



Office of the Town Manager

Frank Cassidy

# STAFF REPORT

## Warrenton Town Council

Carter Nevill, Mayor

Heather Sutphin, Ward 1

William Semple, Ward 2

Brett Hamby, Ward 3

James Hartman, Ward 4 Vice Mayor

Jay Heroux, Ward 5

Paul Mooney, At Large

David McGuire, At Large

<b>Council Meeting Date:</b>	October 10, 2023
<b>Agenda Title:</b>	Finance Department Overview
<b>Requested Action:</b>	Receive the report from the Finance Department
<b>Department / Agency Lead:</b>	Finance
<b>Staff Lead:</b>	Stephanie Miller, Finance Director

## EXECUTIVE SUMMARY

This staff report provides an overview of the Finance Department, including highlights of recent accomplishments and current initiatives.

## BACKGROUND

The Finance Department performs the billing, collection, budget, accounting, financial reporting, and procurement functions for the town. The department seeks to provide these services in a fair, accurate, timely, and cost-effective manner to ensure the town's continued successful operations and resiliency.

*The following summary provides highlights of accomplishments from the past few years and current initiatives:*

**Comprehensive Fiscal Policies:** In September 2021, the Town Council adopted the *Comprehensive Fiscal Policies*. A comprehensive set of fiscal policies serves the Town and its citizens by ensuring compliance with applicable laws and regulations, providing straightforward guidance to assist in safeguarding and properly accounting for public funds and other assets, and assuring that sufficient funds are available to meet the needs of its citizens. The Town endeavors to review these policies on an annual basis in conjunction with the budget process. A review of suggested policy updates is on today's agenda.

### Debt Management:

- In 2021, staff worked with the Town's financial advisors to refinance all outstanding debt. Taking advantage of prevailing low interest rates allowed the Town to achieve **net present value savings of \$1,669,781**.
- Staff calculate our policy ratios annually to ensure compliance with our adopted policies. This data was presented most recently to the Council at the Fiscal Retreat held on February 25, 2023, a copy of which is attached to the agenda item for reference. The policies related to debt are as follows:
  - General Fund debt service will not exceed 12% of General Fund expenditures.
  - General Fund total debt will not exceed 1.5% of the assessed value of taxable property.
  - The Water and Sewer fund will maintain a debt service coverage ratio of 1.15x.

**Budget Software Implementation:** In Fiscal Year 2023, the department successfully implemented OpenGov budgeting software, which streamlines the process for the submittal of budget requests for departments and provides key enhancements over the old method of preparing the budget. The OpenGov software pulls data nightly from our financial software, which will provide real-time data for departments to

review against their approved budgets. The software also features the ability to create an online budget book, which may be viewed on the Town's website.

**GFOA Distinguished Budget Presentation Award Program:** Staff submitted the Fiscal Year 2024 Adopted Budget to be considered for this award. To earn this recognition, the budget document must meet the program criteria and excel as a policy document, financial plan, operations guide, and communication tool.

**GFOA Award for Excellence in Financial Reporting:** The Town has received this award for its annual comprehensive financial report (ACFR) for the past 27 years and received notification just recently that it was awarded again for the Fiscal Year 2022 ACFR.

**Fiscal Year 2025 Budget:** The Fiscal Year 2025 budget kick-off for Town departments is scheduled for the first week of October. Through the Town Manager's Town Talks, we hope to engage the community in the budget process.

**Long-term Financial Planning:** A high-level 5-year financial forecast was drafted for the Fiscal Retreat in February 2023. This will be maintained and rolled forward to assist in projecting the need to adjust taxes, rates, and strategically program debt issuances through the budget process.

**Capital Improvement Program document improvements:** In the development of the 2024-2029 CIP, we incorporated additional information to enhance the planning and transparency of the document.

- We added a column for prior authorization to capture funding provided for projects in prior periods.
- We also added a cost escalation factor for funding programmed in the out years, which was especially necessary given recent inflationary pressures.
- We added a contingency line item of 10% to cover unanticipated cost overruns.
- We incorporated funding source summaries to identify local, grant, and debt funding for all projects.

**Water and Sewer Rate Study Update:** In 2022, Staff engaged NewGen Strategies and Solutions and our financial advisors, Davenport & Company, to complete an updated rate study and to provide financing recommendations.

- The Water and Sewer system is a self-supporting enterprise fund within the Town's reporting structure, meaning it is not subsidized by the General Fund.
- User rates and availability fees should be set at rates sufficient to cover the costs associated with operations and capital. Operating expenses and non-growth capital are considered when evaluating necessary user rate increases, and growth capital is evaluated when setting availability fees.
- Over the last five years, operating revenues reflected an average annual growth rate of 1.5% while operating expenses grew at an average rate of 3.2%. This imbalance coupled with the capital needs related to aging infrastructure necessitated the study.
- The goal was to balance cash funding with strategic debt issuances to fund the necessary modernizations.
- The presentation provided by NewGen and Davenport at the May 2023 work session is attached to the agenda item for reference. While rates were projected through FY 2029, the recommended rate increase of 23% was adopted for FY 2024 as part of the annual budget after a duly advertised public hearing held at the June 2023 Council meeting.
- After the rate increase, the monthly bill for a median residential user (3,000 gallons per month) is less than half of the monthly bill for a Fauquier WSA customer.

- It is a recommended practice to review rates on an annual basis and to conduct a rate study every three to five years.

**Enterprise Resource Planning Software:** Staff are working with the Information Technology department to effectively design a process for soliciting a new Enterprise Resource Planning system. Our current software is extremely reliable but is outdated and cannot easily perform some of the more robust reporting functions that are common with newer applications. As more departments move to newer software (such as permits and parks and recreation), we are finding there are not effective and automatic integrations. This creates more manual processes and reconciliations for our staff, which also provides more opportunities for error and a lack of timeliness and accuracy in financial reporting.

**Collections:** Our Tax Administrator has improved collections in all areas, with emphasis on meals tax and business licensing compliance. The Town also enacted an ordinance allowing us to engage the services of Tax Authority Consulting Services (TACS) to outsource collections of delinquent accounts at no cost to the town.

**Procurement:** Staff are working to update the procurement policy and procedures to provide more user-friendly guides for departmental users. We are also evaluating various Purchasing card programs to streamline purchasing for departments while ensuring compliance with our adopted policies.

**Finance 101 Training:** Staff developed a presentation to assist new employees with finance-related duties in their new roles. The presentation provides an overview of the department and covers items such as purchasing thresholds, how to complete a purchasing requisition, how to pay a bill, and how to read their financial reports.

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### **Service Level/Policy Impact**

The Finance Department's role is to provide support to other Town departments. In doing so, we create a fiscally healthy and resilient organization that is able to pursue the goals of Plan Warrenton 2040.

### **Fiscal Impact**

There is no fiscal impact associated with this report. The initiatives noted above will be accomplished within the department's adopted budget.

### **Legal Impact**

There is no legal impact associated with this report.

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## **ATTACHMENTS**