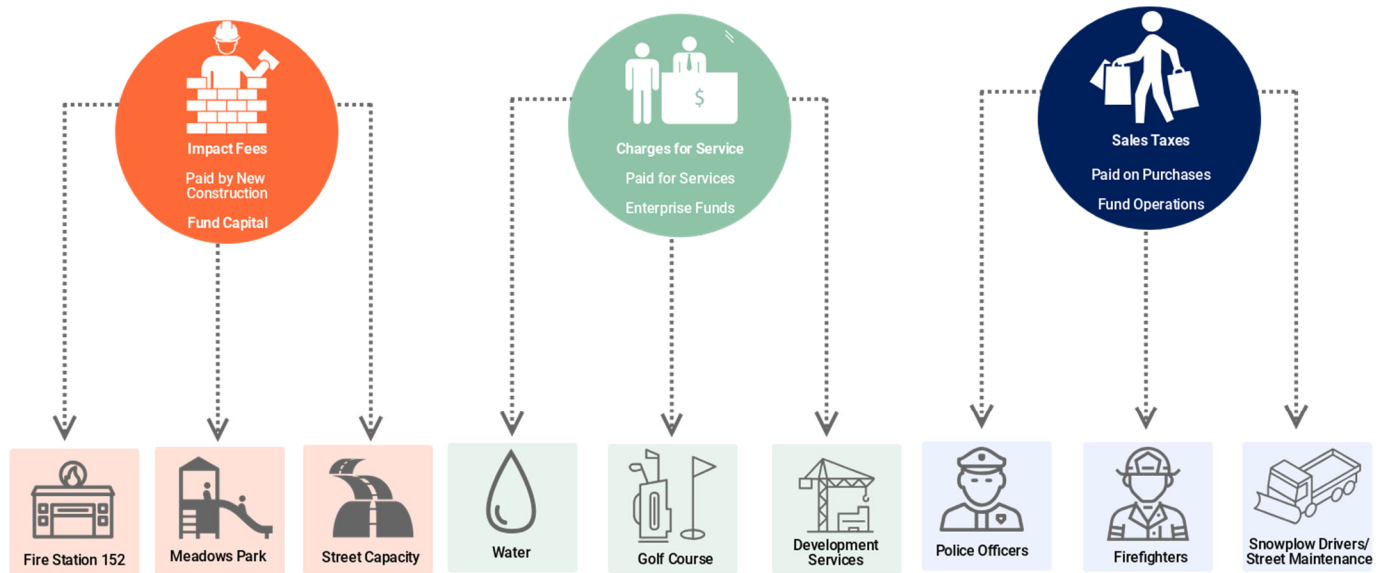


Financial Reporting

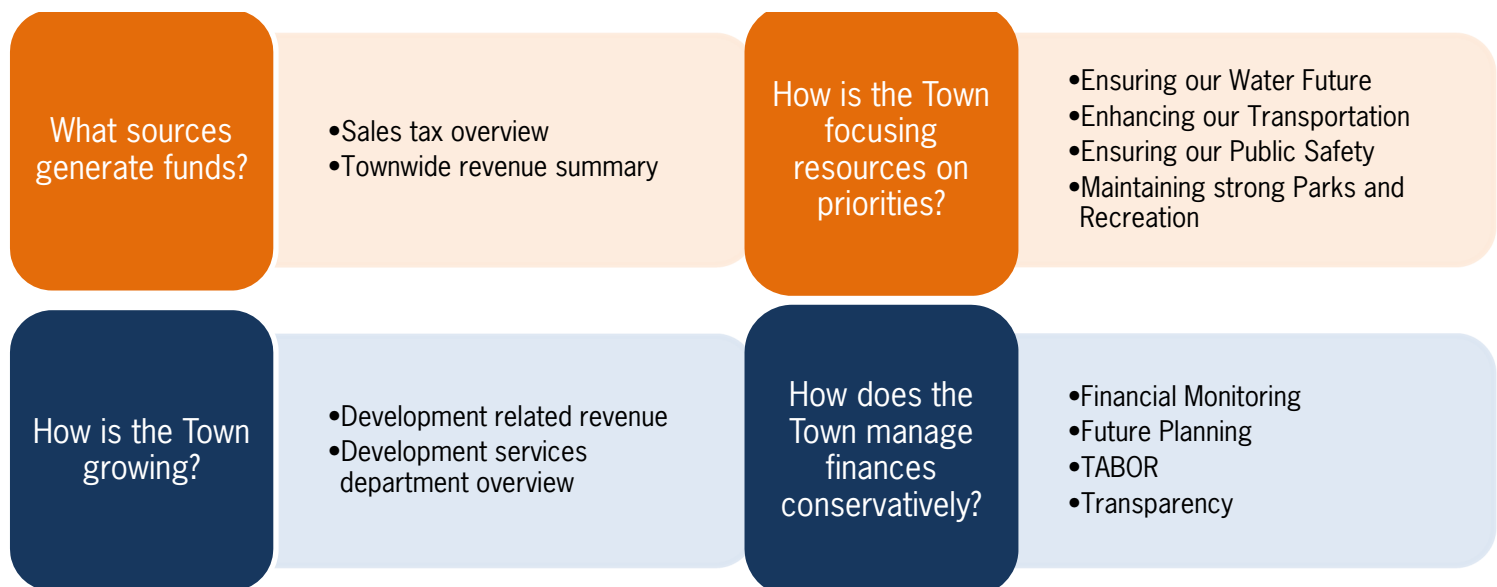
Town of Castle Rock financial management and reporting involves numerous complexities and requires the effort of Townwide departments and staff. This 2020 First Quarter Financial Review includes fund balance, revenue, expenditure, and reserve information by fund as well as on a Townwide perspective. The Town's budget includes 23 different funds with a variety of revenue sources, of which, some 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:



* 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 March 31, 2020 categorized as shown below, 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. Year to date budget information in this report has been adjusted to reflect the seasonal nature of Town funds.



What sources generate funds?

Sales and property tax

- Town collected sales tax reported from taxable entities through March was 4.1 percent greater than 2019. However, decreased sales tax revenue is anticipated in the second quarter due to current economic conditions. More 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 Outlet Mall, making up 48 percent of sales tax collections
- There were 5,107 active business licenses at the end of the first quarter, 43 percent of which are located in Castle Rock
- Property tax collections for 2020 reflect a mill levy assessment of 1.196, slightly less than 2019 and in accordance with a growth limitation of 5.5 percent in property tax revenue from the prior year as required by Town Charter

2016 - 2020 Sales v. Property Tax Collections
Period Ending March 31



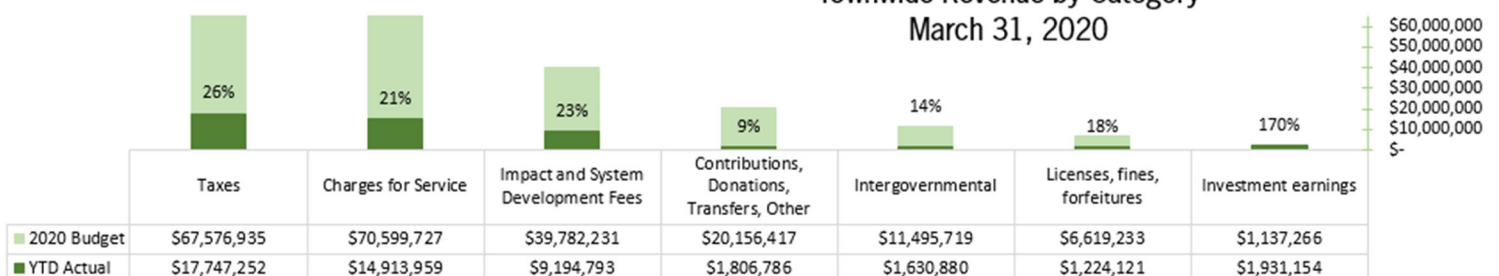
More detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up 31 percent of the Townwide budget, with Town collected sales tax making 74 percent of the total tax revenue. However, several other revenue sources, such as water fees, support Town services. Through March 31st, Townwide revenues are over the seasonally adjusted budget by 7 percent.

The information below identifies types of revenue received by the Town, and the percentage of the annual budget for each category.

Townwide Revenue by Category
March 31, 2020

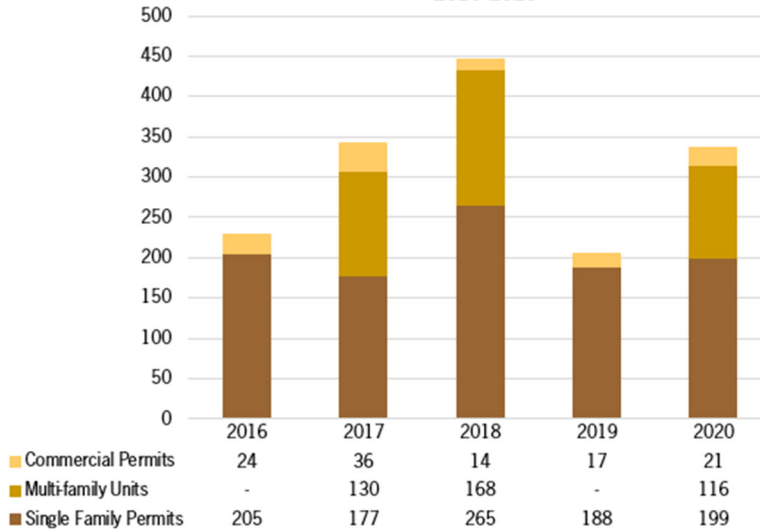


How is the Town growing?



The 2020 Budget for development-related revenue was based on 700 single family permits and 128 multi-family units. Actual development revenue received by fund varies based on size, type, value, and water needs of the specific project. 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, building use tax and (water) tap fees.

**First Quarter Building Permit Issuance
2016-2020**



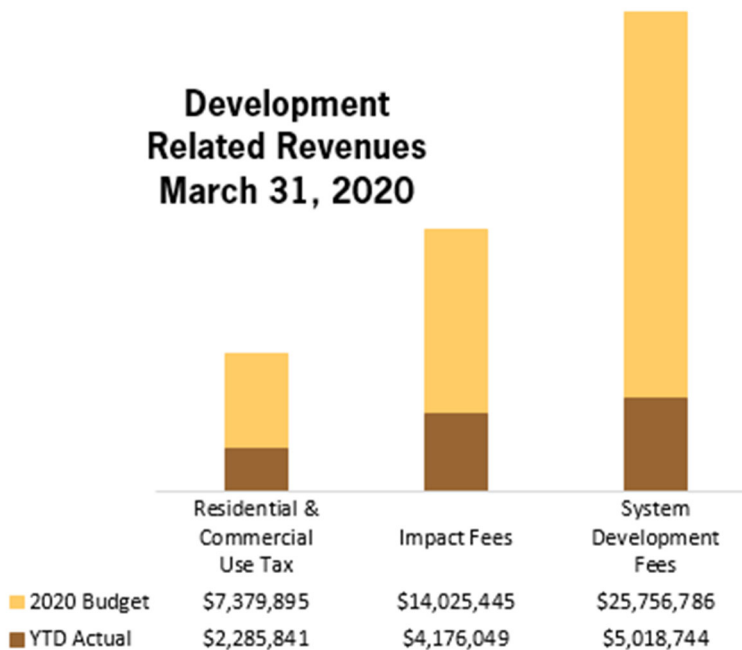
Permitting for 199 single family homes, 116 multi-family units and 21 commercial projects were issued in the first quarter of 2020. The chart to the left compares this information with previous years.

Revenues earned from development in Castle Rock are used to help fund growth related projects across the Town.

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.

**Development
Related Revenues
March 31, 2020**



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the preliminary actual revenue received through March 31st for these fees. In total, year to date revenues growth revenues are about 13 percent over the adjusted year to date budget.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund, which is about 21 percent under the year to date budget. The Development Services Enterprise Fund is about 25 percent over the revenue budget due higher than anticipated Charges for

Service. Expenditures are about 22 percent under the first quarter budget primarily due to personnel vacancies.

Development Services Enterprise Fund Expenses

YTD Actual
\$1,403,273

2020 Budget
\$6,749,275

How did the Town focus resources on priorities in 2020?



Ensuring our water future

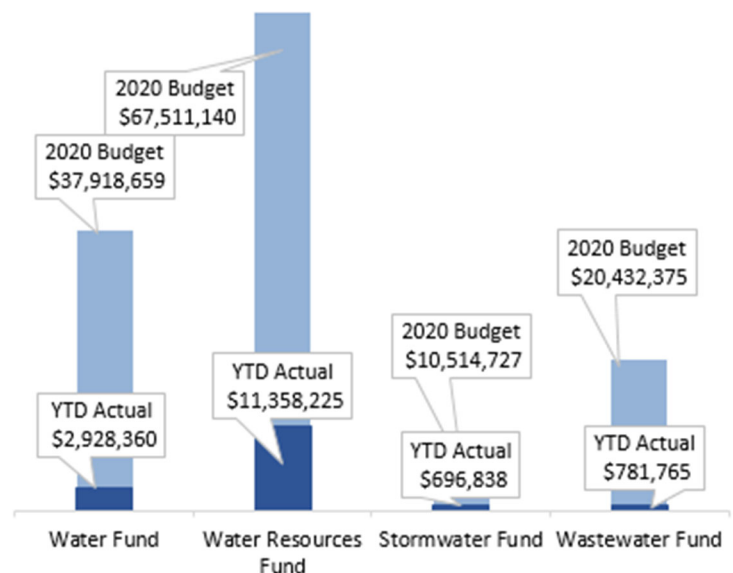
Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users alike support these funds. Revenues in these funds tend to be seasonal and are highly variable based on temperature and precipitation levels throughout the year. Expenditures in these funds include operational costs and significant capital projects to accommodate needs in our growing community. Capital expenditures make up 64 percent of the total Castle Rock Water annual expenditure budget. Capital expenditures are trending under budget due to the timing of the projects, with most expected to take place later in the year.

Significant Castle Rock Water projects planned for 2020 include:

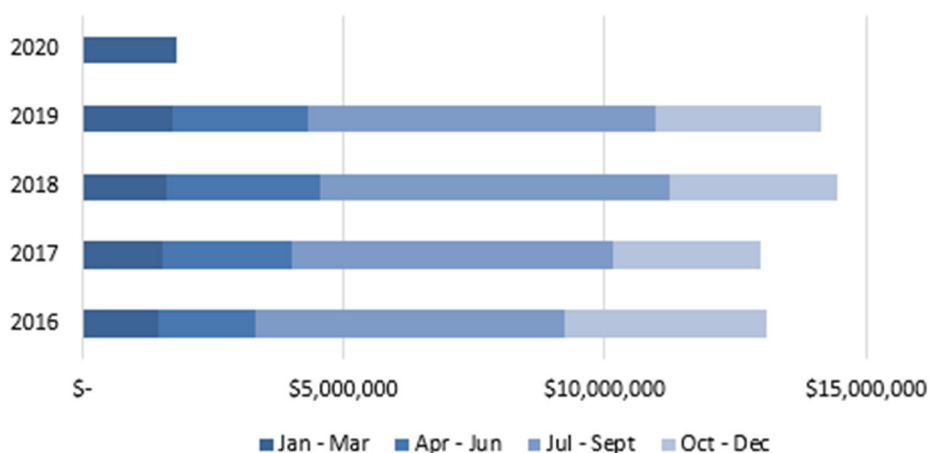
- Capital buy in for the Plum Creek Water Reclamation Authority (PCWRA)
- Upgrades for the Newlin Gulch Pipeline
- Liberty Village water tank
- Craig and Gould infrastructure improvements
- Construction of infrastructure to move water from the Peter Binney Water Facility.

Total revenues for Castle Rock Water Funds combined are currently about 2 percent over year to date budget for 2020 related to System Development Fees and variations in tap size and type of development. Operating expenditures are currently running 54 percent under year to date budget, due to the timing of projects. In its entirety, the four Castle Rock Water Funds are under year to date budget for 2020 by 24 percent.

Castle Rock Water Funds Expenditures as of March 31, 2020



2016-2020 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 services, with budgeted expenditures in the Transportation (generally 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 as appropriate and available. Transportation expenditures tend to be seasonal, related to construction seasons, for both maintenance and new construction. The timing and number of weather events affects snow-plowing operations and the timing of capital projects.

Through the first quarter, total expenditures in the Transportation Fund were 28 percent under the seasonally adjusted budget. Expenditures related to the annual pavement maintenance program will likely occur in the second and third quarters. A portion of the Pavement Maintenance Program has been deferred to 2021 due to economic conditions. The Transportation Capital Fund is approximately 159 percent over the seasonally adjusted first quarter expenditure budget. This is primarily due to Plum Creek Parkway widening work that has been occurring through the winter. Capital projects typically don't begin until spring

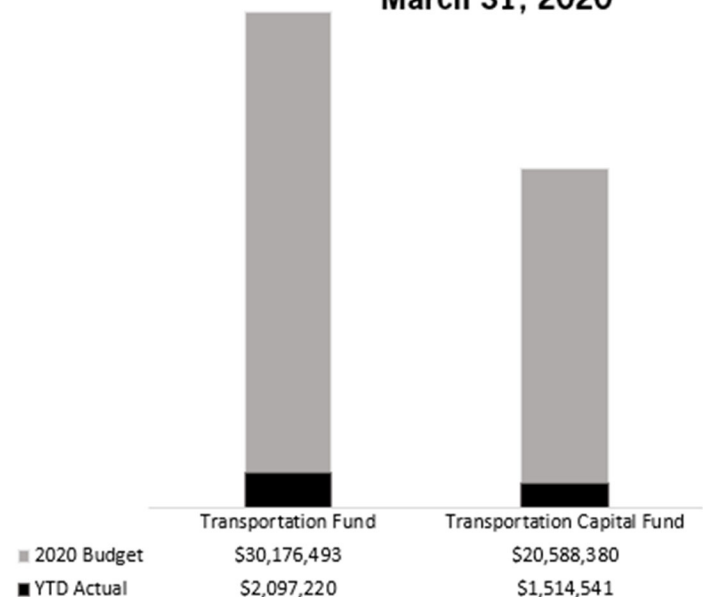
Significant projects in 2020 include:

- Construction of widening on Plum Creek Parkway and a roundabout at Plum Creek Parkway and Gilbert Street
- Ongoing right of way acquisition and design of an interchange at Crystal Valley Parkway and Interstate 25
- Design of improvements at the intersection of Highway 86/Founders Parkway/5th street/Ridge Road
- Design of widening on Ridge Road
- Construction of a roundabout at Wilcox and South Streets

Transportation Fund revenues include sales tax, Highway User Tax Fund (HUTF), residential use tax, and other resources. Total Transportation Fund revenues are about 15 percent over the first quarter revenue budget. Transportation Capital Fund revenue, including impact fees for one-time capital, are about 45 percent over the year to date budget due to significant multi-family permits issued in the first quarter

See schedules G and H in Attachment A for more detailed financial information for transportation.

**Transportation Expenditures
March 31, 2020**



Did you know ...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 390 vehicles and pieces of equipment. Staff evaluates and monitors vehicles to determine optimal replacement schedules. In 2020, a total of 4 new vehicles and 28 replacement vehicles were planned to be purchased and placed into service. However, some of these have been deferred one year due to economic conditions. 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 through the first quarter are about 39 percent under the year to date budget due to the timing of vehicle purchase expenditures. Revenue in the Fleet Fund is about 6 percent over the year to date budget due to increased vehicle repair and maintenance revenue.

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. Growth-related capital expenses are included in the Police and Fire Capital Funds while Police Forfeiture funding is used for special projects only when revenue is received. Charts on this page represent the public safety operations based on 2020 first quarter financial information. Various items including training, supply purchases, and equipment replacement within the 2020 Budget in these areas have been identified as savings or deferrals due to current economic conditions.



Public safety operations

Fire Department items planned within the 2020 Budget include:

- Funding for a consulting costs related to a dedicated department medical director
- Additional personal protective equipment
- Replacement of ballistic personal protective equipment

General Fund Fire and Rescue expenditures are approximately 18 percent under the first quarter budget due to the timing of various software maintenance and training costs.

Castle Rock Police Department 2020 Budget includes funding for three new positions including:

- Two Patrol Officers
- School Resource Officer

Operating costs for the Police Department in the General Fund are about 15 percent under the year to date budget due to the timing of software purchases.

Capital funds

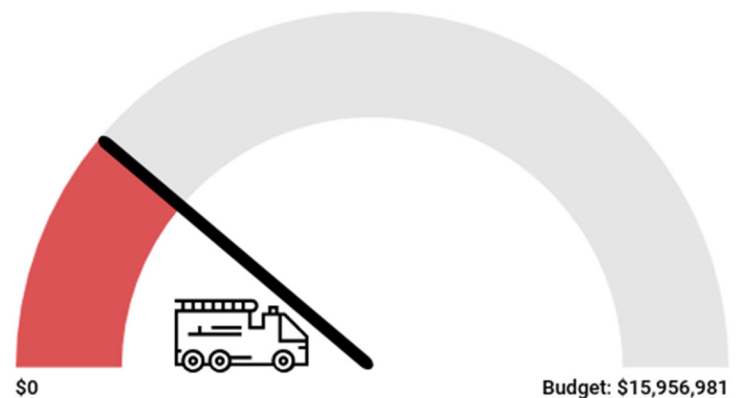
Capital expenditures related to growth for public safety are funded through the Fire Capital and Police Capital Funds. Impact fee revenue received from new development in Castle Rock funds these projects and is 39 percent over the year to date budget. The Fire Capital Fund is about 49 percent under the first quarter budget due to the timing of work at Station 152. The Police Capital Fund has utilized all of the adjusted year to date expenditure budget which currently only includes interest on interfund loans.

A large portion of expenditures in both the Police Capital and Fire Capital Funds in 2020 are primarily related to ongoing interfund loan payments. Additionally, Police is purchasing two additional patrol vehicles for 2020 to accommodate the additional approved positions.

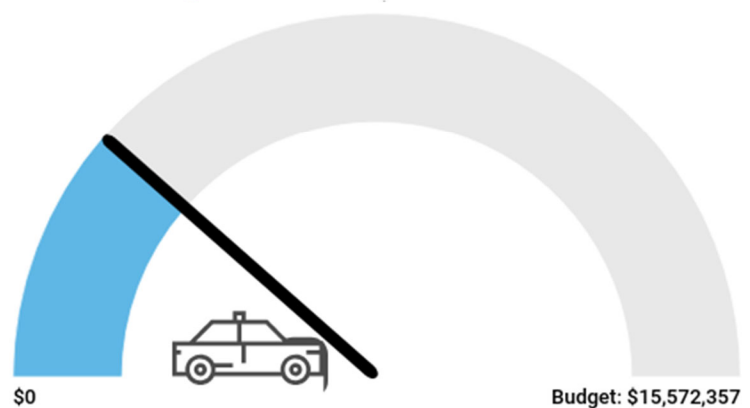
The Police Department occasionally receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. There are no budgeted expenditures in 2020.

Learn more about public safety financial performance, and view the detailed financial schedules as of March 31, 2020 in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
March 31, 2020



● Fire & Rescue: \$3,561,848 YTD Actual



● Police: \$3,571,823 YTD Actual



Maintaining strong parks and recreation

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

Detailed financial information for Parks and Recreation can be found in Attachment A – Schedules A, M – P, S, and T.

Parks operations

The General Fund includes ongoing parks maintenance and operations. Currently the Parks General Fund is about 7 percent under year to date budget, due to the timing of the annual trail improvements. Savings including supplies, training, and the deferred hiring of seasonal positions have been identified in this area due to current economic conditions.

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 is currently about 88 percent under budgeted expenditures through March. The Conservation Trust Fund, supported by state lottery proceeds, is about 44 percent under the year to date expenditure budget, due to timing of the use of shareback funds for park improvements in 2020.

Recreation

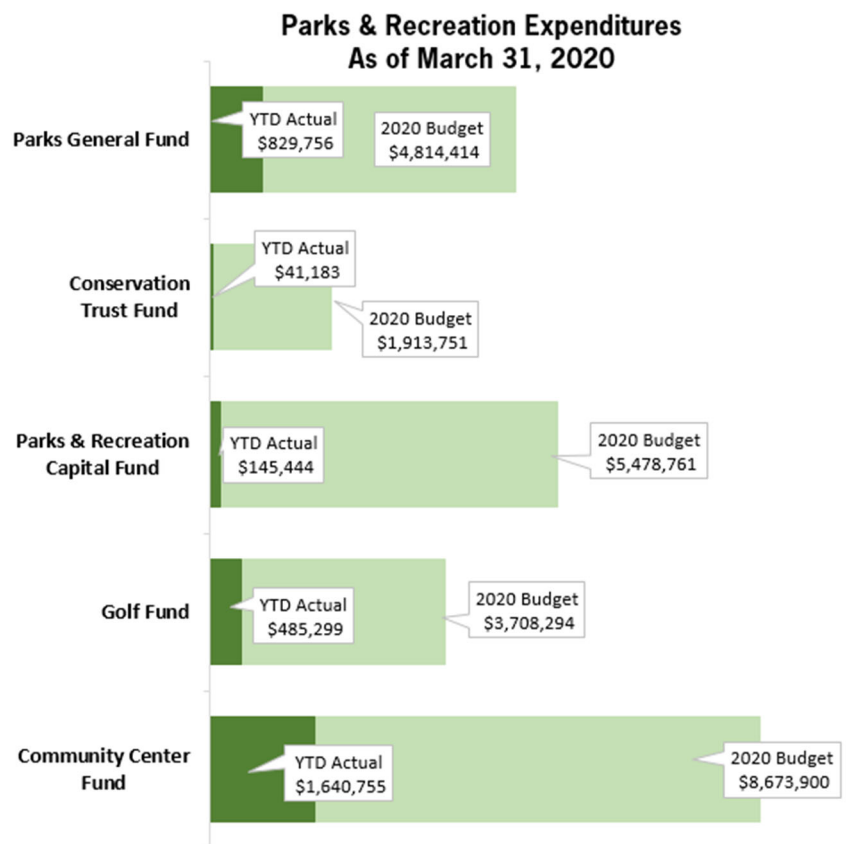
The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center for the first quarter of 2020 total 51,213, a decrease of 32 percent compared to 2019, while MAC visits total 15,797, or a 45 percent decrease from 2019. Decreases are due to closure related to COVID-19 beginning in late March.

Current expenditures are 15 percent under the first quarter budget. Planned facility improvements in 2020 include replacing a PDU (Pool Dehumidification Unit). Due to closures of recreation facilities, revenue shortfalls are expected in the Community Center Fund. Revenues in this fund are being monitored closely and potential budget reductions and project deferrals will be made as necessary.

Golf

The Golf Fund is an enterprise fund and expenditures are about 18 percent under year to date budget for 2020. For the first quarter of 2020, there were 1,602 rounds played, which is 17 percent under year to date budget of rounds played. The Golf Course may experience revenue shortfalls due to COVID-19.

Revenue is being monitored and potential budget reduction and deferrals will be identified as necessary.



Other Town funds and initiatives

In addition to the specific priorities shown previously, the Town manages 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 uses the Economic Development Fund, supported by commercial building use tax to focus on priorities of creating primary employment jobs, expanding the tax base, and maintaining an outstanding business climate. This fund is about 38 percent under the first quarter expenditure budget, due to the timing of economic incentive payments and other yet to be identified initiatives. The Economic Development Fund will be absorbing some service contract costs from the General Fund due to current economic conditions. In addition, tax-increment funds from Downtown Castle Rock fund the Downtown Development Authority Tax Increment Financing (DDA TIF) Fund are used to support improvements Downtown. The DDA TIF Fund is about 100 percent under the first quarter budget due to the timing of downtown project expenditures. Initiatives funded by these areas include:

Economic Development Fund (Attachment A – Schedule Q):

- Arapahoe Community College Collaboration Campus
- Murdoch's incentive agreement
- Solaray Pugs and Dorsey Pictures employment incentive agreement
- Small business assistance funding

DDA TIF Fund (Attachment A – Schedule R):

- Planning for downtown parking structure incentives

Community character



Funding from the Philip S. Miller Trust, received into the Philip S. Miller Trust (Attachment A - Schedule S) 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 fireworks displays at Independence Day and Starlighting events, and fund service contracts with the Castle Rock Museum and Senior Center. Expenses in the Philip S. Miller Trust are about 47 percent under the year to date budget for 2020. Special events are currently on hold and economic conditions will be monitored to determine which events may be held in the future. 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 when appropriate. No expenditures have occurred during the first quarter of 2020.



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 uses impact fee revenue received from new development to support facility growth. No expenditures have occurred during the first quarter of 2020. The General Long Term Planning Fund supports facility and asset maintenance. The fund is about 45 percent under budgeted expenditures through March due to timing of multiple Fire, Police, Facilities, and IT related projects.

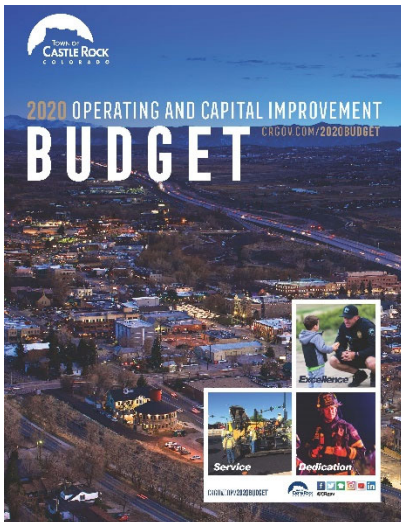
Find detailed financial information about the Municipal Facilities Capital Fund in Attachment A – Schedule V and about the General Long Term Planning Fund in Attachment A – Schedule W.

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 more than 500 benefited employees. The fund is currently running at year to date budget. *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
- Future budgeting and long-term planning
- Taxpayer Bill of Rights (TABOR) assessment
- Financial transparency



Financial monitoring

In addition to quarterly reporting, Finance Department staff:

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

Future planning and investments

Long-term financial planning is incorporated into Town decision-making and 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 2020 Budget was adopted on September 17, 2019, and is available at

CRgov.com/2020Budget. Planning for the 2021 Budget is underway and will include a

five-year balanced financial plan along with the five-year capital improvement program. This information is planned to be presented to Town Council in August and September.

The Town's investment earnings during the first quarter of 2020 are \$727 thousand with the Town's investment balance totaling \$180 million as of March 31st. The majority of Town funds is reserved for specific purposes including operating reserves, catastrophic event reserves, future project funding, and others. The majority of investments reside in Local Government Investment Pools (27 percent) and U.S. Agencies (26 percent). Information about the Town's investments can be found in Attachment C.

TABOR

Revenue collections are monitored throughout the year and compared with TABOR revenue limits. In 2016, Town Council directed staff to manage revenues to stay within the limit to the extent possible. Based on preliminary 2019 information, the Town does not anticipate a TABOR surplus for the year. Final TABOR calculations are based on actual revenues and will be performed after completion of the Town's annual audit.

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
- Financial reporting
- Check and vendor listings
- Pay table information
- Unclaimed property
- Stale-dated checks

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

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.

How is the Town responding to current economic conditions related to COVID-19?

The Town is anticipating a significant impact in revenue collections this year due to closures of businesses and reduced consumer spending. Staff are monitoring the current situation and working to quantify the amount of lost revenue and identifying potential budget reductions and deferrals.



Revenue impact

Multiple revenue sources are expected to be less than previously planned in 2020 due to current economic conditions. These revenues include Sales Tax, Charges for Service, and other taxes. Current estimates indicate that Sales Tax may decrease 15 to 20 percent in 2020. Other consumer driven taxes such as Motor Vehicle Tax may also experience decreases. Due to the timing of significant closures during the months of April and May, the impact of these decreases may not be fully realized until the second or third quarters of 2020.

Other revenues expected to be lower than planned include Charges for Service. Charges for Service revenue includes admissions and programs at the

Recreation Center and Miller Activity Complex, in addition to greens fees at Red Hawk Ridge Golf Course. These facilities have experienced or are continuing to experience closures that will result in significant losses in revenue.

Budget reductions, project deferrals, and loan repayment

In order to proactively prepare for anticipated revenue shortfalls, staff has identified various items for budget reductions and deferral. The reductions and deferrals have been identified in multiple funds, including the General Fund, Transportation Fund, General Long Term Planning Fund, and the Community Center Fund. Examples of these items include:

- Holding vacant positions open
- Deferring travel, training, equipment replacement, and fleet replacement expenditures
- Including additional interfund loan payments from capital funds to the General Fund
- Deferral of Pavement Maintenance Program slurry seal work
- Cancellation of concerts and events and closure of outdoor pools

Assistance programs

During these trying times the Town understands that businesses and citizens alike are experiencing hardships and lost income as well. In order to assist with business and economic recovery, Town Council has approved several economic assistance programs including:

- Small business grants for local businesses
- Small business loans funded from Economic Development funds
- Water billing assistance

