



TOWN OF
WARRENTON

FISCAL DATA UPDATE

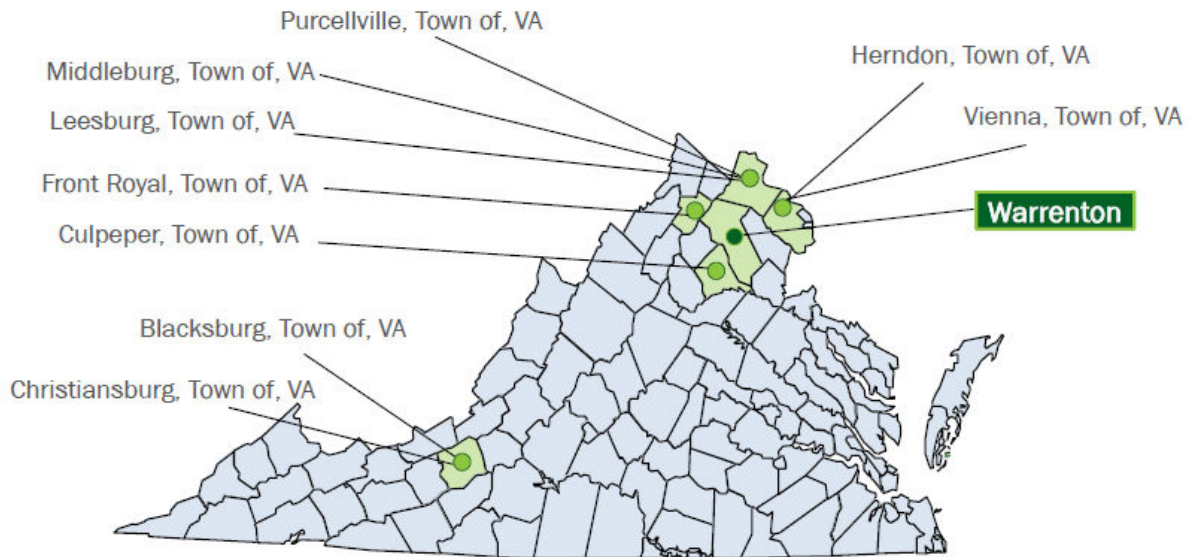
April 1, 2024



BACKGROUND

At the February 25, 2023, Fiscal Retreat, staff provided a fiscal review and analysis to the Town Council. This information has been updated and is provided as a supplement to the Proposed Fiscal Year 2025 Budget.

BENCHMARK COMMUNITIES (PEER COMPARISON GROUP)



The Town’s financial advisors, Davenport & Company LLC, created this benchmark peer group for the Town in 2019 when they conducted a General Fund Revenue Review and a confirmation of our fund balance policy level. This group was chosen for a variety of reasons. Blacksburg and Christiansburg are included even though they are in southwest Virginia because they have some operational characteristics that are similar, and their policies and practices may, in large part, align with ours. For example, Christiansburg operates an aquatic facility like the WARF.

Since this group was established, we refer to them as our benchmarks. When evaluating changes, we compare our data to this group and may pull in other regional governments or utilities depending on the type of change proposed.

Data on Median Family Income and Median Home Value for our benchmarks is provided on the following page. The data is from the most recently available US Census for 2022.

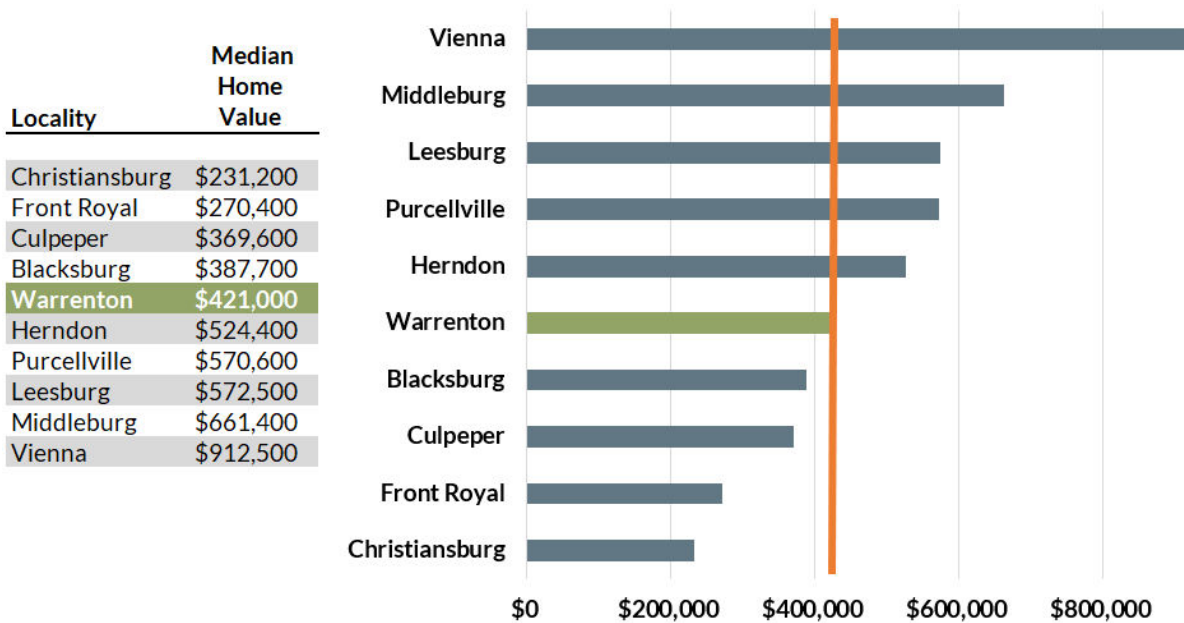
MEDIAN FAMILY INCOME COMPARISON

The table and graph below show the median family income comparison for Warrenton and our benchmarks. Warrenton falls between Blacksburg and Middleburg.



MEDIAN HOME VALUE COMPARISON

The table and graph below show the median home value comparison for Warrenton and our benchmarks. Warrenton falls between Blacksburg and Herndon.



UNASSIGNED FUND BALANCE POLICY

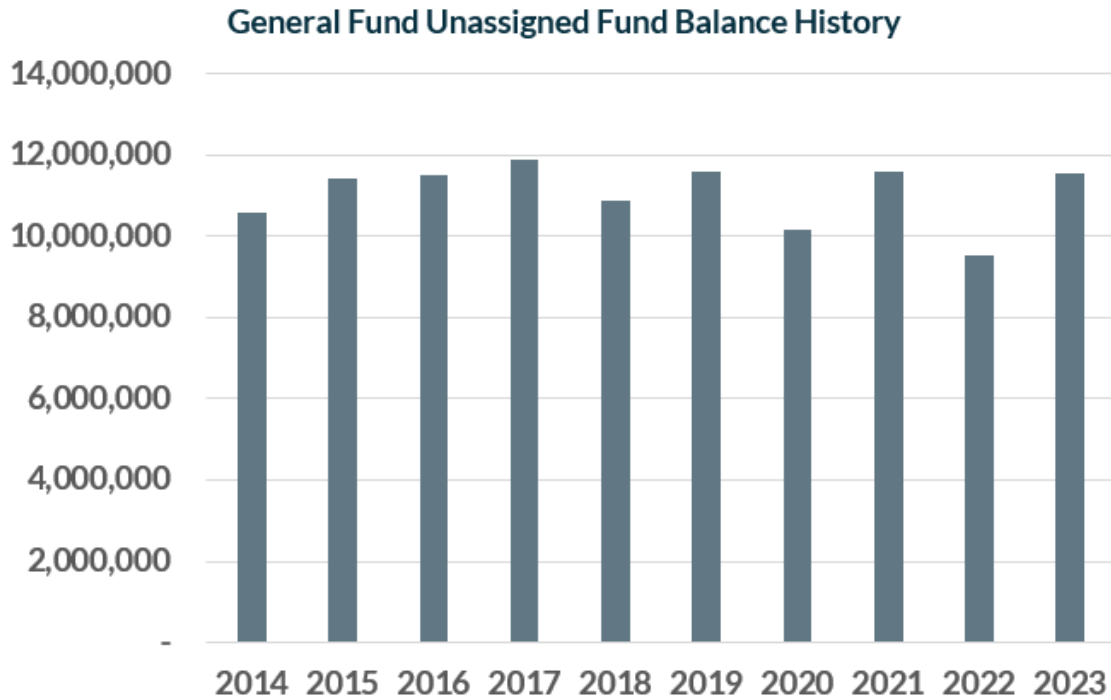
The Town follows an adopted policy to maintain a minimum unassigned fund balance in the General Fund equal to 50% of the current annual operating expenditure budget. The table below provides details on compliance with this fund balance policy. The left-hand side shows the amounts reported in the Town’s annual comprehensive financial report for each of the past ten fiscal years for General Fund Unassigned Fund Balance and total General Fund Expenditures.

The columns to the right show the General Fund Unassigned Fund Balance as a percentage of the General Fund Expenditures for that year. The policy floor for each year is shown as 50% for illustrative purposes. The current policy was adopted in 2016. Prior to that, the Town adhered to a minimum fund balance policy level of 15%.

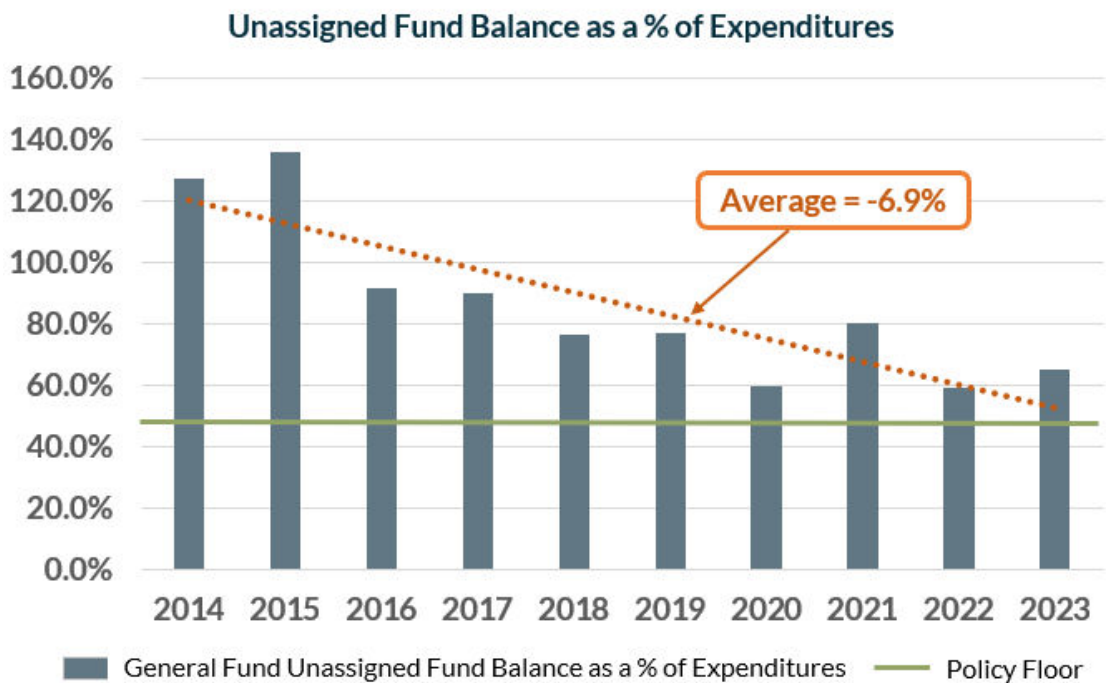
Fiscal Year	General Fund Unassigned Fund Balance	General Fund Expenditures	General Fund Unassigned Fund Balance as a % of Expenditures	Policy Floor
2014	10,593,545	8,311,001	127.5%	50.0%
2015	11,431,690	8,405,083	136.0%	50.0%
2016	11,521,316	12,572,684	91.6%	50.0%
2017	11,871,309	13,177,504	90.1%	50.0%
2018	10,894,756	14,174,381	76.9%	50.0%
2019	11,611,907	15,104,029	76.9%	50.0%
2020	10,178,740	16,968,273	60.0%	50.0%
2021	11,575,773	14,387,844	80.5%	50.0%
2022	9,542,190	16,129,651	59.2%	50.0%
2023	11,537,274	17,616,040	65.5%	50.0%

The charts on the next page illustrate the details from the table above.

The chart below illustrates the 10-year fund balance history.



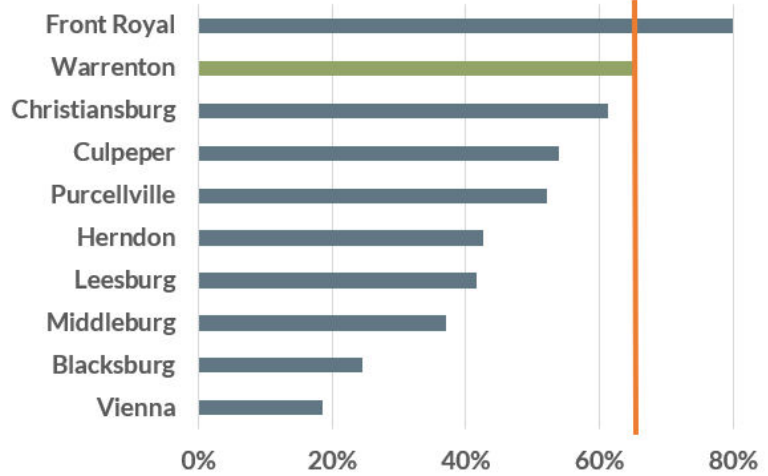
The next chart illustrates the Town's compliance with the adopted General Fund Unassigned Fund Balance policy over the last 10 years. The bars represent the fund balance as a percentage of general fund expenditures. The green line illustrates the 50% policy floor, and the dotted orange line shows the downward trend in the percentage.



Unassigned Fund Balance as a Percentage of Expenditures – Benchmark Comparison

The table and chart below compare Warrenton’s unassigned fund balance as a percentage of general fund expenditures to our benchmarks. Data presented below is based on the most recent annual comprehensive financial reports (FY 2023).

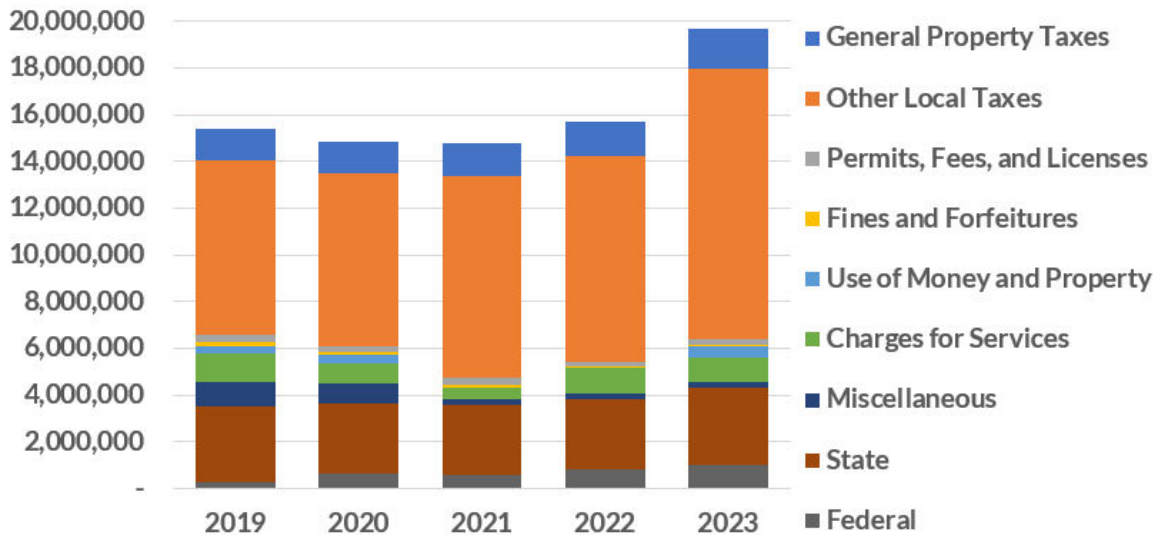
Locality	Unassigned Fund Balance compared to Expenditures (General Fund)	
	%	\$
Vienna	19%	5,664,359
Blacksburg	25%	9,767,609
Middleburg	37%	2,491,205
Leesburg	42%	28,342,103
Herndon	43%	17,357,274
Purcellville	52%	10,170,282
Culpeper	54%	13,085,507
Christiansburg	61%	26,889,997
Warrenton	65%	11,537,274
Front Royal	80%	11,908,855



HISTORICAL GENERAL FUND FINANCIALS

General Fund Revenues

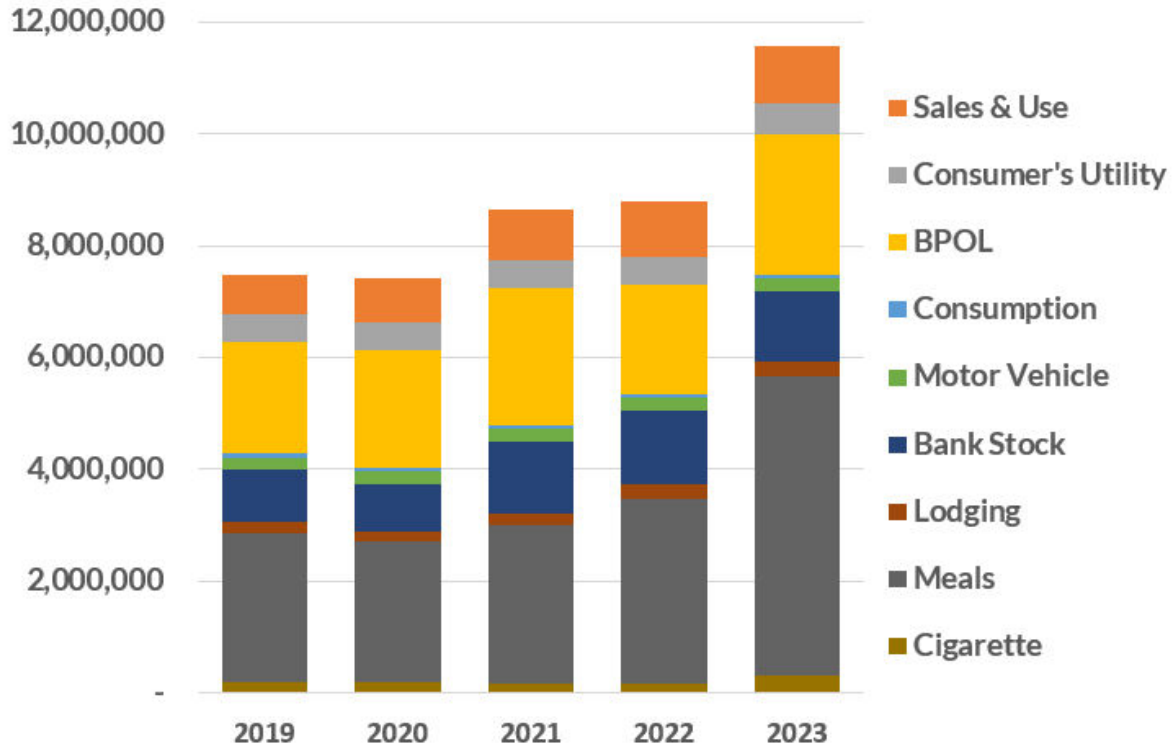
The chart and table below provide five (5) years of historical General Fund revenues by source.



General Fund Revenues

Fiscal Year	2019	2020	2021	2022	2023
General Property Taxes	1,312,429	1,342,789	1,379,006	1,461,261	1,739,907
Other Local Taxes	7,490,756	7,421,820	8,658,389	8,785,869	11,581,881
Permits, Fees, and Licenses	257,969	226,685	294,301	207,878	219,987
Fines and Forfeitures	188,749	155,478	112,113	76,229	72,505
Use of Money and Property	348,274	329,960	25,995	(95,166)	488,121
Charges for Services	1,203,731	871,183	468,599	1,075,663	1,019,342
Miscellaneous	1,060,766	887,871	264,835	238,715	283,266
State	3,243,275	3,004,887	2,970,530	2,999,607	3,258,781
Federal	266,730	628,363	596,798	839,985	1,045,074
Total	15,372,679	14,869,036	14,770,566	15,590,041	19,708,864

As shown in the preceding graph and table, the largest contributor to the Town's General Fund Revenue is the category of Other Local Taxes. Within this category, the Town's two (2) largest sources are Meals Tax and Business, Professional, and Occupational License Tax (BPOL). The graph and table below provide a breakout of that category.

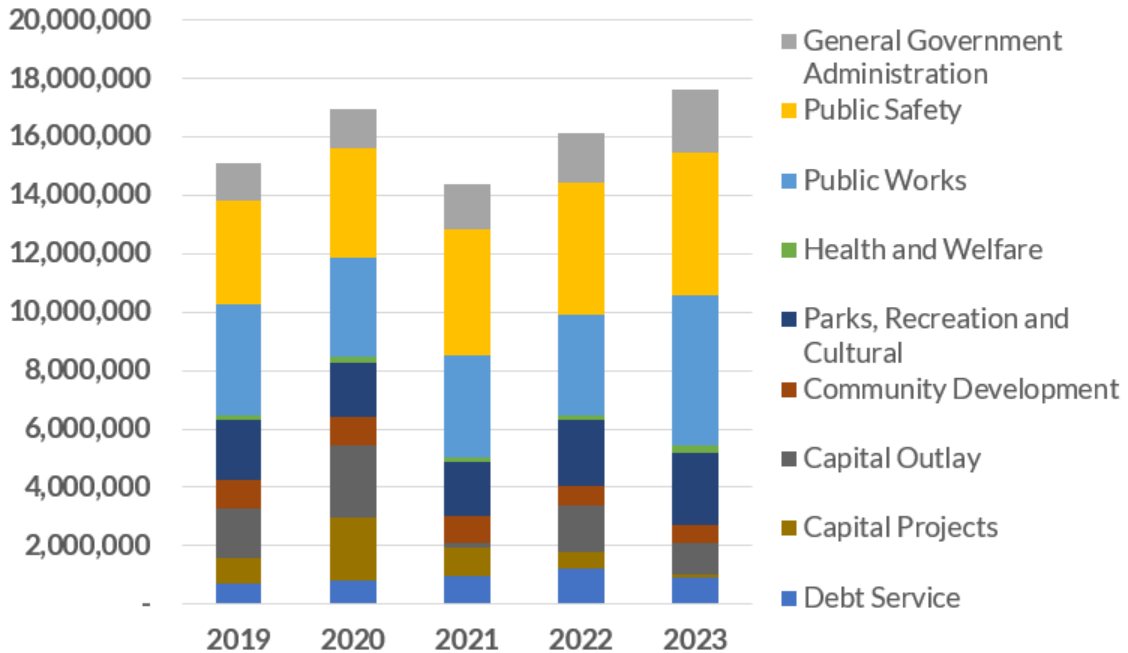


Other Local Taxes

Fiscal Year	2019	2020	2021	2022	2023
Sales & Use	709,173	781,649	925,159	978,837	1,018,823
Consumer's Utility	498,267	501,059	495,402	499,103	578,030
BPOL	1,998,815	2,103,568	2,438,043	1,964,786	2,511,960
Consumption	70,212	68,131	61,994	60,354	67,514
Motor Vehicle	216,600	237,353	239,788	219,887	224,882
Bank Stock	932,498	830,298	1,292,086	1,330,962	1,248,013
Lodging	220,994	182,606	197,050	261,215	270,943
Meals	2,659,254	2,515,018	2,828,431	3,296,859	5,346,726
Cigarette	184,943	202,138	180,436	173,866	314,990
Total	7,490,756	7,421,820	8,658,389	8,785,869	11,581,881

General Fund Expenditures

The graph and table below provide five (5) years of historical General Fund Expenditures by functional area.



Expenditures by Function

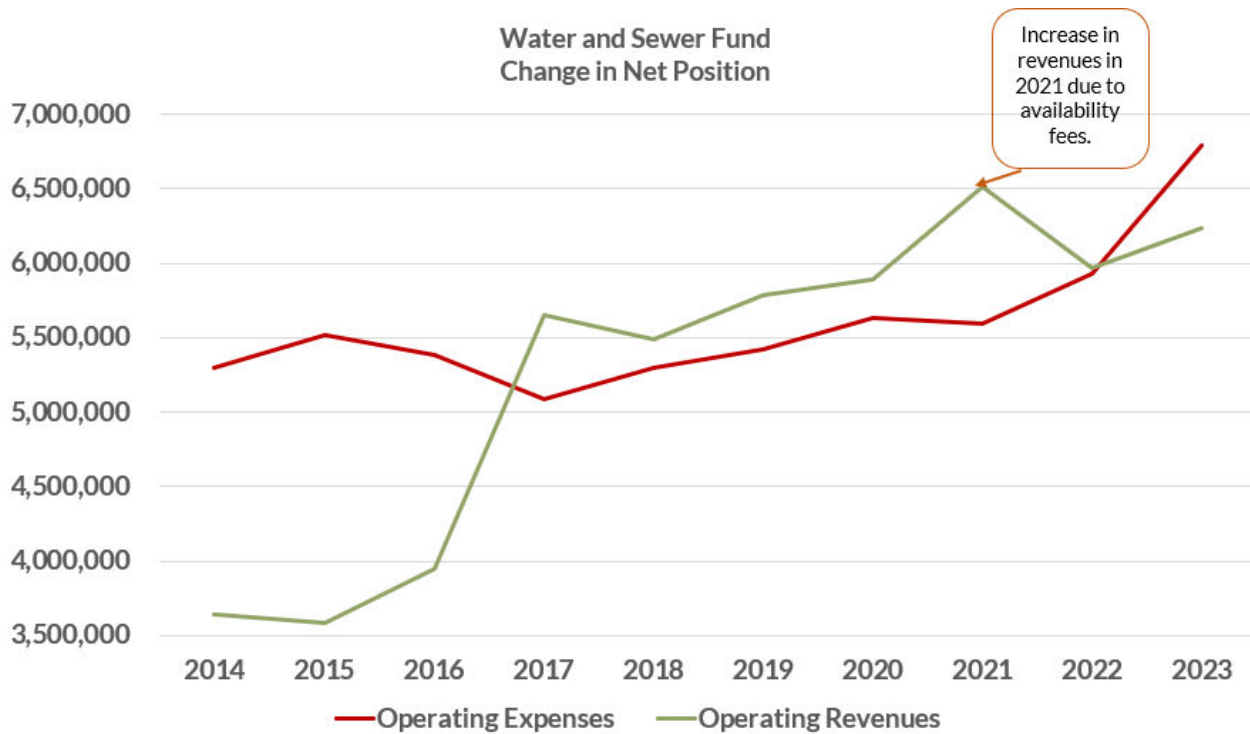
Fiscal Year	2019	2020	2021	2022	2023
General Government Administration	\$ 1,292,870	\$ 1,346,561	\$ 1,543,266	\$ 1,716,121	2,168,979
Public Safety	3,536,374	3,731,363	4,316,166	4,488,739	4,856,095
Public Works	3,796,095	3,443,271	3,498,257	3,466,980	5,144,171
Health and Welfare	161,934	177,910	183,554	173,361	259,011
Parks, Recreation and Cultural	2,040,281	1,855,164	1,851,122	2,216,458	2,454,818
Community Development	998,655	956,701	893,149	714,724	616,632
Capital Outlay	1,689,813	2,469,442	141,058	1,595,088	1,095,428
Capital Projects	870,375	2,170,295	993,676	529,010	135,899
Debt Service	717,632	817,566	967,596	1,229,170	885,007
Total	\$ 15,104,029	\$ 16,968,273	\$ 14,387,844	\$ 16,129,651	\$ 17,616,040

WATER & SEWER FUND

Historical Financials - Change in Net Position

The chart and table below provide details on the revenue and expenses of the Water & Sewer Fund over the past ten (10) years and the change in net position of the fund. Net position is similar to equity in the for-profit world. It is the difference between the assets and liabilities of the fund.

For the past two years, operating expenses have outpaced operating revenues due to inflation and increased costs related to the maintenance and repair of the aging infrastructure. This has resulted in a decrease in net position in 2022 and 2023.



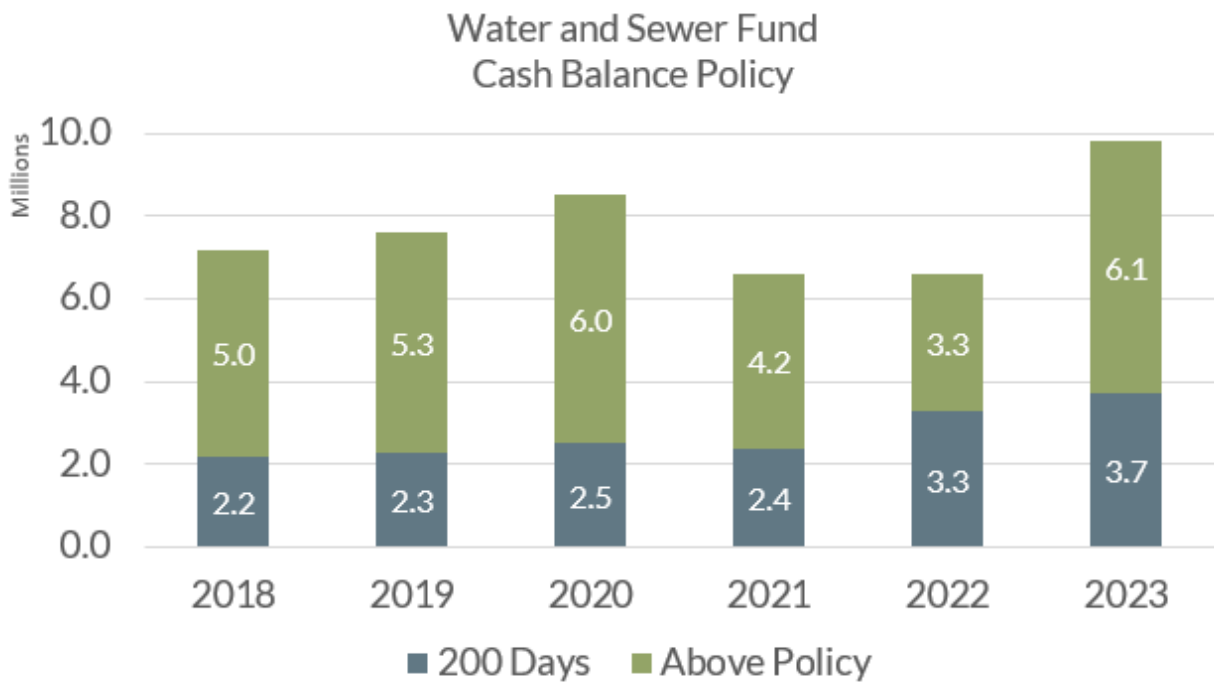
Fiscal Year	2014	2015	2016	2017	2018
Operating Revenues	3,638,503	3,588,448	3,948,790	5,652,278	5,485,203
Operating Expenses	5,300,755	5,514,237	5,383,099	5,086,703	5,302,082
Non-operating revenues (expenses)	287,875	326,470	419,587	153,331	(19,700)
Change in net position	(1,374,377)	(1,599,319)	(1,014,722)	718,906	163,421

Fiscal Year	2019	2020	2021	2022	2023
Operating Revenues	5,785,979	5,887,602	6,512,552	5,970,588	6,236,259
Operating Expenses	5,426,353	5,634,644	5,597,855	5,931,527	6,787,986
Non-operating revenues (expenses)	92,370	(45,983)	(148,747)	(159,169)	75,907
Change in net position	451,996	206,975	765,950	(120,108)	(475,820)

Cash Balance Policy

The Town Council adopted a cash balance policy for the Water & Sewer Fund that requires the fund to maintain a cash balance equivalent to 200 days of operating expenses. From 2018 through 2021, the 200 days calculation was in the range of \$2.2 million to \$2.4 million. The balance required has grown over the past two (2) years due to inflationary pressures on operating expenses.

The overall cash balance reported at the end of 2023 is higher due to the issuance of \$5.15 million in debt that has not been fully drawn down yet.



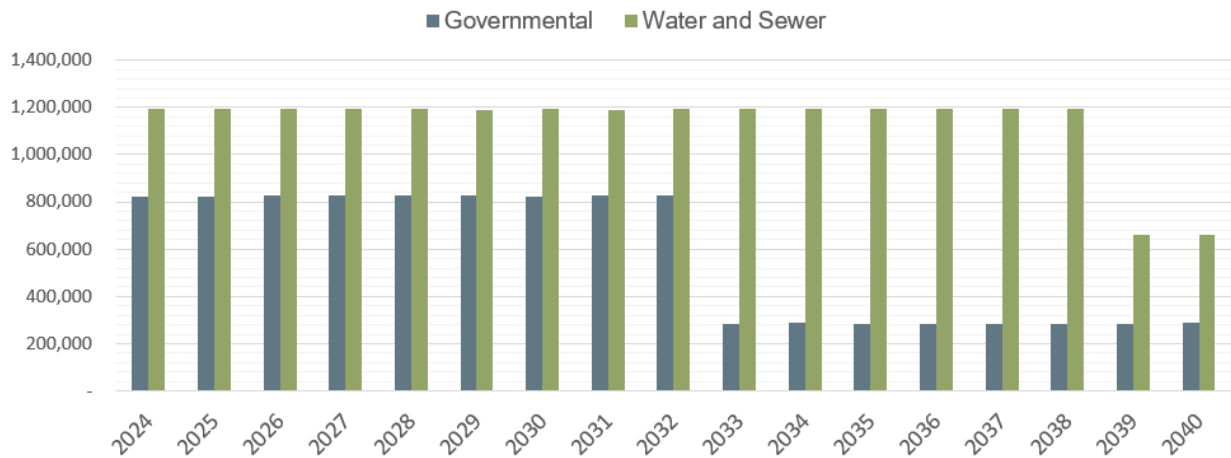
OUTSTANDING DEBT BALANCES

As of June 30, 2023, the principal balances of outstanding debt for the Town are:

General Obligation Bonds:	Interest Rate	Final Maturity Date	Amount of Original Issue	Outstanding Balance, as of June 30, 2023	
				Governmental	Water and Sewer
Refunding Series 2021A	2.75%	1/15/2038	\$ 6,935,000	\$ -	\$ 6,436,000
Refunding Series 2021B	1.54%	10/1/2039	\$ 12,695,000	\$ 7,690,000	\$ 3,715,000
Series 2022 Bond	2.90%	10/1/2039	\$ 5,150,000	\$ -	\$ 5,150,000
				\$ 7,690,000	\$ 15,301,000

The Town's annual debt service requirements for payment of principal and interest are shown below:

Annual Debt Service Requirements

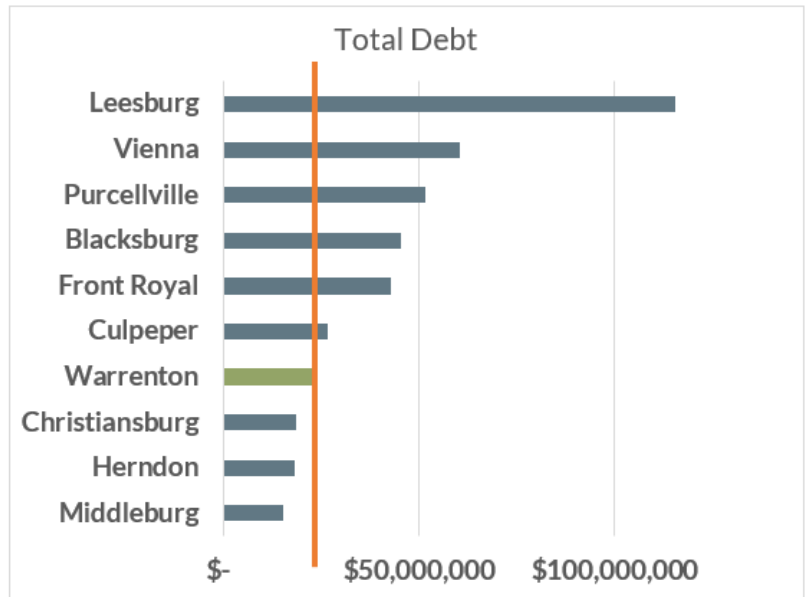


Fiscal Year	Governmental			Water and Sewer		
	Principal	Interest	Total	Principal	Interest	Total
2024	500,000	324,238	824,238	740,000	453,627	1,193,627
2025	525,000	297,972	822,972	767,000	428,999	1,195,999
2026	560,000	270,169	830,169	790,000	403,510	1,193,510
2027	585,000	240,828	825,828	816,000	377,130	1,193,130
2028	615,000	210,078	825,078	845,000	349,773	1,194,773
2029	650,000	177,663	827,663	869,000	321,497	1,190,497
2030	680,000	143,581	823,581	899,000	292,303	1,191,303
2031	720,000	107,706	827,706	927,000	262,033	1,189,033
2032	755,000	69,909	824,909	963,000	230,602	1,193,602
2033	240,000	46,063	286,063	994,000	199,539	1,193,539
2034	250,000	37,656	287,656	1,024,000	169,822	1,193,822
2035	255,000	31,041	286,041	1,052,000	141,308	1,193,308
2036	260,000	25,569	285,569	1,080,000	113,252	1,193,252
2037	265,000	20,106	285,106	1,108,000	84,558	1,192,558
2038	270,000	14,653	284,653	1,137,000	55,225	1,192,225
2039	275,000	8,978	283,978	637,000	24,996	661,996
2040	285,000	3,028	288,028	653,000	8,403	661,403
	<u>7,690,000</u>	<u>2,029,238</u>	<u>9,719,238</u>	<u>15,301,000</u>	<u>3,916,576</u>	<u>19,217,576</u>

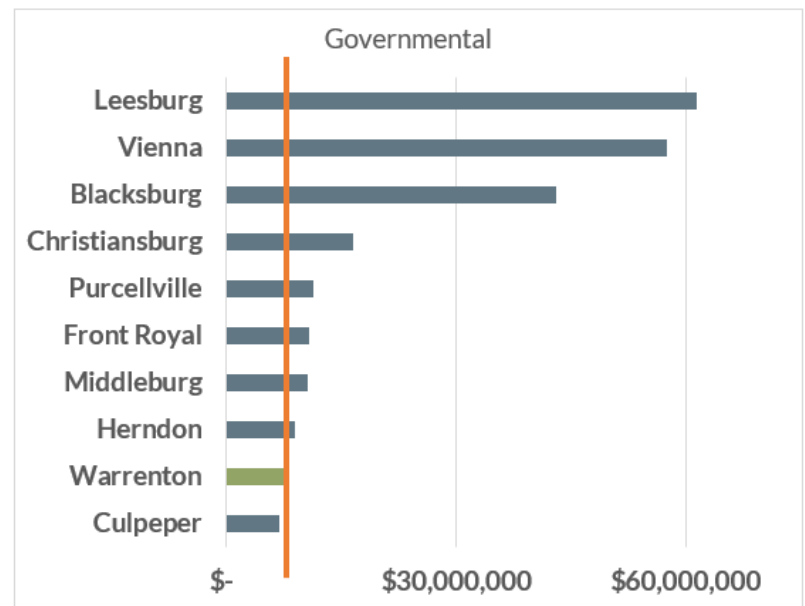
BENCHMARK COMPARISON: Total Outstanding Debt

The Town Council has requested a comparison of debt outstanding in similar localities. The following provides a summary of the amount of debt reported as outstanding as of June 30, 2023, by our benchmarks. The tables and graphs show total debt, Governmental debt, and Enterprise debt. The Town’s enterprise funds are Water & Sewer and Stormwater Management. All Enterprise debt is in support of Water & Sewer.

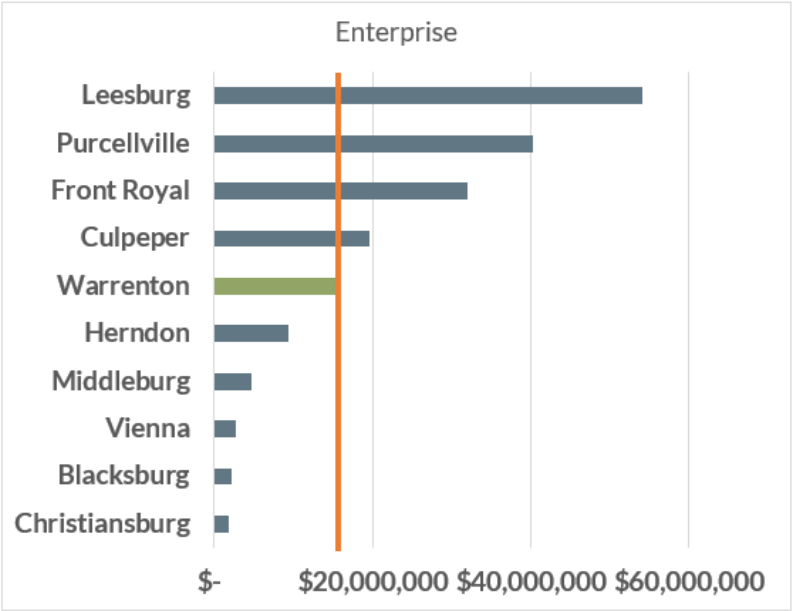
Locality	Total Debt
Middleburg	\$ 15,238,991
Herndon	\$ 18,287,343
Christiansburg	\$ 18,471,014
Warrenton	\$ 22,991,000
Culpeper	\$ 26,635,000
Front Royal	\$ 42,873,013
Blacksburg	\$ 45,379,999
Purcellville	\$ 51,656,234
Vienna	\$ 60,447,441
Leesburg	\$ 115,446,976



Locality	Governmental
Culpeper	\$ 6,978,000
Warrenton	\$ 7,690,000
Herndon	\$ 9,002,562
Middleburg	\$ 10,619,301
Front Royal	\$ 10,846,144
Purcellville	\$ 11,322,971
Christiansburg	\$ 16,566,970
Blacksburg	\$ 43,131,363
Vienna	\$ 57,659,010
Leesburg	\$ 61,408,026



Locality	Enterprise
Christiansburg	\$ 1,904,044
Blacksburg	\$ 2,248,636
Vienna	\$ 2,788,431
Middleburg	\$ 4,619,690
Herndon	\$ 9,284,781
Warrenton	\$ 15,301,000
Culpeper	\$ 19,657,000
Front Royal	\$ 32,026,869
Purcellville	\$ 40,333,263
Leesburg	\$ 54,038,950

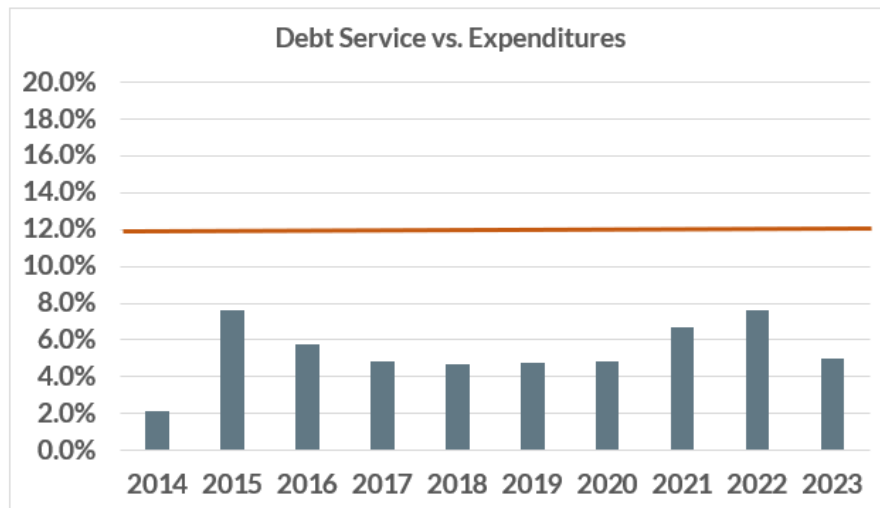


DEBT POLICY CALCULATIONS

The Town Council's adopted policies related to debt are listed below along with graphs illustrating the calculations of the ratios based upon the historical data for the past ten (10) years.

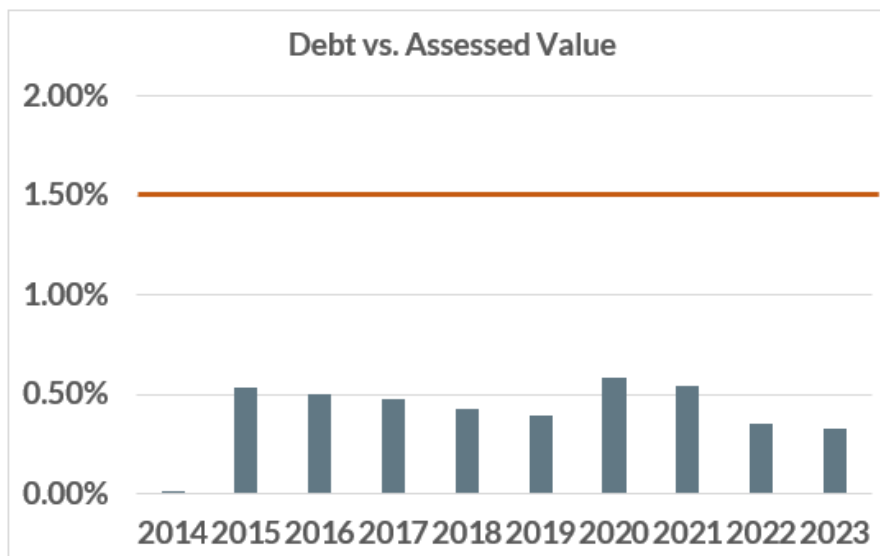
1. POLICY: Tax-supported debt service expenditures as a percentage of general fund expenditures should not exceed 12%.

The graph below shows that the Town's General Fund debt service has remained below 12% of the General Fund Expenditures for the past ten years.



2. POLICY: Tax-supported debt of the town shall not exceed 1.5% of the total assessed value of taxable property.

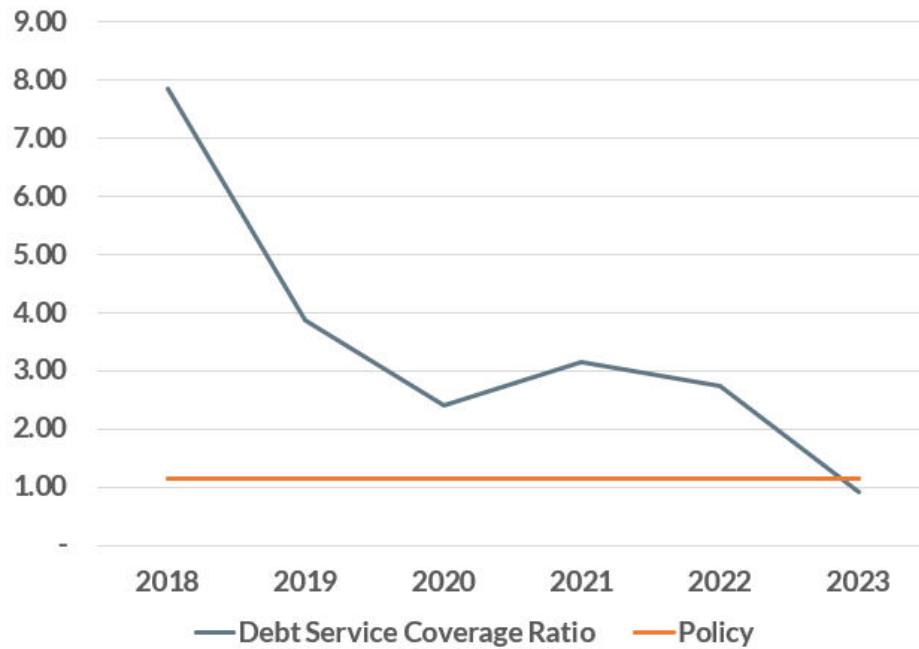
The graph below shows that the amount of the Town's outstanding tax-supported debt has remained below 1.5% of the taxable assessed value of property located in the Town for the past ten years.



3. POLICY: The Water & Sewer Fund shall maintain a debt service coverage ratio of at least 1.15x.

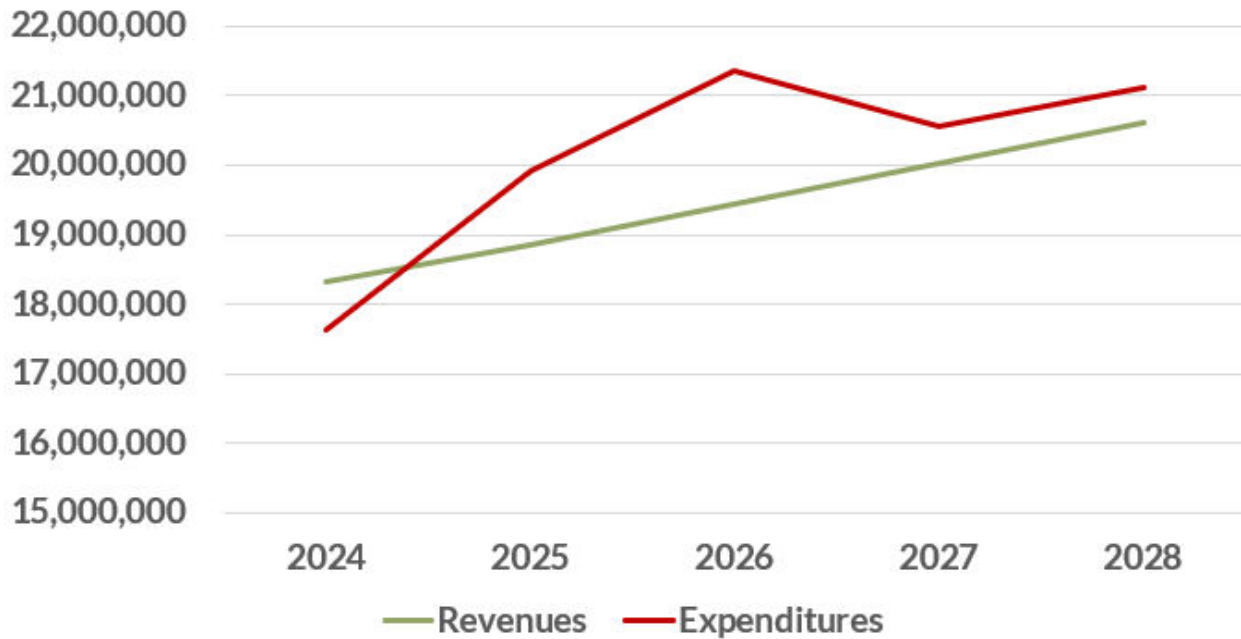
The graph below shows that the Water & Sewer Fund has maintained a debt service coverage ratio of at least 1.15x in all of the last six (6) years except for FY 2023. Data is only provided for six years instead of ten because 2017 was the first full year of debt service in the fund, resulting from the issuance of debt in 2016.

The rate study model predicted a dip in the debt service coverage ratio that will be corrected if the Town adheres to the planned rate increases.



FIVE-YEAR FINANCIAL PROJECTION

The following five-year financial projection is provided for the General Fund. This projection assumes a 3% increase in revenue and a 5% increase in operating expenditures based on historical trends. An estimated capital outlay amount has been added based on the current CIP and CARP totals.



All expenditures

Fiscal Year	2024	2025	2026	2027	2028
Revenues	\$ 18,317,775	\$ 18,867,308	\$ 19,433,327	\$ 20,016,327	\$ 20,616,817
Expenditures	17,641,354	19,924,938	21,346,080	20,551,548	21,129,665
Net change	\$ 676,421	\$ (1,057,630)	\$ (1,912,753)	\$ (535,220)	\$ (512,848)