



Office of the Town Manager
Frank Cassidy

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Eric Gagnon, Ward 5
Paul Mooney, At Large
David McGuire, At Large

STAFF REPORT

Council Meeting Date:	May 13, 2025
Agenda Title:	Budget Scenarios
Requested Action:	Information only
Department / Agency Lead:	Finance
Staff Lead:	Brooke Campbell, Budget Manager

EXECUTIVE SUMMARY

Council has requested that staff provide scenarios for the General Fund operating budget based on feedback during the April 21st special council meeting. The table below summarizes the scenarios provided. Further details are provided for each scenario in the background section.

Scenario	Real Estate Tax Rate	Operating Surplus ^[1]	Projected FY26 Unassigned Fund Balance ^[2]
1 - Proposed Budget	\$0.065	\$0	49.50%
2 - Outside Agency Cuts	\$0.065	\$307,746	51.90%
3 - Outside Agency Cuts, \$0.01 Reduction of Proposed Real Estate Tax Rate	\$0.055	\$86,765	50.50%
4 - Outside Agency and COLA Cuts	\$0.065	\$404,792	52.70%
5 - Outside Agency and COLA Cuts, \$0.015 Reduction of Proposed Real Estate Tax	\$0.050	\$73,315	50.40%

[1] Operating surplus is equal to reductions in operating expenses ("cuts") less reductions in revenue for each scenario.

[2] Fund balance figures include the impact of updated revenue projections and the issuance of debt in Fall 2025. They do not incorporate potential modifications to the budget stabilization provision of the fund balance policy.

BACKGROUND

Please refer to attachment 1 "Budget Scenarios" to see the adjusted budget summary for each scenario.

Scenario 1 – Proposed Budget

- The General Fund operating and capital figures are as proposed on April 1st.
- The proposed real estate tax rate is \$0.065.
- This option produces a \$0 operating surplus.
- FY26 ending unassigned fund balance of 49.5%.

Scenario 2 – Outside Agency Cuts

- Figures in red have been changed from those proposed on April 1st. At the April 21st special council meeting, cuts to nondepartmental and contributions to outside agencies were suggested by council. These cuts total a net \$307,746 as detailed in attachment 2 "Outside Agencies – FY 2026 Proposed & Council."
- The real estate tax rate in this option is \$0.065.
- This option produces a \$307,746 operating surplus.
- This results in FY26 unassigned fund balance of 51.9%, due to the operating surplus and decrease in budgeted operating expenditures.

Scenario 3 – Outside Agency Cuts, \$0.01 Reduction of Proposed Real Estate Tax Rate

- Figures in red have been changed from those proposed on April 1st. At the April 21st special council meeting, cuts to nondepartmental and contributions to outside agencies were suggested by council. These cuts total a net \$307,746 as detailed in attachment 2 "Outside Agencies – FY 2026 Proposed & Council."
- The real estate tax rate in this option is \$0.055. This reduces FY26 projected general property tax revenue by \$220,981 as detailed in attachment 3 "Real Estate Tax Rate Cuts Required."
- This option produces a \$86,765 operating surplus.
- This results in FY26 unassigned fund balance of 50.5%, due to a reduction in projected FY25 ending unassigned fund balance, the operating surplus and decrease in budgeted operating expenditures.

Scenario 4 - Outside Agency and COLA Cuts

- Figures in red have been changed from those proposed on April 1st. At the April 21st special council meeting, cuts to nondepartmental and contributions to outside agencies were suggested by council. These cuts total a net \$307,746 as detailed in attachment 2 "Outside Agencies – FY 2026 Proposed & Council." Cutting the employee's cost of living adjustment (COLA) was also suggested by council. Reducing the COLA totals \$97,046 in the General Fund Operating, as detailed in attachment 4 "COLA Detail."
- The real estate tax rate in this option is \$0.065.
- This option produces a \$404,792 operating surplus.
- This results in FY26 unassigned fund balance of 52.7%, due to the operating surplus and decrease in budgeted operating expenditures.

Scenario 5 - Outside Agency and COLA Cuts, \$0.015 Reduction of Proposed Real Estate Tax Rate

- Figures in red have been changed from those proposed on April 1st. At the April 21st special council meeting, cuts to nondepartmental and contributions to outside agencies were suggested by council. These cuts total a net \$307,746 as detailed in attachment 2 "Outside Agencies – FY 2026 Proposed & Council." Cutting the employee's cost of living adjustment (COLA) was also suggested by council. Reducing the COLA totals \$97,046 in the General Fund Operating, as detailed in attachment 4 "COLA Detail."
- The real estate tax rate in this option is \$0.050. This reduces FY26 projected general property tax revenue by \$331,472 as detailed in attachment 3 "Real Estate Tax Rate Cuts Required."
- This option produces a \$73,315 operating surplus.
- This results in FY26 unassigned fund balance of 50.4%, due to a reduction in projected FY25 ending unassigned fund balance, the operating surplus and decrease in budgeted operating expenditures.

STAFF RECOMMENDATION

Staff will provide a presentation of the budget scenarios.

Service Level/Policy Impact

The proposed budget provides a roadmap for the capital improvements and continued service delivery that the Town provides for fiscal year 2026.

Fiscal Impact

The total proposed budget for FY26 is \$52.9 million, excluding interfund transfers, to fund governmental, stormwater, and water & sewer operations, and investment in the town's capital infrastructure.

Legal Impact

- Town Code Section 15-1 provides that tax rates must be set by May 14th.
- Code of Virginia Section 15.2-2503 requires that the local governing body approve the budget no later than the date on which the fiscal year begins.

ATTACHMENTS

- Attachment 1 - Budget Scenarios
- Attachment 2 - Outside Agencies – FY 2026 Proposed & Council
- Attachment 3 - Real Estate Tax Rate Cuts Required
- Attachment 4 - COLA Detail
- Attachment 5 - Budget Variance Report