

# Palmer Lake Revenue Review

July 9, 2022

# Palmer Lake Mission Statement

The Town Board of Trustees hereby declares their mission is to provide leadership to preserve our small community dynamic with measured and sustainable growth in partnership with the citizens of the town of Palmer Lake including the following vision:

- To serve the community to provide fundamental needs while respecting the diversity and values of our citizens;
- To foster trust through effective communication, transparency, and partnership with the community; and
- To develop sustainable, durable, revenue streams to assure Palmer Lake's future.

# Palmer Lake is currently operating on a zero-basis budget.

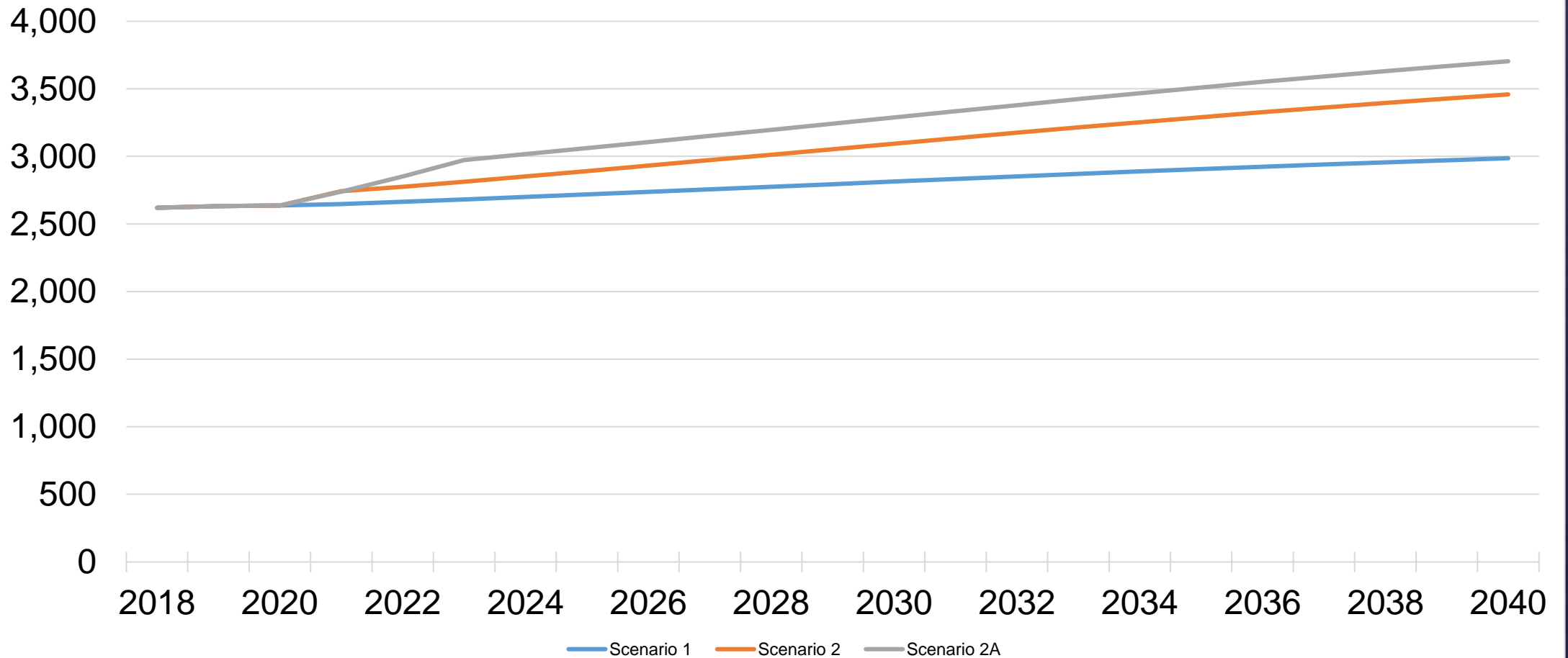
- We spend according to our income. Departments rarely have the resources needed to fully function and we are unable to save for future needs.
- Current budget for general fund is \$2.96 million.
- For 2022, the total projected amount of revenue sources is \$2.56 million.

# Why now?

- Population Growth
- Rising Costs
- No one realized or was told of the inevitable need to address a revenue plan
- The town is required by state statute to maintain reserve funds to cover 3 months of operating expenses (we currently hold 4-6 months reserve)
- The town needs a long-term revenue plan to address current and future needs

# Population Growth

Population Forecast Scenarios,  
Palmer Lake, CO



# Options presented in prior workshops

## Property Tax increase (mill levy increase)

- Mill increase of less than 35 mills is not enough to bring the Town to the operating standards we all expect.
- With inflation, material costs increasing and a lack of capital improvement funds, the Town would need to seek another property tax increase in 2-4 years.
- This also puts the financial burden on the property owners in Palmer Lake.

# Options presented in prior workshops

## Tri-Lakes Fire District Merger

- This option is removing a critical service from our Town. While the current rate for us to merge is 18 mills, this can be adjusted at any time - without voter consent.
- Increase of 18 mills paid to another entity, money leaving Palmer Lake

# Options presented in prior workshops

## Adult Use Cannabis Sales

- Removes the financial burden from the property owners by taxing the commodity that already exists in our Town.
- Like Manitou and other Municipalities - we have the option to write code addressing security, smell, traffic and any other concerns we foresee.
- Paid for by other people's money



# Public Safety - Fire

Current budget of \$537,622 – Requesting to be at \$1,158,123

- The Fire Dept. is the Town's largest budget expenditure within the general fund.
- The entirety of the cost to run a fire department at a standard level is approximately \$1.8m.
- Adding an ambulance increases costs by \$284,593. (costs for contract services = \$\$)
- Additional revenue will allow for the following – requesting \$1,158,123 with average “equipped” Fire District at \$1.8m.
  - ✓ Appropriate staffing standards to respond to emergency and transport
  - ✓ Capital improvement funds saved annually for vehicles and equipment
  - ✓ Savings for a public safety facility

# Public Safety - Police

Current budget of \$649,331 – Requesting to be at \$854,942

- According to the five-year projections the department will be short by an average of \$125,275, each year, over the next five years.
  - ✓ This will not allow for additional staffing or cover 24/7, leaving the Town limited to daytime coverage only or without staff.
- Currently no margin in the PD budget to save for capital items.
- Additional revenue will allow for the following – requesting \$854,942 with an average comparable CO municipal PD at \$1.4m –
  - ✓ 24/7 staffing at a competitive wage
  - ✓ Capital improvement funds saved annually for vehicle replacement, equipment replacement
  - ✓ Savings for a public safety facility

# Local Police Department Comparisons

Town	2022 Census Population	Police Salaries	Police Operating	Total Police Budget	Police Staffing Levels		
					Sworn FT	Sworn PT	Civilian
Palmer Lake, CO	2575*	\$ 588,861	\$ 60,470	\$ 649,331	4	5	0
Leadville, CO	3,153	\$ 755,156	\$ 167,891	\$ 923,047	6	1	0
Meeker, CO	2,216	\$ 778,602	\$ 177,230	\$ 955,832	6	0	2
Rangely, CO	2,263	\$ 779,360	\$ 179,220	\$ 958,580	8	0	5
Yuma, CO	3,456	\$ 877,000	\$ 329,074	\$ 1,206,074	8	0	1
Palisade, CO	2,811	\$ 944,454	\$ 229,400	\$ 1,173,854	10	0	2
Buena Vista, CO	2,855	\$ 1,059,905	\$ 230,332	\$ 1,290,237	8	0	2
Gandby, CO	2,039	\$ 1,173,841	\$ 424,226	\$ 1,598,067	10	0	1
Frisco, CO	3,261	\$ 1,385,708	\$ 284,100	\$ 1,669,808	10	0	2
Mead, CO	4,749	\$ 1,423,434	\$ 799,739	\$ 2,223,173	10	0	2
Manitou Springs, CO	4,992	\$ 1,643,262	\$ 323,148	\$ 1,966,410	17	0	2
Basalt, CO	3,984	\$ 1,498,371	\$ 1,033,520	\$ 2,531,891	12	0	1
Averages	3,253	1,119,918	\$ 379,807	\$ 1,499,725	9.55	0.09	1.82

# Infrastructure – Roads

Current budget of \$595,073 – Requesting to be at \$1,037,330

- The Roads Dept budget is the second highest expenditure for the general fund.
- This department maintains 26 miles of roads - 6.5 miles of paved roads and 19.5 miles of non-paved roads.
- Over the next five years the budget shortfall will average \$214,106.
- With additional revenue, this department can plan for capital improvement projects to address drainage and roadways, at a minimum to afford the material needed to maintain what we have and plan for grant matching funds for projects.
  - ✓ Appropriate staffing standards to manage the roads and drainage infrastructures
  - ✓ Capital improvement funds saved annually for vehicles and equipment – continue for replacement
  - ✓ Capital Road Project funds saved annually for road projects and ongoing maintenance of roads
  - ✓ Capital Drainage Project funds saved annually to address major drainage issues
  - ✓ Possibly develop a Stormwater Enterprise fund to address drainage

# Infrastructure – Parks

Current budget of \$85,431 – Requesting to be at \$111,374

- This includes Palmer Lake Recreation Area which covers 36 acres.
- The operating budget is \$23,200 for all these areas. The operating budget is bolstered by Conservation Trust Fund (CTF) grant funds of approximately \$44,000 each year.
- The current budget is \$85,431 and requests \$111,374. This will allow for much needed improvements and the management of the parks, public open spaces, and trails.
  - ✓ Appropriate staffing standards to manage the parks and open spaces
  - ✓ Appropriate funding levels to maintain and improve recreational areas
  - ✓ Capital improvement funds saved annually for infrastructure and maintenance of the parks, open spaces, and the Lake

# Infrastructure – Water

Current budget of \$1,823,029 – Requesting to be at \$1,985,925

- Revenues are generated from from the water billings, sale of taps and other service fee - estimated to be \$1,208,957.
- The revenue shortfall of \$343,072 will be paid through the town's contingency funds. While the revenues are able cover operating expenses, it does not include capital projects.
- To ensure there is no interruption of the town's water supply, it is critical to upgrade the failing water infrastructure.
- The current request to begin addressing infrastructure deficiencies and plan for future water needs – such as an additional Arapahoe well to be drilled for additional supply to the town.
  - Appropriate staffing standards to manage the water delivery system
  - Capital improvement funding saved annually to improve water infrastructure, increase capacity to hold water, and drill 1 -2 new wells for future supply
  - Increase water rates to cover the increased loan payments that will increase in 2024

# Administration

Current budget of \$1,100,885 – Requesting to be at \$1,244,875

- Administration handles a multitude of functions for the other town departments and for the community.
- There is a need for someone to manage the Town's facilities including property and buildings.
- There is also a need for a zoning/code enforcement officer .
- Currently, the budget includes \$30,000 for all Town buildings.
- Increased staffing required to improve administrative efficiencies, update technologies and improve communications within the departments and with the public.
  - ✓ Allow for small salary increases over 3 years to get to competitive salaries
  - ✓ Additional position(s) to assist with increasing workload and to meet needs of the Town
  - ✓ Capital improvement funds saved annually for building improvements, maintenance, and IT upgrades

# Projected Revenues through 2027

	2023	2024	2025	2026	2027
<b>Property Tax</b>	<b>1,181,764.25</b>	<b>1,276,305.39</b>	<b>1,378,409.82</b>	<b>1,488,682.60</b>	<b>1,607,777.21</b>
<b>Sales Tax</b>	<b>850,000.00</b>	<b>850,000.00</b>	<b>850,000.00</b>	<b>850,000.00</b>	<b>850,000.00</b>
<b>Misc. Income</b>	<b>580,000.00</b>	<b>580,000.00</b>	<b>580,000.00</b>	<b>580,000.00</b>	<b>580,000.00</b>
<b>Income Total</b>	<b>2,611,764.25</b>	<b>2,706,305.39</b>	<b>2,808,409.82</b>	<b>2,918,682.60</b>	<b>3,037,777.21</b>



# Public Safety - Fire

Expense	2023	2024	2025	2026	2027
<b>Salary/Benefits</b>	<b>1,033,328.00</b>	<b>1,167,660.64</b>	<b>1,167,660.64</b>	<b>1,167,660.64</b>	<b>1,167,660.64</b>
<b>Operating</b>	<b>166,554.00</b>	<b>166,554.00</b>	<b>166,554.00</b>	<b>166,554.00</b>	<b>166,554.00</b>
<b>Vehicle Equip</b>	<b>78,250.00</b>	<b>73,130.00</b>	<b>75,324.00</b>	<b>77,584.00</b>	<b>79,911.00</b>
<b>Equipment</b>	<b>164,327.00</b>	<b>172,543.00</b>	<b>181,171.00</b>	<b>190,229.00</b>	<b>199,740.00</b>
<b>Cap X EMS Building</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>1,442,459.00</b>	<b>1,579,887.64</b>	<b>1,590,709.64</b>	<b>1,602,027.64</b>	<b>1,613,865.64</b>

# Public Safety - Police

Expense	2023	2024	2025	2026	2027
Salary/Benefits	724,299.03	825,700.89	900,013.97	999,015.51	1,108,907.22
Operating	100,568.40	100,568.40	100,568.40	100,568.40	100,568.40
Capital Equip	12,885.00	13,259.00	14,206.00	14,916.00	15,662.00
Vehicle Replacement	20,000.00	30,000.00	40,000.00	40,000.00	40,000.00
Cap X EMS Building	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>857,752.43</b>	<b>969,528.29</b>	<b>1,054,788.37</b>	<b>1,154,499.91</b>	<b>1,265,137.62</b>

# Infrastructure – Roads and Drainage

Expense	2023	2024	2025	2026	2027
<b>Salary/Benefits</b>	<b>216,922.32</b>	<b>232,106.88</b>	<b>239,070.09</b>	<b>239,070.09</b>	<b>239,070.09</b>
<b>Administrative</b>	<b>40,000.00</b>	<b>42,000.00</b>	<b>44,100.00</b>	<b>46,305.00</b>	<b>48,620.00</b>
<b>Operating</b>	<b>237,497.86</b>	<b>284,997.43</b>	<b>284,997.43</b>	<b>284,997.43</b>	<b>284,997.43</b>
<b>Capital Equip Vehicles</b>	<b>27,000.00</b>	<b>27,000.00</b>	<b>45,000.00</b>	<b>53,500.00</b>	<b>86,500.00</b>
<b>Capitail Projects</b>	<b>515,908.00</b>	<b>541,703.00</b>	<b>568,789.00</b>	<b>597,228.00</b>	<b>895,842.00</b>
<b>Total</b>	<b>1,037,328.18</b>	<b>1,127,807.31</b>	<b>1,181,956.52</b>	<b>1,221,100.52</b>	<b>1,555,029.52</b>

# Parks

Expense	2023	2024	2025	2026	2027
Salary/Benefits	75,921.82	75,921.82	75,921.82	75,921.82	75,921.82
Operating	30,160.00	36,192.00	41,620.80	47,863.92	55,043.51
Capital Equip Vehicles	5,600.00	5,000.00	25,000.00	5,000.00	0.00
Capital Projects	0.00	5,000.00	10,000.00	15,000.00	20,000.00
Total	111,681.82	122,113.82	152,542.62	143,785.74	150,965.33

# Administration

Expense	2023	2024	2025	2026	2027
Salary/Benefits	231,386.01	231,386.01	242,955.31	255,103.08	267,858.23
Professional Admin	347,363.50	347,363.50	347,363.50	347,363.50	375,152.58
Operating	261,517.30	261,517.30	261,517.30	261,517.30	261,517.30
Capital Projects	404,517.00	424,743.00	445,980.00	468,279.00	491,693.00
<b>Total</b>	<b>1,244,783.81</b>	<b>1,265,009.81</b>	<b>1,297,816.11</b>	<b>1,332,262.88</b>	<b>1,396,221.11</b>

# Projected Shortfall and Expense Ratio

	2023	2024	2025	2026	2027
<b>Income Totals</b>	<b>2,611,764.25</b>	<b>2,706,305.39</b>	<b>2,808,409.82</b>	<b>2,918,682.60</b>	<b>3,037,777.21</b>
<b>Expense Totals</b>	<b>4,694,005.24</b>	<b>5,130,991.43</b>	<b>5,524,754.90</b>	<b>5,902,596.41</b>	<b>6,632,357.43</b>
<b>Balance</b>	<b>-2,082,240.99</b>	<b>-2,424,686.05</b>	<b>-2,716,345.08</b>	<b>-2,983,913.81</b>	<b>-3,594,580.22</b>
<b>Expense to Income %</b>	<b>179.73%</b>	<b>189.59%</b>	<b>196.72%</b>	<b>202.23%</b>	<b>218.33%</b>

# Your current property tax bill

<b>Current Reality</b>	<b>(Assessed Value x Mill)</b>	
<b>TAX ENTITY</b>	<b>TAX LEVY</b>	
<b>El Paso Co</b>	<b>0.007120</b>	<b>\$ 247</b>
<b>EPC RD &amp; Bridge</b>	<b>0.000165</b>	<b>\$ 6</b>
<b>Town of Palmer Lake</b>	<b>0.021238</b>	<b>\$ 738</b>
<b>EPC Palmer Lake RD &amp; Bridge</b>	<b>0.000165</b>	<b>\$ 6</b>
<b>LPSD 38</b>	<b>0.030021</b>	<b>\$ 1,043</b>
<b>Pikes Peak Library</b>	<b>0.009434</b>	<b>\$ 328</b>
<b>D38 BOND</b>	<b>0.003490</b>	<b>\$ 121</b>
	<b>0.071633</b>	<b>\$ 2,489</b>

# Mill Increase Examples

Impact of 35 mill increase to mortgage payment/tax bill

<b>Actual Value</b>	<b>\$500,000</b>
<b>x Assessment Rate</b>	<b>6.95%</b>
<b>Assessed Value</b>	<b>\$34,750</b>
<b>New Palmer Lake tax bill</b>	<b>\$1,954</b>
<b>Increase to tax bill</b>	<b>\$1,216</b>
<b>Cost per month</b>	<b>\$101.35</b>
<b>Mill increase</b>	<b>0.035</b>
<b>Total Mills</b>	<b>0.056238</b>
<b>New Total Tax Bill</b>	<b>\$ 3,705</b>



# Mill Increase Examples

Impact of 20 mill increase to mortgage payment/tax bill

<b>Actual Value</b>	<b>\$500,000</b>
<b>x Assessment Rate</b>	<b>6.95%</b>
<b>Assessed Value</b>	<b>\$34,750</b>
<b>New Palmer Lake tax bill</b>	<b>\$1,433</b>
<b>Increase to tax bill</b>	<b>\$695</b>
<b>Cost per month</b>	<b>\$57.92</b>
<b>Mill increase</b>	<b>0.02</b>
<b>Total Mills</b>	<b>0.041238</b>
<b>New Total Tax Bill</b>	<b>\$ 3,184</b>

# Local Mill Levy Comparisons

Average Mills  
92.963

Avg Home Value  
\$539,960

Palmer Lake - Pop. 2,575 (AHV \$557K)	
El Paso Co	7.120
EPC Rd & Bridge	0.165
Town of Palmer Lake	21.238
EPC-Palmer Lake Rd & Bridge share	0.165
LPSD #38	39.455
PPLD	3.490
Palmer Lake Sanitation	0.000
<b>Total Mills</b>	<b>71.633</b>

Castle Rock - Pop. 78,936	
Castlewood Ranch Metro Dist.	40.000
Douglas Co RE-1 Schools	35.743
Douglas Co Government	18.524
Douglas Co Schools Debt Svc	8.054
Douglas Co Library Dist.	4.021
Town of Castle Rock	1.139
Cherry Creek Basin Water Qtly Auth	0.479
Douglas Co Schools Cap Resv	0.000
Douglas Co Schools Ins Resv	0.000
Douglas Co Soil Conserv Dist.	0.000
<b>Total Mills</b>	<b>107.960</b>

Monument - Pop. 8,331	
El Paso Co	7.120
EPC Rd & Bridge	0.165
Town of Monument	5.750
EPC Monument Rd & Bridge	0.165
LPSD #38	39.455
PPLD	3.490
TriLakes Monument Fire Protect	18.400
PL Sanitation	0.000
Lake of the Rockies Metro	55.664
<b>Total Mills</b>	<b>130.209</b>

Larkspur - 218	
Douglas Co RE-1 Schools	35.743
Larkspur Fire Protection	18.730
Douglas Co Government	18.524
Douglas Co Schools Debt Svc	8.054
Perry Park	
Water/Sanitation	5.614
Douglas Co Law Enforcement	4.500
Douglas Co Library Dist.	4.021
Cedar Hill Cemetery Assoc	0.124
Douglas Co Schools Cap Resv	0.000
Douglas Co Schools Ins Resv	0.000
Douglas Co Soil Conserv Dist.	0.000
<b>Total Mills</b>	<b>95.310</b>

# Local Mill Levy Comparisons

Average Mills  
92.963

Avg Home Value  
\$539,960

Parker - Pop. 2,856	
Douglas Co RE-1 Schools	35.743
Douglas Co Government	18.524
South Metro Fire Protection	9.319
Douglas Co Schools Debt Svc	8.054
Parker Water/Sanitation	7.743
Douglas Co Library Dist.	4.021
Town of Parker	2.602
Urban Drainage/Flood Control Dist.	0.900
Cherry Creek Basin Water Qtly Auth	0.479
Urban Drainage/Flood South Platte	0.100
Douglas Co Schools Cap Resv	0.000
Douglas Co Schools Ins Resv	0.000
Regional Transportation Dist.	0.000
Douglas Co Soil Conserv Dist.	0.000
<b>Total Mills</b>	<b>87.485</b>

N. Colo Sprgs Flying Horse - Pop. 18,999	
El Paso Co	7.120
EPC Rd & Bridge unshared	0.330
Academy School Dist. 20	56.507
PPLD	3.490
Donald Wescott Fire Protect	7.000
Donald Wescott Fire North SubDist	14.900
<b>Total Mills</b>	<b>89.347</b>

Woodmoor, Monument - Pop. 9,345	
El Paso Co	7.120
EPC Rd & Bridge unshared	0.330
LPSD #38	39.455
PPLD	3.490
TriLakes Monument Fire Protect	18.400
Woodmoor Water/Sanitation	0.000
<b>Total Mills</b>	<b>68.795</b>

# Adult Use Cannabis As a Revenue Stream

- 37 states, three territories and the District of Columbia allow the medical use of cannabis products.
- Recreational marijuana is legal in 19 states, Washington, D.C., and Guam
- Colorado cannabis sales were over \$2B last year and brought in a record \$423 million in tax revenue.

# Adult Use Cannabis As a Revenue Stream

- Revenue from Adult Use cannabis can take a significant burden off the residents of Palmer Lake.
- Using \$15mm for Year 1 gross sales and assuming a 10% tax benefit to the Town = \$1.5mm in Year 1 tax revenue, a very reasonable estimate.
- Additional measures such as a small mill increase may still be needed in addition to the above figure
- Adult use cannabis is intensely regulated

# Adult Use Cannabis As a Revenue Stream

More states and communities are adopting cannabis as a significant source of revenue

Legislation is being considered at the federal level to address cannabis – for example, easing banking restrictions, legalization/decriminalization.

Adult Use Sales will only require a change to our current code (retail sales are legal but limited to medical).

No additional businesses will be allowed (now limited to two businesses)

# Projected Revenue Increases

	<b>Current Rate 21.238</b>	<b>10 Mill Increase</b>	<b>20 Mill Increase</b>	<b>35 Mill Increase</b>
<b>Property Tax Revenue</b>	<b>968,342</b>	<b>1,424,289</b>	<b>1,880,237</b>	<b>2,564,159</b>
<b>Individual Property Tax</b>	<b>2,489</b>	<b>2,837</b>	<b>3,184</b>	<b>3,705</b>
<b>Individual Yearly Increase</b>		<b>348</b>	<b>695</b>	<b>1,216</b>
<b>Individual Monthly Increase</b>		<b>29</b>	<b>58</b>	<b>101</b>
<b>Revenue Increase to PL</b>		<b>455,947</b>	<b>911,895</b>	<b>1,595,817</b>

# Projected Revenue Forecasts

## Adult Use Cannabis Sales Tax Only

<b>Year One Gross Sales</b>	<b>\$15,000,000</b>
<b>10% Tax to Palmer Lake</b>	<b>\$1,500,000</b>
<b>Cost to PL Residents</b>	<b>\$0</b>



# Wrapping Up

- Adult Use Cannabis is already here and legal in Colorado.
- More states are adopting it and realizing significant revenues
- Property tax increase is paid by town residents, versus revenue from Adult Use Cannabis sales is “other people’s money”
- How will we address present as well as future challenges if we do nothing now?
- Will Palmer Lake thrive or continue to struggle?