

TOWN OF CASTLE ROCK

STUDY SESSION FINANCE

MARCH 5, 2019



AGENDA

CURRENT FINANCIAL POSITION

2020 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 & Revenue Collection
- Comprehensive Annual Financial Report (CAFR)
- Debt & Investment Management
- Grants Administration
- Internal Control Evaluation
- Payroll
- Purchasing

BUDGET

- Budget Preparation, Management & 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

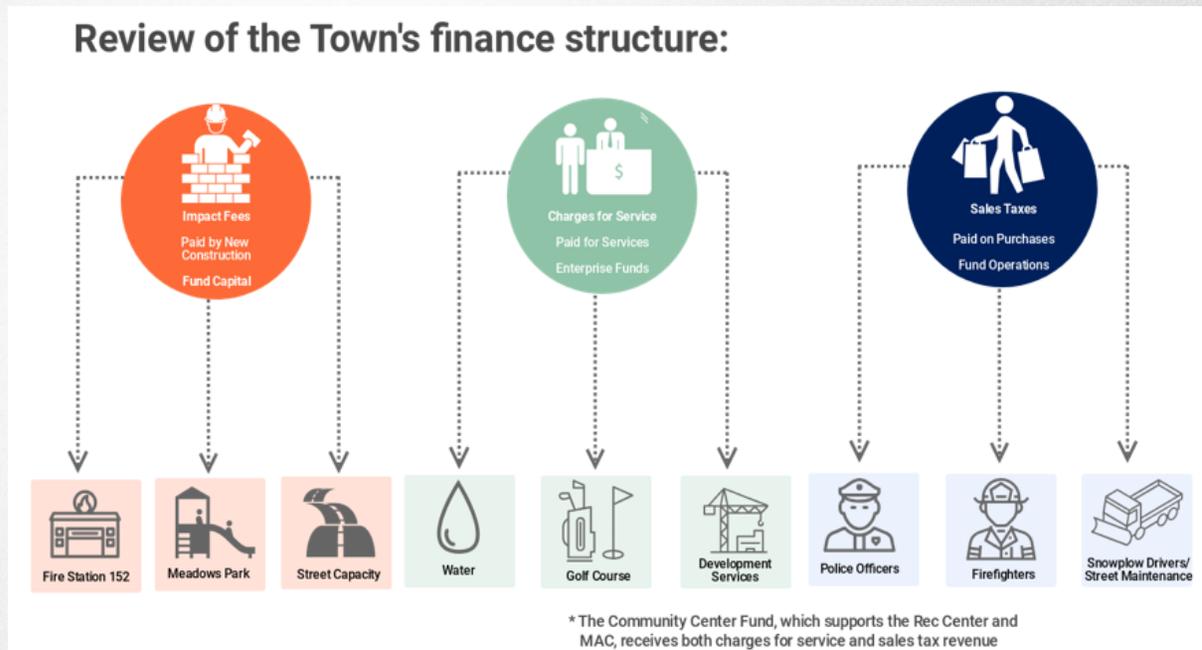
CURRENT FINANCIAL POSITION

MONITORING GROWTH, OBTAINING BALANCE

Revenue + Efficiencies \geq Level of Service Concurrency

CURRENT FINANCIAL POSITION

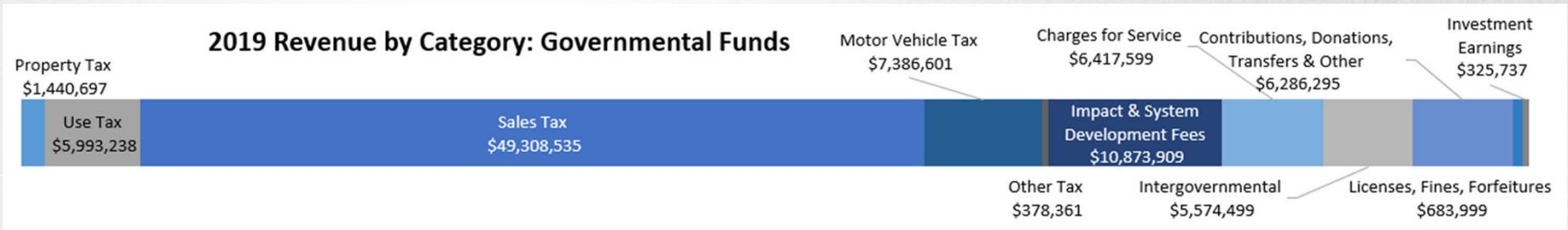
WHAT SOURCES GENERATE FUNDS?



CURRENT FINANCIAL POSITION

REVENUE DISTRIBUTION FOR GOVERNMENTAL FUNDS

Taxes primarily fund governmental-type activities while business-type activities function more like private businesses funded primarily by Charges for Services. They also collect Impact & System Development Fees.



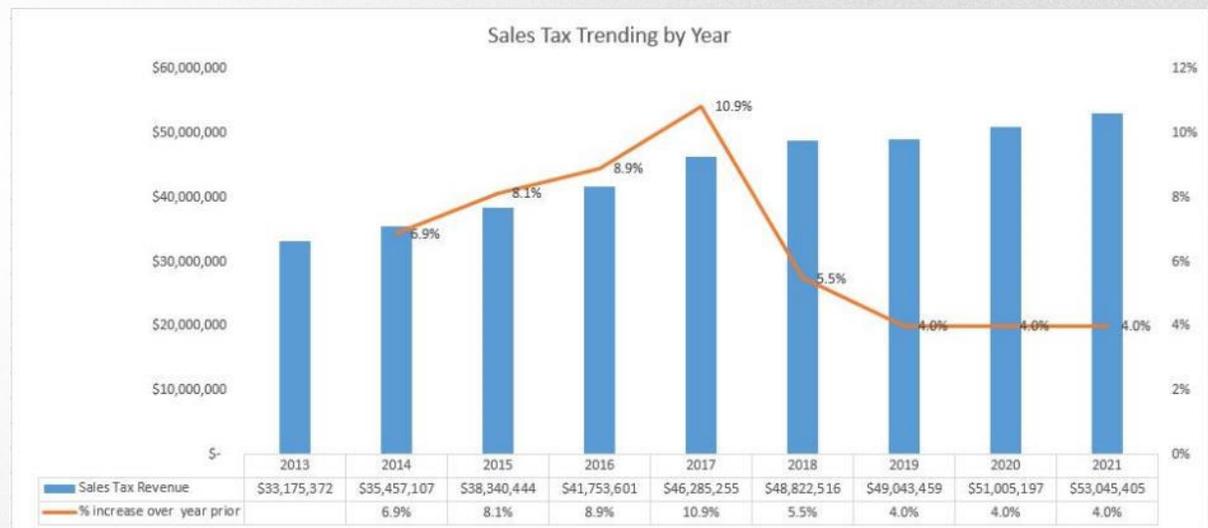
General Fund - Public Safety (Property Tax Support)			
2019 Adopted Budget			
Public Safety Cost/Day	\$		86,052
Property Tax Revenue/Day	\$		3,454
Public Safety Days of Funding with Property Tax			24.91
% of Year Funded by Property Tax			7%

Total Revenue: \$94,669,470

CURRENT FINANCIAL POSITION

REVENUE – SALES TAX

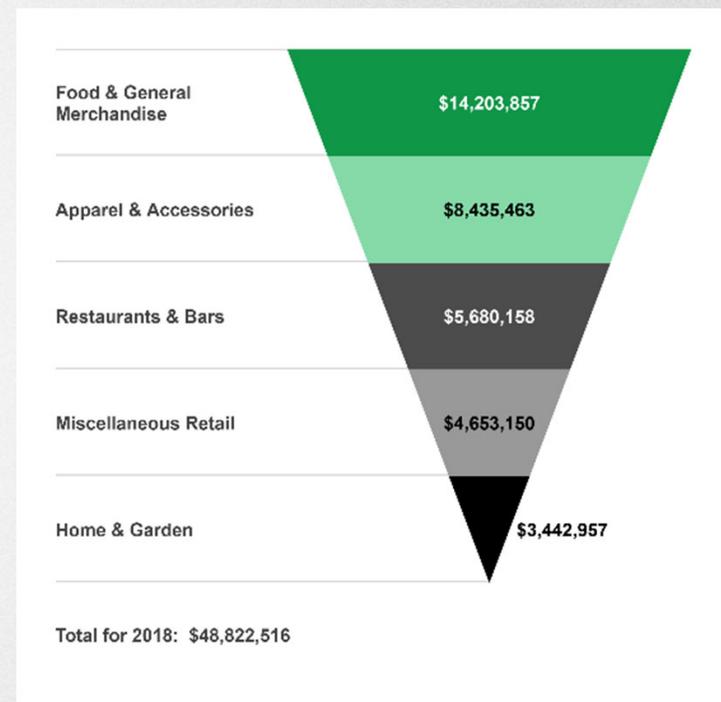
- Overall sales tax collections increased 5.5% in 2018, over prior year
- Although 2018 showed positive growth trends, sales tax revenue came in under the 6.2% budget projection
- Conservative budget estimates of 4% increase in sales tax revenue for 2019, 2020 and 2021
- Staff will continue to monitor trends in this critical revenue source



CURRENT FINANCIAL POSITION

REVENUE – SALES TAX INDUSTRY GROUPS

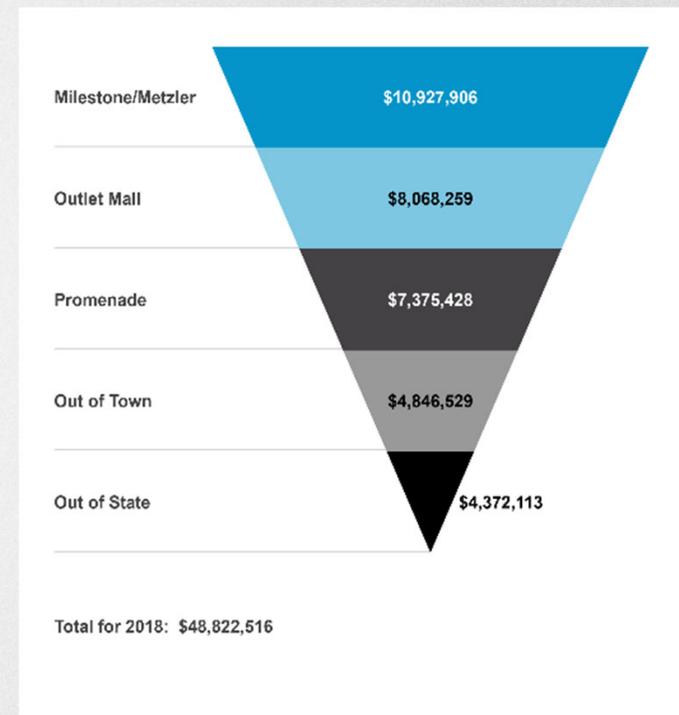
- Food & General Merchandise accounts for 29% of the Town's sales tax revenue and increased 9.6% over prior year
- Apparel & Accessories increased 3.3% over prior year and makes up 17% of total sales tax revenue
- Restaurants & Bars brings in 11.6% of the Town's sales tax. This category increased 7.4% over 2017.
- The remaining 40% of the Town's sales tax comes from Miscellaneous Retail, Home & Garden, Utilities, Auto Items and other categories



CURRENT FINANCIAL POSITION

REVENUE – SALES TAX GEOGRAPHIC GROUPS

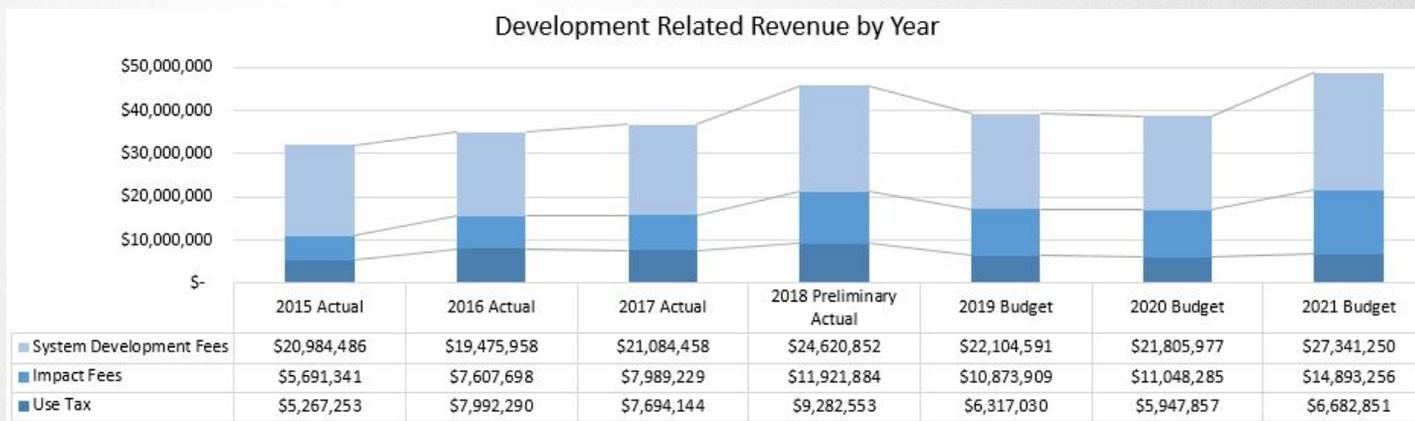
- The Milestone / Metzler area generates 22% of the sales tax revenue for the Town
- The Outlet Mall sales tax revenue was relatively flat from 2017 to 2018, and makes up 16.5% of the Towns total sales tax revenue
- The growth in the Promenade area remains strong as new businesses are added. Promenade generates 15% of the sales tax revenue.
- The Out of Town and Out of State categories make up 19% of sale tax revenue. This represents businesses that do not have a physical presence in Town but have nexus primarily through delivery.



CURRENT FINANCIAL POSITION

REVENUE – DEVELOPMENT RELATED

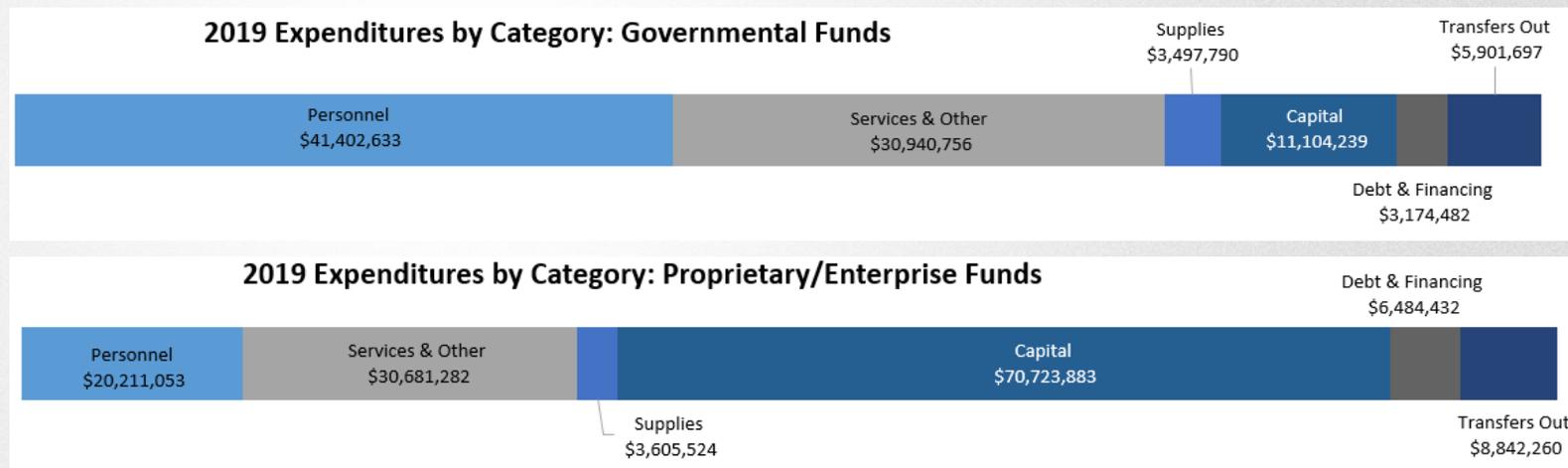
- Impact Fee study adopted 2018
- Revenue for new construction to be used for capital projects necessitated by growth
- Growth helps pay for growth



CURRENT FINANCIAL POSITION

EXPENSE DISTRIBUTION BY FUND TYPE

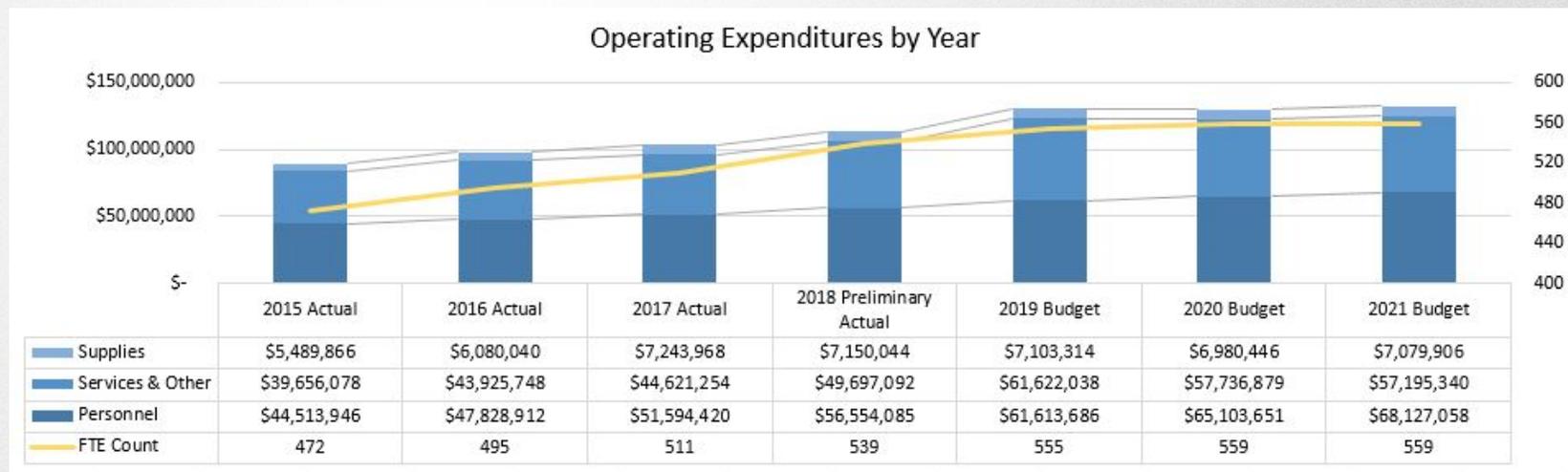
- Personnel (salary and benefits) represents 47% of total Operating Expense Town-wide



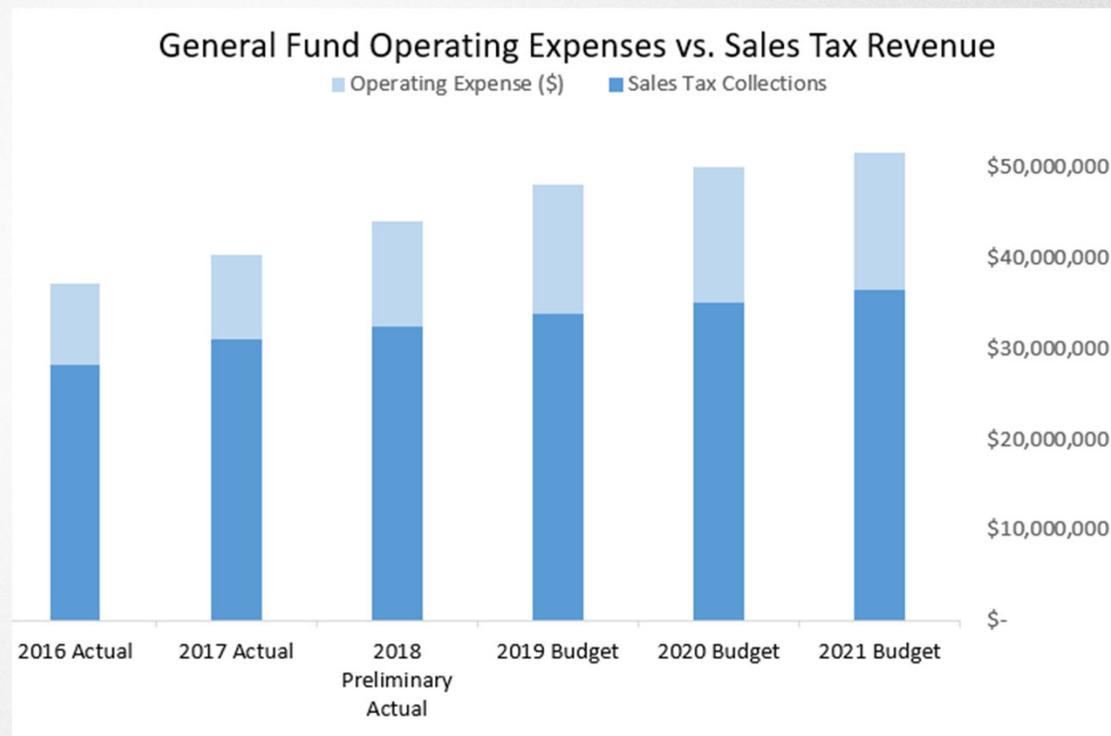
CURRENT FINANCIAL POSITION

OPERATING EXPENSE – PERSONNEL, SERVICES & OTHER

- Personnel continues to grow at an average of 7.4% per year, including market and performance adjustments and new FTEs
- Supplies and Services & Other average growth of 5.7%



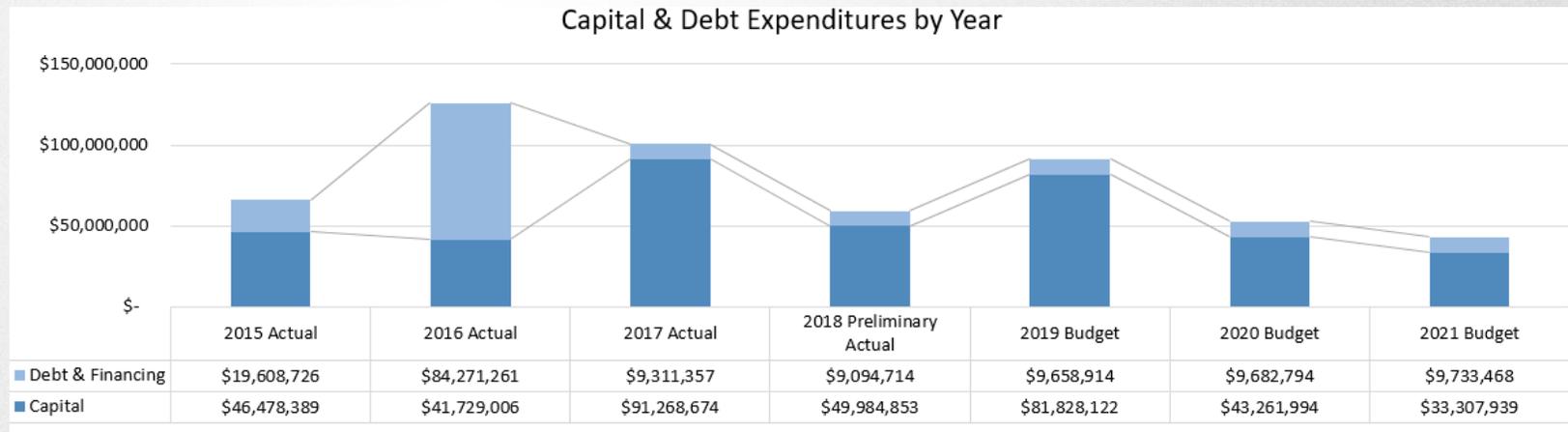
CURRENT FINANCIAL POSITION



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 in prior years (Fund Balance)



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
- Internal loans – also used to accommodate cash flow needs for capital projects
 - Lower interest rates
 - No issuance costs
 - Flexible terms

Summary of Town Debt

	Principal Balance	Interest	Total Obligation
Special Revenue Bonds			
Transportation Action Plan (TAP) Revenue Bonds - Series 2013	\$ 19,025,000	\$ 10,261,583	\$ 29,286,583
Transportation Action Plan (TAP) Revenue Bonds - Series 2016	7,305,000	1,721,126	9,026,126
Water & Wastewater Revenue Refunding Bonds - Series 2012	4,670,200	598,215	5,268,415
Water & Wastewater Revenue Refunding Bonds - Series 2012	1,474,800	188,910	1,663,710
Water & Wastewater Revenue Refunding Bonds - Series 2015	4,575,000	923,950	5,498,950
Water & Wastewater Revenue Bonds - Series 2016	44,260,000	18,191,425	62,451,425
Golf Revenue and Refunding Bonds - Series 2015	3,910,000	580,151	4,490,151
Certificates of Participation			
Parks & Recreation Certificates of Participation - Series 2013	7,505,000	3,116,767	10,621,767
Term Loan			
Festival Park Bank Loan - 2016	2,250,000	675,245	2,925,245
Lease Obligations			
Golf Course Equipment Lease - 2016	140,406	4,745	145,151
Golf Course Cart Lease - 2019	470,512	53,864	524,376
	\$ 95,585,918	\$ 36,315,981	\$ 131,901,899

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Water & Wastewater Revenue Refunding Bonds - Series 2012								Principal Balance: \$4,670,200 Interest Balance: \$598,215															
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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

2020 BUDGET PROCESS

AFFIRMATION OF STRATEGIC PRIORITIES

- Strategic priorities - the basis of each budget
- Annually, Town Council reviews the priorities and adjusts as needed
- Town aligns Strategic Priorities with ratings and comments from the community survey



2020 BUDGET PROCESS

BUDGET PROCESS

March – June 2019

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

Summer 2019

- Budget Open House
- Individual meetings with Council to review the draft 2020 Budget

August 2019

- Preliminary 2020 Budget presented to Council

September 2019

- Town’s 2020 Budget presented to Council

Budget Team:

Town Manager
Assistant Town Managers
Finance Director
Assistant Finance Director
Budget Manager
Budget Analysts

2020 BUDGET PROCESS

BUDGET AMENDMENT

- At a point in time, a budget provides best estimation of future performance
- New information or a change in project estimates may warrant a Budget Amendment
- 1st Quarter Budget Amendment – Two components:
 - Capital roll forward – Charter allows us to roll forward unspent capital budgets for a given project from a prior year into the current year.
 - Supplemental appropriation – Adopted budget did not account for these items
- Budget Amendments require an ordinance and two readings

FUTURE FINANCIAL PLANNING

SAMPLE OF MAJOR POLICY CONSIDERATIONS

REVENUE DIVERSIFICATION

- Reliance on sales tax revenue/ No good alternatives (property tax, lodging tax)
- Sales Tax concentration study

MAINTAINING ASSETS

- Repair, maintenance and replacement of Town buildings and equipment
- Replacement of aged infrastructure for water and roads

KEEPING UP WITH GROWTH

- Capital and operational capacity
- Timing of capital projects

LEGISLATIVE CONSIDERATIONS

- Additional mandates
- Sales Tax Simplification Task Force

PERSONNEL COSTS/ STAFFING

- Increasing health care costs
- Market conditions/ competition



THANK YOU

SEE YOU SOON ~ IT'S BUDGET TIME!