



Office of the Town Manager

Frank Cassidy

# 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

<b>Council Meeting Date:</b>	April 9, 2024
<b>Agenda Title:</b>	Initial Presentation of the Fiscal Year 2024-2025 Annual Budget
<b>Requested Action:</b>	Information only
<b>Department / Agency Lead:</b>	Finance Department
<b>Staff Lead:</b>	Brooke Campbell

## EXECUTIVE SUMMARY

The budget is one of the most important tools that we use to plan the improvements and continued service delivery that makes the Town of Warrenton a great place to live. The Town Council received the fiscal year 2025 proposed budget on Monday, April 1st, 2024. The proposed budget has been developed in support of the Council's mission, values, and long-term vision for the Town. This budget represents a commitment to a needs-based approach to budgeting, refining our plans based on historical spending while ensuring that we continue to properly fund town operations and infrastructure.

The total proposed budget for FY 2025 is \$43.8 million, excluding interfund transfers, to fund governmental, stormwater, water & sewer operations, and investment in the Town's capital infrastructure. This is an increase of \$3.4 million, or 9%, over the adopted FY 2024 budget. The increase is driven by the water and sewer infrastructure modernization needs.

## BACKGROUND

An overview by fund is presented in the following paragraphs.

### General Fund Operating Revenues

There are no tax rate increases proposed for FY 2025. FY 2025 General Fund operating revenue is projected to increase by \$927,181 compared to FY 2024. The largest changes are in the categories of Personal Property Tax, Use of Money, and State Revenue.

- *Personal Property Tax* – this was underestimated last year and has been increased by \$312,384 based on the current estimate provided by the Fauquier County Commissioner of the Revenue.
- *Use of Money* - the estimate for interest revenue has been increased by \$300,000 due to higher interest rates.
- *State Revenue* - VDOT Highway Maintenance funding was underestimated in FY24 and has been increased by \$409,564.

### General Fund Operating Expenditures

FY 2025 General Fund operating expenditures are proposed to increase by \$144,773, or 0.8%, compared to FY 2024. The budgets for most functions are proposed to decrease or remain level compared to FY 2024.

Drivers of the increase include:

- *General Government, Legal Services* – this budget has been increased by \$82,500 based on required increases in service levels over the past year.
- *Parks & Recreation* – this function reflects an increase of \$224,227 due to changes in staffing.
  - During the FY24 budget cycle, Council requested that staff provide an accurate full-time equivalent (FTE) count for WARF part-time staff. Further details regarding the updated estimate may be found in the Parks & Recreation - Aquatic & Recreational Facility section.
  - A Maintenance Worker and the Building Engineer were previously allocated to Public Works but have been reprogrammed in Parks & Recreation for FY 2025.
- *Nondepartmental* – This category captures expenditures related to other organizations. The FY25 budget has increased by \$53,624 due to several factors:
  - Circuit Rider costs have increased slightly due to the addition of their on-demand services.
  - Pass-through grant funding for Warrenton Volunteer Fire Company has been reprogrammed here from the Public Safety function.

### General Fund Capital

Revenue for General Fund Capital will be covered by the General Fund Balance.

General Fund capital expenditures are broken down into capital projects and capital asset replacements.

- *Capital projects* – The total programmed for projects is \$1,584,002. Projects included in FY 2025 focus on sidewalks and paving operations.
- *Capital asset replacements* – The budget for asset replacements for FY 2025 is \$1,765,000. Among other items, the plan includes traffic light updates, the Enterprise Resource Planning (ERP) software replacement, public safety radio replacements, the chiller at the WARF, a roof replacement at Public Works, and foundation repairs at Town Hall.

More detail on these and other projects and replacements may be found in the 2025-2030 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 decrease by \$69,264 primarily due to changes in staffing and staffing allocations.

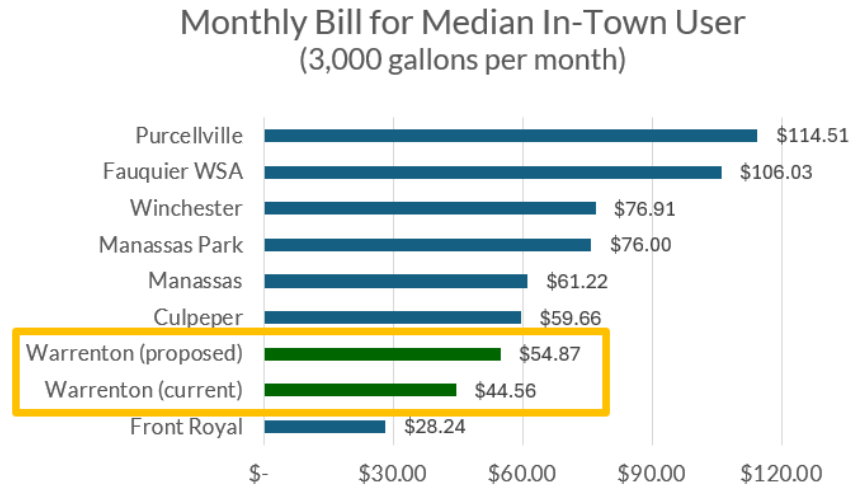
### Stormwater Management Capital

Stormwater Management Capital is proposed to decrease by \$123,506 compared to FY 2024. The Master Drainage plan is programmed at \$500,000 and there is a project for Best Management Practices (BMP) Facilities for \$150,000. For further details, please refer to the 2025-2030 CIP.

### Water & Sewer Operating Revenues

A water & sewer rate study update 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 FY25 is 23%. An average monthly In-Town residential bill (based on 3,000 gallons of consumption) will

increase from \$44.56 to \$54.87. A comparison of bills for an in-town median user is provided in the below chart:



The rate study model assumes the issuance of debt in future years to support the system's capital needs. No debt is proposed for FY 2025.

#### Water & Sewer Operating Expenses

The operating budget has increased by \$297,993 due to inflation of costs related to chemicals, fuel, and utilities. The proposed FY 2025 budget plans a transfer to the capital program, which is in line with the recommendations of the rate study.

#### Water & Sewer Capital Expenses

The proposed FY 2025 budget for Water & Sewer capital expenses has increased by \$7.2 million. This represents the continuation of the 6-year modernization and infrastructure resiliency plans that were factored into the 2025-2030 CIP and the rate study finalized in 2023.

- Major capital projects for FY 2025 include:
  - Primary Clarifier and Sludge Pumps - \$6,300,000
  - Lancaster Drive Waterline Replacement - \$1,500,000
  - Raw Water Pumps - \$770,000
  - Broadview Avenue Utility Betterment - \$600,000
- Major asset replacements planned for FY25 include:
  - Office Renovation at the Water Treatment Plant - \$295,000
  - Facilities Physical Security - \$100,000
  - Meter Reading Devices - \$141,000

More detail on these and other projects and asset replacements may be found in the 2025-2030 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 worked in recent months to realign staff to realize greater efficiency and cost savings. These changes resulted in cost savings of \$379,744. The changes in FTEs are detailed in the Personnel & Compensation Summary section of the budget document.
- *Cost of Living Adjustment (COLA) and Merit Increase* - The proposed FY 2025 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 \$319,828 across all funds and the merit impact is \$124,400 across all funds.
- *Health Insurance* - The renewal received from the Town's medical, dental, and vision insurance provider reflected no increase in premiums for FY 2025.

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**STAFF RECOMMENDATION**

Staff will provide a presentation on the proposed budget.

**Service Level/Policy Impact**

The proposed budget provides a roadmap for the improvements and continued service delivery that the Town provides for fiscal year 2025.

**Fiscal Impact**

The total proposed budget for FY 2025 is \$43.8 million, excluding interfund transfers, to fund governmental, stormwater, 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.

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**ATTACHMENTS**

Proposed FY 2025 Budget and 2025-2030 CIP are available starting April 1<sup>st</sup>, 2024, at <https://www.warrentonva.gov/177/Budget>