



TOWN COUNCIL SPECIAL MEETING

21 Main Street

Monday, April 21, 2025 at 12:00 PM

MINUTES

AN OPEN MEETING OF THE TOWN COUNCIL OF THE TOWN OF WARRENTON, VIRGINIA, WAS HELD ON APRIL 21st, 2025, AT 9:00 AM

Budget Work Session

PRESENT

Mr. Roy Francis; Mr. William Semple; Mr. Larry Kovalik; Ms. Michele O'Halloran; Mr. Paul Mooney; Mr. Eric Gagnon; Mr. Frank Cassidy, Town Manager; Mr. Stephen Clough, Town Clerk; Mr. Chap Petersen Town Attorney.

ABSENT

Mr. Carter Nevill, Mayor
Mr. David Mcguire

Arrington Discussion

PRESENT

Mr. Carter Nevill, Mayor; Mr. Roy Francis; Mr. William Semple; Mr. Larry Kovalik; Ms. Michele O'Halloran; Mr. Paul Mooney; Mr. Eric Gagnon; Mr. David Mcguire; Mr. Frank Cassidy, Town Manager; Mr. Stephen Clough, Town Clerk; Mr. Chap Petersen Town Attorney.

ABSENT

I. BUDGET WORKSESSION - 12:00 PM

Vice Mayor William Semple called the Special Work Session to order at 12:00 PM. A quorum was established with all members present except Mr. David McGuire.

Vice Mayor Semple established a ground rule for the meeting to ensure orderly proceedings, stating that members must wait until everyone has had a chance to speak before speaking a second time.

A. Budget Work Session: Proposed Budget

Ms. Brooke Campbell, Budget Manager, presented an overview of the proposed FY 2026 budget, referencing the 2016 adopted budget's executive summary to illustrate that the Town's structural financial challenges (revenues not covering expenditures, aging infrastructure) are not new issues.

Ms. Campbell reiterated that the proposed FY 2026 real estate tax rate is 6.5 cents per \$100 of assessed value, an increase of 0.0249 cents. This rate perfectly covers the \$19.6 million in General Fund operating expenditures, leaving no surplus. She explained that each cent of the real estate tax generates approximately \$221,000; therefore, if the Council wishes to lower the proposed rate, they must cut proportional amounts from the operating budget (e.g., reducing the

rate by one cent requires \$221,000 in operating cuts). She clarified that cutting capital projects (which are funded by debt) will not lower the required tax rate, but it will reduce the Town's debt burden.

Following the presentation, Vice Mayor Semple and Councilman Eric Gagnon presented a collaborative slideshow detailing proposed budget adjustments aimed at achieving a zero tax-increase budget for FY 2026. Their proposal identified \$424,535 in potential cuts, including:

- Reducing outside agency contributions by \$82,000 (reverting to FY 2025 levels)
- Reducing non-departmental contributions by \$232,000
- Reducing the employee Cost of Living Adjustment (COLA) from 3% to 2% (saving \$110,371)

To cover the remaining \$65,465 needed to offset the tax increase entirely, they provided a handout listing the largest budget variances and suggested staff find small percentage cuts across those line items.

The Council debated the proposed cuts extensively:

- **Outside Agencies:** Councilwoman Michele O'Halloran expressed concern over cutting outside agencies but requested staff verify if the \$185,927 for the "Circuit Rider" program is a required federal match before making any reductions.
- **Employee COLA & Merit Pay:** Councilwoman O'Halloran strongly opposed reducing the employee COLA to 2%, noting that Town employees are already underpaid compared to neighboring jurisdictions (like Culpeper) and frequently take on multiple roles. She argued that cutting COLA hurts employee retention. Vice Mayor Semple expressed alarm over the compounding financial effect of offering both a 3% COLA and up to a 2.5% performance-based merit increase. Mr. Frank Cassidy, Town Manager, defended the current structure, explaining that COLA merely keeps pace with inflation to maintain an employee's buying power, while merit pay acts as an essential retention and performance incentive. He warned that the Town's workforce is incredibly lean, and reducing compensation will exacerbate burnout and turnover.
- **Tax Increases vs. Service Levels:** Councilman Paul Mooney expressed frustration that the Town's adopted budget has grown by nearly 100% since FY 2022 (from \$26.5 million to over \$40 million proposed for FY 2026). He argued that the Town must find ways to avoid continually raising taxes. Mr. Cassidy cautioned that deferring tax increases and maintenance is what caused the current financial strain, emphasizing that the Town provides enhanced services (like twice-a-week trash pickup) that County residents do not receive. Vice Mayor Semple and Mr. Cassidy agreed that the Town's revenue streams must be addressed, noting that the Town is overly reliant on volatile meals taxes and "behind the eight ball" compared to peer communities where property taxes make up a much larger percentage of revenue.

The WARF (Warrenton Aquatic and Recreation Facility) Vice Mayor Semple presented a historical financial analysis of the WARF, noting that over its 20-year lifespan, the facility has

cost the Town approximately \$12.3 million in operating losses, plus roughly \$16 million in principal and interest to build it, significantly impacting the General Fund. He pointed out that Town residents only make up 18% of the facility's users, meaning Town taxpayers heavily subsidize County and out-of-town users. Councilman Mooney argued that the WARF provides a "Fairfax-level amenity" without Fairfax-level taxes, suggesting the Council must have a realistic conversation with citizens about whether they are willing to pay higher taxes to support the facility.

B. Davenport Presentation

Mr. Kyle Laux of Davenport & Company, the Town's financial advisor, delivered a comprehensive presentation providing an overview of the Town's financial position, policies, and long-term fiscal outlook. He explained that the purpose of the presentation was to provide broader context as the Council works through the FY 2026 budget, including comparisons to peer jurisdictions, evaluation of financial policies, and consideration of long-term sustainability and potential credit rating readiness.

Mr. Laux stated that, overall, the Town compares favorably to its peers across demographic, economic, and financial indicators. He noted that the Town has experienced very strong General Fund performance over the past five years, with consistent operating surpluses driven by robust revenue growth. These strong cash flows have enabled the Town to fund the vast majority of its capital projects on a cash basis, with the Town Hall project being a notable exception.

He highlighted that Warrenton maintains a highly diversified revenue structure. Approximately half of the General Fund is derived from "other local taxes," including meals, sales, lodging, and bank stock taxes. This structure has allowed the Town to maintain one of the lowest real estate tax rates among its peers. However, Mr. Laux cautioned that these revenue sources are more economically sensitive and may not continue to grow at the pace experienced in recent years. He noted that revenue growth has already begun to moderate while expenditures have continued to increase due to inflation and service demands, resulting in narrowing operating surpluses.

A significant portion of the presentation focused on the Town's Unassigned Fund Balance and related financial policies. Mr. Laux explained that the Town maintains a policy requiring an unassigned fund balance equal to 50% of operating expenditures, a level he indicated is appropriate given the Town's reliance on more volatile revenue sources. He emphasized that this reserve serves multiple purposes, including cash flow stability, emergency response, and maintaining financial credibility with lenders and rating agencies. He also noted that, in the current interest rate environment, the Town is earning approximately 4.25% on its cash reserves, generating meaningful revenue to offset inflationary pressures.

While the Town remains in compliance with its policy, Mr. Laux identified a long-term trend that warrants monitoring. Over the past decade, the unassigned fund balance has declined in absolute terms from approximately \$12 million to \$9.6 million, while the General Fund budget has grown significantly, from approximately \$8.2 million to \$18 million. As a result, the Town's margin of

compliance has narrowed as expenditures have increased faster than reserves. He emphasized that this is not an immediate concern but represents a warning trend, particularly as revenue growth stabilizes and expenditures continue to rise.

In response to Council questions, Mr. Laux explained that the decline in the fund balance ratio is attributable to several factors. He noted that the recent 23% increase in assessed property values was largely offset by a corresponding reduction in the tax rate through equalization, resulting in little net new revenue. At the same time, expenditures have continued to grow, and the Town has been cash-funding capital projects. He further explained that some surplus funds have been assigned or reserved for projects that are underway but not yet completed, which reduces the amount reflected as unassigned fund balance. He emphasized that these dynamics, combined with inflation and the conclusion of one-time funding sources such as ARPA, have contributed to the current financial posture.

Mr. Laux also reviewed the Town's debt profile, noting that the General Fund currently carries approximately \$7 million in outstanding debt, all at fixed interest rates. He characterized this as a relatively low debt burden for a locality of Warrenton's size. He further noted that the Town is paying down its debt aggressively, with approximately 77% of principal scheduled to be retired within ten years, exceeding the 50% benchmark commonly cited as a best practice.

He explained that this repayment structure reflects a combination of existing obligations, including the Town Hall and WARF debt, rather than a deliberate policy to accelerate repayment. He noted that future debt issuances could be structured differently to reduce near-term budget impacts while maintaining sound financial practices.

Mr. Laux then presented analysis of the proposed issuance of approximately \$5.1 to \$5.2 million in new debt to support the FY 2026 Capital Improvement Plan and fleet replacements. He explained that even with this additional borrowing, the Town would remain well within its adopted financial policy limits. Specifically, the Town's debt-to-assessed value ratio would remain around 0.5%, well below the 1.5% policy limit, and the debt service-to-expenditures ratio would increase to approximately 6%, still significantly below the 12% policy threshold. He emphasized that the analysis was based on conservative assumptions, including minimal growth in assessed value and only 1% annual expenditure growth.

Mr. Laux stated that the use of debt to fund capital improvements is a common and accepted practice among local governments, particularly when aligned with long-term planning. However, he emphasized the importance of maintaining a balanced approach, noting that best practice is to combine debt financing with pay-as-you-go funding. He specifically cautioned against relying heavily on debt for short-lived assets such as vehicles and equipment, recommending that those items be cash-funded whenever possible to avoid creating future replacement cost "bubbles."

Council engaged in an extensive discussion with Mr. Laux regarding debt strategy and financial sustainability.

Councilman Mooney questioned whether the Town's current debt repayment structure places too much burden on current taxpayers.

Mr. Laux responded that while the Town is paying down debt quickly, it is not in a financially stressed position and retains flexibility to structure future debt in a way that moderates near-term impacts.

Councilman Mooney also asked whether it would be advantageous to defer capital projects and instead pay off the remaining WARF debt.

Mr. Laux advised against this approach under current market conditions, explaining that the WARF debt carries a low fixed interest rate of approximately 2.5%, while the Town's cash reserves are earning approximately 4.25%. As a result, it is financially more beneficial to retain liquidity or apply funds to capital needs rather than retire low-cost debt early.

Vice Mayor Semple expressed concern regarding the long-term sustainability of relying on debt for recurring capital needs, particularly given the Town's reliance on economically sensitive revenues.

Mr. Laux agreed with the concern, emphasizing that while debt levels remain well within policy limits, long-term sustainability requires balancing borrowing with recurring revenues and avoiding overreliance on debt for routine expenditures.

Councilwoman O'Halloran asked whether Davenport recommends increasing reliance on property taxes rather than meals taxes.

Mr. Laux clarified that Davenport does not prescribe tax policy decisions but strongly advises maintaining a structurally balanced budget in which recurring revenues fully cover recurring expenditures without reliance on one-time funding sources.

Councilman Gagnon asked whether it is customary for jurisdictions to issue debt annually to support capital programs.

Mr. Laux confirmed that this is common practice when done within a structured and sustainable framework, noting that many localities plan annual borrowing as part of their Capital Improvement Programs. He added that comparisons between jurisdictions are complex due to differences in revenue structures, noting that Warrenton is somewhat unique in its relatively low reliance on property taxes.

Councilman Gagnon also inquired about the potential for privatization or public-private partnerships for facilities such as the WARF.

Mr. Laux stated that such arrangements do exist but noted that he was not immediately aware of a directly comparable example for a similar facility in the region.

Councilman Kovalik asked about the use of alternative revenue mechanisms, including special tax districts similar to those used in other states.

Mr. Laux explained that Virginia utilizes tools such as Special Tax Districts and Community Development Authorities, which can be applied to specific developments to generate additional revenue, though these are typically project-specific and forward-looking in nature. He further

noted that the Town already utilizes a broad range of available local revenue sources and does not appear to be missing any major revenue streams.

Mr. Laux also briefly addressed the Water and Sewer Fund, noting that while it has remained financially stable in recent years, the Town faces significant long-term capital needs estimated between \$80 million and \$90 million for future system upgrades. He clarified that these obligations are accounted for separately from the General Fund and will require continued long-term planning, including a combination of rate adjustments, debt financing, and potential external funding sources.

At the conclusion of the discussion, Vice Mayor Semple requested that Davenport update its financial trend analysis to include projected data for FY 2025 and FY 2026, which Mr. Laux agreed to provide

C. Recess-Reconvene at 6:30pm

The Council recessed at approximately 2:05 PM, to reconvene at 6:30 PM

II. Discussion of the Arrington Item - 6:30 PM

A. Reconvene from Recess 6:30pm

Mayor Carter Nevill reconvened the special session of the Town Council at 6:30 PM. All members were present. Mayor Nevill noted that representatives from Fauquier County and Van Meter Companies declined to attend the meeting.

B. Arrington Voluntary Settlement Agreement

The Council resumed its debate from the April 8th meeting regarding whether to officially withdraw from the Arrington Voluntary Settlement Agreement (VSA) ahead of the scheduled April 24th hearing before the three-judge panel.

Vice Mayor Semple opened the discussion, stating that after receiving a cost-benefit study from staff indicating the project would not create a long-term financial burden for the Town, and considering the looming court date, his inclination was to let the VSA proceed.

Councilman Larry Kovalik expressed intense frustration with the VSA process, arguing it was conducted behind closed doors and bypassed the Town Planning Commission. He emphasized the need for affordable housing for the "missing middle" in Warrenton, questioning whether the proposed townhomes in Arrington would actually serve local workers or just attract commuters

from outside the county. He argued the Council was missing an opportunity to utilize the Planning Commission to shape the development to meet the town's actual housing needs.

Councilman Eric Gagnon agreed, calling the process "anti-democratic" and designed to obscure public participation. He warned that annexing the property opens the door to massive, unknown commercial development on the Town's edge, creating traffic and infrastructure issues.

Mayor Nevill strongly rebuked the claims that the process was secretive, noting the project had been discussed in over 24 public meetings and heavily reported in the press. He argued that the Fauquier County Planning Commission's initial denial was based on a flawed blanket motion for three different scenarios, not a rejection of the final Arrington plan. Mayor Nevill also addressed the affordable housing concerns, explaining that those who need affordable housing most, future residents currently living outside the area, are rarely present at local zoning meetings to advocate for themselves, making it the Council's responsibility to look out for the needs of future constituents.

Town Attorney Chap Petersen advised that because the court date was only three days away, withdrawing from the VSA now would force the cancellation of the hearing. He clarified that the Council could modify the VSA later, but all parties (the County and the developer) would have to agree to the new terms, returning the negotiations to ground zero.

Councilman David McGuire urged the Council to honor the agreement and move forward, citing the need for local jobs and the promised infrastructure improvements (specifically the new pump station).

Councilman Paul Mooney echoed this, warning that if the Town withdraws, the developer could simply build the residential units by-right in the County, leaving Town taxpayers to foot the bill for the pump station while losing out on \$12 million in proffers and commercial tax revenue.

After extensive debate with no new motions put forward to withdraw from the agreement, Councilman McGuire moved to adjourn the meeting. Councilman Mooney seconded the motion.

The vote for the motion was as follows:

Ayes: Mr. David McGuire; Ms. Michele O'Halloran; Mr. William Semple, Vice Mayor; Mr. Paul Mooney.

Nays: Mr. Roy Francis; Mr. Larry Kovalik; Mr. Eric Gagnon.

Abstention: None.

Absent: None. The motion passed by a vote of 4-3 and the meeting was adjourned at 6:53 PM

ADJOURNMENT.

With no further business, this meeting was adjourned at 6:53 PM on Monday, April 21st, 2025.

I hereby certify that this is a true and exact record of actions taken by the Town Council of the Town of Warrenton on April 21st, 2025.

Stephen M. Clough
Town Recorder

Attachments:

- 1) Handouts to Council

DRAFT



The Town of Warrenton
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P (540) 347-1101
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April 21st, 2025, Special Town Council Meeting Minutes

Attachment 1: Handouts to Council.

DRY

FY 2026 Budget: Flagged Items

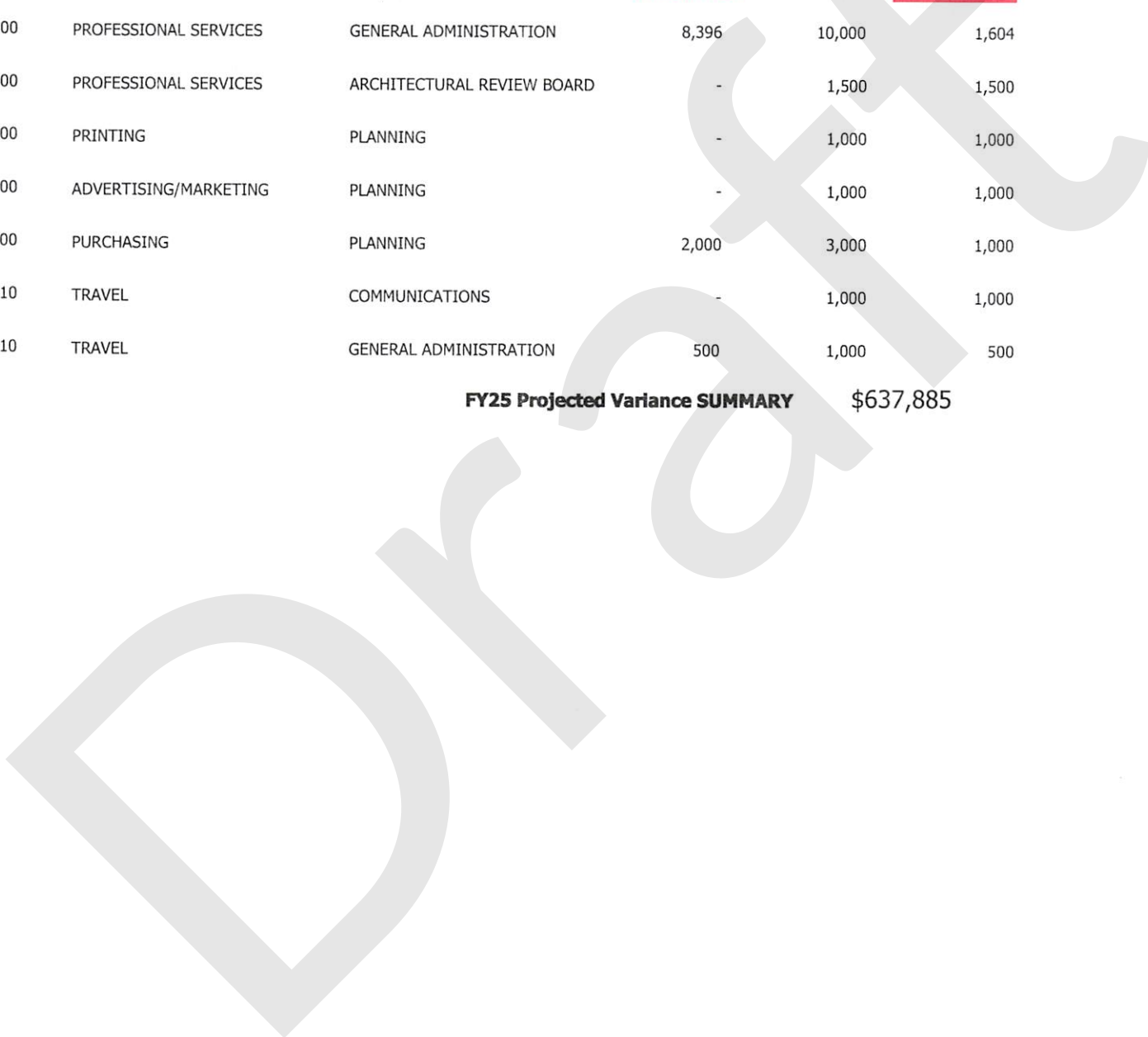
GL	Account Name	Department	FY 2025 PROJECTED	FY 2026 PRELIM	FY25-FY26 VARIANCE
100-012230-3320	MAINTENANCE CONTRACTS	INFORMATION TECHNOLOGY	724,276	891,118	166,842
100-012230-3100	PROFESSIONAL SERVICES	INFORMATION TECHNOLOGY	21,926	81,900	59,974
100-081100-3100	PROFESSIONAL SERVICES	PLANNING	41,064	90,000	48,936
100-012230-5230	COMMUNICATION	INFORMATION TECHNOLOGY	98,203	143,000	44,797
100-071600-3357	PARK MAINTENANCE	MAINTENANCE - PARKS	24,000	56,000	32,000
100-042300-3815	SHARE LANDFILL OPERATIONS	REFUSE COLLECTION	12,000	40,000	28,000
100-043200-3310	CONTRACTUAL REPAIR	FACILITIES	63,500	90,000	26,500
100-071300-5410	LEASE OF EQUIPMENT	AQUATIC CENTER	2,935	28,500	25,565
100-012230-5240	MOBILE DEVICES/CELL PHONES	INFORMATION TECHNOLOGY	80,326	99,600	19,274
100-043200-5410	LEASE OF EQUIPMENT	FACILITIES	3,500	20,780	17,280
100-081720-5210	POSTAGE	COMMUNICATIONS	3,552	15,000	11,448
100-041600-8261	TREE MAINTENANCE	COLLECTOR STREET	5,000	15,000	10,000
100-071300-8201	EQUIPMENT	AQUATIC CENTER	10,000	20,000	10,000
100-071300-6000	PURCHASING	AQUATIC CENTER	78,837	88,480	9,643
100-031100-3100	PROFESSIONAL SERVICES	POLICE DEPARTMENT	5,158	14,450	9,292
100-031100-3310	CONTRACTUAL REPAIR	POLICE DEPARTMENT	17,892	26,725	8,833
100-012230-5540	TRAINING	INFORMATION TECHNOLOGY	2,503	10,840	8,337
100-031100-6010	POLICE SUPPLIES	POLICE DEPARTMENT	35,000	43,150	8,150
100-043200-8266	COLLECTOR TRAFFIC SIGNS	FACILITIES	7,500	15,000	7,500

FY 2026 Budget: Flagged Items

GL	Account Name	Department	FY 2025 PROJECTED	FY 2026 PRELIM	FY25-FY26 VARIANCE
100-041600-5110	ELECTRICITY	COLLECTOR STREET	103,200	110,000	6,800
100-071600-6000	PURCHASING	MAINTENANCE - PARKS	4,226	10,400	6,174
100-043200-8262	TRAFFIC CALMING	FACILITIES	8,159	14,000	5,841
100-043200-3330	JANITORIAL SERVICES	FACILITIES	113,703	119,390	5,687
100-031100-5540	TRAINING	POLICE DEPARTMENT	31,926	37,500	5,574
100-041600-6000	PURCHASING	COLLECTOR STREET	85,000	90,300	5,300
100-031100-6001	OFFICE SUPPLIES	POLICE DEPARTMENT	6,587	11,750	5,163
100-031100-2885	TUITION REIMBURSEMENT	POLICE DEPARTMENT	-	5,000	5,000
100-041100-5540	TRAINING	GENERAL ADMINISTRATION	1,651	6,000	4,349
100-071700-6000	PURCHASING	P&R ADMINISTRATION	822	5,000	4,178
100-031100-5510	TRAVEL	POLICE DEPARTMENT	16,000	20,000	4,000
100-081720-6000	PURCHASING	COMMUNICATIONS	100	4,000	3,900
100-071600-6005	PROGRAM SUPPLIES	MAINTENANCE - PARKS	85	3,000	2,915
100-081100-5540	TRAINING	PLANNING	2,500	5,000	2,500
100-081300-3100	PROFESSIONAL SERVICES	PLANNING COMMISSION	-	2,500	2,500
100-043200-5540	TRAINING	FACILITIES	1,586	3,815	2,229
100-071600-6100	SPECIAL EVENTS	MAINTENANCE - PARKS	45,000	47,000	2,000
100-081720-5540	TRAINING	COMMUNICATIONS	1,000	3,000	2,000
100-081100-5510	TRAVEL	PLANNING	200	2,000	1,800

FY 2026 Budget: Flagged Items

GL	Account Name	Department	FY 2025 PROJECTED	FY 2026 PRELIM	FY25-FY26 VARIANCE
100-041100-3100	PROFESSIONAL SERVICES	GENERAL ADMINISTRATION	8,396	10,000	1,604
100-081600-3100	PROFESSIONAL SERVICES	ARCHITECTURAL REVIEW BOARD	-	1,500	1,500
100-081100-3500	PRINTING	PLANNING	-	1,000	1,000
100-081100-3600	ADVERTISING/MARKETING	PLANNING	-	1,000	1,000
100-081100-6000	PURCHASING	PLANNING	2,000	3,000	1,000
100-081720-5510	TRAVEL	COMMUNICATIONS	-	1,000	1,000
100-041100-5510	TRAVEL	GENERAL ADMINISTRATION	500	1,000	500
FY25 Projected Variance SUMMARY					\$637,885



Proposed FY2026 Budget Cuts Worksheet

1. We need savings of **\$490,000** to balance the general fund operations (proposed \$.0245 property tax increase in current budget - \$200,000 X 2.45 = \$490,000).
2. Suggested savings:

Category	Proposed	Revised		Savings
Outside Agencies				
Fauquier Free Clinic	10,000	\$7,650	2025 Amount	\$2,350
Fauquier Food Bank	\$5,000	\$2,869		\$2,131
All Others	\$78,765	\$0		\$78,765
1) Total Outside Agencies	\$93,765			\$82,246
Non-Departmental				
Circuit Rider	\$185,927	\$174,009		\$11,918
Main Street Program	\$75,000	\$65,000		\$10,000
Va Commission (VCA)	\$9,000	(Zeroed out; offset by \$4,500)		\$0
Fire Department	\$210,000	\$0	Zero Out	\$210,000
2) Total Non-Departmental	\$479,927	\$239,009		\$231,918
Grand Total: Outside Funding (1) and 2) above)				\$314,164
3) Adjust COLA from 3% to 2%	\$331,446	\$221,075		\$110,371
TOTAL SAVINGS (1), 2), and 3) above)				\$424,535