

PROPOSED 2025 BUDGET MESSAGE

August 20, 2024

Honorable Mayor and Town Council Members,

On behalf of Town staff, I am pleased to submit the Proposed 2025 Budget to Town Council and the community. Based upon community feedback and your direction, the proposed budget continues to prioritize core functions including public safety, roads and water. Consistent with the requested 0.2% sales and use tax increase anticipated to be on this fall’s ballot for voter approval, the five-year financial plan has 40 additional positions for the Police and Fire departments from 2025 to 2029 as shown here, along with numerous other initiatives as detailed later in this message:

Fire and police full-time equivalent positions

	2016	2017	2018	2019	2020/1	2022	2023	2024	2025*	2026*	2027*	2028*	2029*
Fire	80.50	81	93	94	94	98	102	105	115	118	120	122	123
Police	95.38	97.88	104.75	109.75	111.75	118.75	126.5	130.5	141.5	144.5	147.5	150.5	151.5

**Positions can only be funded if voters approve 0.2% sales tax increase – adjustments will be needed if this does not pass*

This Budget Message highlights key issues relative to the Town’s finances; provides an overview of the Proposed 2025 Budget; and includes information about the recommended 2025-2029 Balanced Financial and Capital Improvement plans. Referenced budget documents are available on the Town’s website at CRgov.com/2025Budget.

HIGHLIGHTED ISSUES

The Town continues to maintain a sound overall financial condition, thanks to effective Town Council direction and strong financial management and planning by the organization. Town departments continue to maintain international and national accreditations, and the Town continues to earn recognitions from various publications and programs for being one of the nation’s premier communities. Recent examples include being named the 10th best city for quality of life out of the 500 biggest cities in America by Lawn Starter and the No. 6 safest city in Colorado by SafeWise. View information on other Town honors at CRgov.com/Recognition.

Our 2023 community survey results continue to reinforce that residents appreciate the high quality of services provided in Castle Rock, while emphasizing the importance of managing growth and quality of life and preserving open space. In addition to soliciting that feedback, the Town held a telephone town hall in July 2024 to gather input on the proposed public safety ballot measure and other Town financial matters – hundreds of residents participated. With this and other feedback in mind, staff proposes continuing the following 2025 Budget priorities, which are unchanged from 2024:

- Ensure outstanding public safety
- Secure our water future
- Support economic development
- Preserve our community character
- Enhance our roads
- Maintain strong Parks and Recreation
- Manage Town finances conservatively

The Proposed 2025 Budget estimates annual growth in sales tax revenue at 3%, which is close to the lowest rate of sales tax growth the Town has seen over at least the last decade. The Town’s sales tax rate has been the same since 2011 and cannot keep pace with the growing cost of ensuring outstanding public safety services.

Town staff has made recommendations within this budget to permanently reduce spending in areas including Downtown initiatives, economic development and Town staff expenses. But these reductions alone cannot meet the costs of responding to the Town’s public safety needs. Without Town Council and community support for the sales and use tax increase – which amounts to 20 cents on a \$100 purchase – minimal public safety personnel would be hired in 2025, if the budget allows. The Fire Department would

remain staffed with three ambulances, knowing that on average, there's 18 minutes a day when no ambulance is available in Town to transport patients. This amount of time may increase going forward as call volumes continue to increase. And, CRFD's ability to operate without excessive overtime when Fire Station 156 comes online in 2026 would be compromised. CRPD, meanwhile, would continue having one of the lowest levels of officers per resident in the state. Their response times would increase, and public safety could be compromised as call volumes continue to increase.

If approved by voters, the additional 0.2% in sales tax – estimated to generate \$3.75 million annually beginning in 2025 – would go into a dedicated new Public Safety Fund. It would be used to hire the 40 additional public safety positions and for any other police and fire/rescue services as determined by Town Council. As in the recent past, the bulk of the Town's sales tax revenue would be budgeted as follows in 2025: 75% toward the General Fund, 20% toward the Transportation Fund and 5% to the Community Center Fund.

The Town's property tax mill levy rate, meanwhile, has declined by 46% since 2011; the owner of a median-valued home in Castle Rock (\$663,360) paid \$37.50 in Town property tax in 2024. The mill levy for 2025 is expected to be equal to the current rate of 0.92 when finalized in December. Associated revenue may increase slightly but is budgeted consistent with 2024 due to it being a nonappraisal year.

A 4.5% increase to water rates and fees for existing customers is proposed for 2025, along with an increase to growth-related water resources system development fees. Inflationary increases are planned for all other development impact fees, as previously approved by Council. Greens fees at Red Hawk Ridge Golf Course and admission fees at the Recreation Center are also planned to be increased for 2025.

In addition to anticipating continued lower sales tax growth and modest property tax growth, the proposed budget also anticipates continued slower residential growth, with 400 single-family units and 110 multifamily units budgeted in 2025. Slower residential growth means lower impact fee revenues and corresponding reduced capacity for capital initiatives, as discussed later in this message.

PROPOSED 2025 BUDGET OVERVIEW

The proposed Townwide budget for 2025 is \$391.7 million. This includes \$159.3 million for capital improvements; \$34.4 million for debt, interfund loans and transfers between funds; and \$198 million for operations, including \$16.5 million for annual pavement maintenance, which is a decrease from past levels due to more constrained financial resources being expected in 2025.

Expected revenues for 2025 are \$349.3 million. The difference between expected revenues and expenditures is attributable to the planned use of \$42.4 million in capital reserves, which is a common and sound practice. The 2025 operating budget is 5.4% greater than the 2024 amended operating budget of \$187.9 million; this increase reflects planned investments in Town operations to meet our growing community's needs and service expectations.

Annual operating revenues are budgeted to exceed annual operating expenditures, meaning the budget is balanced. Further, the budget maintains operating and debt reserves in all funds consistent with Town Council policies, as well as the required emergency TABOR reserve.

The 2025 General Fund budget provides for revenues estimated at \$87.3 million and expenditures, excluding one-time items, at \$82.4 million, meaning there is an anticipated General Fund operating surplus for 2025 of about \$5 million. As the budget is presented, the General Fund is projected to end 2025 with an unobligated balance of \$18.5 million after meeting reserve requirements.

2025 BUDGET PRIORITIES AND ISSUES

The intent of this budget is to focus resources on the earlier-listed seven priorities. Following is a list of the priorities and major items planned to support them:

1) Ensure outstanding public safety

- Add 10 Fire and Rescue positions – nine firefighter/paramedics and one apparatus mechanic
- Add 11 Police positions – two school resources officers, one patrol sergeant and four patrol officers, a detective, an Animal Control supervisor, a traffic officer and a dispatcher
- Fund \$6.3 million toward the construction of Fire Station 156 in northeastern Castle Rock; this is not the full amount needed, and certificates of participation will likely need to be issued in 2025 to fund the full cost
- Fund replacement AEDs for all Town facilities and Investigations office space at CRPD, for a cost of \$435,000

2) Enhance our roads

- Continue construction on the Town's top infrastructure priority, a new interchange on Interstate 25 at Crystal Valley Parkway
- Complete an aggressive annual Pavement Maintenance Program, focused in 2025 on central Castle Rock, at an estimated cost of \$16.5 million
- Begin improvements to Crowfoot Valley Road east of Knobcone Drive
- Acquire the right of way needed for the future widening of Fifth Street and of Wolfensberger Road and begin constructing the first of two phases of improvements to Fifth Street

3) Secure our water future

- Continue projects, programs and policies to advance the goal of securing 75% renewable water by 2050; reducing per-capita water consumption to 100 gallons per day; and maintaining affordable rates and fees, including:
 - Double the capacity of the Plum Creek Water Purification Facility
 - Continue progress in the long-term water plan on the WISE, Box Elder, Cherry Creek Project Authority and Chatfield Reallocation projects
 - Substantially complete the new reservoirs north of Sedalia
 - Continue to implement advanced metering infrastructure
 - Upgrade pumping and control system equipment as part of the 10-year replacement plan
- Redesign and reconstruct the Plum Creek Diversion to maximize permitted capacity
- Rehabilitate and replace aging water and sewer infrastructure on Front Street going into Downtown and the Young/American neighborhood
- Implement the U.S. Highway 85 sewer project using Douglas County American Rescue Plan Act funds
- Stabilize stream segments in Sellers Gulch, improve detention ponds, rehabilitate aging storm sewer pipe and update the Watershed Master Plan

4) Maintain strong Parks and Recreation

- Pending Town Council approval, begin construction of a new sports development center; funding would require an amendment to the 2025 Budget
- Complete the master plan for Lost Canyon Ranch Open Space
- Complete renovations at Centennial Park, offering new tennis and basketball courts, improved accessibility and parking and expanded seating options
- Complete construction drawings and obtain approvals for a trail to connect Philip S. Miller Park to Downtown Castle Rock along Industrial Tributary
- Update the free weight and circuit equipment, along with the sand filters for the lap pool, at the Recreation Center

- Add an Administrative Assistant position, using proceeds of the Town’s voter-approved lodging tax
- Improve the irrigation system at Red Hawk Ridge Golf Course

5) Support economic development

- Fulfill existing economic incentive agreements and allow capacity for new incentive agreements

6) Manage Town finances conservatively

- To ensure they are used only in the manner approved by voters, receive any “excess” TABOR revenues into a dedicated fund
- Continue monitoring revenues within the Development Services Enterprise Fund – which operates as a self-supporting enterprise, relying upon development fees to pay for associated Town costs – to ensure solvency amid lower levels of development

7) Preserve our community character

- Continue improvements at Cantril School

8) Other items

- Fund employee compensation at an average 5% performance-based increase for general employees, with an average of 7.5% budgeted for public safety personnel
- Implement health plan premium increases of 5% for both the Town and employees
- If the ballot measure is successful, place \$200,000 from any available Town revenues into the Public Art Fund annually, along with a one-time contribution of \$100,000 from Town lodging tax revenues, for the purpose of funding public art programs as approved by Town Council
- Per 2024 Town Council direction, establish a Youth Commission for the Town with a paid staff position

TABOR UPDATE

Castle Rock voters in November 2021 approved a temporary, 10-year "TABOR timeout." Through 2030, this authorizes the Town to retain and spend any "excess" TABOR revenues solely for:

- Police;
- Fire protection;
- Emergency medical services;
- Roads and other transportation purposes, including, but not limited to, the Crystal Valley/I-25 interchange

The Town was under its TABOR revenue cap by about \$450,000 for 2023 and, therefore, did not have any “excess” revenues to expend. View information on the Town’s TABOR history at <https://CRgov.com/TABOR>.

STATE BAG FEE UPDATE

In accordance with State law, the Town started in 2023 collecting revenue associated with a State fee on disposable bags. Consumers pay 10 cents per disposable bag, and the Town receives 60% of this fee from remitting businesses.

The Town collected \$197,234 in bag fee revenues for 2023 and \$106,721 through the first half of 2024. The Town has used roughly \$8,800 of these funds to purchase reusable bags to distribute during Town events, with the remainder being used to provide for recycling services at Town parks and buildings.

GAS-POWERED EQUIPMENT STATE MANDATE

In February 2024, the Colorado Air Quality Commission released a new regulation prohibiting local governments from using small gas-powered equipment (less than 10 horsepower) beginning June 1, 2025. Exceptions are allowed for public safety and emergency purposes. The goal of this regulation is to reduce emissions and improve air quality in the Denver Metro/North Front Range area. As a result, leaf blowers, string trimmers, chainsaws and other equipment the Town regularly uses will be prohibited for use during June, July and August of each year.

Compliance with this unfunded State mandate is impacting our budgeting going forward – staff estimates the Town needs to replace nearly 90 pieces of equipment at an estimated cost of over \$300,000. Staff is seeking to minimize the budget impact by using a \$126,840 Energy Efficiency and Conservation Block Grant, funded through the Federal Department of Energy, toward the replacements.

FIVE-YEAR FINANCIAL AND CAPITAL IMPROVEMENT PLANS

Included with the 2025 Budget are the 2025-2029 Balanced Financial and Capital Improvement plans. Some items of note within these plans:

- **Ensure outstanding public safety:** Additional positions in both fire and police are included in each year from 2026 to 2029, as noted below. This, combined with compensation and benefit and other increases, will cause the Police and Fire departments' budgets to grow 124% over the next five years, as detailed in the following table. If the tax increase is not placed on the ballot or is placed on the ballot and does not pass, amendments and reductions to these plans will be required. As explained earlier in this message, the proposed 0.2% sales and use tax increase would cover about half of the funding needed for the 40 additional public safety positions, with the remainder coming from permanent reductions in other Town spending.

Proposed Fire and Police department staff/budget growth over 2024 over the five-year financial planning period

	2025	2026	2027	2028	2029
Fire Department	+10 FTE/+ $\$1.8M$	+3 FTE/+ $\$2.3M$	+2 FTE/+ $\$2.8M$	+2 FTE/+ $\$3.3M$	+1 FTE/+ $\$3.9M$
Police Department	+11 FTE/+ $\$1.6M$	+4 FTE/+ $\$2.3M$	+3 FTE/+ $\$2.9M$	+3 FTE/+ $\$3.4M$	+1 FTE/+ $\$3.7M$
TOTAL	+21FTE/+ $\$3.4M$	+7 FTE/+ $\$4.7M$	+5 FTE/+ $\$5.7M$	+5 FTE/+ $\$6.8M$	+2 FTE/+ $\$7.6M$

- **Enhance our roads:** The slowdown in growth has significantly constrained the Town's ability to execute on needed transportation capital projects over the next five years. In addition to those budgeted in 2025 as previously listed, two other projects are planned to go under construction over the five-year planning period: 1) In 2028, begin constructing the second phase of Fifth Street widening. 2) In 2029, construct a roundabout at a to-be-determined intersection. Pavement Maintenance Program budgets are also lower throughout the planning period than in the past due to more modest sales tax growth projections.
- **Secure our water future:** Water, long-term water, stormwater and wastewater projects totaling nearly \$266 million are included over the five-year period, including water system projects of \$65.6 million; water resources/long-term water projects of \$148.6 million; stormwater projects of \$15.7 million; and wastewater projects of \$36 million. In addition to capital items, current plans call for three additional Water staff between 2025 and 2029.
- **Maintain strong Parks and Recreation:** Improvements across the Town's parks and trails and recreation facilities are budgeted during the planning period. Needed repairs to athletic fields and courts and the addition of security cameras in parks are among the items planned. Updates to fitness equipment, locker rooms and the entrance sign are anticipated at the Recreation Center. The parking lot will be repaired at Red Hawk Ridge Golf Course, and the irrigation system replaced.

- **Support economic development:** Economic assistance of \$1 million is included in 2026 toward a second building at Arapahoe Community College’s Collaboration Campus. In 2027 and 2028, respectively, \$4.5 million and \$1 million in infrastructure assistance payments are budgeted to help bring a Costco to the Dawson Trails area, which is expected to contribute significantly to the Town’s sales tax base.
- **Manage Town finances conservatively:** In line with its conservative financial management, the Town is planning only one new general government staff member over the balance of the five-year period, to support the maintenance of the Town’s facilities. The Town is also planning to acquire new financial management software, to ensure the maximum efficiency and accuracy of our financial information.

CONCLUSION

This Proposed 2025 Budget focuses on maintaining levels of service while accomplishing core priorities. Council and community consideration of the budget will include an initial presentation on Aug. 20, 2024; first reading of the budget on Sept. 3, along with Council consideration of the 2025-2029 Balanced Financial Plan and Capital Improvement Program, and first reading of the Town’s mill levy ordinance; second reading of the budget on Sept. 17; and second and final reading of the mill levy ordinance on Dec. 3.

I’d like to thank Town Council for its leadership; Finance Director Trish Muller, Assistant Finance Director Pete Mangers, Financial Analysts Karlee Hinckley and Melissa Everett, and the entire Finance Department staff; Assistant Town Managers Matt Gohl and Kristin Read and all other department heads; and staff in all departments for their efforts contributed in the preparation of this budget.

Respectfully submitted,



David L. Corliss
Town Manager