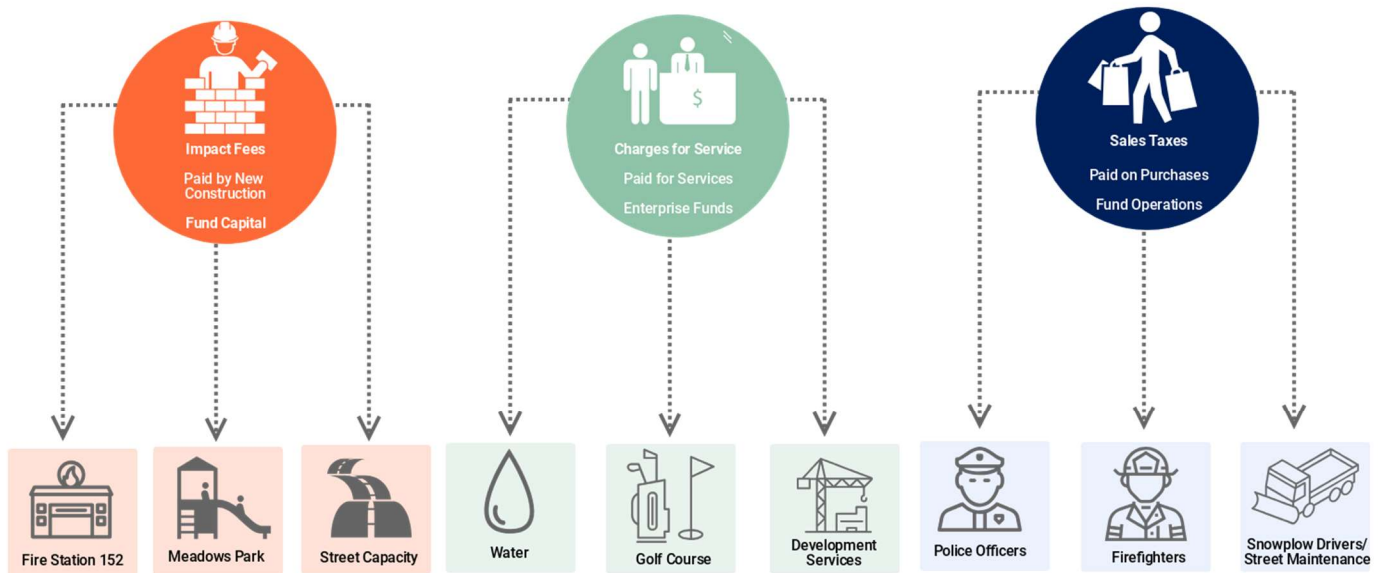


Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires Townwide effort of departments and staff. This 2020 Third 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 24 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 September 30, 2020 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. Year-to-date budget information in this report has been adjusted to reflect the seasonality.

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

- Town collected sales tax reported from taxable entities through September was 5.6 percent greater than 2019. This includes the collection of about \$1.6 million in audit revenue. Information related to historical, geographical, and industry sales tax collections can be found in Attachment B
- Yearend sales tax collections are currently projected to exceed 2019 collections by 3 percent
- The top three geographic areas for sales tax were Milestone/Metzler, Promenade, and Out of State, making up over 50 percent of sales tax collections. The top three industries for sales tax remittance in 2020 include food and general merchandise, miscellaneous retail, and apparel and accessories
- There were 5,006 active business licenses at the end of the third quarter, 41 percent of which are located in Castle Rock
- Property tax collections for 2020 reflect a mill levy assessment of 1.196, which, in accordance with the Town's revenue growth limitation of 5.5 percent in property tax revenue, is less than the 2019 rate of 1.330



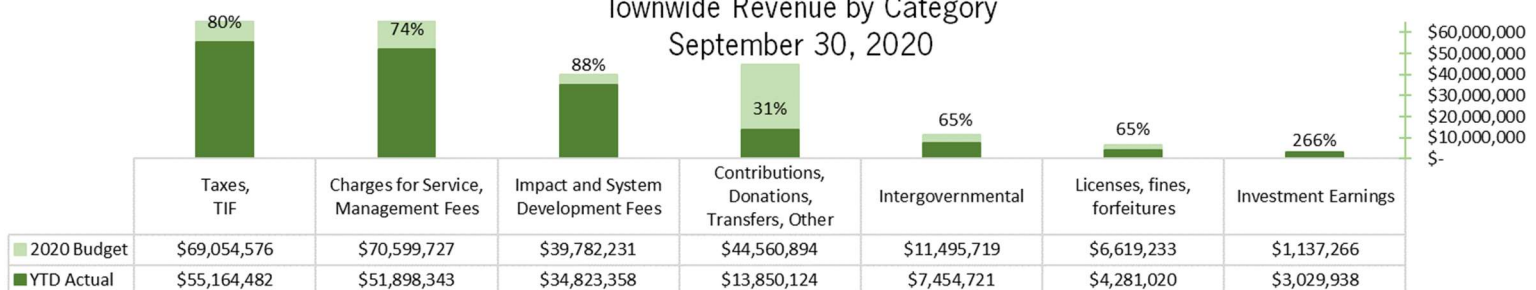
Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up 28 percent of the Townwide 2020 budget, with Town collected sales tax making 76 percent of the total tax revenue. Several other revenue sources, such as charges for services (fees) and licenses and permits, support Town services. Through September 30, Townwide revenues are over the seasonally adjusted budget by about 8 percent and projected to be 4 percent over at yearend. Through the third quarter, nearly \$500K in CARES Act reimbursement funds that have been received by the Town with at least \$1.0 million more expected in the fourth quarter. As expected the COVID-19 pandemic has largely impacted charges for services in many Town recreation areas and are 1 percent over budget year-to-date due to seasonality and expected to be 5 percent under budget at yearend.

The information below identifies types of revenue received by the Town, and the percentage of the annual

Townwide Revenue by Category September 30, 2020

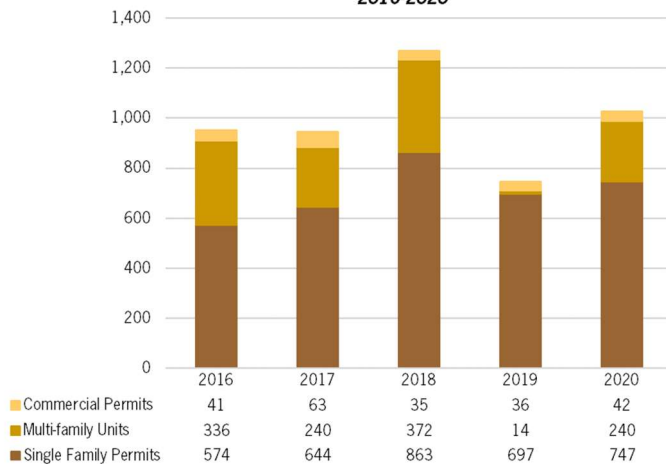


How is the Town growing?



The 2020 Budget for development-related revenue was based on 700 single family permits, 118 multi-family units, and square footage estimates for about 20 commercial projects. 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, system development fees, building use tax and (water) tap fees.

Through Third Quarter Building Permit Issuance 2016-2020



Permitting has exceeded expectations with 747 single family permits, 240 multi-family permits, and 42 commercial projects permits issued through September 30. Through three quarters 90 percent of development related revenue has been collected.

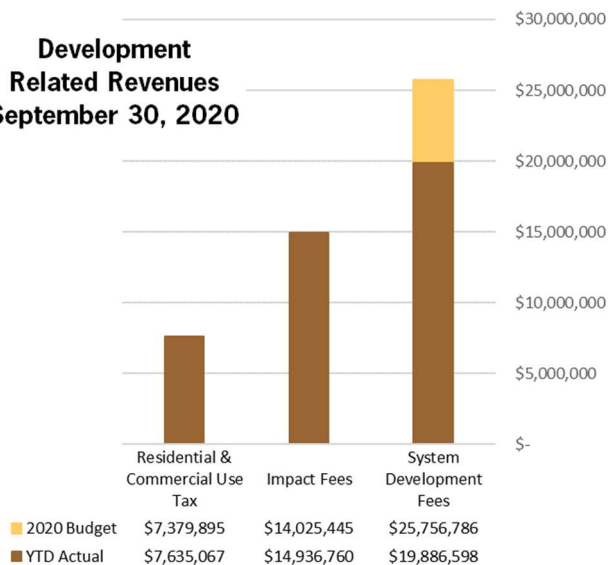
Revenues earned from development in Castle Rock are generally used to help fund growth related projects across the Town.

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.

Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received through September 30 for these fees.

Development Related Revenues September 30, 2020



The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund and General Fund expenses are 2 percent over the year-to-date budget and expected to be 17 percent under budget at yearend. The Development Services Enterprise Fund is at revenue budget. Enterprise expenditures are about 11 percent under the third quarter budget. Both revenue is expected to be at budget and expenditures 4 percent under budget at yearend.

Development Services Enterprise Fund Expenses

YTD Actual	2020 Budget
\$4,642,984	\$7,100,327

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 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 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 65 percent of the total Castle Rock Water annual expenditure budget. Funding for ongoing capital projects is expected to be carried forward into 2021. This amount will be determined in the fourth quarter.

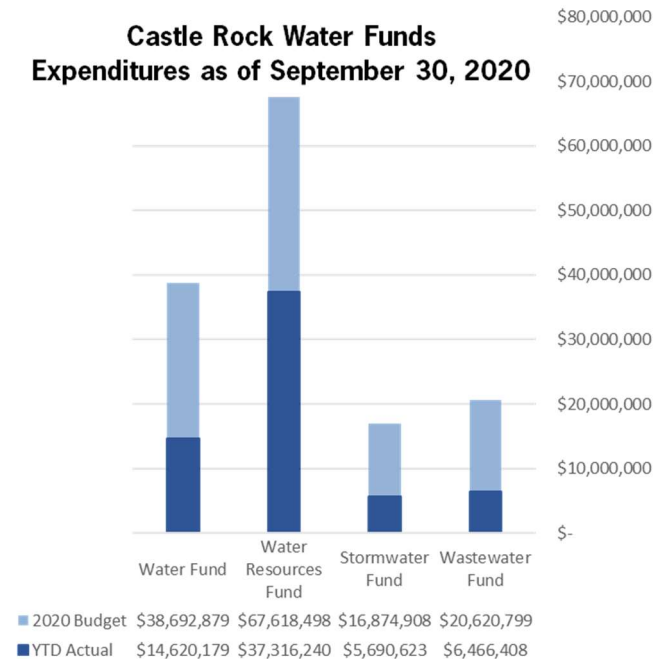
Significant ongoing Castle Rock Water projects in 2020 include:

- Work on a new water supply well and other well re-drills
- Castle Rock's contribution to the Plum Creek Water Reclamation Authority expansion
- Ongoing renewable water initiatives as part of WISE (Water Infrastructure and Supply Efficiency)
- Continued work on the Plum Creek Diversion Structure Pump Station and Pipeline and the Advanced Oxidation Facility
- Work bringing fully consumable water from the South Platte River within the Alternative Source of Supply project
- Continued drainage and stabilization work in various parts of the town

Total revenues for Castle Rock Water Funds combined are projected at budget. Metered water sales, bulk water sales, and water service charges are currently trending over budget and well above sales over the previous four years due to dry weather and community growth.

Operating expenditures are projected 18 percent under budget primarily due to the timing of capital projects and less than anticipated use of the COVID-19 assistance program and grant spending. Total expenses in the four Castle Rock Water Funds are under budget through September by 32 percent, primarily due to the timing of capital projects, such as, the Advanced Oxidation Facility and WISE projects.

**Castle Rock Water Funds
Expenditures as of September 30, 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 when appropriate and funds are available. Transportation expenditures tend to be seasonal, related to construction seasons, for both maintenance and new construction.

Through the third quarter, total expenditures in the Transportation Fund were about 26 percent under the seasonally adjusted budget and is expected to be 27 percent under budget at yearend due to COVID-19 related reductions and project deferrals and the timing of capital projects. The Transportation Capital Fund is approximately 78 percent under the seasonally adjusted budget through September, primarily due to the timing of expenses for the Plum Creek Parkway widening project. Capital funding for ongoing projects will be carried forward into 2021 and these amounts will be determined in the fourth quarter.

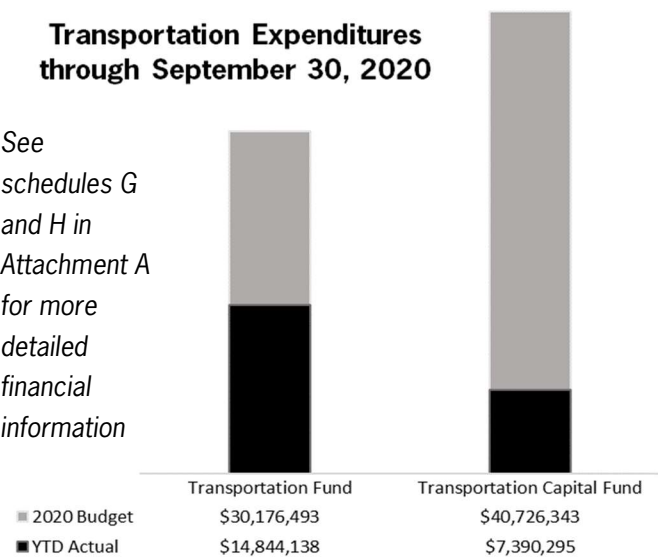
Significant ongoing projects in 2020 include:

- Widening on Plum Creek Parkway and a roundabout at Plum Creek Parkway and Gilbert Street
- Ongoing right of way acquisition for 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 expenses for widening on Ridge Road
- Design of a roundabout at Wilcox and South Streets

Transportation Fund revenues include sales tax, Highway User Tax Fund, residential use tax, and other resources. Total Transportation Fund revenues are about 11 percent over the third quarter revenue budget. Transportation Capital Fund revenue, including impact fees for one-time capital, are about 38 percent over the year-to-date budget due to residential building use tax revenue and investment earnings.

Transportation Expenditures through September 30, 2020

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



The Parking Fund was created in 2020 through a third quarter budget amendment to fulfill the Town's obligation to the public parking within the Encore parking garage and other future town parking projects. This fund is overseen by the Finance Department. Revenue and expenditures in this fund are not expected until the fourth quarter of 2020 and are projected to be on budget at yearend.

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 four 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 revenues are projected under budget due the deferral of all vehicle placement contributions in the General Fund and Community Center Fund to future years. Expenditures through the third quarter are about 7 percent under the year-to-date budget and expected to be 24 percent under budget at yearend due to deferred vehicle replacements.

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 public safety operations based on 2020 third quarter financial information.



Public safety operations

Fire Department items within the 2020 Budget include:

- Funding for consulting costs related to a dedicated department medical director
- Additional personal protective equipment to address the COVID-19 public health emergency

General Fund Fire and Rescue expenditures are approximately 8 percent under the third quarter budget and projected to be 7 percent under budget at yearend primarily due to COVID budget reductions and deferrals including holding vacant positions open, reduced training and uniform costs, and the deferral of computer replacements.

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

- Two Patrol Officers and one School Resource Officer
- One new K9
- New security cameras

Operating costs for the Police Department in the General Fund are about 6 percent under the year-to-date budget and projected to be 5 percent under budget at yearend due to COVID related reductions and deferrals, personnel and overtime reductions, and lower than expected supply expenditures.

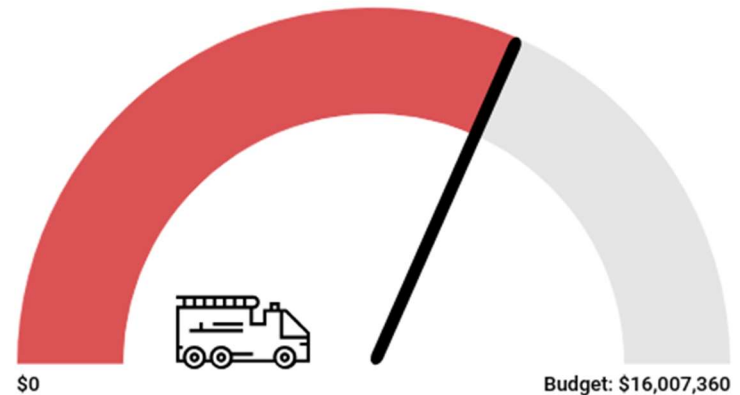
Capital funds

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. The Fire Capital Fund is about 50 percent under the third quarter budget, but projected to finish 2020 on budget due to the timing of capital equipment purchases. The Police Capital Fund is 93 percent under the year-to-date expenditure budget and will be under budget at yearend due to the deferral of the Police Department parking lot expansion project to a future year.

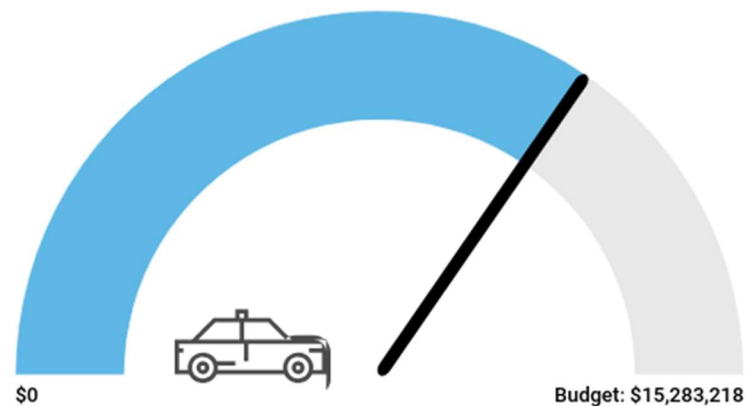
The Police Department occasionally receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. Only interest revenue has been received and no expenditures have occurred or are planned in 2020.

Learn more about public safety financial performance, and view the detailed financial schedules as of September 30, 2020 in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
September 30, 2020



● Fire & Rescue: \$10,126,037 YTD Actual



● Police: \$10,577,345 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.

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, including the design of a new neighborhood. Through the third quarter, Parks and Recreation Capital Fund is about 90 percent under budget and expected to be 63 percent under budgeted expenditures at yearend due to project timing and COVID-19 related delays. The Conservation Trust Fund, supported by state lottery proceeds, is about 50 percent under the year-to-date expenditure budget and expected to be 27 percent under budget at yearend, due to the timing of projects which coincide with the receipt of shareback funds for park improvements that are expected in the fourth quarter. Funds for these projects will be carried forward into 2021.

Parks operations

The General Fund includes ongoing parks maintenance and operations. This area is about 32 percent under budget, due to the timing of the annual trail improvements, savings within supplies, and training. The department also deferred the hiring of seasonal employees and used full time employees funded under the Community Center while it was shut down due to COVID-19.

Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center year-to-date through September total 66,422, while MAC visits total 15,797, both have seen a large decrease from 2019 due to being shut down during the Stay at Home Order issued on March 14th. Since then, the Recreation Center reopened to limited usage June 1st, and the MAC remains closed for general admission but open for summer camps.

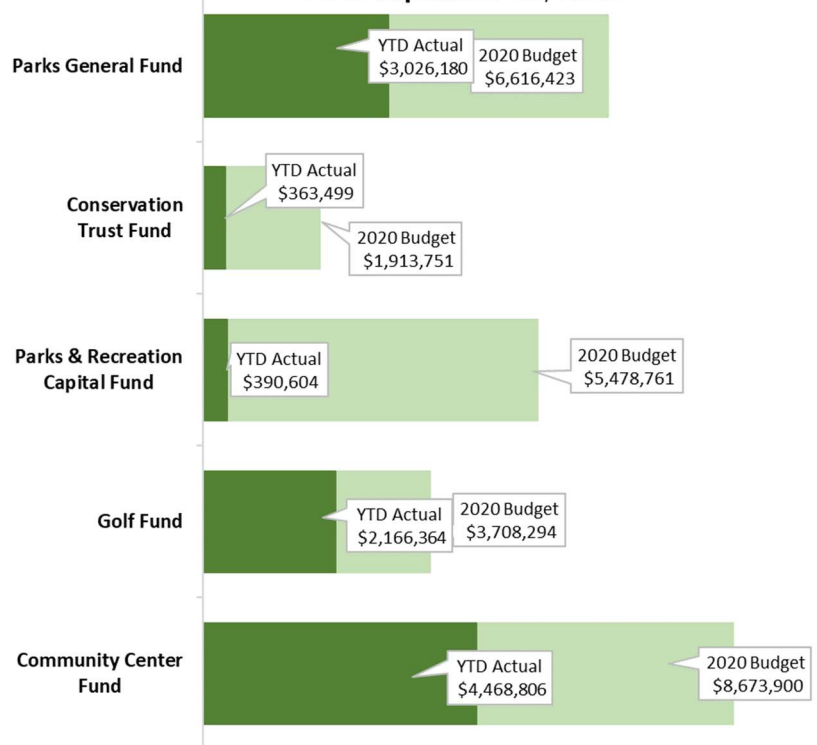
Expenditures are currently 19 percent under budget for through September and are anticipated to come in well under budget at yearend. Planned facility improvements in 2020 include:

- Pool Dehumidification Unit replacement at the Recreation Center

Golf

The Golf Fund is an enterprise fund and expenditures are about 4 percent under year-to-date budget for 2020. Through the third quarter of 2020, 36,750 rounds were played, an increase of 5 percent from 2019. Staff originally thought there may be a revenue shortfall in 2020 due to COVID-19 but the fund has recovered and revenue is currently at the 2020 budget and projected to exceed budget at yearend by 5 percent.

Parks & Recreation Expenditures As of September 30, 2020



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

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's 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 62 percent under the third quarter budget expected to be 50 percent under budget at yearend, due to the timing of economic incentive payments. 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 47 percent under the third quarter budget due to the timing of downtown project expenditures. Both of these funds are budgeted at capacity which allows for funding economic incentive and downtown improvement opportunities as they arise. Economic incentive expenditures occur periodically based on existing agreements or newly identified opportunities and downtown improvement spending is anticipated in the fourth quarter. Current initiatives funded by these areas include:

Economic Development Fund (Attachment A – Schedule Q):

- Small business assistance loan funding
- Murdoch's incentive agreement
- Interra and HEI incentive agreements

DDA TIF Fund (Attachment A – Schedule R):

- Encore/Downtown parking structure incentives
- Riverwalk 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 (weather permitting), and fund service contracts with the Castle Rock Museum and Senior Center. Expenses in the Philip S. Miller Trust are 13 percent under the year-to-date budget for 2020, due to the majority of special events and concerts not being able to proceed in 2020 due to the limitation of public gatherings. 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 and is at 56 percent under budget.

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. Expenses in Municipal Facilities are 4 percent under year-to-date budget and expected to be 53 percent under budget at yearend due to project deferrals. The General Long Term Planning Fund supports facility and asset maintenance. The fund is about 90 percent under budgeted expenditures through September due to the timing of projects in 2020 and deferral of turf, Fire bay door, and self-contained breathing apparatus replacement projects to 2021 as a result of COVID-19. *Find detailed financial information about the Municipal Facilities Capital Fund in Attachment A – Schedule U and about the General Long Term Planning Fund in Attachment A – Schedule V.*

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 13 percent under the year-to-date expenditure budget and expected to be 7 percent under budget at yearend based on claim activity. *For more financial information about this fund, see Attachment A – Schedule W.*

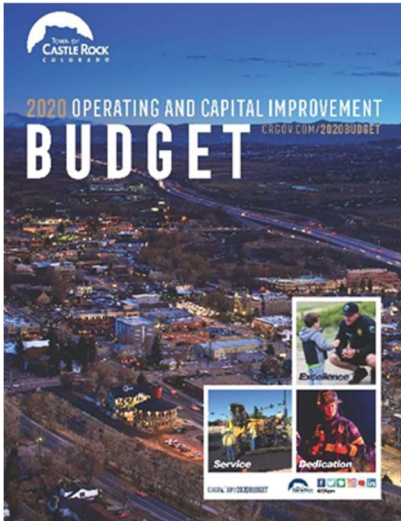


Sculpture purchased through Public Art

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
- Analyze 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 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 2021 Budget was adopted by Town Council on September 15, 2020. The 2021 Budget can be found at crgov.com/2021-Budget.

The Town's net investment earnings during the third quarter of 2020 are about \$490,000 with the Town's investment balance totaling about \$193 million as of September 30th. The majority of Town funds is reserved for specific purposes including operating reserves, catastrophic event reserves, future project funding, and others. Information about the Town's investments can be found in Attachment C. Please note that this information may vary from the fund balance information in Attachment A due to timing differences between budget and cash investment reporting.

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 audited 2019 numbers the Town did not have a 2019 TABOR surplus and does not anticipate a 2020 TABOR surplus based on current 2020 estimates. Final TABOR calculations are based on actual revenues and are 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
- Capital fund reporting (impact fee)
- Financial reporting
- Check and vendor listings
- Pay table information
- Unclaimed property
- Stale-dated checks

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

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

Through the third 2020 financial impacts and corresponding budget adjustments have not been as severe as originally projected, however financial impacts are being felt throughout the town and are expected to have lasting impacts. Town staff continue to monitor economic conditions and adjust spending and future project planning accordingly.

Revenue impact

Initially multiple revenue sources were 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. Original estimates were that Sales tax could decrease between 15 and 20 percent. However, current estimates indicate that Sales Tax will be up 3 percent from 2019 actual collections with sales tax collections 1.3 percent up through September when audit revenue is not included and 5.6 percent when audit revenue is included. Other consumer driven taxes such as Motor Vehicle Tax are expected to be flat from 2019 actuals.

Significant Charges for Service revenue impacts have occurred in 2020 due to facility closures in the spring and continued capacity restrictions as a result of COVID. Charges for services includes admissions and programs at the Recreation Center and Miller Activity Complex, in addition to greens fees at Red Hawk Ridge Golf Course.

Budget reductions, project deferrals, and loan repayment

In order to prepare for anticipated revenue shortfalls, staff identified various budget reductions and project deferrals. These were 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
- Moving costs to appropriate Enterprise or Special Revenue Funds to create General Fund savings
- Identifying department specific savings opportunities such as overtime, uniform, supplies, and services reductions
- Deferring travel, training, equipment replacement, and fleet replacement expenditures
- Identifying additional interfund loan payments from capital funds to the General Fund
- Deferral of Pavement Maintenance Program slurry seal work
- Reducing the number of concerts, special events, and limiting pool and recreation capacity by requiring reservations

Town staff identified over \$12.9 million in 2020 budget reductions and deferrals to offset expected COVID revenue reductions. Staff continues to closely monitor economic conditions and make budget adjustments as necessary including seeking Town Manager authorization to spend previously reduced or deferred spending as sufficient funding is determined to be available. Staff also continues to closely track COVID related costs and seek spending reimbursement from the CARES Act. The Town has incurred unexpected expenses in response to COVID for personal protection equipment, cleaning supplies, laptops and virtual meeting software to implement remote work guidelines, communications, and facilities upgrades to maintain social distancing and a safe working environment. Through the third quarter, about \$500K in CARES ACT reimbursement revenue has been received with at least about \$1.0 million anticipated in the fourth quarter, reimbursement dollars are anticipated in January of 2021 as deadlines for reimbursement requests continue to the end of January 2021.

Assistance programs

During these trying times the Town understands that businesses and citizens alike are experiencing hardships and have set up the following assistance programs:

- Small business grant program with additional grants approved and anticipated in the fourth quarter
- Small business loan programs (KIVA and CO Lending Source)
- Water residential and business assistance

