



Office of the Town Manager
Christopher E. Martino

Warrenton Town Council
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STAFF REPORT

Council Meeting Date:	January 10, 2023
Agenda Title:	A resolution to budget and appropriate \$5,000,000 of debt proceeds for water and sewer capital projects, and \$75,090 of water and sewer funds reserves for debt service in the water and sewer fund
Requested Action:	Conduct the public hearing and consider the resolution to budget and amend the water and sewer capital projects and debt service
Department / Agency Lead:	Finance Department
Staff Lead:	Stephanie Miller, Director

EXECUTIVE SUMMARY

The Town's Water and Sewer System's infrastructure is aging, with some facilities dating back to the 1950's. Over the past several years, planned improvements have had to be delayed due to failures and repairs that required immediate attention to maintain operations. As part of the Fiscal Year 2023 adopted budget, the Town Council approved additional positions to improve operations and support the capital program. Council also appropriated \$4.5 million in American Rescue Plan Act funding and authorized \$5.0 million in debt funding to address capital needs identified as a priority by the Public Utilities staff. Council action is necessary at this time to create the specific capital projects, and to budget and appropriate the \$5,000,000 of debt funding for those projects in the current fiscal year so that staff may proceed with the necessary capital projects.

BACKGROUND

At the September 13, 2022 Council meeting, the Town Council authorized the issuance of up to \$5.4 million in debt to finance Water and Sewer projects. The Town subsequently entered into a \$5 million 17-year loan with Chase Bank. The Town Council also appropriated the use of \$4.5 million in American Rescue Plan Act (ARPA) funding for water and sewer projects.

At the December 13, 2022 work session, the Public Utilities staff presented to Council an overview of operations that detailed the aging infrastructure and provided a re-prioritized list of projects to be funded by ARPA and the loan funding. Some of these projects were previously programmed for future years in the adopted 2023-2028 Capital Improvement Program (CIP) and need to be completed sooner than originally scheduled. The table on the next page shows the original cost estimates and where the projects were programmed in the CIP. Three of the identified projects are currently included in the Fiscal Year 2023 adopted budget.

PRIORITY PROJECTS

PROJ. #	PROJECT TITLE	FY23	FY24	FY25	FY26	FY27	FY28 & Beyond	TOTAL COST
U-23-013	WTP Clearwell Project	\$ 834,000	\$ 833,000	\$ 833,000	\$ -	\$ -	\$ -	\$ 2,500,000
U-23-014	Water Fill Station	\$ 253,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,157
U-23-017	GST Upgrades	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,000
U-28-004	Primary Clarifiers & Sludge Pump Station	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,500,000	\$ 3,500,000
U-26-007	Filter Control Valves	\$ -	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 350,000
		\$ 1,437,157	\$ 833,000	\$ 833,000	\$ 350,000	\$ -	\$ 3,500,000	\$ 6,953,157

Many of the project estimates have increased. The next table shows the updated cost estimates. Under funding sources to the right, the green column shows the amount that is currently budgeted out of reserves. The proposed budget amendment to use other funding sources is shown in the AS AMENDED columns.

The \$4.5 million in ARPA funding will cover a portion of the Primary Clarifier project. The \$5.0 million in bond funding will cover the balance of the Primary Clarifier and the other listed projects. The WTP Clearwell is only partially funded in FY23; the balance will need to be appropriated in subsequent fiscal years.

UPDATED PROJECT ESTIMATES

PROJECT TITLE		FUNDING SOURCES			AMENDED FY23 BUDGET
		CURRENT BUDGET	AS AMENDED		
		RESERVES	ARPA	BOND	
Water Fill Station	\$ 506,314	\$ 506,314	\$ -	\$ 506,314	\$ 506,314
GST Upgrades	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Primary Clarifiers & Sludge Pump Station	\$ 6,774,682	\$ -	\$ 4,500,000	\$ 2,274,682	\$ 6,774,682
Filter Control Valves	\$ 750,000	\$ -	\$ -	\$ 750,000	\$ 750,000
WTP Clearwell Project <i>(to be partially funded in FY23)</i>	\$ 6,429,320	\$ 869,004	\$ -	\$ 869,004	\$ 869,004
	\$ 15,060,316	\$ 1,975,318	\$ 4,500,000	\$ 5,000,000	\$ 9,500,000

Additionally, the first interest-only debt service payment will be due on April 1, 2023 in the amount of \$75,090. The debt service is not currently in the Fiscal Year 2023 adopted budget, so this amount will need to be appropriated from Water and Sewer Fund reserves.

STAFF RECOMMENDATION

Staff recommends that Council conduct the public hearing to obtain citizen comment on the projects and consider adopting the attached resolution to budget and appropriate \$5,000,000 of debt proceeds for water and sewer capital projects, and \$75,090 of water and sewer fund reserves for debt service in Fiscal Year 2023.

Service Level / Policy Impact

Under Community Facilities Goals of Plan Warrenton 2040, goal CF-4 seeks to ensure healthy, safe, and adequate water and wastewater services.

Fiscal Impact

This action will allow the Town to use the previously issued debt to move forward on capital projects included in the adopted 2023-2028 Capital Improvement Program.

- The three projects already included in the Fiscal Year 2023 adopted budget are presently funded with Water and Sewer Fund reserves. This action will release \$1,975,318 in Water and Sewer Fund reserves and realign those projects with the bond funding.
- The re-prioritized projects that are not currently in the budget will be appropriated and funded either with ARPA or the bond funding as shown in the chart on page 2 of this memo.
- The resolution will also appropriate Water and Sewer reserves for the first interest-only debt service payment on the bond in the amount of \$75,090.

Legal Impact

A public hearing is required in accordance with section 15.2-2507 of Virginia State Code which states, "any locality may amend its budget to adjust the aggregate amount to be appropriated during the current fiscal year as shown in the currently adopted budget as prescribed by § 15.2-2504. However, any such amendment which exceeds one percent of the total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of a meeting and a public hearing once in a newspaper having general circulation in that locality at least seven days prior to the meeting date. The notice shall state the governing body's intent to amend the budget and include a brief synopsis of the proposed budget amendment. Any local governing body may adopt such amendment at the advertised meeting, after first providing a public hearing during such meeting on the proposed budget amendments."

ATTACHMENTS

1. A resolution to budget and appropriate \$5,000,000 of debt proceeds for water and sewer capital projects, and \$75,090 of water and sewer fund reserves for debt service in the water and sewer fund