



Office of the Town Manager

Christopher E. Martino

STAFF REPORT

Warrenton Town Council

Carter Nevill, Mayor

Heather Sutphin, Ward 1

William Semple, Ward 2

Brett Hamby, Ward 3

James Hartman, Ward 4 Vice Mayor

Jay Heroux, Ward 5

Paul Mooney, At Large

David McGuire, At Large

Council Meeting Date:	June 13, 2023
Agenda Title:	Fiscal Year 2024 Budget and 2024-2029 Capital Improvement Program
Requested Action:	Consider the Fiscal Year 2024 Proposed Budget and 2024-2029 Capital Improvement Program, as modified, for adoption
Department / Agency Lead:	Finance / Budget
Staff Lead:	Stephanie Miller, Finance Director

EXECUTIVE SUMMARY

The annual budget is typically adopted at the June Council meeting. A public hearing on the budget was duly advertised and held during the May Council meeting and the real estate tax and personal property tax rates were adopted for the calendar year. As a result of work sessions conducted in April and May, several revisions have been made to the proposed budget. These revisions are summarized below.

BACKGROUND

The Town Manager delivered the Fiscal Year 2024 Proposed Budget to Council on March 31, 2023. The proposed budget was drafted in consideration of the feedback received from the Council during the Strategic Retreat held on February 25, 2023.

Tax Rates:

The proposed budget included a proposed increase in the personal property tax rate from \$1.00 to \$1.50 per \$100 of assessed value. The Town Council voted to keep the personal property tax rate at \$1.00 during the May 2023 Council meeting. There was no proposed increase in the real estate tax rate (\$0.0401 per \$100 of assessed value), which was also adopted in May. There are no other proposed tax rate increases in the budget.

Water and Sewer Rates:

Due to updates to the Capital Improvement Program for 2024-2029, the impact of inflation and human capital increases, the Town engaged the services of NewGen Strategies & Solutions to update the most recent rate study. The Town's financial advisors, Davenport & Company, worked closely with NewGen to strategically structure the issuance of debt to minimize the impact of rate increases. The results of the study were presented to Council during the May work session. The recommended rate increase for July 1 is 23%. A public hearing will be held on the rate increase prior to the proposed budget adoption.

Town Manager's Reductions:

As a result of Council feedback received during the April 11 and April 26 budget work sessions, the Town Manager revised the budget to reduce net expenses by \$667,697 across all funds. The General Fund reduction is \$546,825. The revisions are summarized below:

- Removed funding for the Deputy Town Manager and Economic Development Manager.
- Adjusted the 10% classification and compensation increase so that it only applies to employees who were employed as of April 1, 2023.
- Updated personnel data to account for changes since initial budget proposal.
- Reduced vacancy savings figure based on changes noted above.
- Removed the purchase of a wheel loader that was to be cost-shared by the General Fund and the Water and Sewer Fund; added back the cost of renting a wheel loader.
- Added potential grant funding for the purchase of one police vehicle.

Other changes:

The Town's insurance carrier provided our renewal proposal in late May. A review of the premium found that the projected increase used for the proposed budget was insufficient. Additionally, during the remapping of the Fleet budget from an internal service fund to a General Fund department, the auto insurance and fuel amounts were not reprogrammed. The net impact of these two corrections is an increase of \$272,244 across all funds, with an increase to the General Fund of \$230,867.

Impact on Use of Fund Balance:

As originally proposed, the total estimated appropriation for the budget was \$40.8 million, a 31% increase over FY23. The proposed use of fund balance was **\$4,378,808**. The projected ending unassigned fund balance was **48.3%**, which fell below the adopted fund balance policy threshold of 50%.

The revisions noted above bring the use of fund balance to **\$4,394,803**, which is **\$15,995** more than the amount proposed in the budget originally and will bring the projected ending fund balance as of June 30, 2024 to 47.6%. The use of fund balance for operating costs is \$193,094. It is important to note that this assumes that capital projects typically span more than one fiscal year.

Comparison of Proposed Budget Summary to Revised Budget Summary as of 6/3/2023:

The net impact of the revisions made reduced the total appropriations from \$40.8 million to \$40.4 million. The General Fund operating decrease is \$100,959. The chart on the next page shows a comparison of the proposed budget to the current version before Council this evening.

<u>ESTIMATED REVENUES</u>		Proposed	6/13/2023	Variance from Proposed
GENERAL FUND	Current Revenue	\$18,134,065	\$17,802,111	(\$331,954)
	Use of Fund Balance	4,378,808	4,394,803	\$15,995
	Transfers in	539,913	539,913	-
	Other sources	-	-	-
	GENERAL FUND TOTAL	\$23,052,786	\$22,736,827	(\$315,959)
OTHER FUNDS	Capital Projects	\$2,770,359	\$2,770,359	\$ -
	General Asset Replacement	1,646,350	1,491,350	(155,000)
	Water & Sewer Operating	8,082,832	8,092,362	9,530
	Water & Sewer Capital	5,466,700	5,311,700	(155,000)
	Stormwater Management	1,479,428	1,485,404	5,976
	Motor Pool	-	-	-
	Information Technology	-	-	-
	ARPA Fund	3,269,910	3,269,910	-
	OTHER FUNDS TOTAL	\$22,715,579	\$22,421,085	(\$294,494)
TOTAL ALL FUNDS		\$45,768,365	\$45,157,912	(\$610,453)
LESS TRANSFERS		(\$4,956,622)	(\$4,741,622)	\$215,000
TOTAL ESTIMATED REVENUES		\$40,811,743	\$40,416,290	(\$395,453)

<u>APPROPRIATIONS</u>		Proposed	6/13/2023	Variance from Proposed
GENERAL FUND	Operating	\$18,636,077	\$18,535,118	(\$100,959)
	Capital - Transfers	4,416,709	4,201,709	(215,000)
	GENERAL FUND TOTAL	\$23,052,786	\$22,736,827	(\$315,959)
OTHER FUNDS	Capital Projects	\$2,770,359	\$2,770,359	\$ -
	General Asset Replacement	1,646,350	1,491,350	(155,000)
	Water & Sewer Operating	8,082,832	8,092,362	9,530
	Water & Sewer Capital	5,466,700	5,311,700	(155,000)
	Stormwater Management	1,479,428	1,485,404	5,976
	Motor Pool	-	-	-
	Information Technology	-	-	-
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TOTAL ALL FUNDS		\$45,768,365	\$45,157,912	(\$610,453)
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TOTAL ESTIMATED APPROPRIATIONS		\$40,811,743	\$40,416,290	(\$395,453)

STAFF RECOMMENDATION

Staff recommends that Council adopt the following ordinances and resolutions to adopt and appropriate the Fiscal Year 2024 Budget and to adopt the 2024-2029 Capital Improvement Program:

- **Ordinance 2023-04, an Ordinance to Establish Business, Professional and Occupational License Tax Rate for the Tax Year Beginning July 1, 2023.**
- **A Resolution of the Town Council of the Town of Warrenton establishing the percentage relief granted to qualifying personal use vehicles, subject to the Town of Warrenton's Personal Property Tax, for the 2023 Tax Year.**
- **A Resolution to Adopt and Appropriate the Fiscal Year 2024 Budget and the 2024-2029 Capital Improvement Program.**

Service Level/Policy Impact

The adoption of the budget ensures that the Town's operations are funded to continue providing services to residents as of July 1, 2023.

Fiscal Impact

The total appropriation across all funds is \$40.4 million. The General Fund appropriation is \$22.7 million. The estimated use of fund balance is \$4.4 million.

Legal Impact

Virginia Code § 15.2-2503 requires that the governing body adopt a budget no later than the date on which the fiscal year begins.