

Town of Warrenton, Virginia

Comprehensive Financial Review



April 21, 2025

Table of Contents



Tab	Section
A	Introduction / Executive Summary
B	Historical General Fund Financials
C	Tax-Supported Debt Management
D	Fiscal Year 2026 Capital Improvement Plan (CIP)
E	Water and Sewer Fund
F	Next Steps
	Appendix



A. Introduction / Executive Summary

Town of Warrenton, Virginia

Introduction



- Davenport & Company LLC (“Davenport”), in our role as Financial Advisor to the Town of Warrenton (the “Town”), was asked to update a Comprehensive Financial Review to evaluate and assess the Town’s overall financial condition.
- At this time, the Town is in the planning stages for the FY 2026 Budget.
- As further described on the following page, the over-arching goal of the discussion presented herein is to identify strategies to maintain and enhance the financial strength and stability of the Town, while also funding the Town’s important capital needs in a sustainable and financially responsible manner.

Goals and Objectives



- As part of the discussion presented herein, Davenport intends to accomplish the following:
 - Review historical trends in General Fund revenues and expenditures;
 - Review compliance with the Town's Financial Policies;
 - Provide a Peer Comparative Analysis of key financial and demographic metrics between the Town and similar localities;
 - Provide an overview of the Town's Water and Sewer Fund including historical operating results, financial ratios, existing debt profile, and proposed Capital Improvement Program; and,
 - Introduce the concept of the Initial Credit Rating or Ratings for the Town.

Executive Summary



1. Current Financial Status of the Town

- a. The Town compares favorably to other peer Virginia Towns with respect to key demographic and economic indicators.
- b. While these demographic and economic indicators aren't directly within the Town's immediate control, they are important to outside lenders/rating agencies/investors when deciding whether to lend to or otherwise invest in the Town.
- c. Based on the past five years of audited financial statements, the Town has had solid cash-flow in the General Fund which has provided the flexibility to cash-fund most of its routine General Fund capital needs during the prior five year period while also financing (i.e. borrowing for) a generational Town Hall project.
- d. The General Fund's revenue streams are diverse. This is a positive attribute.
- e. However, the General Fund is less reliant on Real Estate Tax related revenue than its peers. Instead, the Town is more reliant on business and consumer related taxes (i.e. meals tax, BPOL) that can be volatile in an economic downturn or slowdown.

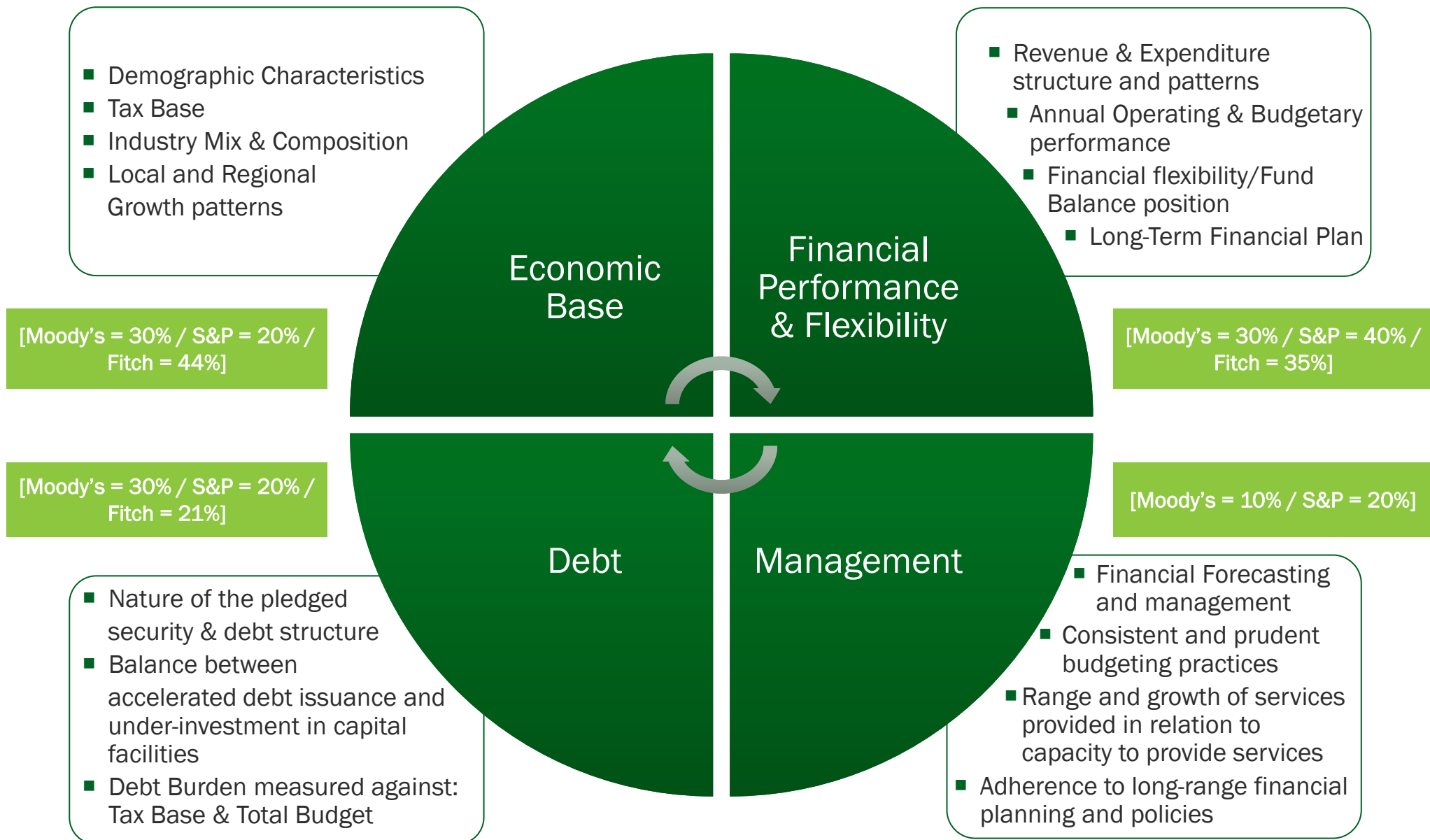
Executive Summary (cont.)



1. Current Financial Status of the Town (cont.)

- f. The Town's Unassigned Fund Balance is slightly above the Town's Adopted Policy Minimum.
- g. As of the Fiscal Year 2024 Audit, the Unassigned Fund Balance was at roughly 52% of Expenditures vs. the Town's 50% policy minimum.
- h. The Town's Unassigned Fund Balance is critical for a variety of reasons including (but not limited to) providing an ample buffer against potential revenue volatility in a downturn and helping the Town to maximize its capital funding potential while minimizing the associated need for recurring revenues.
- i. The Town has a competitive Real Estate Tax Rate relative to peer local governments.
- j. The Town has low General Fund debt levels relative to "best practices" and financial policy levels.

Key Drivers to a Credit Rating





B. Historical General Fund Financials

Town of Warrenton, Virginia

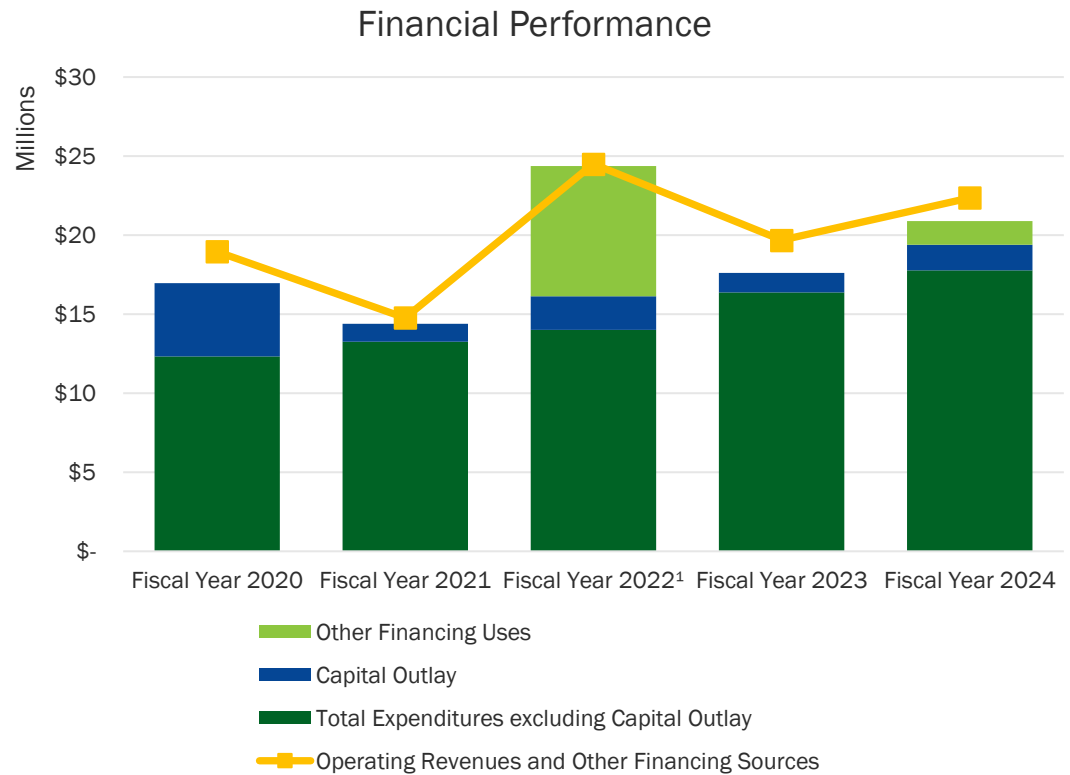


- The Town's General Fund has produced an annual surplus each of the past five (5) Fiscal Years (FY 2020 – FY 2024) before cash funding of capital.
- During the past five (5) Fiscal Years (FY 2020 – FY 2024), the surplus has averaged over \$2.5 million before cash funding of capital.
- The General Fund's "other local taxes" line item comprises approximately 50% of the General Fund's revenue.
- The Town's General Fund revenues are diverse and not reliant on a single source. However, the General Fund's primary revenue sources are heavily weighted towards economically sensitive business and consumption related taxes.
- The Town also shows steady growth in Assessed Value of Taxable Property.

General Fund – Financial Performance



- The Town has added to Total Fund Balance in each of the past five (5) Fiscal Years (FY 2020 – FY 2024).
- Capital funding has averaged roughly \$2 million over the last five (5) Fiscal Years.



Financial Performance	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022¹	Fiscal Year 2023	Fiscal Year 2024
Operating Revenues and Other Financing Sources	\$ 18,959,469	\$ 14,769,651	\$ 24,496,965	\$ 19,685,045	\$ 22,369,070
Total Expenditures excluding Capital Outlay	(12,328,536)	(13,253,110)	(14,005,553)	(16,384,713)	(17,779,829)
Capital Outlay	(4,639,737)	(1,134,734)	(2,124,098)	(1,231,327)	(1,612,338)
Other Financing Uses	-	-	(8,249,304)	-	(1,505,076)
Net Change in Fund Balance	1,991,196	381,807	118,010	2,069,005	1,471,827

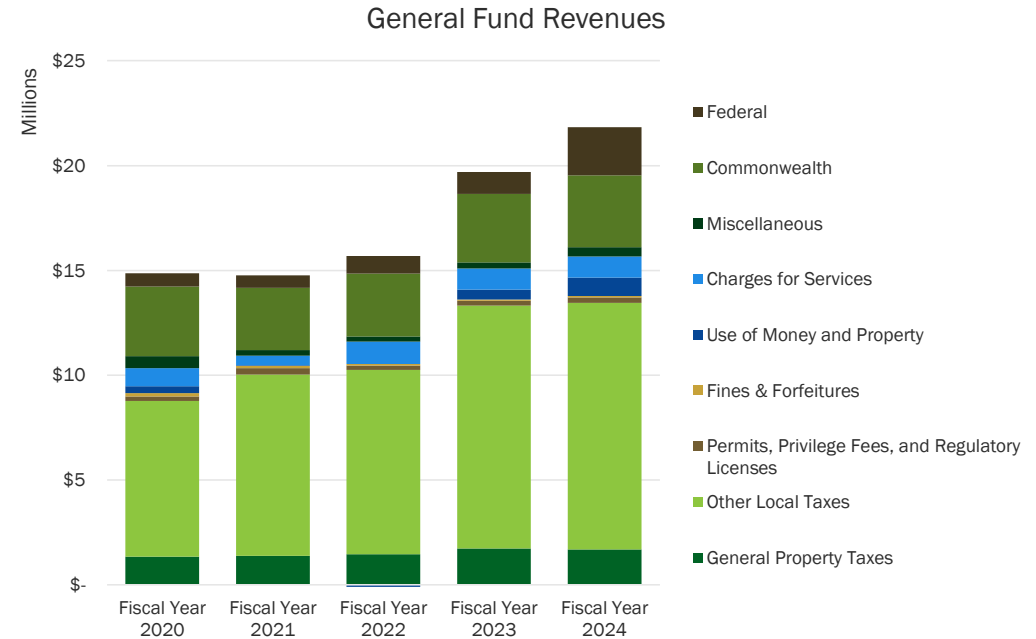
Source: Town of Warrenton FY 2020 – FY 2024 Audits.

(1) Fiscal Year 2022 includes the General Obligation Bond Refunding, Series 2021B.

General Fund – Historical Revenues



- General Fund Revenues have grown at 10.1% annually over the past five (5) Fiscal Years (FY 2020 – FY 2024), driven by growth in Other Local Taxes and Federal Intergovernmental Revenues.
- The Town saw a significant increase in General Fund Revenues of approximately 26% in Fiscal Year 2023, largely driven by the 2% increase in the meals tax from 4% to 6%.



Revenues	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	5-Yr CAGR
General Property Taxes	\$ 1,342,789	\$ 1,379,006	\$ 1,461,261	\$ 1,739,907	\$ 1,692,738	6.0%
Other Local Taxes	7,421,820	8,658,389	8,785,869	11,581,881	11,756,635	12.2%
Permits, Privilege Fees, and Regulatory Licenses	226,685	294,301	207,878	219,987	254,298	2.9%
Fines & Forfeitures	155,478	112,113	76,229	72,505	76,662	-16.2%
Use of Money and Property	320,393	25,080	(96,717)	464,302	870,087	28.4%
Charges for Services	871,183	468,599	1,075,663	1,019,342	1,019,479	4.0%
Miscellaneous	574,273	264,835	238,715	283,266	429,751	-7.0%
Intergovernmental						
Commonwealth	3,318,485	2,970,530	2,999,607	3,258,781	3,435,418	0.9%
Federal	628,363	596,798	839,985	1,045,074	2,294,089	38.2%
Total Revenues	\$ 14,859,469	\$ 14,769,651	\$ 15,588,490	\$ 19,685,045	\$ 21,829,157	10.1%
Annual Growth	N/A	-0.60%	5.54%	26.28%	10.89%	

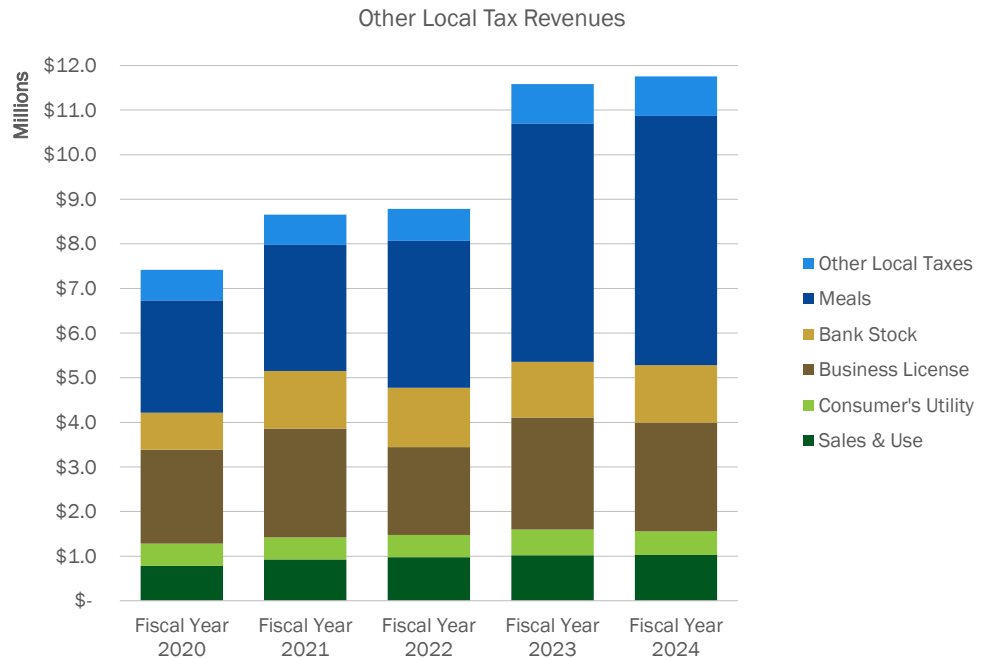
Source: Town of Warrenton FY 2020 – FY 2024 Audits.
Note: CAGR stands for 'Compounded Annual Growth Rate'.

General Fund – Historical Other Local Taxes



- Other Local Tax Revenues have grown at 12.2% annually over the past five (5) Fiscal Years (FY 2020 – FY 2024), driven by the following sources:

- Bank Stock Revenue
- Transient Occupancy Tax (Hotel and Motel) Revenue
- Meals Tax Revenue
- Cigarette Tax Revenue



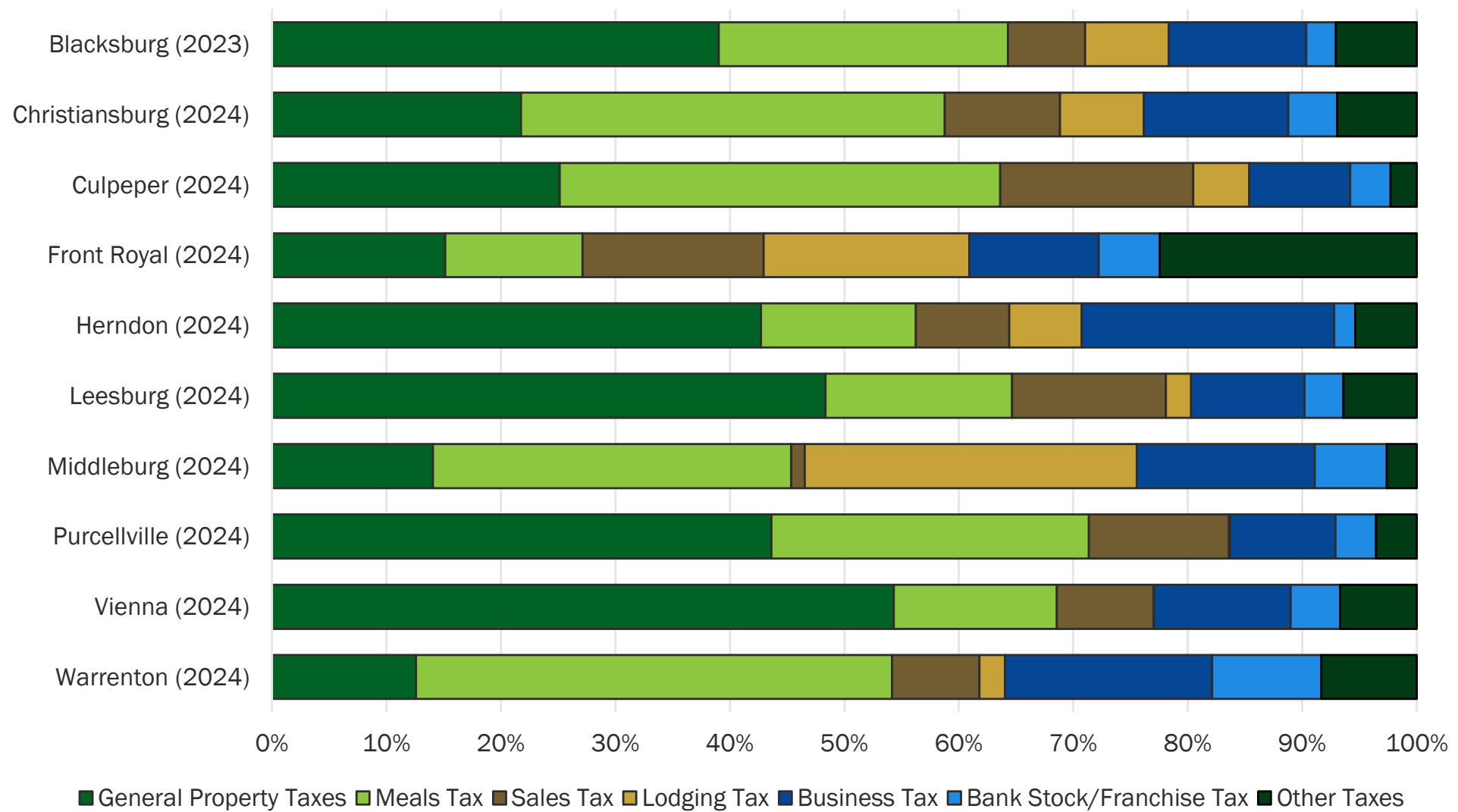
Summary of Other Local Tax Revenues							5 Year CAGR
Other Local Taxes	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024		
Sales & Use	\$ 781,649	\$ 925,159	\$ 978,837	\$ 1,018,823	\$ 1,024,393	7.0%	
Consumer's Utility	501,059	495,402	499,103	578,030	534,889	1.6%	
Business License	2,103,568	2,438,043	1,964,786	2,511,960	2,433,166	3.7%	
Consumption	68,131	61,994	60,354	67,515	57,974	-4.0%	
Motor Vehicle	237,353	239,788	219,887	224,882	225,927	-1.2%	
Bank Stock	830,298	1,292,086	1,330,962	1,248,013	1,284,121	11.5%	
Hotel and Motel	182,606	197,050	261,215	270,943	299,420	13.2%	
Meals	2,515,018	2,828,431	3,296,859	5,346,726	5,594,342	22.1%	
Cigarette	202,138	180,436	173,866	314,989	302,403	10.6%	
Total	\$ 7,421,820	\$ 8,658,389	\$ 8,785,869	\$ 11,581,881	\$ 11,756,635	12.2%	

Source: Town of Warrenton FY 2020 – FY 2024 Audits.
Note: CAGR stands for 'Compounded Annual Growth Rate'.

Peer Comparative – Local Revenue Sources



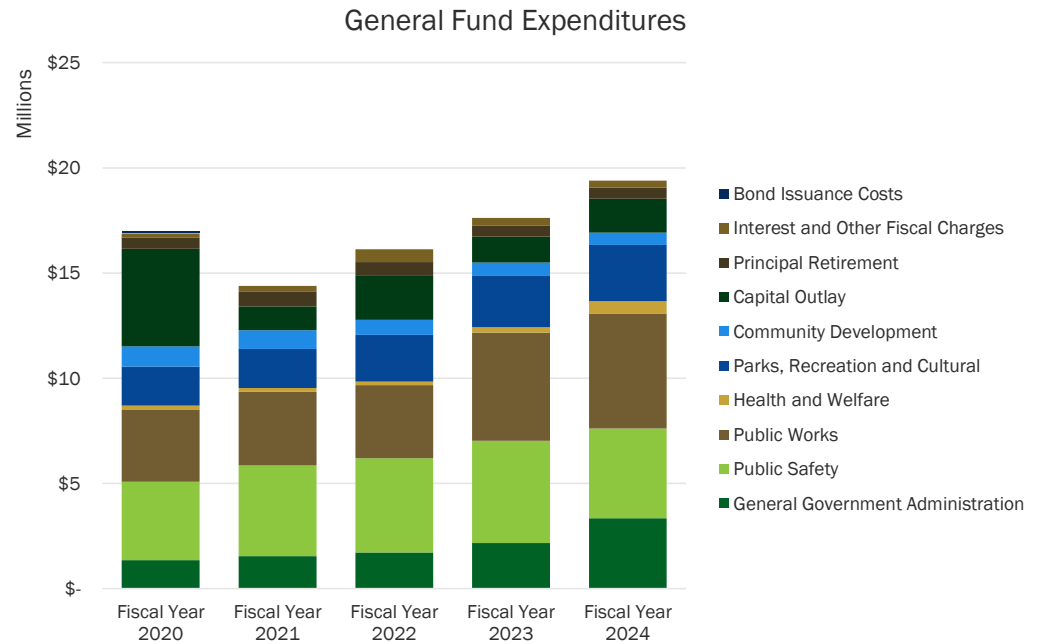
Total Local Revenue Sources Composition



General Fund – Historical Expenditures



- General Fund Expenditures (net of capital outlay) have grown at 9.6% annually over the past five (5) Fiscal Years (FY 2020 – FY 2024).



Expenditures	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	5-Yr CAGR
Current						
General Government Administration	\$ 1,346,561	\$ 1,543,266	\$ 1,716,121	\$ 2,168,979	\$ 3,346,907	25.6%
Public Safety	3,731,363	4,316,166	4,488,739	4,856,095	4,272,891	3.4%
Public Works	3,443,271	3,498,257	3,466,980	5,144,171	5,438,503	12.1%
Health and Welfare	177,910	183,554	173,361	259,011	611,232	36.1%
Parks, Recreation and Cultural	1,855,164	1,851,122	2,216,458	2,454,818	2,671,545	9.5%
Community Development	956,701	893,149	714,724	616,632	584,524	-11.6%
Capital Outlay	4,639,737	1,134,734	2,124,098	1,231,327	1,612,338	-23.2%
Debt Service						
Principal Retirement	541,350	692,349	623,050	535,434	529,989	-0.5%
Interest and Other Fiscal Charges	198,125	275,247	606,120	349,573	324,238	13.1%
Bond Issuance Costs	78,091	-	-	-	-	-
Total Expenditures	\$ 16,968,273	\$ 14,387,844	\$ 16,129,651	\$ 17,616,040	\$ 19,392,167	3.4%
Total Expenditures w/o Capital Outlay	12,328,536	13,253,110	14,005,553	16,384,713	17,779,829	9.6%
Annual Growth	N/A	-15.21%	12.11%	9.22%	10.08%	
Annual Growth w/o Capital Outlay	N/A	7.50%	5.68%	16.99%	8.51%	

Source: Town of Warrenton FY 2020 – FY 2024 Audits.
Note: CAGR stands for 'Compounded Annual Growth Rate'.

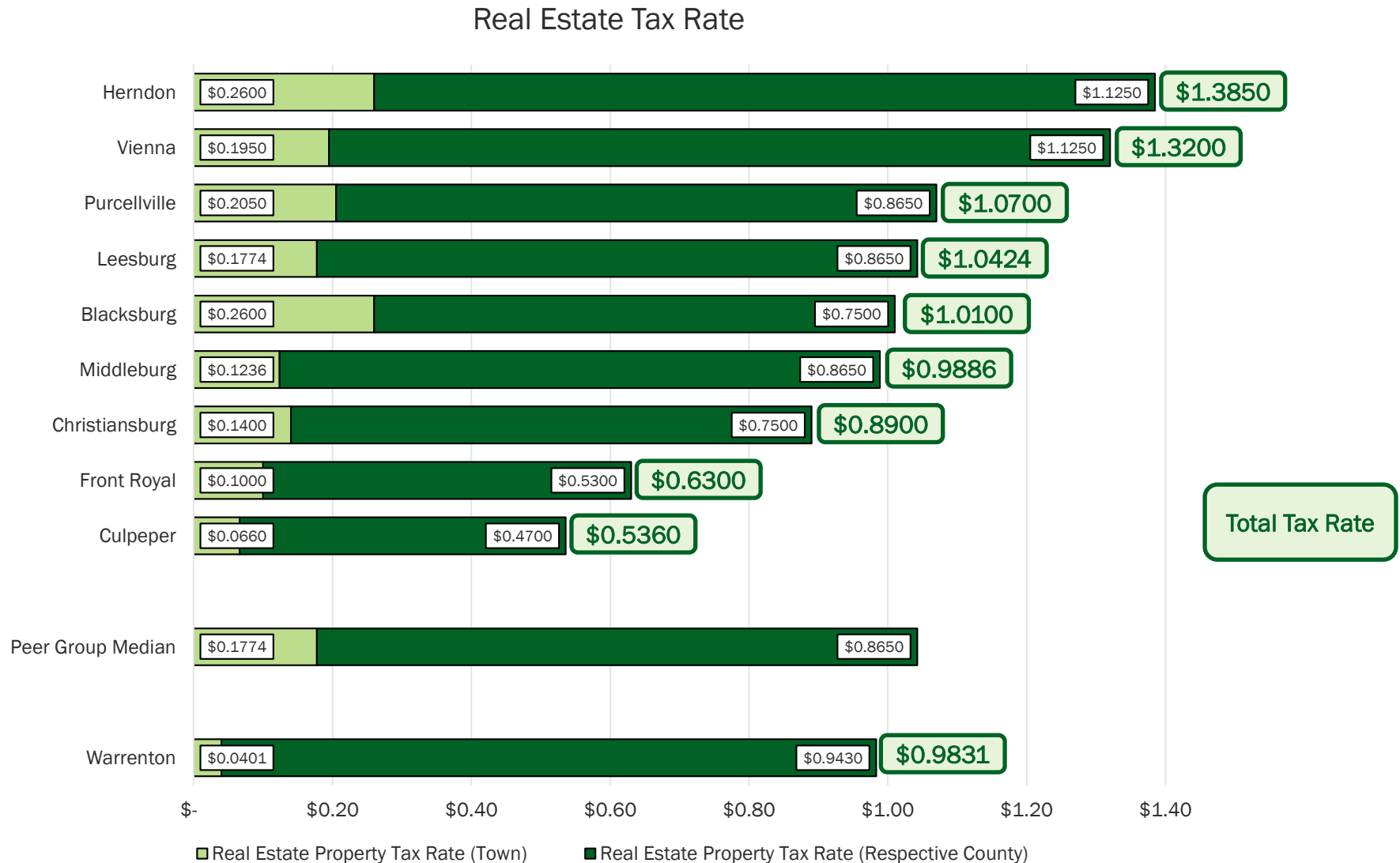
Historical Real Estate Tax Rates



Fiscal Year	Real Estate Tax Rate
2017	\$0.0500
2018	0.0500
2019	0.0500
2020	0.0500
2021	0.0500
2022	0.0401
2023	0.0401
2024	0.0401
2025	0.0401



Peer Comparative – Real Estate Tax Rate



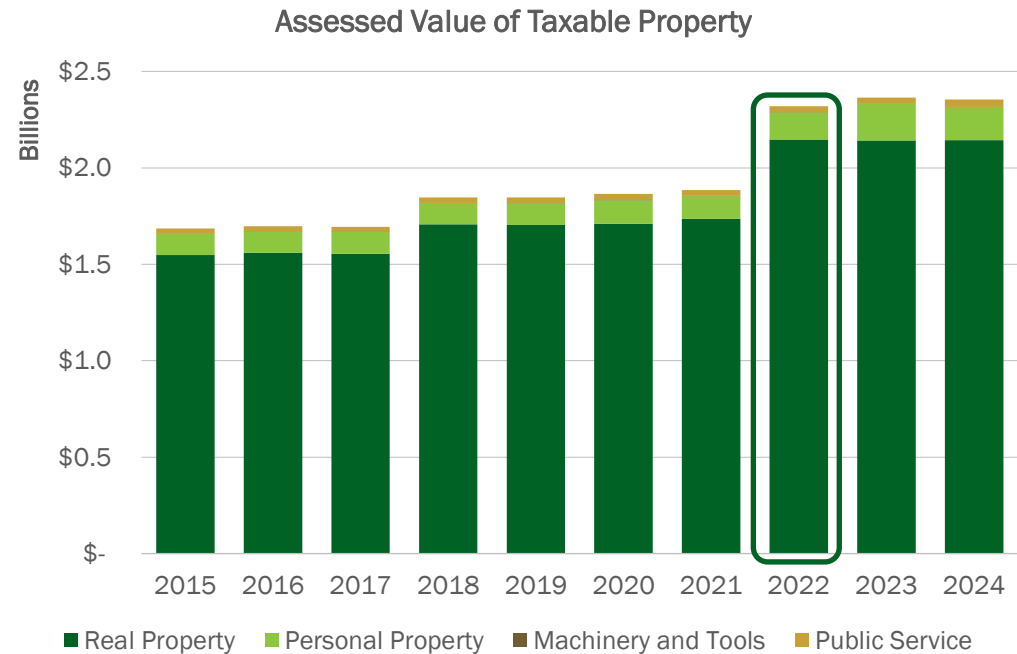
Source: Most Recently Available Rates from Respective County and Town Websites/Budgets.

Note: Warrenton is in Fauquier County with a County Real Estate Property Tax rate of \$0.943. Herndon and Vienna are in Fairfax County with a County Real Estate Property Tax rate of \$1.125. Purcellville, Leesburg, and Middleburg are in Loudoun County with a County Real Estate Property Tax rate of \$0.8650. Blacksburg and Christiansburg are in Montgomery County with a County Real Estate Property Tax rate of \$0.75. Front Royal is in Warren County with a County Real Estate Property Tax rate of \$0.53. Culpeper is in Culpeper County with a County Real Property Tax rate of \$0.47.

Assessed Value



- The Town's most recent reassessment occurred in Fiscal Year 2022. The result of the reassessment was a 23% increase in Assessed Value.



Assessed Value of Taxable Property

Fiscal Year	Real Property		%	Personal Property		%	Machinery and Tools		%	Public Service		%	Total Taxable Assessed Value		%
2015	\$	1,548,458,500	N/A	\$	110,060,306	N/A	\$	379,240	N/A	\$	26,169,523	N/A	\$	1,685,067,569	N/A
2016		1,559,784,700	1%		110,382,101	0%		362,252	-4%		26,233,712	0%		1,696,762,765	1%
2017		1,555,378,500	0%		111,836,351	1%		350,166	-3%		26,222,252	0%		1,693,787,269	0%
2018		1,707,497,200	10%		111,426,844	0%		381,478	9%		26,933,972	3%		1,846,239,494	9%
2019		1,704,181,500	0%		112,782,292	1%		358,690	-6%		30,080,458	12%		1,847,402,940	0%
2020		1,711,588,500	0%		121,035,613	7%		314,281	-12%		32,388,996	8%		1,865,327,390	1%
2021		1,735,031,400	1%		119,184,134	-2%		511,075	63%		30,341,699	-6%		1,885,068,308	1%
2022		2,146,350,500	24%		141,771,009	19%		452,805	-11%		30,915,674	2%		2,319,489,988	23%
2023		2,142,329,566	0%		189,785,413	34%		533,190	18%		31,026,875	0%		2,363,675,044	2%
2024		2,143,413,771	0%		172,933,877	-9%		433,187	-19%		37,591,034	21%		2,354,371,869	0%



Why an Unassigned Fund Balance is Important

- Why is maintaining a healthy unassigned fund balance important?
 - Provides adequate month-to-month cash flow and eliminates the need for costly cash-flow borrowing.
 - Provides funds for emergency situations (i.e. natural disasters).
 - Provides funds for unforeseen expenditures or revenue shortfalls that occur during a fiscal year.
 - Allows for bond funded capital projects to begin prior to having borrowed funds on hand.
 - Helps mitigate/offset other financial weaknesses.
 - Provides comfort to potential lenders and the rating agencies as it relates to the Town's financial strength / flexibility and thus allows the Town to obtain competitive financing.
 - Allows the Town to earn interest on its reserves which can produce substantial additional revenues in the current interest rate environment.



Fund Balance Policies

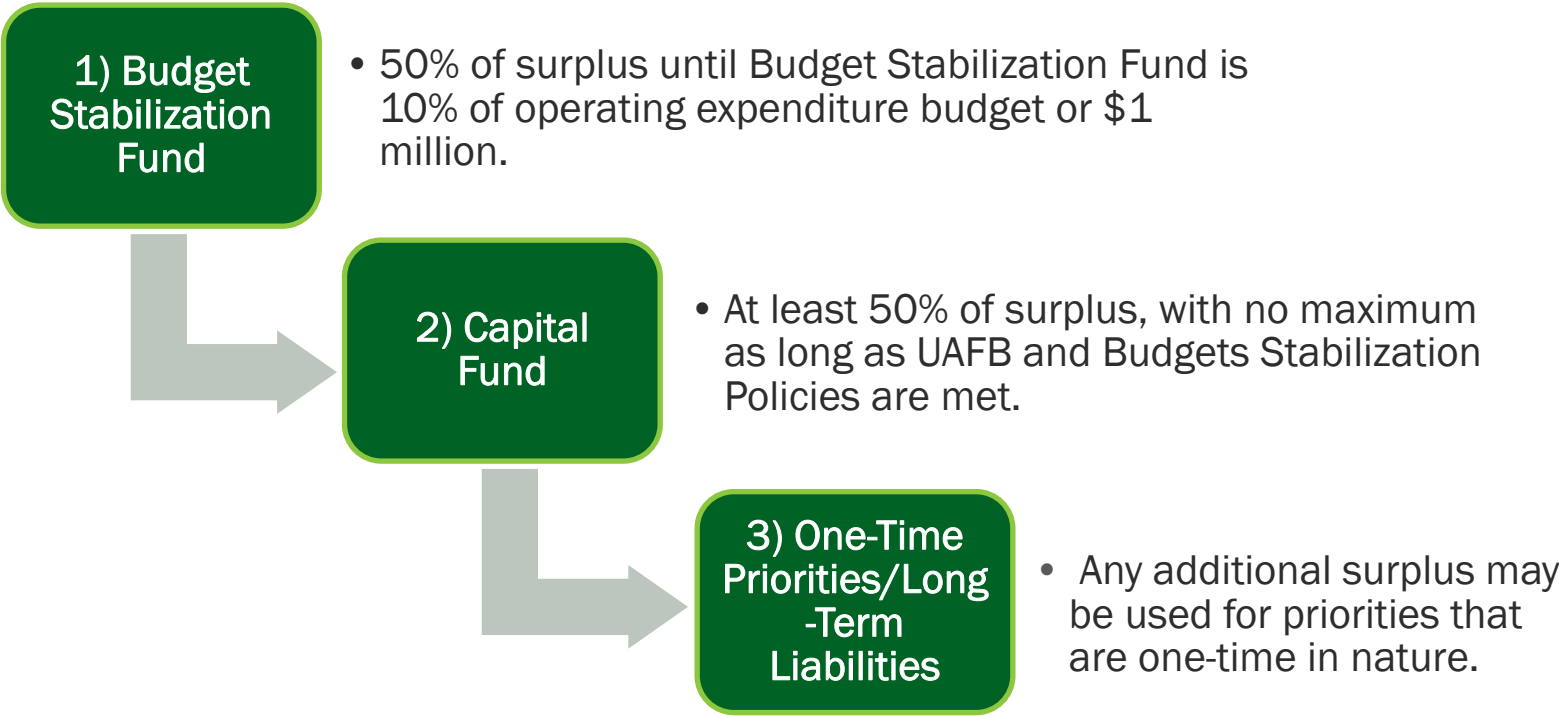
- **“The Town of Warrenton will maintain a minimum Unassigned Fund Balance in the General Fund equal to 50% of the current annual operating expenditure budget of the General Fund.”**
 - Fund balance may be maintained at a level higher than this minimum to save for large planned expenditures (i.e. capital projects), emergencies, cash flow issues related to timing of revenue receipts, and to address economic volatility.
 - Amounts above this minimum may be further identified by Council to be set aside for other purposes (such as capital projects or reserves for contingencies).
- In addition to the minimum Unassigned Fund Balance Level Policy, the Town has further adopted certain policies to ensure that Fund Balance levels are maintained/used appropriately:
 1. **Maintenance of Minimum Unassigned General Fund Balance Level/Use of Year-end Operating Surplus. (Additional details contained on the following page)**



Fund Balance Policies (cont.)

1. Maintenance of Minimum Unassigned General Fund Balance Level/Use of Year-end Operating Surplus:

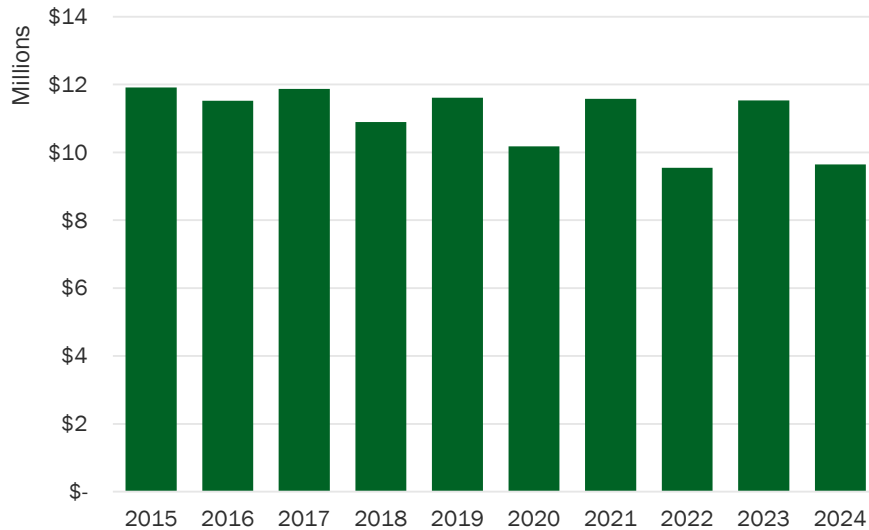
- a. Annual surplus revenues will be allocated to the Unassigned Fund Balance (“UAFB”) until the 50% -
---minimum policy target is met;
- b. If the 50% Unassigned Fund Balance minimum policy is met, the remaining annual surplus funds ---
---will be allocated as follows:



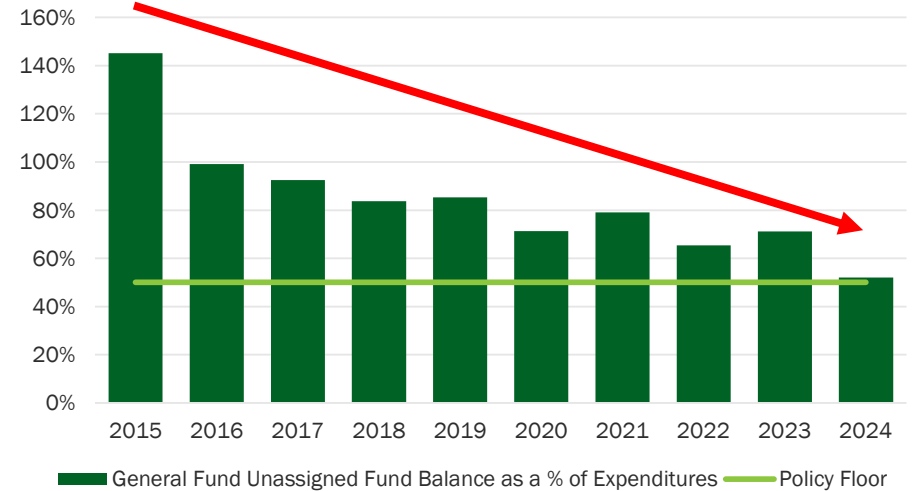
Unassigned Fund Balance



General Fund Unassigned Fund Balance



Unassigned Fund Balance as a % of Expenditures



Fiscal Year	General Fund Unassigned Fund Balance		Budget Expenditures		General Fund Unassigned Fund Balance as a % of Expenditures		Policy Floor
2015	\$	11,914,259	\$	8,211,805	145%		50%
2016		11,521,316		11,625,330	99%		50%
2017		11,871,309		12,828,326	93%		50%
2018		10,894,756		13,024,279	84%		50%
2019		11,611,907		13,599,594	85%		50%
2020		10,178,740		14,264,210	71%		50%
2021		11,575,773		14,641,484	79%		50%
2022		9,542,190		14,596,219	65%		50%
2023		11,537,274		16,213,084	71%		50%
2024		9,644,717		18,535,118	52%		50%

Current Policy: “The Town of Warrenton will maintain a minimum unassigned fund balance in the General Fund equal to 50% of the current annual operating expenditure budget.”

Source: Town of Warrenton FY 2024 Audit.

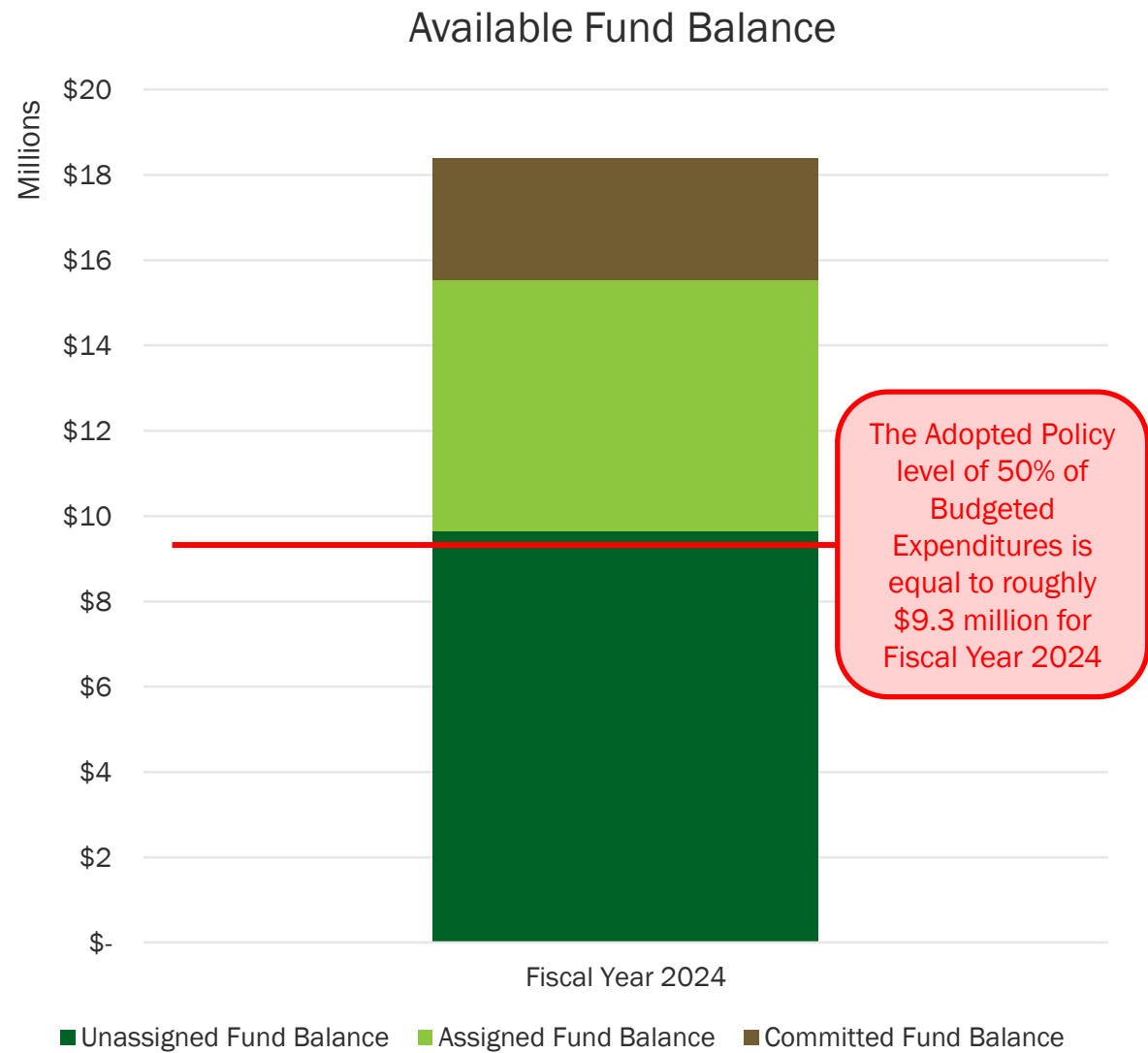
Note: In FY 2016, the Town incorporated the Warrenton Aquatic and Recreation Facility into the General Fund resulting in an increase to the denominator of the Fund Balance vs. Expenditures ratio.

Available Fund Balance



- Using the 2024 Audit, the graph shows a visual representation of the Town’s Available Fund Balance combining the Unassigned, Assigned, and Committed Fund Balance categories.

- The Town’s **Assigned Fund Balance** includes reserves that are specifically allocated for capital projects.
- The Town’s **Committed Fund Balance** includes reserves related to the Town’s Budget Stabilization Fund and financial commitments made by Town Council.

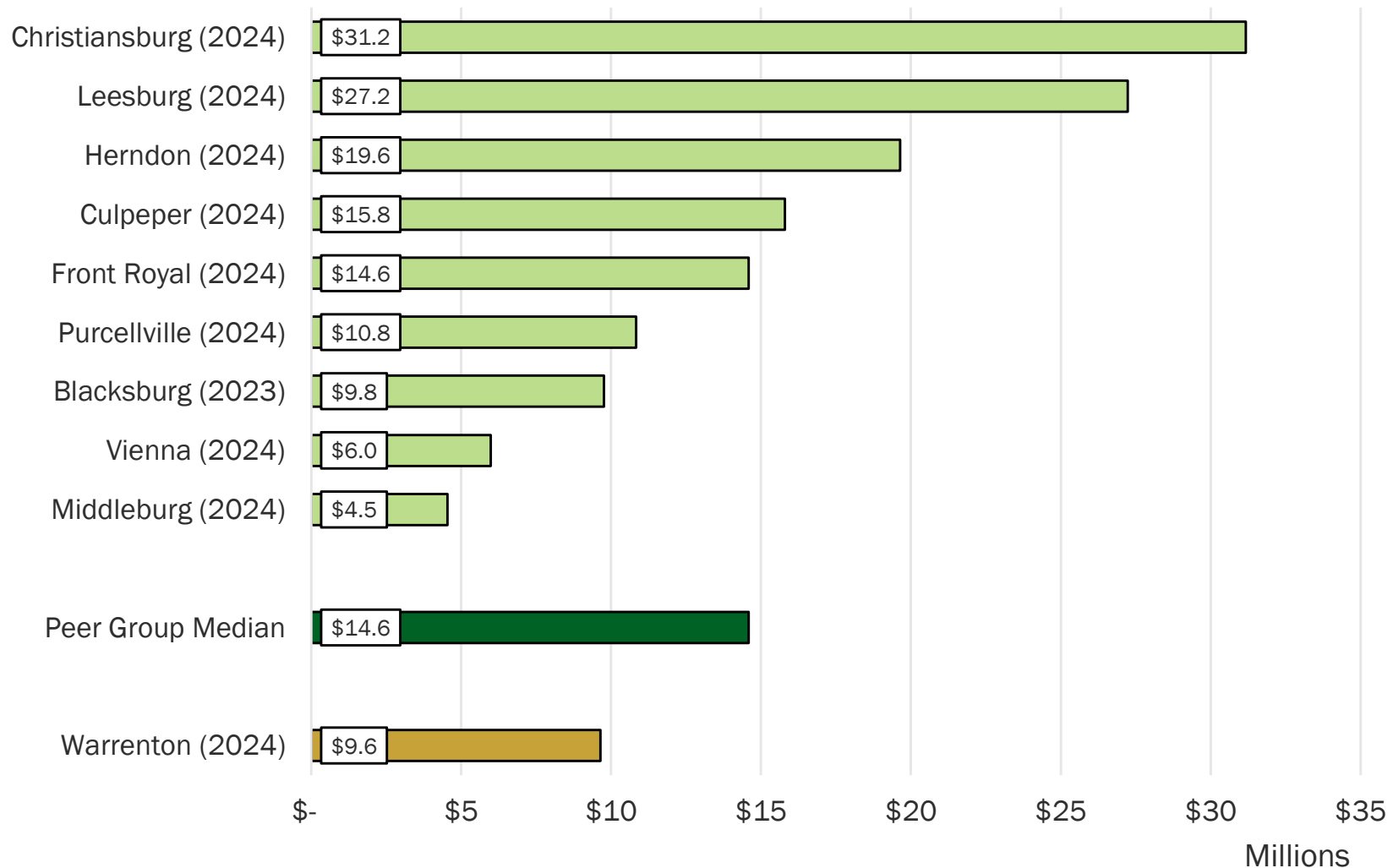


Source: Town of Warrenton FY 2024 Audit.

Peer Comparison – Unassigned Fund Balance (General Fund)



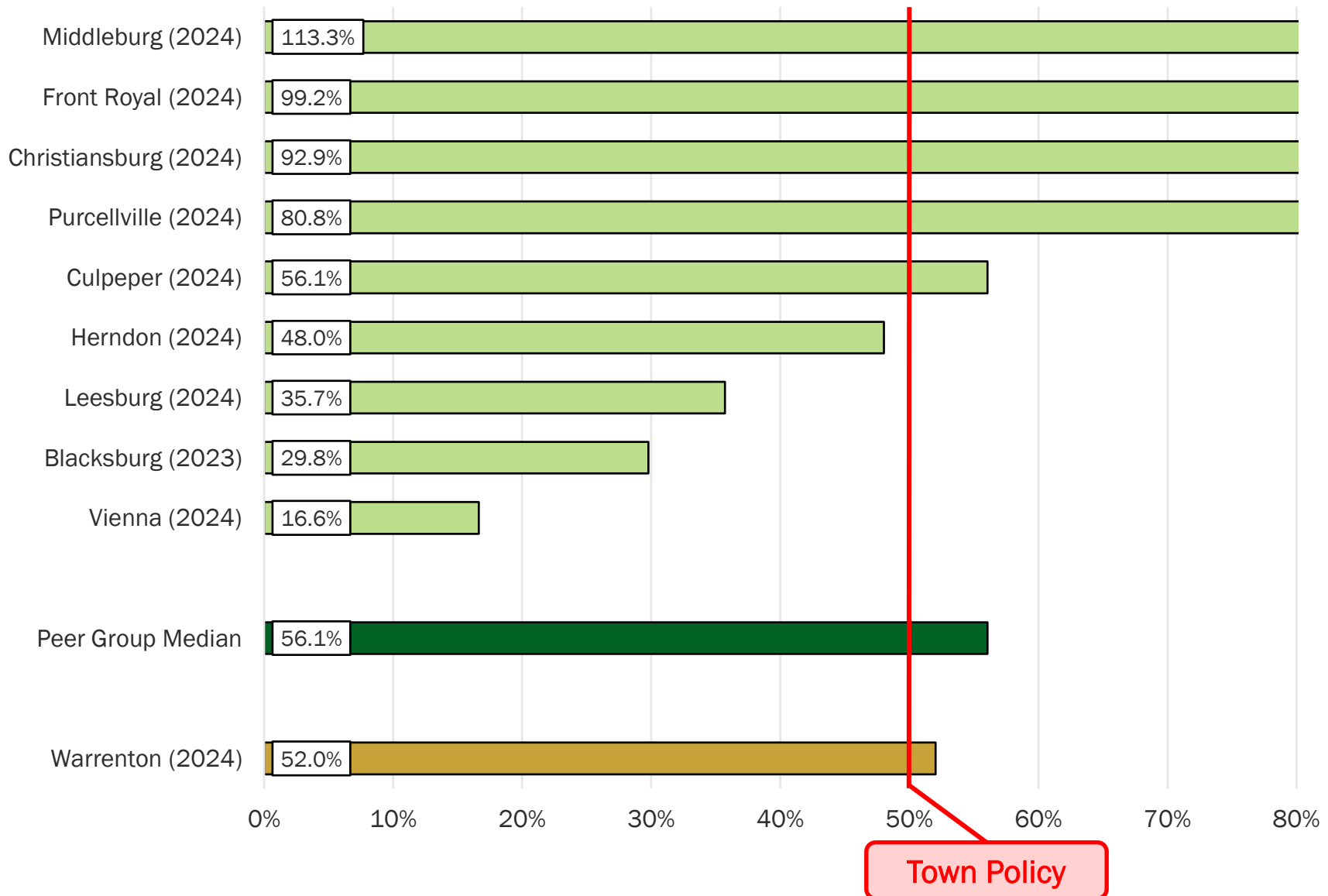
Unassigned Fund Balance



Peer Comparison – Unassigned Fund Balance as a % of Expenditures (General Fund)



Unassigned Fund Balance vs. General Fund Expenditures

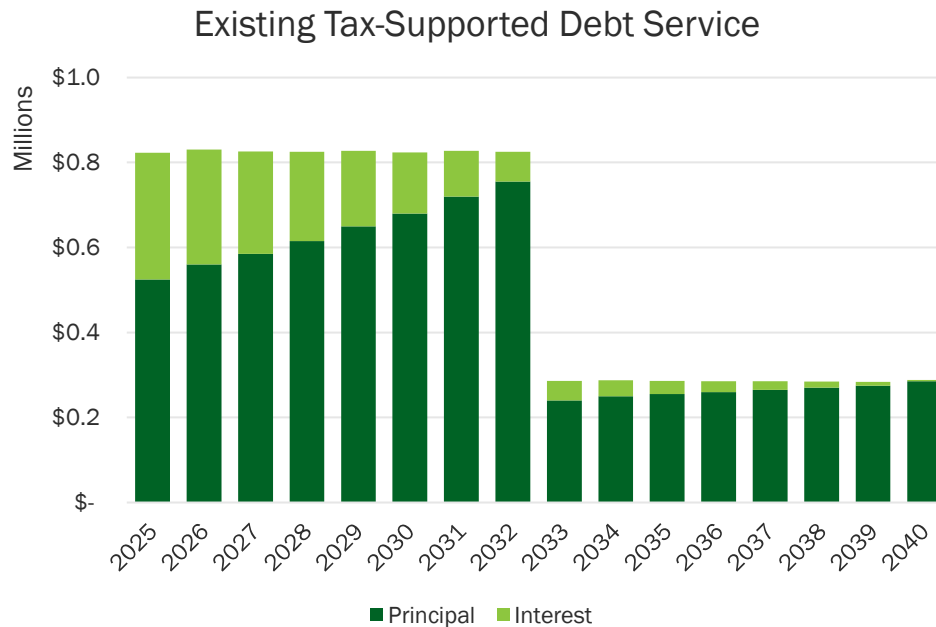




C. Tax-Supported Debt Management

Town of Warrenton, Virginia

Existing Tax-Supported Debt Service



Existing Tax-Supported Debt Service					
Fiscal Year	Principal	Interest	Total	Payout Ratio	
2025	\$ 525,000	\$ 297,972	\$ 822,972	7.3%	
2026	560,000	270,169	830,169	15.1%	
2027	585,000	240,828	825,828	23.2%	
2028	615,000	210,078	825,078	31.8%	
2029	650,000	177,663	827,663	40.8%	
2030	680,000	143,581	823,581	50.3%	
2031	720,000	107,706	827,706	60.3%	
2032	755,000	69,909	824,909	70.8%	
2033	240,000	46,063	286,063	74.1%	
2034	250,000	37,656	287,656	77.6%	
2035	255,000	31,041	286,041	81.2%	
2036	260,000	25,569	285,569	84.8%	
2037	265,000	20,106	285,106	88.5%	
2038	270,000	14,653	284,653	92.2%	
2039	275,000	8,978	283,978	96.0%	
2040	285,000	3,028	288,028	100.0%	
Total	\$ 7,190,000	\$ 1,705,000	\$ 8,895,000		

Summary of Outstanding Tax-Supported Debt

Series	Original Par	Par Outstanding	Interest Rate	Final Maturity
G.O. Refunding Bond, Series 2021B	\$ 8,720,000	\$ 7,190,000	5.125% - 2.037%	10/1/2039
Total	\$	7,190,000		



Debt Management Policies

- An important part of debt management is monitoring indicators of borrowing capacity and affordability. While there are several different ratios/metrics that can be tracked to evaluate a government's debt profile, two are generally regarded industry-wide as **Key Debt Ratios**.
 1. **Debt vs. Assessed Value:**
 - The Town's Policy states that Tax Supported debt of the Town shall not exceed **1.5%** of the total Assessed Value of Taxable Property in the Town.
 2. **Debt Service vs. Expenditures**
 - The Town's Policy states that Tax Supported Debt Service Expenditures as a percentage of General Fund Expenditures should not exceed **12%**.

Tax-Supported Debt vs. Assessed Value



- Tax-Supported debt of the Town shall not exceed 1.5% of the total assessed value of taxable property in the Town.

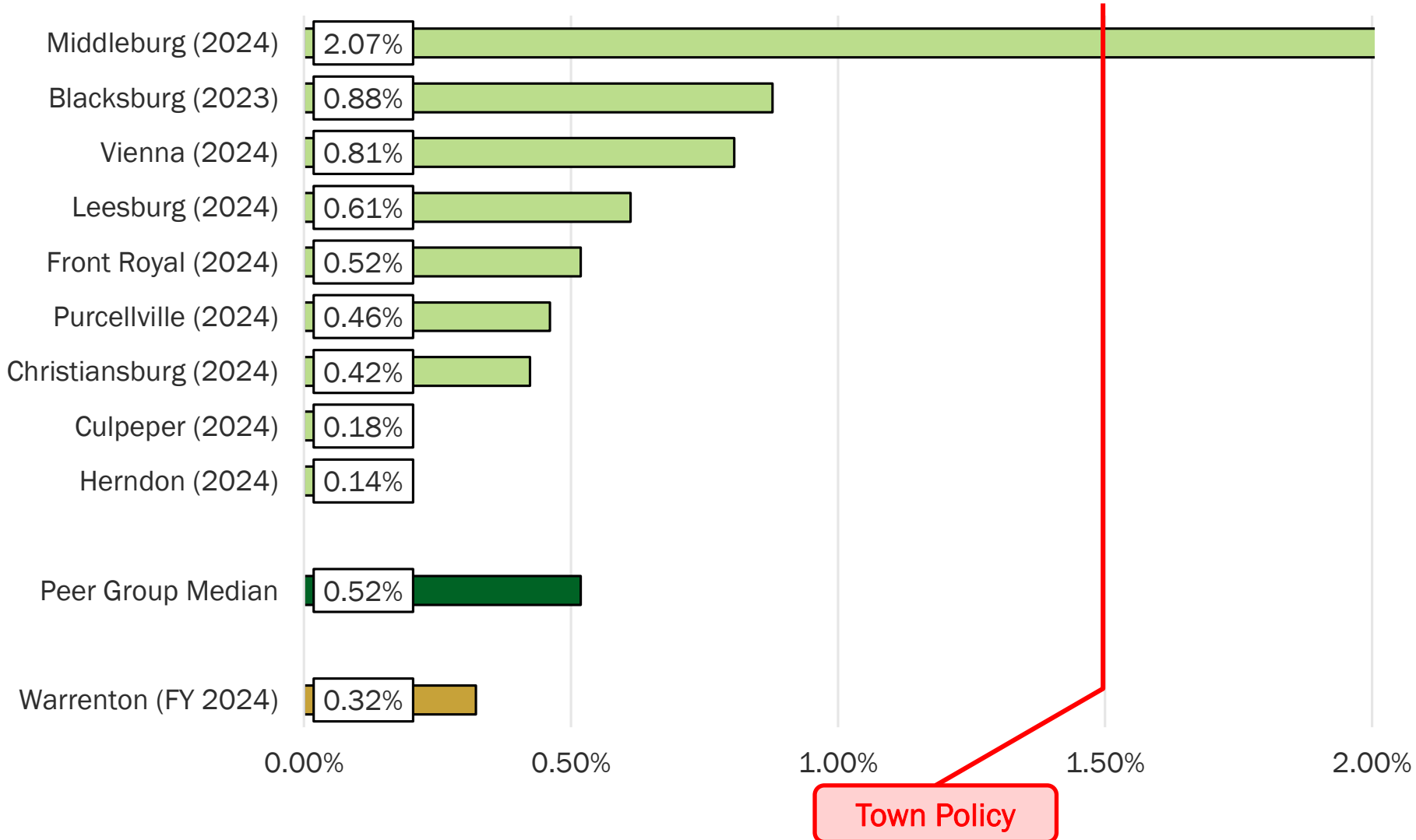


Source: Davenport Debt Model and Town of Warrenton FY 2024 Audit.
Note: Assessed Value is based on Fiscal Year 2024 Audit Assessed Value (\$2,354,371,869). Assessed Value is assumed to grow 1% annually from Fiscal Year 2024 levels.

Peer Comparison – Tax-Supported Debt vs. Assessed Value



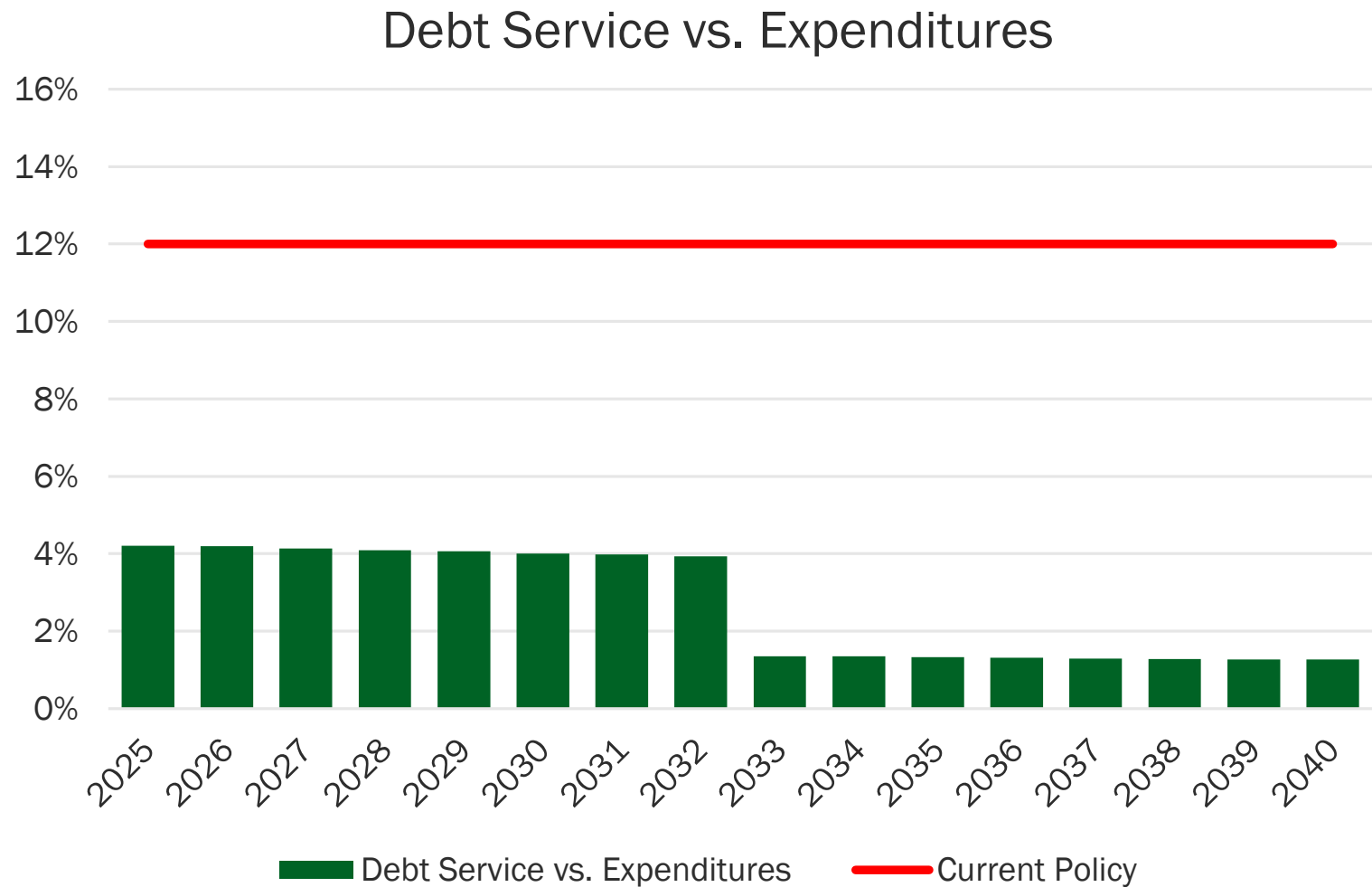
Tax-Supported Debt vs. Assessed Value



Tax-Supported Debt Service vs. Expenditures



- Tax-Supported debt service expenditures as a percentage of general fund expenditures should not exceed 12%.

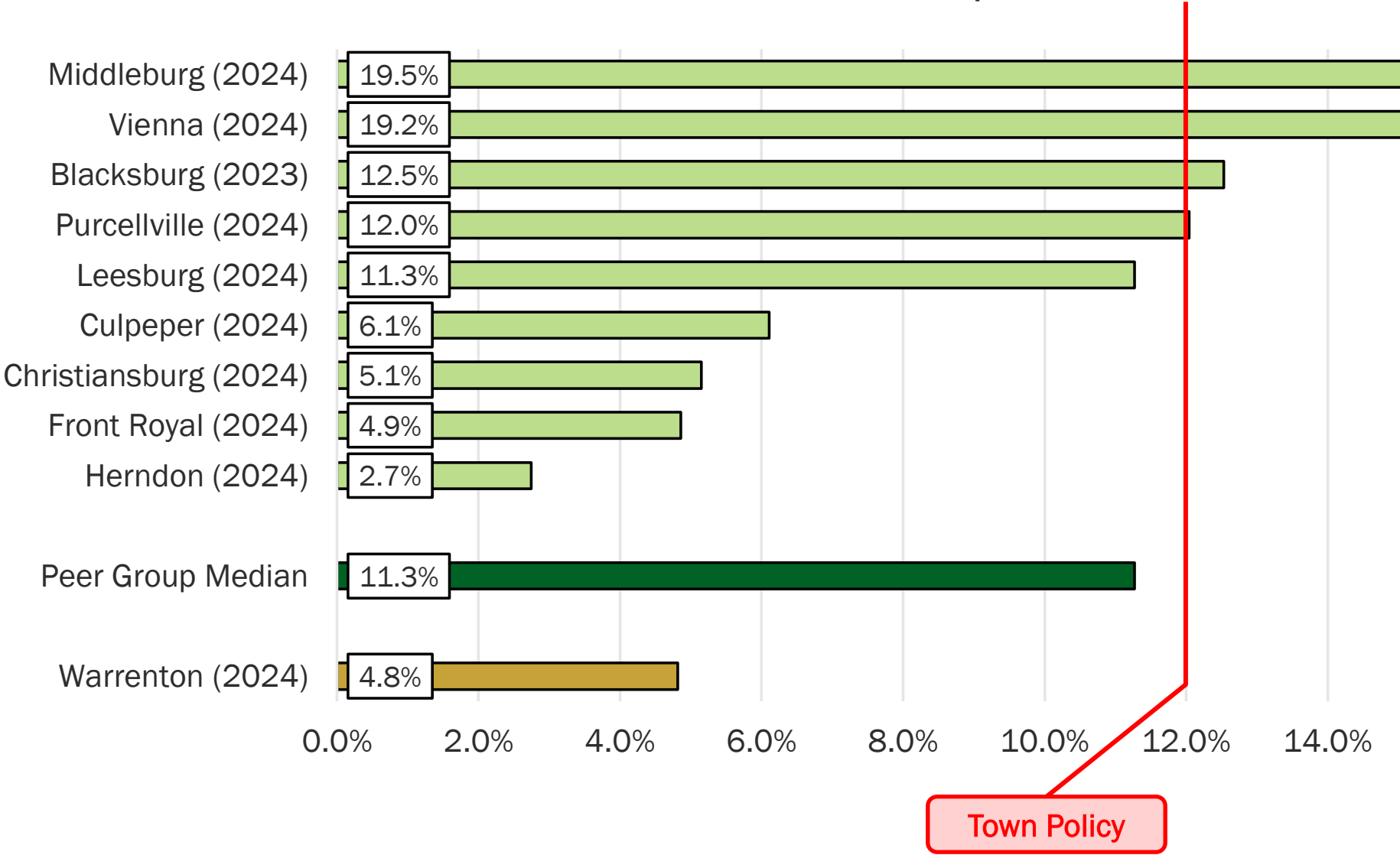


Source: Davenport Debt Model and Town of Warrenton FY 2024 Audit.
Note: Expenditures are based on Fiscal Year 2024 Audit expenditures (\$19,392,167). Expenditures are assumed to grow 1% annually from Fiscal Year 2024 levels.

Peer Comparison – Tax-Supported Debt Service vs. General Fund Expenditures



Debt Service vs. General Fund Expenditures





D. Fiscal Year 2026 Capital Improvement Plan (CIP)

Town of Warrenton, Virginia

Background



- The Town's Proposed Capital Improvement Plan (CIP)⁽¹⁾ and Capital Asset Replacement Plan (CARP) contemplates approximately \$5.2 million worth of improvement needs in Fiscal Year 2026, with approximately \$800 thousand of the total amount related to Fleet Maintenance.
- Town Staff have indicated all of the CIP will be debt funded.
- With the issuance occurring in Fiscal Year 2026, Davenport has assumed the following principal amortization of each project, based on the useful life of the financed projects:
 - **CIP and CARP (without Fleet)** will have a principal amortization of 20 years (*with structuring*). (~\$4.4 million)
 - **Fleet Fund Maintenance Projects** will have a principal amortization of 6 years. (~\$800 thousand)
- All issuances assume a planning interest rate of 5%.
- On the following pages, Davenport has presented the estimated debt service of the issuances along with the impact to the Town's Adopted Financial Debt Policies.



Proposed Tax-Supported Debt Service

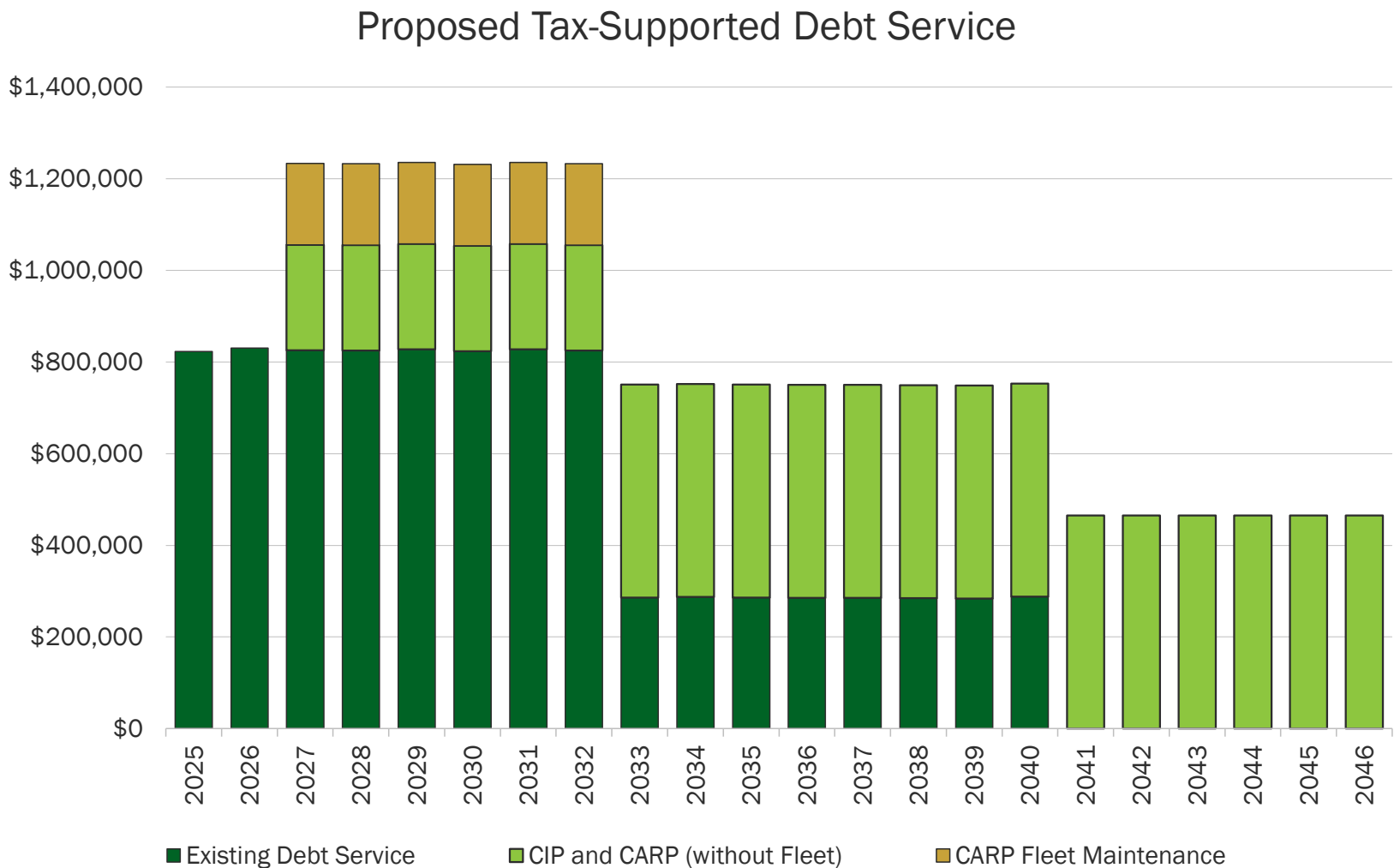
- As shown below, Davenport has estimated the debt service impact of the Fiscal Year 2026 issuances.
 - **General Fund CIP and CARP, excluding Fleet Maintenance** are denoted as “CIP and CARP (without Fleet)”. (~\$4.4 million)
 - **General Fund CARP for Fleet Maintenance Projects** are denoted as “CARP - Fleet Maintenance”. (~\$800 thousand)

Fiscal Year	Existing Debt Service	CIP and CARP (without Fleet)	CARP - Fleet Maintenance	Total Proposed Debt Service
2025	\$ 822,972	\$ -	\$ -	\$ 822,972
2026	830,169	-	-	830,169
2027	825,828	230,000	177,316	1,233,144
2028	825,078	230,000	177,316	1,232,394
2029	827,663	230,000	177,316	1,234,978
2030	823,581	230,000	177,316	1,230,897
2031	827,706	230,000	177,316	1,235,022
2032	824,909	230,000	177,316	1,232,225
2033	286,063	464,710	-	750,773
2034	287,656	464,710	-	752,367
2035	286,041	464,710	-	750,751
2036	285,569	464,710	-	750,279
2037	285,106	464,710	-	749,817
2038	284,653	464,710	-	749,363
2039	283,978	464,710	-	748,688
2040	288,028	464,710	-	752,738
2041	-	464,710	-	464,710
2042	-	464,710	-	464,710
2043	-	464,710	-	464,710
2044	-	464,710	-	464,710
2045	-	464,710	-	464,710
2046	-	464,710	-	464,710

Proposed Tax-Supported Debt Service



- As shown below, Davenport has presented a visual representation of the anticipated Fiscal Year 2026 issuances.





Impact on Debt Policies – Debt vs. Assessed Value

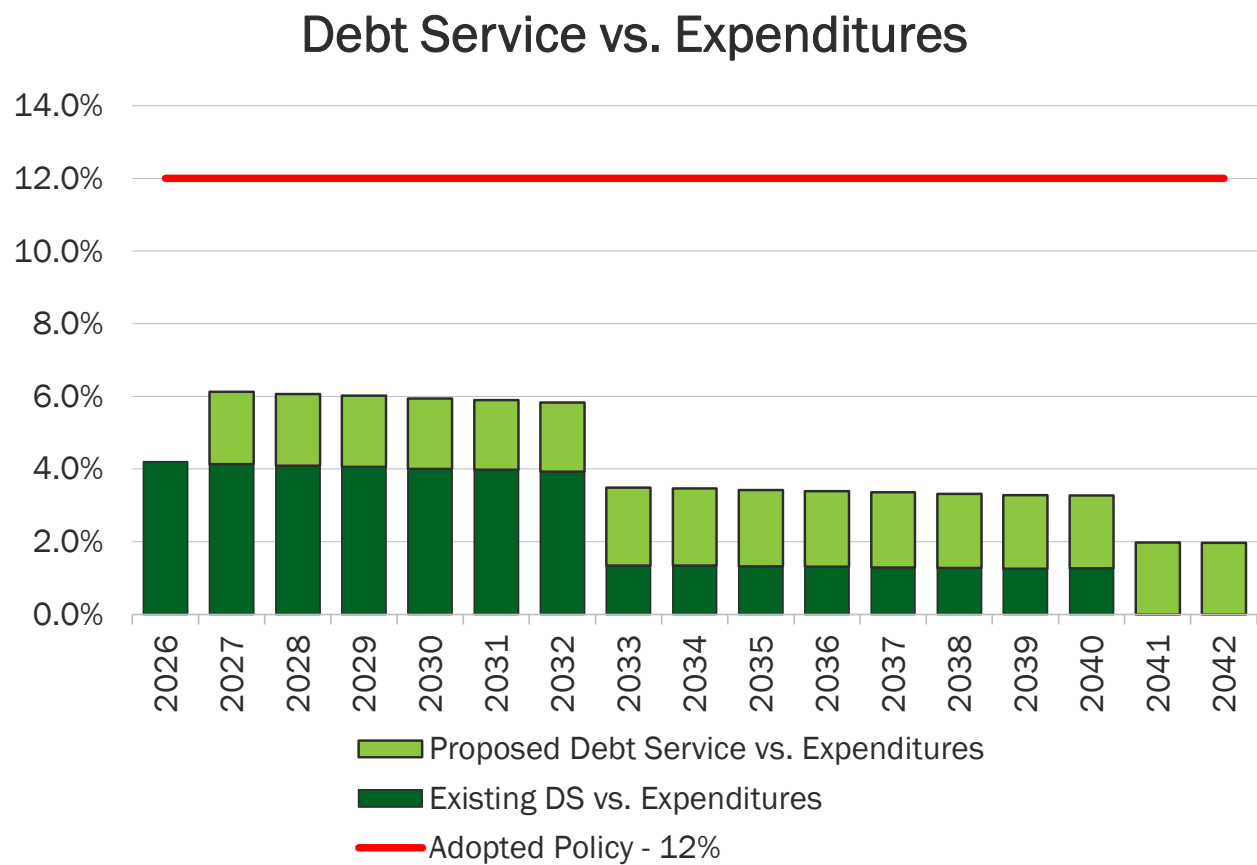
- In the graph below, Davenport has projected the impact the Fiscal Year 2026 issuances would have on the Town’s Tax-Supported Debt vs. Assessed Value Financial Policy.
- After the Fiscal Year 2026 debt issuances for the CIP and CARP, the Town would continue to be within policy levels for Debt vs. Assessed Value.





Impact on Debt Policies – Debt Service vs. Expenditures

- In the graph below, Davenport has projected the impact the Fiscal Year 2026 issuances would have on the Town’s Tax-Supported Debt Service vs. Expenditures Financial Policy.
- After the Fiscal Year 2026 debt issuances for the CIP and CARP, the Town would continue to be within policy levels for Debt Service vs. Expenditures.





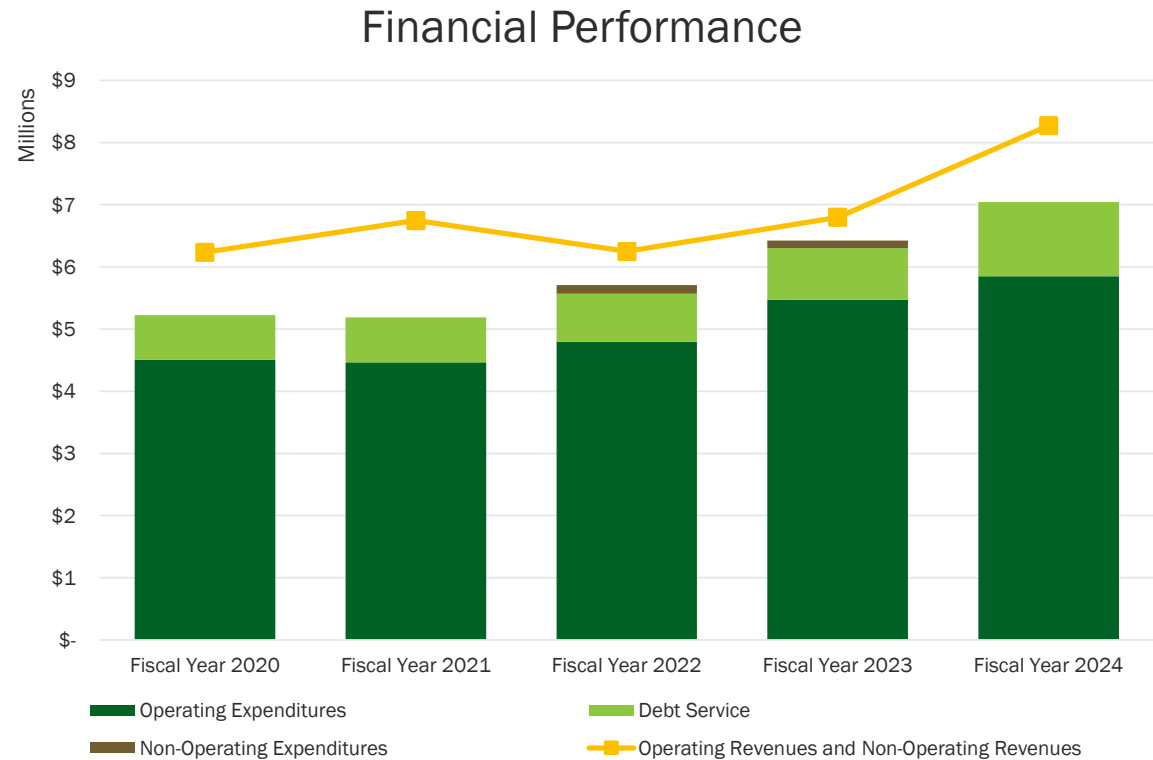
E. Water and Sewer Fund

Town of Warrenton, Virginia

Water & Sewer Fund – Financial Performance



- The Water & Sewer Fund has produced a positive Net Result (net of depreciation) in each of the past five (5) Fiscal Years.



Financial Performance	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Operating Revenues and Non-Operating Revenues	\$ 6,234,707	\$ 6,746,686	\$ 6,249,509	\$ 6,797,936	\$ 8,273,107
Operating Expenditures	(4,504,090)	(4,467,687)	(4,798,238)	(5,472,073)	(5,847,168)
Debt Service	(718,684)	(720,657)	(772,236)	(830,277)	(1,193,627)
Non-Operating Expenditures	-	-	(138,796)	(119,842)	-
Net Result	\$ 1,011,933	\$ 1,558,342	\$ 540,239	\$ 375,744	\$ 1,232,312

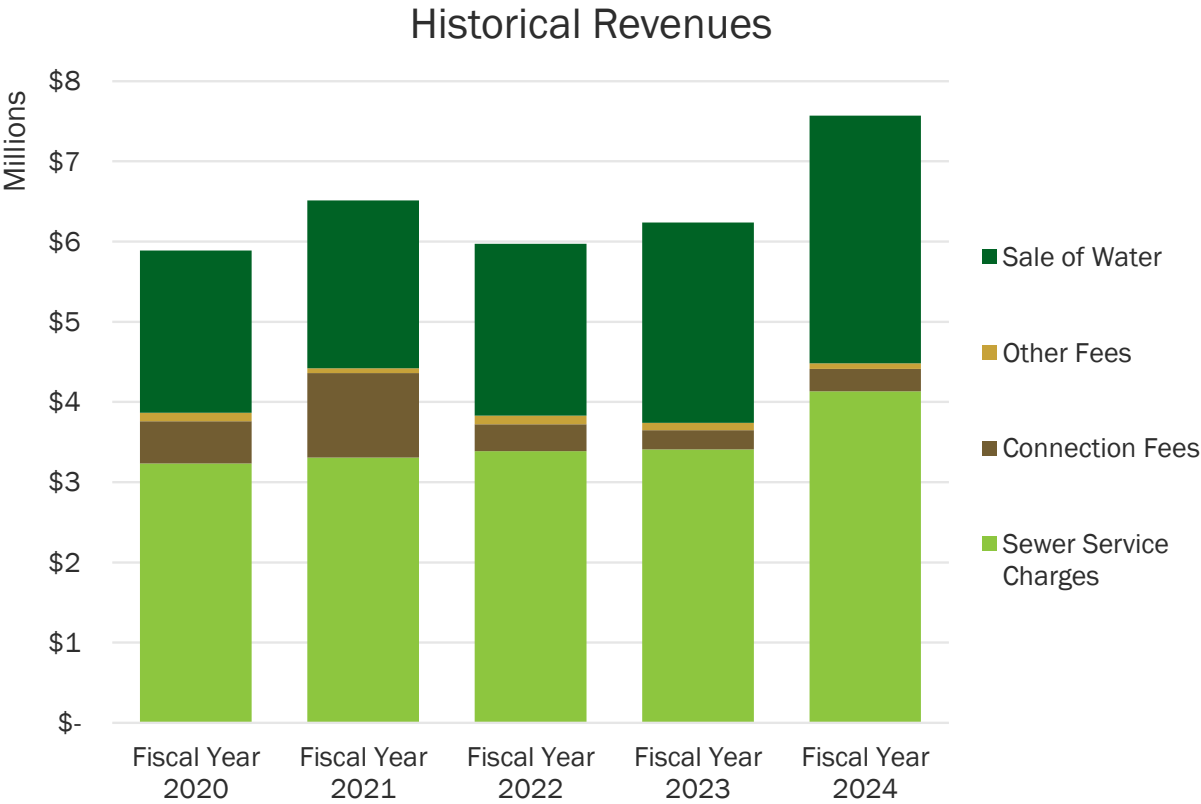
Source: Town of Warrenton FY 2020 – FY 2024 Audits.

Note: Depreciation is excluded from Operating Expenditures; FY 2022 Debt Service taken from FY 2021 projected Debt Service.



Water & Sewer Fund – Historical Revenues

- Total Operating Revenues have grown at 6.5% annually over the past five (5) Fiscal Years.
- In Fiscal Year 2024, Total Operating Revenues grew by approximately 21% from Fiscal Year 2023 revenue figures.



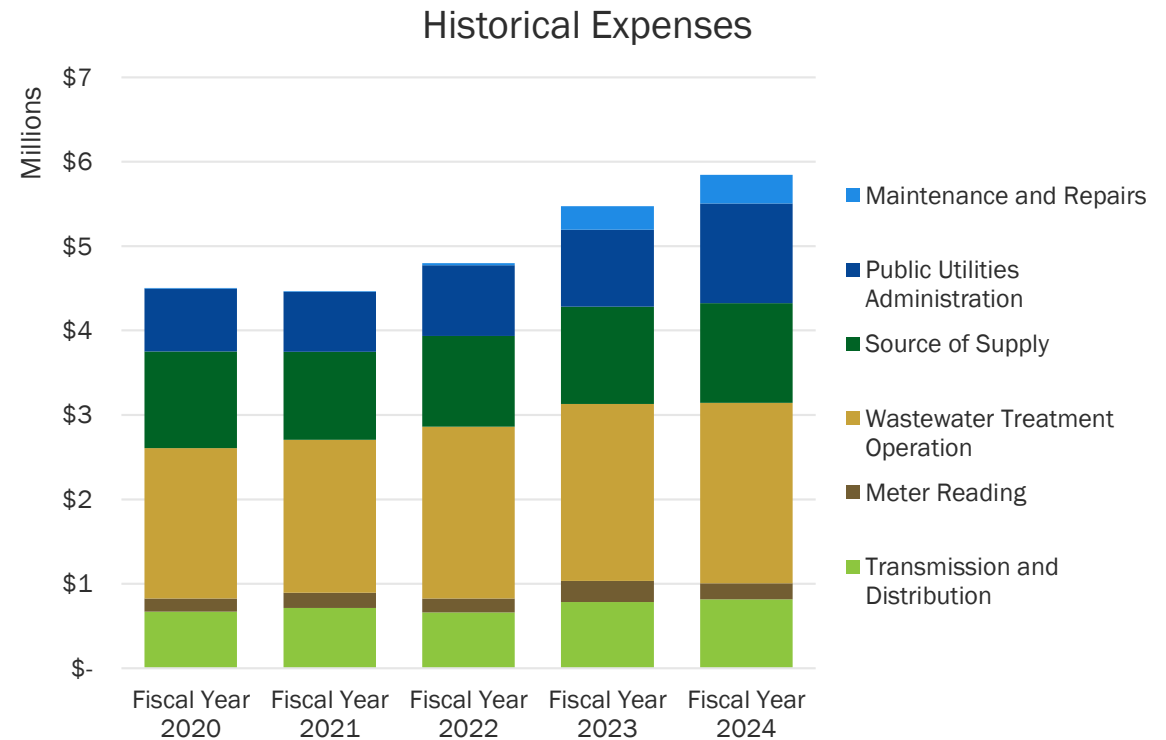
Revenues	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	5-Year CAGR
Sale of Water	\$ 2,023,159	\$ 2,092,318	\$ 2,140,716	\$ 2,497,514	\$ 3,087,392	11.1%
Sewer Service Charges	3,234,461	3,309,247	3,384,176	3,410,119	4,129,683	6.3%
Connection Fees	526,725	1,050,300	336,545	236,250	283,500	-14.3%
Other Fees	103,257	60,687	109,151	92,376	69,551	-9.4%
Total Operating Revenues	\$ 5,887,602	\$ 6,512,552	\$ 5,970,588	\$ 6,236,259	\$ 7,570,126	6.5%
Annual Growth	N/A	10.6%	-8.3%	4.4%	21.4%	

Source: Town of Warrenton FY 2020 – FY 2024 Audits.
 Note: CAGR stands for ‘Compounded Annual Growth Rate’.



Water & Sewer Fund – Historical Expenditures

- Total Operating Expenses, net of depreciation, have grown at 6.7% annually over the past five (5) Fiscal Years.
- Operating Expenditures have increased as a result of the Town's focus on addressing maintenance needs.



Expenses	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	5-Year CAGR
Source of Supply	\$ 1,148,008	\$ 1,044,258	\$ 1,074,607	\$ 1,150,929	\$ 1,183,975	0.8%
Transmission and Distribution	668,838	712,771	661,796	782,025	816,665	5.1%
Meter Reading	155,097	182,442	162,769	251,444	189,848	5.2%
Wastewater Treatment Operation	1,781,800	1,810,558	2,036,536	2,098,194	2,135,408	4.6%
Public Utilities Administration	741,932	710,841	840,477	911,951	1,180,797	12.3%
Maintenance and Repairs	8,415	6,817	22,053	277,530	340,475	152.2%
Total Operating Expenses	\$ 4,504,090	\$ 4,467,687	\$ 4,798,238	\$ 5,472,073	\$ 5,847,168	6.7%
Annual Growth	N/A	-0.8%	7.4%	14.0%	6.9%	

Source: Town of Warrenton FY 2020 – FY 2024 Audits.

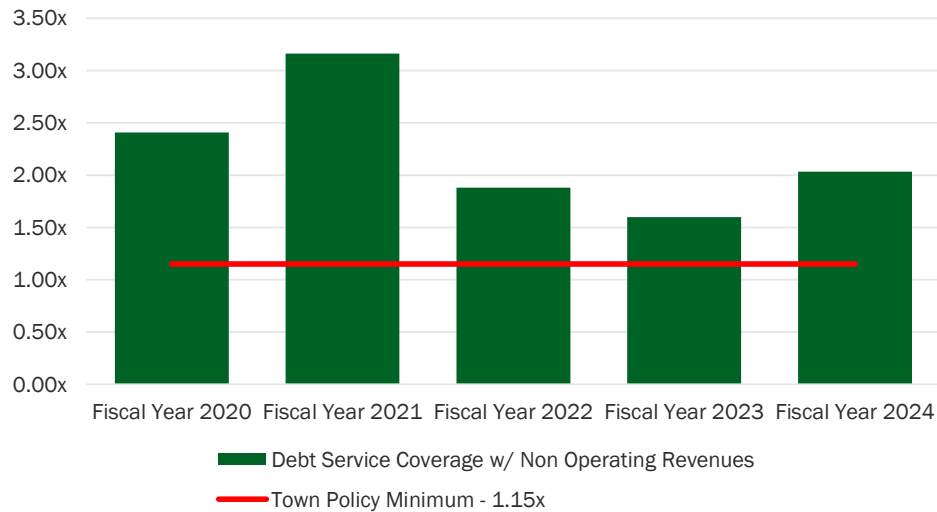
Note: CAGR stands for 'Compounded Annual Growth Rate'.

Note: Depreciation is excluded from Operating Expenditures; FY 2022 Debt Service taken from FY 2021 projected Debt Service.

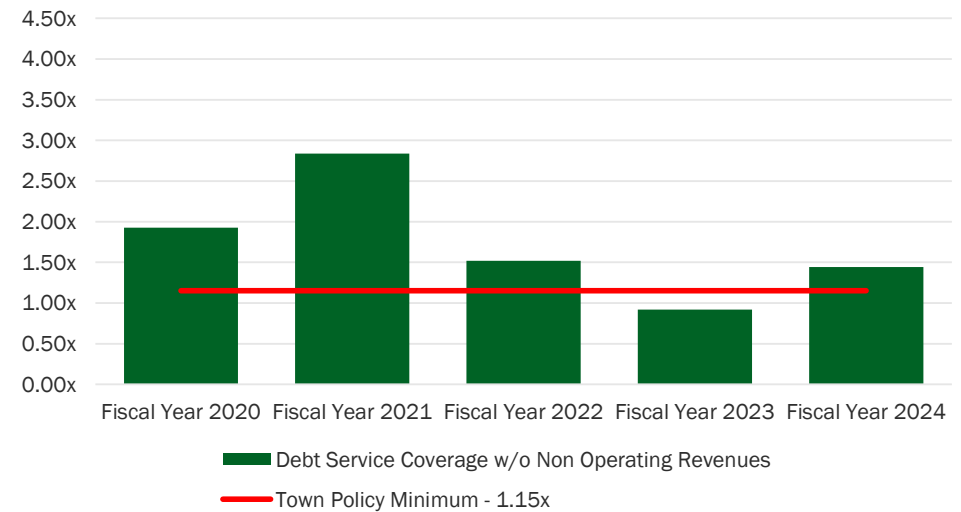
Historical Water & Sewer Fund Debt Service Coverage



Debt Service Coverage Ratio with Non-Operating Revenues

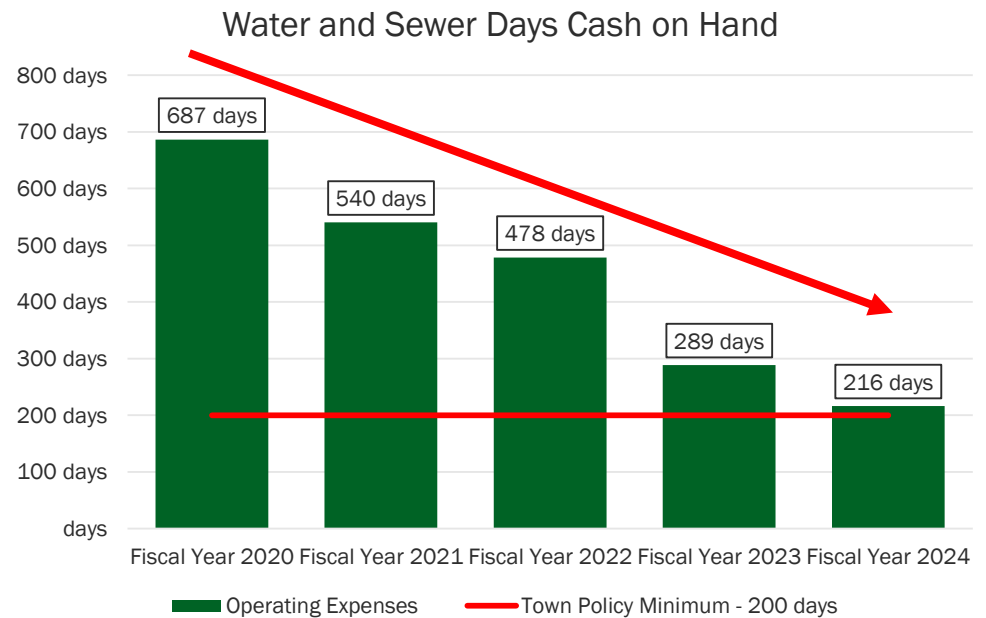
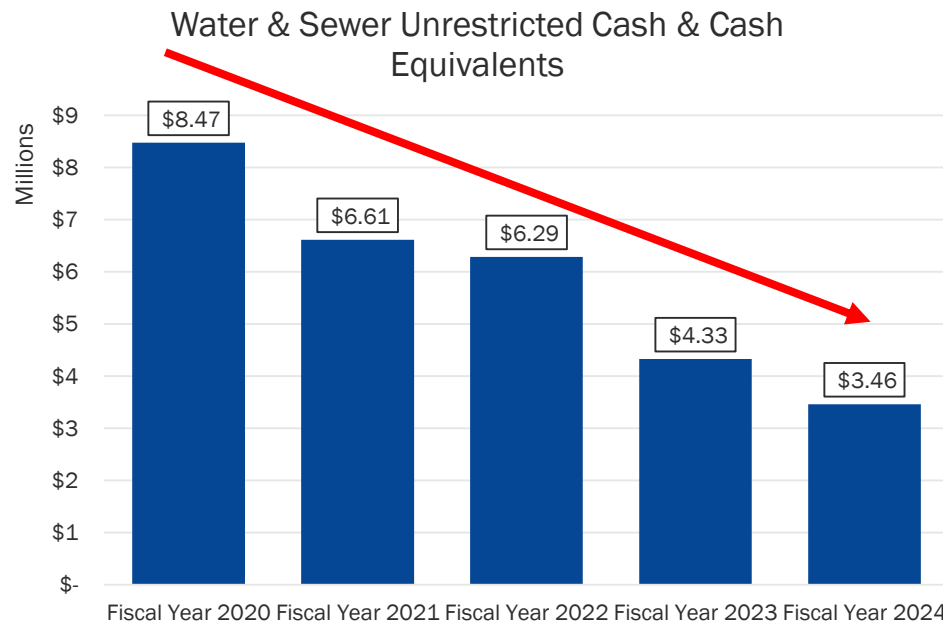


Debt Service Coverage Ratio without Non-Operating Revenues



Debt Service Coverage Ratio	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Net Revenue Available for Debt Service w/ Non-Op. Revenue	\$ 1,730,617	\$ 2,278,999	\$ 1,451,271	\$ 1,325,863	\$ 2,425,939
Net Revenue Available for Debt Service w/o Non-Op. Revenue	1,383,512	2,044,865	1,172,350	764,186	1,722,958
Debt Service	718,684	720,657	772,236	830,277	1,193,627
Debt Service Coverage w/ Non Operating Revenues	2.41x	3.16x	1.88x	1.60x	2.03x
Debt Service Coverage w/o Non Operating Revenues	1.93x	2.84x	1.52x	0.92x	1.44x

Historical Water & Sewer Fund Cash Balance

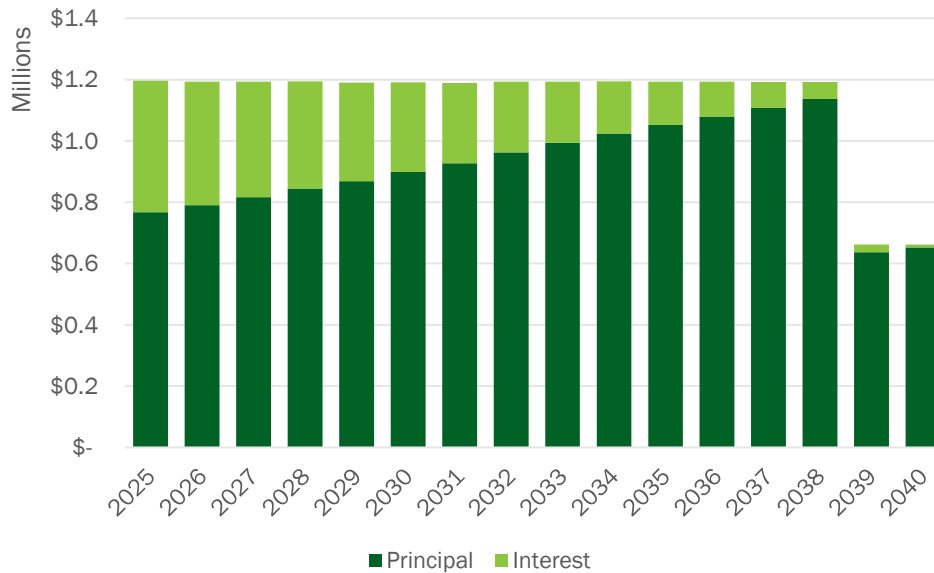


Water and Sewer Cash Fund Balance	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Unrestricted Cash and Cash Equivalents	\$ 8,473,309	\$ 6,612,579	\$ 6,287,203	\$ 4,329,251	\$ 3,462,549
Operating Expenses	4,504,090	4,467,687	4,798,238	5,472,073	5,847,168
Days Cash on Hand	687 days	540 days	478 days	289 days	216 days



Water & Sewer Existing Debt Profile

Existing Utility-Supported Debt Service



Existing Utility-Supported Debt Service					
Fiscal Year	Principal	Interest	Total	Payout Ratio	
2025	\$ 767,000	\$ 428,999	\$ 1,195,999	5.3%	
2026	790,000	403,510	1,193,510	10.7%	
2027	816,000	377,130	1,193,130	16.3%	
2028	845,000	349,773	1,194,773	22.1%	
2029	869,000	321,497	1,190,497	28.1%	
2030	899,000	292,303	1,191,303	34.2%	
2031	927,000	262,033	1,189,033	40.6%	
2032	963,000	230,602	1,193,602	47.2%	
2033	994,000	199,539	1,193,539	54.0%	
2034	1,024,000	169,822	1,193,822	61.1%	
2035	1,052,000	141,308	1,193,308	68.3%	
2036	1,080,000	113,252	1,193,252	75.7%	
2037	1,108,000	84,558	1,192,558	83.3%	
2038	1,137,000	55,225	1,192,225	91.1%	
2039	637,000	24,996	661,996	95.5%	
2040	653,000	8,403	661,403	100.0%	
Total	\$ 14,561,000	\$ 3,462,950	\$ 18,023,950		

Summary of Outstanding Utility-Supported Debt

Series	Original Par	Par Outstanding	Interest Rate	Final Maturity
G.O. Refunding Bond, Series 2021A	\$ 6,935,000	\$ 6,084,000	2.750%	1/15/2038
G.O. Refunding Bond, Series 2021B	3,975,000	3,565,000	5.125% - 2.037%	10/1/2039
G.O. Bond, Water & Sewer Financing 2022	5,150,000	4,912,000	2.900%	10/1/2039
Total	\$ 14,561,000			

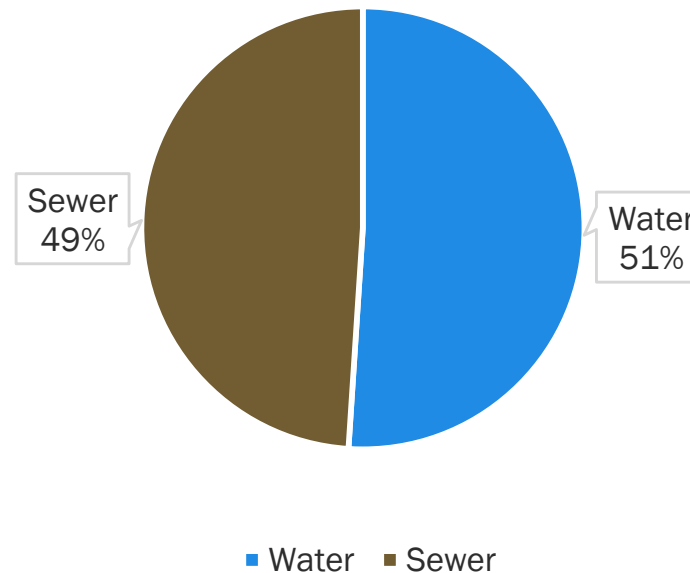
Historical Water & Sewer Capital Improvement Plan (CIP)

Proposed FY 2026 CIP



- Town Staff have identified approximately \$91.3 million in Capital Funding Projects over the next six (6) years for the Town's Water and Sewer Fund (FY 2026-2031).
 - Sewer capital projects over the next 6 years are approximately \$44.7 million.
 - Water capital projects over the next 6 years are approximately \$46.6 million.

Water & Sewer Fund CIP



Source: Proposed FY 2026 CIP.

Note: Capital Project costs include a 10% contingency.



F. Next Steps

Town of Warrenton, Virginia

Next Steps



Timing	Action
April 21, 2025	<ul style="list-style-type: none">▪ Davenport to present the updated Comprehensive Financial Review with Town Council.
By June 30, 2025	<ul style="list-style-type: none">▪ Town Council Adopts FY 2026 Budget.
After June 30, 2025	<ul style="list-style-type: none">▪ Davenport to prepare and present the Plan of Finance for the anticipated Fiscal Year 2026 issuances for the Town’s CIP and CARP.
After the presentation of Plan of Finance to Town Council	<ul style="list-style-type: none">▪ At the direction of Town Council, Davenport initiates the issuance process for the anticipated borrowings.



Appendix

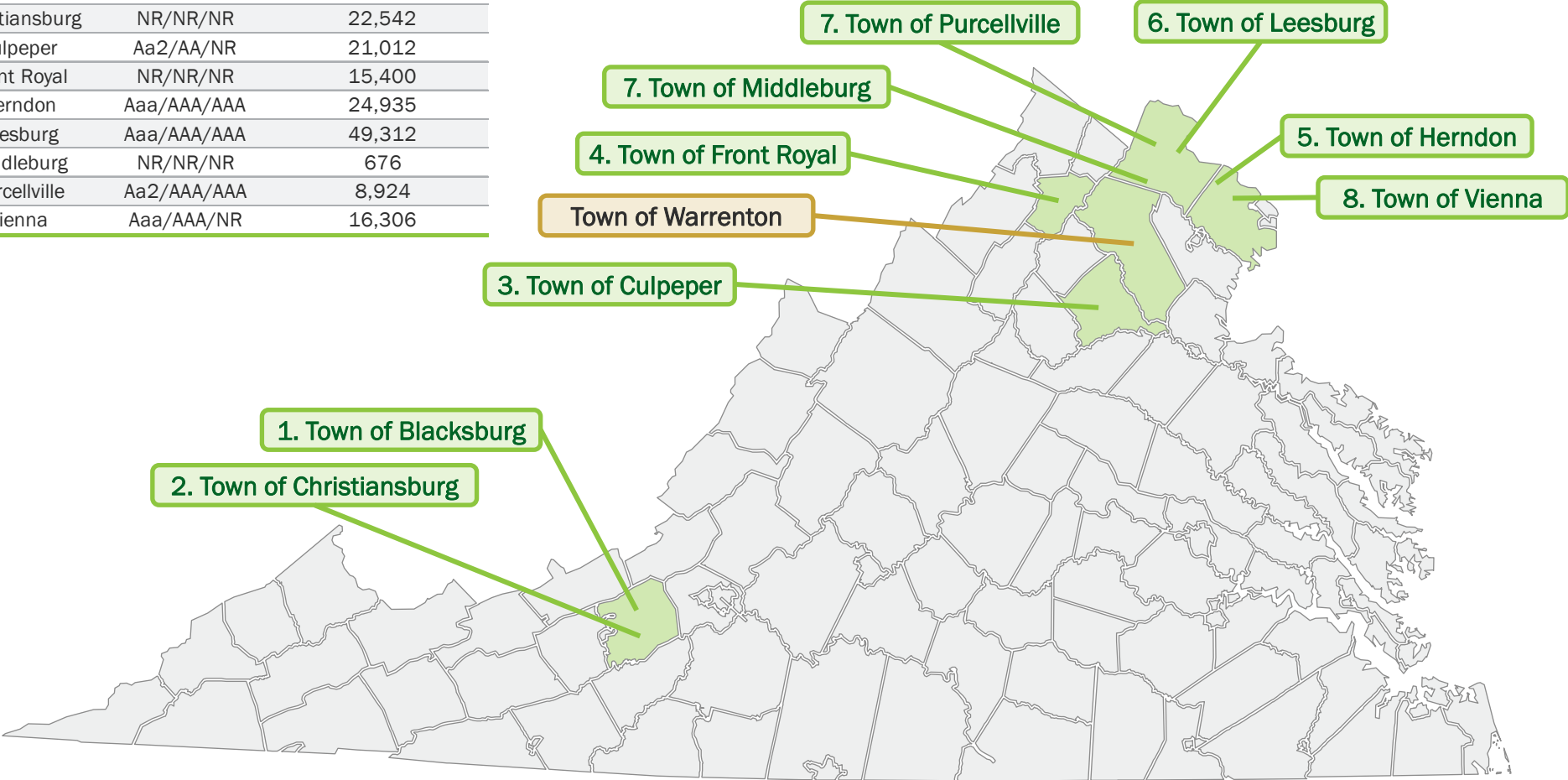
Town of Warrenton, Virginia



Peer Comparative Group Overview

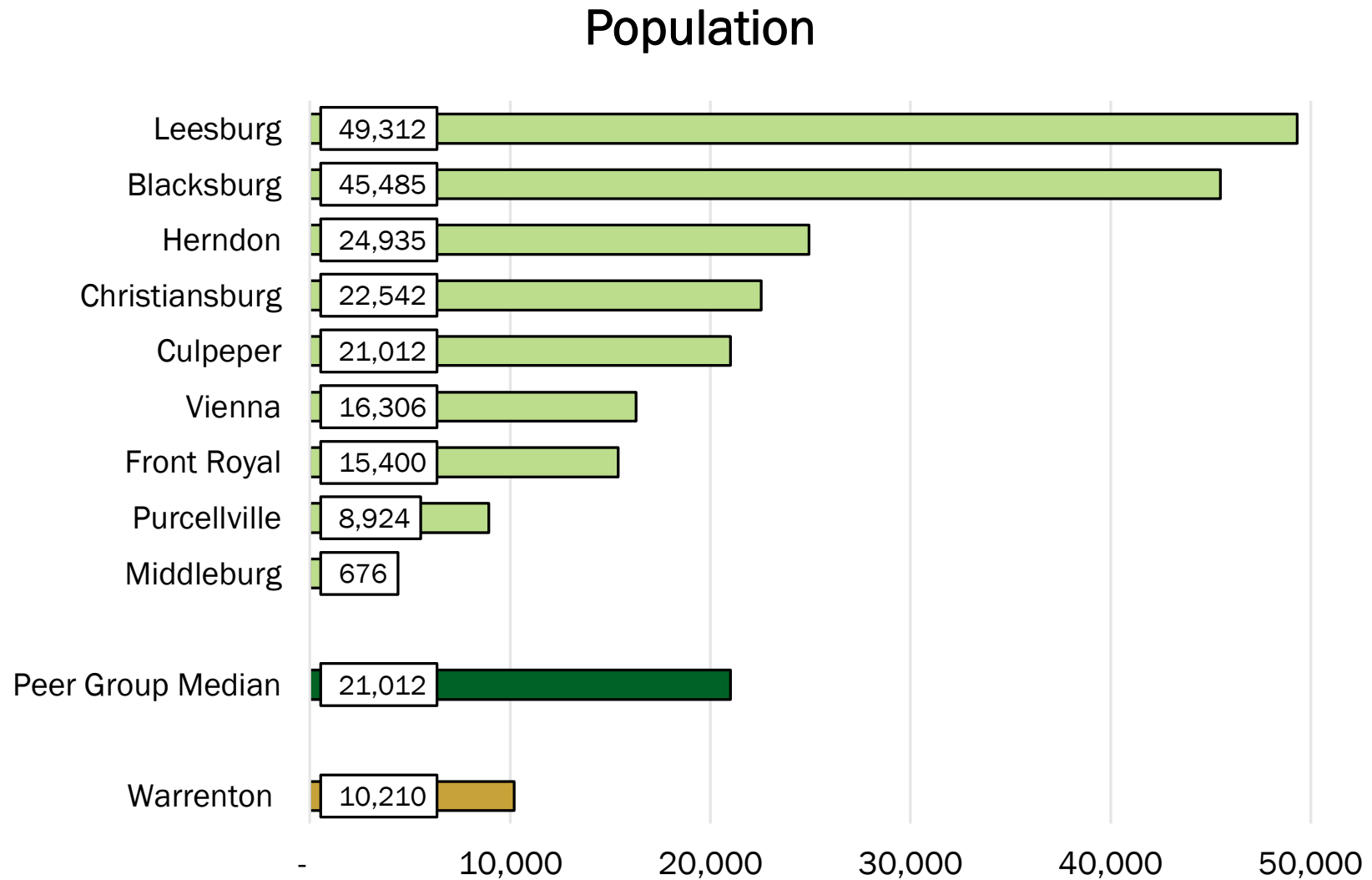
■ In the map below, Davenport has summarized a Virginia Town Peer Comparative group for Warrenton.

#	Locality	Credit Ratings ⁽¹⁾	Population
1	Blacksburg	Aa2/AA+/NR	45,485
2	Christiansburg	NR/NR/NR	22,542
3	Culpeper	Aa2/AA/NR	21,012
4	Front Royal	NR/NR/NR	15,400
5	Herndon	Aaa/AAA/AAA	24,935
6	Leesburg	Aaa/AAA/AAA	49,312
7	Middleburg	NR/NR/NR	676
8	Purcellville	Aa2/AAA/AAA	8,924
9	Vienna	Aaa/AAA/NR	16,306

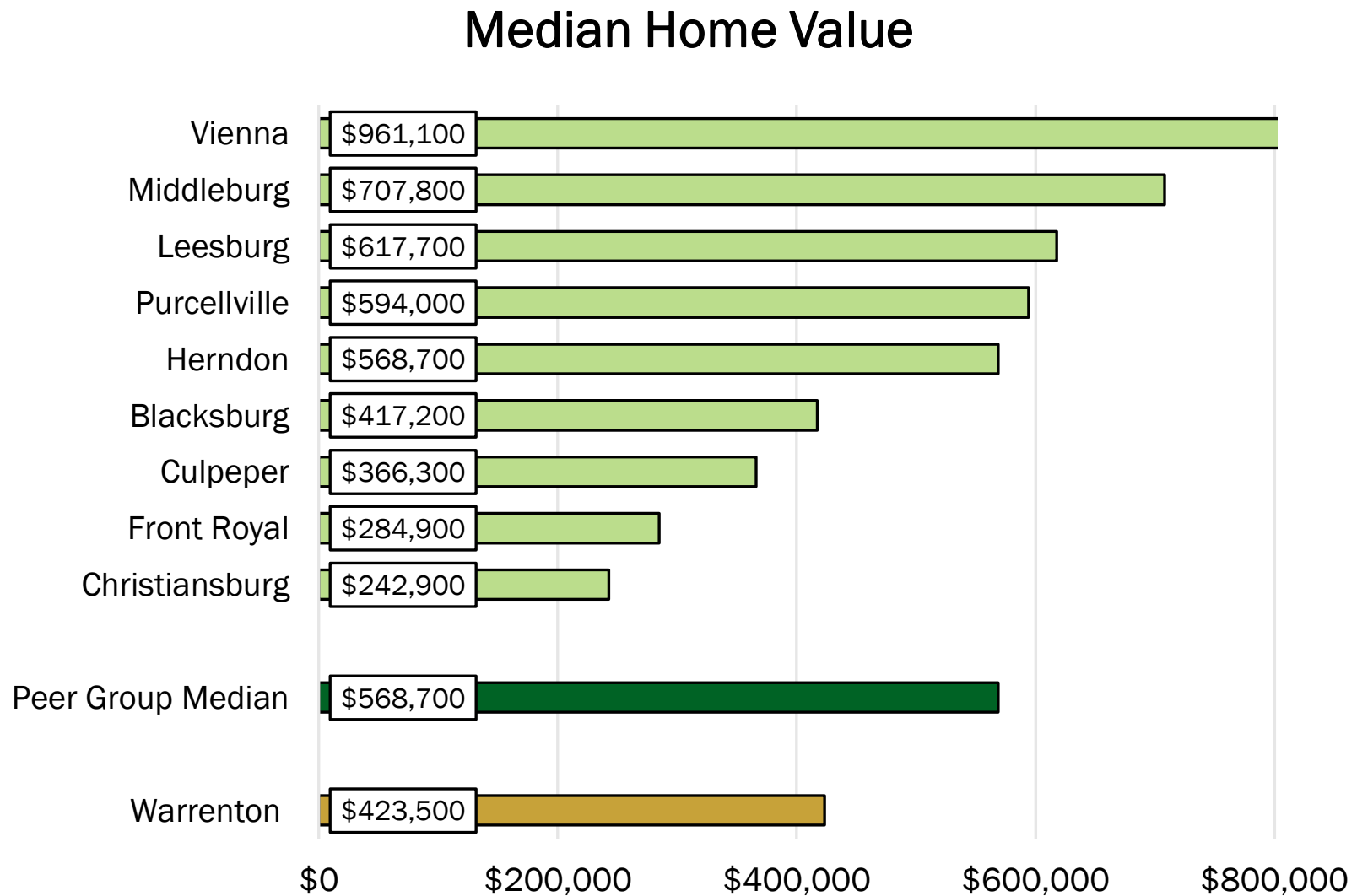


(1) Credit Rating in the order of: Moody's, S&P, Fitch. NR = Not Rated.
Note: Town of Warrenton is Not Rated by any of the National Credit Rating Agencies. Town of Warrenton Fiscal Year 2024 Audit is used for Peer Comparatives.

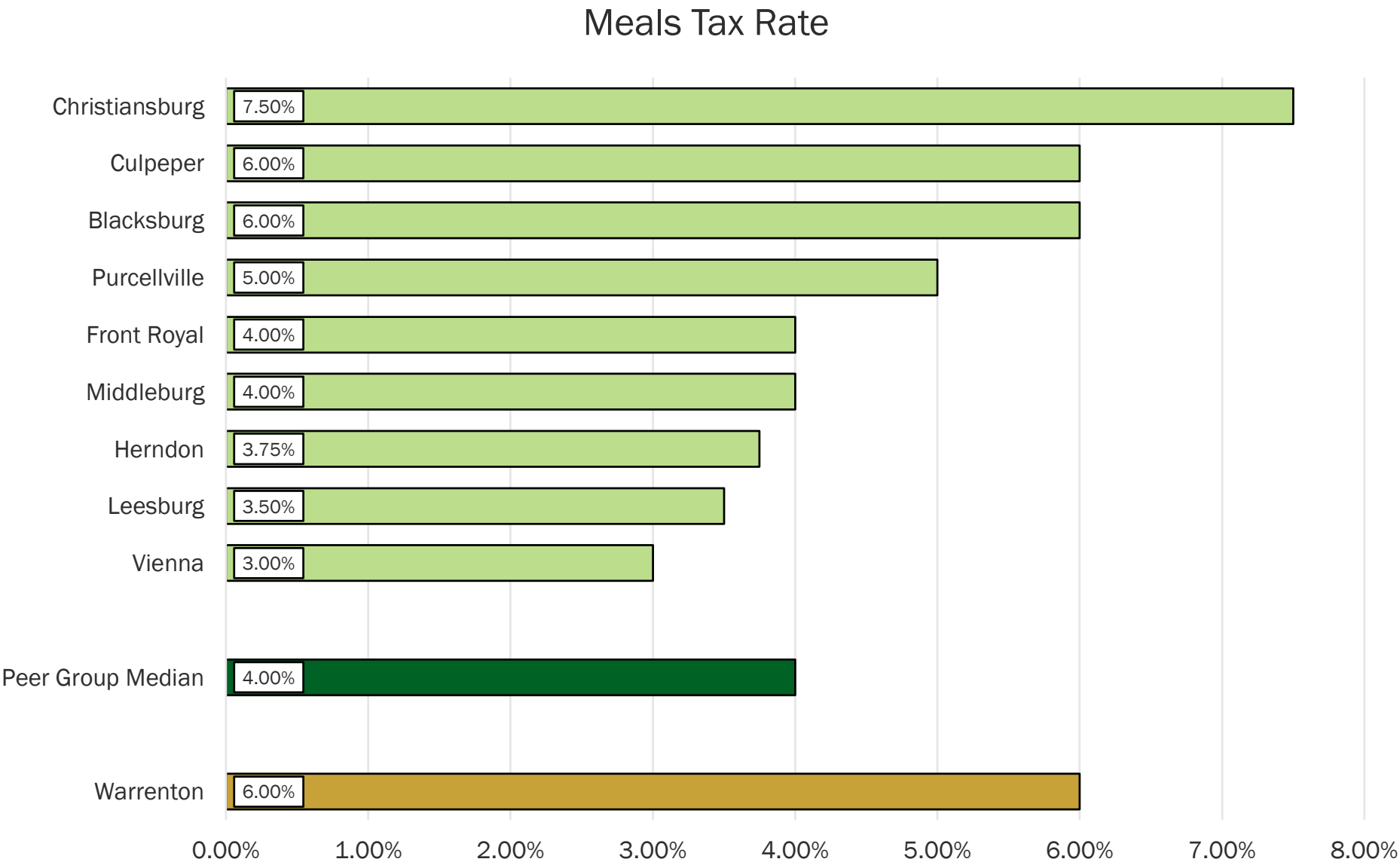
Peer Comparative – Population



Peer Comparative – Median Home Value



Peer Comparative – Meals Tax Rate



Peer Comparative – Lodging Tax Rate



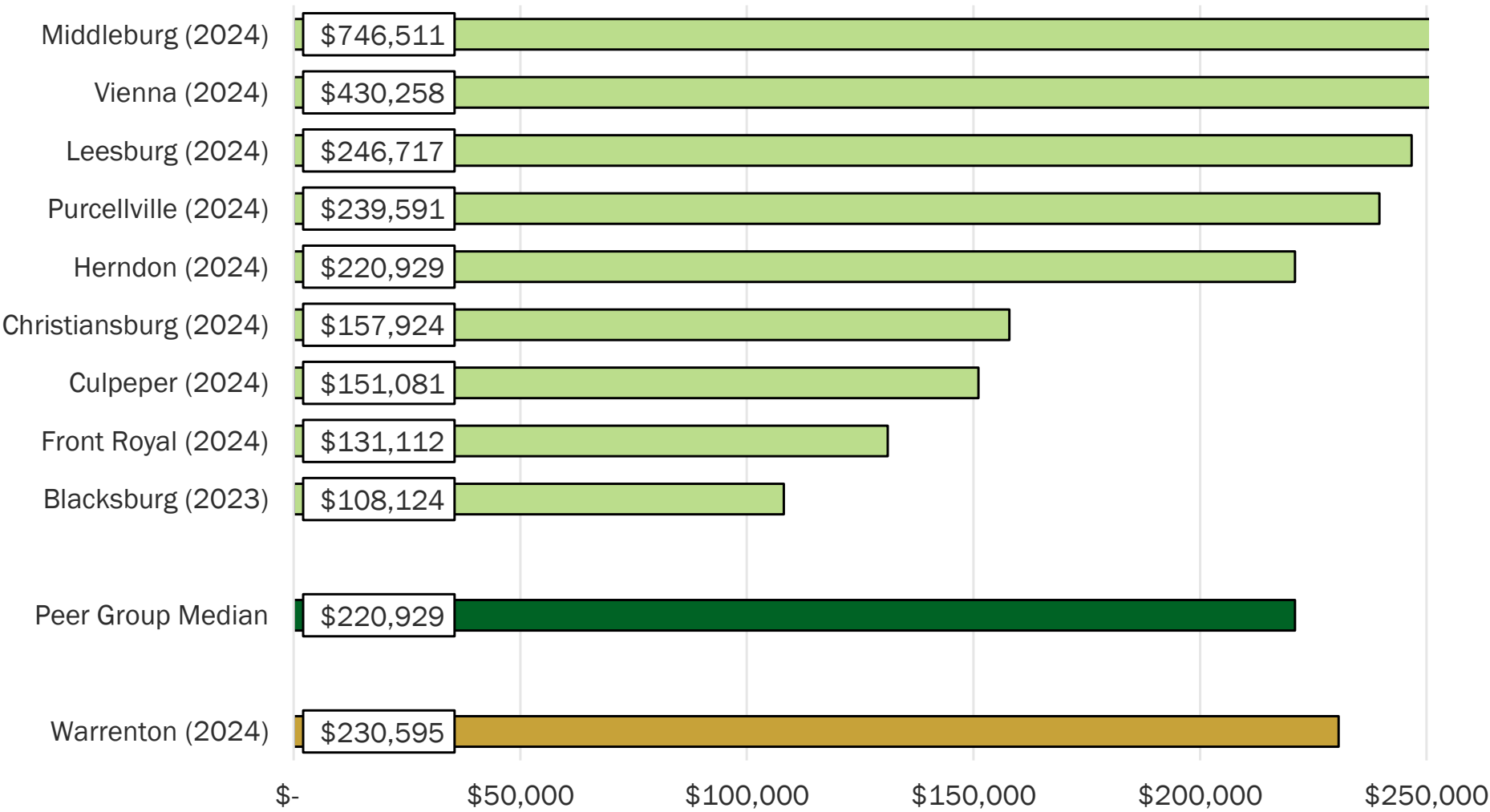
Source: Most Recently Available Rates from Respective Town Websites/Budgets.

(1) Additional Lodging Tax (highlighted in blue) in the amount of 3% are for the following Northern Virginia towns: Herndon, Leesburg, Middleburg, Vienna and Purcellville. The Additional Lodging Tax includes, but is not limited to, Northern Virginia Transportation Authority Transient Occupancy Tax or Tourism Transient Occupancy Tax.

Peer Comparative – Assessed Value Per Capita



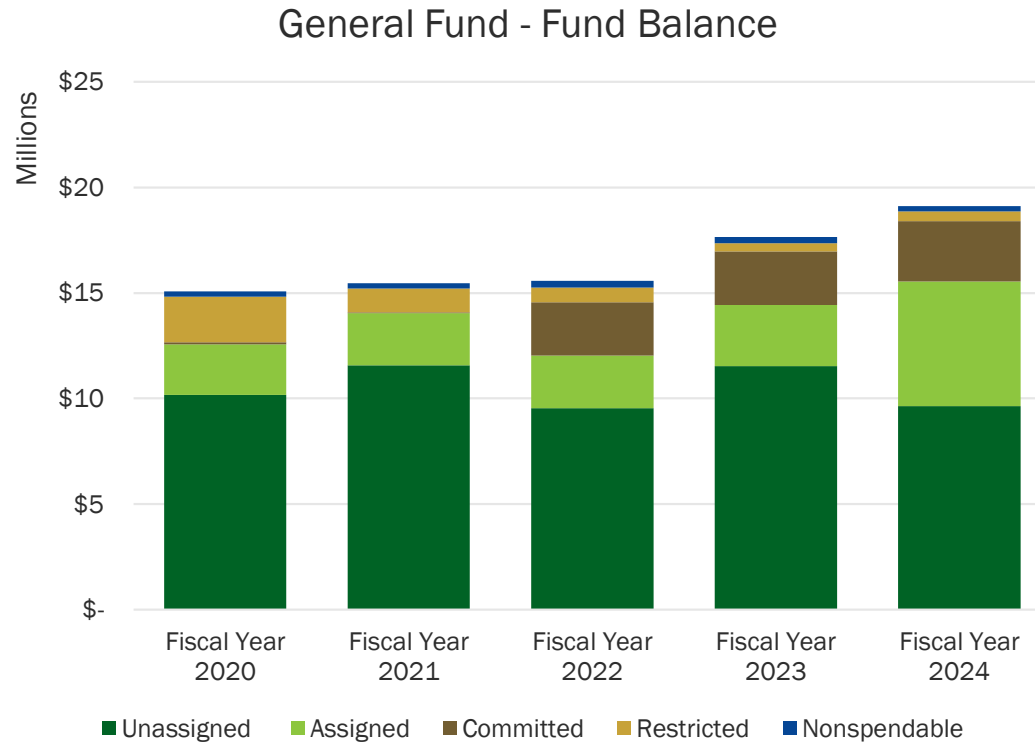
Assessed Value Per Capita



Source: Assessed Value from Most Recently Available Data from Respective Town Audit. Population data from Weldon Cooper July 1, 2023 Town Population Estimates.

Historical Fund Balance

General Fund



Fund Balance	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Nonspendable	\$ 251,130	\$ 259,787	\$ 324,730	\$ 297,332	\$ 256,081
Restricted	2,168,746	1,123,502	699,326	389,915	472,788
Committed	93,287	28,035	2,528,550	2,532,750	2,846,778
Assigned	2,391,574	2,478,187	2,488,498	2,895,028	5,903,762
Unassigned	10,178,740	11,575,773	9,542,190	11,537,274	9,644,717
Total Fund Balance	\$ 15,083,477	\$ 15,465,284	\$ 15,583,294	\$ 17,652,299	\$ 19,124,126

Incremental Revenue Impact



Tax Revenue	FY 2025 Budgeted Revenues	Current Tax Rate	Marginal Unit	Estimated Value of a 1-Unit Tax Increase
Real Estate Taxes	\$824,266	<u>\$0.0401</u> / \$100 of AV	\$0.01	\$206,000
Meals Tax	\$5,500,000	6.00%	1.00%	\$917,000

Historical Water & Sewer Capital Improvement Plan (CIP)

Proposed FY 2026 CIP



Water & Sewer Fund Proposed CIP Summary

Sewer Projects

Project Name	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
I&I Reduction	\$ 220,500	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ 1,220,500
Primary Digester	-	6,250,000	-	-	-	-	6,250,000
Cedar Run Pump Station	-	250,000	-	5,000,000	-	-	5,250,000
Secondary Clarifier and Sludge Pump	-	11,000,000	-	-	-	-	11,000,000
Wastewater Treatment Plant Pump Station	82,688	-	-	-	-	-	82,688
Dewatered Sludge Storage	750,000	-	-	-	-	-	750,000
Taylor Pump Station	-	350,000	5,000,000	-	-	-	5,350,000
Sludge Dewatering	-	-	584,821	-	-	-	584,821
Sludge Screen with Enclosure	-	-	350,893	-	-	-	350,893
Turkey Run Pump Station #2	-	-	-	-	300,000	-	300,000
Plant Hydraulics/Piping	-	-	29,241	150,591	-	-	179,832
Sanitary Sewer Improvements to LRCC	-	-	-	361,419	-	-	361,419
Headworks Building	-	-	-	800,000	7,500,000	-	8,300,000
Frost Avenue Sewer Line	650,000	-	-	-	-	-	650,000
Total Sewer Projects	\$ 1,703,188	\$ 18,100,000	\$ 6,214,955	\$ 6,562,010	\$ 8,050,000	\$ -	\$ 40,630,153
Sewer Projects Contingency - 10% of Town Funding	\$ 170,319	\$ 1,810,000	\$ 621,496	\$ 656,201	\$ 805,000	\$ -	\$ 4,063,015

Water Projects

Project Name	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
WTP Clearwell Project	\$ -	\$ -	\$ 6,500,000	\$ -	\$ -	\$ -	\$ 6,500,000
Warrenton Reservoir Dam	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,500,000	8,500,000
Mt. Tank Line Power	945,000	-	-	-	-	-	945,000
High Rate Filter, Sediment & Flocc	8,950,893	-	700,000	5,000,000	-	-	14,650,893
Water Line Improvements: LRCC	-	-	-	400,000	4,000,000	-	4,400,000
Warrenton Reservoir Dredging	250,000	-	1,500,000	-	-	-	1,750,000
Airlie Drain Valve	-	-	350,893	-	-	-	350,893
Lee Highway Waterline Replacement	-	200,000	-	2,000,000	-	-	2,200,000
Hunton Street Waterline Replacement	75,000	1,000,000	-	-	-	-	1,075,000
Marr Drive Waterline Replacement	-	-	-	-	50,000	750,000	800,000
Industrial Road Waterline Replacement	-	-	-	40,000	600,000	-	640,000
Fauquier Road Waterline Replacement	-	-	-	50,000	500,000	-	550,000
Total Water Projects	\$ 13,220,893	\$ 2,200,000	\$ 10,050,893	\$ 8,490,000	\$ 6,150,000	\$ 2,250,000	\$ 42,361,786
Water Project Contingency - 10% of Town Funding	\$ 1,322,089	\$ 220,000	\$ 1,005,089	\$ 849,000	\$ 615,000	\$ 225,000	\$ 4,236,179

Source: Proposed FY 2026 Water & Sewer CIP.

Note: Capital Project costs include a 10% contingency.

Municipal Advisor Disclaimer



The U.S. Securities and Exchange Commission (the “SEC”) has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC (“Davenport”) has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons,

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 01.01.2025 HP | AS | KL