

TOWN OF CASTLE ROCK

# STUDY SESSION FINANCE

FEBRUARY 23, 2021



# AGENDA

**CURRENT FINANCIAL POSITION**

**2022 BUDGET PROCESS**

**FUTURE FINANCIAL PLANNING**

# OVERVIEW

## DEPARTMENT STRUCTURE

### Mission Statement

Through exceptional customer service and effective partnerships, we deliver accurate and timely financial services

### ACCOUNTING

- Accounts Payable
- Billing and Revenue Collection
- Comprehensive Annual Financial Report (CAFR)
- Debt and Investment Management
- Grants Administration
- Internal Control Evaluation
- Payroll
- Purchasing

### BUDGET

- Budget Preparation, Management and Amendments
- Financial Analysis
- Insurance Application Preparation
- TABOR Monitoring

### REVENUE

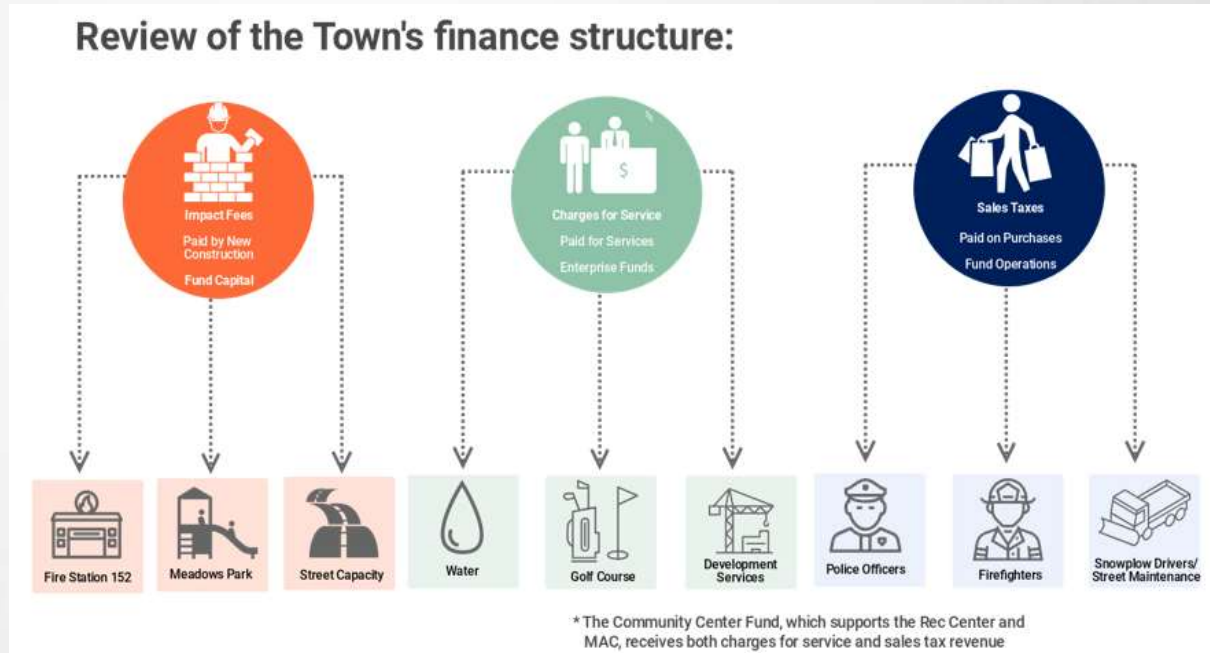
- Business Licensing
- Sales Tax Administration
- Sales Tax Auditing
- Solicitor Licensing
- Economic Development

Current FTEs: 23.25

Positions added in last 5 years: 4.25

# CURRENT FINANCIAL POSITION

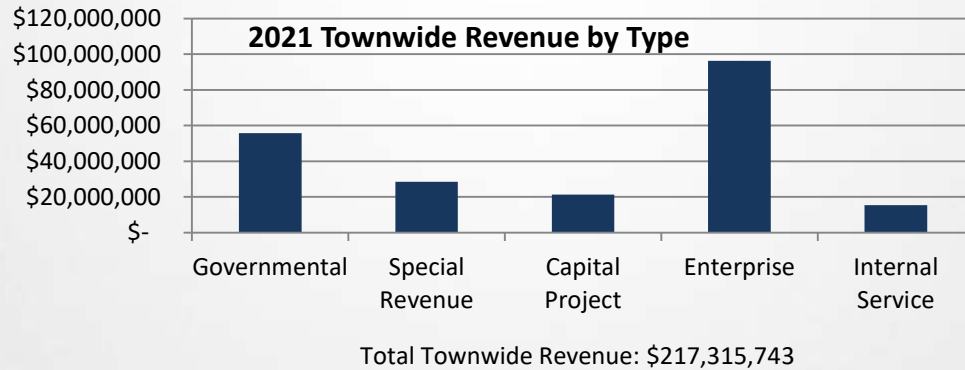
## WHAT SOURCES GENERATE FUNDS?



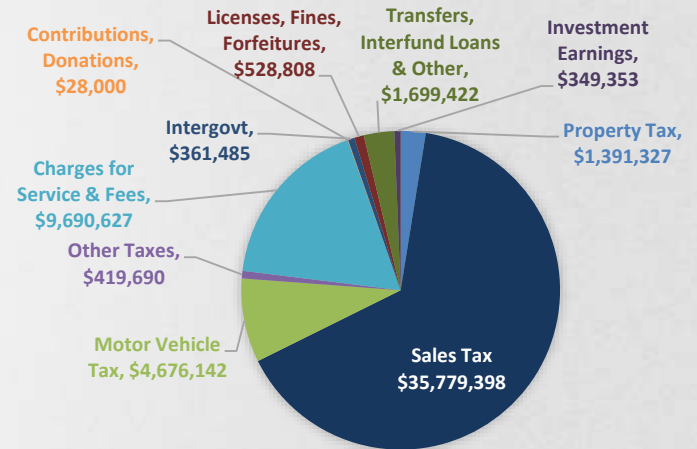
# CURRENT FINANCIAL POSITION

## REVENUE DISTRIBUTION

- Taxes primarily fund governmental-type activities
- Business-type activities function more like private businesses and are funded primarily by Charges for Services
- They also collect Impact and System Development Fees



**2021 General Fund Revenue by Category**

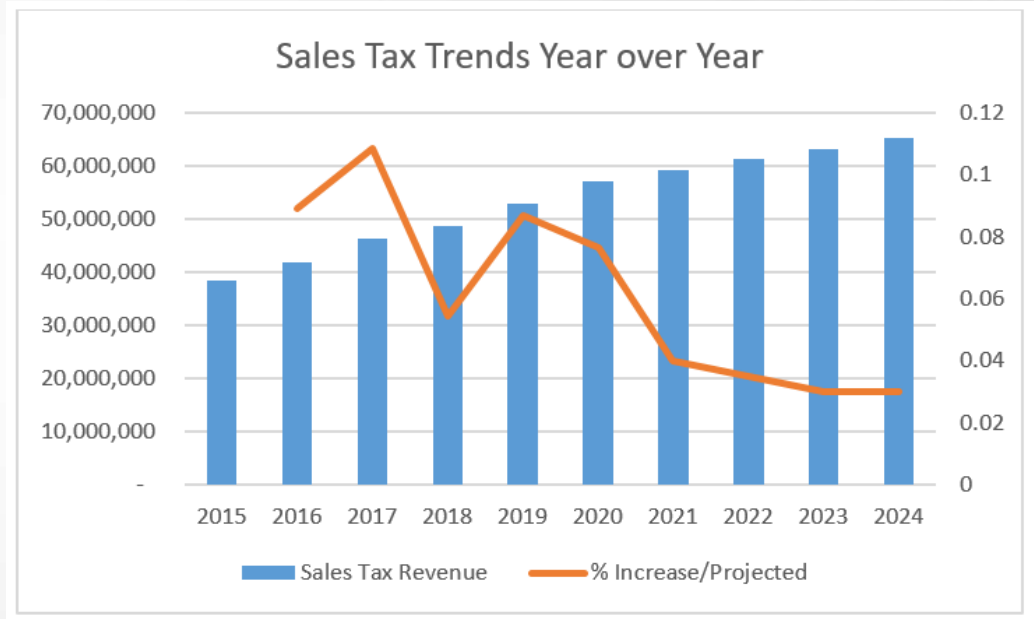


Total General Fund Revenue: \$54,924,252

# CURRENT FINANCIAL POSITION

## REVENUE – SALES TAX

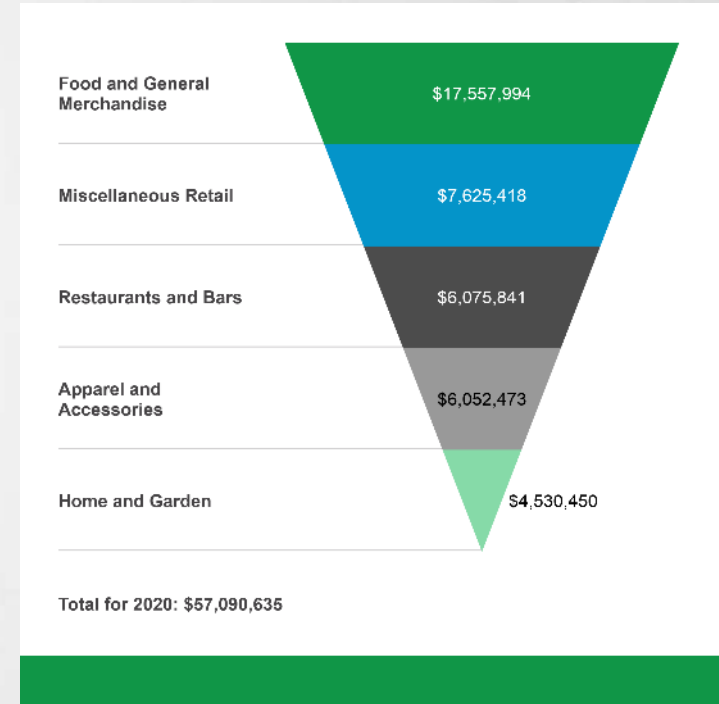
- Overall sales tax collections increased 7.6% in 2020, over prior year
- Although 2020 showed positive growth trends, the Outlet Mall, Restaurants/Bars, and Apparel and Accessories were hit hard
- Conservative budget estimates of 4% increase in sales tax revenue for 2021 and 2022, 3.5% for 2023, and 3% for outgoing years
- Staff will continue to monitor trends in this critical revenue source



# CURRENT FINANCIAL POSITION

## REVENUE – SALES TAX INDUSTRY GROUPS

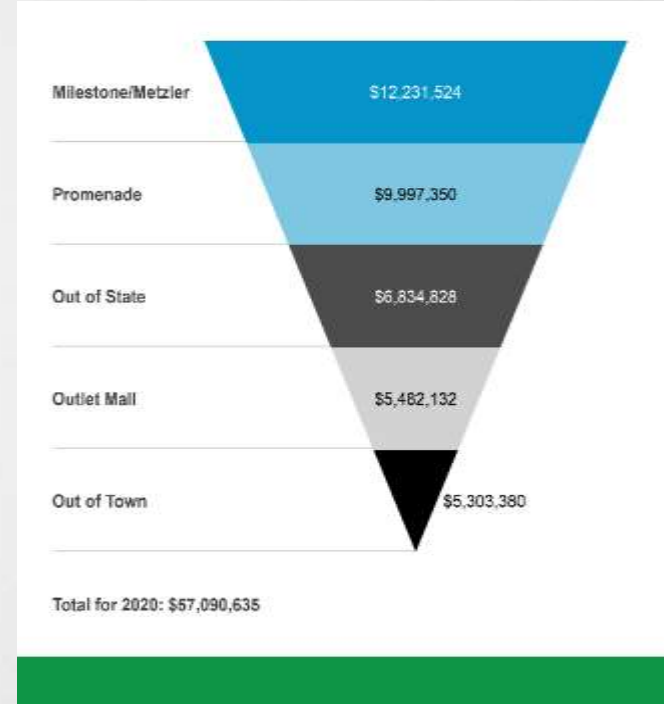
- Food and General Merchandise accounts for 30.8% of the Town's sales tax revenue and increased 19.3% over prior year
- Home and Garden and Misc. Retail increased 35.9% and 22.3% respectively. They make up 7.9% and 13.4% of the Town's sales tax
- Apparel and Accessories decreased 23.8% over prior year and makes up 10.6% of total sales tax revenue
- Restaurants and Bars brings in 10.6% of the Town's sales tax. This category decreased 4.1% over 2019
- The remaining 26.7% of the Town's sales tax comes from Utilities, Auto Items and other categories



# CURRENT FINANCIAL POSITION

## REVENUE – SALES TAX GEOGRAPHIC GROUPS

- The Milestone / Metzler area generates 21.7% of the sales tax revenue for the Town
- The Outlet Mall sales tax revenue decreased 25.2%, and makes up 9.7% of the Towns total sales tax revenue in 2020
- Promenade remains strong and increased 15.1%. Promenade generates 17.7% of the sales tax revenue
- The Out of Town and Out of State categories make up 21.5% of sale tax revenue. This represents businesses that do not have a physical location in Town but have nexus primarily through delivery



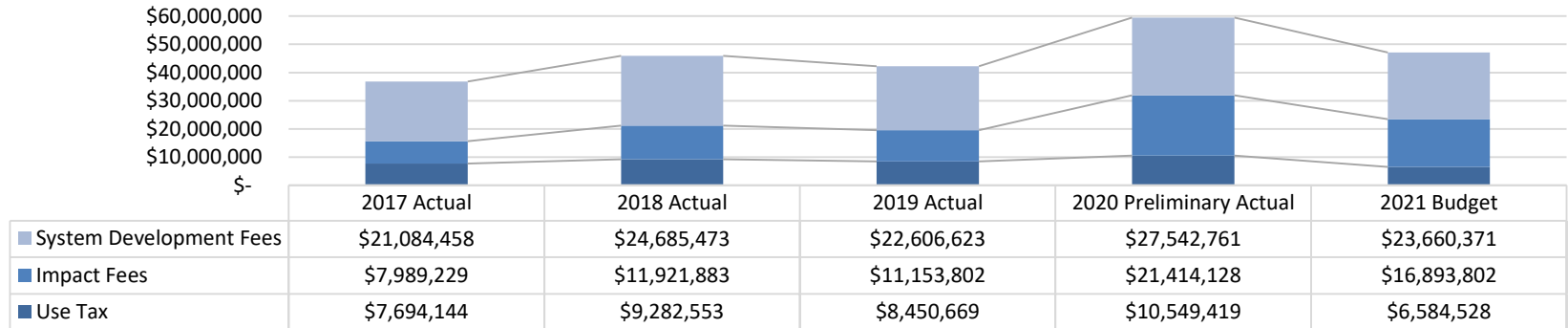


# CURRENT FINANCIAL POSITION

## REVENUE – DEVELOPMENT RELATED

- Impact Fee study adopted 2018 with fees increased to maximum allowable starting in 2020
- Revenue for new construction to be used for capital projects necessitated by growth
- Growth helps pay for growth

Development Related Revenue by Year

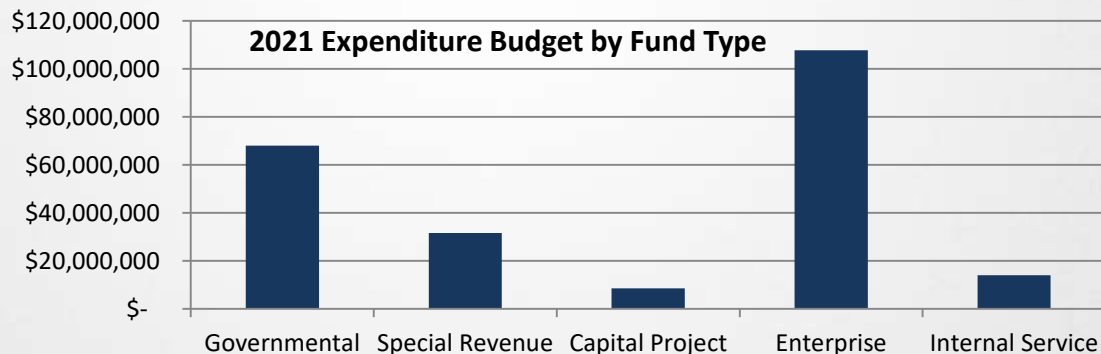
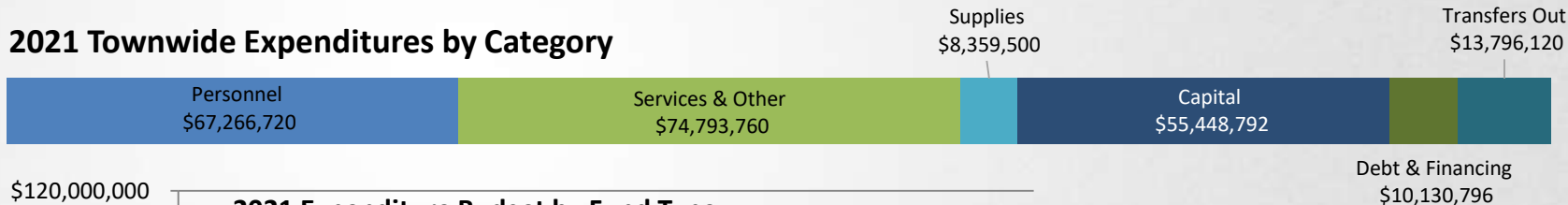


# CURRENT FINANCIAL POSITION

## EXPENSE DISTRIBUTION BY FUND TYPE

- Services and Other which includes the Pavement Maintenance Program is 33 percent of the Townwide budget
- Personnel (salary and benefits) represents 29 percent of the Townwide budget
- One-time capital projects make up 24 percent of the Townwide budget

### 2021 Townwide Expenditures by Category

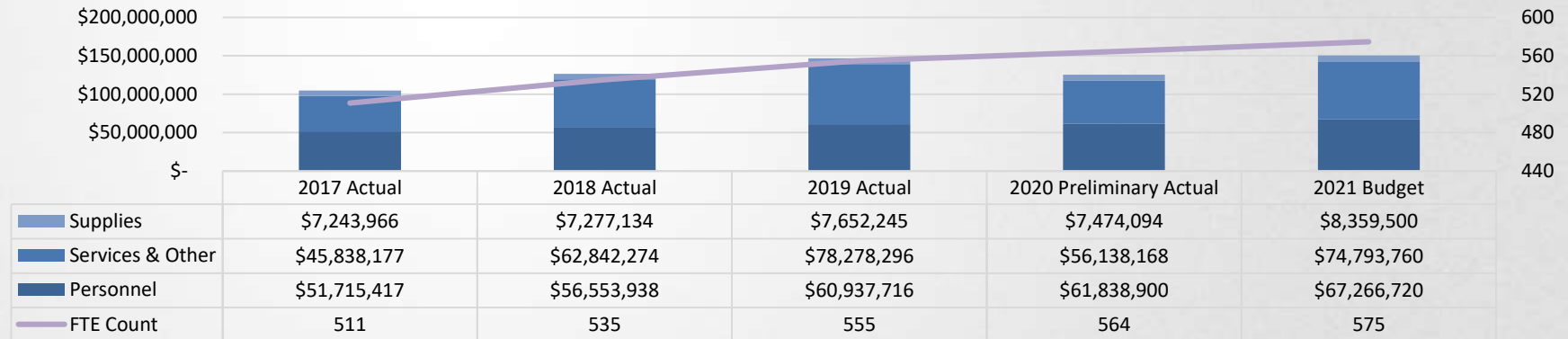


# CURRENT FINANCIAL POSITION

## OPERATING EXPENSE – PERSONNEL, SERVICES & OTHER

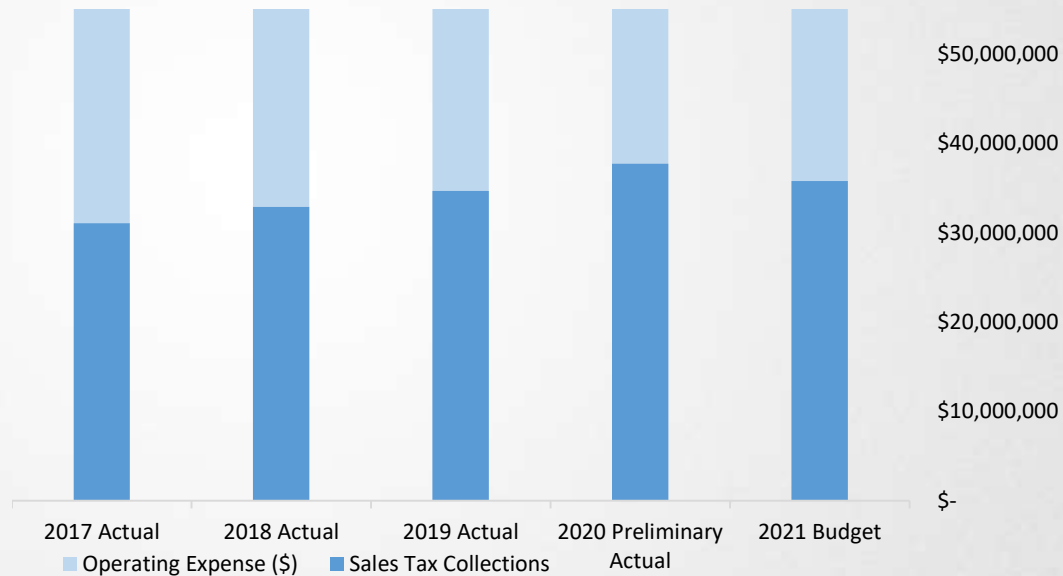
- Personnel continues to grow from market and performance adjustments and some new FTEs
- Supplies and Services & Other vary by item and 2020 reflects reduced spending as a result of economic conditions

Operating Expenditures by Year



# CURRENT FINANCIAL POSITION

General Fund Operating Expenses v. Sales Tax Revenue

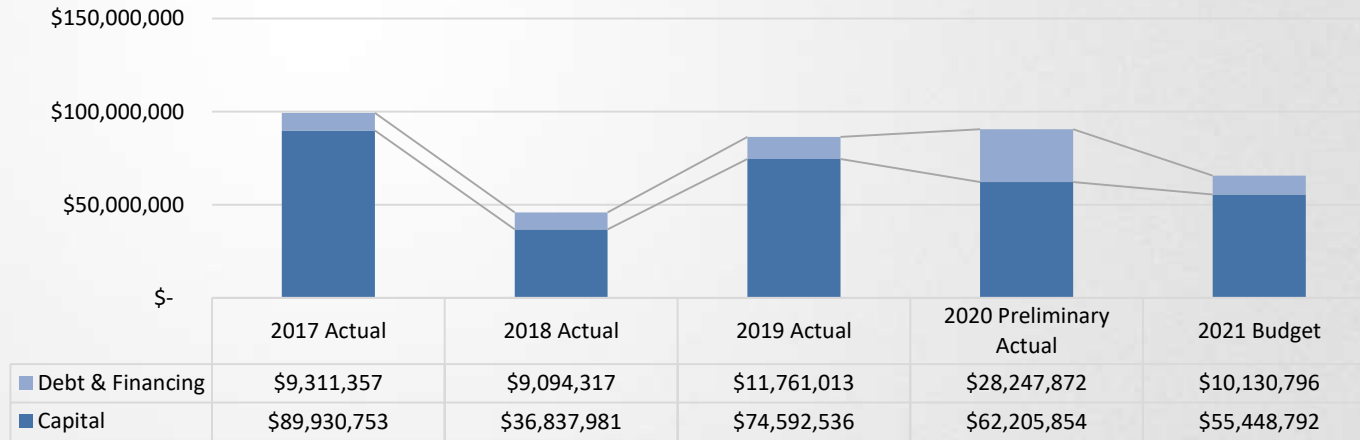


# CURRENT FINANCIAL POSITION

## CAPITAL AND DEBT SERVICE EXPENSE

- Capital expense is variable depending on the project / year and is funded through current year revenue and savings accumulated from prior years (Fund Balance)

Capital & Debt Expenditures by Year



# CURRENT FINANCIAL POSITION

## DEBT

- Debt issued for funding capital projects
- New debt - not subject to annual appropriation, requires a vote
- Town does not have any General Obligation debt
- Current Moody's rating: Aa1
- Internal loans – also used to accommodate cash flow needs for capital projects
  - Lower interest rates
  - No issuance costs
  - Flexible terms

	Principal Balance	Interest	Total Obligation
<b>Special Revenue Bonds</b>			
Transportation Action Plan (TAP) Refunding Bonds - Series 2020*	\$ 18,015,000	\$ 8,567,357	\$ 26,582,357
Transportation Action Plan (TAP) Revenue Bonds - Series 2016	6,075,000	1,168,026	7,243,026
Water & Wastewater Revenue Refunding Bonds - Series 2012	2,884,200	273,220	3,157,420
Water & Wastewater Revenue Refunding Bonds - Series 2012	910,800	86,280	997,080
Water & Wastewater Revenue Refunding Bonds - Series 2015	3,535,000	589,100	4,124,100
Water & Wastewater Revenue Bonds - Series 2016	40,510,000	14,510,475	55,020,475
Golf Revenue and Refunding Bonds - Series 2015	3,125,000	367,510	3,492,510
<b>Certificates of Participation</b>			
Parks & Recreation Certificates of Participation - Series 2013	6,745,000	880,639	7,625,639
Encore Parking Structure - Series 2020*	9,275,000	7,977,129	17,252,129
<b>Lease Obligations</b>			
Golf Course Equipment Lease - 2016	26,688	192	26,880
Golf Course Cart Lease - 2019	218,325	11,221	229,546
Planned Golf Course Equipment Lease - 2021	499,355	57,925	557,280
Planned Golf Course Cart Lease - 2023	438,185	35,558	473,743
	<b>\$ 92,257,553</b>	<b>\$ 34,524,632</b>	<b>\$ 126,782,185</b>

\*Amounts shown reflect the 2021 adopted budget, actual issuance amounts may differ.

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Water & Wastewater Revenue Refunding Bonds - Series 2012									Principal Balance: \$2,884,200 Interest Balance: \$273,220															
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2048

# CURRENT FINANCIAL POSITION

## FUND BALANCE

- Revamped the Fund Balance Policy in 2013
  - Focus on clarifying methodology and specific use
  - Conservative approach based on current economic conditions, anticipation of future needs, and opportunities
- Reaffirmed policy approach with Council in 2016

### Categories include:

Contractual Reserve	Capital Reserve	Debt Service Reserve
Operational Capacity Reserve	Economic Opportunity Reserve	Claims and Healthcare Cost Reserve
Revenue Stabilization	TABOR	Committed for Fund Purpose
Catastrophic Events	Operating Designations	



# CURRENT FINANCIAL POSITION

## INVESTMENTS

- Revised investment policy approved by Council in 2018
- Overall investment strategy – minimization of risk balanced with a reasonable rate of return
- Currently revising cash flow model

### Investment types include:

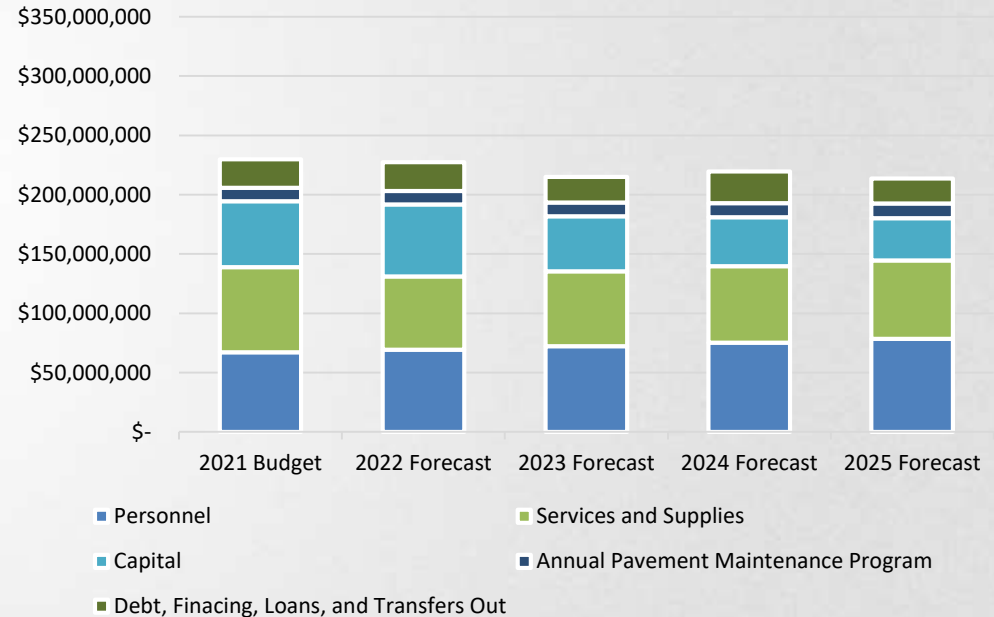
U.S. Treasuries	Money Market Funds
U.S. Agencies	Certificates of Deposit
Corporate Bonds	Local Government Investment Pool
Commercial Paper	Cash

# CURRENT BUDGET

## Balanced Financial Plan

- Plan for five years, budget for one
- All funds balanced in all five years
- Fund balance used for one-time projects
- Several departmental requests are not included in planning based on forecasted revenues
- 2022 to 2025 plans revisited during next budget process and adjusted based on new estimates and priority changes

## 2021 - 2025 Townwide Expenditures by Category

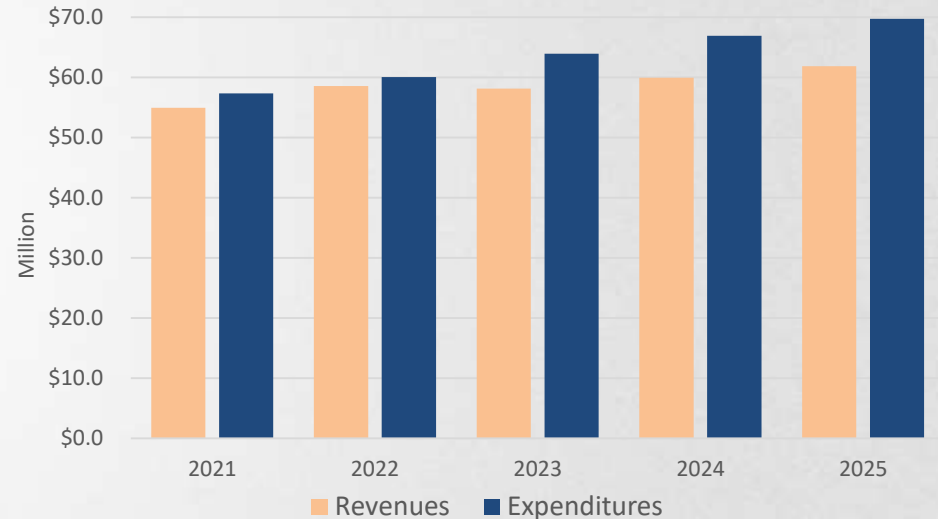


# CURRENT BUDGET

## Balanced Financial Plan

- 3 positions out of 39 requested in the General Fund to maintain levels of service were funded
- 19 requested Police positions unfunded
- 14 requested Fire and Rescue positions unfunded
  - Does not include staffing toward sixth fire station estimated to cost ~\$2.1 million annually
- Revised requests from Police and Fire seek additional personnel beyond the original requests

Projected General Fund Five-Year Plan  
All Budget Requests Included



# 2021 BUDGET

## BUDGET AMENDMENT

- A budget provides best estimation of future performance
- New information or a change in project estimates may warrant a Budget Amendment
- Upcoming Budget Amendments
  - **March 16**, Capital Carryforward – Town Charter allows the carryforward of unspent capital budgets from a prior year into the current year
  - **April 20**, First Budget Amendment – Supplemental appropriation for items not accounted for in adopted budget
- Budget Amendments require an ordinance, two readings

### Other Budget Council Items:

4/20 - 2020 year end report

5/18 - Q1 Financial Report

7/6 - 2nd Budget Amendment

9/7 - Q2 Financial Report

# 2022 BUDGET PROCESS

2022 Budget and 2022-2026 Capital Improvement Program and Balanced Financial Plan

## BUDGET PROCESS

March – June 2021

- Departments complete “business cases” for budget requests
- Analysts and departments work together to identify savings and efficiencies
- Budget team incorporates items into the preliminary budget draft

Summer 2021

- Budget Open House
- TMO individual meetings with Council to review the draft 2022 Budget

August 2021

- Preliminary 2022 Budget presented to Council

September 2021

- 2022 Budget presented to Council for approval

### **Budget Team:**

Town Manager  
Assistant Town Manager  
Special Projects Manager  
Finance Director  
Revenue Manager  
Budget Manager  
Financial Analysts

# 2022 BUDGET PROCESS

2022 Budget and 2022-2026 Capital Improvement Program and Balanced Financial Plan

## Budget Reflects Priorities

- Strategic priorities drive funding decisions
- Annually, Town Council reviews the priorities and adjusts as needed
- Community input sought

## Legal Requirements

- Balanced Budget
- 5.5% Property Tax Growth Limit
- Public Hearing
- TABOR
  - Revenue limits
  - Elections for tax changes or new bonds
  - Emergency Reserves
  - Multi-year obligations prohibited



# FUTURE FINANCIAL PLANNING

## SAMPLE OF MAJOR POLICY CONSIDERATIONS

- Public safety funding
- Infrastructure – maintaining what we have and planning for growth
- Diversification of revenue
- Increasing personnel costs
- After completion of citizen survey, Council will be asked to consider the Town's strategic priorities, including setting the stage for budget considerations



# THANK YOU

SEE YOU SOON ~ IT'S BUDGET TIME!