



Department of Finance

Town of Warrenton
21 Main Street
Warrenton, Virginia 20186
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TO: Mayor and Town Council

FROM: Stephanie Miller
Finance Director

DATE: January 31, 2023

SUBJECT: Financial review for the period ended December 31, 2022

This memorandum is provided to assist the Council in their review of the Financial Statements for the second quarter of FY 2023. This represents 50% of the budget year.

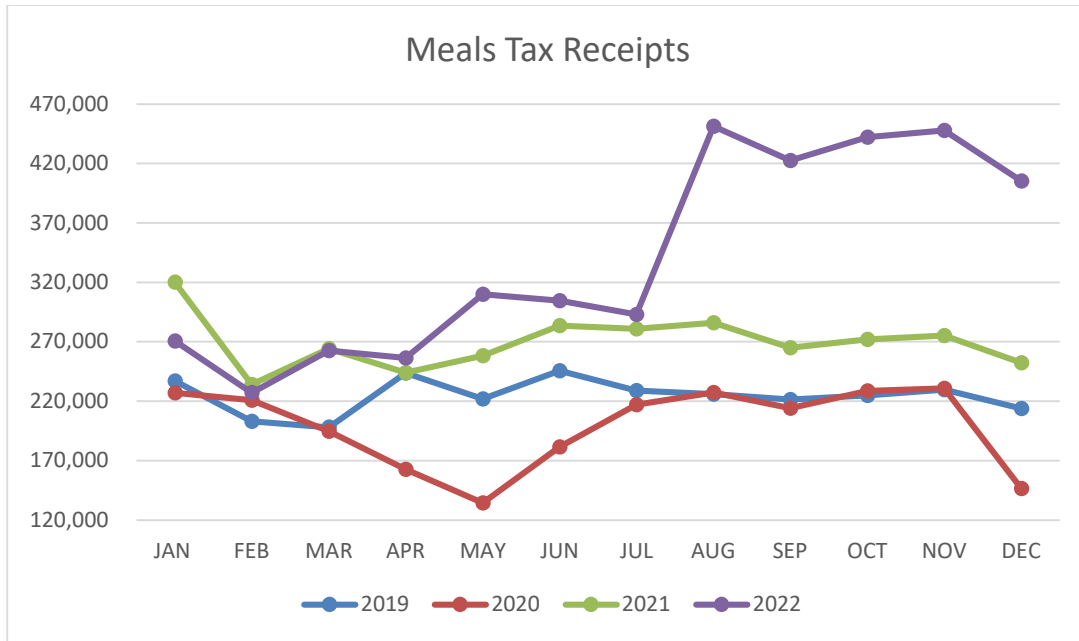
A review of revenue trends and delinquent account balances is provided first. Real Estate Tax, Stormwater Management Fee, Personal Property Tax and Vehicle License Fee have been added to the Delinquent Account Balances section of the analysis, beginning on page 4.

The notes regarding the financial statements begin on page 5 of this memo.

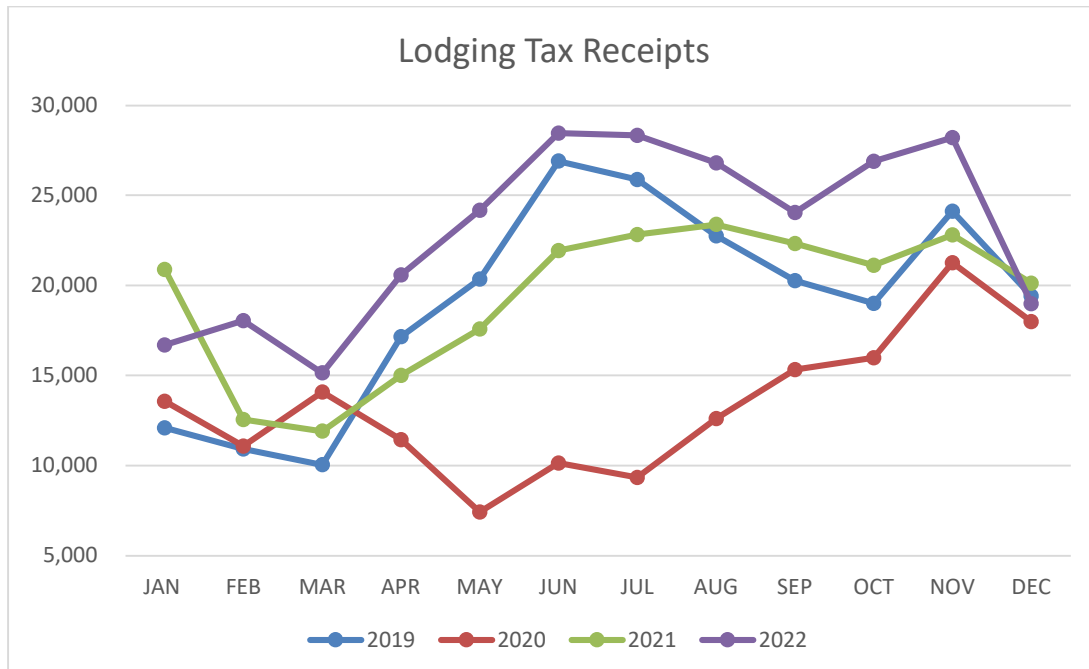
REVENUE TRENDS

A review of monthly revenue categories is provided to assist in understanding how our current receipts compare to prior periods. The data is presented on a cash basis for the current calendar year (2022) and three prior years (2019, 2020, and 2021). The monthly revenue categories are Meals Tax, Lodging Tax, Local Sales Tax, and Utility Billing Receipts.

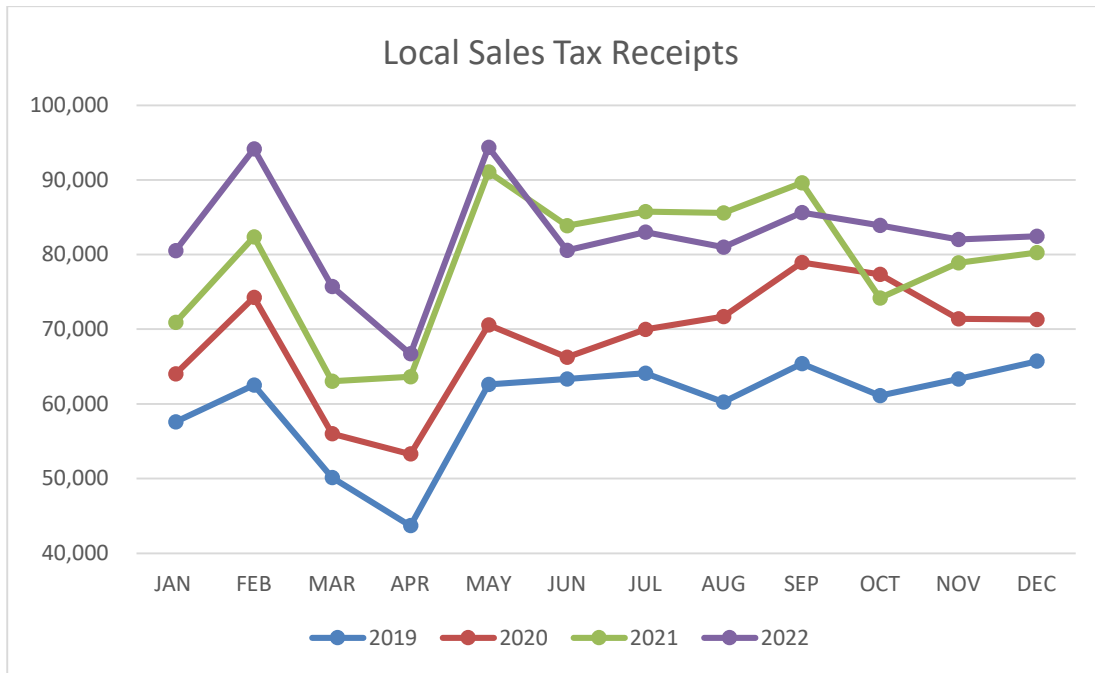
Meals Tax - This is the largest revenue source for the General Fund. Since July 2020, revenue has tracked closely to the data from 2019, apart from January 2020. This was due to mail delivery delays and accounts for the significant increase in January 2021. In April 2021, the revenue in this category matched that received in 2019. Since that time, the revenue has met or exceeded all prior years. The August collections reflect the beginning of the increase in the rate that was adopted in the FY23 budget.



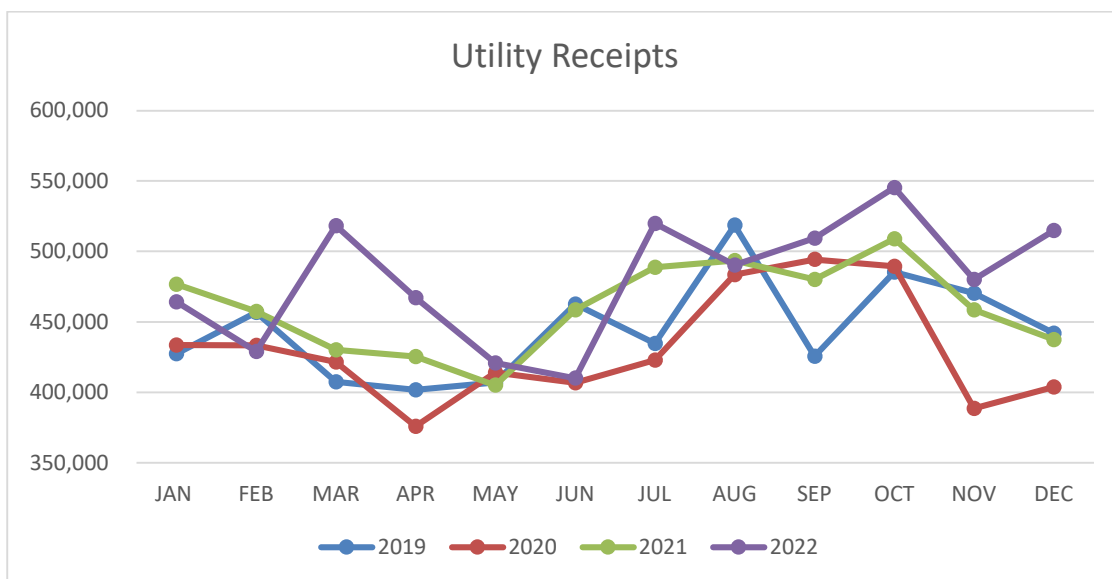
Lodging Tax – This category suffered more severely from the impacts of Covid-19 but has rebounded. Since February, revenue for 2022 has been higher than for all prior years, including pre-pandemic periods. The December collections mirror the trend for prior years.



Local Sales Tax – Sales Tax receipts dipped slightly from June through September but are currently trending higher than pre-pandemic collections.



Utility Bills – The Town resumed cut-offs for non-payment in September 2021. Receipts in 2022 have generally tracked higher but dipped in May, June and August, following normal trends.



DELINQUENT ACCOUNT BALANCES

Real Estate Tax and Stormwater Management Utility Fee

Real Estate tax and the Stormwater Management Utility fee are due twice a year, on June 15th and December 15th. The percent collected and unpaid balances are shown below:

Type	Percent Collected	Unpaid Balance
Real Estate Tax – 1 st half, CY2022	99.1	\$3,807.81
SWM Utility Fee – 1 st half, CY2022	96.9	\$10,979.44
Real Estate Tax – 2 nd half, CY2022	96.4	\$14,920.69
SWM Utility Fee – 2 nd half, CY2022	93.1	\$24,876.50

Personal Property Tax and Vehicle License Tax

Personal Property taxes and vehicle license fees are due once a year on December 15th. The percent collected and unpaid balance for the December 15, 2022 billing is shown below:

Type	Percent Collected	Unpaid Balance
Personal Property Tax	93.8	\$81,239.56
Business Personal Property Tax	83.9	\$71,494.72
Vehicle License Fee	69.8	\$66,008.11

Meals Tax

Meals Tax collectors must file for us to know the amount of tax owed. If they fail to file, we may issue a statutory assessment based on the best available information and pursue collection of that amount.

Filings: The Town has a total of 85 registered Meals Tax collectors. Four businesses have not filed for December 2022.

Payment Plans: There are no current payment plans.

Lodging Tax

Similar to Meals Tax, businesses must file in order for us to create an assessment. All registered collectors are current in their filings and payments.

Sales Tax

Sales tax is remitted to the State each month based on the County, not the Town, that the business is located in. The local 1% is then sent back to the County. The amount to be distributed to the Towns is determined based on the residency of school-aged children. The County retains 50% of that amount and distributes the remaining 50% to the incorporated Towns based on the percentage of school-aged children residing in each town. There is no information provided by the State regarding delinquent accounts.

Utility Billing

The total delinquent balance is \$12,470 lower than December 2022 with a notable decline in the Over 90 balance.

WATER AND SEWER OPERATING A/R AGING

	<u>December 31, 2021</u>	<u>December 31, 2022</u>	<u>Incr./ (Decr.)</u>
Over 30	54,675	56,706	2,031
Over 60	21,938	18,376	(3,562)
<u>Over 90</u>	<u>24,964</u>	<u>14,025</u>	<u>(10,939)</u>
Total	\$ 101,577	\$ 89,107	\$ (12,470)

FINANCIAL STATEMENT REVIEW

CASH AND INVESTMENTS

Our cash and investments total \$38,080,515, which is \$9,917,225 higher than at this point last year. This increase is due to the receipt of ARPA funding (CSLFRF) and to the recently issued \$5M bond for Water and Sewer projects.

The Virginia SNAP balance of \$5,113,663 reflects the new bond proceeds mentioned above plus the balance remaining from the \$4.1M bond that was issued in November 2019 for the Town Hall purchase and renovations.

The \$38.0M cash and investment balance is allocated to the respective funds of the Town as shown below:

<u>Fund</u>	<u>Amount</u>
General	\$ 16,566,143
Water and Sewer Operating	5,858,795
Water and Sewer Capital	5,047,714
Stormwater Management	498,256
<u>CSLFRF Fund</u>	<u>10,109,608</u>
Total	\$ 38,080,515

Investment yields are continuing to rise. The Town's funds are invested as follows:

<u>Investment</u>	<u>Yield</u>	<u>Amount</u>
Virginia Local Government Investment Pool	4.23%	\$16,324,357
Virginia Investment Pool	4.23%	\$3,690,280
Virginia SNAP (<i>bond proceeds</i>)	4.61%	\$5,113,663

CASH PROFFER BALANCES

The current balance of proffered cash is \$193,518. The respective amounts are as follows:

<u>Proffer</u>	<u>Balance</u>
Highland Street Maintenance	\$104,353
Adelphia Cable	-
Recreation	59,905
<u>Academy Hill Park</u>	<u>29,260</u>
Total	\$193,518

POLICY RESERVE AMOUNTS

The policy reserves are noted for reference. For the General Fund, the three categories are prescribed by the General Fund Balance Policy, which was updated in September 2021 to create a waterfall mechanism for the allocation of year-end fund balance to reserve accounts. The Town realized a net increase in general fund balance in the amount of \$118,010 at the end of fiscal year 2022. The ending Unassigned Fund Balance was \$9,542,190 which exceeds the required 50% policy reserve amount of \$8,705,642. According to the new waterfall mechanism, the net increase in general fund balance is allocated 50/50 between a budget stabilization fund and a Capital Reserve account. Each of these reflects a balance of \$249,909.

The Water and Sewer Cash Balance policy of 200 days of operating expenses is met.

BUDGET TO ACTUAL BY FUND

GENERAL FUND - OPERATING

The General Fund budget for FY23 is \$17.5M. This reflects the original adopted budget plus the amounts carried forward from FY 2022 for unfinished projects. The estimated budget for the second quarter of FY 2023 is \$6,755,794. Revenues collected through December total \$8,038,986 and expenditures total \$7,086,718.

Revenue

The **Budget - Expected Y-T-D** column has been modified to reflect the cycle for various revenue sources. Those sources that are not received monthly have been adjusted to more accurately reflect the expected revenue to date. The revenue sources and their cycles are:

- **General Property Taxes** – this category includes real estate, personal property and public service corporation taxes.
 - **Real Estate Taxes** are due in two installments each year – on June 15th and December 15th. The General Property Taxes category has been modified to reflect ½ of the Real Estate tax for the year.
 - **Personal Property Taxes and Motor Vehicle License Fees** are due on December 15th each year. These amounts have been included in full the General Property Tax category.

- **Bank Franchise Tax** is due on May 1st.
- **BPOL (Business License Tax)** is due on June 30th.

Our general fund revenue collected through December totals \$8,038,986, which represents 45.8% of the budget. As mentioned above, certain revenue sources are not received monthly, but at varying intervals throughout the year. For local monthly revenue sources, Local Sales Tax, Meals Tax, Lodging Tax, and Charges for Services (WARF) are performing above the expected 50%.

Expenditures

The total expenditure amount through December was \$7,086,718. Another \$996,953 is encumbered on purchase orders that have been issued to vendors. This represents 45.8% of the budget.

The Town Manager budget is at 61% due to staffing changes.

The Legal Services category is at 108.9% of budget due to the amount encumbered. As certain departments have specialized needs, purchase orders have been issued to ensure coverage in those areas. Additionally, bills for prior years have been forwarded to the Town for payment.

The Other Organizations category represents Town memberships. The dues for these organizations are typically due at the beginning of the year.

Non-departmental represents contributions to certain organizations, some of which are paid in full at the beginning of the year.

Debt service payments are due twice a year, with principal typically only scheduled once per year. Principal has been paid for FY23 and there are two interest-only payments remaining.

GENERAL FUND - CAPITAL PROJECTS

General Capital Fund

Revenue

The General Fund Capital budget for the year is \$1,505,805.

The only project with outside funding is the Timber Fence Trail. This project is

funded 80% by a federal grant and 10% will be covered by Fauquier County. The balance of funding will be covered by a transfer from the General Fund.

All other projects are funded by the General Fund. The General Fund transfer is not recorded until the end of each fiscal year to cover the actual balance of expenditures.

Expenditures

Expenditures total \$96,055 to date. The expenditures are for information technology projects, Eva Walker Park and Timber Fence Trail.

GENERAL FUND - ASSET REPLACEMENT FUND

The total budget is \$511,608, funded in full by a transfer from the General Fund that will be recorded at year-end.

To date, \$225,310 has been expended and another \$154,472 has been encumbered on purchase orders. Spending includes technology refresh purchases, vehicle and equipment purchases in accordance with the fleet replacement schedules, and the completion of the whitecoat replacement project for the WARF pool.

WATER AND SEWER - OPERATING

The Water and Sewer Operating fund budget for FY23 is \$7.0M. Any surplus generated by the operating fund each year is transferred at year-end to the capital fund. No surplus is projected for FY23.

Revenue

Revenue generated through December totals \$3,113,495, or 44.1% of the budget. This includes \$2,970,150 in water and sewer billing.

Expenses

Year-to-date expenses total \$2,742,209 with another \$857,521 encumbered. Unit prices for chemicals have risen higher than anticipated for the year, with some increases in the 40% – 110% range.

WATER AND SEWER - CAPITAL

The Water and Sewer Capital fund has a budget of \$9.1M and includes both asset replacements and projects.

Revenue

Total revenue year-to-date is \$82,558 consisting of availability fees and interest revenue.

Expenses

Expenses through December total \$934,638. A total of \$777,459 has been spent on asset replacements with another \$1.2M encumbered in that category. Capital project spending to date totals \$157,180 with another \$682,429 encumbered. The projects underway include inflow and infiltration work, the Gravity Sludge Thickener upgrade, the Water Fill Station, and preliminary engineering and design for a number of projects.

STORMWATER MANAGEMENT UTILITY FUND

This is the second year for this fund and the associated fee. The Stormwater Management fund budget for FY23 is \$2,251,621. This fund includes both operating and capital expenses associated with the stormwater program.

Revenue

The stormwater management fee was due for the first time in December 2021 and is billed twice a year on the Town's real estate bill. A total of \$337,589 in fees has been received through December. The next billing of the fee will be June 2023.

Expenses

Year-to-date expenses total \$186,592 for operations. There are several capital projects planned in FY23, three of which have recently been awarded contracts.

CSLFRF FUND (ARPA)

This fund accounts for the Coronavirus State and Local Fiscal Recovery Funding allocated under the American Rescue Plan Act. The Town received the first half of the funding on June 30, 2021. The second half was received in July 2022. Funds must be spent by the end of 2024. In certain cases, funds may be obligated by that date to be spent by the end of 2026. Expenditures through the second quarter of FY23 total \$256,627 and include the salaries for staff, payments on the classification and compensation study, the purchase of police vehicles, equipment purchases, and ADA compliance expenditures. Staff recently submitted the quarterly report due by the end of January for the period ended December 31, 2022. An update of the ARPA spending plan is provided separately.

INTERNAL SERVICE FUNDS

The charges for Motor Pool and Information Technology are allocated to the various departments of the Town based on usage. The totals are reported here but have been factored into the expenditures reported throughout to the extent that they have been allocated to date.