



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:	May 9, 2023
Agenda Title:	Fiscal Year 2024 Proposed Budget Work Session
Requested Action:	Consider revisions to the budget and alternatives to the tax rates proposal for adoption of Calendar Year 2023 property tax rates upon conclusion of the public hearing
Department / Agency Lead:	Finance / Budget
Staff Lead:	Stephanie Miller

EXECUTIVE SUMMARY

As a result of discussions during the April 11 and April 26 budget work sessions, the Town Manager has proposed revisions to 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.

Additionally, several alternatives related to the proposed personal property tax rate have been generated for Council consideration. As a point of reference to gauge the impact of the versions, the proposed budget included the use of fund balance in the amount of \$4,378,808.

- **Alternative 1 – reduces the use of fund balance by ~~\$498,899 to \$3,879,909~~ by \$214,872 to \$4,163,936**
 - maintain the personal property rate for all classes at \$1.00 per \$100 of assessed value; and
 - maintain the vehicle license fee.
- **Alternative 2 – reduces the use of fund balance by \$166,268 to \$4,212,540**
 - maintain a rate of \$1.00 per \$100 of assessed value for business personal property and machinery and tools; and
 - raise the general tangible personal property class (which includes vehicles) to \$1.50 per \$100 of assessed value; and
 - eliminate the motor vehicle license fee.

BACKGROUND

The Town Manager's Fiscal Year 2024 Proposed Budget was delivered to Council on March 31, 2023. The budget proposed to:

- **Eliminate the Motor Vehicle License Fee.**
- **Offset the loss of revenue from the elimination of the Motor Vehicle License Fee by increasing the tax rate for all personal property from \$1.00 to \$1.50 per \$100 of assessed value.**
- Dissolve the Information Technology and Motor Pool internal service funds and establish the Information Technology and Fleet Management departments within the General Fund.
- Implement the results of the recently completed Classification and Compensation Study by providing a 10% increase to employees.
- Provide a merit increase ranging from 0-3% to eligible employees, effective January 1, 2024.
- Add seven new positions:
 - Communications Manager
 - Network Engineer
 - Human Capital Generalist
 - Deputy Town Manager
 - Economic Development Manager
 - Building Official
 - Fitness Supervisor

The total estimated appropriation for the FY24 proposed budget is \$40,811,743. Accounting for the dissolution of the internal service funds, the total FY23 appropriation would have been \$31,593,229. This results in an increase from FY23 to FY24 of \$9,218,514, or 29%.

The FY23 General Fund budget, restated for the dissolution of the internal service funds, totals \$16,823,683. The total proposed FY24 General Fund budget is \$23,052,786, or an increase of \$6,227,103, or 37% over FY23. The proposed budget includes year 1 of the capital improvement program. The General Fund transfer to support general capital projects is \$4,416,709, which is a 2108% increase compared to \$200,000 for FY23. It is important to note that in FY23, ARPA funding was used to cover general capital projects and asset replacements. The operating increase from FY23 to FY24 was \$2,010,394, or 12.1%.

STAFF RECOMMENDATION

Staff recommends that Council consider the proposed alternatives for the personal property tax rate for calendar year 2023. Three ordinances have been drafted to reflect the proposed budget and two alternatives. There is no proposed change to the real estate tax rate. To summarize the three options, the impact to the personal property tax rate is:

As proposed: \$1.50 for all classes of personal property
Eliminate the motor vehicle license fee

Alternative 1: \$1.00 for all classes of personal property

Maintain the motor vehicle license fee

Alternative 2: \$1.00 for business personal property and machinery and tools
\$1.50 for other personal property
Eliminate the motor vehicle license fee

Service Level/Policy Impact

The adoption of the ordinance this evening establishes the tax rates for the calendar year and impacts the use of General fund balance for the FY24 Budget.

Fiscal Impact

As outlined above, the decision regarding a tax rate structure will impact the use of General fund balance in the FY24 budget. The use of fund balance for each option is as follows:

As proposed - \$3,831,983

Alternative 1 - ~~\$3,879,909~~ \$4,163,936

Alternative 2 - \$4,212,540

Legal Impact

Per Town Code, the tax rates for the calendar year must be established by May 14th each year.