three buildings. The larger building is 180,550-square-feet and is used as the campus distribution center, while the two smaller buildings total 260,970-square-feet and are used as parking for employees and delivery vehicles. The delivery station created hundreds of local jobs.

Kalahari Resorts selected Round Rock as the location of its fourth family resort and convention center and opened November 12, 2020. The authentically African-themed **Kalahari Resorts and Convention Center** features 975 well-appointed guest rooms, full-service amenities, fully equipped fitness centers, on-site restaurants, unique retail shops, a state-of-the-art 200,000-square-foot convention center, and a 223,000-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. 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.

Strong Existing Base

Dell is the largest employer in Round Rock with an estimated 13,000 employees in 2020. 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 2021. 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.

Economic Development



Emerson Process Management opened its \$70 million, 282,000-square foot international headquarters and technology center in January 2014 for its automation systems and project services businesses which help customers operate facilities in fields like oil and gas. **TECO-Westinghouse** is the largest manufacturer of electric motors in North America. **Houghton Mifflin Harcourt (HMH)** relocated its Texas regional office to Round Rock in July 2016. Their relocation brought over 270 jobs to the City and they now anchor a 100,000-square-foot Class A office building in La Frontera. **ProPortion Foods LLC**, a Los Angeles-based food service company relocated its office, food processing, storage, and warehouse facility to the City in 2016, bringing in at least 400 full-time jobs. **Airco Mechanical**, a commercial and residential heating, ventilation, and air conditioning service provider, has relocated its Central Texas headquarters to a previously vacant 47,000-square-foot building, bringing in another 400 full-time jobs.

United Parcel Service (UPS) opened a new facility in Round Rock in November 2018 with a new regional distribution center that provides additional operating capacity for the Austin area. The \$70 million, 225,000-square-foot facility is located on fifty acres of land near SH 45 and A.W. Grimes Boulevard and employs more than 550 people with an annual salary of at least \$50,000.

On the Horizon

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** in February 2019. The planned \$200 million project will be a live, work, and play community located near the intersection of IH 35 and SH 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.

A new \$20 million **Embassy Suites Hotel and Conference Center** is under construction on 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-feet of convention and meeting space and will generate at least 60 jobs. The hotel and conference center are anticipated to open in 2021.

Medical and University Base

Round Rock continues to see growth in the medical industry. The City is home to several hospitals offering comprehensive world-class healthcare services. **Baylor Scott & White** recently opened a new 39,000-square-foot cancer center. This facility is the first cancer center in all of Williamson County, and provides services for radiation oncology, medical oncology, surgical oncology, and hematology. The **Baylor Scott & White Healthcare** system in Round Rock is the 6th largest employer in Round Rock with 750 employees in 2020.

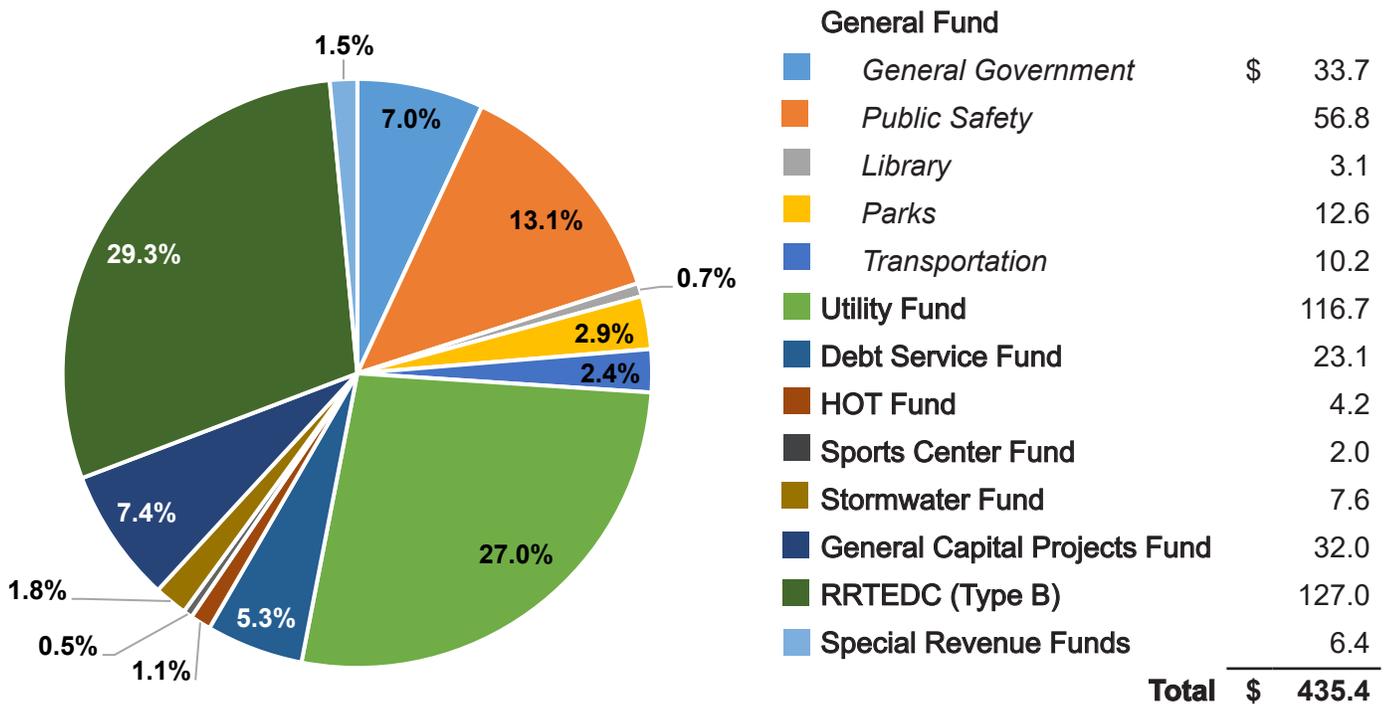
Round Rock also has several higher education facilities, many of which focus on healthcare disciplines. These institutions include **Texas State University**, **Austin Community College**, and the **Texas A&M Health Science Center**. **Texas State University** opened its newest building – Willow Hall – in May 2018. The \$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. **Texas A&M University College of Medicine** recently announced they will be expanding their educational opportunities at the Round Rock campus by allowing students to choose the Round Rock campus for clinical training starting with the class of 2024.

Adopted Budget

Fiscal Year 2019/20



ADJUSTED EXPENDITURES 2019/20 (MILLIONS)



The operating budget was reduced by \$9.3 million due to COVID-19. Revenues came in comfortably ahead of the reduced projections.

General Fund

Condensed Balance Sheet



ASSETS

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 4,592,238	\$ 5,735,289	\$ 10,709,610
Investments	50,244,930	46,069,854	51,186,425
Receivables (net of allowances for uncollectibles)			
Property taxes, including interest and penalties	332,301	368,517	419,655
Accounts and other	5,923,872	5,578,531	5,302,934
Accrued interest	192,181	172,110	89,738
Intergovernmental	268,422	511,899	737,562
Inventories	202,648	188,514	226,303
Other current assets	50,944	37,676	40,290
Total Assets	<u>\$ 61,807,536</u>	<u>\$ 58,662,390</u>	<u>\$ 68,712,517</u>

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts payable	\$ 6,184,859	\$ 6,789,776	\$ 6,217,367
Accrued payroll	1,466,541	1,779,223	2,256,796
Interfund payables	11,323	-	10,706
Unearned revenue	-	-	-
Total Liabilities	<u>7,662,723</u>	<u>8,568,999</u>	<u>8,484,869</u>
Unavailable revenue - property taxes	332,301	368,517	413,752
Fund Balances			
Nonspendable	253,592	226,190	266,593
Unassigned	53,558,920	49,498,684	59,547,303
Total Fund Balances	<u>53,812,512</u>	<u>49,724,874</u>	<u>59,813,896</u>
Total Liabilities and Fund Balances	<u>\$ 61,807,536</u>	<u>\$ 58,662,390</u>	<u>\$ 68,712,517</u>

53.0% 46.1% 54.2%

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 20, the General Fund had \$59,547,303 of unassigned fund balance, which represents 54.2% of total general fund expenditures. The Fund Balance of the General Fund increased by \$10,089,022 due to conservative budget reductions and reduced spending overall by departments.

General Fund

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



REVENUES

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Taxes and franchise, including interest and penalties	\$ 94,608,539	\$ 98,412,980	\$ 103,643,156
Other	15,901,627	17,197,427	15,183,508
Total Revenues	<u>110,510,166</u>	<u>115,610,407</u>	<u>118,826,664</u>

EXPENDITURES

Current operating	<u>101,046,455</u>	<u>107,314,317</u>	<u>109,851,691</u>
Total Expenditures	<u>101,046,455</u>	<u>107,314,317</u>	<u>109,851,691</u>

Excess (deficiency) of revenues over expenditures	<u>9,463,711</u>	<u>8,296,090</u>	<u>8,974,973</u>
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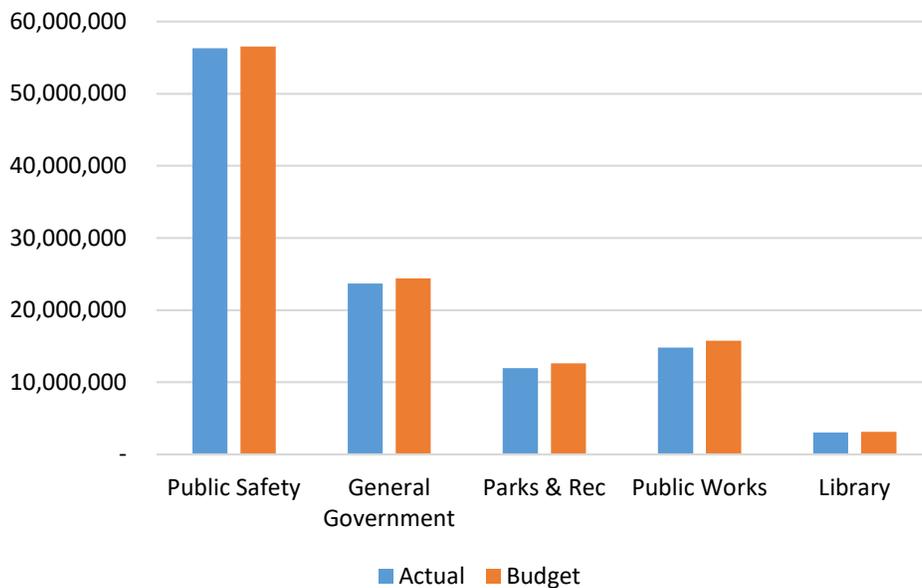
OTHER FINANCING SOURCES (USES)

Transfers in	3,573,858	4,555,000	5,061,250
Transfers out	<u>(9,547,141)</u>	<u>(16,938,728)</u>	<u>(3,947,201)</u>
Total other financing sources (uses)	(5,973,283)	(12,383,728)	1,114,049
Net changes in fund balance	<u>3,490,428</u>	<u>(4,087,638)</u>	<u>10,089,022</u>
Fund Balances, October 1	<u>50,322,084</u>	<u>53,812,512</u>	<u>49,724,874</u>
Fund Balances, September 30	<u>\$ 53,812,512</u>	<u>\$ 49,724,874</u>	<u>\$ 59,813,896</u>

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



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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Charges for services	\$ 50,715,034	\$ 51,973,150	\$ 55,695,939
Licenses, permits, and fees	4,226,721	4,828,792	4,693,720
Total Operating Revenues	<u>54,941,755</u>	<u>56,801,942</u>	<u>60,389,659</u>

OPERATING EXPENSES

Personnel services	10,940,702	12,809,236	12,751,829
Contractual services	16,695,290	14,844,774	13,759,401
Supplies	941,689	1,265,167	1,039,638
Materials	1,450,726	2,120,572	1,708,224
Heat, light and power	1,578,540	2,188,155	2,452,847
Depreciation	17,330,156	18,303,211	19,478,079
Total operating expenses	<u>48,937,103</u>	<u>51,531,115</u>	<u>51,190,018</u>
Operating income	6,004,652	5,270,827	9,199,641

NONOPERATING REVENUES (EXPENSES)

Investments and other revenues	3,122,041	4,772,982	4,010,185
Interest and fiscal charges	(2,812,623)	(2,857,145)	(2,809,570)
Total nonoperating revenues (expenses)	<u>309,418</u>	<u>1,915,837</u>	<u>1,200,615</u>
Income before contributions and transfers	6,314,070	7,186,664	10,400,256

CONTRIBUTIONS & TRANSFERS

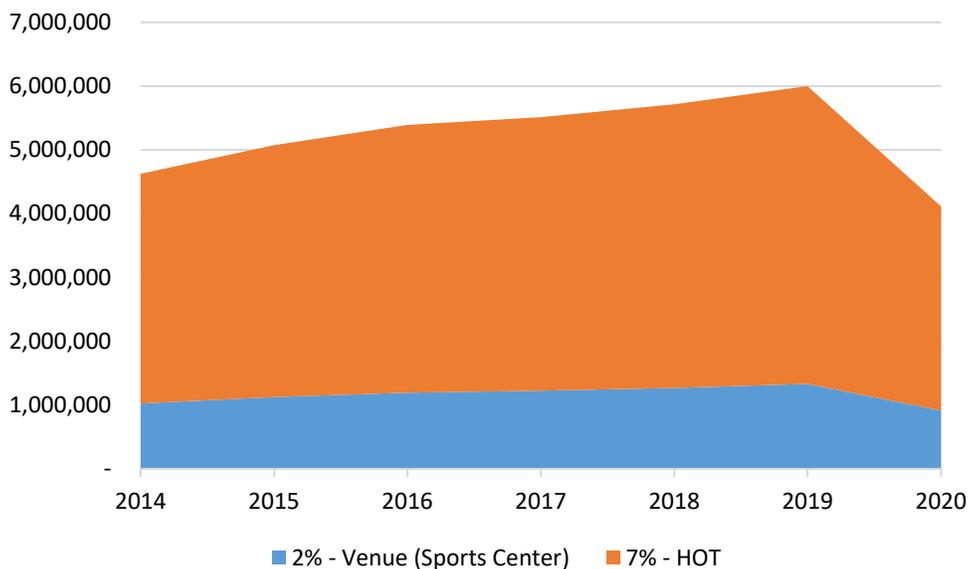
Contributions - impact fees	10,655,685	10,893,493	6,454,447
Contributions - infrastructure	19,002,230	10,392,186	10,380,855
Contributions - Other	206,035	299,101	1,608,258
Transfers out	(3,389,358)	(3,775,000)	(4,258,250)
Total contributions and transfers	<u>26,474,592</u>	<u>17,809,780</u>	<u>14,185,310</u>
Change in net position	<u>32,788,662</u>	<u>24,996,444</u>	<u>24,585,566</u>
Net position, October 1	<u>386,015,364</u>	<u>418,804,026</u>	<u>443,800,470</u>
Net position, September 30	<u>\$ 418,804,026</u>	<u>\$ 443,800,470</u>	<u>\$ 468,386,036</u>

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. The last retail water rate increase went into effect October 1, 2018 and retail wastewater rates have not changed since 2012. There are no rate changes expected for water or wastewater for FY 2021. Additionally, the COVID-19 pandemic had minimal impact on the City's water and wastewater utility. Budgeted expenditures were reduced by \$632,000 as a precaution.

Hotel Occupancy Tax Report



HOTEL OCCUPANCY TAX REVENUE



The City had 3,294 hotel rooms at the end of fiscal year 2020. The City gained an additional 975 rooms with the opening of Kalahari on November 12, 2020 and has another 551 in various stages of construction. Round Rock’s businesses have faced challenges due to COVID-19, with the hotel and restaurant industries having endured the most hardships. Due to event cancellations and less people traveling, hotel occupancy tax revenue was down in FY 2020. Despite this, revenues came in comfortably ahead of reduced projections. Budget reductions and better than expected revenues have left the City’s tourism related funds in solid financial condition as they recover in 2021 and 2022.

Hotel occupancy tax collections support local tourism events and debt service for the Dell Diamond/Convention Center, the home of the “Round Rock Express” Triple A Baseball team and the Round Rock Sports Center, the City’s 82,800-square-foot indoor sports venue which opened in January 2014. The Round Rock Sports Center has hosted numerous sporting and other events. Although many events were canceled, the Sports Center reopened as soon as allowed and remained busy with groups that would typically use public schools or private facilities in the area for play and practice.

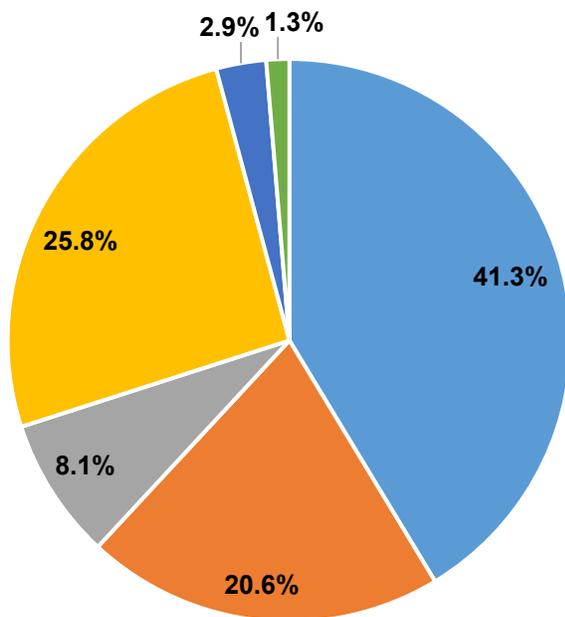
The third year of operations of the Round Rock Multipurpose Complex – a \$27 million tournament class outdoor sports complex which opened in May 2018 – has contributed to the economic impact of annual visitors who attend regional and national tournaments. Although many events were canceled due to the COVID-19 pandemic, the complex was utilized because of the outdoor social distancing availability. The complex hosted local field bookings and some tournaments.

The Forest Creek Golf Club was extensively renovated in 2018 and has been nationally recognized as one of the finest public golf courses in central Texas. With ultimate flexibility and within the County Judge and the Governor’s guidelines, the golf club was able to remain open throughout the COVID-19 quarantine period. There were over 52,000 rounds played in FY 2020 compared to 36,303 in FY 2019.

Sources and Uses of Debt



LONG-TERM DEBT (MILLIONS)



General Obligation Bonds	\$	141.2
Utility & Drainage Revenue Bonds		70.2
Sales Tax Revenue Bonds		27.8
Certificates of Obligation		88.0
Hotel Tax Revenue Bonds		9.8
Limited Tax Notes		4.5

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, 2020, the City had a total outstanding bonded debt of \$341,500,000. 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 35 cities in Texas with a AAA rating for GO Debt.



ROUND ROCK TEXAS