



I. PURPOSE

Governmental budgets serve as annual fiscal plans to allocate scarce resources in support of the government's programs and services and in accordance with the governing body's identified priorities. This policy establishes guidelines for 1) the creation of a balanced annual budget; 2) how adjustments are made to the budget during the fiscal year; and 3) what controls will be used throughout the fiscal year to ensure that expenditures do not exceed appropriations.

II. SCOPE

This policy applies to all Town departments.

III. POLICY

A. Budget Creation

- i. **Basis of Budgeting** – The annual budget spanning the fiscal year (July 1 – June 30) is prepared on a basis consistent with generally accepted accounting principles. For proprietary funds, depreciation expense is not budgeted, but is recorded and reported for financial purposes.
- ii. **Balanced Budget** – The Town Manager will consider conservative revenue projections, departmental expenditure requests, capital projects and staffing requests in the formulation of a balanced budget. The goal is to balance expenditures with current revenue. Fund balance may be used to balance the budget but should be used as outlined in the Town's Fund Balance Policy.
- iii. **Principals for Budgeting** – The Town Manager will prioritize funding liabilities owed by the Town as well as expenses associated with maintaining existing services. The Town Manager will examine prior spending patterns in the development of the budget.
- iv. **Revenue Projections** – Revenue will be conservatively estimated and consider several factors, including historical trends, economic

conditions and outlook, impending changes in legislation, and any notifications of changes in funding received from State and Federal sources.

- v. Departmental Expenditure Requests – Each department must submit their requested budget for the next fiscal year to the Finance Department by December 31st. The request should provide line-item estimates and a detailed narrative supporting the amount requested. Justification must be provided for any additional staff requests and capital outlay.
- vi. Capital Improvement Plan (CIP) – The CIP is the Town's six-year capital planning document. The CIP is reviewed by the Planning Commission as needed to ensure compliance with the Town's Comprehensive Plan. The Planning Commission then provides its recommendations to the Town Council.
- vii. Strategic Planning – The budget process will be coordinated to identify major policy issues for the Town Council. The budget process will be a part of an overall strategic planning process for the Town.
- viii. Time for preparation and approval of budget - As required by Code of Virginia §15.2-2503, the Town Manager shall submit the proposed budget on or before the first day of April each year. The Town Council shall approve the budget no later than the date on which the fiscal year begins. Tax rates for the calendar year must be adopted no later than May 14th, as provided for in Town Code.

B. Personnel

- i. The creation of any new position requires Town Council approval since it represents an on-going commitment of funds.
- ii. The Finance Department shall maintain one master list of all approved positions, without regard to whether there is an incumbent or not.
- iii. Filled positions are budgeted at the incumbent's actual salary, vacant positions are budgeted at the midpoint for the position based on the adopted pay scale.
- iv. If a cost-of-living adjustment (COLA) is adopted in a particular budget year, the adopted pay scale shall also be adjusted by this amount to capture the impact of inflation on the pay scale.

C. Budget Adjustment

During the fiscal year, conditions may arise that necessitate changes to the adopted budget. This may take the form of a transfer or a supplemental appropriation. The authorizations required for each are listed below:

- i. Supplemental Appropriation – A supplemental appropriation increases or decreases the overall budget appropriation. Funding sources may include grants, unanticipated revenues, inter-fund transfers or the use of Fund Balance.
 - a. The Town Manager is delegated authority to approve supplemental appropriations for the following:
 - Insurance recoveries less than \$50,000;
 - Other cost recoveries less than \$50,000; and
 - Grants requiring no local match less than \$50,000.
 - b. All supplemental appropriations other than those outlined in paragraph a. must be approved by the Town Council.
 - c. Code of Virginia §15.2-2507 requires that the Town Council hold a public hearing when a supplemental appropriation exceeds 1% of the total budget.
- ii. Transfers – A transfer involves the movement of a budgetary appropriation within a department or between departments, provided that the transfer does not increase or decrease the budgeted appropriation at the fund level.
 - a. All transfers are to be reviewed by the Finance Department and approved by the Town Manager.
 - b. Transferring appropriations between personnel and non-personnel categories is discouraged and will be allowed on an exception basis only.
 - c. Transfers between funds increase or decrease the total appropriation at the fund level, and as such, require Town Council approval. For purposes of this policy, each fund that is separately identified in the budget and the appropriations resolution, is a distinct fund.

D. Expenditure Control

- i. In accordance with the Town's Purchasing Policy, encumbrances are employed as a measure to avoid overspending a department's budget. The Finance Department will verify that funds are available in each line item prior to the issuance of purchase orders. Finance will notify the department head if a budget transfer is necessary.
- ii. The Finance Department will provide monthly revenue and expenditure reports to department heads. It is the responsibility of the department head to monitor their department's spending to ensure that adequate funding remains for planned expenditures.
- iii. All invoices for goods and/or services should be reviewed for accuracy, approved by the receiving department, and forwarded to the Finance Department to ensure payment in a timely manner, as prescribed by Code of Virginia §2.2-4350. This also serves to provide accurate and timely financial information which is recorded in the system for the monthly reports.



I. PURPOSE

The purpose of this policy is to establish minimum cash balance levels for the Town's Water and Sewer Operating Fund.

II. SCOPE

This policy applies to the Water and Sewer Operating Fund.

III. POLICY

It is the policy of the Town of Warrenton that the Town's Water and Sewer Operating Fund shall be operated in a manner consistent with sound financial management principles. Adequate cash reserves are an essential element in both short-term and long-term financial planning. It serves to mitigate current and future risks, sustain operations during economic downturns, provide cash flow liquidity for enterprise operations, and enhance creditworthiness. While maintenance of an adequate level is necessary, it is important that the amount established be appropriate considering the enterprise's operations.

A. Minimum Level of Cash Reserves

The Town of Warrenton will maintain minimum unrestricted cash balances in the Water and Sewer Operating Fund equal to 200 days of the fund's current annual budget. Unrestricted cash represents cash that's readily available to be spent for any purpose and has not been pledged as collateral for a debt obligation or other purpose. For this calculation, this amount shall be based on the annual adopted budget figures.

Unrestricted cash may be maintained at a level higher than this minimum to save for transfer to the Water and Sewer Capital Fund for large, planned expenses (i.e., capital projects), emergencies, cash flow issues related to timing of revenue receipts, and to address economic volatility. The purpose of establishing minimum unrestricted cash balance level is to maintain a prudent level of financial resources to protect against the need to raise fees (outside of normal rate increases) due to temporary revenue shortfalls or unpredicted one-time expenses.

B. Funding the Cash Reserves

The unrestricted cash reserve is funded by any annual budget surplus in the fund and other unencumbered operating income.

C. Conditions for Use of Reserves

The unrestricted cash reserve shall be drawn upon only as necessary and any use thereof shall be upon the approval of Town Council and limited to:

1. One-time capital expenditures;
2. Offsetting economic volatility;
3. Non-recurring expenditures; and
4. Providing liquidity in emergency situations.

D. Replenishment of Minimum Unrestricted Cash Balance

Should the minimum unrestricted cash balance fall below the 200 days of operating expenses requirement for the Water and Sewer Operating Fund, the Town Council shall approve and adopt a plan to restore this balance to the target level within the next three fiscal years' budgets.



I. PURPOSE

The purpose of this policy is to provide general guidance for the proper recording and financial reporting of capital assets. The Town's capital assets primarily take the form of infrastructure, buildings and improvements, vehicles, and equipment. Investment in these assets assists the government in providing for the quality of life of its citizenry, promotes economic development, and bolsters the credit worthiness of the Town.

II. SCOPE

This policy applies to all Town of Warrenton departments.

III. DEFINITIONS

Amortization – The systematic allocation of the cost of an intangible asset over its useful life

Capital Asset – Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period.

Capital Outlay – The acquisition of tangible personal property items including, but not limited to, furniture, equipment, and vehicles that meet the definition of a capital asset.

Capital Project – The acquisition or construction of major capital equipment or facilities that are typically accounted for in a separate capital project fund.

Capitalization Threshold – The dollar value at which the government elects to capitalize tangible or intangible assets.

Capitalized Costs – The cost of an asset and any other expenditures necessary to place the asset into service.

Depreciation – The systematic allocation of the initial acquisition cost of a tangible asset over its useful life.

Impairment – A significant, unexpected decline in the service utility of a capital asset.

Intangible asset – A nonfinancial asset that lacks physical substance, has an initial useful life that extends beyond a single reporting period, and provides present service capacity. Examples include:

Easements – Interest in land owned by another entity that entitles its holder to the right to use the land for a specific purpose.

Software licenses – The right to use one or more copies of software or an application without violating copyrights.

Internally Generated Intangible Capital Assets – Intangible assets that are either 1) created or produced by the government itself or by an entity contracted by the government; or 2) acquired from a third party but require more than minimal incremental effort on the part of the government to begin to achieve the expected level of service capacity.

Operating Costs – Expenditures for goods or services that do not meet the threshold established for capitalization. These costs include expenditures for maintenance and repairs that do not appreciably add to the value of the asset or materially extend the useful life of the asset.

Present Service Capacity – An asset's existing capability to enable the government to provide services, which in turn enables the government to fulfill its mission.

Proffered Assets – Tangible assets (or cash) offered for donation by property owners at the time of a rezoning to help defray the cost of capital facilities associated with the development of the property.

Service Utility – The ability of an asset to provide its intended service to the organization

Useful Life – The estimated period during which a capital asset provides service.

IV. POLICY

A. Internal Controls

All Town departments shall establish and maintain internal controls over capital assets to provide reasonable assurance of accountability, timely and accurate financial reporting, and compliance with any applicable laws and regulations. Internal controls should ensure the following:

1. Capital assets are adequately safeguarded from loss or theft.

2. Proper approvals are followed for acquisitions and dispositions.
3. Physical inventory is taken annually and reported to Finance.
4. A proper segregation of duties is in place with regard to the assets.

B. Accounting and Reporting for Capital Assets and Projects

1. Funding sources: Capital assets and projects may be funded by local, state and/or Federal revenue, acquired through donation, trade transaction, or purchased with proceeds from a debt transaction or capital lease.

Assets acquired with state and Federal funding will be tracked regardless of capitalization thresholds to ensure compliance with Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, specifically:

- a. Title for real property and equipment acquired or improved with Federal awards will vest with the Town. Title for federally owned and exempt property remains vested with the Federal government.
 - b. Insurance coverage for real property and equipment acquired with Federal funds must be at a minimum equivalent to that of other property owned by the Town.
 - c. Real property will be used for the originally authorized purpose as long as needed.
 - d. Instructions for disposition of real property must be obtained from the Federal awarding or pass-through agency.
2. Capital assets will be budgeted and accounted for in the appropriated operating fund using a capital outlay object code (8000 series). Capital projects, except those related to proprietary activities, shall be budgeted and accounted for in the Capital Improvement Program (CIP) Fund.

C. Valuation of Capital Assets

1. Acquired by purchase – Capital assets purchased by the Town shall be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Items to be included in the cost of a capital asset are:
 - a. Original contract or invoice price
 - b. Freight and transportation charges
 - c. Import duties
 - d. Handling and storage charges
 - e. In-transit insurance charges

- f. Installation charges
- g. Charges for testing and preparation for use
- h. Charges for refurbishing used items when purchased
- i. Parts and labor associated with the construction of equipment
- j. Site preparation costs
- k. Professional fees

Extended warranties, training, and maintenance agreements, which can be separately identified from the cost of the related asset, shall not be capitalized.

- 2. Acquired by donation or trade transaction – Assets acquired by donation or trade transaction shall be recorded at the fair market value on the date of the transaction. If the fair market value of an item already in service is unavailable at the time of capitalization, then the current estimated replacement cost shall be used. Both fair market value and current estimated replacement cost are subject to the capitalization thresholds detailed in this section.

D. Valuation of Capital Projects

- 1. Only costs directly identified with the project may be capitalized. Costs incurred for capital projects are classified into four stages:
 - a. Preliminary – this phase involves the exploration of opportunities for acquisition or construction
 - b. Pre-Acquisition/Construction – the acquisition or construction of the asset is probable
 - c. Acquisition/Construction – the item has been acquired and/or construction has commenced
 - d. In Service – the asset is substantially completed and/or has been placed in service

The following table illustrates typical activities associated with each phase and indicates the accounting treatment to be applied to related costs:

| Stage | Typical Activities | Treatment |
|--------------------------------|---|---|
| Preliminary | <ul style="list-style-type: none"> • Feasibility studies. • Scope development • Preliminary estimates • Utilities analysis • Consideration of alternatives | Expense |
| Pre-acquisition / Construction | <ul style="list-style-type: none"> • Architectural and engineering work • Legal expenses • Closing costs and titling • Appraisal fees • Surveying • Site preparation / demolition • Soil testing • Vendor selection • Planning and design • Scope definitions | Capitalize |
| Acquisition / Construction | <ul style="list-style-type: none"> • Project management • Construction • Utility expansion • Insurance premiums during construction • Initial furnishing and fixtures | Capitalize |
| In Service | <ul style="list-style-type: none"> • Maintenance and repairs • Upgrades • Improvements | <p><u>Expense</u> – maintenance and repairs are typically expensed if they do not increase the useful life of the asset</p> <p><u>Capitalize</u> – additional components, upgrades and renovations that increase the useful life and/or service capacity of the asset</p> |

E. Thresholds for Capitalization

The following table provides guidelines for capitalization of various categories of assets (note that all assets must have at least a useful life greater than one reporting period):

| Asset Category | Useful Life | Threshold |
|--|--|---|
| Tangible assets | Greater than a single reporting period | \$5,000 and greater per individual asset |
| Groups of tangible assets | Greater than a single reporting period | \$25,000 en masse |
| Intangible assets – software licenses and applications | Greater than a single reporting period | \$10,000 and greater per program / application or for licenses purchased en masse |
| Intangible assets – easements | Greater than a single reporting period | \$10,000 and greater per easement |
| Capital projects | Greater than 5 years | \$10,000 and greater |

Asset costs below the established thresholds will be recognized as operating expenses of the reporting period.

F. Estimated Useful Life and Methods of Depreciation and Amortization

The estimated useful life of an asset is the period during which that asset provides service. The following factors may assist in determining the useful life of an asset:

1. Quality – similar assets may differ substantially in quality because of differences in materials, design and workmanship.
2. Application – The useful life of a given type of capital asset may vary significantly depending upon its intended use
3. Environment – environmental conditions may have an impact on the useful life of an asset.

Estimates of useful life are required for all asset classes except land, intangible assets that have indefinite useful lives, works of art, historical treasures, and similar assets that are exempt from capitalization. Land

use rights acquired in a transaction that did not involve the underlying property should be reported as intangible assets.

Industry guidelines are used to estimate the useful lives of capital assets. Any extended life resulting from a major change in the asset must be specified at the time of the change. Upgrades and renovations must add to the useful life of the original asset, if they are to be capitalized as part of a larger asset.

The following ranges are provided for each asset class:

| Asset Class | Years |
|------------------------------------|---------|
| Buildings and improvements | 50 |
| Utility plant in service | 50 |
| Infrastructure | 30 - 50 |
| Furniture, equipment, and vehicles | 5 – 10 |
| Intangible assets | 3 - 5 |

Depreciation and amortization are calculated and recorded annually to allocate the expense associated with the acquisition of an asset over its estimated useful life, except for assets that have an indefinite useful life. Depreciation is calculated using the straight-line method.

G. Asset Impairment

A capital asset is considered impaired when its useful life and/or service utility has declined significantly and unexpectedly. Impairment is often due to one of the following events or changes in circumstances:

1. Physical damage where action would be needed to restore lost service utility
2. Changes in laws, regulations, or other environmental factors that negatively affect service utility
3. Technological developments that negatively affect service utility or evidence of obsolescence
4. A change in the manner or duration of use of a capital asset that negatively affects its service utility
5. Stoppage of construction

Note that a temporary decline in service utility does not constitute impairment. The definition of impairment requires that the change in service utility be both significant and unexpected. Upon determination that an asset is impaired, the responsible department should provide an estimate of the percentage of lost service utility to the Department of Finance so that a corresponding reduction in the asset's book value may be recorded.

H. Disposition of Capital Assets

1. **Process.** Each department shall report its surplus and obsolete capital assets to the Town Manager prior to any disposition using the Capital Asset Maintenance Form. Such report shall describe the asset in sufficient detail, providing any serial number, model number, date of acquisition, current condition, estimated value, location, and any other identifying information. Included in this report shall be a recommendation as to the method of disposition, supported by relevant facts. The asset will not be disposed of until the Town Manager's approval is obtained on the Capital Asset Maintenance Form. A copy of this form must be provided to the Finance Director.
2. **Methods of Disposal.** Surplus or obsolete property may be disposed of by one of the following methods, as provided for in the Town of Warrenton Purchasing Policy & Procedure:
 - a. By transferring to other Town departments
 - a. By trading in on new property
 - b. By public auction
 - c. By public sale, upon advertising for sealed bids
 - d. By selling as scrap
 - e. By junking.

Proceeds from the sale of surplus and obsolete property are to be credited to the fund that owned such property.

3. **Authorization.** No person shall have the authority to dispose of property without following these guidelines and the Town of Warrenton Purchasing Policy and Procedure. **For vehicle dispositions, the Town Manager will sign the title to transfer ownership to the buyer.** The Town Manager, Director of Finance and the employees of the Finance Department shall not be liable and shall be held harmless for any unauthorized disposition of surplus property. Any unauthorized disposition of property may be grounds for discipline or termination, as provided for in the Town of Warrenton Personnel Policies.



I. PURPOSE

This policy serves to define the administration of tap privilege fees for the Town of Warrenton's Water and Sewer Utility.

II. SCOPE

This policy applies to tap privilege fees for the entire Town of Warrenton Water and Sewer service area. This policy is administered by the Town of Warrenton Water and Sewer Administration department.

III. DEFINITIONS

- a. Tap Privilege Fee: upon paying in full for a tap privilege, a customer is guaranteed service at the corresponding capacity associated with that tap privilege, subject to the time restrictions and other conditions outlined in this policy.
- b. Administrative Fee: to cover the costs associated with the administration of this policy, a 15% administrative fee based on the tap privilege fee paid will be retained for any reimbursement of a tap privilege fee as outlined in this policy.
- c. Use of a Tap Privilege: a tap privilege shall be deemed to have been used once a water meter has been installed for water or a lateral has been connected for sewer. Once used, the customer will be charged based on consumption, but in no instance less than the minimum monthly bill.

IV. POLICY

- a. New Construction
 - i. The tap privilege fee will be based upon the water meter size requested or on the projected monthly consumption as compared to the maximum allowable gallons for each meter size, whichever is determined by the Town to be closest to the actual usage subject to the minimum fee being based on meter size.

- ii. Tap fees are to be paid in full simultaneous with the issuance of all permits necessary to commence construction. If during construction more meters are required than tap fees were paid, the additional fees must be paid before meters will be installed.
- iii. The Town shall have the right to monitor monthly consumption for potential adjustment of the tap privilege fee. Monthly consumption will be reviewed after 12 months of operation and then periodically on a rolling 12-month basis. Should the average monthly consumption over any 12-month period exceed the maximum allowable gallons for the meter size, a supplemental tap fee will be assessed equal to the difference between the fee for the initial meter size and the fee for the larger meter size which corresponds to the customer's actual use. All calculations will be based on the tap privilege fees in effect on the date of the bill. Should a property change ownership, the new owner will be responsible for the final tap fee adjustment, which will be due and payable to the Town within 60 days of written notification to the owner.
- iv. All users will be assessed the corresponding tap privilege fees for each meter set.

b. Residential Multi-Family Metering

- i. With mass metering such as an apartment building, a 5/8" tap privilege fee will be assessed for each residential unit within the building.

c. Change of Use / Additions / Alterations

- i. For Changes of Use / Additions / Alterations of an existing building, additional tap fees will be required if the meter size increases or if the projected consumption exceeds the maximum allowable gallons for the existing tap fee credits. Tap fees will be assessed on the difference between the existing service and the new service requested, or if additional meters are requested.
- ii. If additional tap fees are required, they will be due simultaneous with the issuance of a zoning permit.
- iii. Ongoing monitoring will be performed as noted in section IV.a.iii above, even if an additional tap fee is not initially required.

d. Tap Fee Credits

- i. Tap fee credits on existing or demolished buildings will be based on the meter size or on prior tap fees paid and on record with the Town of Warrenton.
- ii. There will be no tap fee credit for buildings demolished before 1986.
- iii. The burden of proof for prior tap fee credits will be on the applicant.

e. Accessory Dwelling Units (ADUs)

- i. Property owners who wish to construct an accessory dwelling unit (ADU) on their property in accordance with the Town Code may be required to pay the corresponding sewer tap privilege fee to connect the ADU to the Town's sewer system.
- ii. If the parcel is subdivided later such that the ADU is on a separate parcel, then the property owner must pay the water tap privilege fee in effect at the time of subdivision. If a sewer tap privilege fee was not previously paid, then the sewer tap privilege fee in effect at the time of subdivision must also be paid.

f. Other Charges

- i. Time and material charges for installation of water and sewer service will be paid by the property owner.
- ii. A second meter for uses such as irrigation, sheds, or other outdoor structures not intended for habitation may be installed next to the existing water meter in a separate box for water use only. An additional water tap fee will not be charged; however, a charge for all time and materials, including the meter and meter box, will be paid by the property owner.

g. Limitation of Time to Use a Tap Privilege

- i. Tap Privilege Purchased Prior to July 1, 2024
 - 1. Property owners in possession of a tap privilege purchased prior to July 1, 2024, will not have a time limit to use the tap privilege.
 - 2. A reimbursement of the tap privilege fee paid may be requested by the property owner if the tap privilege has not

been used. A 15% administrative fee based on the tap privilege fee paid will be retained from the reimbursement.

ii. Tap Privilege Purchased After July 1, 2024

1. Property owners who purchase a tap privilege after July 1, 2024, shall have 12 months from the date of purchase to use the tap privilege.
2. During the 12-month period, a reimbursement may be requested by the customer if the tap privilege has not been used. A 15% administrative fee based on the tap privilege fee paid will be retained from the reimbursement.
3. After the 12-month period, the Town shall have the right to withdraw the tap privilege after giving the customer one (1) month notice. A 15% administrative fee based on the tap privilege fee paid will be retained from the reimbursement.
4. During the one (1) month notification period, the property owner will be allowed to use the tap privilege if they desire.

V. TAP PRIVILEGE FEE RATE SCHEDULE EFFECTIVE JULY 1, 2017

In-Town Tap Privilege Fees:

| Meter Size | Water | Sewer | Total |
|------------|---------|---------|---------|
| 5/8 | 4,950 | 10,800 | 15,750 |
| 1 | 12,375 | 27,000 | 39,375 |
| 1.5 | 24,750 | 54,000 | 78,750 |
| 2 | 39,600 | 86,400 | 126,000 |
| 3 | 86,625 | 189,000 | 275,625 |
| 4 | 155,925 | 340,200 | 496,125 |

Out-of-Town Tap Privilege Fees (under Tri-party Agreement):

| Meter Size | Water | Sewer | Total |
|------------|---------|---------|---------|
| 5/8 | 9,900 | 21,600 | 31,500 |
| 1 | 24,750 | 54,000 | 78,750 |
| 1.5 | 49,500 | 108,000 | 157,500 |
| 2 | 79,200 | 172,800 | 252,000 |
| 3 | 173,250 | 378,000 | 551,250 |
| 4 | 311,850 | 680,400 | 992,250 |

Out-of-Town (not part of Tri-party Agreement – subject to Town Council Approval):

| Meter Size | Water | Sewer | Total |
|------------|---------|-----------|-----------|
| 5/8 | 14,850 | 32,400 | 47,250 |
| 1 | 37,125 | 81,000 | 118,125 |
| 1.5 | 74,250 | 162,000 | 236,250 |
| 2 | 118,800 | 259,200 | 378,000 |
| 3 | 259,875 | 567,000 | 826,875 |
| 4 | 467,775 | 1,020,600 | 1,488,375 |

Property Owner Attestation

I understand that water consumption for my property will be monitored on a rolling 12-month basis and that payment of additional tap fees may be necessary per the above policy.

Signature of Property Owner or Authorized Agent

Date

Contact Information:

Printed Name

Mailing address

City/State/ZIP

Phone



I. PURPOSE

Good infrastructure is vital for our community to thrive. This policy supports our infrastructure by:

- Promoting wise investment in new infrastructure; and
- Protecting the historical investments the Town of Warrenton has made in its infrastructure.

II. SCOPE

Each year, the Town of Warrenton staff will create a long-range capital improvement plan (CIP). The CIP will define and prioritize the capital projects that the Town plans to take on in the next six (6) years.

A. Definition of a Capital Project

A capital improvement project should have a cost greater than \$100,000 and a useful life of at least 10 years. Projects that do not meet the \$100,000 and 10-year useful life criteria are maintenance capital projects. Capital projects generally require significant engineering design and construction, whereas maintenance capital require routine upkeep every few years. These projects are not considered to be part of the Six-Year Capital Improvement Plan.

B. Link to Needs Assessments

The capital improvement plan is the result of a detailed planning process. The purpose is to address the Town's immediate and long-term capital needs in a conscious effort to best provide services and facilities to the citizens of Warrenton. To that end, projects are considered in alignment with Plan Warrenton 2040, the Town's Comprehensive Plan, and strategic priorities identified by the Town Council. All projects in the CIP, with minor and few exceptions, should be based on needs assessments performed to determine the benefit of the asset compared to its cost.

III. POLICY

A. CIP Project Identification

Each year, Town of Warrenton staff will suggest potential projects for the CIP. At a minimum, this process will provide for the following:

- Long-term operating and maintenance costs. A plan will identify the cost to operate and maintain the asset over the next six (6) years.
- Funding source. A plan will describe where the funding is expected to come from to acquire, operate, and maintain the asset.

- Project timing. A plan will identify the proposed schedule for engineering, construction, and other milestones in acquiring the asset.

B. CIP Project Selection

Town of Warrenton will create a process to assess capital projects. The selection process will include considerations such as long-term financial forecasts, project impact, operating and maintenance costs, legal mandates, impacts on public health and safety, and the extent to which the project aligns with the Town's strategic goals.

C. Balanced CIP

The CIP is a balanced, long-term plan. For the entire period of the CIP, revenues will be equal to the projected costs. It is possible that the plan will have more costs than revenues in any single year of the plan (apart from the first year, which is intended to become an appropriation plan. However, over the life of the six-year plan, all expenses will be covered with revenues. Staff may record, on a separate document, projects that are deemed important but cannot fit into a balanced CIP. Town Council may choose to look at unfunded projects and defund an existing project in favor of another.

D. CIP Funding Strategy

Town of Warrenton may elect to use debt financing to acquire an asset or pay-as-you-go financing (i.e., cash financing). Below are guidelines used to help determine the best choice between debt and pay-as-you-go financing.

Factors that favor pay-as-you-go financing include situations where:

- The project can be funded from current revenues and fund balances (reserves);
- The project can be finished within an acceptable time frame given the available revenues;
- If issuance of debt may impact the Town credit rating or repayment sources; or,
- Market conditions are unstable or suggest difficulties in marketing a debt.

Factors that favor long-term debt financing include situations where:

- Revenues that will be used to pay back debt are believed to be sufficient and reliable. This makes it more likely that long-term financing can be marketed with a suitable credit rating;

- Market conditions present favorable interest rates and demand for government debt financing;
- A project is immediately required to meet or relieve capacity needs and existing cash reserves are insufficient to pay project costs; or,
- The useful life of the asset is five (5) years or longer.

E. Capital Budget

Each year, the Town of Warrenton will develop a capital budget that will be the spending plan for capital. The first year of the capital improvement plan determines the capital budget for the fiscal year.

F. Asset Inventory

The Town of Warrenton will develop a full asset inventory that projects equipment replacement and maintenance needs for a multiyear period and will update this projection each year. The asset inventory will describe the current condition of the Town's assets. It will compare this condition to a standard for asset condition. It will account for the full cost to maintain assets up to standard condition over their life cycle and account for risks associated with assets that are below standard condition. Departments will inventory and assess the assets for which they are responsible and ensure that their records are consistent with the Department of Finance's capital asset records.

G. Priority of Asset Maintenance and Replacement

It is the policy of the Town of Warrenton to maintain its assets at a level that protects capital investment and reduces future maintenance and replacement costs. Each year, Town staff will develop and recommend to Town Council a prioritized asset maintenance spending plan.

H. Funding of Asset Maintenance

It is the Town of Warrenton's policy to assign enough resources to preserve the Town's existing assets to the best of its ability before assigning resources to build or acquire new assets that also have operating and maintenance needs. This policy protects our historical investment in capital assets. It also helps us maintain sufficient community resources that meet current and anticipated demands.

I. Capital Improvement Plan Carry-Forward

Capital project appropriations, unlike operating budget appropriations, are typically one-time in nature and the projects may take multiple fiscal years to complete and use the appropriations. To avoid negatively affecting the progress of capital projects, the available balances of Town Council-approved capital project funds are administratively rolled over from one fiscal year to

the next fiscal year. Taking into consideration the timing of the prior fiscal year close-out transactions and the new fiscal year, the Finance Department may carry forward up to 100% of the available balance from the prior fiscal year to the new fiscal year. Exceptions may apply to projects expected to be completed or closed by the prior fiscal year-end and projects that have no known pending payments to be made in the prior fiscal year.

DRAFT



I. PURPOSE

The purpose of the grant procedures outlined in this document is:

- To ensure proper oversight of all funds appropriated to the Town.
- To minimize the Town's risk of non-compliance with grant requirements.
- To ensure proper administration and accounting of all grants.

II. SCOPE

This policy is applicable to all Town departments preparing and submitting grant applications to agencies outside the Town government for funds, materials, or equipment to be received and administered by the Town. No grant will be accepted that will incur management reporting costs greater than the grant amount. Such costs include, but are not limited to, indirect costs, overhead and any other items needed to administer the grant.

III. POLICY

A. Grant Application Procedures

- i. The department desiring to submit a grant application soliciting funds will prepare the request as outlined by the grantor's requirements. The department seeking the grant should review all financial aspects of the grant application to ensure any required funds are available. The department director or their designee should sign the grant application as approval that:
 - Any required funds are available;
 - Projects over \$100,000 are included in the capital improvement plan;
 - They are supportive of the fiscal impacts to their department; and
 - The goals and objectives of the grant are in line with that of the department as well as with the overall strategic direction of the Town as a whole.
- ii. The department applying for the grant should make every effort to project all initial and ongoing costs associated with the grant program including but not limited to: staff support, needed assistance for computer systems, office space, utilities, systems furniture, vehicles, office equipment, office supplies, computer software and hardware, and/or telephone charges.

- iii. Upon the department completing its financial assessment, they shall prepare and submit a Grant Processing Request Form to the Finance Department with the original grant application, along with any required assurances and conditions prior to submitting the application to the grantor agency for approval. The purpose of this application notification to Finance is to allow Finance to maintain a comprehensive list of pending grant applications as well as active grants, to provide assistance as appropriate to departments in the preparation and administration of grants, and to ensure availability of matching funds, where applicable. The Finance department will obtain the Town Manager's approval and notify the department that the application has been approved.
- iv. If the grant is incorporated into the Adopted Budget during the annual budget process, then no additional Town Council approval is required for the application and acceptance of the grant.
- v. All grant award acceptances must have the proper approvals as follows:

| Type of Grant | Finance Approval | Town Manager Approval | Town Council Approval |
|--|------------------|-----------------------|-----------------------|
| Grants less than \$50,000 requiring no local match | Required | Required | Not Required |
| All other grants | Required | Required | Required |

- vi. In the event that a grant application is denied by the grantor, a copy of the letter of denial shall be forwarded to the Finance Department for their records.

B. Grant Acceptance Procedures

Whenever possible, all requests for acceptance of grants of a recurring nature should be submitted to the Finance Department through the normal budget process that must be approved by the Town Council.

- i. All grant award letters, acceptance agreements, memorandums, of understanding and other binding documents related to the execution of the grant should be signed and executed by the Town Manager.
- ii. The grant award letter/acceptance agreement (notification received detailing the amount of the grant awarded, grant assurances and special conditions, and the guidelines that must be followed to comply with the grant requirements) will be forwarded to the Finance Department for review.
- iii. In order for expenditures to be processed against a grant, a budget appropriation must be established in accordance with the above table.

The department requesting a grant will prepare Town Council agenda item requesting appropriation of grant funds, unless the grant has already been approved by the Council as part of the adopted annual budget process or Town Manager is delegated the authority to approve.

- iv. Upon Town Council or Town Manager approving a grant, the Finance Department will assign an account code to the grant and the applicable department will be notified of the account code. For reimbursable grants, all reimbursement requests should be copied and forwarded to Finance, noting the applicable account code for the receipting of the funds.
- v. Departments are responsible for ensuring that all funds are expended or encumbered prior to the end of the grant period in order for funds to be used adequately and not lost in future award periods.

C. Grant Monitoring and Reporting

i. Monitoring of Grants

- Departments are responsible for continuous monitoring of the financial status of grants. The Finance Department will provide departments with financial reports for such monitoring as needed.
- Line-item budget amendments must be approved prior to grant expenditures being made in order to avoid lost grant funds when/if amendments are denied.
- Departments must also monitor grants for compliance with all applicable federal, state, and local regulations and ensure that grant expenditures are in compliance with grant procurement policies and procedures.

ii. Grant Reporting

- The requesting department is responsible for providing financial reports to grantors.
- Departments handling grant reporting are responsible for complying by the due dates with all reporting requirements of the grant including financial reporting and reimbursement requests. All reimbursement requests should be copied and forwarded to Finance for review and monitoring of timeliness of revenue reimbursements.
- Timely requests for reimbursements are crucial to maximize the financial benefits of the grants to the Town. Grant

reimbursements should be completed timely and in accordance with the requirements of the specific grant.

D. Indirect Costs

Grant applicants may request indirect costs if the application guidelines do not require a federally approved indirect cost rate and indirect cost are allowed in the grant. Departments should contact the Finance Department for assistance with identifying and calculating indirect costs for inclusion in grant applications. These funds may be used by the Finance Department to offset costs in overseeing the grant including staff time, external auditor expenditures, etc.

E. Personnel

- i. Any new personnel positions to be created as a result of grant funding must be approved by the Town Council and properly classified by Human Capital.
- ii. Departments are to promptly notify Payroll of coding changes needed for persons being charged to grants. (Coding changes are noted on personnel action request forms).

F. Grant-Related Procurement and Policy Issues

- i. Procurement must be notified that federal funds are involved for all purchases with federally funded grants, regardless of dollar amount.
- ii. The Finance Department also needs to be notified so that assets acquired using Federal funds can be properly identified. Equipment items purchased with Federal funds that cost \$5,000 or more are to be tagged when purchased so that proper disposal procedures can be followed when items are sold or sent to surplus.
- iii. Grantees should follow the Town's and/or grantor's policies and procedures for all practices including procurement for the selection of contractors and vendors. If grant applications have special conditions, a copy of such must be given to Procurement and Finance for assistance in compliance monitoring. If grant guidelines require grantees to abide by different procurement procedures other than those adopted by the Town, the grantee should resolve the situation with Procurement prior to submitting the application. As a rule, the federal and state regulations prevail unless less restrictive than Town policies-where Town policy prevails.

G. Classification of Grant Revenue

All federal, state and local grant revenue should be receipted as revenue as opposed to as expenditure refunds in order to be in compliance with approved grant policies.

Grant Processing Request Form
Department of Finance

| | |
|------------------|--|
| Date: | |
| Department: | |
| Grant Program: | |
| Granting Agency: | |

Funds Associated with Grant:

| Federal | State | Local Match | Other | Total |
|---------|-------|-------------|-------|-------|
| | | | | |

If local match is required, are funds available in the department budget?

| |
|--|
| |
|--|

G/L code for local match:

| |
|--|
| |
|--|

| | | | |
|-----------------------|--|---------|--|
| Indirect costs? (Y/N) | | Amount: | |
|-----------------------|--|---------|--|

| | |
|----------------------------|--|
| Reimbursement grant? (Y/N) | |
|----------------------------|--|

If capital project, please provide project name/number from CIP plan.

| |
|--|
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|--|

| | |
|------------------|--|
| Project Contact: | |
|------------------|--|

| | |
|----------------------|------|
| Department Approval: | |
| Signature | Date |

| | |
|-----------------|------|
| Finance Review: | |
| Signature | Date |

| | |
|------------------------|------|
| Town Manager Approval: | |
| Signature | Date |