

# Town of Warrenton, Virginia

## Comprehensive Financial Review



April 9, 2024

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# A. Introduction / Executive Summary

Town of Warrenton, Virginia

# Introduction

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- Davenport & Company LLC (“Davenport”), in our role as Financial Advisor to the Town of Warrenton (the “Town”), was asked to update a Comprehensive Financial Review to evaluate and assess the Town’s overall financial condition.
  
- At this time, the Town is in the preliminary planning stages for the FY 2025 Budget and a series of upcoming capital projects.
  
- As further described on the following page, the over-arching goal of the discussion presented herein is to identify strategies to maintain and enhance the financial strength and stability of the Town, while also funding the Town’s important capital needs in a sustainable and financially responsible manner.

# Goals and Objectives

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- As part of the discussion presented herein, Davenport intends to accomplish the following:
  - Review historical trends in General Fund revenues and expenditures;
  - Review compliance with the Town’s Financial Policies;
  - Provide a Peer Comparative Analysis of key financial and demographic metrics between the Town and similar localities; and,
  - Provide an overview of the Town’s Water and Sewer Fund including historical operating results, financial ratios, existing debt profile, and proposed Capital Improvement Program.

# Executive Summary

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## 1. Current Financial Status of the Town

- a. The Town compares favorably to other peer Virginia Towns with respect to key demographic and economic indicators.
- b. While these demographic and economic indicators aren't directly within the Town's immediate control, they are important to outside lenders/rating agencies/investors when deciding whether to lend to or otherwise invest in the Town.
- c. Based on the past five years of audited financial statements, the Town has had solid cash-flow in the General Fund which has provided the flexibility to cash-fund most of its routine General Fund capital needs during the prior five year period while also financing (i.e. borrowing for) a generational Town Hall project.
- d. The General Fund's revenue streams are diverse. This is a positive attribute.
- e. However, the General Fund is less reliant on Real Estate Tax related revenue than its peers. Instead, the Town is more reliant on business and consumer related taxes (i.e. meals tax, BPOL) that can be volatile in an economic downturn or slowdown.

# Executive Summary (cont.)

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## 1. Current Financial Status of the Town (cont.)

- f. The Town has a healthy Unassigned Fund Balance and a financially responsible Fund Balance Policy level.
- g. As of the 2023 Audit, the Unassigned Fund Balance was at roughly 65% of Expenditures vs. the Town's 50% policy minimum.
- h. The Town's Unassigned Fund Balance is critical for a variety of reasons including (but not limited to) providing an ample buffer against potential revenue volatility in a downturn and helping the Town to maximize its capital funding potential while minimizing the associated need for recurring revenues.
- i. The Town has a highly competitive Real Estate Tax Rate relative to peer local governments.
- j. The Town has low General Fund debt levels relative to "best practices" and recommended financial policy levels.



# B. Peer Comparison / Demographic Profile

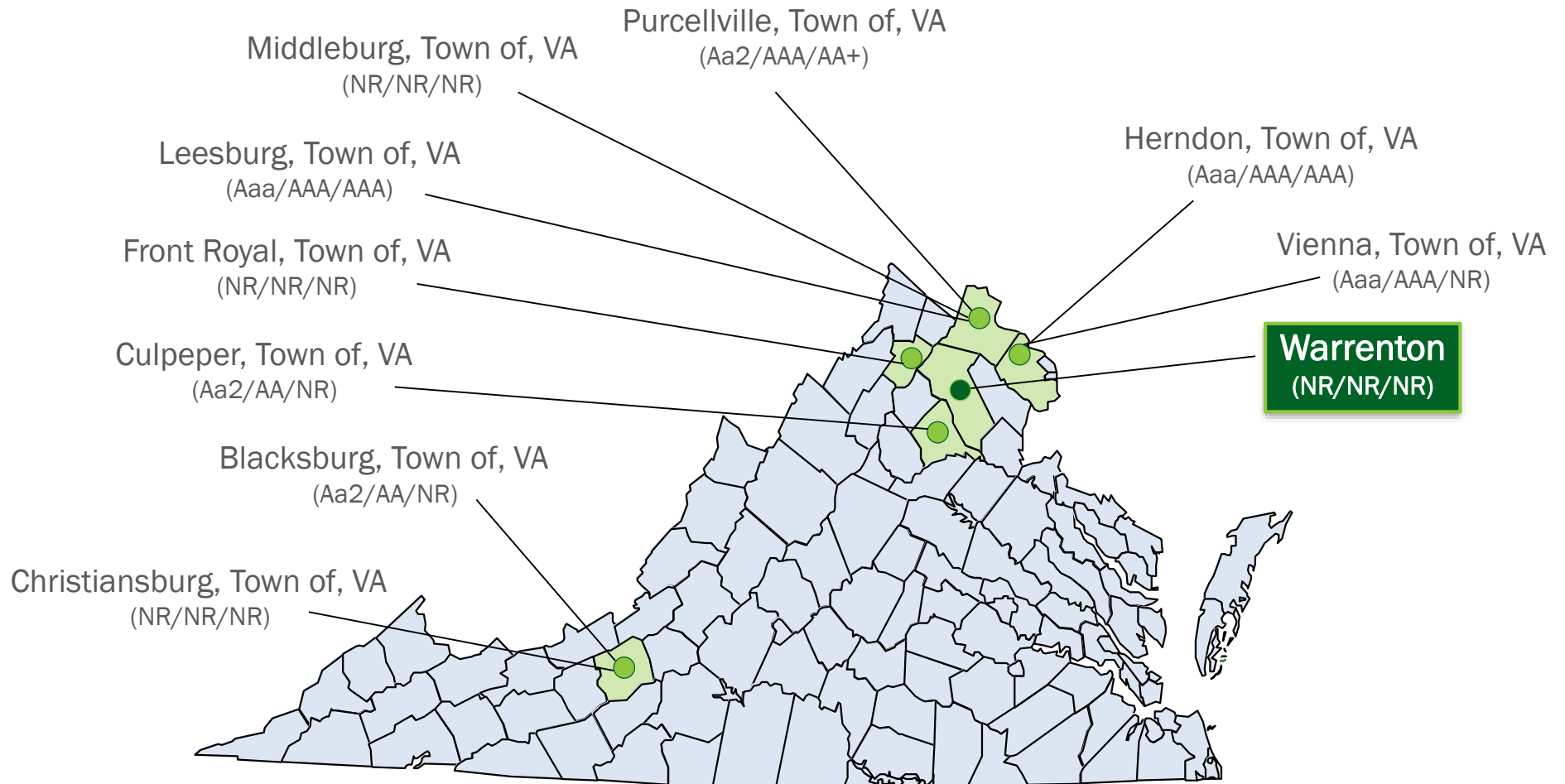
Town of Warrenton, Virginia



# Peer Comparative Group Overview



- In the map below, Davenport has summarized a Virginia Town Peer Comparative group for Warrenton.

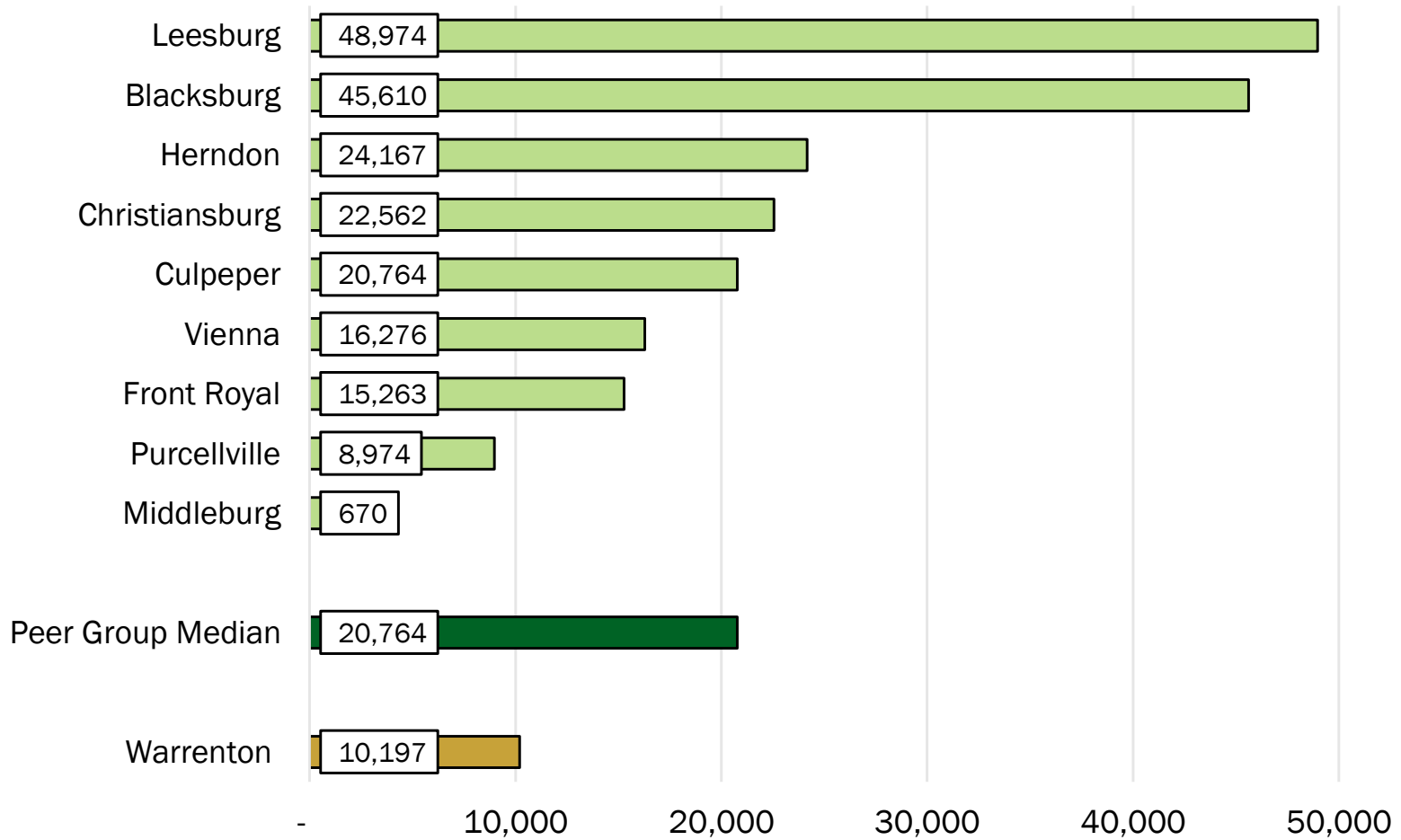


Note: Credit Ratings in Order of (Moody's/S&P/Fitch).  
Note: NR = Not Rated.

# Peer Comparative – Population



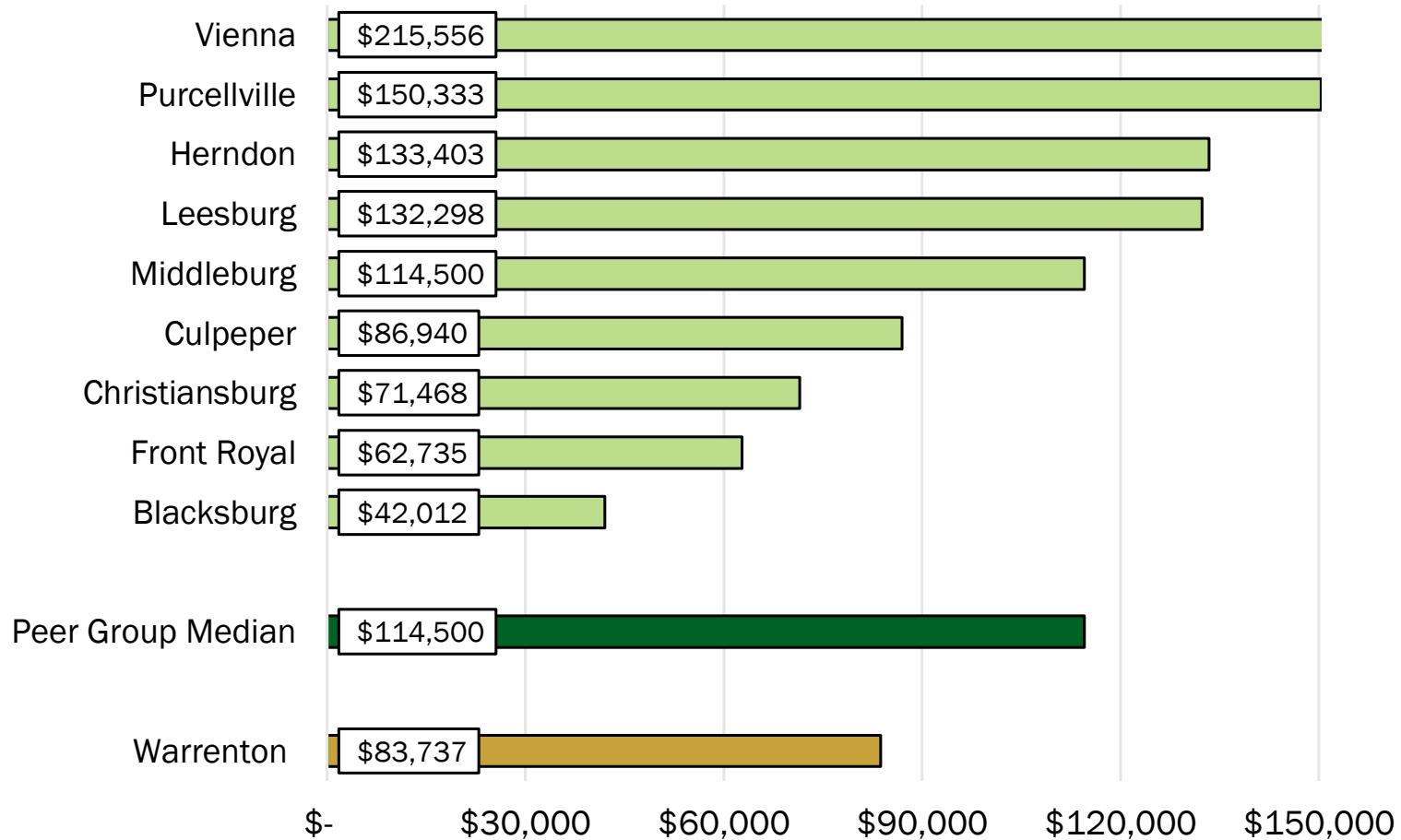
## Population



# Peer Comparative – Median Household Income



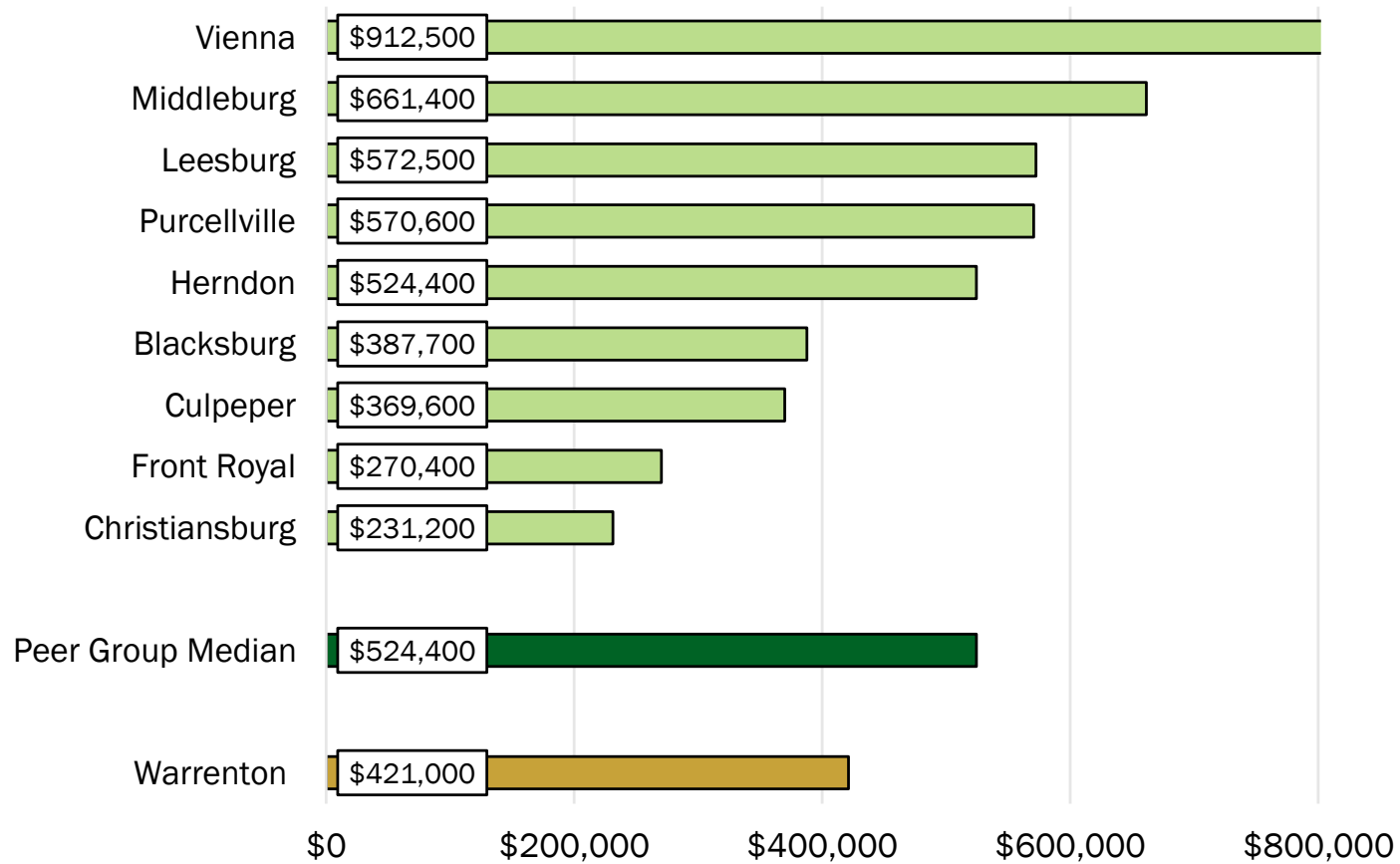
## Median Household Income



# Peer Comparative – Median Home Value



## Median Home Value





# C. Historical General Fund Financials

Town of Warrenton, Virginia

# Overview



- As is shown on the following page, the Town’s General Fund has produced an annual surplus each of the past 5 fiscal years (FY 2019 – FY 2023) before cash funding of capital.
- During the past 5 fiscal years (FY 2019 – FY 2023), the surplus has averaged over \$2 million before cash funding of capital.
- The General Fund’s “other local taxes” line item comprises over 50% of the General Fund’s revenue.
- The Town’s General Fund revenues are diverse and not reliant on a single source. However, the General Fund’s primary revenue sources are heavily weighted towards economically sensitive business and consumption related taxes.
- The Town also shows steady growth in Assessed Value of Taxable Property.

# Historical General Fund Results

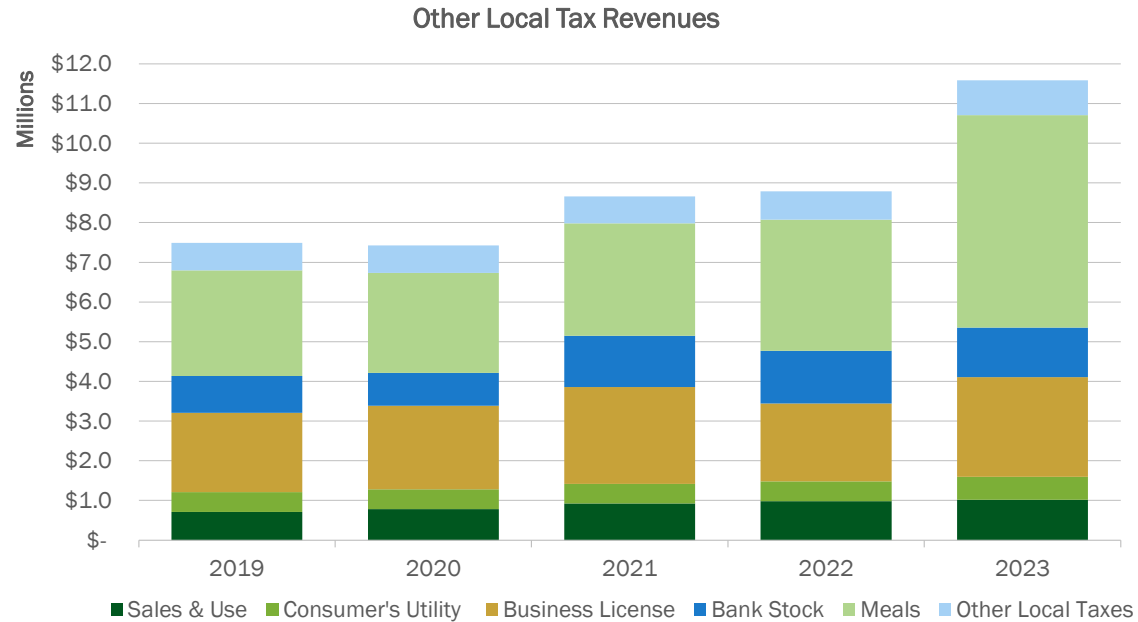


|  | Fiscal Year<br>2019  | Fiscal Year<br>2020   | Fiscal Year<br>2021  | Fiscal Year<br>2022  | Fiscal Year<br>2023  |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>  |                      |                       |                      |                      |                      |
| 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, Privilege Fees, and Regulatory Licenses             | 257,969              | 226,685               | 294,301              | 207,878              | 219,987              |
| Fines & Forfeitures  | 188,749              | 155,478               | 112,113              | 76,229               | 72,505               |
| Use of Money and Property                                    | 334,379              | 320,393               | 25,080               | (96,717)             | 464,302              |
| Charges for Services   | 1,203,731            | 871,183               | 468,599              | 1,075,663            | 1,019,342            |
| Miscellaneous  | 1,060,766            | 574,273               | 264,835              | 238,715              | 283,266              |
| Intergovernmental  |                      |                       |                      |                      |                      |
| Commonwealth   | 3,243,275            | 3,318,485             | 2,970,530            | 2,999,607            | 3,258,781            |
| Federal  | 266,730              | 628,363               | 596,798              | 839,985              | 1,045,074            |
| <b>Total Revenues</b>  | <b>\$ 15,358,784</b> | <b>\$ 14,859,469</b>  | <b>\$ 14,769,651</b> | <b>\$ 15,588,490</b> | <b>\$ 19,685,045</b> |
| <b>Expenditures</b>  |                      |                       |                      |                      |                      |
| Current  |                      |                       |                      |                      |                      |
| 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             | (614,541)            | 1,595,088            | 1,231,327            |
| Capital Projects   | 870,375              | 2,170,295             | 1,749,275            | 529,010              | -                    |
| Debt Service   |                      |                       |                      |                      |                      |
| Principal Retirement   | 527,040              | 541,350               | 692,349              | 623,050              | 535,434              |
| Interest and Other Fiscal Charges                            | 190,592              | 198,125               | 275,247              | 606,120              | 349,573              |
| Bond Issuance Costs  | -                    | 78,091                | -                    | -                    | -                    |
| <b>Total Expenditures</b>                                    | <b>\$ 15,104,029</b> | <b>\$ 16,968,273</b>  | <b>\$ 14,387,844</b> | <b>\$ 16,129,651</b> | <b>\$ 17,616,040</b> |
| <b>Excess Revenues over Expenditures</b>                     | <b>\$ 254,755</b>    | <b>\$ (2,108,804)</b> | <b>\$ 381,807</b>    | <b>\$ (541,161)</b>  | <b>\$ 2,069,005</b>  |
| <b>Excess Revenues over Expenditures (Excluding Capital)</b> | <b>\$ 2,814,943</b>  | <b>\$ 2,530,933</b>   | <b>\$ 1,516,541</b>  | <b>\$ 1,582,937</b>  | <b>\$ 3,300,332</b>  |
| <b>Other Financing Sources (Uses)</b>                        |                      |                       |                      |                      |                      |
| Proceeds from Capital Lease/Assets                           | \$ -                 | \$ -                  | \$ -                 | \$ 188,475           | \$ -                 |
| Transfers Out  | -                    | -                     | -                    | -                    | -                    |
| Proceeds from Issuance of Debt                               | -                    | 4,100,000             | -                    | 8,720,000            | -                    |
| Other Related Financing Sources (Uses)                       | -                    | -                     | -                    | (8,249,304)          | -                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ -</b>          | <b>\$ 4,100,000</b>   | <b>\$ -</b>          | <b>\$ 659,171</b>    | <b>\$ -</b>          |
| <b>Net change in fund balances</b>                           | <b>\$ 254,755</b>    | <b>\$ 1,991,196</b>   | <b>\$ 381,807</b>    | <b>\$ 118,010</b>    | <b>\$ 2,069,005</b>  |

Annual cash-flow to support cash funding of capital has averaged over \$2 mm per year.

Fund Balance has increased each of the prior five fiscal years.

# Historical General Fund Results – Other Local Taxes

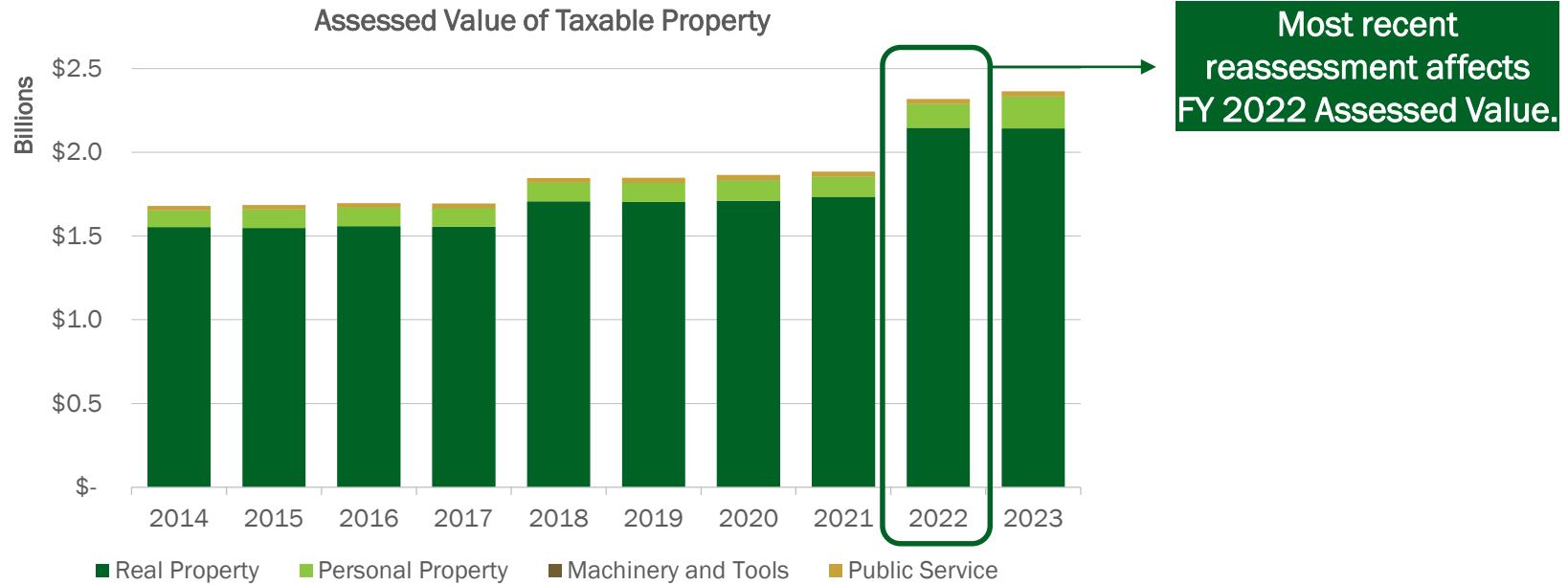


| Summary of Other Local Tax Revenues |                     |                     |                     |                     |                      |  | Five Year CAGR |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|--|----------------|
| Other Local Taxes                   | 2019                | 2020                | 2021                | 2022                | 2023                 |  |                |
| Sales & Use                         | \$ 709,173          | \$ 781,649          | \$ 925,159          | \$ 978,837          | \$ 1,018,823         |  | 9.5%           |
| Consumer's Utility                  | 498,267             | 501,059             | 495,402             | 499,103             | 578,030              |  | 3.8%           |
| Business License                    | 1,998,815           | 2,103,568           | 2,438,043           | 1,964,786           | 2,511,960            |  | 5.9%           |
| Consumption                         | 70,212              | 68,131              | 61,994              | 60,354              | 67,515               |  | -1.0%          |
| Motor Vehicle                       | 216,600             | 237,353             | 239,788             | 219,887             | 224,882              |  | 0.9%           |
| Bank Stock                          | 932,498             | 830,298             | 1,292,086           | 1,330,962           | 1,248,013            |  | 7.6%           |
| Hotel and Motel                     | 220,994             | 182,606             | 197,050             | 261,215             | 270,943              |  | 5.2%           |
| Meals                               | 2,659,254           | 2,515,018           | 2,828,431           | 3,296,859           | 5,346,726            |  | 19.1%          |
| Cigarette                           | 184,943             | 202,138             | 180,436             | 173,866             | 314,989              |  | 14.2%          |
| <b>Total</b>                        | <b>\$ 7,490,756</b> | <b>\$ 7,421,820</b> | <b>\$ 8,658,389</b> | <b>\$ 8,785,869</b> | <b>\$ 11,581,881</b> |  | <b>11.5%</b>   |

Note: CAGR is compounded annual growth rate.



# Assessed Value

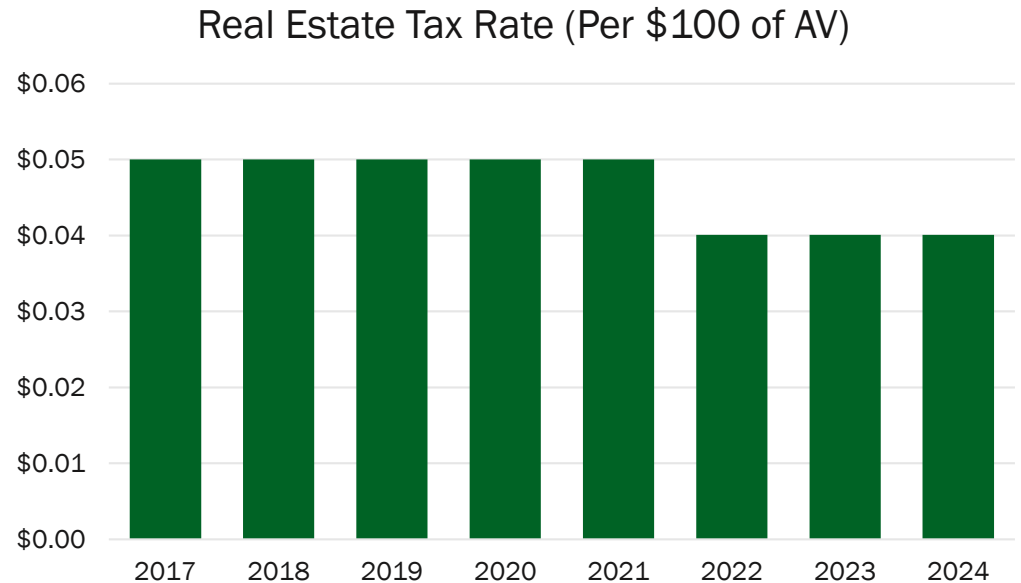


| Assessed Value of Taxable Property |               |     |                   |     |                     |      |                |     |                              |     |
|------------------------------------|---------------|-----|-------------------|-----|---------------------|------|----------------|-----|------------------------------|-----|
| Fiscal Year                        | Real Property | %   | Personal Property | %   | Machinery and Tools | %    | Public Service | %   | Total Taxable Assessed Value | %   |
| 2014                               | 1,554,110,600 | N/A | 99,076,256        | N/A | 362,438             | N/A  | 26,004,347     | N/A | 1,685,067,569                | N/A |
| 2015                               | 1,548,458,500 | 0%  | 110,060,306       | 11% | 379,240             | 5%   | 26,169,523     | 1%  | 1,696,762,765                | 1%  |
| 2016                               | 1,559,784,700 | 1%  | 110,382,101       | 0%  | 362,252             | -4%  | 26,233,712     | 0%  | 1,693,787,269                | 0%  |
| 2017                               | 1,555,378,500 | 0%  | 111,836,351       | 1%  | 350,166             | -3%  | 26,222,252     | 0%  | 1,846,239,494                | 9%  |
| 2018                               | 1,707,497,200 | 10% | 111,426,844       | 0%  | 381,478             | 9%   | 26,933,972     | 3%  | 1,847,402,940                | 0%  |
| 2019                               | 1,704,181,500 | 0%  | 112,782,292       | 1%  | 358,690             | -6%  | 30,080,458     | 12% | 1,847,402,940                | 0%  |
| 2020                               | 1,711,588,500 | 0%  | 121,035,613       | 7%  | 314,281             | -12% | 32,388,996     | 8%  | 1,865,327,390                | 1%  |
| 2021                               | 1,735,031,400 | 1%  | 119,184,134       | -2% | 511,075             | 63%  | 30,341,699     | -6% | 1,885,068,308                | 1%  |
| 2022                               | 2,146,350,500 | 24% | 141,771,009       | 19% | 452,805             | -11% | 30,915,674     | 2%  | 2,319,489,988                | 23% |
| 2023                               | 2,142,329,566 | 0%  | 189,785,413       | 34% | 533,190             | 18%  | 31,026,875     | 0%  | 2,363,675,044                | 2%  |

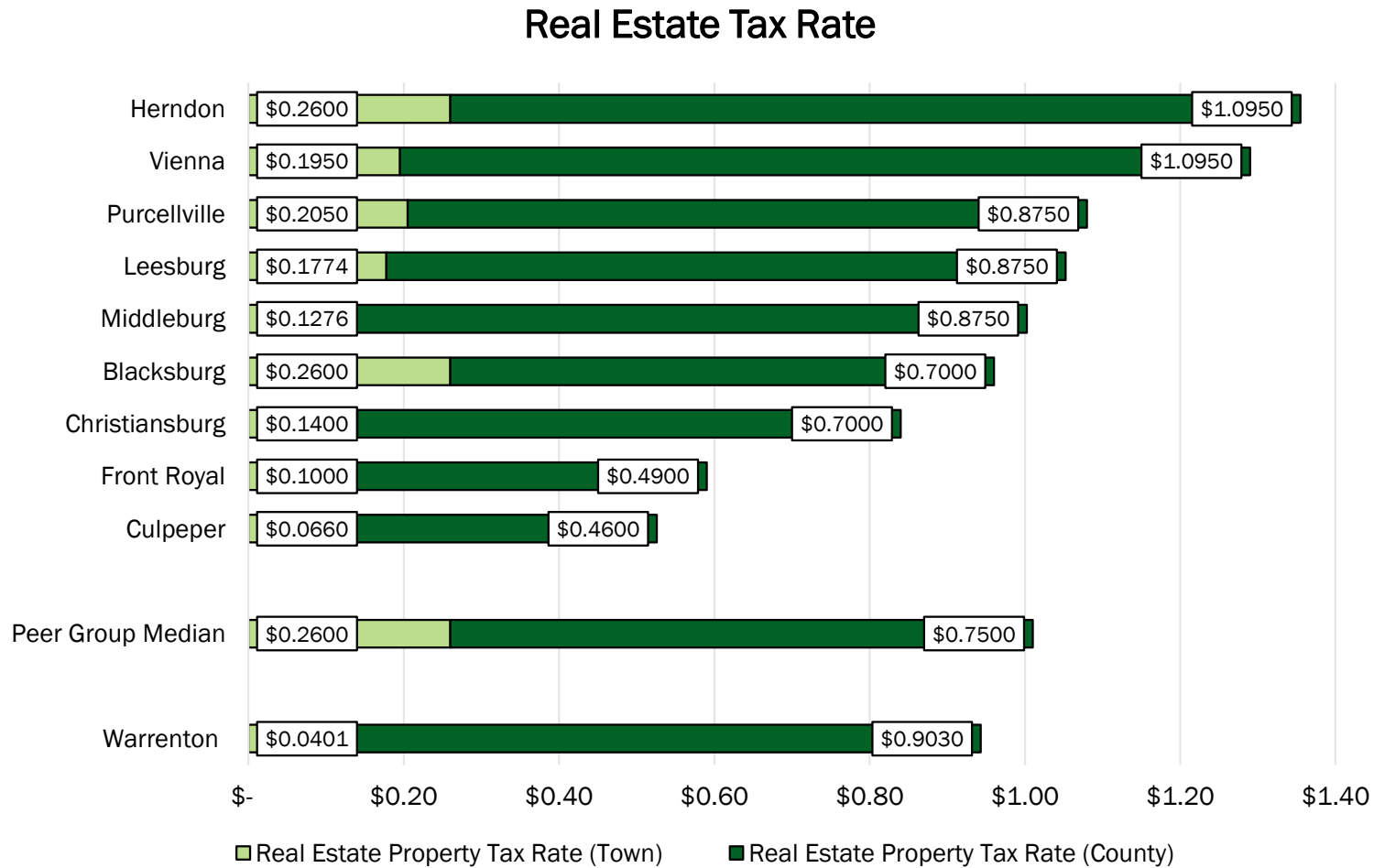
# Historical Real Estate Tax Rates



| Fiscal Year | Real Estate Tax Rate |
|-------------|----------------------|
| 2017        | \$0.0500             |
| 2018        | 0.0500               |
| 2019        | 0.0500               |
| 2020        | 0.0500               |
| 2021        | 0.0500               |
| 2022        | 0.0401               |
| 2023        | 0.0401               |
| 2024        | 0.0401               |



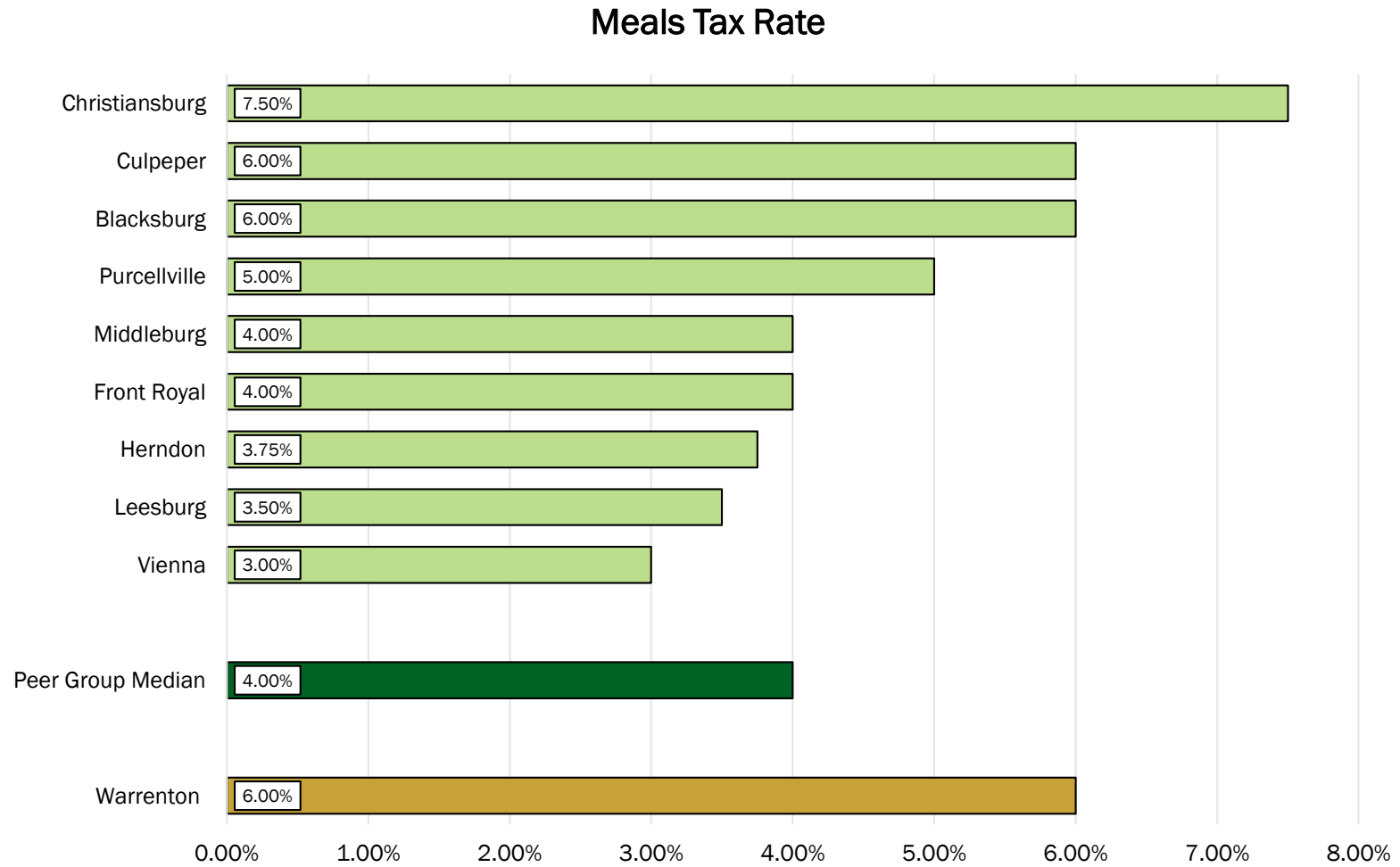
# Peer Comparative – Real Estate Tax Rate



Note: Warrenton residents pay Real Estate Tax to Fauquier County at a rate of \$0.903 per \$100 of AV. Purcellville, Leesburg, and Middleburg residents pay Loudoun County (\$0.875 per \$100 of AV). Herndon and Vienna residents pay Fairfax County (\$1.095 per \$100 of AV). Blacksburg and Christiansburg residents pay Montgomery County (\$0.70 per \$100 of AV). Front Royal residents pay Warren County (\$0.49 per \$100 of AV). Culpeper residents pay Culpeper County (\$0.46 per \$100 of AV).

Source: Most Recently Available Rates from Locality Websites/Budgets.

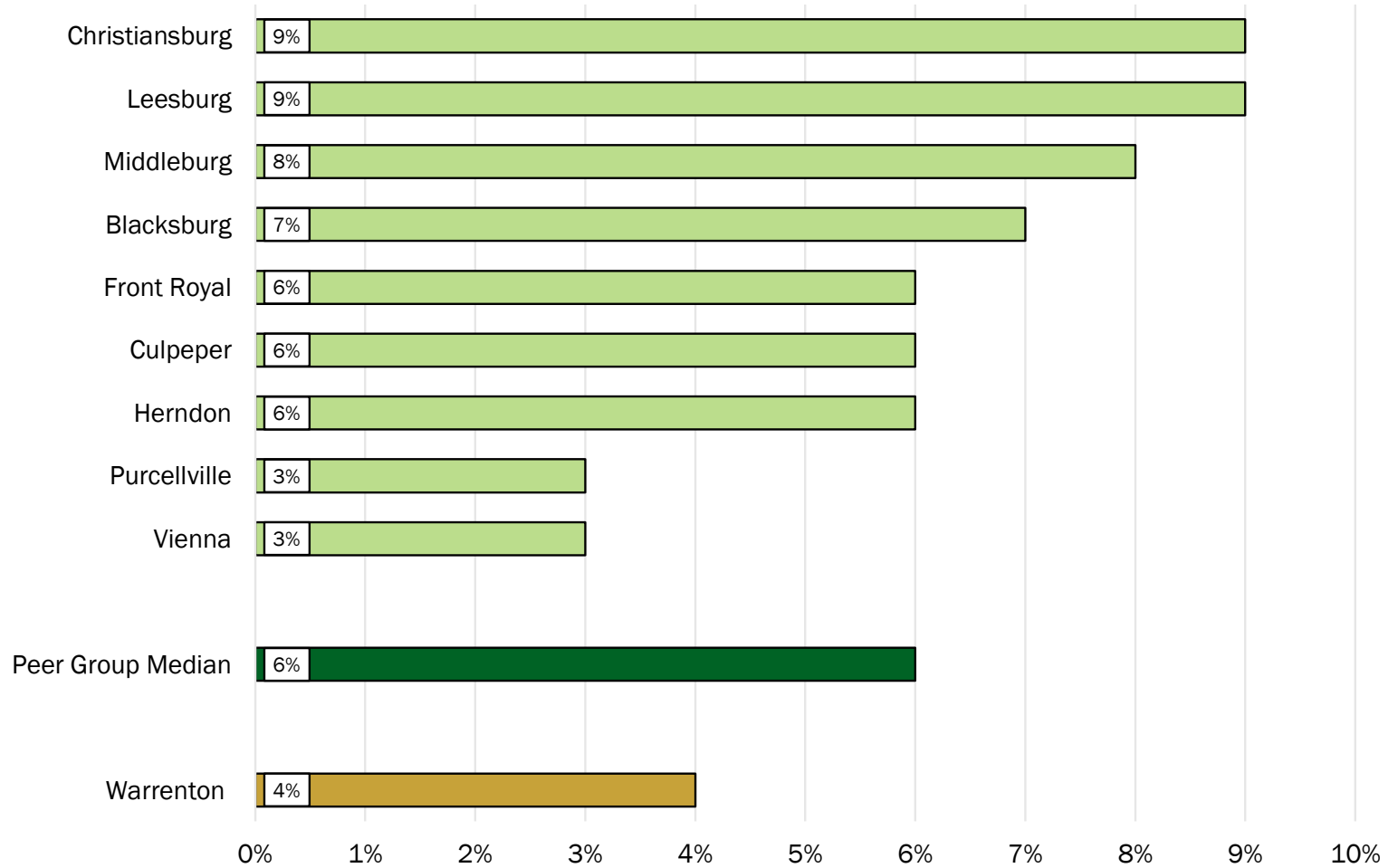
# Peer Comparative – Meals Tax Rate



# Peer Comparative – Lodging Tax Rate



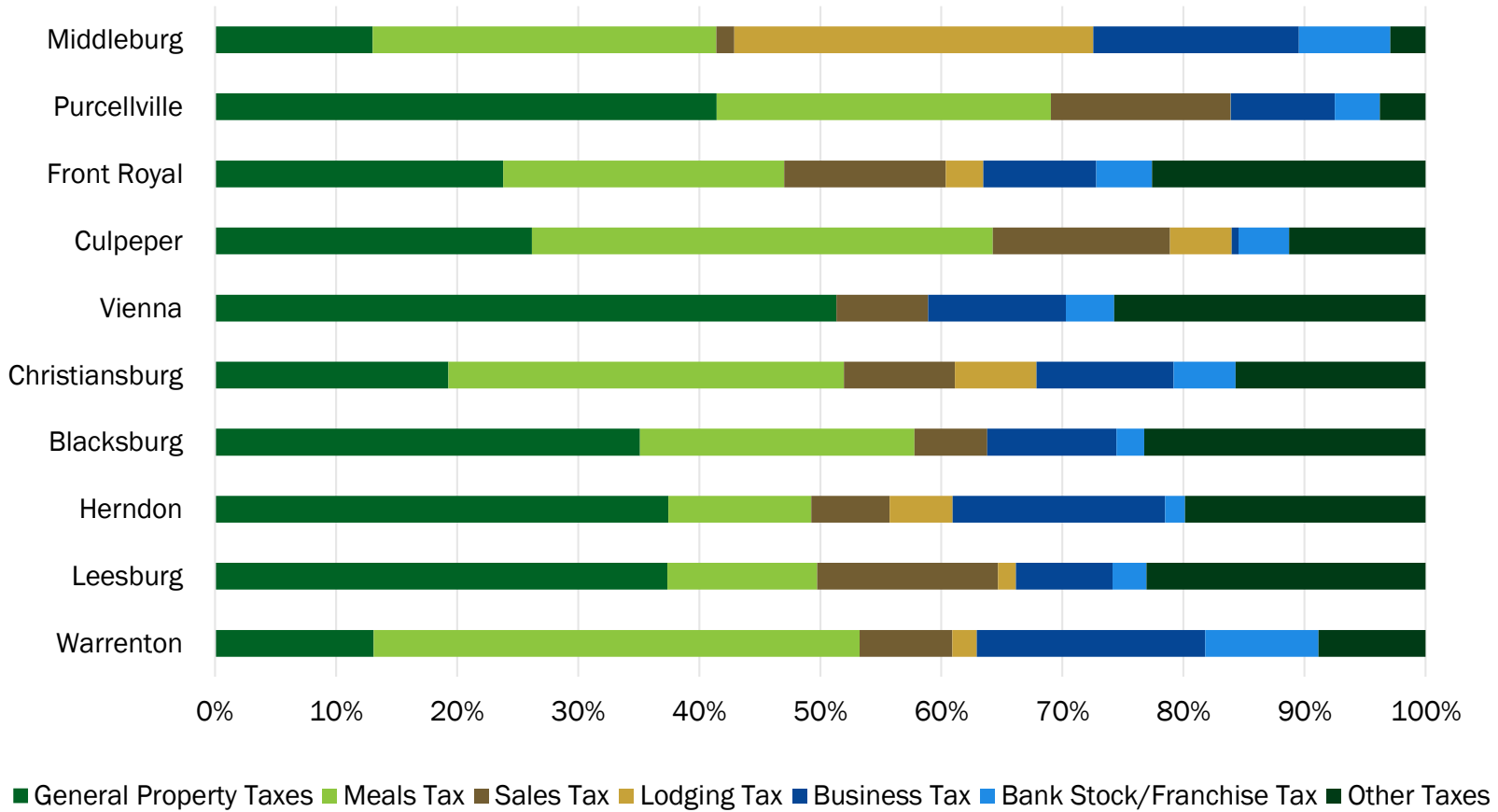
### Lodging Tax Rate



# Peer Comparative – Local Revenue Sources



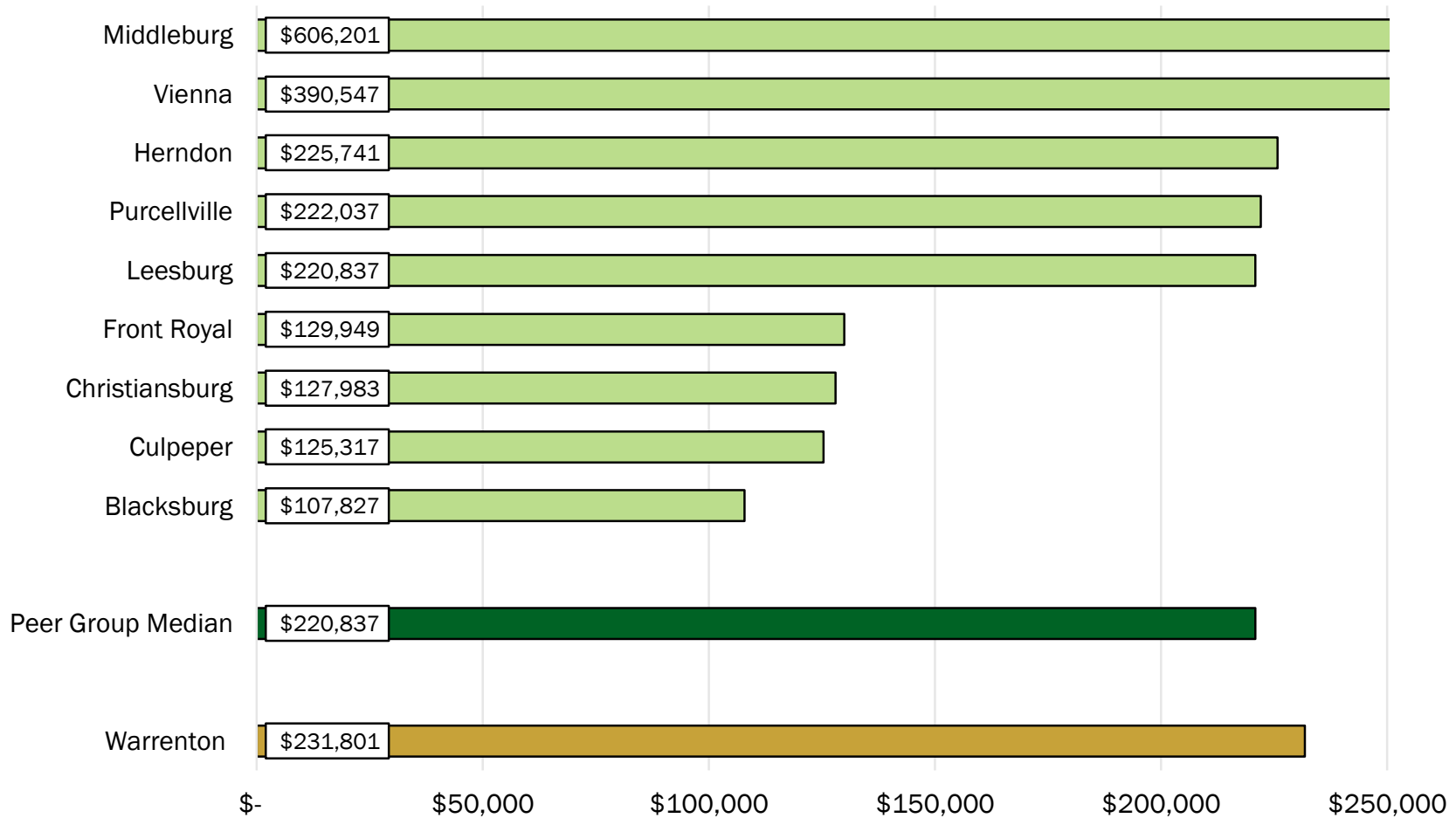
Total Local Revenue Sources Composition



# Peer Comparative – Assessed Value Per Capita



## Assessed Value Per Capita





# Why an Unassigned Fund Balance is Important

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- Why is maintaining a healthy unassigned fund balance important?
  - Provides adequate month-to-month cash flow and eliminates the need for costly cash-flow borrowing.
  - Provides funds for emergency situations (i.e. natural disasters).
  - Provides funds for unforeseen expenditures or revenue shortfalls that occur during a fiscal year.
  - Allows for bond funded capital projects to begin prior to having borrowed funds on hand.
  - Helps mitigate/offset other financial weaknesses.
  - Provides comfort to potential lenders and the rating agencies as it relates to the Town's financial strength / flexibility and thus allows the Town to obtain competitive financing.
  - Allows the Town to earn interest on its reserves which can produce substantial additional revenues in the current interest rate environment.



# Fund Balance Policies



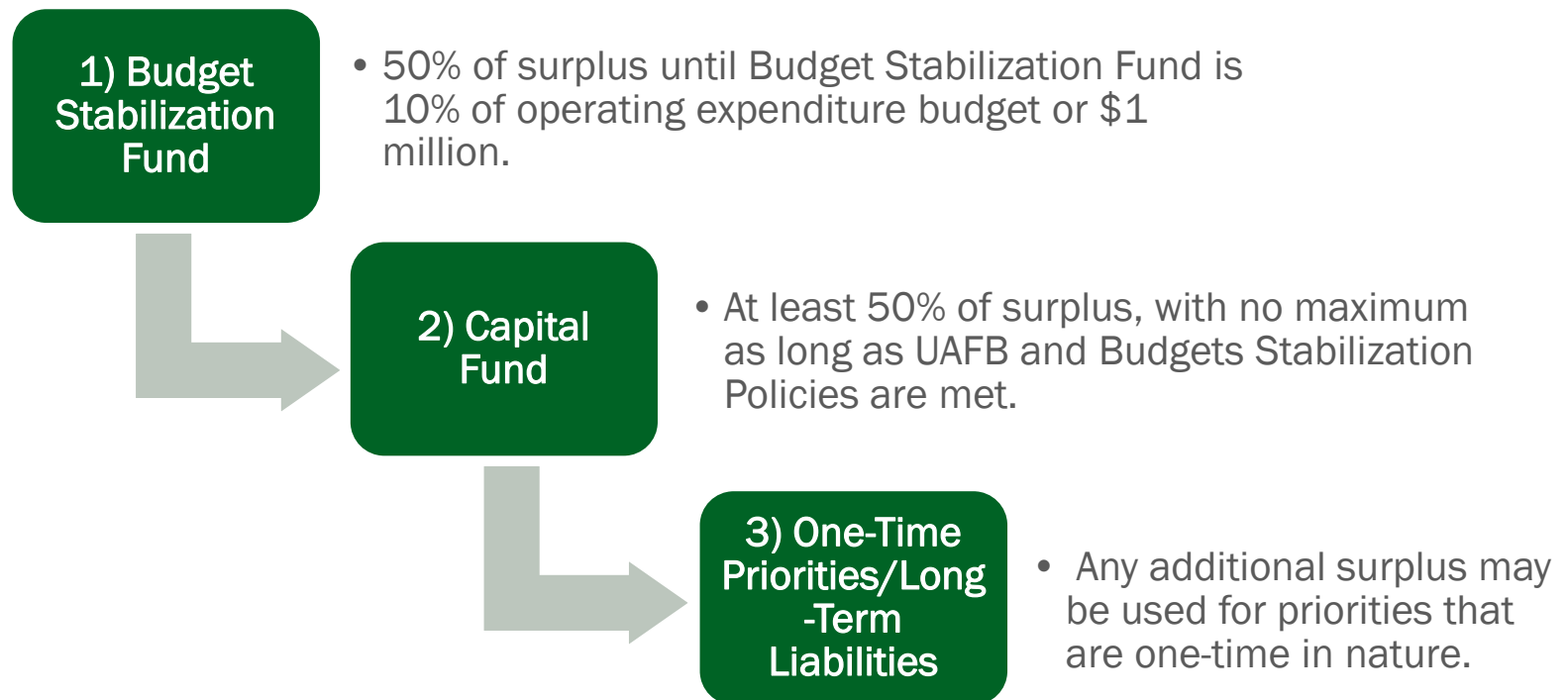
- **“The Town of Warrenton will maintain a minimum Unassigned Fund Balance in the General Fund equal to 50% of the current annual operating expenditure budget of the General Fund.”**
  - Fund balance may be maintained at a level higher than this minimum to save for large planned expenditures (i.e. capital projects), emergencies, cash flow issues related to timing of revenue receipts, and to address economic volatility.
  - Amounts above this minimum may be further identified by Council to be set aside for other purposes (such as capital projects or reserves for contingencies).
  
- In addition to the minimum Unassigned Fund Balance Level Policy, the Town has further adopted certain policies to ensure that Fund Balance levels are maintained/used appropriately:
  - 1. Maintenance of Minimum Unassigned General Fund Balance Level/Use of Year-end Operating Surplus. (Additional details contained on the following page)**

# Fund Balance Policies (cont.)



## 1. Maintenance of Minimum Unassigned General Fund Balance Level/Use of Year-end Operating Surplus:

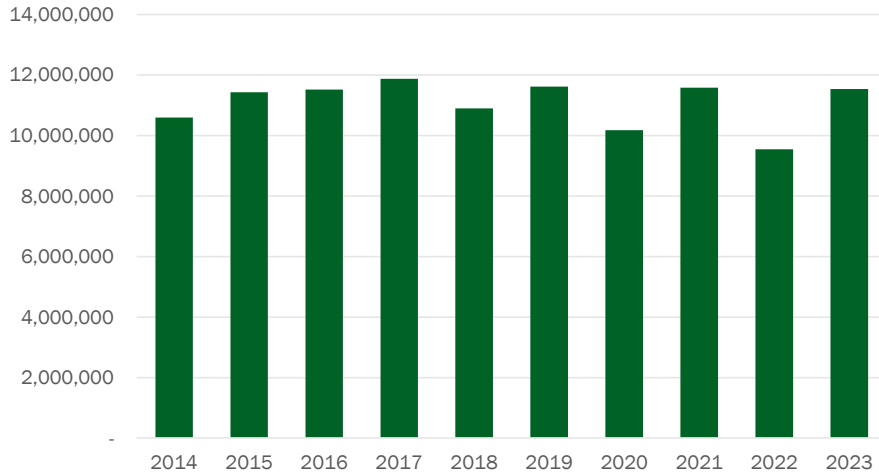
- a. Annual surplus revenues will be allocated to the Unassigned Fund Balance (“UAFB”) until the 50% minimum policy target is met;
- b. If the 50% Unassigned Fund Balance minimum policy is met, the remaining annual surplus funds will be allocated as follows:



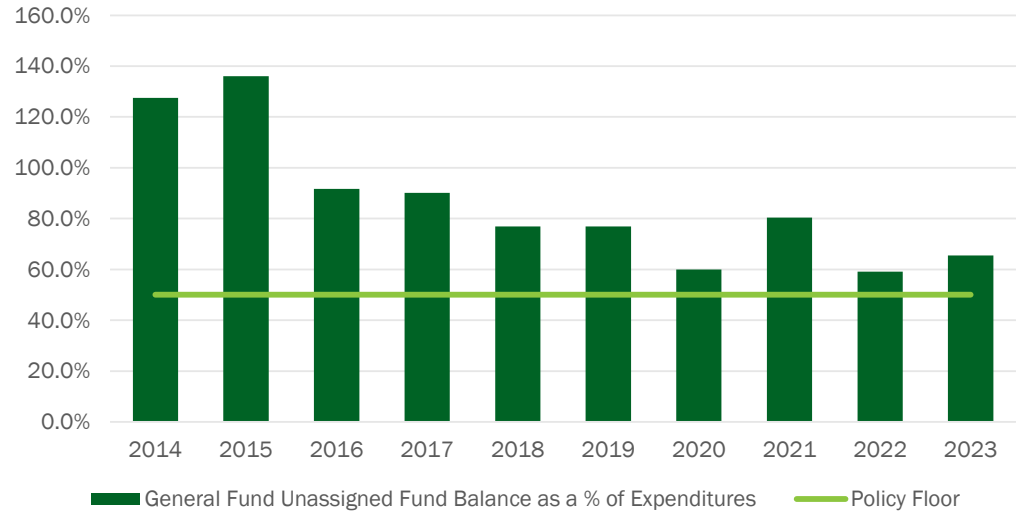
# Unassigned Fund Balance



General Fund Unassigned Fund Balance



Unassigned Fund Balance as a % of Expenditures



| 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%        |

**Current Policy: “The Town of Warrenton will maintain a minimum unassigned fund balance in the General Fund equal to 50% of the current annual operating expenditure budget.”**

Note: In FY 2016, the Town incorporated the WARF into the General Fund resulting in an increase to the denominator of the Fund Balance vs. Expenditures ratio.



# Evaluation of Unassigned Fund Balance

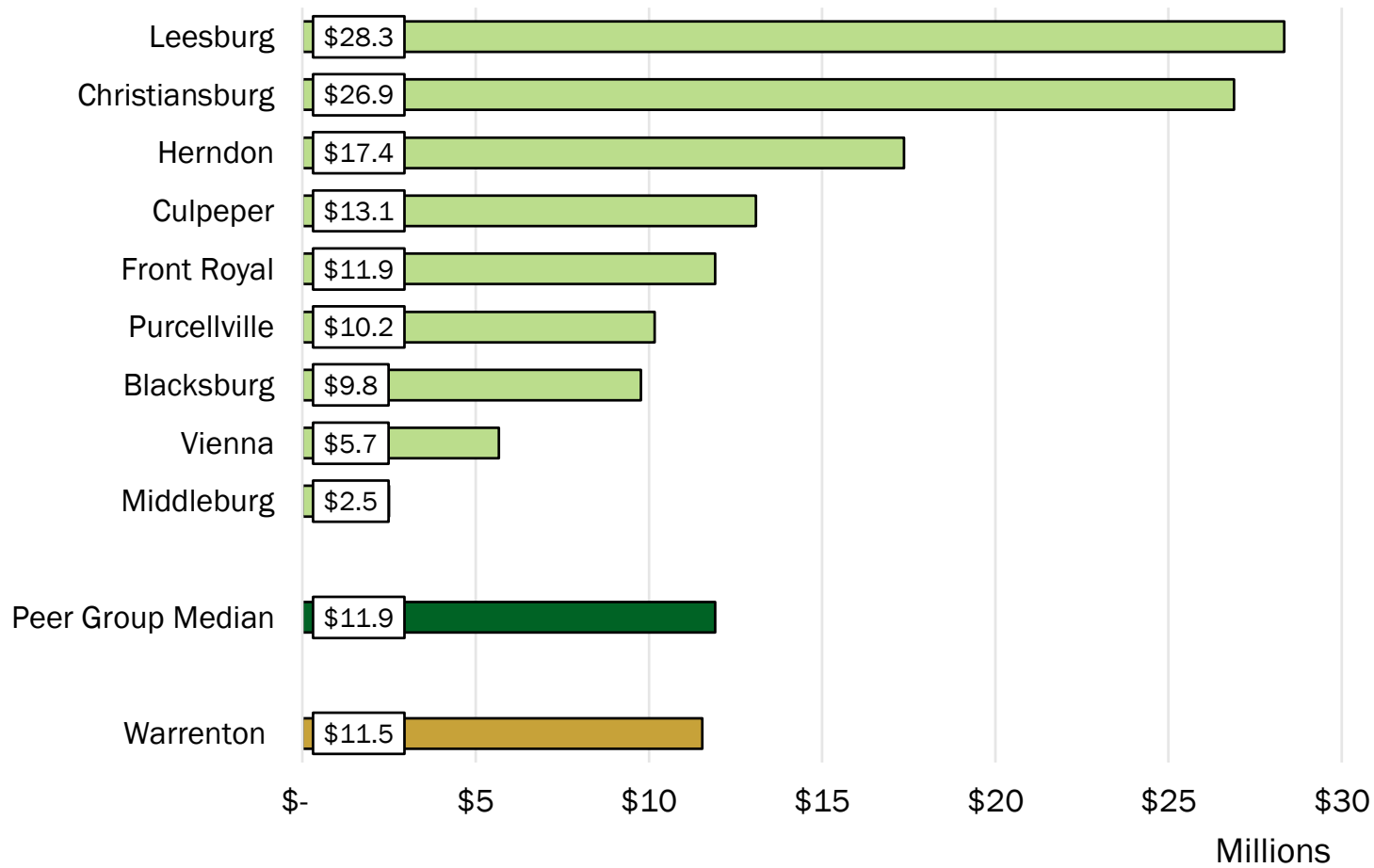
- As shown on the preceding page, the Town currently maintains an Unassigned Fund Balance Policy equal to 50% of Expenditures.
- As of Fiscal Year 2023, the Town’s Unassigned Fund Balance levels remain above its policy floor at roughly 65% of Expenditures.
- As shown below, Moody’s Criteria for General Obligation Credits defines categories for Unassigned Fund Balance as a Percentage of Revenues. Moody’s defines the “Very Strong” threshold for Aaa credits as those with fund balance levels exceeding 30%.
- It would be prudent for the Town to continue to maintain its Fund Balance Policy at such a strong level given the magnitude of capital projects it is contemplating and the potential for economic uncertainty.

|                                 |           |                                    |
|---------------------------------|-----------|------------------------------------|
| – Very Strong (Aaa):            | > 30%     | ← Targeted minimum threshold range |
| – Strong (Aa):                  | 30% - 15% |                                    |
| – Moderate (A):                 | 15% - 5%  |                                    |
| – Weak/Very Poor (Baa & below): | 5% - 0%   |                                    |

# Peer Comparison – Unassigned Fund Balance (General Fund)



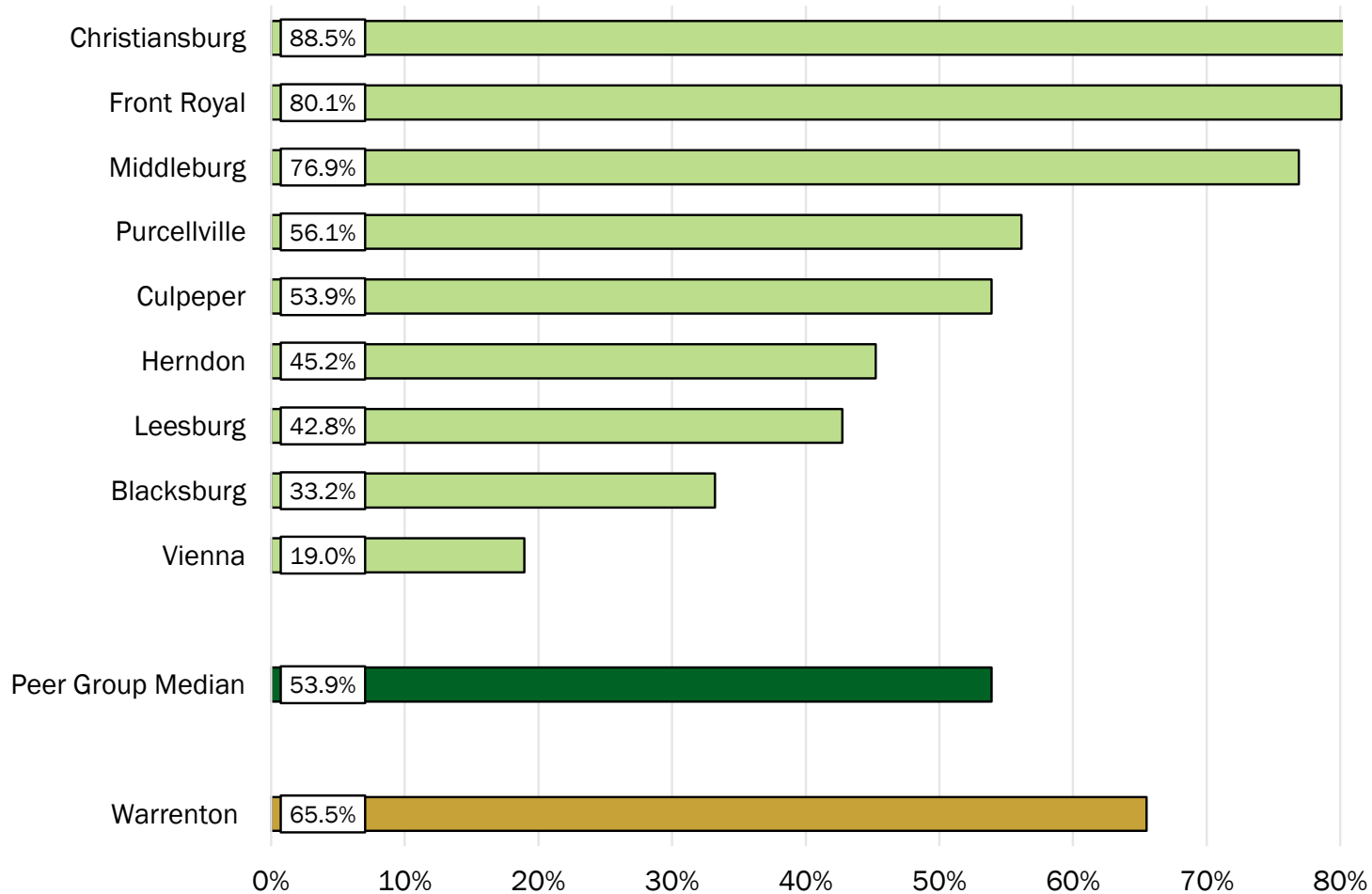
## Unassigned Fund Balance



# Peer Comparison – Unassigned Fund Balance as a % of Expenditures (General Fund)



## Unassigned Fund Balance vs. General Fund Expenditures

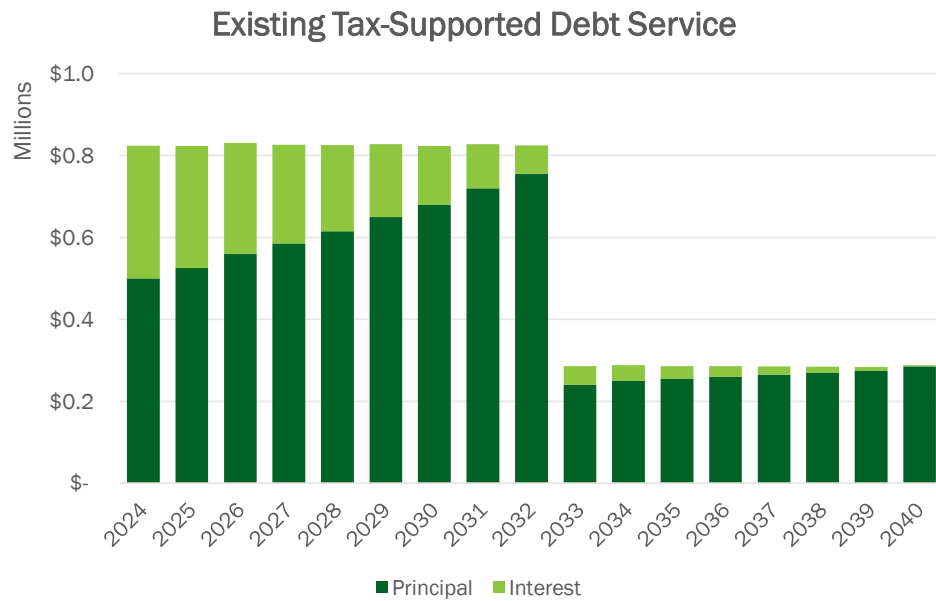




# D. Tax-Supported Debt Management

Town of Warrenton, Virginia

# Existing Tax-Supported Debt Service



| Existing Tax-Supported Debt Service |                    |                    |                     |              |
|-------------------------------------|--------------------|--------------------|---------------------|--------------|
| Fiscal Year                         | Principal          | Interest           | Total               | Payout Ratio |
| 2024                                | 500,000            | 324,238            | 824,238             | 6.5%         |
| 2025                                | 525,000            | 297,972            | 822,972             | 13.3%        |
| 2026                                | 560,000            | 270,169            | 830,169             | 20.6%        |
| 2027                                | 585,000            | 240,828            | 825,828             | 28.2%        |
| 2028                                | 615,000            | 210,078            | 825,078             | 36.2%        |
| 2029                                | 650,000            | 177,663            | 827,663             | 44.7%        |
| 2030                                | 680,000            | 143,581            | 823,581             | 53.5%        |
| 2031                                | 720,000            | 107,706            | 827,706             | 62.9%        |
| 2032                                | 755,000            | 69,909             | 824,909             | 72.7%        |
| 2033                                | 240,000            | 46,063             | 286,063             | 75.8%        |
| 2034                                | 250,000            | 37,656             | 287,656             | 79.1%        |
| 2035                                | 255,000            | 31,041             | 286,041             | 82.4%        |
| 2036                                | 260,000            | 25,569             | 285,569             | 85.8%        |
| 2037                                | 265,000            | 20,106             | 285,106             | 89.2%        |
| 2038                                | 270,000            | 14,653             | 284,653             | 92.7%        |
| 2039                                | 275,000            | 8,978              | 283,978             | 96.3%        |
| 2040                                | 285,000            | 3,028              | 288,028             | 100.0%       |
| <b>Total</b>                        | <b>\$7,690,000</b> | <b>\$2,029,238</b> | <b>\$ 9,719,238</b> |              |





# Debt Management Policies

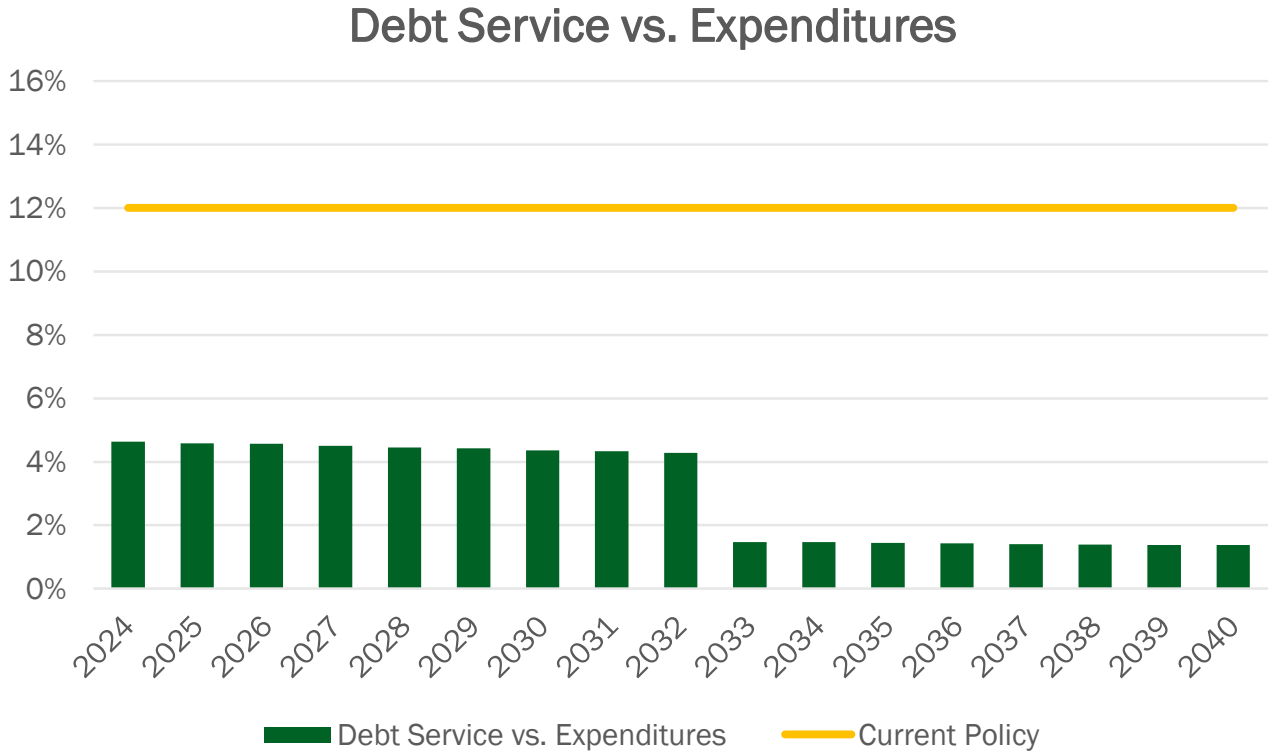
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- An important part of debt management is monitoring indicators of borrowing capacity and affordability. While there are several different ratios/metrics that can be tracked to evaluate a government's debt profile, two are generally regarded industry-wide as **Key Debt Ratios**.
  1. **Debt vs. Assessed Value:**
    - The Town's Policy states that Tax Supported debt of the Town shall not exceed **1.5%** of the total Assessed Value of Taxable Property in the Town.
  
  2. **Debt Service vs. Expenditures**
    - The Town's Policy states that Tax Supported Debt Service Expenditures as a percentage of General Fund Expenditures should not exceed **12%**.



# Tax-Supported Debt Service vs. Expenditures

- Tax-Supported debt service expenditures as a percentage of general fund expenditures should not exceed 12%.

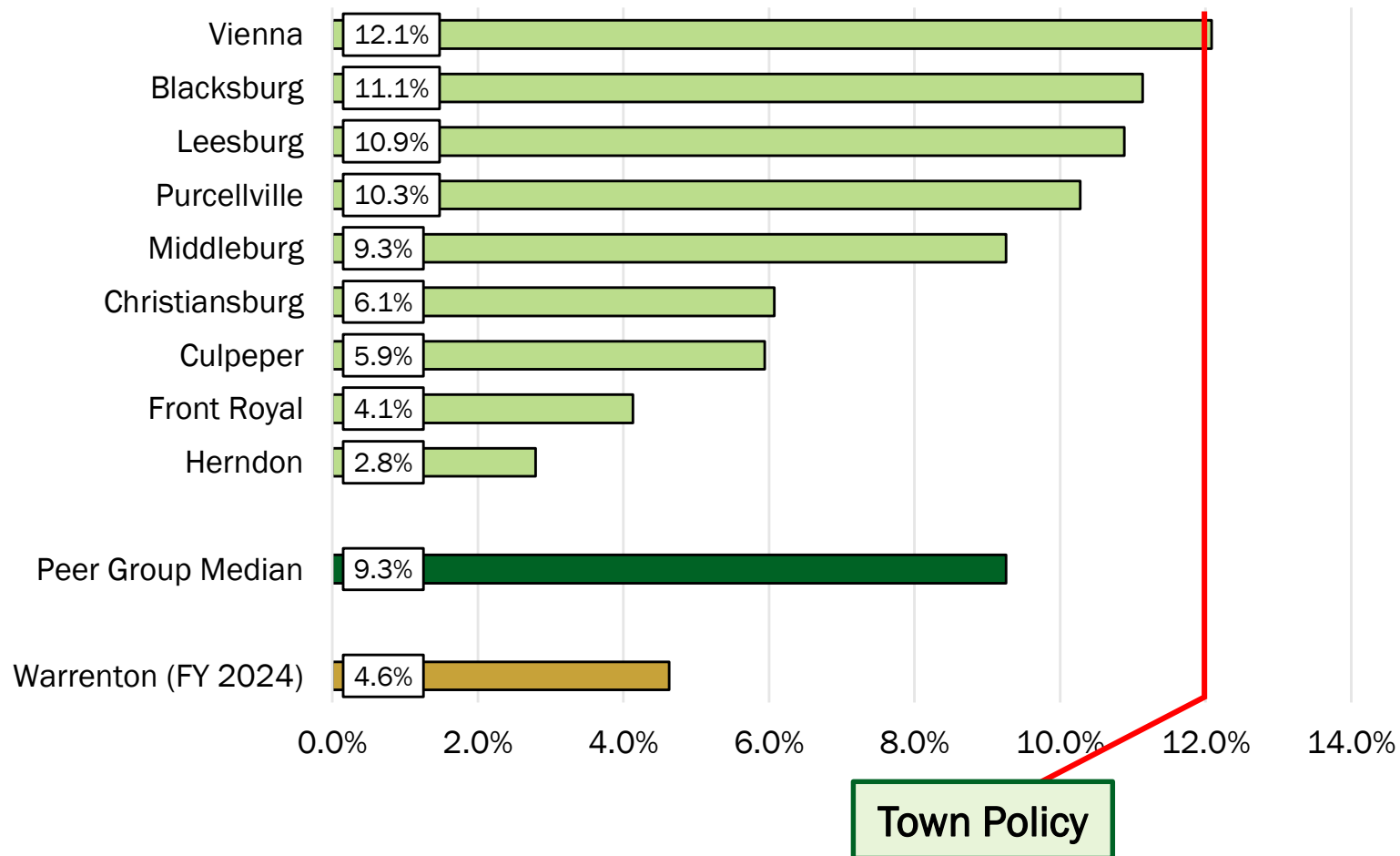


Note: Expenditures are based on FY 2023 Audit expenditures (\$17,616,040) plus 1% growth rate from FY 2023 to FY 2024 and each year thereafter.

# Peer Comparison – Tax-Supported Debt Service vs. General Fund Expenditures



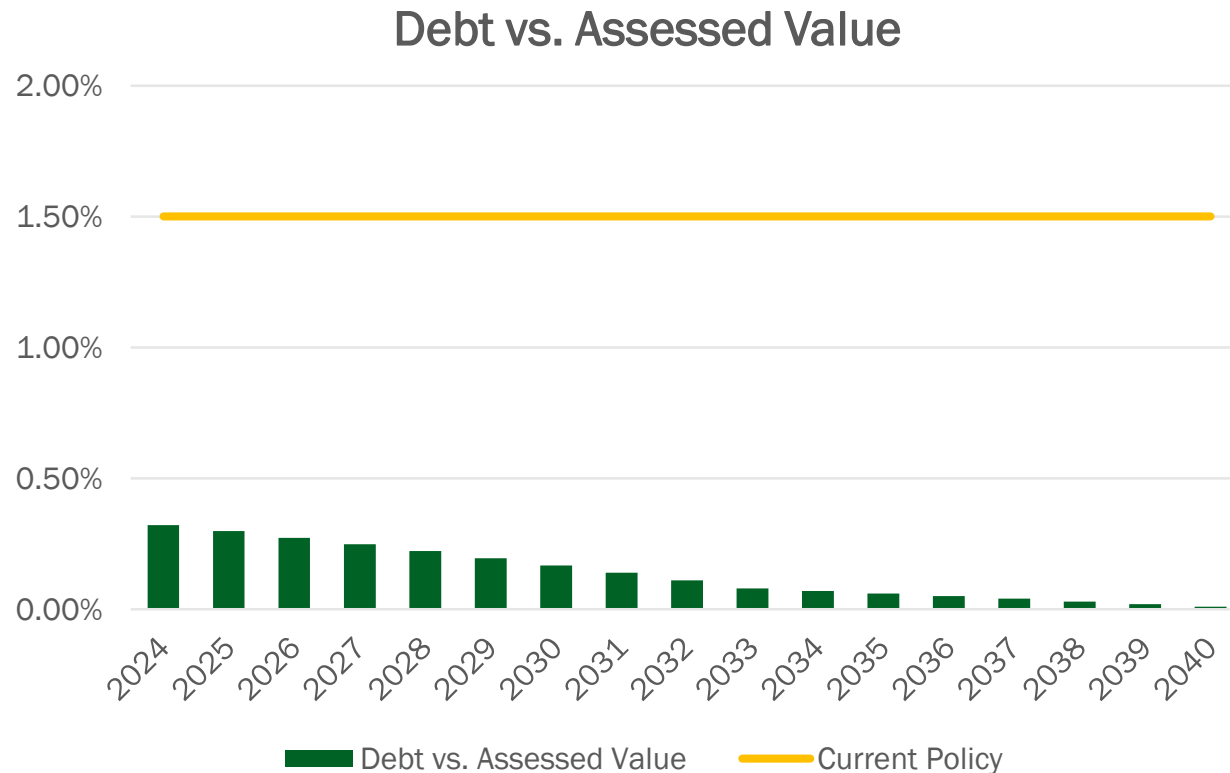
## Debt Service vs. General Fund Expenditures



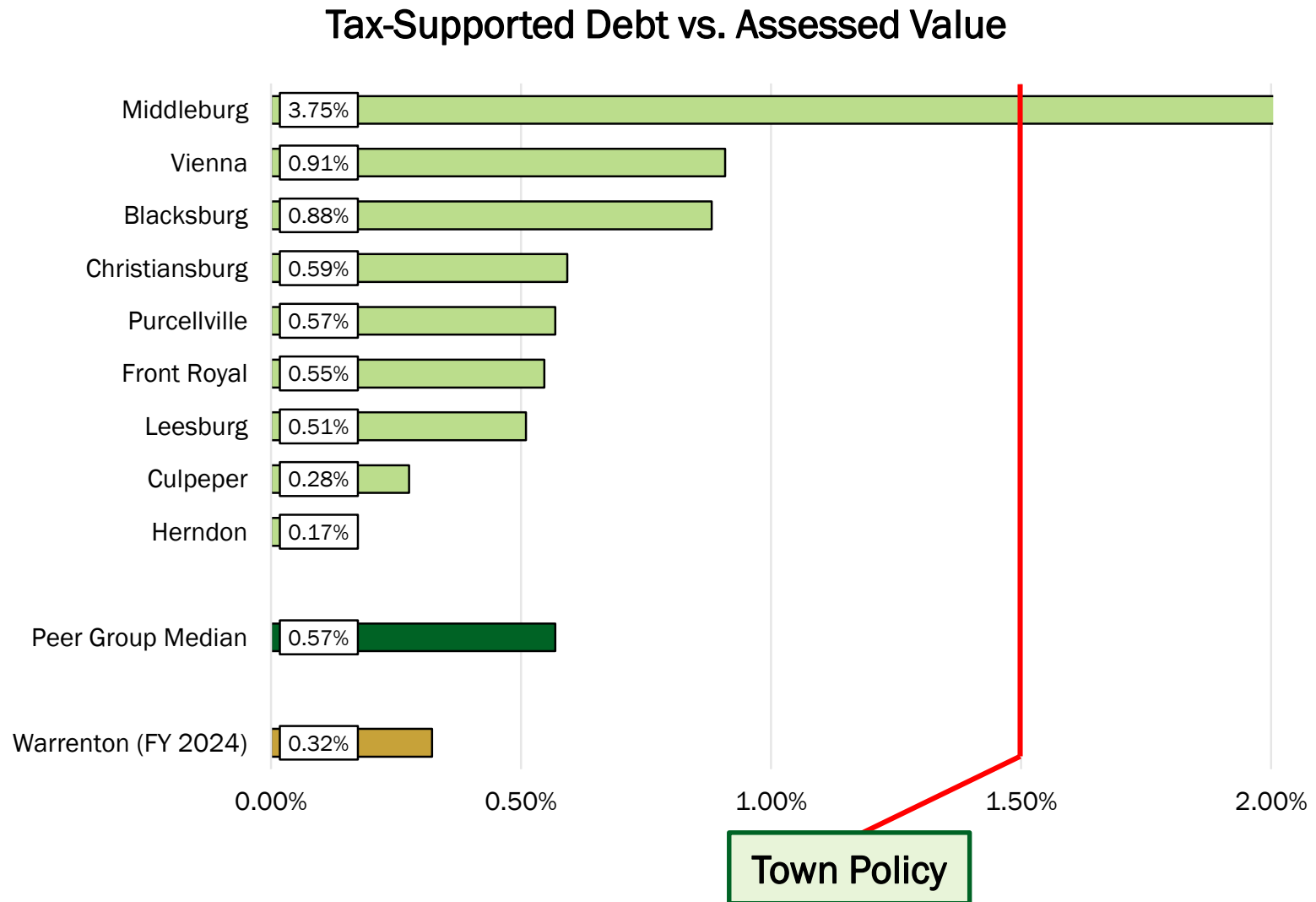
# Tax-Supported Debt vs. Assessed Value



- Tax-Supported debt of the Town shall not exceed 1.5% of the total assessed value of taxable property in the Town.



# Peer Comparison – Tax-Supported Debt vs. Assessed Value



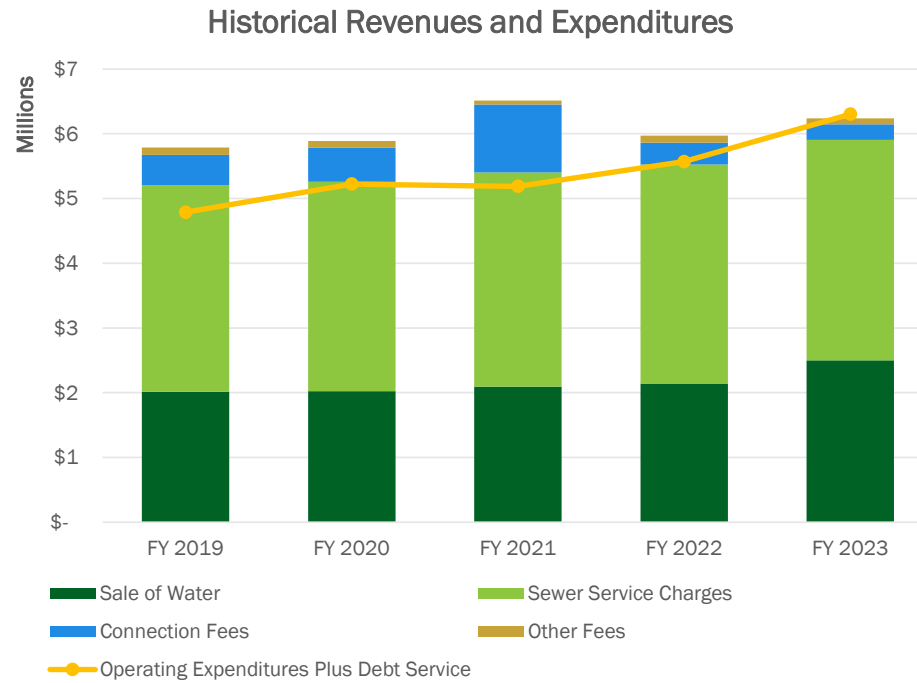


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# E. Water and Sewer Fund

Town of Warrenton, Virginia

# Historical Water & Sewer Fund Results



|   | Fiscal Year<br>2019 | Fiscal Year<br>2020 | Fiscal Year<br>2021 | Fiscal Year<br>2022 | Fiscal Year<br>2023 | CAGR        |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| <b>Revenues</b>                                     |                     |                     |                     |                     |                     |             |
| Sale of Water                                       | \$ 2,012,245        | \$ 2,023,159        | \$ 2,092,318        | \$ 2,140,716        | \$ 2,497,514        | 5.5%        |
| Sewer Service Charges                               | 3,193,272           | 3,234,461           | 3,309,247           | 3,384,176           | 3,410,119           | 1.7%        |
| Connection Fees                                     | 467,187             | 526,725             | 1,050,300           | 336,545             | 236,250             | -15.7%      |
| Other Fees  | 113,275             | 103,257             | 60,687              | 109,151             | 92,376              | -5.0%       |
| <b>A Total Operating Revenues</b>                   | <b>\$ 5,785,979</b> | <b>\$ 5,887,602</b> | <b>\$ 6,512,552</b> | <b>\$ 5,970,588</b> | <b>\$ 6,236,259</b> | <b>1.9%</b> |
|   | Growth              | N/A                 | 1.8%                | 10.6%               | -8.3%               | 4.4%        |
| <b>B Total Operating Expenses</b>                   | <b>\$ 4,266,934</b> | <b>\$ 4,504,090</b> | <b>\$ 4,467,687</b> | <b>\$ 4,798,238</b> | <b>\$ 5,472,073</b> | <b>6.4%</b> |
|   | Growth              | N/A                 | 5.6%                | -0.8%               | 7.4%                | 14.0%       |
| <b>A-B=C Net Revenue Available for Debt Service</b> | <b>\$ 1,519,045</b> | <b>\$ 1,383,512</b> | <b>\$ 2,044,865</b> | <b>\$ 1,172,350</b> | <b>\$ 764,186</b>   |             |
| <b>Debt Service</b>                                 | <b>\$ 519,516</b>   | <b>\$ 718,684</b>   | <b>\$ 720,657</b>   | <b>\$ 772,236</b>   | <b>\$ 830,277</b>   |             |

Note: Depreciation is excluded from Operating Expenditures

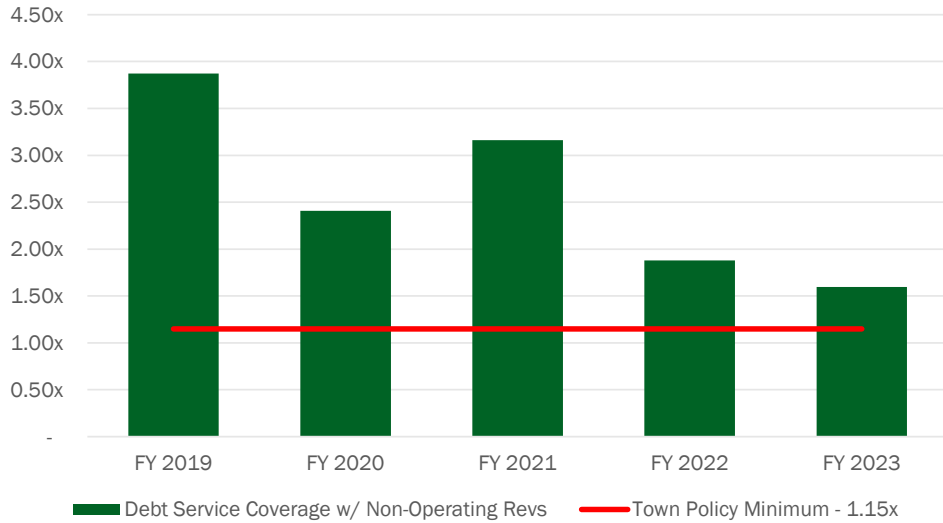
Note: FY 2022 Debt Service taken from FY 2021 projected Debt Service.

Source: Town Audits.

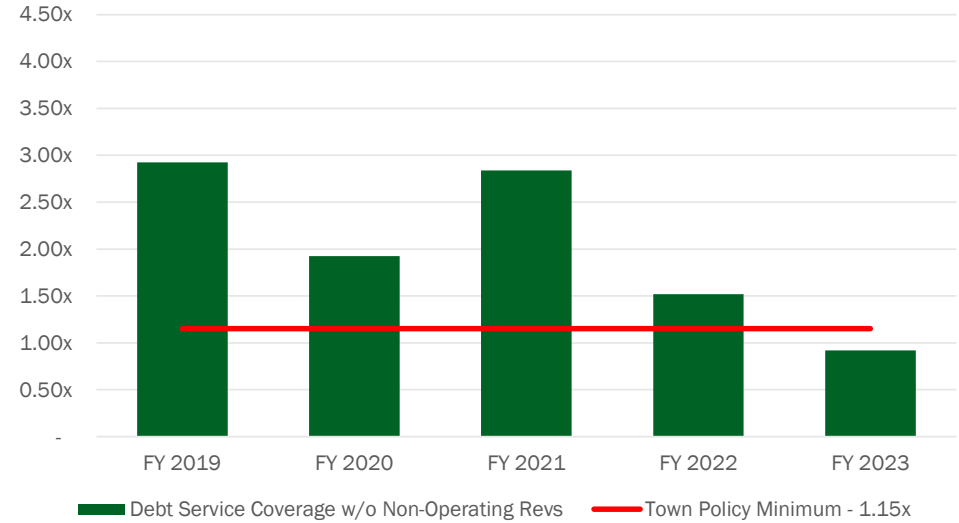
# Historical Water & Sewer Fund Debt Service Coverage



Debt Service Coverage w/ Non-Operating Revs



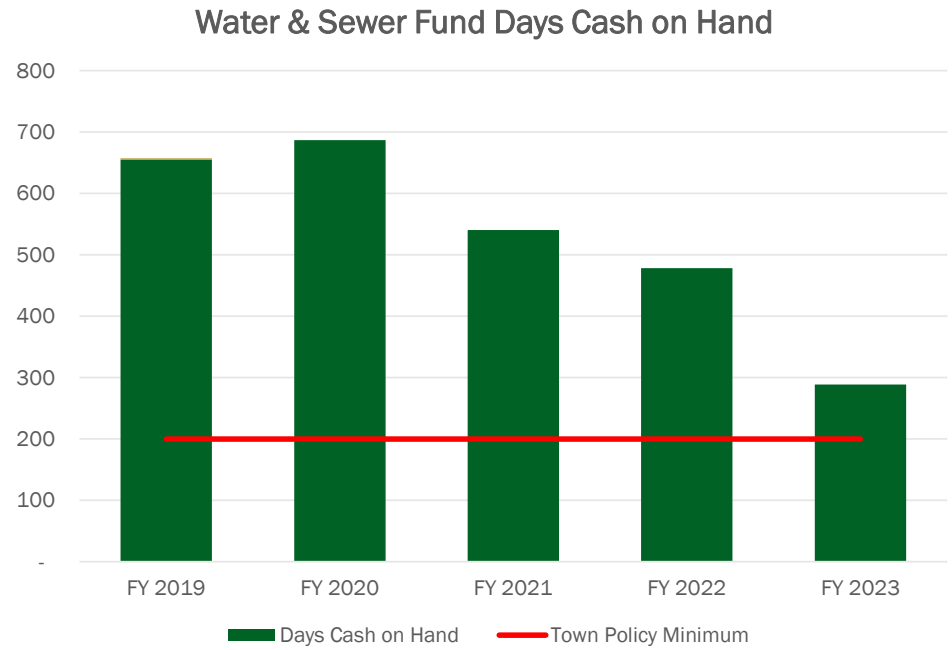
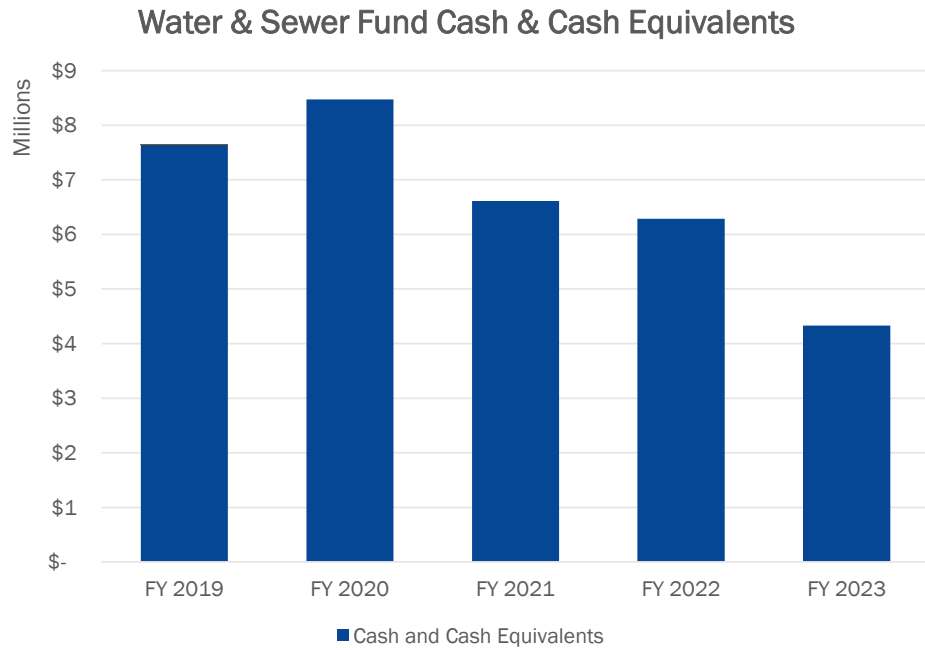
Debt Service Coverage w/o Non-Operating Revs



| Water & Sewer Fund                           | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|---------|---------|---------|---------|---------|
| Debt Service Coverage w/o Non-Operating Revs | 2.92x   | 1.93x   | 2.84x   | 1.52x   | 0.92x   |
| Debt Service Coverage w/ Non-Operating Revs  | 3.87x   | 2.41x   | 3.16x   | 1.88x   | 1.60x   |
| Town Policy Minimum - 1.15x                  | 1.15x   | 1.15x   | 1.15x   | 1.15x   | 1.15x   |



# Historical Water & Sewer Fund Cash Balance

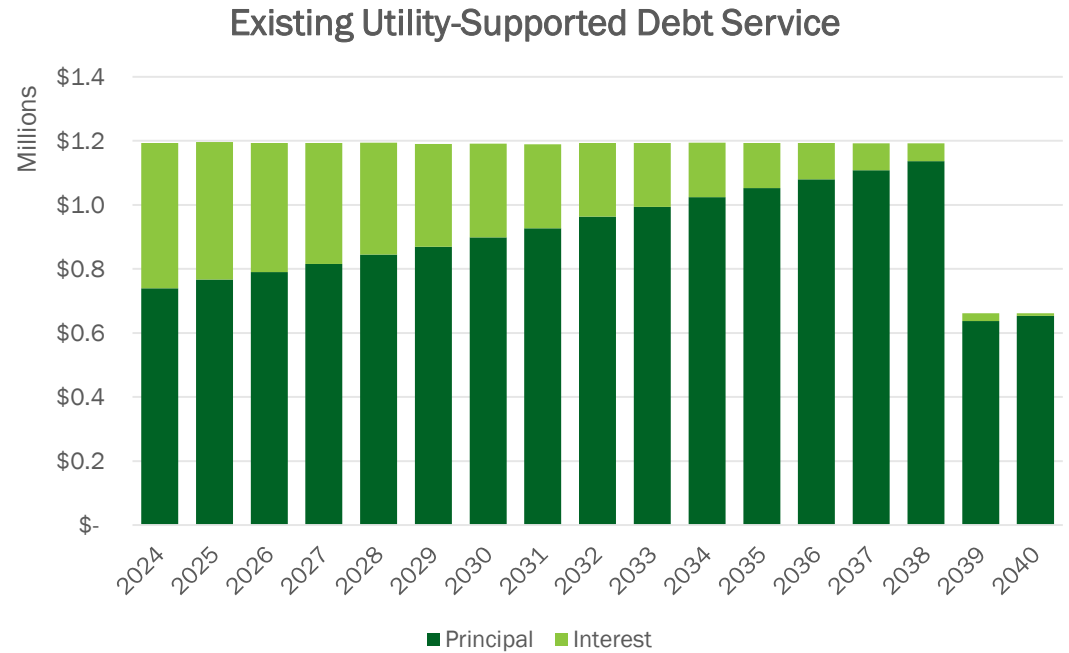


| Water & Sewer Fund        | FY 2019      | FY 2020      | FY 2021      | FY 2022      | FY 2023      |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash and Cash Equivalents | \$ 7,653,103 | \$ 8,473,309 | \$ 6,612,579 | \$ 6,287,203 | \$ 4,329,251 |
| Days Cash on Hand         | 655          | 687          | 540          | 478          | 289          |
| Town Policy Minimum       | 200          | 200          | 200          | 200          | 200          |

# Water & Sewer Existing Debt Profile



| Existing Utility-Supported Debt Service |                      |                    |                      |              |
|---|----------------------|--------------------|----------------------|--------------|
| Fiscal Year                             | Principal            | Interest           | Total                | Payout Ratio |
| 2024                                    | 740,000              | 453,627            | 1,193,627            | 4.8%         |
| 2025                                    | 767,000              | 428,999            | 1,195,999            | 9.8%         |
| 2026                                    | 790,000              | 403,510            | 1,193,510            | 15.0%        |
| 2027                                    | 816,000              | 377,130            | 1,193,130            | 20.3%        |
| 2028                                    | 845,000              | 349,773            | 1,194,773            | 25.9%        |
| 2029                                    | 869,000              | 321,497            | 1,190,497            | 31.5%        |
| 2030                                    | 899,000              | 292,303            | 1,191,303            | 37.4%        |
| 2031                                    | 927,000              | 262,033            | 1,189,033            | 43.5%        |
| 2032                                    | 963,000              | 230,602            | 1,193,602            | 49.8%        |
| 2033                                    | 994,000              | 199,539            | 1,193,539            | 56.3%        |
| 2034                                    | 1,024,000            | 169,822            | 1,193,822            | 63.0%        |
| 2035                                    | 1,052,000            | 141,308            | 1,193,308            | 69.8%        |
| 2036                                    | 1,080,000            | 113,252            | 1,193,252            | 76.9%        |
| 2037                                    | 1,108,000            | 84,558             | 1,192,558            | 84.1%        |
| 2038                                    | 1,137,000            | 55,225             | 1,192,225            | 91.6%        |
| 2039                                    | 637,000              | 24,996             | 661,996              | 95.7%        |
| 2040                                    | 653,000              | 8,403              | 661,403              | 100.0%       |
| <b>Total</b>                            | <b>\$ 15,301,000</b> | <b>\$3,916,576</b> | <b>\$ 19,217,576</b> |              |



## Summary of Outstanding Utility-Supported Debt

| Series                                  | Original Par         | Par Outstanding      | Interest Rate   | Final Maturity |
|---|----------------------|----------------------|-----------------|----------------|
| G.O. Refunding Bond, Series 2021A       | \$ 6,935,000         | \$ 6,436,000         | 2.750%          | 1/15/2038      |
| G.O. Refunding Bond, Series 2021B       | 3,975,000            | 3,715,000            | 5.125% - 2.215% | 10/1/2039      |
| G.O. Bond, Water & Sewer Financing 2022 | 5,150,000            | 5,150,000            | 2.900%          | 10/1/2039      |
| <b>Total</b>                            | <b>\$ 15,301,000</b> | <b>\$ 15,301,000</b> |                 |                |

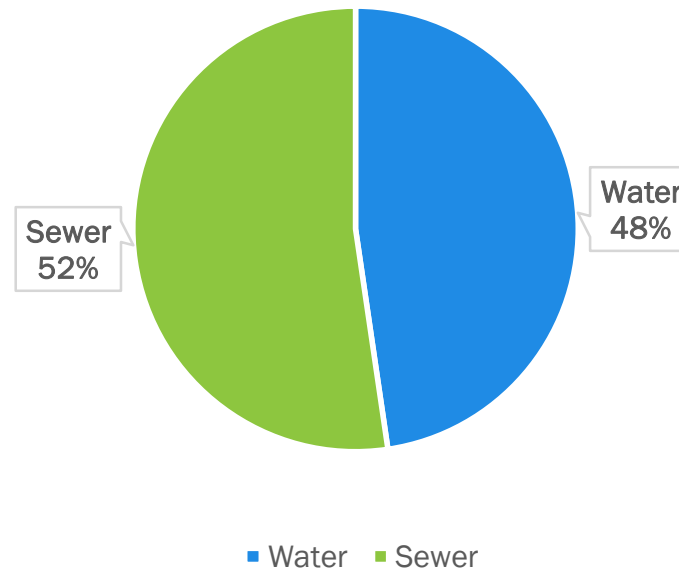
# Historical Water & Sewer Capital Improvement Plan (CIP)

## Proposed FY 2025 CIP



- Town Staff have identified over \$97 million in Capital Funding Projects over the next six (6) years for the Town's Water and Sewer Fund (FY 2025-2030).
  - Sewer capital projects over the next 6 years are approximately \$51 million.
  - Water capital projects over the next 6 years are approximately \$46 million.

### Water & Sewer Fund CIP



Note: Capital Project costs include a 10% contingency.



# F. Next Steps

Town of Warrenton, Virginia

# Next Steps

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- Tuesday, April 9, 2024      Davenport to present an updated Comprehensive Financial Review to the Town Council.
  
- Tuesday, May 14, 2024      Davenport presents update to Water & Sewer Capital Funding Plan, last presented to Town Council May of 2023.
  
- June 2024      Town Council Adopts FY 2025 Budget.
  
- Summer 2024      Refine Capital Funding Plan for Water & Sewer Fund.
  
- Summer/Fall 2024      Enact Capital Funding Plan for Water & Sewer Fund.



# Appendix

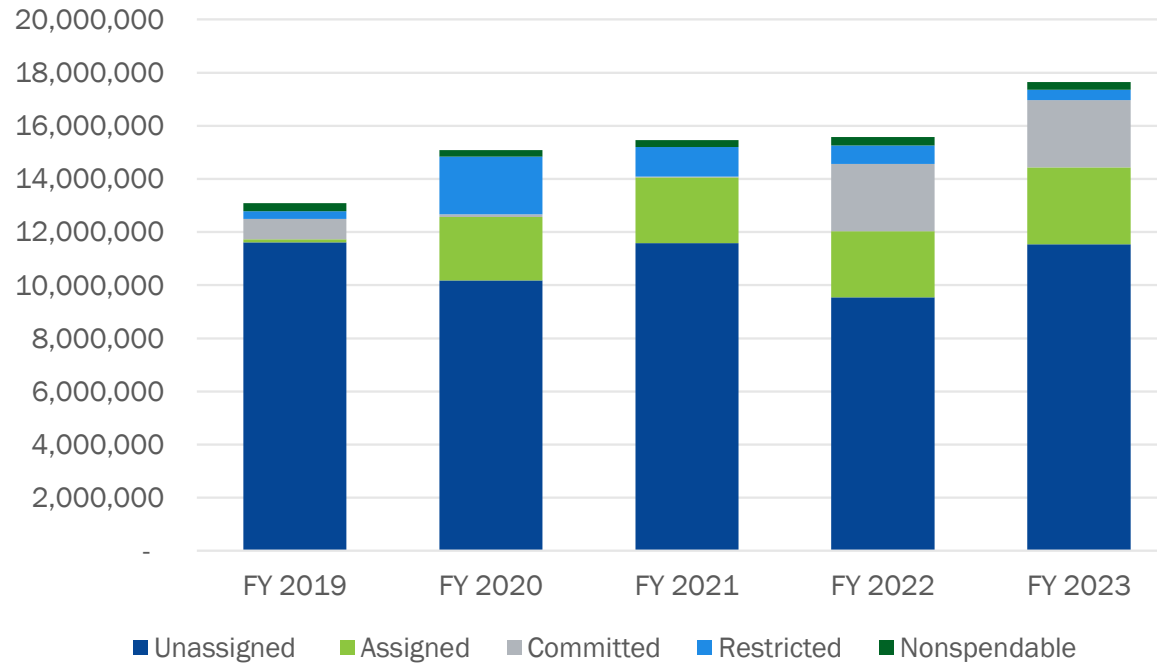
Town of Warrenton, Virginia

# Historical Fund Balance

## General Fund



Fund Balances - General Fund



| Fund Balance               | FY 2019              | FY 2020              | FY 2021              | FY 2022              | FY 2023              |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Nonspendable               | \$ 308,386           | \$ 251,130           | \$ 259,787           | \$ 324,730           | \$ 297,332           |
| Restricted                 | 288,726              | 2,168,746            | 1,123,502            | 699,326              | 389,915              |
| Committed                  | 770,262              | 93,287               | 28,035               | 2,528,550            | 2,532,750            |
| Assigned                   | 113,000              | 2,391,574            | 2,478,187            | 2,488,498            | 2,895,028            |
| Unassigned                 | 11,611,907           | 10,178,740           | 11,575,773           | 9,542,190            | 11,537,274           |
| <b>Total Fund Balances</b> | <b>\$ 13,092,281</b> | <b>\$ 15,083,477</b> | <b>\$ 15,465,284</b> | <b>\$ 15,583,294</b> | <b>\$ 17,652,299</b> |

# Existing Debt Service



## Summary of Outstanding Tax-Supported Debt

| Series                            | Original Par | Par Outstanding     | Interest Rate   | Final Maturity |
|-----------------------------------|--------------|---------------------|-----------------|----------------|
| G.O. Refunding Bond, Series 2021B | \$ 8,720,000 | \$ 7,690,000        | 5.125% - 2.215% | 10/1/2039      |
| <b>Total</b>                      |              | <b>\$ 7,690,000</b> |                 |                |

## Summary of Outstanding Utility-Supported Debt

| Series                                  | Original Par | Par Outstanding      | Interest Rate   | Final Maturity |
|---|--------------|----------------------|-----------------|----------------|
| G.O. Refunding Bond, Series 2021A       | \$ 6,935,000 | \$ 6,436,000         | 2.750%          | 1/15/2038      |
| G.O. Refunding Bond, Series 2021B       | 3,975,000    | 3,715,000            | 5.125% - 2.215% | 10/1/2039      |
| G.O. Bond, Water & Sewer Financing 2022 | 5,150,000    | 5,150,000            | 2.900%          | 10/1/2039      |
| <b>Total</b>                            |              | <b>\$ 15,301,000</b> |                 |                |



# Incremental Revenue Impact



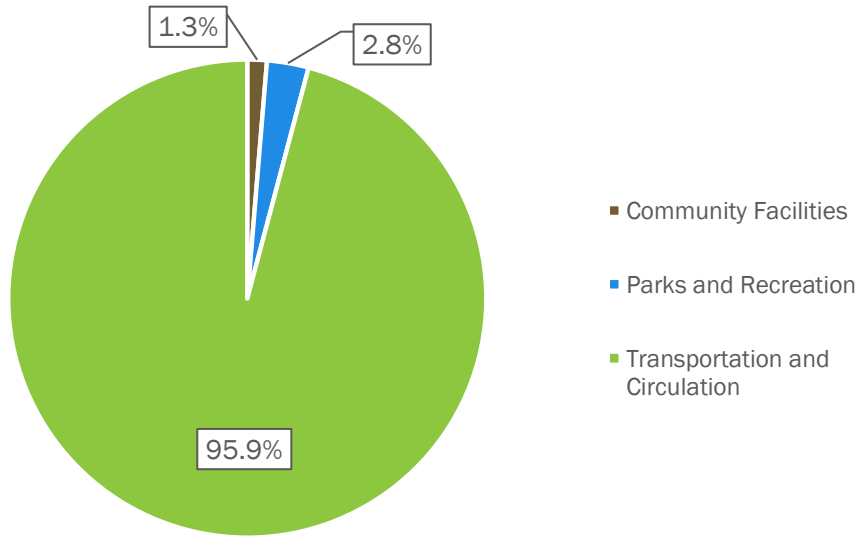
| Tax Revenue       | FY 2024 Budgeted Revenues | Current Tax Rate              | Marginal Unit | Estimated Value of a 1-Unit Tax Increase |
|-------------------|---------------------------|-------------------------------|---------------|--|
| Real Estate Taxes | \$844,000                 | <u>\$0.0401</u> / \$100 of AV | \$0.01        | \$210,000                                |
| Meals Tax         | \$5,500,000               | 6.00%                         | 1.00%         | \$917,000                                |

# General Fund Capital Improvement Plan (CIP)

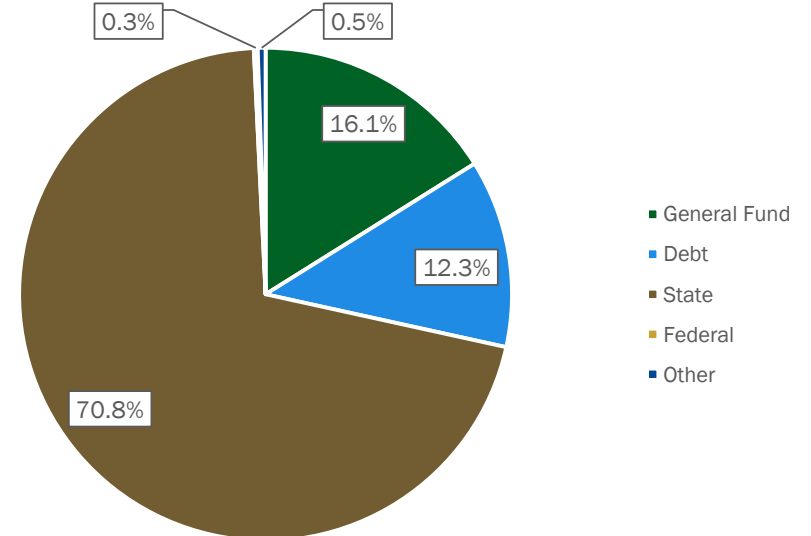
Proposed FY 2025 CIP



General Fund CIP Uses



General Fund CIP Sources



## General Fund Capital Improvement Plan

| Uses                           | FY 2025             | FY 2026             | FY 2027             | FY 2028             | FY 2029              | FY 2030             | Total                |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| Community Facilities           | \$ -                | \$ 775,000          | \$ -                | \$ -                | \$ -                 | \$ -                | \$ 775,000           |
| Parks and Recreation           | 407,000             | 400,375             | 295,423             | 150,000             | 400,000              | -                   | 1,652,798            |
| Transportation and Circulation | 1,256,003           | 7,012,145           | 1,315,250           | 9,780,819           | 30,730,512           | 6,152,839           | 56,247,567           |
| <b>Total</b>                   | <b>\$ 1,663,003</b> | <b>\$ 8,187,520</b> | <b>\$ 1,610,673</b> | <b>\$ 9,930,819</b> | <b>\$ 31,130,512</b> | <b>\$ 6,152,839</b> | <b>\$ 58,675,365</b> |

| Sources      | FY 2025             | FY 2026             | FY 2027             | FY 2028             | FY 2029              | FY 2030             | Total                |
|--------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| General Fund | \$ 1,440,002        | \$ 2,105,375        | \$ 1,410,673        | \$ 1,650,673        | \$ 1,695,000         | \$ 1,152,839        | \$ 9,454,561         |
| Debt         | -                   | 734,307             | 100,000             | 325,000             | 3,575,000            | 2,500,000           | 7,234,307            |
| State        | 73,002              | 5,347,838           | 100,000             | 7,955,146           | 25,560,512           | 2,500,000           | 41,536,498           |
| Federal      | 150,000             |                     |                     |                     |                      |                     | 150,000              |
| Other        |                     |                     |                     |                     | 300,000              |                     | 300,000              |
| <b>Total</b> | <b>\$ 1,663,003</b> | <b>\$ 8,187,520</b> | <b>\$ 1,610,673</b> | <b>\$ 9,930,819</b> | <b>\$ 30,830,512</b> | <b>\$ 6,152,839</b> | <b>\$ 58,675,365</b> |

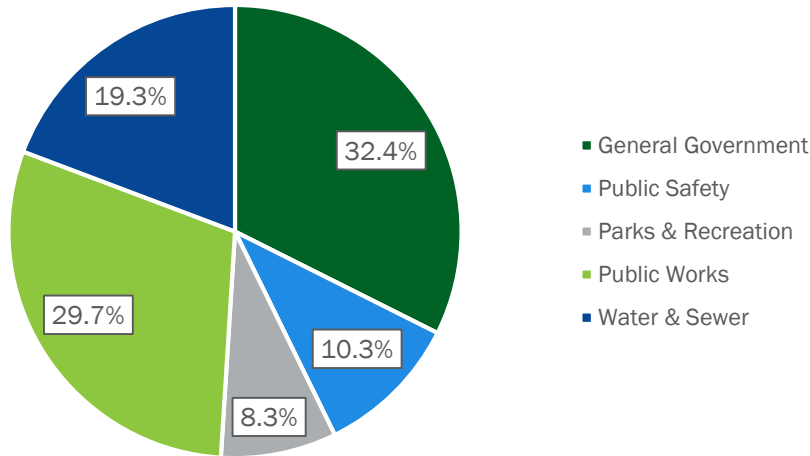
Source: Proposed FY 2025 CIP.

# General Fund Capital Asset Replacement Program (CARP)

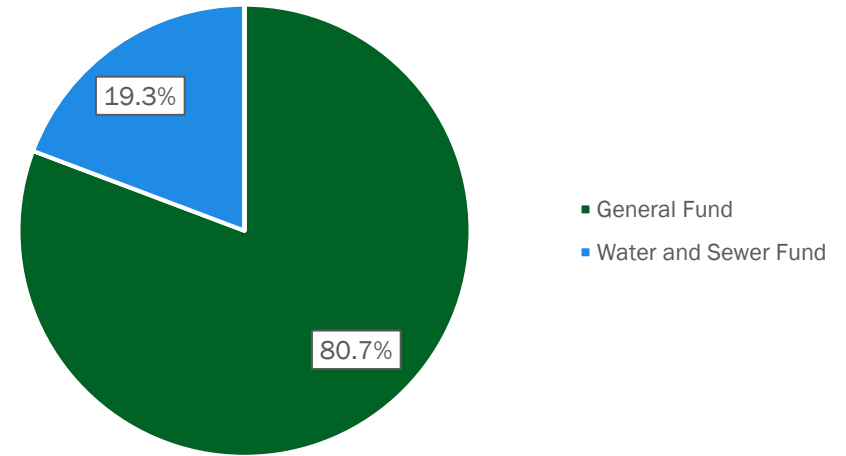
## Proposed FY 2025 CARP



General Fund CARP Uses



General Fund CARP Sources



### General Fund Capital Asset Replacement Program

| Uses               | FY 2025             | FY 2026             | FY 2027             | FY 2028           | FY 2029           | FY 2030           | Total               |
|--------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|
| General Government | \$ 970,000          | \$ 871,500          | \$ 647,550          | \$ 419,205        | \$ 65,000         | \$ 65,000         | \$ 3,038,255        |
| Public Safety      | 70,000              | 300,000             | 120,000             | 180,000           | 120,000           | 180,000           | 970,000             |
| Parks & Recreation | 390,000             | 385,000             | -                   | -                 | -                 | -                 | 775,000             |
| Public Works       | 335,000             | 1,620,000           | 177,500             | 90,000            | 265,000           | 302,500           | 2,790,000           |
| Water & Sewer      | 836,000             | 150,000             | 240,000             | 260,000           | 230,000           | 90,000            | 1,806,000           |
| <b>Total</b>       | <b>\$ 2,601,000</b> | <b>\$ 3,326,500</b> | <b>\$ 1,185,050</b> | <b>\$ 949,205</b> | <b>\$ 680,000</b> | <b>\$ 637,500</b> | <b>\$ 9,379,255</b> |

| Sources              | FY 2025             | FY 2026             | FY 2027             | FY 2028           | FY 2029           | FY 2030           | Total               |
|----------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|
| General Fund         | \$ 1,765,000        | \$ 3,176,500        | \$ 945,050          | \$ 689,205        | \$ 450,000        | \$ 547,500        | \$ 7,573,255        |
| Water and Sewer Fund | 836,000             | 150,000             | 240,000             | 260,000           | 230,000           | 90,000            | 1,806,000           |
| ARPA                 | -                   | -                   | -                   | -                 | -                 | -                 | -                   |
| Grant                | -                   | -                   | -                   | -                 | -                 | -                 | -                   |
| <b>Total</b>         | <b>\$ 2,601,000</b> | <b>\$ 3,326,500</b> | <b>\$ 1,185,050</b> | <b>\$ 949,205</b> | <b>\$ 680,000</b> | <b>\$ 637,500</b> | <b>\$ 9,379,255</b> |

Source: Proposed FY 2025 CARP.

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