



**TOWN COUNCIL OF THE TOWN OF WARRENTON
TOWN HALL
21 MAIN STREET
WARRENTON, VIRGINIA 20186**

MINUTES

**A WORK SESSION OF THE COUNCIL OF THE TOWN OF WARRENTON WAS HELD ON
June 8, 2022, AT 7:00 P.M. IN WARRENTON, VIRGINIA**

WORK SESSION

PRESENT

Mr. Carter Nevill, Mayor; Mr. James Hartman, Vice Mayor; Mr. Kevin Carter; Mr. Brett Hamby; Ms. Heather Sutphin; Mr. Renard Carlos; Ms. Brandie Schaeffer

Present VIA Zoom

Mr. William Semple; Mr. Sean Polster

ABSENT

CALL TO ORDER

The meeting was called to order at 7:00 P.M. A physical quorum was present. Two members are attending electronically. Mr. William Semple was located in Ocracoke, North Carolina. He stated he was absent because he was on vacation. Mr. Sean Polster stated he was on Interstate 81. He stated he was absent because he was working.

Budget Discussion

Ms. Schaeffer stated the goal for the meeting was to have Council direct a scenario for staff to create the FY23 budget. She began with a presentation that reviewed the May 10th and May 18th work sessions.

Ms. Schaeffer reminded Council that at the May 10th meeting, Council held a Public Hearing and unanimously voted to change the Real Estate Tax rate from .05 to .04011 to equalize the rate.

Ms. Schaeffer discussed that at the May 18th work session, Council provided direction to staff to

include proposed personnel-related items for existing personnel only, include unavoidable increases to contractual increases or inflation, remove new positions for separate consideration and examine a moderate increase to be offset with various strategies.

Ms. Schaeffer turned the presentation over to Ms. Price to discuss the revised baseline revenues and expenditures for FY23.

Ms. Price gave a presentation that showed the impact of the proposed baseline revenues per the direction of Council.

Ms. Price introduced a scenario-building model she built to help Council visualize the FY23 budget.

Ms. Schaeffer discussed the building of the model, stating that it focused on anything that was an enhancement or above what was previously in the budget. She noted that the charts that Council has seen before are baked into the creation of the model. It was explained that checking the boxes was not to take something away from the numbers shown already but to add that request to the budget and see the impact it would have. Staff had been directed to remove any additions to the FY23 budget for the model creation.

Ms. Schaeffer continued to demonstrate the model to Council with examples of requests from the Council for the FY23 budget. She highlighted why some of the items were included and gave a brief overview of each item while she showed how the model works. She opened up the model to Council for them to create different scenarios for discussion.

Mayor Nevill thanked all the members of the Council who took the time with staff and Ms. Schaeffer to review this model and offer their feedback and advice—noting that it was beneficial to staff. He turned the discussion over to Council for a markup markdown approach suggesting starting section by section.

Councilman Semple asked about the calculation for the fund balance, asking to review if the fund balance was based on a projection of FY22 revenue and expenditures.

Ms. Price stated that it was based on the most recent revenue and expenditure projections.

Councilman Semple questioned if there was a column showing the projections for the current year. He stated that he thought it beneficial to see what Council is currently spending in each of these categories because they would be adjusting.

Ms. Price stated that the particular information was not in this presentation.

Ms. Schaeffer offered to pull up the requested data for Councilman Semple. Noting that the information was reviewed by staff.

Councilman Semple noted that he thought it was too late for this evening's presentation.

Ms. Schaeffer conferred with staff and offered a potential solution to Councilman Semple.

Councilman Semple said he wanted to have confidence that when making the changes to the fund balance as we are looking at it, the fund balance is based on where we will be at the end of this fiscal year.

Mayor Nevill spoke about his credence of Ms. Miller as far as the adopted and amended numbers presented, noting that there have not been any significant deviations that should be cause for concern. He said that he respects the Councilman's request for this information and that staff should provide it. Still, he thinks that Ms. Miller and Ms. Price have demonstrated experience and a history of accurate projections, and that the revenue has been an acceptable mean deviation to not cause us any concerns to be able to make an informed decision this evening.

Councilman Semple thanked the mayor for his opinion but stated that he disagreed. He feels that Council is talking about percentages where they may be running very close to being below the 50% threshold, and he believes it is a matter of some concern going into this session. He noted that he didn't want to overburden the staff; he just wanted clarification going into the session that the fund balance accurately represents the best staff projection. It would have been nice to see a year-over-year as well as a projection. He was noting that with talking about deviations now, \$10,000 here or \$50,000 there. It all adds up. He believes that it's a wise thing to have.

Ms. Schaeffer stated that she had the report here. Noting no significant deviations as they would have brought that information to Council.

Councilman Semple noted that with the screen he was using, it was hard to see the numbers. He requested that the information be shared with him offline.

Ms. Schaeffer noted that she would create that report and send it to Council after the meeting.

Councilman Semple further clarified data points on the presentation with staff.

Mayor Nevill offered that he believed the question councilman Semple was asking if the fund balance reflected in the model current with up-to-date projections.

Ms. Price confirmed that it was.

Councilman Semple remarked that we're looking at a more favorable outcome against our FY22, and that is factored into the current model that you proposed.

Ms. Price confirmed that and noted that the model was linked to that report.

Mr. Semple Thanked Ms. Price for answering his question.

Mayor Nevill suggested moving back to the model to discuss expenditures and revenue streams.

Councilman Carlos requested to see scenario two and scenario three that staff had prepared to better make an informed decision.

Mayor Nevill informed Council that the scenarios represented are opportunities for the Council to create scenarios that we can manipulate. Council would build those in this mark-up and mark-down session He explained that this was an opportunity for Council to determine priorities

assuming a flat budget with the salary and non-optional revenue increases and where Council would go from there.

Councilman Carter inquired about the use of fund balance, and the dollar amount Council would need to stay under to be within the policy.

Ms. Schaeffer worked through the model to show the Councilman the delta between the policy limit and the current 39.6m

Ms. Price answered that it was about \$1.5 million.

Councilman Semple clarified the Fund Balance policy and when the plan would need to be established to repay the difference looking for when that plan would need to be implemented.

Ms. Miller explained the Fund Balance Policy and that it would be calculated at the end of the year if it found that Council had violated the fund balance. She recommended that if Council adopted a budget that would take the fund balance below 50%, Council would have to come back and establish a plan to rectify that with the Fund Balance.

Councilman Carlos inquired about the balance of unallocated ARPA funds that could be used as revenue replacements due to the economic conditions.

Ms. Miller replied that the unallocated balance was 2.7 million dollars.

Councilwoman Sutphin confirmed that Council had three years to bring back up the balance according to the Fund Balance Policy and what the consequences were if that was not met.

Ms. Miller suggested at that time that she would recommend Council revise their policy. If Council were looking to continue down that path, she would recommend bringing Davenport back to explore options. She further spoke about the implications of changing the Fund Balance Policy and gave examples of what other localities use for their policies. She noted that it might impact the credit ratings and issuing debt, especially with potentially borrowing for the water and sewer fund. The Town has been issuing general obligation bonds to finance the water and sewer fund, which has the government's full backing, not just pledging revenues from the water and sewer fund. It's essential to maintain a sufficient balance or look at restructuring.

Councilman Carlos inquired about the total amount of ARPA funds and a line-by-line detail about the allocated funds to potentially move things around with those funds.

Ms. Miller stated that there were previous presentations we could bring up, though staff has been moving forward with the projects at the direction of the Council, so some funds have been spent.

Councilman Hamby noted that Council set the 50% minimum fund balance since Warrenton was not AAA Bond rated. He said that personally, he could not support a budget that would take the Town below to 39% next year—stating that the Town itself depends on keeping the fund balance at a workable level.

Mayor Nevill agreed.

Councilwoman Sutphin agreed with Councilman Hamby and expressed concerns about using the ARPA funding to fill the holes in the budget as it is only a one-time set of funds.

Councilman Carlos agreed with Councilwoman Sutphin that the use of ARPA funds should be carefully considered. Noting that one potential use was revenue recovery as there are other tax increases across the board. He mentioned that we were heading into economic headwinds and suggested using ARPA funds to alleviate tax increases this year and revisit the revenue issues next fiscal year. He said potential sources for new revenue next year, like Boundary Line Adjustments.

Mayor Nevill reminded Council that they previously had been reluctant to use ARPA funds for reoccurring costs. Using those funds now would be a reversal of stated opinions. He agreed with Councilman Hamby that this was not the time to go into deficit spending and that Council should not dip below 50% of the fund balance. He turned the floor over to Council to discuss scenarios and revenue funding.

Ms. Schaeffer reminded the Council of the previous ARPA spending that was brought before the Council in March. She reviewed potential projects and reminded the Council of requests that staff has already begun moving forward with at the direction of the Council.

Councilman Semple inquired about other municipalities that used funds for revenue recovery.

Ms. Schaeffer said that staff could research what other municipalities have done but did not have that information readily available. She spoke to the timeline constraints of the ARPA funds and how most other small jurisdictions were using the funds to cover projects already slated to begin noting the challenges of smaller jurisdictions adding on additional high dollar projects in a given year due to staff demands and availability of products. Culpeper is following that same procedure. The staff's recommendation is to continue to focus on the water and sewer area.

Councilman Semple agreed and supported using ARPA funds to increase the capacity or reliability of long-term capital needs. He thinks that Councilman Carlos brought up a good idea of other projects on the CIP that the ARPA funds could be used to shift money around for additional funding opportunities.

Ms. Schaeffer said that the remaining balance could be used to accomplish that or could also be used to invest in other water and sewer projects, further buying down the rate implications. She did note that Council could also look on the general fund side.

Mayor Nevill noted that Economic development was also one of the categories for ARPA funds.

Councilman Carlos clarified some categories that ARPA funds could be used for based on the presented model. He asked for a breakdown of the IT infrastructure line in the model.

Ms. Schaeffer broke down the IT infrastructure costs listed in the model. She explained the rationale behind bringing all IT costs under one department for better reporting and tracking. For example, the Police Department body cameras and interview room system are at the end of life, those costs are under the IT department as IT would manage the infrastructure and contracts. She pointed out that \$100,000 would be a reoccurring cost annually.

Councilman Carlos continued to ask questions to understand the IT infrastructure costs better.

Ms. Schaeffer elaborated on the IT costs and associated increases in both cost and reliability.

Councilman Carlos asked Ms. Schaeffer to provide a breakdown of the requested fitness equipment replacements. She spoke about the WARF policy of replacing or refurbishing equipment over ten years old. She confirmed that this equipment was outside the life cycle and would have to be removed or replaced as a safety issue.

Councilman Carlos stated that there were two treadmills on the list for replacement. He asked for the number of Treadmills currently at the WARF and if that number was more than two.

Councilman Hamby requested creating a scenario in the model with everything removed and a flat-funded budget.

Ms. Schaeffer created the scenario and showed a policy reserve balance of 39.6%.

Councilman Semple asked about the impact of the potential changes to the grocery tax.

Ms. Price stated that the grocery tax impact was \$131,000.

Councilman Hamby continued to modify the model, explaining how it would work from Ms. Schaeffer and Ms. Price.

Councilman Semple inquired about the difference between the projected model and the submitted budget. His main point was that the submitted budget did not impact the Fund balance as much as was currently shown in the model.

Ms. Price said the model included an additional \$1,000,000 of commitments for transportation projects that the Council had signed off on.

Ms. Schaeffer noted that inclusion of the Transportation project commitments are included in the out years, and it had not occurred to her to include it before since Council had not come so close to violating the fund balance before. She looked at when the first rounds of funds would be due on the transportation projects and wanted to have Council acknowledge those commitments and address how they would like those funds to be captured in the future.

Councilman Semple asked if they had adopted the budget as presented, would those additional funds also put the fund balance in jeopardy.

Ms. Schaeffer said it was a simple procedure to take that additional funding out of the model but wanted to bring attention to it as the projects would start being funded in the upcoming years. This payment is so large that she wanted to bring it to the attention of the Council. She noted that Council could proceed that way if they preferred.

Councilman Semple expressed concern about consistency in modeling the budget.

Ms. Schaeffer would like the Council to know that this expense exists and would not be eligible for ARPA funds. This payment would not go into the FY23 Balance, but as Council is projecting

to dip below the fund balance threshold, she wanted to bring this back in front of the Council for visibility in projecting out for the next few years.

Councilman Semple thanked her for bringing this to Council's attention and noted that it should be included in the budget process to capture the transportation commitments.

Ms. Schaeffer suggested that Council decide how to capture these moving forward.

Councilman Carter suggested pulling the \$1,000,000 balance out of the projections for the fund balance, suggesting that the Town's circumstances may be very different in 2024 and that Council can address that cost at that time.

Councilman Polster agreed with Councilman Carter and suggested putting the \$1,000,000 back into the budget. He appreciated the transparency from staff but wanted to stay consistent with the analysis. He further suggested returning the budget to the Town Manager and staff to find additional funding opportunities to cut.

Councilman Carlos asked Ms. Schaeffer to discuss the personnel requests. He asked who was currently in the Clerk role and questioned whether it was a part-time position.

Ms. Schaeffer answered that Stephen Clough was the Town Clerk and pointed to him at his station.

Councilman Carlos continued to ask about personnel requests. He suggested combining multiple positions into an Assistant Town Manager role who would be able to take on some of the proposed positions in a consolidated fashion. He noted that for efficiency's sake and with projected budget research, it could be potential cost savings in terms of salary.

Councilman Hamby agreed that there was an efficiency that could be found, but if Council did not figure out the critical ingredient of funding, nothing more could be figured out. He reminded Council that they did still have the work session before the next Council meeting.

Councilman Polster sought clarification from Staff on the Grocery tax and if they knew what the State had decided to do with its budget.

Ms. Miller stated that she understood that the governor was still reviewing it, and while there are proposals before him, he may send it back to the general assembly. Nothing had been decided yet today.

Councilman Polster stated that he understood that the State tax would be affected, but the local tax would remain to the tune of \$131,000.

Mayor Nevill noted that because that was still on the Governor's desk, it would be speculative to count on those funds. He recommended not relying on those funds.

Councilman Hamby suggested not removing the whole amount of the transportation funding but breaking portions of it out over the next fiscal years to be able to account for the funds based on VDOT's Schedule.

Ms. Schaeffer said that based on conversations she has had with VDOT, the project would begin in 2024. She did not believe that the payments would be due all at once. She did not anticipate any payments to be made until 2024. Per Councilman Carter's request, Staff adjusted the model to remove the \$1,000,000 for transportation projects. Ms. Schaeffer then ran through some scenarios with the model to depict the changes.

Mayor Nevill recommended to Council to upgrade the Town Clerk position. The Town has been operating without a Town Clerk for some time. He believes that working without a Town Clerk is ill-advised in terms of transparency and fulfilling the council's obligations towards minutes and recording and all other needs from the Town Clerk established by the Charter. He continued to suggest investing in the WARF since it was such an outward-facing entity. While others have stated that it should be run like a business, he would like to not compete with private entities and still provide opportunities for fitness and recovery for those who can not afford other options. He also believes that the Grants Officer should be considered noting that that position should be able to provide more revenue funding and offset its own cost as a good return on investment.

Ms. Schaeffer took the mayor's suggestions and updated the model to reflect them.

Councilman Carlos requested a breakdown of the ARPA funds before the next meeting. He advocated for a new role of an assistant Town Manager, suggesting no tax increases and the ability to use ARPA funds to cover the difference.

Councilman Hamby requested more information about the current Grants that the Town has.

Ms. Schaeffer gave a brief overview of the grants the Town has sought. She also elaborated on the need of the Grants Officer regarding reporting needs of the grants and the legal requirements that must be met to avoid issues with keeping the funding. She elaborated on the need to offset the consultant fees from other grants noting that the grant officer would have a year-round workload. It was discussed that due to the workload of others and consultant fees, there were grants that staff has not been able to seek.

Council worked on different scenarios within the model with other ideas and options.

Councilman Carlos suggested morphing the role of Grants Officer and Project Manager into an Assistant Town Manager.

Mayor Nevill reminded Council that the positions we're creating a need to be taken on by individuals. When benchmarked against other localities, it's difficult to continue to depend on asking individuals to continue to take on multiple hats. Council has seen with the position of the Town Clerk that applicants did not come to the number that Council had hoped or expected. He reminded Council that asking one individual to take on the role that three individuals have undertaken in a different municipality is a complex request. These are benchmarked positions that applicants are seeing, and we will only draw the best if they are expected to take on three roles for the pay of one position. He explained the competition that the Town is seeing with the highly competitive job market and that the level of the individual for that combined role would not be cost savings due to the market demands at the level Council expects.

Councilman Hamby agreed with the mayor, speaking from his experience, that when individuals were asked to wear multiple hats, it created discontent and led to poor job performance. He did

like the idea of an Assistant Town Manager and suggested talking about it at the Strategic Retreat. He supported hiring the Grant Officer as only a Grant Officer.

Councilman Semple noted that his history in grant writing led him to believe that this was a complex job for both seeking grants and staying within compliance. He did note that he would like to see a more significant return on revenue for the Grants Officer but was in favor of the position.

Councilman Polster stated that he supported the increase in the cigarette tax and reminded the Council of the potential 1% meals tax increase over the next two years with forgiveness of the BPP tax requesting an update from Staff on that proposal.

Ms. Miller replied that there was still research that needed to be done by staff on that proposal. She did incorporate an estimate in the model as a demonstration for Council.

Councilman Polster suggested options for the budget that Staff incorporated into the model.

Councilman Carlos stated that he was in favor of the cigarette tax increase but was not in favor of any tax increases without an entirely justifiable reason.

Councilman Carter stated that he did not support an increase in taxes at this point. He appreciates the model that was created but would have preferred the model be created in the other direction for Council to explore ways to reduce their current spending. He does not support additional taxes. Nor does he support a fund balance outside of policy.

Councilman Polster responded that he too would support no additional taxes and requested a flat budget.

Mayor Nevill reminded Council that no additional taxes would put Council at 40% of the fund balance.

Council went back and forth on the options before them with details added by Staff.

Councilman Carlos again explained his option to use ARPA funds to give the residents a bit of breathing room in this year's budget and increase taxes in 2024. He noted that the revenues need to be rebalanced in the Town and offered a myriad of ideas that he believes would be best hashed out at a strategic retreat in the future.

Councilwoman Sutphin stated that she supported the 2% meal tax increase. She believes that Council is defunding our Town and that other localities surrounding us all have similar 6% meal tax rates and utilize that money to invest in themselves to provide services that Warrenton cannot. She admitted that when she voted to equalize the real-estate tax rate, she believed she was voting to keep it at 5%. She noted that she had COVID, and she did not hear correctly. She knows no one likes increased taxes, but it needs to happen. We need to invest in the Town.

Vice Mayor Hartman asked if anyone in the room had ever looked at a meals receipt and seen the meals tax unless you've looked for it. He feels the increase of \$2 on a \$100 meal is minuscule. He does not support violating the fund balance policy and supports a 2% meal tax increase. He does not want to burden businesses with an increase this year and next year.

Councilman Carlos noted that he did disagree with his colleagues. He notes that there will need to be an honest conversation about the budget and going into the following year's budget Council should have a Strategic Retreat and a Strategic Budget Retreat to examine the priorities for the Town and have an honest conversation with constituents about the funding levels to pay for these things. He would like to add additional revenue streams through boundary line adjustment and adding sector growth. He is not comfortable with increasing taxes at this point. He would rather see a reduction in services and look at ways to utilize ARPA to reduce taxes on folks.

Councilman Hamby stated that every budget is hard. He feels that Council needs to come back Tuesday and continue to use the work session to work through the budget again. He thinks that Council can discuss all the additions after the revenue has been finalized.

Mayor Nevill believes that the revenue streams are the crux of our discussion this evening. He believes that there has been only one revenue increase in the last ten years. He spoke to the reports from previous Councils and Davenport, the Town's financial advisors, and made suggestions for small increases annually to not impact the citizens with a significant rate increase at once. He asked Council to come back on Tuesday prepared to fund the Government appropriately as the suggestions from Council are implemented. He reminded Council that if more time was needed to deliberate after Tuesday, all necessary time would be taken.

Councilman Semple confirmed the date that the budget needed to be passed.

Ms. Schaeffer responded that June 30th would be the suggested final date for adoption, though if Council would like to implement emergency procedures, that could be taken into account.

ADJOURN

With no further business, this meeting was adjourned at 9:30 p.m.

I hereby certify that this is a true and exact record of actions taken by the Town Council of the Town of Warrenton on June 8, 2022.

Christopher E. Martino
Town Recorder