



Office of the Town Manager
Frank Cassidy

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STAFF REPORT

Council Meeting Date:	April 14 th , 2026
Agenda Title:	Initial Presentation of the Fiscal Year 2027 proposed budget
Requested Action:	Information only
Department / Agency Lead:	Finance
Staff Lead:	Christopher E. Martino, Interim Town Manager

EXECUTIVE SUMMARY

This budget is both a financial document and a reflection of the priorities and investments the community has identified in its adopted comprehensive plan, Plan Warrenton 2040. The proposed budget initiates a multi-year plan to include regular, routine, and recurring annual maintenance and replacement costs in the Town's base budget.

The total all funds proposed budget for FY 2027 is \$58.2 million, excluding interfund transfers, to fund governmental, stormwater, and water and sewer operations, as well as investments in the town's capital infrastructure. This represents an increase of \$6.0 million, or 11%, over the adopted FY 2026 budget. The bulk of the increase is driven by the increase in debt service and new capital investment.

The proposed FY 2027 general fund operating budget includes a real estate tax rate increase of \$0.02 per \$100 of assessed value. The second penny increase in the proposed rate begins the proposed multi-year process of moving regular, routine, and recurring annual maintenance and asset replacement into the base budget. The Town Code requires that the calendar year property tax rates are adopted by May 14th. A public hearing will be held on the proposed budget and on the proposed tax rate increase at the May town council meeting.

The table below illustrates how the rise in values resulting from the general reassessment coupled with the proposed change in the real estate tax rate impacts the median annual residential bill in town:

	Tax Year 2025	Tax Year 2026	Change
Median Home Value	\$ 386,500	\$ 472,200	\$ 85,700
Real Estate Tax Rate	\$ 0.055	\$ 0.075	\$ 0.02
Annual Residential Bill	\$ 212.58	\$ 354.15	\$ 141.58

BACKGROUND

An overview of the proposed budget by fund is presented in the following paragraphs.

General Fund Operating Revenues

FY27 General Fund operating revenue is projected to increase by \$1,159,742, or 6.0%, compared to FY26. The largest changes are in the categories of real estate tax, other local taxes, and State revenue.

Real Estate Tax - This estimate has increased by \$660,431, or 54%, based on the proposed tax rate coupled with the increase in values resulting from the general reassessment that was effective January 1, 2026.

Other Local Taxes - This category projects an increase of \$196,644, or 2%, over FY26 based on historical trends. The specific areas of increase are meals tax, sales tax, and utility consumption tax.

State Revenue - Revenue in this category is estimated to increase by \$180,881, or 5%, driven by increases in highway maintenance funding.

General Fund Operating Expenditures

FY27 General Fund operating expenditures will increase by \$1,288,771 or 6.6%, compared to FY26. The largest functional categories of increase are public works, debt service, and general government administration.

Public works - The \$577,289, or 10%, increase is attributable to other Operating costs - The programmatic shift of annual maintenance and asset replacement costs that are operational in nature. This is part of a proposed plan to address ongoing operational repairs and replacements in a proactive manner. These costs have been treated as part of the capital improvement plan and CARP in the past but represent operational priorities, not significant asset replacement or new capital investments. These items include replacement of guardrails, sign replacements, sidewalk handicap ramps, paving of parking lots, and mowers.

Personnel - The addition of a Motor Equipment Operator. This additional position in the streets division of public works is necessary to continue to meet both current and anticipated demands for service. Personnel costs are discussed in more detail later in this letter and are also detailed in the Personnel and Compensation Summary on page 14.

Debt service - The increase in debt service is estimated based on the Town's issuance of \$4.8 million of general obligation bonds in the Spring of 2026.

General government administration - The primary driver of the \$169,567, or 4%, increase is the addition of an ERP Specialist in the IT department. The Town has embarked on a very significant project to upgrade its financial and management systems with an Enterprise Resource Planning (ERP) system. While significant efficiencies will be realized with the new system, it will require an additional position to focus on the implementation and ongoing support of Town departments. Personnel costs are discussed in more detail later in this letter and are also detailed in the Personnel and Compensation Summary on page 14.

General Fund Capital

General fund capital expenditures will be funded partially by cash and partially by debt. Capital expenditures are broken down into capital projects and capital asset replacements.

Capital projects – The total Town funding for projects is \$2,865,500. Projects programmed for FY27 include salt storage, the design and engineering of the public works facility, the first phase of Eva Walker Park improvements, and the replacement of the WARF elevator. The capital projects are proposed to be funded with debt.

Capital asset replacements – The budget for asset replacements for FY27 is \$1,892,249. Among other items, the plan includes public works equipment, HVAC projects, ERP software replacement, and police vehicles. The asset replacements are proposed to be funded entirely by cash-to-capital from the Town's capital reserve.

More details on these and other projects and replacements may be found in the 2027-2032 Capital Improvement Plan (CIP) and CARP.

Stormwater Management Operating

Stormwater management is funded by a tiered stormwater fee that is billed twice a year on the Town's real estate tax bill. Stormwater management operating expenses are projected to increase from \$667,993 to \$685,306 primarily related to the purchase of stormwater management credits to ensure compliance with mandated program requirements.

Stormwater Management Capital

Stormwater Management Capital is proposed to increase by \$577,829 compared to FY26. Capital projects related to stormwater enable the Town to meet state-mandated requirements. The largest projects are the Master Drainage Plan and the Stream Retrofit at Rady Park. For further details on stormwater capital projects, please refer to the 2027-2032 CIP.

Water & Sewer Operating Revenues

An update to the water and sewer rate study was completed in 2023 to ensure adequate funding for the necessary modernizations to our aging infrastructure. The study recommended a phased approach to increasing user rates coupled with the strategic issuance of debt to fund the capital needs. The recommended rate increase for FY27 is 23%. An average monthly In-Town residential bill (based on 3,000 gallons of consumption) will increase from \$67.58 to \$83.24. This is the final year of double-digit rate increases recommended by the study.

The rate study model assumes the issuance of debt to support the system's capital needs.

The operating budget has increased by \$1,367,921 (excluding transfers to capital) due to inflation costs related to chemicals, fuel, and utilities. The proposed FY27 budget includes a transfer of \$3,101,050 to partially cash fund the capital program, which is in line with the recommendations of the rate study.

Water & Sewer Capital Expenses

The proposed FY27 budget for water and sewer capital expenses has increased by \$3.5 million. This represents the continuation of the 6-year modernization and infrastructure resiliency plans that were factored into the rate study finalized in 2023.

Major capital projects for FY27 include:

- Primary Digester - \$11,200,000
- Denite System Rehabilitation - \$1,600,000
- Hunton Street Waterline Replacement - \$1,700,000

Major asset replacements planned for FY27 include:

- Facilities physical security - \$520,000
- Fleet replacements - \$285,000

More details on these and other projects and asset replacements may be found in the FY2027 2032 CIP.

Personnel

The services enjoyed by the citizens of the Town are delivered by the Town's workforce. More than 50% of the Town's budget is related to personnel costs (61% of general fund costs), so changes in this area impact all funds. Below are highlights of budgeted personnel items.

Year one of a staffing plan to support new initiatives and requirements – Over the past three years, the Town has realigned staff to realize greater efficiency and cost savings. Since FY24, the full-time equivalent (FTE) count has dropped by 9.5 FTEs. These reductions were achieved through attrition. With new initiatives and developments on the horizon, the Town must provide adequate staffing to support the new requirements:

ERP Specialist – the Town is investing \$1.5 million over the next two fiscal years to implement an Enterprise ERP system. This system will provide a dramatic improvement in efficiency and access to information.

Motor Equipment Operator I – with new developments beginning construction, the Public Works department will see an increase in service requirements.

Market Adjustment and Merit Increase – The proposed FY27 budget includes a market adjustment of 3% effective July 1 and a proposed merit range of 0-2.5% that will be effective January 1. The market impact is \$353,860 across all funds and the merit impact is \$114,139 across all funds.

Health Insurance - The renewal received from the Town's medical, dental, and vision insurance provider reflected an increase of 12.6% in premiums for FY27. This increase is shared by the Town and employees.

Retirement - The Town's required contribution percentage to the Virginia Retirement System was reduced from 10.31% to 9.64% for the next two years. This provided cost savings of \$375,615.

STAFF RECOMMENDATION

Staff will provide a presentation on the proposed budget. Receive the information.

Service Level/Policy Impact

The budget quantifies and communicates the Town's annual fiscal plan for the programs, services, and investments it will provide for the community in the coming fiscal years. As the most significant annual policy documents, the intent of the budget and 6-year CIP is to move the Town toward its vision for 2040

Fiscal Impact

The total all funds proposed budget for FY 2027 is \$58.2 million, excluding interfund transfers, to fund governmental, stormwater, and water and sewer operations, and investment in the town's capital infrastructure. The budget is the guiding rode map for the work of the Town for the next year and beyond.

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

- Proposed FY 2027 budget and 2027-2032 CIP are available starting April 1st, 2026, at <https://www.warrentonva.gov/177/Budget>
- Transmittal Letter
- Budget Fact Sheet
- Budget in Brief