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To the Honorable Mayor Art Riddile, Town Council, and New Castle Residents,

Over the past several months, Town Council and Town Staff have worked closely to assess both the immediate and long-term financial needs of the community. By carefully reviewing revenue and expenditure trends that may affect the Town's fiscal stability, we have developed a balanced approach that supports essential day-to-day operations while advancing strategic priorities for the future. This process included maintaining appropriate emergency reserves, responsibly funding capital projects, and ensuring the Town's overall financial sustainability.

We are now pleased to present the 2026 Fiscal Year Budget, which reflects our continued commitment to sound financial management and the long-term well-being of the New Castle community.

Message

Despite significant economic challenges throughout 2025, including double-digit increases in health insurance rates, escalating operational expenses, and rising project costs, the Town of New Castle remained committed to fiscal responsibility. By continuing to focus on efficiency, self-performing substantial portions of capital projects, and implementing targeted cost-cutting measures, the Town effectively navigated these pressures.

These strategic efforts allowed New Castle to keep major projects on track and maintain balanced operations. As a result, the Town is proud to present a balanced budget for 2026. Community engagement also continued to thrive, with strong participation in recreation, arts programs, and expanded outdoor amenities made possible through partnerships, sponsors, and dedicated volunteers.

Through prudent financial management and a collaborative community spirit, New Castle remains well-positioned to meet the needs of residents while adapting to ongoing economic challenges.

In the General Fund

Looking ahead to 2026, New Castle continues to strengthen its financial position. Unassigned reserves are projected to grow to \$3.4 million, representing six months of revenue reserves, while long-term capital reserves remain at \$800,000, supporting the purchase of a Main Street property that will become a small downtown park.

Sales tax revenues are expected to remain relatively flat, with only a 1% increase over 2025, and Mineral Lease and Severance Tax revenues have been removed from the budget due to uncertainty. Tobacco Tax revenues are forecasted to decline 10% from 2025 levels.

Despite rising costs, the Town remains committed to strategic investments. Street maintenance projects have an initial allocation of \$330,000, with grant opportunities being pursued to maximize impact. With CDOT's construction of the Rt. 6 Roundabout now complete, Town funds have been allocated for landscaping and final touches. New housing approvals signal a potential increase in development in 2026, supporting continued growth while preserving the Town's character.

In the Utility Fund

The Town has worked to manage expenses in the Utility Fund, even as inflation and rising operational costs place pressure on reserves. Over the past few years, 3% annual rate increases, combined with cost-saving initiatives, have maintained fund stability.

The budget anticipates a net surplus of \$484,971 in 2026, which will be applied to retained earnings for future capital projects and operations.

Key 2026 capital projects include:

- Completion of the Raw Water Irrigation Project
- Water Treatment Plant maintenance and repairs
- Maintenance of water and wastewater distribution and collection systems
- Construction of a new Utilities Operations Facility
- Planning work for replacement of a major wastewater collection line

Historical Perspective

As a Chartered Home Rule Town, which was originally incorporated in 1888, New Castle is governed by a Mayor and a six member Town Council. The Town Council is empowered to annually adopt and administer a budget to finance the government services listed below. The budget is organized based on three types of funds which are:

Proprietary funds which include the Town's Utility Fund (Enterprise Fund). The purpose of this fund is to account for operations that are financed and operated in a manner like a private business enterprise. The intent of the New Castle Utility Fund is that the costs and expenses of providing goods or services to the public on a continued basis will be financed or recovered primarily through user charges. The Utility Fund includes services such as water, sewer, and trash services which are billed directly to the user monthly.

Fiduciary funds include the Town's Trust Funds and consist of the Conservation Trust Fund and the Cemetery Trust Fund. These funds account for assets held by the Town in a trustee capacity. The Conservation Trust Fund is funded by lottery proceeds and is designated for parks and recreational uses. The Cemetery Fund is funded by the proceeds of Cemetery Plot sales. This fund is used for the maintenance and operation of Highland Cemetery.

Governmental funds types include New Castle's General Fund. The purpose of the General Fund is to account for all financial resources which are not accounted for in the Fiduciary and Proprietary Funds. These financial resources service the Town's obligations in areas of Public Safety, Streets, Maintenance, Economic Development, Health and Welfare, Parks and Recreation, Town Maintenance,

Building and Planning, Finance, Municipal Court, Town sponsored events, Town Clerk and Recording, and Town Administration.

Looking Forward

Housing growth is anticipated as approved developments in Lakota and Castle Valley Ranch move forward. The Town remains committed to preserving New Castle's charm, character, and livability.

Other projects impacting residents in 2026 include:

- Completion of the Highway 6 Roundabout Landscaping
- Replacement of the historic two-lane Main Street Bridge (CDOT Project)
- Completion of a new park on Main Street
- Installation of emergency backup generators at three utility facilities
- Continued support for Town events, recreation programs, and community amenities

These efforts reflect the Town's dedication to quality of life, infrastructure improvements, and strategic growth.

Conclusion

Despite challenges including inflation, rising housing costs, and increasing operational expenses, New Castle continues to maintain and enhance services for residents. The Town remains committed to fiscal responsibility, forward-looking planning, and strong community values, ensuring that New Castle remains a vibrant and desirable place to live.