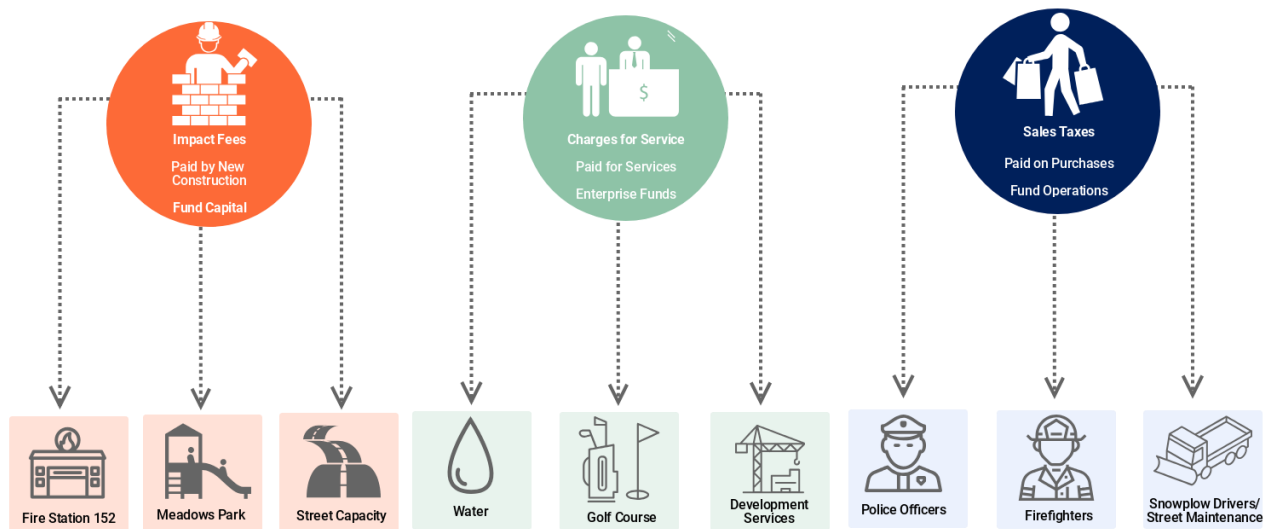


Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires Townwide effort of departments and staff. This 2021 First Quarter Financial Review includes revenue, expenditure, fund balance, and reserve information by fund as well as on a Townwide perspective. The Town's budget includes 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 following pages provide a summary of the Town's financial performance through the first quarter of 2021 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.

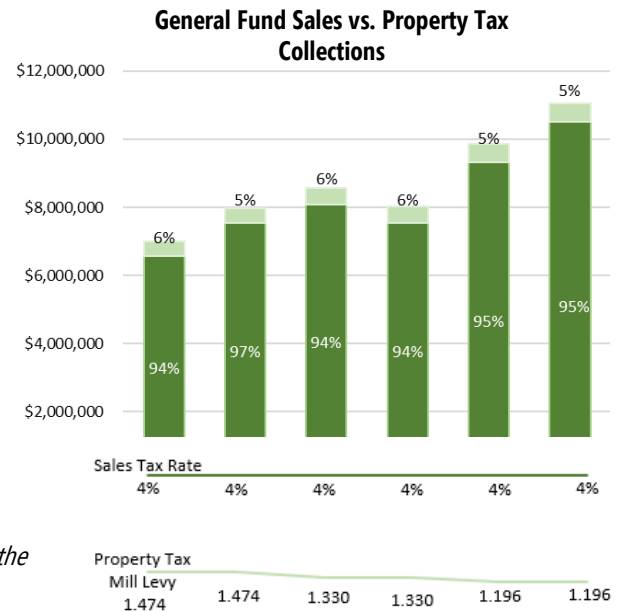


What sources generate funds?

Sales and property tax

- Town collected sales tax reported from taxable entities through March 31, 2021 was 17 percent greater than the year-to-date budget. 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 2021 included food and general merchandise, miscellaneous retail, and restaurants and bars making up 55 percent of sales tax collections
- There were 5,243 active business licenses at the first quarter of 2021, 41 percent of which are located in Castle Rock
- Property tax collections for 2021 reflect a mill levy assessment of 1.196, which is the same rate as was levied in 2020

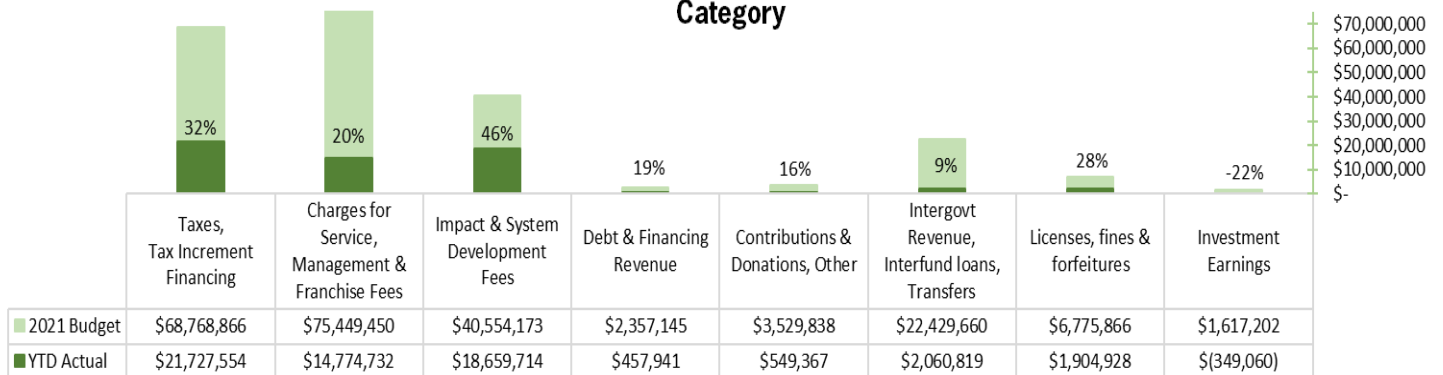
Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.



Townwide revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up about 31 percent of the Townwide 2021 revenue budget, with Town collected sales tax making 74 percent of the total tax revenue budget. However, several other revenue sources, such as water fees, support Town services. Through March 31st, Townwide revenues are over the seasonally adjusted budget by 22 percent due to stronger than expected sales tax collections and building permit activity.

2021 Townwide Revenue By Category

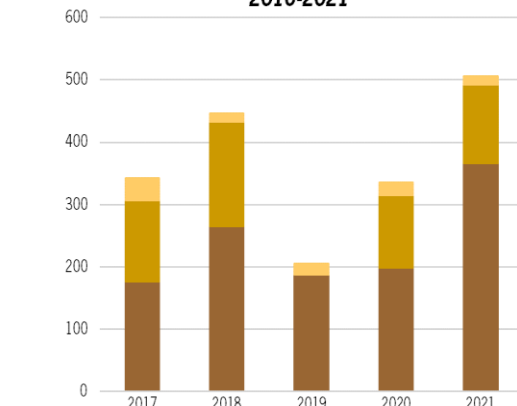


How is the Town growing?



Revenues earned from development in Castle Rock are generally used to help fund growth related projects across the Town. The 2021 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. The expected number of single family, multi-family, commercial, and other development permits issued determine budget amounts for growth related revenues such as impact fees, system development fees, building use tax and (water) tap fees. Actual development revenue received by fund varies based the number and type of permits issued and the size, type, value, and water needs of the specific project. During the first quarter of 2021, 366 single family permits, 126 multi-family permits, and 14 commercial projects permits were issued.

Through Q1 Building Permit Issuance
2016-2021



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.

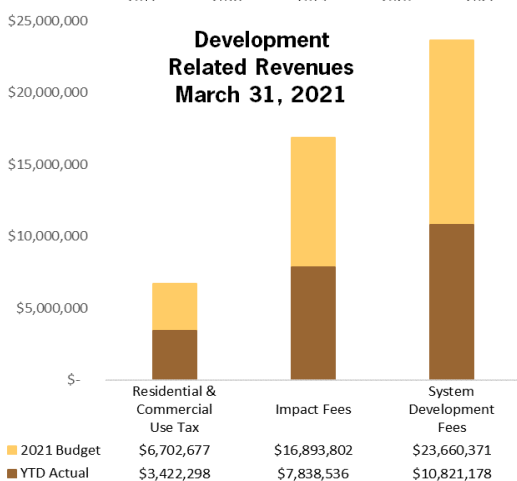
Impact fees and system development fees are charged as part of the building permit process and fund needs related to growth including Municipal Facilities, Parks and Recreation, Fire, Police, Transportation, and Castle Rock Water.

Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received through March 31st for these fees. Use tax, impact fees, and system development fees all exceeded expectations for the first quarter due to greater than anticipated permit activity.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund and General Fund expenses are 34 percent under the year-to-date budget. The Development Services Enterprise Fund's revenue is 24 percent over budget through March 31, 2021 and expenditures are 20 percent under budget.

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

Development
Related Revenues
March 31, 2021



Development Services Enterprise Expenses

\$- \$1,000,000 \$2,000,000 \$3,000,000 \$4,000,000 \$5,000,000 \$6,000,000 \$7,000,000 \$8,000,000

YTD Actual
\$1,331,964

2021 Budget
\$7,072,552

How is the Town focusing resources on priorities in 2021?



Ensuring our water future

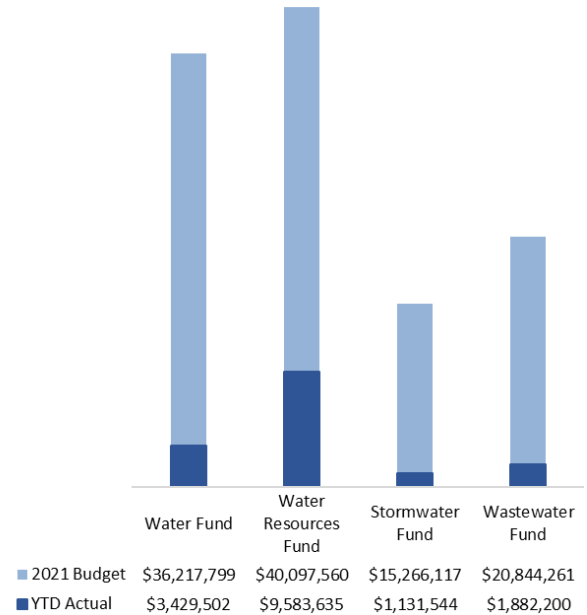
Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users support these funds. Revenues in these funds are seasonal and highly variable based on temperature and precipitation throughout the year. Expenditures in these funds include operational costs and significant capital projects to accommodate infrastructure maintenance and needs in our growing community. Capital expenditures make up 58 percent of the total Castle Rock Water annual expenditure budget.

Through March 31, total revenues for Castle Rock Water Funds combined are 32 percent over budget from system development fees as a result of greater than anticipated building permit activity. Total expenses in the four Castle Rock Water Funds are about 32 percent under the year-to-date budget due to less than anticipated services and other spending and the timing of capital projects. Many capital projects take multiple years to complete due the timing of the project or the size and scope of the project.

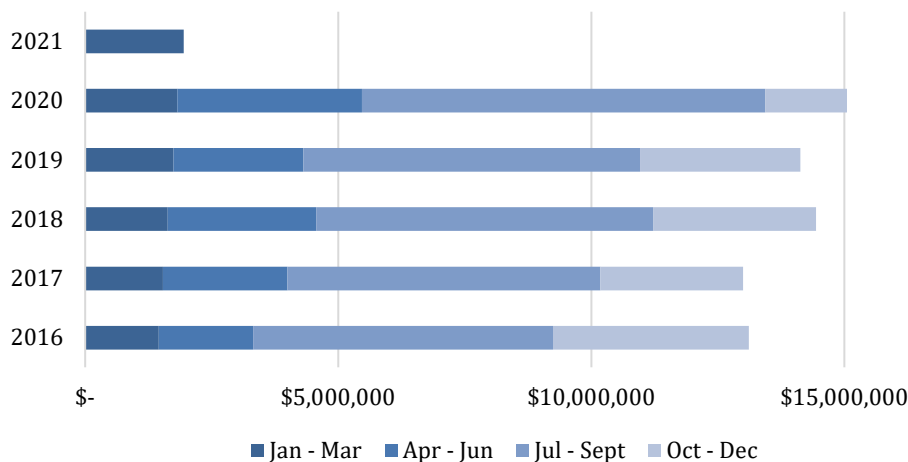
Significant 2021 Castle Rock Water projects include:

- Work on a new water supply well and other well re-drills
- Water rights acquisition with significant Cherry Creek and Lost Creek water rights purchases completed in the first quarter
- 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
- Castle Rock Reservoir 2
- Newlin Gulch Pipeline

Castle Rock Water Funds Expenditures Period Ending March 31



2016-2021 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 (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 first quarter, total expenditures in the Transportation Fund were 37 percent under the seasonally adjusted budget. The Transportation Capital Fund is 19 percent over the seasonally adjusted first quarter expenditure budget due to capital project timing.

Significant ongoing projects include:

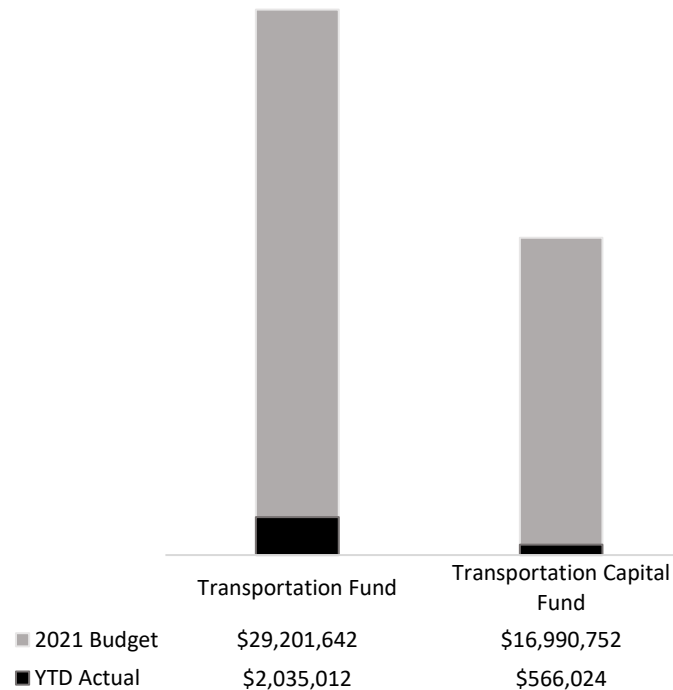
- Crystal Valley interchange
- Craig and Gould North improvements
- Wilcox and South Street roundabout
- 5th street widening
- Downtown alley improvements

Transportation Fund revenues include sales tax, Highway User Tax Fund, residential use tax, and other resources. Total Transportation Fund revenues are about 6 percent over the first quarter revenue budget. Transportation Capital Fund revenue are 95 percent over budget due to residential building use tax revenue, impact fees, and investment earnings.

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

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 is under budget for the first quarter of 2021.

Transportation Expenditures through March 31, 2021



Did you know ...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 426 vehicles and pieces of equipment. Annually staff evaluates and monitors vehicles to determine optimal replacement schedules. In 2021, 5 new vehicles and 28 replacement vehicles are planned to be purchased and replaced. 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 63 percent under the year to date budget due to the timing of vehicle purchase expenditures. Revenue in the Fleet Fund is about 10 percent over the year to date budget due to increased vehicle repair and maintenance revenue as well as collecting deferrals from 2020 vehicle replacement contributions from the general fund.

To see more detailed information about the Fleet Fund, see Schedule I of Attachment A.

Ensuring our public safety

The Police and Fire departments operate within the General Fund while growth-related Police and Fire capital expenses are included in the Police and Fire Capital Funds. Police Forfeiture funding is periodically used when revenue is received or for approved expenditures. Charts on this page represent public safety operations based on 2021 financial information.

Public safety operations



The Fire Department 2021 Budget includes:

- Purchase of self-contained breathing apparatus
- Replacement of bay doors at stations 154 and 155
- Fire Training Center maintenance

General Fund Fire and Rescue expenditures are about 14 percent under budget through March 31.



Castle Rock Police Department 2021 Budget includes funding for:

- Conversion to the Fire and Police Pension Association
- Wellness supplies
- Parking lot expansion

General Fund 2021 operating expenditures for the Police Department are about 7 percent under the year-to-date budget.

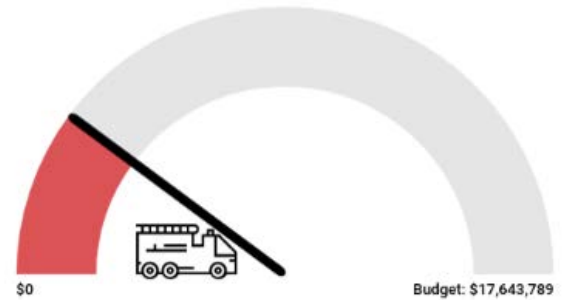
Capital funds

Capital expenditures related to growth for public safety are funded through the Fire Capital and Police Capital Funds using impact fee revenue received from new development in Castle Rock. Interfund loan payments to the General Fund from the Fire Capital Fund for Fire Station 152 are expected to occur later in 2021. In the Police Capital Fund, interfund loan payments to the General Fund for the Police station are expected later in the year and capital expenses for the Police Parking Lot expansion are expected when the project begins in the second quarter of 2021.

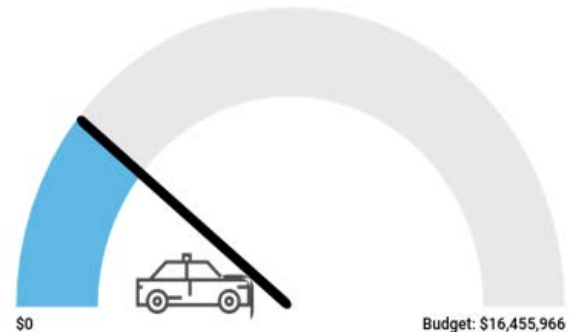
The Police Department occasionally receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. Only interest revenue was received and no expenditures occurred in the first quarter of 2021.

Learn more about public safety financial performance, and view the detailed financial schedules as of March 31, 2021 in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
March 31, 2021



● Fire & Rescue: \$3,588,572 YTD Actual



● Police: \$3,586,923 YTD Actual



Maintaining strong parks and recreation

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

Parks projects

Parks and Recreation also utilizes Conservation Trust and Parks and Recreation Capital funds for projects. The capital fund can only be used for growth-related projects. Projects include design and construction and construction of a new neighborhood park. The Parks and Recreation Capital Fund is currently about 89 percent under budgeted expenditures through March due to capital project timing. The Conservation Trust Fund, supported by state lottery proceeds, is right on target with year-to-date expenditures.

Parks operations

The General Fund includes ongoing parks maintenance and operations. This area about 41 percent under year to date budget due to the timing of the annual trail improvements.

Recreation

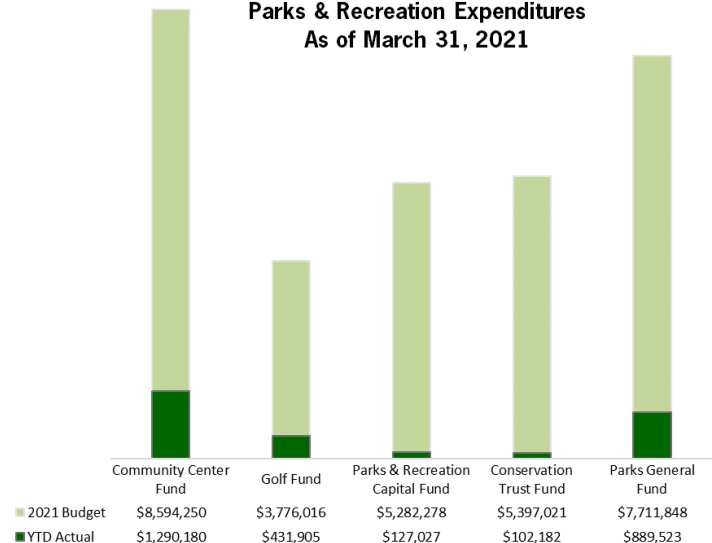
The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center for the first quarter of 2021 totaled 32,845, a decrease of 24 percent compared to 2020, while MAC visits totaled 4,117, a decrease of 63 percent from 2020. Use of both facilities has yet to rebound from state mandated COVID facility closures and capacity restrictions in 2021. Current expenditures are 22 percent under the first quarter budget.

Golf

The Golf Fund is an enterprise fund that does not receive tax revenue.

Expenditures are 8 percent under year to date budget while revenue is 50 percent under year-to-date budget. Through the first quarter of 2021, 4,143 rounds of golf were played, and increase of 61 percent over the same period in 2020. This year, golf plans to refinish the parking lot to ensure safety and a better experience for their customers. A remodel of the clubhouse was carried forward from the prior year planned which will include new fixtures and countertops in the pro shop.

**Parks & Recreation Expenditures
As of March 31, 2021**



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, expanding the tax base, and maintaining an outstanding business climate in Town. Economic Development Fund revenue ended the first quarter of 2021, 215 percent over the year-to-date budget due to greater than anticipated commercial use tax collections. Expenditures ended the quarter 74 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 94 percent under budget the year-to-date due to the timing of when property tax and sales tax TIF revenue is received. Expenditures are 97 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):

- Murdoch's incentive agreement
- Interra and HEI incentive agreements

DDA TIF Fund (Attachment A – Schedule R):

- Encore/Downtown parking structure incentives
- Partial Downtown Wilcox St. roundabout funding

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 is not expected until the second quarter of 2021 and expenditures are 49 percent under budget due to the timing of special events which occur later in the year. 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. The annual contribution from the Phillip S. Miller Fund has yet to be received in the Public Art Fund and expenditures 75 percent under the year-to-date budget due to the timing of art leases.



Art Frame by the Rec Center

Town facility and employee support

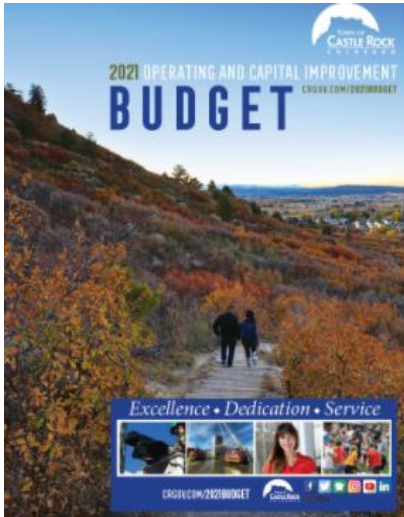
An important part of ongoing Town management consists of supporting Town facilities and employees. As the Town grows, the need for facility space grows. The Municipal Facilities Capital Fund (*Attachment A – Schedule U*) uses impact fee revenue received from new development to support facility growth. Revenues are 240 percent over budget in 2021 year-to-date budget from permit activity and no expenses are budgeted in 2021. The General Long-Term Planning Fund (*Attachment A – Schedule V*) supports general Town facility and asset maintenance. Revenue in the fund is 178 percent over the 2021 budget through March 31st due to residential use tax collections. Expenditures are 40 percent under budget due to the timing of parking lot and building maintenance work. Capital Funding for fire station bay doors, self-contained breathing apparatus replacement, and Parks site improvements have been carried forward into 2021 with these projects expected to be completed later in 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 573 benefited employees. The fund is 8 percent under the year-to-date revenue budget and about 5 percent over the expenditure budget due to claims activity. *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
- 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
- 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.

Townwide investment earnings reduced by a total of \$349,060 in the first quarter of 2021 with \$202,910 in Townwide in interest and \$551,970 in market change losses due to the change in the fair market value of the Town's securities. Information about the Town's investments can be found in Attachment C. Please note that this information may vary from other report investment information 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. Revenue collections will be monitored throughout 2021 and final TABOR calculations will be completed using actual revenues after the Town's annual audit is finalized.

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

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.