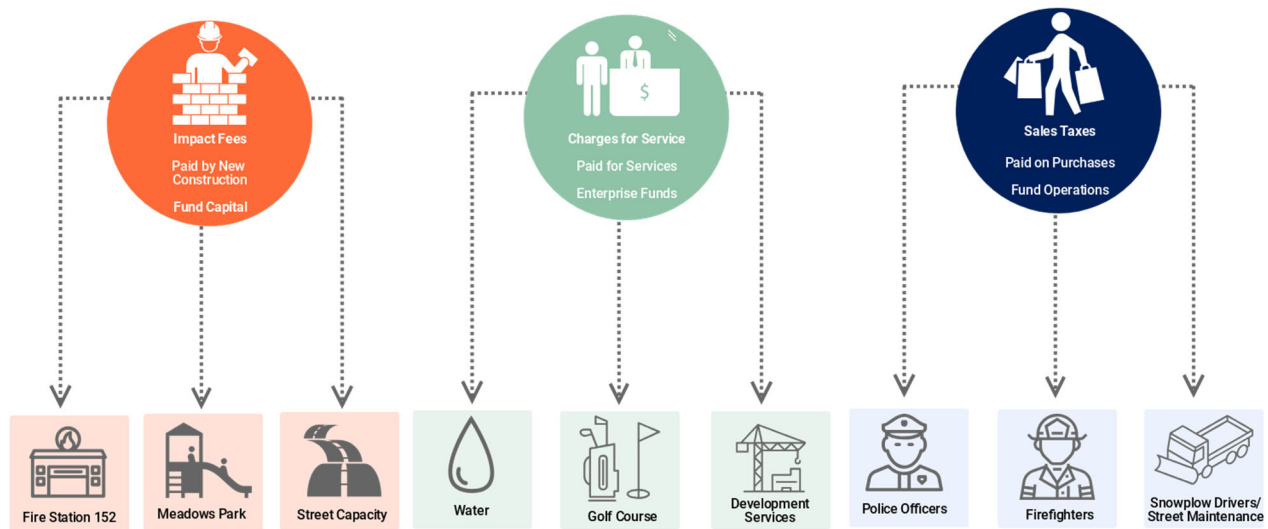


Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires Townwide effort of departments and staff. This 2020 Yearend Financial Review includes revenue, expenditure, fund balance, and reserve information by fund as well as on a Townwide perspective. Numbers presented in this financial review are preliminary and subject to change until the completion of the 2020 Comprehensive Annual Financial Report. 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 the end of 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.

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 December 31, 2020 was 7.6 percent greater than 2019. This includes the collection of about \$1.8 million in audit revenue. Information related to historical, geographical, and industry sales tax collections can be found in Attachment B
- The top three geographic areas for sales tax were Milestone/Metzler, Promenade, and Out of State, making up over 50 percent of sales tax collections
- The top three industries for sales tax remittance in 2020 included food and general merchandise, miscellaneous retail, and restaurants and bars making up 60 percent of sales tax collections
- There were 5,090 active business licenses at the end of 2020, 38 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

General Fund Sales vs. Property Tax Collections

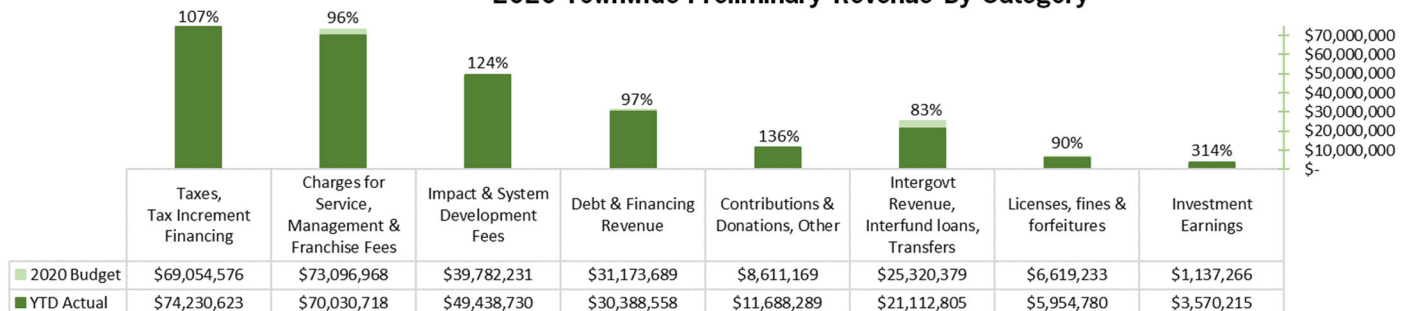


Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide revenue

Townwide revenues ended 2020, 5 percent over budget due better than expected tax, development related revenue, and intergovernmental revenue collections. Tax revenues including sales, property, use, motor vehicle, and other taxes, make up 27 percent of the Townwide 2020 revenue collections and finished 2020, 8 percent over budget. Sales tax was 74 percent of the total tax revenue and finished 2020, 4 percent over budget. Development related revenue from impact fees and system development fees finished 2020, 24 percent over budget. Intergovernmental revenue ended 2020, 12 percent over budget from CARES Act funding. The Town received approximately \$3.5 million in intergovernmental CARES Act reimbursement funds in 2020. As expected the COVID-19 pandemic largely impacted many Town recreation areas and Townwide charges for services finished 2020, 4 percent under budget as a result. Licenses, Fines and Forfeiture revenue was also impacted by COVID-19, and finished 10 percent under budget 2020. Town revenue and the percentage received in 2020 compared to the annual budget by category is shown below.

2020 Townwide Preliminary Revenue By Category



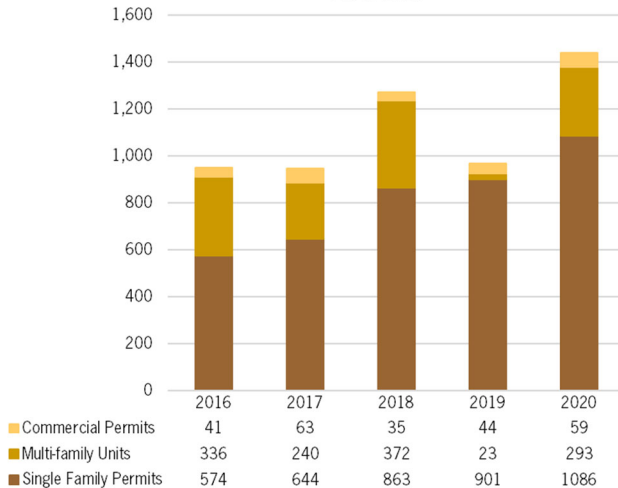
How is the Town Growing?



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.

Permitting exceeded expectations with 1,086 single family permits, 293 multi-family permits, and 59 commercial projects permits in 2020.

Through Yearend Building Permit Issuance
2016-2020

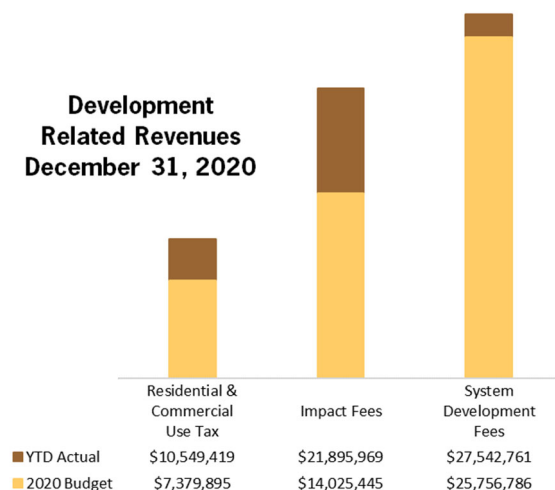


Revenues earned from development in Castle Rock are generally used to help fund growth related projects across the Town.

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.

Development Related Revenues
December 31, 2020



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received through December 30th for these fees. All fees exceeded the 2020 budgeted amount.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund and General Fund expenses ended 2020, 1 percent under budget for the year. The Development Services Enterprise Fund's revenue ended 10 percent over budget with expenditures coming in about 8 percent under budget.

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

Development Services Enterprise Expenses

	YTD Actual	2020 Budget
	\$6,537,826	\$7,100,327

How is the Town focusing resources on priorities in 2020?



Ensuring our water future

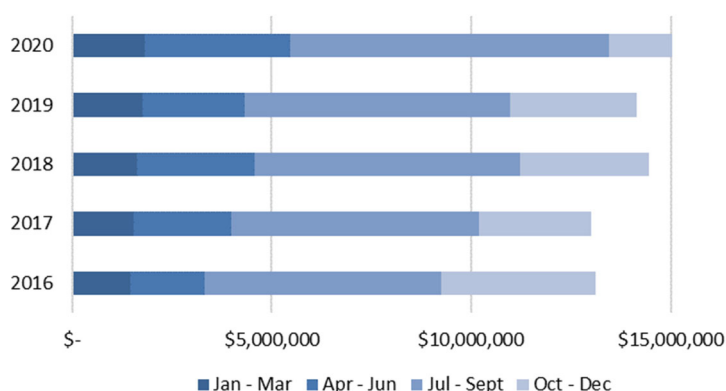
Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users support these funds. Revenues in these funds are seasonal and highly variable based on temperature and precipitation throughout the year. Expenditures in these funds include 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.

Total revenues for Castle Rock Water Funds combined ended 5 percent over 2020 budget. Metered water sales, bulk water sales, and water service charges are over budget and well above sales over the previous four years due to dry weather and community growth. Total expenses in the four Castle Rock Water Funds ended 40 percent under budget, primarily due to less than anticipated services and other spending the timing of capital projects. Many capital projects take multiple years to complete and a majority of the unused 2020 capital budget for ongoing projects has been carried forward into 2021 as capital projects will begin or continue into subsequent years.

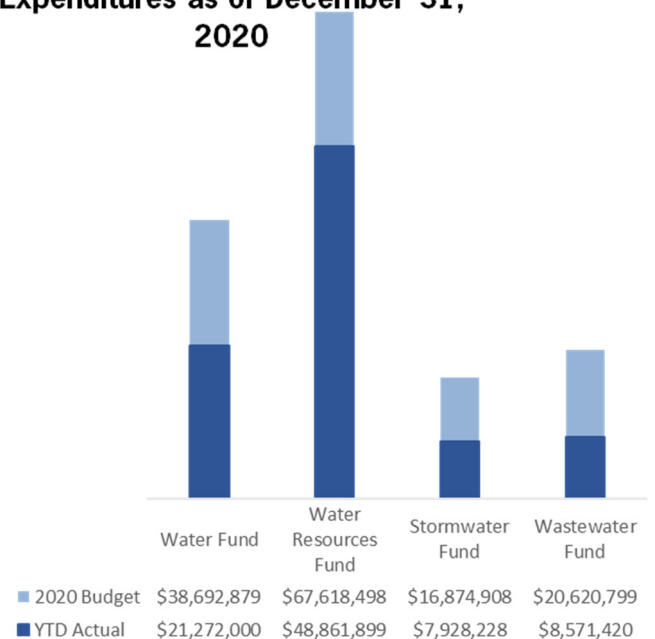
Significant ongoing Castle Rock Water projects include:

- Work on a new water supply well and other well re-drills
- Water rights acquisition
- Craig and Gould North improvements
- Alternative source of supply
- Multiple advanced oxidation facility upgrades
- Aquifer storage and recovery at the Ray Waterman Treatment Plant
- Multiple stream stabilization projects

2016-2020 Metered Water Sales by Quarter



Castle Rock Water Funds Expenditures as of December 31, 2020



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 (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.

Through the end of 2020 year, total expenditures in the Transportation Fund were 33 percent under budget due to COVID-19 related reductions and project deferrals and the timing of capital projects. The Transportation Capital Fund is 31 percent under budget due to capital project timing. Capital funding for ongoing projects has been carried forward into 2021.

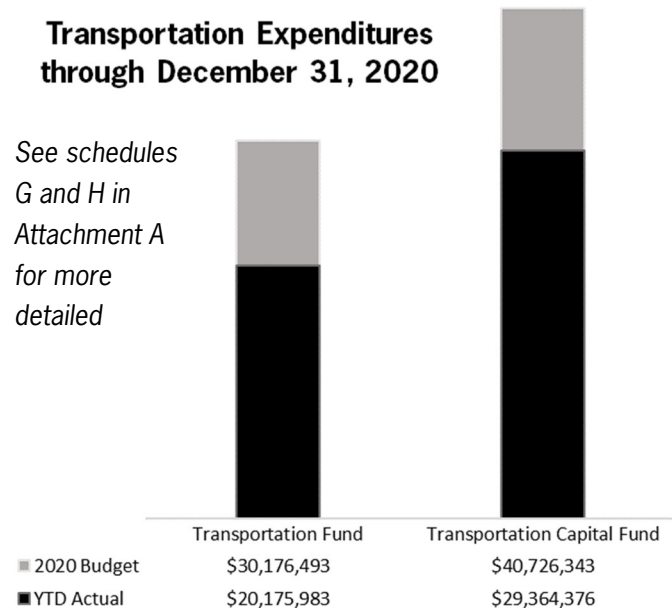
Significant ongoing projects include:

- Crystal Valley interchange
- Craig and Gould North improvements
- Wilcox and South St. roundabout
- Highway 86/Founders and 5th street improvements
- Plum Creek and Gilbert roundabout
- Ridge Road widening
- Plum Creek Parkway widening
- Highway 86/Founders and Crowfoot improvements

Transportation Fund revenues include sales tax, Highway User Tax Fund, residential use tax, and other resources. Total Transportation Fund revenues ended 2020 about 5 percent over the revenue budget. Transportation Capital Fund revenue are 8 percent over budget due to residential building use tax revenue, impact fees, and investment earnings.

Transportation Expenditures through December 31, 2020

See schedules G and H in Attachment A for more detailed



The Parking Fund was created in 2020 through a third quarter budget amendment 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. This fund ended 2020, 1 percent under budget for revenue and 3 percent under budget for expenditures.

Did you know ...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 433 vehicles and pieces of equipment. Annually staff evaluates and monitors vehicles to determine optimal replacement schedules. In 2020, 2 new vehicles and 20 replacement vehicles were purchased and placed into service. However, due to economic uncertainty 13 vehicle purchases were deferred to 2021. 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 2020 yearend revenues are 46 percent under budget due to the deferral of vehicle replacement contributions to the Fleet Fund from the General Fund and Community Center Fund. Fleet Fund expenditures ended the year about 14 percent under budget. Capital funding for vehicle purchases that did not occur in 2020 has been carried forward into 2021.

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 periodically used when revenue is received or for approved expenditures. Charts on this page represent public safety operations based on 2020 yearend financial information.

Public safety operations



General Fund Fire and Rescue expenditures ended about 2 percent under budget primarily due to COVID-19 budget reductions and deferrals including holding vacant positions open and reduced training and uniform costs. Some fire expenses are budgeted in the General Long-Term Planning Fund and funding for equipment and bay door replacements has been carried forward into 2021.



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

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

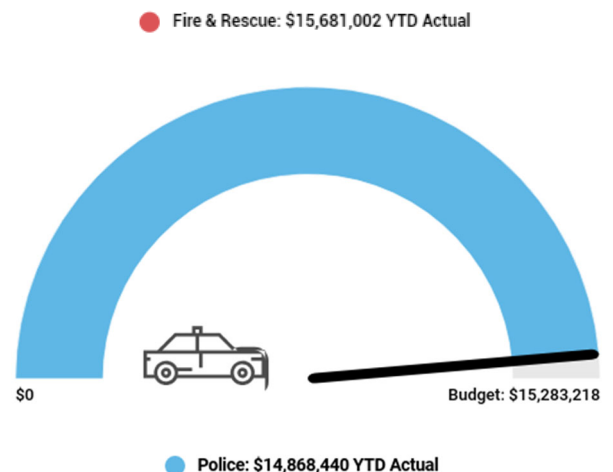
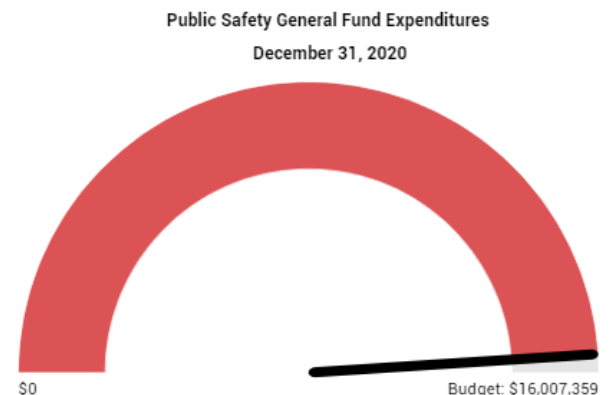
General Fund 2020 yearend operating costs for the Police Department are about 3 percent under due to COVID-19 related reductions and deferrals and personnel and overtime reductions.

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 the Fire Capital Fund ended 2020, 1 percent under budget. Revenue was 38 percent over budget, primarily due to impact fees and CARES Act reimbursement. The Police Capital Fund 2020 revenue is 19 percent under budget and expenditures are 55 percent under budget due to the deferral of the Police Department parking lot expansion project to 2021. Funding for this project has been carried forward into 2021.

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 was received and no expenditures occurred in 2020.

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





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 utilizes the 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 park. Parks and Recreation Capital Fund ended 81 percent under the 2020 expenditure budget due to capital project timing. Capital funding for the design and construction of Cobblestone Ranch park has been carried forward into 2021. The Conservation Trust Fund, supported by state lottery proceeds, ended 70 percent under the 2020 expenditure budget, due to the timing of projects. Capital funds for Butterfield and Bison Park ongoing projects have been carried forward into 2021.

Parks operations

The General Fund includes ongoing parks maintenance and operations. This area ended 2020, 31 percent under budget due to the timing of the annual trail improvements and supplies and trainings reductions. The department also deferred the hiring of seasonal employees and used fulltime employees for alternative purposes due to COVID-19 economic uncertainty.

Recreation

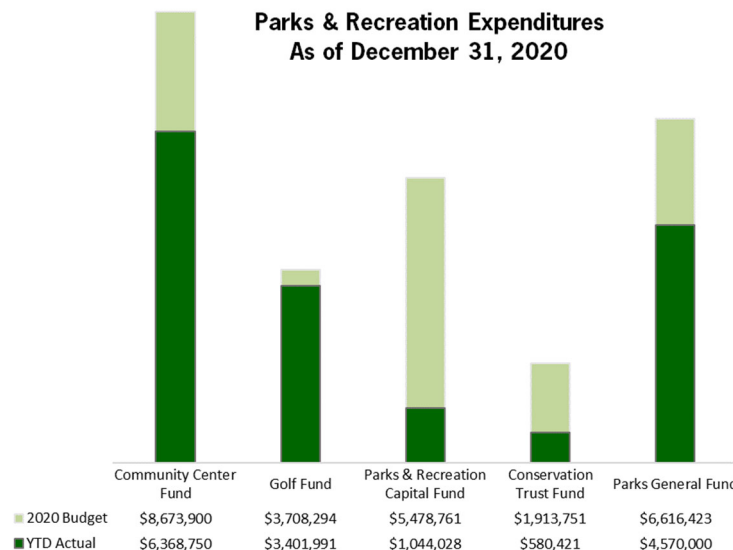
The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center for 2020 totaled 111,860, while MAC visits totaled 18,208, both facilities saw large attendance decreases in 2020 due to being shut down during the Stay at Home Order issued on March 14th. The Recreation Center reopened with limited usage mid-year on June 1st, while the MAC remained closed for general admission until October 1st, but was open for camps and classes over the summer.

Community Center Fund revenue ended 2020, 30 percent under budget while expenditures ended 27 percent under budget for the year due to facility closures. Capital funds for the repaving of the Community Center parking lot have been re-appropriated into 2021.

Golf

The Golf Fund is an enterprise fund that does not receive tax revenue. In total for the year, 43,350 rounds were played which is an increase of 12 percent from 2019. Staff originally projected a revenue shortfall in 2020 due to COVID-19, but the fund recovered and revenue ended 2020 about 11 percent over the 2020 budget. Expenditures ended 2020 about 8 percent under 2020 budget.

**Parks & Recreation Expenditures
As of December 31, 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 previously discussed, 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 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 ended 2020, 196 percent over budget due to greater than anticipated commercial use tax collections and loan program CARES Act reimbursement. Expenditures ended 2020, 68 percent under budget due to the timing of economic incentive payments. Tax-increment funds (TIF) from Downtown Castle Rock fund the Downtown Development Authority Tax Increment Financing Fund (DDA TIF) which is used to support downtown improvements. The DDA TIF Fund revenue is about 20 percent over budget for 2020 due to greater than anticipated property tax and sales tax TIF revenue. Expenditures are 29 percent under budget due to the timing of downtown project expenditures. 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. Revenue in the Philip S. Miller Trust ended 19 percent under budget in 2020 and expenditures are 11 percent under budget, due to reductions in the number of special events and concerts held in 2020 as a result of COVID-19. 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. Revenue was 1 percent over budget and expenses are 43 percent under budget.



Sculpture purchased through Public Art Fund

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 U*) uses impact fee revenue received from new development to support facility growth. Revenues are 33 percent over budget in 2020 from single and multi-family home impact permits. Expenses ended the year 76 percent under budget due to the transfer to the Police Capital fund for the parking lot expansion project being delayed. The General Long-Term Planning Fund (*Attachment A – Schedule V*) supports general Town facility and asset maintenance. Revenue in the fund is 14 percent over the 2020 budget due to residential use tax collections. Expenditures are 73 percent under budget due to capital project spending. Funding for fire station bay doors, self-contained breathing apparatus replacement, and Parks site improvements have been carried forward into 2021.

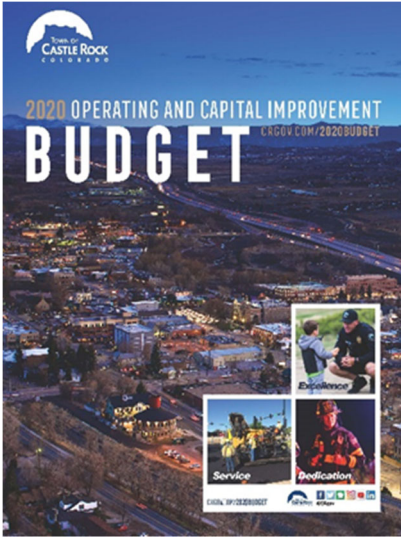
The Employee Benefits Fund serves to administer the Town's medical, dental, and vision health benefit plans – including employee contributions, premium, and claim costs – and the employee wellness program, all in support of more than 566 benefited employees. The fund ended 5 percent under the revenue budget and about 10 percent under the expenditure budget.

For more financial information about this fund, see Attachment A – Schedule W.

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 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 and can be found at crgov.com/2021-Budget.

The Town's net investment earnings for 2020 are about \$2.5 million. 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 on preliminary 2020 yearend numbers the Town does not anticipate a 2020 TABOR surplus. Final TABOR calculations will be 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 fees)
- 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 did the Town respond to economic uncertainty related to COVID-19?

As part of our conservative fiscal management approach, Town staff continually monitor economic conditions and adjust spending and future planning accordingly. While the financial impacts of COVID-19 were not as severe as initially projected, economic uncertainty remained throughout 2020 and greater than anticipated revenue collections from sales tax did not fully materialize until late in 2020. As a result, several budget adjustments were made with impacts to 2020 and 2021 funding.

Revenue impact

Multiple revenue sources were projected to be less than initially planned in 2020 due to COVID-19 economic uncertainty. Revenue impacts were initially expected in sales tax, charges for service, and other taxes with preliminary estimates suggesting potential decreases between 15 and 20 percent. However, sales tax and other tax revenue impacts ended 2020, 7 percent over budget due to greater than anticipated sales and use tax collection. Taxes finished 2020, 4 percent over budget when audit revenue is not included. Other consumer driven taxes such as Motor Vehicle Tax ended 2020, 8 percent under budget. Charges for Service revenue impacts did occur in 2020 due to facility closures in the spring and continued capacity restrictions as a result of COVID-19. Townwide charges for services are 4 percent under budget for 2020. Recreation charges for services are 43 percent under budget due to facility closures. This was offset by Water charges for services exceeding expectations and ended 2020, 4 percent over budget due to demand and Red Hawk green fees being 10 percent over budget.

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 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
- Deferring the Pavement Maintenance Program slurry seal work
- Reducing the number of concerts, special events, and limiting pool and recreation capacity by requiring reservations

Town staff initially identified over \$12.9 million in 2020 budget reductions and deferrals to offset expected COVID-19 revenue reductions. These were one-time reductions that are not sustainable or planned in future years as they would lead to significant reductions in levels of service, loss of accreditation, and inability to provide core town functions. Throughout the year, budget adjustments were made by Town staff as sufficient funding was determined to be available, but due to economic uncertainty 2020 spending came in under budget with many purchases and projects deferred to 2021. Staff closely tracked COVID-19 related costs and received about \$3.5 million in CARES Act funding which was used to offer assistance to local businesses. The Town incurred unplanned expenses in response to COVID-19 for personal protection equipment, cleaning supplies, laptops and virtual meeting software, and facilities upgrades to maintain social distancing and a safe working environment.

Assistance programs

In 2020, the Town setup the following assistance programs to help citizens and business affected by COVID-19:

- Small business grant program with \$1.9 million in grants awarded to 160 businesses
- In partnership with the Economic Development Council, small business loans were provided to 40 business through the KIVA and CommUNITY loan programs
- Water assistance was provided to 58 business and 94 residents

