

PROPOSED 2026 BUDGET MESSAGE

September 16, 2025

Honorable Mayor and Town Council Members,

On behalf of Town staff, I am pleased to submit the Proposed 2026 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 2024 voter-approved 0.2% sales and use tax increase, the five-year financial plan continues implementation of additional positions for the Police and Fire departments through 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	2030
Fire	80.50	81	93	94	94	98	102	105	115	118	120	122	124	134
Police	95.38	97.88	104.75	109.75	111.75	118.75	126.5	130.5	145	148	151	154	155	159

This Budget Message highlights key issues relative to the Town's finances; provides an overview of the Proposed 2026 Budget; and includes information about the recommended 2026-2030 Balanced Financial and Capital Improvement plans. Referenced budget documents are available on the Town's website at CRgov.com/2026Budget.

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 best small city in Colorado and the 15th best in the United States by WalletHub and the sixth best city for quality of life out of the 500 biggest cities in America by LawnStarter. View information on other Town honors at CRgov.com/Recognition.

Our 2025 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 budget open house in July 2025, which dozens of residents attended. With this and other feedback in mind, staff proposes the following 2026 Budget priorities, which include an additional priority related to open space:

- 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
- Conserve our open space

The Proposed 2026 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. Revenue from the Town's general 4% sales tax is budgeted as follows in 2026: 74.75% toward the General Fund, 20% toward the Transportation Fund and 5.25% to the Community Center Fund. The voter-approved 0.2% sales tax is set aside for public safety expenditures.

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 (\$635,119) paid \$39.15 in Town property tax in 2025. The mill levy for 2026 is expected to be the same as the current rate of 0.92 mills when finalized in December.

A 4% to 5% increase to water rates and fees for existing customers is proposed for 2026, 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 2026.

In addition to anticipating continued lower sales tax growth and modest property tax growth, the proposed budget also anticipates continued slower residential growth, with 300 single-family units and 110 multifamily units budgeted in 2026. Slower residential growth means lower impact fee revenues and corresponding reduced capacity for capital initiatives, as discussed later in this message.

PROPOSED 2026 BUDGET OVERVIEW

The proposed Townwide budget for 2026 is \$349.6 million. This includes \$74.5 million for capital improvements; \$51 million for debt, interfund loans and transfers between funds; and \$224.1 million for operations, including \$19 million for annual pavement maintenance, which is a \$2.5 million increase over the original 2025 budget.

Expected revenues for 2026 are \$323.4 million. The difference between expected revenues and expenditures is attributable to the planned use of \$26.2 million in capital reserves, which is a common and sound practice. The proposed 2026 operating budget is 10% greater than the 2025 amended operating budget of \$203.9 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 2026 General Fund budget provides for revenues estimated at \$100.2 million and expenditures, excluding one-time items, at \$93.5 million, meaning there is an anticipated General Fund operating surplus for 2026 of about \$6.7 million. As the budget is presented, the General Fund is projected to end 2026 with an unobligated balance of \$28.6 million after meeting reserve requirements.

2026 BUDGET PRIORITIES AND ISSUES

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

1) Ensure outstanding public safety

- Add three Fire and Rescue positions — a firefighter/EMT, a fire prevention officer and an administrative assistant
- Add three Police positions — a traffic officer, a commander and a deputy chief
- Continue the Drones for First Responders program; purchase regional SWAT equipment and vehicles for Police, along with funding software improvements; and conduct a conceptual space study for long-term Police Department needs
- Continue design and begin construction of Fire Station 156 on Castle Oaks Drive, which is estimated to cost \$20.5 million and will include a logistics facility; and continue funding for wildland fire mitigation and wildland protective equipment, along with vehicle acquisition, hydraulic extrication tools, mechanical chest-compression (LUCAS) devices and training tower maintenance

2) Enhance our roads

- Continue construction on the Town's top infrastructure priority, the new interchange on Interstate 25 at Crystal Valley Parkway; as part of the Colorado Department of Transportation's requirements for the interchange, the Proposed 2026 Budget includes funding for a park-and-ride lot to be constructed on Town-owned property near the interchange
- Continue construction on improvements to Crowfoot Valley Road east of Knobcone Drive and on Phase 1 of Fifth Street improvements west of the Four Corners intersection
- Design intersection improvements at Mikelson and Enderud boulevards and construct traffic signals at Founders Parkway and Crimson Sky Drive and at Founders Parkway and Avenida del Sol (subject to CDOT approval)
- Complete an aggressive annual Pavement Maintenance Program, focused in 2026 on northern Castle Rock, at an estimated cost of \$19 million
- Add two street maintenance technicians and include funding for a sign technician vehicle, street marking and enhanced pay for snowplow operations

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:
 - Continue work to double the capacity of the Plum Creek Water Purification Facility, which is focused on renewable and reusable water supplies
 - Continue progress in the long-term water plan on the WISE project, including planning and design on a desalination facility; and on the Chatfield Reallocation and Platte Valley Water Partnership projects
 - Fund additional operational expenses associated with the ramp-up and doubling of the amount of WISE imported renewable water that Castle Rock will receive in 2026
 - Continue to implement advanced metering infrastructure and upgrading pumping and control system equipment
- Construct the South Well Field Pipeline and upgrade filters at the Meadows and Miller water treatment plants
- Implement the U.S. Highway 85 sewer project using Douglas County American Rescue Plan Act funds
- Rehabilitate the Castlewood Ranch lift station; the Plum Creek Water Reclamation Authority Reuse Reservoir and the pump station that serves Red Hawk Ridge Golf Course; and the sewer system in Escavera
- Rebuild the Paintbrush Park pond, stabilize 6400 East Plum Creek, rehabilitate storm sewers based on the results of video inspections in central and Downtown Castle Rock and address additional stormwater infrastructure needs caused by development in Crystal Valley
- Add four positions – a plant maintenance supervisor, a SCADA supervisor, a water quality technician and a stormwater infrastructure inspector (split with Development Services)

4) Maintain strong Parks and Recreation

- Continue construction of the Castle Rock Sports Complex, anticipated to open in 2027
- Replace cardio exercise equipment at the Recreation Center
- Improve the parking lot and maintenance equipment at Red Hawk Ridge Golf Course, using golf revenues
- Add an additional Parks Maintenance position

5) Conserve our open space

- In alignment with community survey results encouraging more open space, alter the current allocation of the Town's commercial use tax (sales tax on commercial construction materials) to shift half of those funds away from economic development and instead provide for up to \$700,000 in additional annual resources for open space acquisition and maintenance
- Invest \$2 million to begin phased development of Lost Canyon Ranch Open Space and open it for public access; this includes traffic calming on Lost Canyon Ranch Road, Creekside Road upgrades and partial road connection to

Cattleman's parking lot, partial development of Cattleman's parking lot, select trail construction (including Creekside trailhead) and installation of trail signage

6) Preserve our community character

- Mark the celebration of the 250th anniversary of the signing of the Declaration of Independence and the 150th anniversary of Colorado becoming a state with a Fourth of July party and fireworks, banners throughout Town, mini grants for neighborhood celebrations, artwork through the Public Art Commission, the dedication of a time capsule at the Castle Rock Sports Complex and more
- Continue repairs and improvements at Cantril School, including west side masonry and window restoration and the first phase of outdoor improvements
- Fund an update to the Town's comprehensive plan, which was last updated in 2017
- Fund a possible Town entranceway monument sign along Colorado Highway 86, near Gateway Mesa Open Space
- Support the Castle Rock Chamber of Commerce and the Downtown Merchants Association and their events, along with Parks and Recreation's community events and concerts
- Continue public art initiatives including participation in Art Encounters and other artwork installations, art and culture grant awards and other public art projects
- Fund the Council Community Grant Program as directed by Town Council
- Add a new zoning inspector in Development Services — the first additional staff in this "quality of life" position in over 20 years

7) Support economic development

- Continue funding for the Castle Rock Economic Development Council and Castle Rock Chamber of Commerce
- Follow through on Council-approved economic incentives for Arapahoe Community College (\$1 million for a new building), Outlets at Castle Rock infrastructure and other new primary employers in our community

8) Manage Town finances conservatively

- Continue to manage revenues and expenditures conservatively, with projected modest sales tax growth
- Upgrade the Town's financial system
- Fund employee compensation at an average 5% performance-based increase for general employees, with an average of 7.5% budgeted for public safety personnel
- Meet benefit needs, including substantial cost increases for employees' health insurance and the Town's property, liability and workers' compensation costs

FIVE-YEAR FINANCIAL AND CAPITAL IMPROVEMENT PLANS

Included with the Proposed 2026 Budget are the 2026-2030 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 2030, as noted below. This, combined with compensation and benefit and other increases, will cause the Police and Fire departments' budgets to grow 33% over the next five years, as detailed in the following table.

Proposed Fire and Police department staff/budget growth over 2025 during the five-year financial planning period

	2026	2027	2028	2029	2030
Fire Department	+3 FTE/+ \$1.1M	+2 FTE/+ \$2.0M	+2 FTE/+ \$1.1M	+2 FTE/+ \$1.9M	+10 FTE/+ \$3.8M
Police Department	+3 FTE/+ \$2.4M	+3 FTE/+ \$1.7M	+3 FTE/+ \$1.5M	+1 FTE/+ \$1.4M	+4 FTE/+ \$1.8M
TOTAL	+6 FTE/+ \$3.5M	+5 FTE/+ \$3.7M	+5 FTE/+ \$2.6M	+3 FTE/+ \$3.3M	+14 FTE/+ \$5.6M

- **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 2026 as previously listed, these projects are planned to go under construction over the five-year period: \$1.7 million for construction of additional traffic signals and intersection improvements; \$13 million to widen Wolfensberger Road; \$3.7 million for right of way, design and construction of a roundabout at a to-be-determined location; and \$15 million for Phase 2 of Fifth Street widening.
- **Secure our water future:** Water, long-term water, stormwater and wastewater projects totaling nearly \$157 million are included over the five-year period, including water system projects of \$29.7 million; water resources/long-term water projects of \$86.5 million; stormwater projects of \$6.4 million; and wastewater projects of \$34.3 million.
- **Maintain strong Parks and Recreation:** Improvements across the Town's parks and trails, open spaces 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, pool, locker rooms and the entrance sign are anticipated at the Recreation Center. At Red Hawk Ridge Golf Course, the parking lot will be repaired, along with the purchase of new golf maintenance equipment and golf carts, as well as the planned replacement of the irrigation system.
- **Conserve our open space:** Investment in the phased development of Lost Canyon Ranch continues, with an additional \$2.8 million planned in 2027-2030. In addition, funds continue to be set aside in the newly created Open Space Fund for the maintenance and future acquisition of open space.
- **Preserve our community character:** Improvements at Cantril School continue, with \$1.2 million planned in 2027-2030 for repairs to the building's exterior and HVAC upgrades. Over \$3 million is planned for grounds improvements, which includes playground renovations, improved parking and signage. Continued public art initiatives are planned, including the installation of a sculpture along the southern main entryway into Castle Rock.
- **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 2026 Budget focuses on maintaining levels of service while accomplishing core priorities. Council and community consideration of the budget will include an initial presentation on Sept. 16, 2025; first reading of the budget on Oct. 7, along with Council consideration of the 2026-2030 Balanced Financial Plan and Capital Improvement Program, and first reading of the Town's mill levy ordinance; second reading of the budget on Oct. 21; and second and final reading of the mill levy ordinance on Dec. 16.

I'd like to thank Town Council for its leadership; Finance Director Trish Muller, Assistant Finance Director Pete Mangers, Budget Manager Kathi Ingle, Budget Analyst 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 in the preparation of this budget.

Respectfully submitted,



David L. Corliss
Town Manager