

2026 Budget Message

(Pursuant to 29-1-103(1)(e), C.R.S.)

The attached 2026 Proposed Budget for the Castle Pines Village Metropolitan District (District) includes discussion of budget policy, financial highlights, and capital investments. The District operates on a calendar year and uses two funds: the General Fund and the Water and Sewer Fund.

The District uses a modified accrual basis of accounting to prepare the annual budget. The basis of accounting indicates the timing of revenue and expenditure recognition in each fund. In the General Fund, the modified accrual basis of accounting is also used for financial reporting. However, the Water and Sewer Fund uses a full accrual basis of accounting for financial reporting which impacts presentation of pension and other post-employment benefits (OPEB), capital outlay, and principal on long term debt. A reconciliation of the accrual basis to the budgetary basis of reporting is included in the annual audited financial statements for the Water and Sewer Fund.

Budget Policy

The District's Budget Policy promotes fiscal stewardship through strategic preparation and intentional management of an annual budget. District management prepares a balanced budget for the Board of Directors, made available to the public in advance of adoption, in accordance with Colorado Revised Statutes.

Operating Reserves equivalent to 25% of budgeted operating expenditures and Capital Reserves of \$1 million are included in the annual budget for each fund to comply with external loan requirements and to mitigate unforeseen risks. The Finance department prepares budget and actual reports throughout the fiscal year to demonstrate compliance with District policy.

Financial Highlights

For the 2026 fiscal year, the District is prioritizing completion of projects already in progress and long-term operational sustainability. The 2026 budget includes over \$20 million for capital investments; these assets will be used in operations to benefit residents for many years beyond acquisition. Completion of the Water Treatment Plant II expansion and construction of the New Water Tank will be the focus this year, accounting for \$19.5 million of the capital outlay budget, while other capital and operational projects are strategically postponed to future years.

As the District continues to align budget line items with functional areas, some expenditures have been reallocated from the Water and Sewer Fund to the General Fund in 2026. Personnel expenditures are now more heavily weighted in the General Fund to best reflect staff responsibilities, where costs were more of

an even distribution between the funds last year. A small amount of the Operations and Maintenance budget is also moved from the Water and Sewer Fund to the General Fund as the work primarily relates to roadway maintenance.

Total Operating Revenue for the District is budgeted at \$17.1 million in 2026, an increase of \$55,642 (0.3%) from 2025. Property taxes and Charges for Services remain the most significant sources of revenue for the General Fund and Water and Sewer Fund, respectively. While property tax and service charge revenues are projected to grow by approximately 3.0%, these gains are offset by a forecasted decline in Investment Income due to two interest rate reductions in 2025.

The 2026 Budget for Total Operating Expenses is \$26.8 million, an increase of \$8.4 million (45.3%) over 2025. The year-over-year increase is due to an \$8.7 million increase in Capital Outlay – General spending to complete the Water Treatment Plant II expansion and New Water Tank projects. Completing these two major capital projects in 2026 is a central priority this year, exhausting bond proceeds from debt issued in 2022 and improving the District’s water infrastructure. Operating Expenses other than Capital Outlay are budgeted to decrease \$319,425 (1.8%) from last year, ensuring efforts are focused on completing projects already in process.

Fund balance of \$9.7 million will be used to invest in capital projects this year, maintaining a balanced budget. The District is starting the year with healthy fund balances and will be able to set aside reserves in 2026 while sustaining sufficient fund balances for future operations.

General Fund

The 2026 General Fund budget plans for the use of \$845,840 of fund balance after a transfer of \$765,000 to the Water and Sewer Fund. Operating Reserves of \$2.3 million and Capital Reserves of \$1.0 million are included in the budget, resulting in an estimated ending fund balance of \$14.8 million. Total Revenue of \$9.5 million is budgeted to decrease by \$213,624 (2.2%) when compared to the prior year. Total Expenditures before transfers to other funds is \$9.6 million, an increase of \$393,874 (4.3%) over the prior year.

The primary source of revenue in the General Fund continues to be from Property Taxes. Property assessments performed in 2025 will be collected in 2026 and remained relatively flat from the previous assessment, generating a Property Tax revenue increase of \$257,117 (3.1%) in 2026. Investment Income is reduced by \$265,000 (40.8%) from last year’s budget based on lower interest rates, completely offsetting the increased revenue in the Property Tax line. The non-renewal of a landscape services contract in 2026 will reduce revenue by \$185,241 and generate corresponding savings in related General Fund expenditures.

The Executive and Administrative function incorporates an increase of \$1,087,893 (57.8%) over 2025 attributable to Personnel expenses. Several factors contributed to this increase, including the reallocation of wages and benefits from the Water and Sewer Fund based on employee responsibilities. To support the District’s expanded service area, one Full Time Equivalent (FTE) position is added for 2026 - marking the first staffing increase since 2021. Like most employers, medical insurance premiums will increase 14% and the employer contribution to PERA will increase 0.99% in 2026, further contributing to the increase in Personnel costs.

The Operations function proposes a \$550,679 (26.5%) increase from 2025. The Operations and Maintenance line will increase by \$100,200 (6.4%) because of reallocation of costs from the Water and Sewer Fund. And the Capital Outlay – General line increases \$352,500 (204.3%) for one-time equipment purchases; refer to the Capital Investments listing in this document for more information.

Expenditures of the Finance function remain flat with a \$302 increase, while the Capital Programs function is reduced by \$1.2 million (24.6%) in 2026. Operations and Maintenance includes the District's ongoing roadway maintenance program, which is reduced to \$3.5 million. The District has made significant investments in roadway rehabilitation and improvements over the last few years and will reduce spending in 2026 while road conditions continue to be monitored for future investment.

Water and Sewer Fund

The Water and Sewer Fund budget proposes use of \$8,820,987 fund balance from operating activities, following a transfer from the General Fund of \$765,000. Operating Reserves of \$2.0 million and Capital Reserves of \$1.0 million are also included in the budget in accordance with the District's Budget Policy. 2026 ending fund balance is budgeted at \$5.1 million. Total Operating Revenue is budgeted at \$7.6 million, an increase of \$269,266 (3.6%) over the prior year. Total Operating Expenses is budgeted at \$17.2 million, an increase of \$8.0 million (86.0%) over 2025.

Charges for Services revenue is the Water and Sewer Fund's primary revenue source. A \$10 increase to the monthly capital improvement fee for all properties is budgeted for 2026 beginning January 1; water and sewer revenues for new service addresses are also accounted for in this line, increasing revenue by \$383,294 (5.8%). Effluent Pumping is revenue passed through from golf courses using effluent water to the Plum Creek Wastewater Reclamation Authority (PCWRA); an increase of \$123,389 (55.6%) is based on planned increases in capital improvement fees at PCWRA and is also reflected in related expense line items. Investment Income is budgeted to decrease \$220,00 (44.0%) from 2025 due to decreases in interest rates and reduced investment balances as the District invests in capital projects throughout the year.

In Operating Expenses, the Executive and Administrative function budget is reduced by \$744,893 (24.6%) from 2025. The Personnel line is the driver for this reduction, reallocating \$779,590 (44.4%) to the General Fund to better align the budget with employee responsibilities. The Operations and Maintenance line increased by \$136,065 (23.0%) primarily related to effluent charges passed through to PCWRA.

The Operations function decreased by \$13,870 (0.4%) from prior year, with most line items reflecting minor year-over-year changes. The Operations and Maintenance line reflects a \$179,600 (9.0%) increase to include funding for one-time credits to residents for backflow device testing. Capital Outlay – General decreased by \$180,000 (51.4%) and includes meter reading base stations and a valve indicator for the wells, both one-time expenditures.

The Finance budget includes an increase of \$42,965 (2.5%), primarily for increased Depreciation of capital assets.

Capital Programs accounts for a significant portion of the fund's 2026 budget and also for the largest increases from 2025. The Operations and Maintenance line increased \$460,000 (200.0%), adding funding to rehabilitate three of the District's wells. Professional Services decreased \$300,000 (50.8%) for 2026 as

one-time projects were removed from the budget upon completion. Capital Outlay – General is the largest line item in the 2026 budget at \$8.9 million. \$8.7 million is to complete the Water Treatment Plant II expansion and New Water Tank projects, supplementing funding from operational activity once bond proceeds are exhausted.

2022 Revenue Bonds

The District will fully spend the remaining proceeds from the 2022 Revenue Bonds on water infrastructure projects in process; this activity is reflected in the Nonoperating Activity section of the Water and Sewer Fund. Because the District will use restricted bond investments to fund this activity, related revenue and expenditures will have minimal impact on the Water and Sewer Fund’s ending unrestricted fund balances and therefore are presented separate from other Operating Activity in the fund.

In the final year of construction, \$10.8 million will be expended on the Water Treatment Plant II expansion and New Water Tank projects. To ensure full completion of these projects in 2026, supplemental funding will be provided by operational dollars. The District will continue Interest on Bonds and Principal on Bonds payments through 2052.

Planned Initiatives and Projects

The District plans to complete several key initiatives during the 2026 fiscal year, including capital projects, operation and maintenance (O&M) efforts, and focused studies. These projects are designed to enhance operational efficiency, maintain critical infrastructure, and support long-term strategic goals.

Key Initiatives:

- Incident Command System Evaluation (\$300k): The Incident Command System (ICS) project will establish a standardized approach for managing emergency incidents and ensuring clear communication, coordination, and control among responders. It will provide a structured framework that enables the District to effectively plan for, respond to, and recover from incidents of any size or complexity.

Operation and Maintenance Projects:

- 2026 Roadway Program (\$3.5M): The District’s roadway program provides continued investment in the roadway conditions and safety in The Village. Roads will be systematically replaced or repaired based on condition assessments. Traffic and pedestrian enhancements will also continue to improve safety and standardization.
- Water Line Condition Assessment (\$250k): This assessment will include a comprehensive inventory and evaluation of the District’s water distribution infrastructure, with the objective of assigning condition and risk scores to system assets. Results will be used to develop a long-term, data-driven capital improvement plan focused on the repair, replacement, and ongoing maintenance of the system, ensuring continued reliability and efficient operation.
- Well Rehabilitations (\$690k): Comprehensive rehabilitations will be performed on three wells this year including installation of new pumps and motors for Wells De-10, LDa-10, and A-10.

- Roof replacement (\$250k): Replace roofs on office and shop buildings, both beyond useful life.

Capital Projects:

- New Tank (\$8.5M): This year will complete the construction of a new 2 million gallon (MG) water tank. The District initiated planning for this project in 2015. It is necessary to meet the District's growing demands and provide the required fire flow storage. The new tank is expected to meet the needs of the community at full buildout. The tank is included in the District's Long-Range Water Master Plan and is financed through the 2022 Revenue Bonds with supplemental funding from operational dollars.
- Water Treatment Plant II (WTP2) Expansion (\$11.0M): The third and final year of this project will increase the District's current WTP2 capacity from 3MG to 7MG and allow for the retirement of WTP 1 which was installed in the 1980s. The project will also include regulatory updates, technological updates, and process improvements and upgrades to the existing plant. The tank is included in the District's Long-Range Water Master Plan and is financed through the 2022 Revenue Bond with supplemental funding from operational dollars.
- Electrical Upgrades (\$200k): Replacement of the electrical service entrance gear is required to support service for the District's water infrastructure.
- Meter Reading Base Station (\$125k): This project involves replacement of the District's existing water meter reading base stations, which are beyond the end of life. Replacement of the base stations will ensure that our water meter reading and billing systems continue to operate optimally.

**Castle Pines Village Metropolitan District
Budget Summary
2026 Proposed Budget**

	General Fund	Water and Sewer Fund	Total
Operating Revenue			
Property Tax	\$ 8,561,455	\$ -	\$ 8,561,455
Charges for Services	30,000	6,990,000	7,020,000
Investment Income	385,000	280,000	665,000
Specific Ownership Tax	525,000	-	525,000
Effluent Pumping	-	345,499	345,499
Other Income	9,500	34,660	44,160
Total Operating Revenue	9,510,955	7,650,159	17,161,114
Operating Expenses			
Operations and Maintenance	5,189,700	3,588,312	8,778,012
Personnel	2,589,853	977,914	3,567,767
Depreciation	-	1,400,000	1,400,000
Professional Services	578,210	615,600	1,193,810
Utilities	193,500	674,500	868,000
Office Expenses	190,805	199,820	390,625
Principal and Interest on Loans	-	254,373	254,373
Water Resources	-	250,000	250,000
Insurance	69,278	69,278	138,556
Training and Development	76,905	57,150	134,055
County Treasurer Fees	128,294	-	128,294
Marketing and Communications	50,250	54,200	104,450
Capital Outlay - General	525,000	9,095,000	9,620,000
Total Operating Expenses	9,591,795	17,236,147	26,827,942
Transfers			
Transfers In (Out) between Funds	(765,000)	765,000	-
Total Transfers	(765,000)	765,000	-
Net Change in Fund Balance	\$ (845,840)	\$ (8,820,988)	\$ (9,666,828)
Nonoperating Activity			
Investment Income on Bonds	\$ -	\$ 250,000	\$ 250,000
Capital Outlay - Bond	-	(10,800,000)	(10,800,000)
Interest on Bonds	-	(1,071,350)	(1,071,350)
Principal on Bonds	-	(270,000)	(270,000)
Total Nonoperating Activity	\$ -	\$ (11,891,350)	\$ (11,891,350)

**Castle Pines Village Metropolitan District
General Fund
2026 Proposed Budget**

	2024 Actual	2025		2026 Proposed Budget
		Original/ Final Budget	Projected Actual	
Revenue				
Property Tax	\$ 8,450,853	\$ 8,304,338	\$ 8,301,706	\$ 8,561,455
Specific Ownership Tax	616,977	550,000	550,000	525,000
Investment Income	851,007	650,000	750,000	385,000
Charges for Services	247,093	215,241	228,182	30,000
Other Income	57,000	5,000	58,542	9,500
Total Revenue	10,222,930	9,724,579	9,888,430	9,510,955
Expenditures				
Executive and Administrative				
Personnel	1,151,426	1,392,894	1,262,270	2,589,853
Professional Services	119,138	127,868	110,736	132,610
Office Expense	56,346	73,087	68,181	76,582
Insurance	53,556	70,726	58,348	69,278
Marketing and Communications	159,210	91,500	77,723	50,250
Training and Development	27,700	48,760	35,268	40,155
Operations and Maintenance	75,779	63,000	70,000	12,000
Capital Outlay - General	-	15,000	9,822	-
Total	1,643,155	1,882,835	1,692,348	2,970,728
Operations				
Operations and Maintenance	902,446	1,577,500	1,046,348	1,677,700
Utilities	143,890	153,021	147,732	193,500
Professional Services	14,690	87,300	43,332	113,600
Office Expense	53,383	54,150	70,656	86,650
Training and Development	18,421	36,300	24,245	35,000
Capital Outlay - General	514,068	172,500	217,934	525,000
Total	1,646,898	2,080,771	1,550,247	2,631,450
Finance				
County Treasurer Fees	126,769	124,440	124,440	128,294
Office Expense	17,723	32,015	31,782	27,573
Professional Services	10,000	10,500	10,500	12,000
Training and Development	349	2,360	1,770	1,750
Total	154,841	169,315	168,492	169,617
Capital Programs				
Operations and Maintenance	4,078,159	4,970,000	4,545,000	3,500,000
Professional Services	13,180	95,000	20,000	320,000
Total	4,091,339	5,065,000	4,565,000	3,820,000
Total Expenditures	7,536,233	9,197,921	7,976,087	9,591,795
Transfer Out to Other Funds	(800,000)	(735,000)	(735,000)	(765,000)
Change in Fund Balance	1,886,697	(208,342)	1,177,343	(845,840)
Beginning Fund Balance, Estimated	15,869,300	16,262,713	17,755,997	18,933,340
Operating Reserves	-	2,299,480	-	2,266,699
Capital Reserves	-	1,000,000	-	1,000,000
Ending Fund Balance, Estimated	\$ 17,755,997	\$ 12,754,891	\$ 18,933,340	\$ 14,820,801

**Castle Pines Village Metropolitan District
Water and Sewer Fund
2026 Proposed Budget**

	2024 Actual	2025		2026 Proposed Budget
		Original/ Final Budget	Projected Actual	
Operating Revenue				
Charges for Services	\$ 6,996,882	\$ 6,606,706	\$ 6,725,750	\$ 6,990,000
Effluent Pumping	113,388	222,110	150,000	345,499
Investment Income	751,885	500,000	650,000	280,000
Other Income	92,844	52,077	62,058	34,660
Total Operating Revenue	7,954,999	7,380,893	7,587,808	7,650,159
Operating Expenses				
Executive and Administrative				
Personnel	1,637,280	1,757,504	1,692,871	977,914
Operations and Maintenance	450,496	592,647	520,537	728,712
Water Resources	102,696	299,000	258,618	250,000
Professional Services	16,002	105,500	90,436	113,700
Insurance	58,784	70,726	62,874	69,278
Marketing and Communications	-	87,450	78,996	54,200
Office Expense	32,001	46,520	41,568	50,750
Training and Development	17,600	64,750	28,610	34,650
Total	2,314,859	3,024,097	2,774,510	2,279,204
Operations				
Operations and Maintenance	1,037,538	1,990,000	1,850,420	2,169,600
Utilities	586,768	711,000	654,450	674,500
Professional Services	89,546	138,400	159,995	175,400
Office Expense	39,739	69,370	50,861	65,400
Training and Development	1,131	31,000	15,500	21,000
Capital Outlay - General	139,477	350,000	187,722	170,000
Total	1,894,199	3,289,770	2,918,948	3,275,900
Finance				
Depreciation Expense	1,383,125	1,350,000	1,350,000	1,400,000
Office Expense	20,925	84,530	83,398	83,670
Professional Services	48,296	42,675	42,675	36,500
Training and Development	3,797	1,500	1,500	1,500
Principal on Loans	219,930	226,959	226,959	234,229
Interest on Loans	34,443	27,414	27,414	20,144
Total	1,710,516	1,733,078	1,731,946	1,776,043

**Castle Pines Village Metropolitan District
Water and Sewer Fund
2026 Proposed Budget**

	<u>2024 Actual</u>	<u>2025</u>		<u>2026 Proposed Budget</u>
		<u>Original/ Final Budget</u>	<u>Projected Actual</u>	
Capital Programs				
Operations and Maintenance	224,701	230,000	59,022	690,000
Professional Services	47,187	590,000	338,776	290,000
Capital Outlay - General	734,650	400,000	400,000	8,925,000
Total	<u>1,006,538</u>	<u>1,220,000</u>	<u>797,798</u>	<u>9,905,000</u>
Total Operating Expenses	<u>6,926,112</u>	<u>9,266,945</u>	<u>8,223,202</u>	<u>17,236,147</u>
Transfer In From Other Fund	800,000	735,000	735,000	765,000
Change in Fund Balance	<u>1,828,887</u>	<u>(1,151,052)</u>	<u>99,606</u>	<u>(8,820,988)</u>
Beginning Unrestricted Fund Balance	14,782,103	16,248,209	16,882,573	16,982,179
Operating Reserves	-	2,316,736	-	2,035,287
Capital Reserves	-	1,000,000	-	1,000,000
Ending Unrestricted Fund Balance	<u>\$ 16,610,990</u>	<u>\$ 11,780,421</u>	<u>\$ 16,982,179</u>	<u>\$ 5,125,905</u>
Nonoperating Income (Expense)				
Investment Income - Bonds	\$ 1,025,470	\$ 250,000	\$ 600,000	\$ 250,000
Capital Outlay - Bond	(1,720,628)	(18,850,000)	(12,028,501)	(10,800,000)
Interest on Bonds	(1,096,600)	(1,084,350)	(1,084,350)	(1,071,350)
Principal on Bonds	(245,000)	(260,000)	(260,000)	(270,000)
Total Nonoperating Activity	<u>\$ (2,036,758)</u>	<u>\$ (19,944,350)</u>	<u>\$ (12,772,851)</u>	<u>\$ (11,891,350)</u>

**Castle Pines Village Metropolitan District
Capital Investments
2026 Proposed Budget**

Project Description	2026 Proposed Budget
General Fund - General	
Dump Truck	\$ 275,000
Backhoe	200,000
Traffic Control Devices	40,000
Irrigation Shed	10,000
Total General Fund - General Capital	525,000
Water & Sewer Fund - General	
Water Treatment Plant II Expansion, Supplemental Funding	4,700,000
New Water Tank, Supplemental Funding	4,000,000
Electrical Upgrades	200,000
Meter Reading Base Stations	125,000
Valve Indicator - Wells	45,000
Well A-4R Rehabilitation	25,000
Total Water & Sewer Fund - General Capital	9,095,000
Water & Sewer Fund - Bond Projects	
Water Treatment Plant II Expansion	6,300,000
New Water Tank	4,500,000
Total Water & Sewer Fund - Bond Capital	10,800,000
Total Capital Investments	\$ 20,420,000