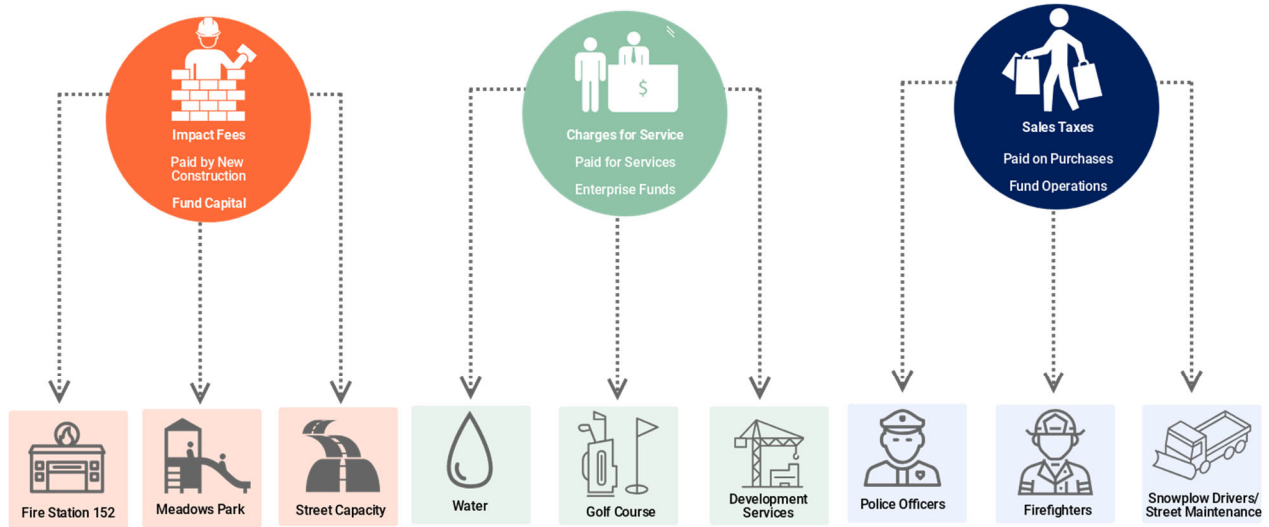


Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires Townwide effort of departments and staff. This 2023 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 2023 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.

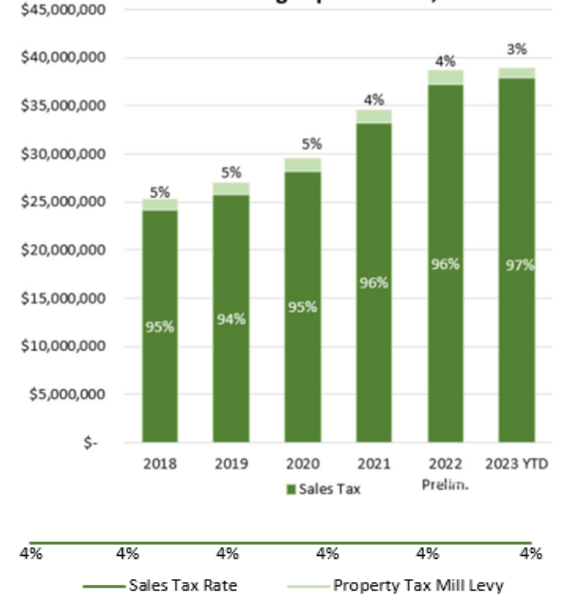
| | | | |
|-------------------------------------|---|--|--|
| <p>What sources generate funds?</p> | <ul style="list-style-type: none"> • Sales tax overview • Townwide revenue summary | <p>How is the Town focusing resources on priorities?</p> | <ul style="list-style-type: none"> • Ensuring our Water Future • Enhancing our Transportation • Ensuring our Public Safety • Maintaining strong Parks and Recreation |
| <p>How is the Town growing?</p> | <ul style="list-style-type: none"> • Development related revenue • Development services department overview | <p>How does the Town manage finances conservatively?</p> | <ul style="list-style-type: none"> • Active Financial Monitoring • Future Planning • TABOR • Transparency |

What sources generate funds?

Sales and property tax

- Net Town collected sales tax reported from licensed businesses through September 30, 2023 was 2.5 percent greater than 2022. 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 the Out of State, making up about 49 percent of sales tax collections
- The top three industries for sales tax remittance for the third quarter of 2023 includes food and general merchandise, miscellaneous retail and restaurants and bars, making up approximately 57 percent of sales tax collections
- There were 5,962 active business licenses as of September 30, 2023, 37 percent of which are located in Castle Rock
- Property tax collections for 2023 reflect a mill levy assessment of 1.139

General Fund Sales vs. Property Tax Collections
Period Ending September 30, 2023

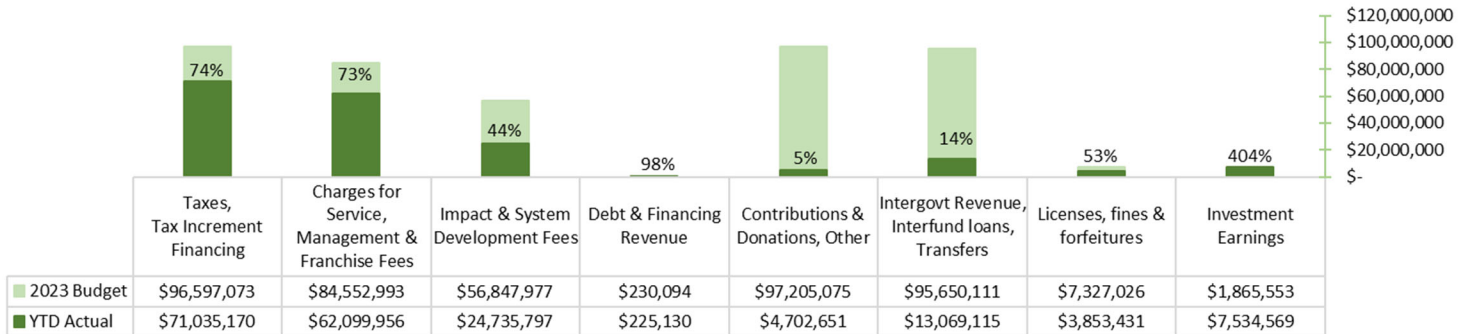


Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide Revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up about 21 percent of the Townwide 2023 revenue budget, with Town collected sales tax making 77 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 2023, Townwide revenues are about 8 percent under the year to date budget.

2023 Townwide Revenue By Category

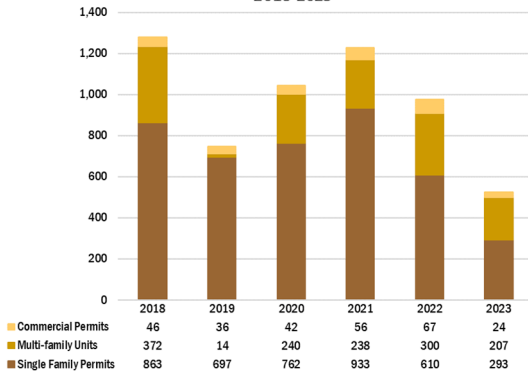


How is the Town Growing?



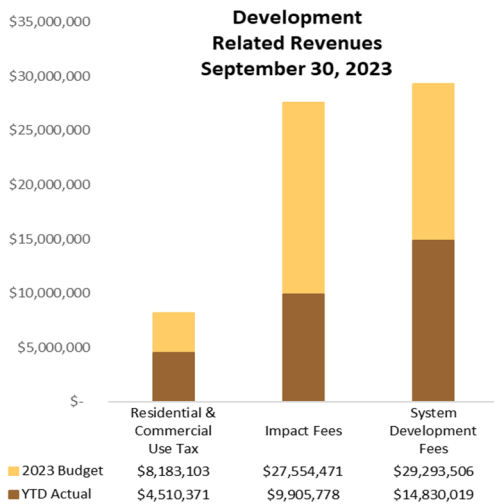
Revenues earned from development in Castle Rock are generally used to help fund growth related projects across the Town. The 2023 Budget for development-related revenue was based on 900 single family permits, 415 multi-family units, and square footage estimates for about 20 commercial projects. The expected 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 the number and type of permits issued and the size, type, value, and water needs of the specific project. Through the third quarter of 2023, the Town has issued 293 single family permits, 207 multi-family permits, and 24 commercial projects permits. In 2023, there has been a slowdown in permits compared to budget, staff will continue to monitor and make adjustments to the budget as needed.

Through Q3 Building Permit Issuance
2018-2023



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, 2023 single family and multi-family permits are under the year to date budget and are anticipated to remain under budget for the rest of 2023.



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received in 2023 for these fees. Use tax, impact fees, and system development fees are all under the year to date budget due to lower than estimated licenses and permits. 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 1 percent under the year to date budget for 2023. The Development Services Enterprise Fund's revenue is 27 percent under the year to date budget and the Development Services Fund expenditures are 12 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 Expenses

| YTD Actual | 2023 Budget |
|-------------|-------------|
| \$5,586,977 | \$8,646,164 |

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 2023?



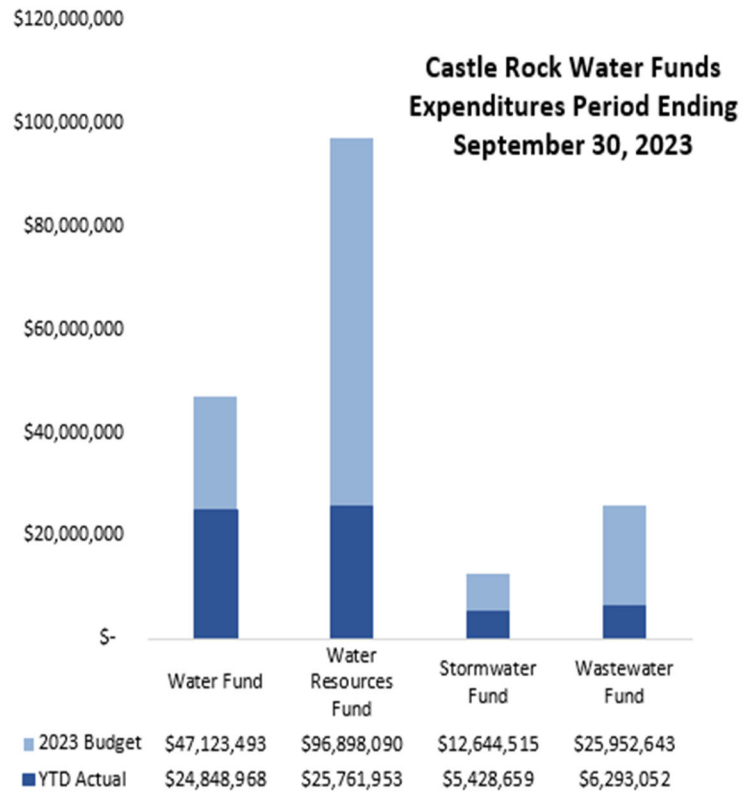
Ensuring our water future

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 65 percent of the total Castle Rock Water annual expenditure budget.

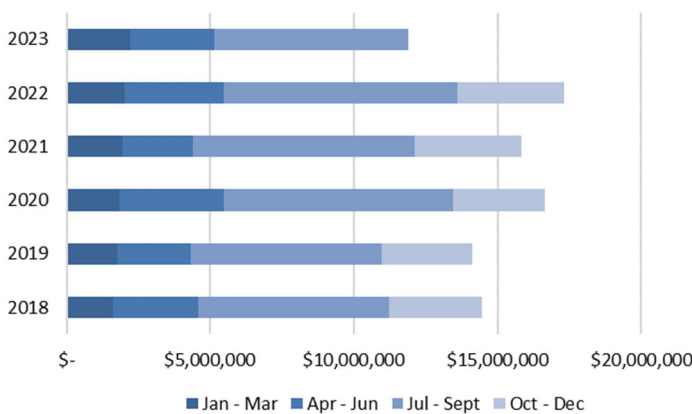
Through September 30, 2023, total revenues for Castle Rock Water Funds combined are 7 percent under year to date budget due to a decrease in system development fees and water sales. Total expenses in the four Castle Rock Water Funds are 52 percent under year to date budget for 2023, mainly due to timing 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 2023 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



2018-2023 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. The Transportation Capital Fund received ARPA (American Rescue Plan Act) Funds to help the town with road needs, the Town has used this revenue to fund the Ridge Road and Plum Creek Parkway widening project.

Total expenditures through the third quarter of 2023 in the Transportation Fund were 17 percent under seasonally adjusted budget. The Transportation Capital Fund expenditure are approximately 78 percent under the seasonally adjusted budget, both are due to timing on capital projects listed below.

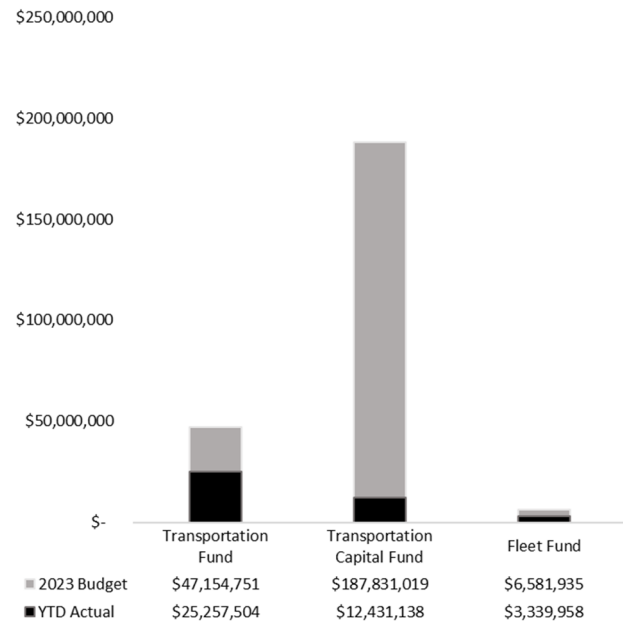
Significant ongoing projects include:

- 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 14 percent over with the year to date budget while the Transportation Capital Fund revenues are 41 percent under the year to date budget due to lower than anticipated residential building use tax revenue and impact fee revenue. *(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.*

Transportation Expenditures through September 30, 2023



Did you know ...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 537 vehicles and pieces of equipment. Annually staff evaluates and monitors vehicles to determine optimal replacement schedules. Through the third quarter of 2023, 16 new vehicles and 19 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 32 percent under the year to date budget, largely due to availability of vehicles to purchase. Revenue in the Fleet Fund is about 16 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 2023 financial information.

Public safety operations



The Fire Department items within the 2023 Budget include:

- Design and implementation of ColoradoScaping stations 153 and 154
- Completion of the door raise project at stations 154 and 155

General Fund Fire and Rescue expenditures are 3 percent under year to date budget.



Castle Rock Police Department 2023 Budget includes funding for:

- Renovation of Police Headquarters

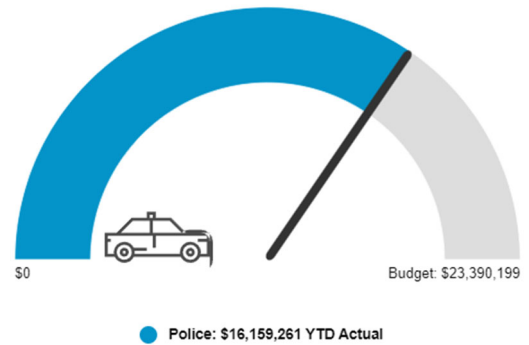
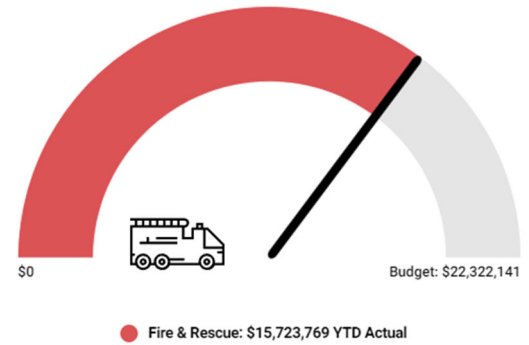
General Fund operating expenditures for the Police Department are 6 percent under the 2023 year to date budget.

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 19 percent under the 2023 year to date budget. Expenses in the Police Capital Fund are 60 percent under the 2023 year to date budget. This is primarily due to the timing of the Police Headquarters remodel project.

Learn more about public safety financial performance, and view the detailed financial schedules as of September 30th, 2023 in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
September 30, 2023



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 82 percent under the 2023 year to date budget due to the timing of construction for Plum Creek North as well as the design for the new potential Sports Development Center. The Conservation Trust Fund, supported by state lottery proceeds, is 4 percent over the year to date budget due to timing of multiple park improvements (Butterfield Park and Mitchell Gulch Park) that are planned throughout town.

In 2021 Castle Rock citizens approved a new Lodging Tax for 2022. Lodging Tax expenses are currently 49 percent under the 2023 year to date budget due to timing of various projects such as Paintbrush Park Field Improvements as well as the timing of hiring for a new position.

Parks operations

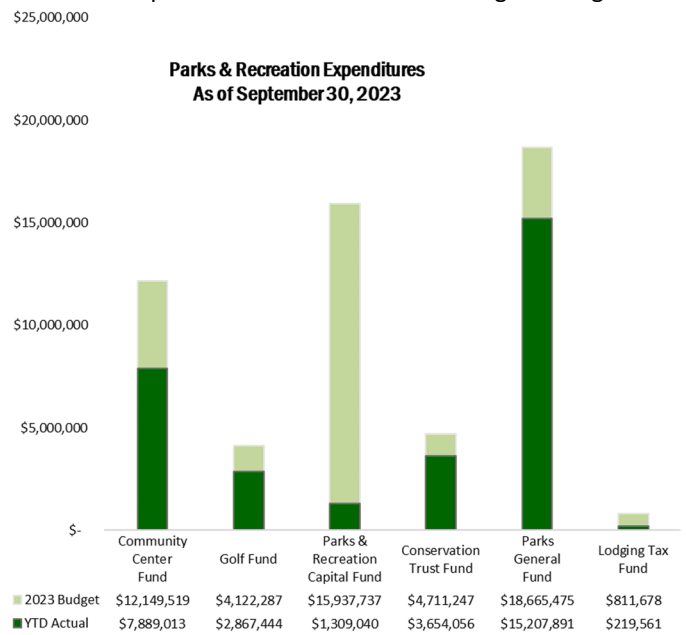
The General Fund includes ongoing parks maintenance and operations. Parks General Fund through the third quarter is on track with the year to date budget.

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 261,621, an increase of 14 percent compared to 2022, while MAC visits totaled 157,965, an increase of 6 percent from third quarter of 2022. Current expenditures are 12 percent under the year to date budget while revenues are 3 percent over the year to date budget.

Golf

The Golf Fund is an enterprise fund that does not receive tax revenue. Through the third quarter of 2023, expenditures are 2 percent over the year to date budget while revenue is 12 percent over the year to date budget. Through the third quarter, 47,874 rounds of golf were played which is an increase of 13 percent from third quarter of 2022. Staff will continue to monitor activity and may present a budget amendment to account for the increase in activity.



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 155 percent over the year to date budget mainly due to higher than anticipated Commercial Use Tax. Expenditures are 11 percent under the year to date budget.

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 19 percent over year to date budget due to receipt of general improvement district tax as well as an increase in property valuation in the Downtown area. Expenditures are 16 percent under budget mainly due to receipt of 2022 payments in 2023 for Riverwalk and Encore-Parking DDA obligations. 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

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 drone 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 108 percent over the year to date budget and expenditures are 115 percent over the year to date budget. Due to higher attendance at town events, there will be a budget amendment to increase both revenue and expenditures accordingly in Philip S. Miller Trust. 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

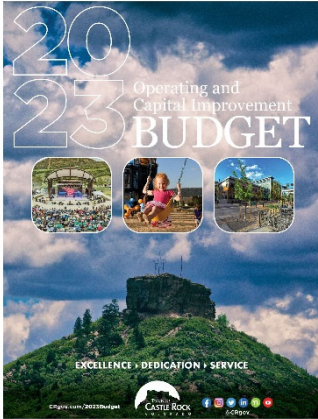
An important part of ongoing Town management consists of supporting Town facilities and employees. As the Town grows, the need for facility space grows. The Municipal Facilities Capital Fund (*Attachment A – Schedule V*) uses impact fee revenue received from new development to support facility growth. Revenues are 46 percent under year to date budget through the third quarter of 2023 and expenses are 2 percent under with the year to date budget. The General Long-Term Planning Fund (*Attachment A – Schedule W*) supports general Town facility and asset replacement. Revenue in the fund is 16 percent under year to date budget through the third quarter due to lower than expected use tax. Expenditures are 45 percent under year to date budget due to timing for capital projects and less than anticipated projects such as ADA repairs, parking lot replacements, and emergency medical services equipment.

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 6 percent under the year to date budget and expenditures are 16 percent under year to date budget due to claims activity. *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 expenses

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 2023 Budget was

adopted by Town Council on December 6, 2022 and can be found at crgov.com/3186/2023-Budget.

Total Townwide investment earnings through the third quarter of 2023 are at a gain of \$2,467,562 with \$2,391,556 in Townwide interest and \$76,006 in market change gain due to the change in the fair market value of the Town’s securities. 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.

Transparency

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 2022, the Town had a TABOR surplus of \$10,223,791. Any surplus funds will be used for public safety and roads over the next few years.

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

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.

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