



Meeting Date: November 19, 2024

To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

From: Trish Muller, CPA, Finance Director

Title: Update: Third Quarter Financial Review, Period Ending September 30, 2024

Executive Summary

The following discussion and financial information reflects the positive financial condition of the Town and highlights the continued focus on strategic priorities established by Town Council. Financial reporting for the Town takes a team effort between Finance, Department Heads, and staff. Reporting helps to keep departments apprised of potential revenue shortages that could trigger budget adjustments.

As demonstrated by the following information, departments continue effective and responsible management of the Town's finances while working towards accomplishing community priorities. The overall financial position of the Town remains positive with all funds expected to be on track for the year.

Some highlights contained in this report include:

- Gross sales tax revenue was up 5.1 percent through September compared to 2023
- General Fund expenditures are 8 percent under the year to date budget for 2024 largely due to a timing of Public Safety expenses
- Capital expenditures make up 53 percent, or \$325.4 million, of the amended 2024 budget for the Town; through the third quarter of 2024, \$75.1 million has been expended
- Budget amendment two is accounted for in this report
- Development activity for single family permits is trending higher than 2023 and on budget for 2024, however, multi-family permits have slowed down compared to 2023 and is now trending below forecasted budget and is expected to remain below budget for the rest of 2024

The financial information in this report includes:

- Highlights of seasonally adjusted year to date revenue and expenditures including financial summaries by major category for each Town fund
- Status updates related to community priorities
- Discussion and financial summaries by major category for each fund
- Incorporation of the second amendment to the 2024 budget as approved by Town Council

Proposed Motion

This memo is intended for discussion purposes only.

Attachments

Attachment A: 2024 Year End Financial Reports

- Schedule AA - Townwide Summary
- Schedule A - General Fund
- Schedule B - Development Services Fund
- Schedule C - Water Fund
- Schedule D - Water Resources Fund
- Schedule E - Stormwater Fund
- Schedule F - Wastewater Fund
- Schedule G - Transportation Fund
- Schedule H - Transportation Capital Fund
- Schedule I - Fleet Services Fund
- Schedule J - Fire Capital Fund
- Schedule K - Police Capital Fund
- Schedule L - Police Forfeiture Fund
- Schedule M - Parks and Recreation Capital Fund
- Schedule N - Conservation Trust Fund
- Schedule O - Lodging Tax Fund
- Schedule P - Community Center Fund
- Schedule Q - Golf Course Fund
- Schedule R - Economic Development Fund
- Schedule S - Downtown Development TIF Fund
- Schedule T - Philip S. Miller Trust Fund
- Schedule U - Public Art Fund
- Schedule V - Municipal Facilities Capital Fund
- Schedule W - General Long Term Planning Fund
- Schedule X - Employee Benefits Fund
- Schedule Y - Parking Fund
- Schedule Z - Tabor Fund

Attachment B: Sales Tax Collections by Category and Geographical Area

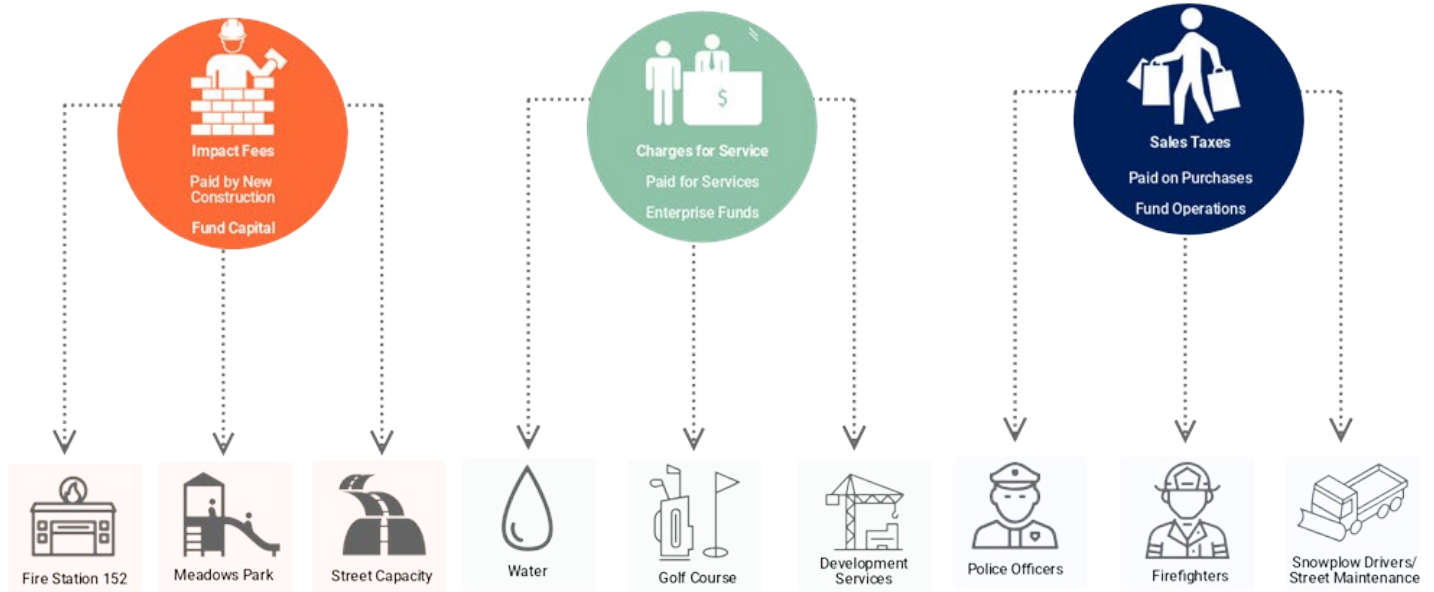
Attachment C: Investment Summary

Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires Townwide effort of departments and staff. This 2024 Third Quarter Financial Review includes revenue, expenditure, fund balance, and reserve information by fund as well as on a Townwide perspective. The Town’s budget includes 26 different funds with a variety of revenue sources, of which, several have restrictions for how the funds can be spent. The Town’s revenue sources, and their respective uses, are represented below for reference.

Review of the Town’s finance structure:

For a review of the Town’s Finance Structure- watch this [video](#)



* The Community Center Fund, which supports the Rec Center and MAC, receives both charges for service and sales tax revenue

The following pages provide a summary of the Town’s financial performance through the third quarter of 2024 and detailed financial schedules in Attachment A, Sales Tax collections by category and geographic area in Attachment B, and the Town’s investment summary in Attachment C.

What sources generate funds?

- Sales tax overview
- Townwide revenue summary

How is the Town focusing resources on priorities?

- Ensuring our Water Future
- Enhancing our Transportation
- Ensuring our Public Safety
- Maintaining strong Parks and Recreation

How is the Town growing?

- Development related revenue
- Development services department overview

How does the Town manage finances conservatively?

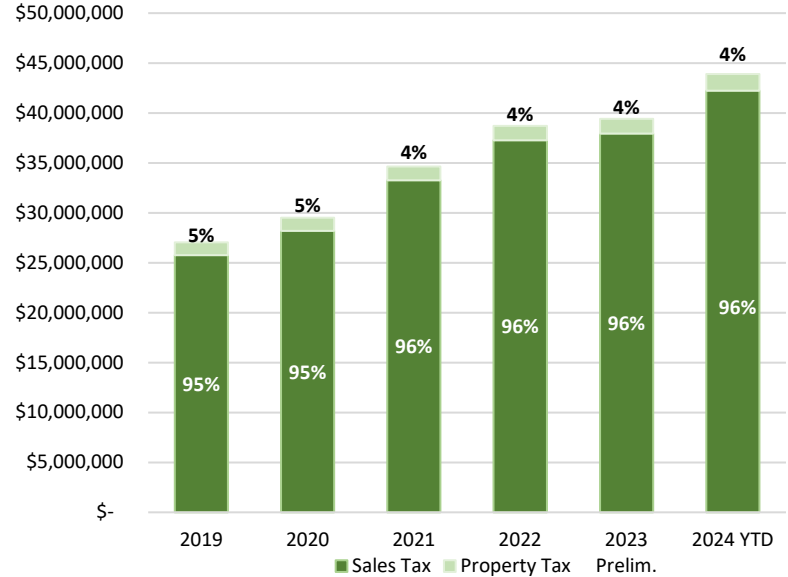
- Active Financial Monitoring
- Future Planning
- TABOR
- Transparency

What sources generate funds?

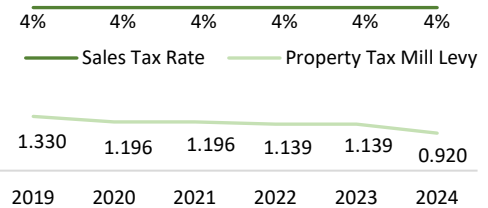
Sales and property tax

- Gross Town collected sales tax reported from licensed businesses through September 30, 2024 was 5.1 percent greater than 2023. Information related to historical, geographical, and industry sales tax collections can be found in Attachment B
- The top three geographic areas for sales tax were Milestone/Metzler, Promenade, and Out of State, making up about 44 percent of sales tax collections
- The top three industries for sales tax remittance for the third quarter of 2024 includes food and general merchandise, miscellaneous retail and restaurants and bars, making up nearly 60 percent of sales tax collections
- As of September 30, 2024, there were 7,217 active business licenses issued by the town of which 31 percent of the businesses are located in Castle Rock
- Property tax collections for 2024 reflect a mill levy assessment of 0.920

General Fund Sales vs. Property Tax Collections
Period Ending September 30, 2024



Sales Tax and Property Tax Rate
2019 through 2024

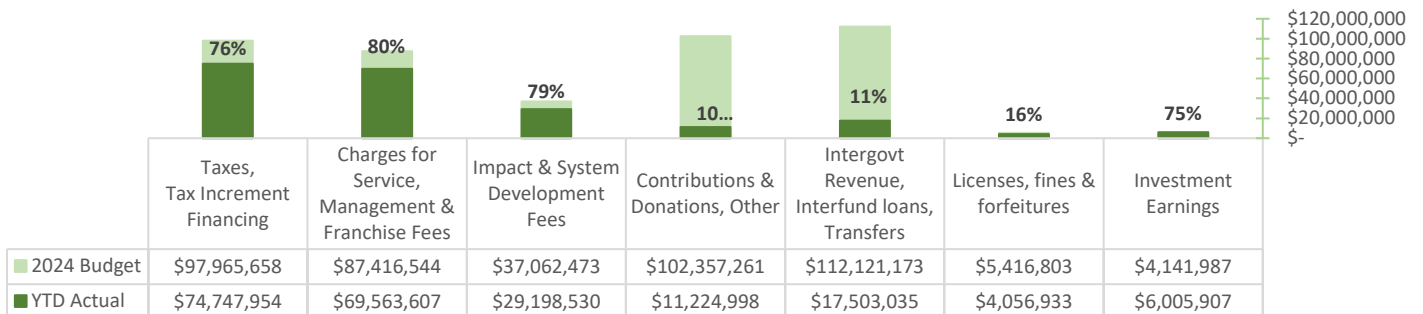


Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide Revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up about 22 percent of the Townwide 2024 revenue budget, with Town collected sales tax making up 80 percent of the total tax revenue budget. However, there are several other revenue sources, such as water fees, that support Town services. Through the third quarter of 2024, Townwide revenues are about 3 percent over the year to date budget.

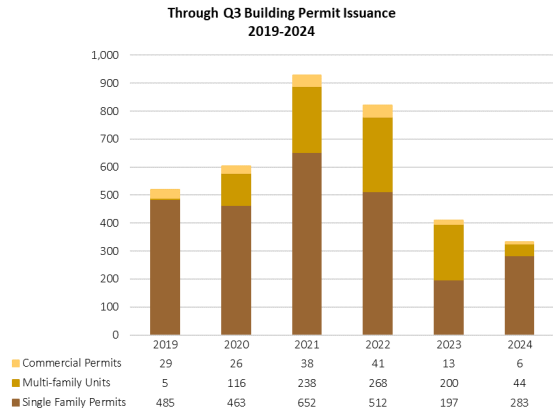
2024 Townwide Revenue By Category



How is the Town Growing?

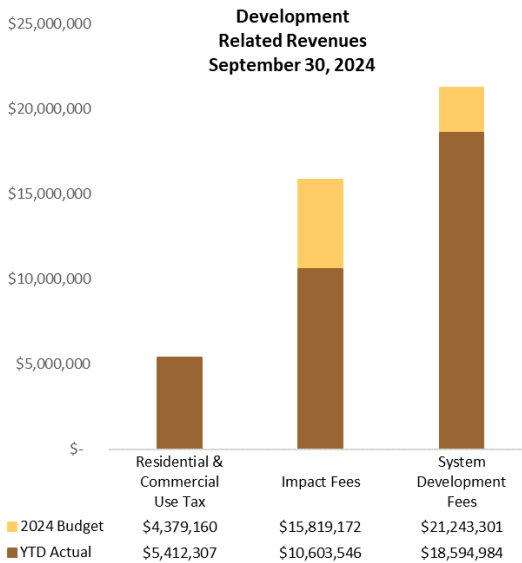


Revenues earned from development in Castle Rock are generally used to help fund growth related projects across the Town. The 2024 Budget for development-related revenue was based on 400 single family permits, 330 multi-family units, and 80,000 sq ft of commercial projects. The expected number of single family, multi-family, commercial, and other development permits issued determine budget amounts for growth related revenues such as impact fees, system development fees, building use tax and (water) tap fees. Actual development revenue received by fund varies based on the number and type of permits issued and the size, type, value, and water needs of the specific project. Through the third quarter of 2024, the Town has issued 283 single family permits, 44 multi-family permits, and 6 commercial project permits.



Building use tax is levied at 4 percent on materials used in construction. Residential use tax is received into the Transportation, Transportation Capital, General Long-Term Planning, and Community Center Funds while commercial use tax is received into the Economic Development Fund.

Impact fees and system development fees are charged as part of the building permit process and fund needs related to growth including Municipal Facilities, Parks and Recreation, Fire, Police, Transportation, and Castle Rock Water. As of September 30, 2024 single family permits are on track with budget and multi-family permits are under the year to date budget and are anticipated to remain under budget for the rest of 2024.



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received in 2024 for these fees. Use tax and system development fees are trending over the year to date budget, however, impact fees are trending under the year to date budget due to lower than estimated licenses and permits for multi-family and commercial. These fees and taxes are one-time revenues for capital expenditures as they do not support reoccurring expenses.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund and General Fund expenses are 11 percent under the year to date budget for 2024. The Development Services Enterprise Fund’s revenue is on track with the year to date budget and the Development Services Fund expenditures are 8 percent under the year to date budget, which is due to savings in vacant positions within the department, services & other, and supplies.

Development Services Enterprise Expense

YTD Actual	2024 Budget
\$4,835,093	\$7,123,618

To see more detailed financial information about Development Services, please see Schedules A and B in Attachment A.

How is the Town focusing resources on priorities in 2024?



Ensuring our water future

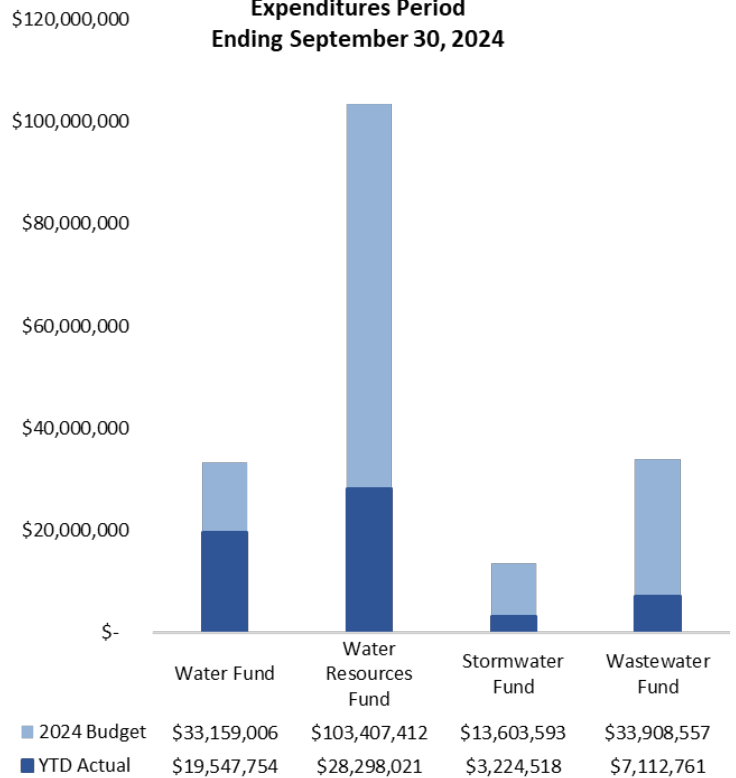
Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users support these funds. Revenues in these funds are seasonal and highly variable based on temperature and precipitation throughout the year. Expenditures in these funds include operational costs and significant capital projects to accommodate infrastructure maintenance and needs in our growing community. Capital expenditures make up 62 percent of the total Castle Rock Water annual expenditure budget.

Through September 30, 2024, total revenues for Castle Rock Water Funds combined Funds are on track with year to date budget for 2024. Total expenses in the four Castle Rock Water Funds are 55 percent under the year to date budget for 2024, mainly due to timing of multiple water capital projects, listed below. Many capital projects take multiple years to complete due the timing of the project or the size and scope of the project.

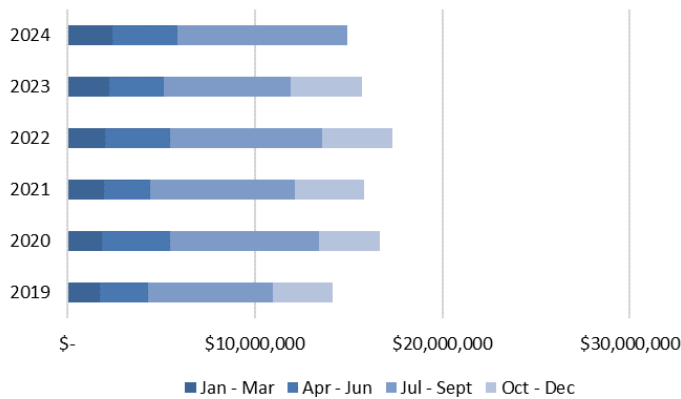
Significant 2024 Castle Rock Water projects include:

- Plum Creek to Rueter-Hess Pipeline work
- Continued WISE infrastructure
- Water rights acquisition
- Castle Rock Reservoir expansion
- Bell Mountain Pipeline, Pump Station, and Tank
- Stream stabilization along East Plum Creek
- East Plum Creek Open Space Wells
- Waterline Replacement
- Parker Midsection Pipeline

Castle Rock Water Funds
 Expenditures Period
 Ending September 30, 2024



2019-2024 Metered Water Sales by Quarter



To see more detailed financial information about Castle Rock Water, please see Schedules C-F in Attachment A.



Enhancing our transportation

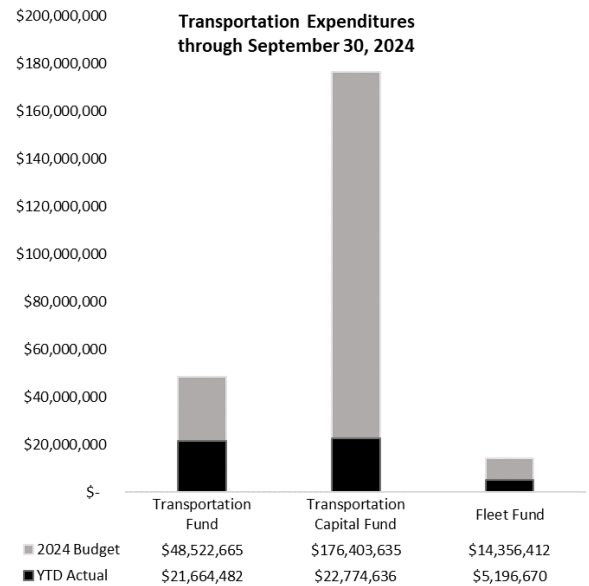
The Public Works Department manages Castle Rock transportation infrastructure, with budgeted expenditures in the Transportation (general operational costs) and Transportation Capital funds (one-time growth related projects). The Transportation Fund supplements the capital fund to support the construction of growth-related projects when appropriate and funds are available. Transportation expenditures tend to be seasonal, related to construction seasons for both maintenance and new construction.

Total expenditures through the third quarter of 2024 in the Transportation Fund were 14 percent under the year to date budget. The Transportation Capital Fund expenditures are approximately 79 percent under the year to date budget, both are due to the timing of capital projects listed below.

Significant ongoing projects include:

- Crystal Valley interchange
- Craig and Gould North improvements
- 5th street widening
- Ridge Road widening
- Plum Creek widening
- Improvements at Highway 86 and 5th Street
- Plum Creek and Crystal Valley roundabout

Transportation Fund revenues include sales tax, Highway User Tax, residential use tax, and other resources. Total Transportation Fund revenues through the third quarter are 5% over the year to date budget while the Transportation Capital Fund revenues are right on track with the year to date budget. *(See schedules G and H in Attachment A for more detailed financial information for transportation.)*



The Parking Fund was created in 2020 to fulfill the Town's obligation to fund 308 public parking spaces within the Encore parking garage and other future town parking projects. This fund is overseen by the Finance Department. *See schedules Y in Attachment A for more detailed financial information.*

Did you know...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 580 vehicles and pieces of equipment. Annually staff evaluates and monitors vehicles to determine optimal replacement schedules. Through the third quarter of 2024, 14 new vehicles and 26 replacement vehicles were purchased and placed into service. Funds are accumulated from user departments over time to pay for vehicle replacements while capital funds are typically used for the initial purchase of a new vehicle. Fleet Fund expenditures are 52 percent under the year to date budget which is due to the timing of new and replacement vehicle purchases. Revenue in the Fleet Fund is about 2 percent over the year to date budget.

To see more detailed information about the Fleet Fund, see Schedule I of Attachment A.

Ensuring our Public Safety

The Police and Fire departments operate within the General Fund while growth-related Police and Fire capital expenses are included in the Police and Fire Capital Funds. Replacement items for public safety are expensed out of the General Long Term Planning Fund (GLTP). The newly created TABOR Fund will provide funding for future public safety projects. Charts on this page represent public safety operations within the General Fund based on 2024 financial information.

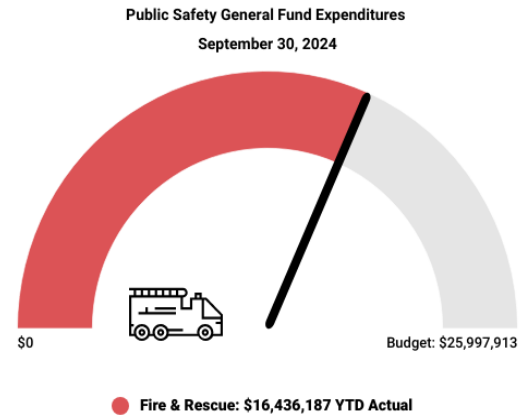
Public safety operations



The Fire Department items within the 2024 Budget include:

- Design and implementation of ColoradoScaping stations 153 and 154

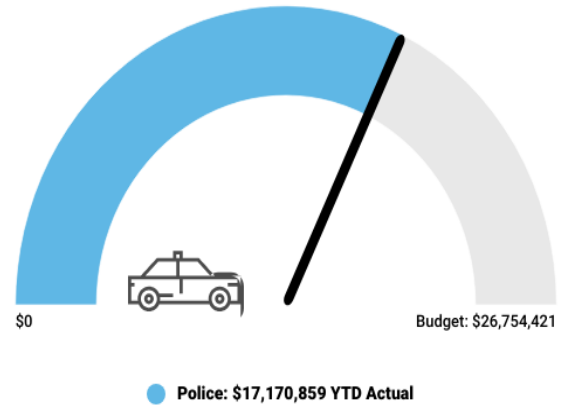
General Fund Fire and Rescue expenditures are 11 percent under the year to date budget.



Castle Rock Police Department 2024 Budget includes funding for:

- Radios for the department funded through a transfer from General fund into General Long Term Planning fund

General Fund operating expenditures for the Police Department are 10 percent under the year to date budget.



Capital funds

Capital expenditures related to growth for public safety are funded through the Fire Capital and Police Capital Funds using impact fee revenue received from new development in Castle Rock. Expenses in Fire Capital are 95 percent under the 2024 year to date budget. This is primarily due to the timing of designing the new Fire Station. Expenses in the Police Capital Fund are 90 percent under the 2024 year to date budget due to timing of transfers out.

Learn more about public safety financial performance, and view the detailed financial schedules as of September 30th, 2024 in Attachment A – Schedules A, J, K, and L.



Fire Station 155



Castle Rock Police Department



Maintaining strong parks and recreation

Castle Rock Parks and Recreation oversees Town open space, developed parks, Red Hawk Ridge Golf Course, the Miller Activity Complex (MAC), Recreation Center, outdoor pools, and special events. Budgets for these areas are included in multiple funds discussed below. Various revenues including sales tax, user fees, statewide lottery distributions, Douglas County shareback funds and grants, as available and awarded, support Parks and Recreation.

Parks Projects

Parks and Recreation also utilizes Conservation Trust and Parks and Recreation Capital funds for projects. The capital fund can only be used for growth-related projects. Projects include design of a new neighborhood park. The Parks and Recreation Capital Fund through the third quarter is 59 percent under the year to date budget due to the timing of construction for Emerald Park as well as the design for the new potential Sports Development Center. The Conservation Trust Fund, supported by state lottery proceeds, is 61 percent under the year to date budget due to timing of multiple park improvements (Centennial Park) that are planned throughout town.

In 2021 Castle Rock citizens approved a new Lodging Tax for 2022. Lodging Tax expenses are currently 52 percent under the year to date budget due to timing of various projects.

Parks operations

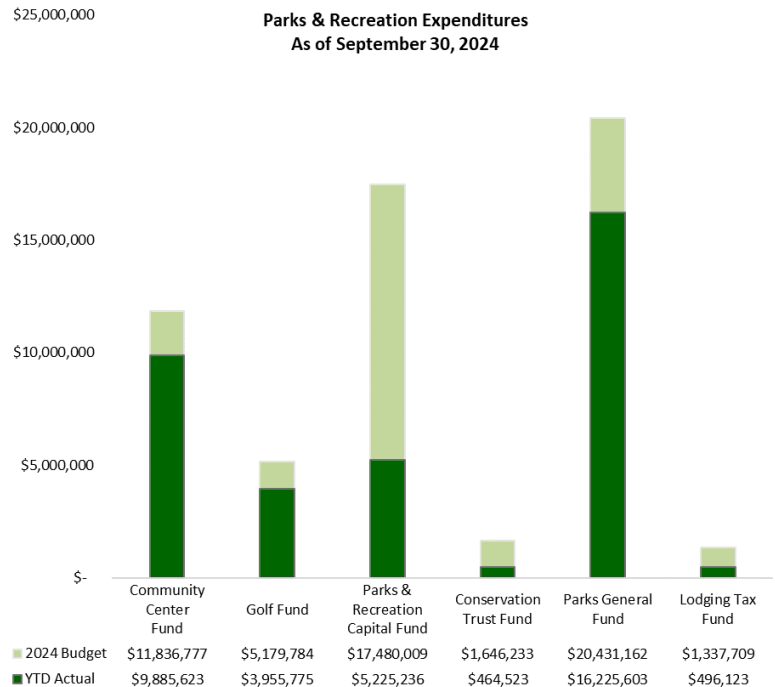
The General Fund includes ongoing parks maintenance and operations. Parks General Fund through the third quarter is right on track as compared to the year to date budget.

Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center through the third quarter totaled 163,303, a decrease of 3 percent compared to 2023, while MAC visits totaled 51,099, an increase of 1 percent from third quarter of 2023. Current expenditures are 19 percent over the year to date budget while revenues are 11 percent over the year to date budget. A budget amendment to account for the increase in activity was presented in October.

Golf

The Golf Fund is an enterprise fund that does not receive tax revenue. Through the third quarter of 2024, expenditures are 19 percent over the year to date budget while revenue is 20 percent over the year to date budget. Through the third quarter, 52,883 rounds of golf were played which is an increase of 10.5 percent as compared to 2023. A budget amendment to account for the increase in activity was presented in October.



Detailed financial information for Parks and Recreation can be found in Attachment A-Schedules A, M, N, O, P, and Q.

Other Town funds and Initiatives

In addition to the specific priorities previously discussed, the Town manager utilizes other funds that help support economic development, community character, long-term municipal facility funding, and employee benefits. These funds support Town Council direction and responsible long-term Town management.

Supporting economic development



The Town’s Economic Development Fund is supported by commercial building use tax and focuses on creating primary employment jobs, expanding the tax base, and maintaining an outstanding business climate in Town. Economic Development Fund revenue is 178 percent over the year to date budget mainly due to higher than anticipated Commercial Use Tax. Expenditures are 16 percent under the year to date budget due to timing of payments.

Tax-increment funds (TIF) from Downtown Castle Rock fund the Downtown Development Authority Tax Increment Financing Fund (DDA TIF) which is used to support downtown improvements. The DDA TIF Fund revenue is 18 percent over the year to date budget due to the timing of the Sales Tax revenue transfer which is offset by an increase in property tax related to an increase in property valuation in the Downtown area. Expenditures are 31 percent under the year to date budget mainly due to timing of projects such as The View and Downtown Improvements. Current initiatives funded by these areas include:

Economic Development Fund (Attachment A – Schedule R):

- Saunders incentive agreements
- Castle Rock Adventist Hospital – Trauma Center

DDA TIF Fund (Attachment A – Schedule S):

- Encore/Downtown parking garage maintenance
- Riverwalk Economic Assistance payments
- Mercantile Commons Assistance payments

Community character



Funding from the Philip S. Miller Trust, received into the Philip S. Miller Trust (*Attachment A - Schedule T*) and the Public Art (*Attachment A - Schedule U*) funds, supports, and maintains Castle Rock’s character. Philip S. Miller Trust funds support special events managed by Parks and Recreation, provide non-profit grant funding, produce annual firework show display at Independence Day and Starlighting events (weather permitting), and fund service contracts with the Castle Rock Museum and Senior Center. Revenue in the Philip S. Miller Trust is 11% over the year to date budget and expenditures are 58 percent over the year to date budget, this increased expenditure activity will be addressed prior to year-end. The Town utilizes the Public Art Fund for the annual Art Encounters program that leases new artwork on an annual basis for display around the community and for purchasing artwork.



Art Frame by the Rec Center

Town facility and employee support

An important part of ongoing Town management consists of supporting Town facilities and employees. As the Town grows, the need for facility space grows. The Municipal Facilities Capital Fund (*Attachment A – Schedule V*) uses impact fee revenue received from new development to support facility growth. Revenues are 20 percent under the year to date budget through the third quarter of 2024 and there have been no expenditures to date. The General Long-Term Planning Fund (*Attachment A – Schedule W*) supports general Town facility and asset replacement. Revenue in the fund is 36 percent over budget through the third quarter due to higher than anticipated residential valuation. Expenditures are 93 percent under the year to date budget due to timing for capital projects and less than anticipated projects such as parking lot replacements and radio replacement.

The Employee Benefits Fund serves to administer the Town’s medical, dental, and vision health benefit plans – including employee contributions, premium, and claim costs – and the employee wellness program, all in support of approximately 600 benefit eligible employees. Revenue is 4 percent under the budget and expenditures are 5 percent under the budget due to timing of premiums. *For more financial information about this fund, see Attachment A – Schedule X.*

How does the Town manage finances conservatively?

The Town continually works to manage Town finances conservatively and ensure that taxpayer funds are prudently expended in support of Town priorities. This multifaceted effort includes:

- Ongoing monitoring of revenues and expenditures
- Taxpayer Bill of Rights (TABOR) assessment
- Future budgeting and long-term planning
- Financial transparency

Financial monitoring

In addition to quarterly reporting, Finance Department staff:

- Reviews line-item financial information each month
- Analyzes performance compared to budget
- Reconciles Town accounts monthly
- Performs periodic audits to ensure accuracy and appropriate use of funds
- Collaborates with departments to manage



Future planning and investments

Long-term financial planning is incorporated into Town decision-making and is included in the Town’s budget process. Each year, the Town adopts a one-year budget and approves a five-year balanced financial plan and five-year capital improvement program. The longer-term plans guide future decision-making and are based on projected available resources. The 2024 Budget was adopted by Town Council on November 7th, 2023 and can be found [here](#).

Townwide investment earnings in the third quarter of 2024 were \$2,856,791 for a total of \$8,032,090 earned year to date, which includes Townwide interest, market change, and \$62,254 in professional service cost. Information about the Town’s investments can be found in Attachment C. Also, this information may vary from other report investment information due to timing differences between budget and cash investment reporting.

TABOR

Voters approved a temporary, 10-year timeout of the State’s TABOR revenue restriction, to allow the Town to use any “excess” funds through 2030 solely for police, fire and roads. This is especially important to the Town’s ability to construct the needed interchange at Interstate 25 and Crystal Valley Parkway. In 2023, the Town did not have a TABOR surplus.

Did You Know?

The Taxpayers Bill of Rights (TABOR), Amendment X of the Colorado Constitution, restricts the Town’s revenue collection. Amendment X specifically and significantly addresses the following issues:

- 1) imposes revenue limits
- 2) requires elections for tax changes and increases or new bonded debt
- 3) requires emergency reserves, and
- 4) prohibits multiple fiscal year financial obligations.

Transparency

The Town’s financial information is available for review on the Town’s Transparency Portal (CRgov.com/transparency).

The Financial Information section includes:

- Annual budgets, including previous years
- Pay table information
- Capital fund reporting (impact fees)
- Unclaimed property
- Financial reporting
- Stale-dated check
- Check and vendor listings

For questions about Town financial information, please contact finance@CRgov.com