



Office of the Town Manager  
Frank Cassidy

#### Warrenton Town Council

Carter Nevill, Mayor  
Roy Francis, Ward 1  
William Semple, Ward 2  
Larry Kovalik, Ward 3  
Michele O'Halloran, Ward 4  
Eric Gagnon, Ward 5  
Paul Mooney, At Large  
David McGuire, At Large

# STAFF REPORT

<b>Council Meeting Date:</b>	April 8, 2025
<b>Agenda Title:</b>	Initial Presentation of the Fiscal Year 2026 proposed budget
<b>Requested Action:</b>	Information only
<b>Department / Agency Lead:</b>	Finance
<b>Staff Lead:</b>	Brooke Campbell, Budget Manager

## EXECUTIVE SUMMARY

This budget is the result of discussions with the Town Council over the past several months regarding important budgetary decisions. The agreed upon direction used to formulate the budget included:

- continue providing services to citizens at current levels
- maintain human capital measures taken in recent years to ensure the town remains a competitive employer
- maintain focus on needs and infrastructure
- no interest in the implementation of a Solid Waste fee to cover the cost of refuse and recycling services

Capital needs continue to be the primary focus of this budget, with the water and sewer utility infrastructure being the top priority. The budget also includes several capital asset replacements that were deferred in recent years.

From an operational perspective, the inflationary pressures of the past few years have continued to impact the town. In developing the proposed budget, General Fund operating revenues were not projected to cover the increases in operating expenditure. To balance the budget, a real estate tax rate increase of \$0.0249 per \$100 of assessed value is proposed. This provides the Council the flexibility to implement an increase at that level or lower. 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 meeting.

The table below shows the proposed change in the real estate tax rate and the impact on the average annual residential bill in town. Each \$0.01 increase of the real estate tax rate generates approximately \$220,981 in additional revenue.

Tax Rate Change	Tax Year 2024	Tax Year 2025	Change
Real Estate Tax Rate	\$ 0.0401	\$ 0.065	\$ 0.025
Average Annual Residential Bill	\$ 169.63	\$ 274.95	\$ 105.33
Average Home Value \$423,006			

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. This is an increase of \$9.0 million, or 21%, over the adopted FY 2025 budget. As previously noted, the bulk of the increase is driven by the capital program.

## **BACKGROUND**

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

### General Fund Operating Revenues

FY26 General Fund operating revenue is projected to increase by \$876,032, or 5%, compared to FY25. The largest changes are in the categories of real estate tax, other local taxes, and permits and fees.

- Real Estate Tax – This estimate has increased by \$612,110, or 74%, based on the proposed tax rate increase coupled with the anticipated increase in values of the general reassessment that will be effective January 1, 2026.
- Other Local Taxes – This category projects an increase of \$210,724, or 2%, over FY25 based on historical trends. The specific areas of increase are business license tax, consumer utility tax, local sales tax, lodging tax, and bank franchise tax. The largest source of revenue for the general fund, meals tax, is projected to remain level.
- Permits & Fees - Revenue in this category is estimated to increase by \$59,118, or 32%, due to the anticipated construction of new developments in town.

### General Fund Operating Expenditures

FY26 General Fund operating expenditures are proposed to increase by \$917,170, or 5%, compared to FY25. The largest functional categories of increase are general government administration, public works, and contributions to outside agencies.

- General government administration - The primary drivers of the \$264,639, or 6%, increase are professional and contractual services.
- Public works - The driver of the \$269,329, or 5%, increase is personnel costs. Personnel costs are discussed in more detail later in this letter and are also detailed in the Personnel and Compensation Summary on page 12.
- Contributions requested by outside agencies – This category increased by \$122,989. The full amount of these requests has been included in the proposed budget so that Council may make the decision regarding funding levels.

### General Fund Capital

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

- Capital projects – The total programmed for projects is \$3,419,497. Projects included in FY26 include the salt storage and public works rehabilitation, Eva Walker Park improvements, improvements to Main Street, and annual paving operations.
- Capital asset replacements – The budget for asset replacements for FY26 is \$2,869,500. Among other items, the plan includes the public safety facility HVAC replacements, public safety radio replacements, Enterprise Resource Planning (ERP) software replacement, the waterplay structure

replacement at the WARF, elevator replacement in town hall, and the purchase of replacements for public works equipment.

More details on these and other projects and replacements may be found in the 2026-2031 Capital Improvement Plan (CIP).

#### Stormwater Management Operating

Stormwater management is funded by a stormwater fee that is billed twice a year on the town's real estate tax bill. Stormwater management operating expenses are projected to increase by \$97,261 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 decrease by \$60,500 compared to FY25. Capital projects related to stormwater enable the Town to meet state-mandated requirements. The Master Drainage Plan Update is planned for \$300,000 and there is a project for Best Management Practices (BMP) Facilities for \$200,000. For further details on stormwater capital projects, please refer to the 2026-2031 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 FY26 is 23%. **An average monthly In-Town residential bill (based on 3,000 gallons of consumption) will increase from \$54.87 to \$67.57.**

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

#### Water & Sewer Operating Expenses

The operating budget has increased by \$328,564 (excluding transfers to capital) due to inflation costs related to chemicals, fuel, and utilities. The proposed FY26 budget plans a transfer to partially cash fund the capital program, which is in line with the recommendations of the rate study.

#### Water & Sewer Capital Expenses

The proposed FY26 budget for water and sewer capital expenses has increased by \$5.0 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 FY26 include:
  - Warrenton reservoir dam - \$3,000,000
  - Mountain tank line power - \$945,000
  - High-rate filter, sediment & flocculation basin - \$8,950,893
  - Dewatered sludge storage - \$750,000
- Major asset replacements planned for FY26 include:
  - Camera truck - \$460,000
  - Facilities physical security - \$150,000
  - Dump truck - \$115,000

More details on these and other projects and asset replacements may be found in the 2026-2031 CIP.  
Personnel

More than 50% of the Town's budget is related to personnel costs, so changes in this area impact all funds. Below are highlights of budgeted personnel items.

- No requests for additional positions - We have continued to realign staff when the opportunity arises to realize greater efficiency and cost savings. Since FY24, the full-time equivalent (FTE) count has dropped by 9.5 FTEs.
- Cost of Living Adjustment (COLA) and Merit Increase - The proposed FY26 budget includes a COLA of 3% effective July 1 and a proposed merit range of 0-3% that will be effective January 1. The COLA impact is \$331,446 across all funds and the merit impact is \$136,959 across all funds.
- Health Insurance - The renewal received from the Town's medical, dental, and vision insurance provider reflected an increase of 8.8% in premiums for FY26.

Town staff continue to focus on citizen engagement through our communications outreach and education about our processes. The first Your Town Academy was a success, with many of the participants recommending the program to friends and family. We plan to conduct Fall sessions of the Academy going forward and continue to look for other opportunities to engage with our citizens.

The public hearings for the budget and to set the calendar year tax rates will take place at the May meeting. During recent discussions, Council members have identified several expenditure categories to review during future budget work sessions.

We look forward to collaborating with the Council to achieve a budget that meets the needs of our community in a fiscally prudent manner.

## **STAFF RECOMMENDATION**

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Staff will provide a presentation on the proposed budget.

### **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 14<sup>th</sup>.
- 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**

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- Proposed FY 2026 budget and 2026-2031 CIP are available starting April 1st, 2025, at <https://www.warrentonva.gov/177/Budget>
  - Outside Agencies – FY 2026 Proposed Town & County