

Town of Windsor

Memorandum

May 29, 2025

TO: The Honorable Mayor and Town Council

FROM: William G. Saunders, IV, Town Manager

WGS IV

SUBJECT: FY26 Budget and Capital Improvement Plan Review

Background

Following the review of the draft FY26 Budget and Capital Improvement Plans (CIP) at the May 13, 2025, Town Council meeting, further amendments have been made to the budget and CIP drafts.

Specifics

The budget drafts enclosed are balanced in all funds.

Changes since the May 13, 2025, Town Council meeting, are outlined below:

General Fund Budget

Expenditures – Municipal Building Roof increased by \$95,000.

Revenues – Fund Balance increased \$95,000.

Capital Improvement Plan

General – Municipal Building Roof increased by \$95,000.

Water –No changes.

Water Fund Budget

No changes.

Public Hearings

-Public hearings on the FY26 Budget and CIP will be held at the Special Town Council meeting on Thursday, May 29, 2025.

-Public hearings on the Tax and Water Rate Ordinances for FY26 will be held at the regular Town Council meeting on Tuesday, June 10, 2025.

Recommendation

For Council's review and consideration

Enclosures

-Draft FY26 Budget Rev. 2025-05-15

-Draft FY26-30 CIP Rev. 2025-05-15

TOWN OF WINDSOR

Town Elected Officials

George Stubbs – Mayor
Randy Carr - Vice Mayor

Councilmen
David Adams
Walter Bernacki
Gibbie Dowdy
Jake Redd
Marlin Sharp



Town Manager
William Saunders

Town Clerk
Kelly Kuhns

Town Treasurer
Cheryl McClanahan

Town Attorney
Fred D. Taylor

May 29, 2024

The Honorable Mayor and Members of Council
Town of Windsor, Virginia

Dear Sirs,

This is the fiscal year 2026 draft budget. This document includes the proposal for the operating budgets for the General Fund, the Water Fund, the Space Needs Fund, Windsor Town Center Fund, and the Event Fund; as well as the proposal for the five-year Capital Improvements Plan (CIP) for the period FY26 through FY30. This document, created with reference to current and projected economic conditions, town service provision capabilities, and input from the Town Council, is provided here for your review.

Each section of this budget is preceded by a narrative statement that further explains the goals, objectives, personnel, and details of each section. As such, each of these narratives is an integral part of this budget message.

This budget proposal comes with some uncertainty due to the current economic environment and potential future economic downturns in the wake of the recent inflationary period and other uncertainties. Some disruption in our normal revenue streams during these uncertain times may occur. We should all continue to watch this situation closely. The budget includes a \pm \$75,000 contingency due to these and other uncertainties in FY26.

While this budget is balanced and largely complete, new revenue information, and expense information from a few vendors, may result in minor revisions as we move through May.

Discussion of General Fund Revenues

Real Estate and Personal Property Tax Revenues

As you know, the Isle of Wight County Commissioner of Revenue is responsible for conducting the assessment of real property values within the Town of Windsor. The County conducts these assessments approximately every four years; a new assessment took place in FY23. This draft includes no increase to the current \$0.15 per \$100 real estate tax rate.

This budget also maintains the current rates of \$0.50 per \$100 for personal property (vehicles) and \$0.25 per \$100 for machinery and tools.

Other Local Taxes

The largest source of revenue in this category is the meals tax, no increase to the current 6% rate is planned.

This budget also maintains the cigarette tax of \$0.40 per pack.

Payments (Reimbursements) from Other Funds

Included in the FY26 General Fund revenue is payment from the Water Fund for indirect services that the General Fund provides this fund. This payment reimburses the General Fund for the services that it provides to the Water Fund. The Water Fund also pays the General Fund to cover a portion of the salaries and benefits of the employees that spend time working for both Funds.

The Water Fund's indirect payments to the General Fund are adequate, and the General Fund does not subsidize Water Fund operations. However, fund balance will be used for the funding of some capital projects in the Water Fund.

The payments from the Water Fund for indirect costs and salaries total \$411,706.84 for FY26.

Discussion of General Fund Expenditures

Operations

This document reflects reasonable expectations regarding the increasing costs of operations, although the potential for future inflation is hard to predict. What is known is that the town is not immune from the effects of the inflationary environment, one example is a health care premium increase of 12% for FY26.

Salaries

Town staff have performed admirably throughout the 2025 fiscal year.

The salaries for employees that provide services for both funds are split-funded between the two Funds. The total salary cost appears in the General Fund with the Water Fund making payment to the General Fund to cover its portion of the salary cost for those employees that spend time working for both Funds. This budget includes a 3% cost of living adjustment for town staff, except for those with salaries below \$40,000, which will receive a 5% COLA. The FY26 total salary cost for the Town is \$ 1,054,204.07.

Capital Projects

Included in this document is the Capital Improvement Plan for FY26-30. Most capital items therein are designated for funding from fund balance. This budget also includes \$100,000 dedicated to the Future Space Needs Fund.

Discussion of the Water Fund Budget

We operate our Water Fund as an “enterprise fund” in which revenues from the operation of the Town’s water system should be sufficient to cover system operations without funding assistance from the General Fund. This Water Fund budget proposal does not contain any financial assistance from the General Fund for operations.

Water Fund Revenues and Expenditures

The sale of water to our customers is the fund’s only consistent source of revenue, although connection/tap fees for new services contribute varying amounts of miscellaneous revenue.

The water rate is routinely evaluated, and revisions must be made as necessary. Following Town Council’s recommended \$0.25 increase in odd fiscal years until the revenue/expense balance is sustainable; as an even year, this budget maintains a rate of \$8.50 per 1,000 gallons; with a minimum bill of \$29.75, based upon 3,500 gallons.

Depreciation

Accounting principles require governmental enterprise operations, such as our Water Fund operation, to not only show depreciation as an expense, but also to fund the same. This process provides the owner of the enterprise operation with a method to fund the replacement of the physical assets of the system as these assets wear out or become obsolete. Even if the owner of the enterprise system does not fully fund depreciation, the owner (or the owner’s auditor) must show the full amount of the annual depreciation as an expense in the comprehensive annual financial report for the operation. In a case in which the owner does not fully fund depreciation in a given budget year, even though operating revenues may equal operating expenses, the owner must show that the operation operated at a deficit because the owner did not fully fund depreciation. We have made great strides in recent years to fund an appreciable portion of depreciation. This year’s budget funds depreciation at 100%.

Capital Projects

The major capital projects included in the Water Fund this year are the completion of the water main upgrade/replacement for Duke Street and Virginia Avenue and a potential water main upgrade/replacement for the system around the Windsor Hardware area, in addition to routine replacement of water meters and mains. Capital projects in the Water Fund for FY26 are to be funded with a mix of fund balance and current year revenue.

Five-Year Capital Improvements Plan (CIP)

This document includes the proposed Capital Improvements Plan for the five-year period from FY26 through FY30. The CIP should be a realistic program of projects that the Town intends to undertake within the next five years. As such, in developing the CIP, consideration should be given to the Town's ability to finance these projects. Included is a CIP that fits within the Town's financial capabilities for the next five years.

Summary

This FY26 budget proposal is balanced in all funds without cutting services.

This budget is hereby offered for your review and consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Saunders', written over a horizontal line.

William Saunders
Town Manager