



MIDDLEBURG TOWN COUNCIL
Thursday, March 25, 2010
Town Office, 10 W. Marshall Street



6:00 p.m.

REGULAR WORK SESSION

PENDING APPROVAL

PRESENT: Mayor Betsy A. Davis
Vice Mayor Darlene Kirk
Councilmember Trowbridge Littleton
Councilmember Catherine "Bundles" Murdock
Councilmember Lisa Patterson
Councilmember Judith Pryor Plescow
Councilmember Kathy Jo Shea

STAFF: Jerry M. Schiro, Town Administrator
Rhonda S. North, MMC, Town Clerk
David M. Beniamino, AICP, Town Planner
Cindy C. Pearson, Economic Development Coordinator
Debbie J. Wheeler, Town Treasurer

ABSENT: Councilmember Mark T. Snyder

The Town Council of the Town of Middleburg, Virginia held their work session on Thursday, March 25, 2010 in the Town Hall Council Chambers, located at 10 West Marshall Street. Mayor Davis called the work session to order at 6:00 p.m.

Mayor Davis congratulated the nominees and recipients of the 2009 Tourism Awards sponsored by Visit Loudoun. She reported that Marvin Simms was nominated for and Matilda Reuter won the Management Employee of the Year Award. Ms. Davis further reported that JoAnne Hazard won the Volunteer of the Year Award; Gary Baker won the Event of the Year Award for over 3,000 in attendance; and, Manuel Simpson won the Humanitarian Award. She advised that Chrysalis Winery was nominated for the Event of Year for less than 3,000 in attendance.

Mayor Davis apologized for not mentioning the Project Helping Hand event during the last Council meeting. She recognized DeeDee Hubbard for the work she did in organizing the event. Ms. Davis also thanked Councilmember Patterson for her work on the table cloth on behalf of the Town Council and for manning the auction. Councilmember Murdock volunteered to help with the next event. Mayor Davis also thanked the Town staff and Chief Webber for making table cloths that contained the Town seal and the Police seal. She thanked everyone for their hard work; and, reiterated that Councilmember Patterson did a lot, including decorating for the event. Ms. Davis noted that they raised almost \$13,000.

Council Discussion – Draft 2011 Budget

(Councilmember Plescow arrived at the meeting at 6:05 p.m.)

Town Administrator Schiro advised Council that the budget was broken into categories including the final FY '09 numbers; and, noted that these were audited numbers, which were the most reliable source. He further advised that the other categories included what was approved in the FY '10 budget, what has been received/spent year-to-date (through March); and, the proposed budget for FY '11. Mr. Schiro reported that the revenues have done better than he originally thought in some categories. He advised Council that the proposed budget called for a real estate tax rate increase from fifteen cents to nineteen cents per \$100 assessed value, which represented a 14% increase over the current budget. Mr. Schiro reminded Council that the Town did not meet this year's budget projections due to the Tax Relief for the Elderly Program and delinquent taxes that were outstanding. He further reminded them of the 22% decline in assessed property values that Middleburg had experienced over the past two years. Mr. Schiro noted that the Town did not neutralize the real estate tax revenue last year.

Town Administrator Schiro reviewed Page 1 of the Proposed FY '11 Budget, which included a summary of the General Fund, Health Center Fund and Utility Fund revenues. He noted that this sheet compared the current budget to the projected one. Mr. Schiro advised Council that there appeared to be a 6% increase in the General Fund revenues; however, he explained that it was solely due to the transportation enhancement grant for the Marshall/Madison Street Project. He explained that the Town must provide a means to account for the revenues and expenditures associated with this project; and, advised that it would be all grant money that would be spent. Mr. Schiro reported that if this \$150,000 in grant funding was backed out of the budget, the General Fund revenues would decrease by 5% from the current year. He noted that the Health Center Fund revenue changes were primarily due to the capital programs the Council had initiated. Mr. Schiro advised that he was also recommending a decrease in rental income; and, explained that he would like for the Health Center Fund to carry the Police Department rent for FY '11. He noted that this was a lean time; and, suggested the Police Department served as a benefit to the building by providing security. Mr. Schiro stressed that he was not recommending that this should be considered permanent; however, he reiterated that in this lean budget year, it would free up money in the General Fund. He noted that the final decision was up to the Council; and, advised that if they did not believe it to be a good idea, he would have to rework some things on the General Fund side of the budget. Mr. Schiro reported that the Utility Fund revenues were up significantly; and, explained that this was based entirely on the additional operational costs associated with the new water and wastewater treatment plants.

Vice Mayor Kirk asked whether the Town had heard anything from Salamander. Town Administrator Schiro confirmed that he had spoken with Mr. Devadas; and, expressed his opinion that they would assist the Town. He noted the need to get more information from them. Mr. Schiro advised Council that he had proposed to receive \$120,000 in assistance from Salamander.

Vice Mayor Kirk expressed her opinion that it was a good idea for the Police Department to not pay rent. She asked how Councilmember Shea felt about this since she was also a tenant of the Health Center building. Councilmember Shea advised Council that she could not guarantee that she could afford to stay in the building; and, explained that if this occurred, the Town may not have the revenues that it thought it would have in the budget. Town Administrator Schiro agreed the Town may lose tenants. Vice Mayor Kirk noted that she received complaints from personnel in the doctor's office regarding the condition of the ceiling in their office. Councilmember Shea reported that there was a "huge mass" in the ceiling that had not been sealed; and, advised Council that the building did not appear to be well maintained. Councilmember Littleton agreed the building needed work. Vice Mayor Kirk expressed her opinion that it was embarrassing for patients in the doctor's office to see something that appeared to be unhealthy. Councilmember Shea noted that there was a similar spot in her office. Mayor Davis asked whether the staff was aware of this situation. Town Administrator Schiro confirmed that he and Councilmember Littleton did an extensive walk through and evaluation of the building; and, noted that he had

proposed \$75,000 in the budget to make improvements. Councilmember Murdock asked whether those improvements would address the problems in the Police Department space. Town Administrator Schiro confirmed it would correct some of them; however, he noted that the Town could not do all that was needed for that amount of money. Vice Mayor Kirk expressed her opinion that the Town needed to do as much as it could. Councilmember Littleton expressed his opinion that the Police Department area was better now than it was. Councilmember Murdock agreed the Town should do the best it could as long as it was not risking anyone's lungs with anything. Councilmember Littleton confirmed they were not; and, advised Council that the asbestos was contained.

Councilmember Shea asked whether the funding included the furnace repairs. Councilmember Littleton confirmed it did not; and, advised that he was still getting proposals on those. He explained that he was getting proposals for natural gas since it was available in Middleburg; and, was currently the least expensive way to heat a building. Vice Mayor Kirk noted that she received a complaint from the doctor's office that it was so cold that the patients were complaining.

Councilmember Patterson asked whether the Town was waiting to do the repairs due to finances. She noted that there was money in the Health Center Fund reserves; and, suggested it would behoove the Town, given the economy, to get the work done. Ms. Patterson expressed her opinion that this would make the building more palatable to rent. She reminded Council that the businesses in this building employed people. Town Administrator Schiro advised Council that the funding for the repairs was not included in the current budget; however, he confirmed the Council could do a budget amendment. Councilmember Patterson advised Council that if the Town had the money, she would like to start the repairs. She noted that this was a way for the Town to do its own stimulus for the community; and, reiterated that the businesses employed people. Ms. Patterson further reiterated that the repairs would make the building more rentable. Councilmember Plescow expressed her opinion that it was the Town's responsibility to maintain its investment. Town Administrator Schiro reminded Council that the Town had a hard time building its fund reserves back up; and, noted that they just increased at the end of the last fiscal year. Councilmember Patterson advised Council that she did not want to deplete them; however, she suggested that some be spent if possible.

Councilmember Littleton advised Council that all of the windows in the Health Center building needed to be replaced; and, noted that he received bids from two manufactures for comparable style windows. He further advised that the bids were \$33,000-34,000, with another \$10,000 for their installation. Mr. Littleton suggested that once removed, the Town could encounter other problems. He recommended the Council delay repairs to the heating system for a year; and, noted that the Town still had gutter and drainage work to do. Mayor Davis asked whether the windows would contain wooden muttons. Councilmember Littleton confirmed they would, which was the reason they cost so much.

Councilmember Murdock asked how the Town could delay the heating repairs when patients in the doctor's office were complaining. Councilmember Shea expressed her opinion that there was another solution; and, noted that the thermostat was located in her office. She suggested that it could be set higher if the tenants were cold. Councilmember Murdock asked whether it would be expensive to move the thermostat into the hallway. Councilmember Shea noted that the doctor's office had a key to her office; and, could set the thermostat themselves. Councilmember Littleton expressed his opinion that even though they may be cold, people sometimes lost track of things and didn't get to the point of turning the thermostat up. Councilmember Murdock suggested it may be easier if the thermostat was centrally located. Councilmember Littleton expressed his opinion that this would not be a good idea as this was the coldest location in the building. Councilmember Shea agreed that doing so would "cook everyone". Vice Mayor Kirk asked

whether it would be possible to use heat pumps with individual thermostats. Councilmember Littleton confirmed that he researched this; however, he expressed his opinion that the heat pump could experience a potential problem in severe winters. He suggested they would be perfect 90% of the year; however, he reiterated that they could not keep up during a severe winter. Mr. Littleton noted that the existing system could, however, always serve as a back-up. Mayor Davis asked whether it was possible to use an electric back-up to the heat pumps. Councilmember Littleton advised Council that he explored individual units that would not have an electric back-up. He explained that given the walls in the building, it was not possible to run duct work for a central system without tearing up the entire building. Mr. Littleton advised Council that Climatic suggested the use of gas; and, advised that it would save the Town money in operating expenses. He noted that he was seeking two bids on a gas furnace; and, reported that it would be one-third the size of what currently existed and would be more efficient. Mr. Littleton expressed his opinion that something needed to be done about the individual air conditioning units; and, suggested they must be addressed so they would be more efficient. Councilmember Shea noted that the other issue associated with the air conditioning units was that they must be removed during the winter. She advised that she removed the downstairs units; however, the upstairs units were not removed, which made it very cold up there. Councilmember Littleton confirmed that if the units were not removed during the winter, it would be cold in the building. Councilmember Shea reiterated that the units were only removed in her office, with the Town then storing them. Mayor Davis suggested the Council could amend the budget if it decided to move forward with the repairs. She further suggested the Council leave the proposed budget as it was for now. Ms. Davis suggested that if Councilmember Littleton got a good price, the Council could amend the budget and use reserves for the improvements. Vice Mayor Kirk agreed with Councilmember Patterson. She suggested that once the quotes were received, if the Council agreed with them, the work should be done.

Mayor Davis asked whether some of the Town's employees' salaries were being included as Health Center Fund expenditures. She noted the "administrative" category that was listed as an expenditure. Town Administrator Schiro advised Council that the "administrative" category included the \$30,000 in donations and the \$2,000 in audit costs. He further advised that \$10,500 of the Street Superintendent's salary was being carried by the Health Center Fund.

Councilmember Shea noted the increase in expenditures in the Streets budget under the General Fund. Town Administrator Schiro explained that the \$150,000 grant was shown in the Street Department budget.

Councilmember Murdock asked whether the Council agreed to the real estate tax rate increase. Town Administrator Schiro advised Council that his draft budget included real estate tax revenues that were based on a rate of nineteen cents. Councilmember Murdock asked where the Council was in discussing an increase. Town Administrator Schiro reminded Council that they must authorize a public hearing on the increase. Councilmember Murdock noted that the Council discussed an increase last month; and, agreed in principle to raise the tax rate. She asked whether they discussed the amount of the increase. Town Administrator Schiro reminded Council that they discussed a couple of options – raising the real estate tax and implementing a refuse collection fee. He noted that the utility rates were also recommended to increase by 6%. Mr. Schiro asked whether the Council wanted to impose three increases; and, suggested the majority be put in the real estate tax rate. He reminded Council that a nineteen cent rate was in line with the rate charged by other towns. Councilmember Murdock expressed her opinion that an increase in the utility rates would be difficult for people to swallow when they were having trouble paying their bills now. She suggested that, when considering what others jurisdictions paid, the real estate tax rate increase made more sense. Mayor Davis reminded Council that the real estate assessed values were down. Councilmember Littleton agreed the increase would be a wash. Councilmember Shea noted that the County's real estate tax rates went up. She asked whether

the citizens would see a reflected lower amount. Mayor Davis confirmed they would for the Town's tax bill. Councilmember Littleton expressed his opinion that for most of the residents, the assessed values would go down more than the tax would increase. He expressed his opinion that the bills under the new rate would be almost parallel to the existing bills on the residential side. Mr. Littleton noted that businesses would see an increase in their bills. Town Administrator Schiro reminded Council that they were talking about the assessed value of property and the tax rates. He noted that the Town had no control over the assessed values. Councilmember Shea asked whether the residents would see an overall gain in the tax amount owed if the rates increased. Councilmember Littleton expressed his opinion that they would not; and, explained that when the rate increased, their bill amount would remain the same. Town Administrator Schiro confirmed the bills would decrease if the Council left the tax rate the same. Councilmember Murdock expressed her opinion that it was clear that the Town needed money; however, she asked how much was needed. She noted that the problem with the utility rates going up was that they were so high. Vice Mayor Kirk noted that she had been saying this for years; and, advised that customers were having a hard time with it. Town Administrator Schiro explained that this was a reflection of the cost of operating the system for a small town. He reminded Council that the Town had a very finite customer base to support the utility costs. Vice Mayor Kirk noted that the utility rates have increased by 6% for the past three years, for a total of 18%. Town Administrator Schiro reminded Council that the Utility Fund lost money in operations last year. Councilmember Shea noted that the only other way to off-set the increase was to increase the Town's customer base. Town Administrator Schiro reminded Council that when he raised this subject, it was rejected by Council. Mayor Davis suggested the Council look at the expenses associated with operating the utility system. She noted the price for the chemicals alone. Councilmember Murdock asked the location to which the Town would extend utilities. Town Administrator Schiro asked whether the members of Council had an area in mind to which they could agree to extend them. Councilmember Murdock noted that she was aware of a person who so upset about the Town's utility rates that she was willing to move to Melmore so she would be on a well. Town Administrator Schiro noted that there were individuals located behind Councilmember Littleton's house that were looking to build houses and were interested in Town utilities. Councilmember Littleton expressed concern that selling utility service outside of the Town limits was a slippery slope. He noted that this would set a precedent once it was done. Mayor Davis noted that utilities have been already been provided for a few homes outside of the Town limits by the Hill School. Town Administrator Schiro noted that this was a policy decision.

Councilmember Murdock asked when the Town would receive money if Salamander opened in 2012. Town Administrator Schiro confirmed that money would be received on the utility side. Councilmember Murdock asked whether the Town would have to exist another two years without them as a revenue source. Town Administrator Schiro advised Council that if the resort opened in the spring of 2012, the Town would see the revenue in FY '13. He reminded them, however, that if the Town entered into an agreement that allowed Salamander to pre-pay their user fees, the Town would have to pay that money back, which would reduce the amount they paid the Town at that time. Mr. Schiro expressed his opinion that from a cash flow standpoint, the Town would see an increase; however, it would not be significant until the pre-paid amount was repaid.

Vice Mayor Kirk asked whether the Town Administrator was proposing another 6% utility rate increase next year. Town Administrator Schiro noted the need to look at operational costs. He reiterated that the Town lost a significant amount in the Utility Fund last year, as it cost more to operate the system than the Town received. Mayor Davis expressed her opinion that this was the same with all towns due to unfunded mandates. She noted that when they met with Senator Warner, all of the town officials were saying the same thing. Ms. Davis expressed her opinion that the Town needed to explain to the customers that it was being told it had to do these things, with the customers having to pay. She agreed it was frustrating. Vice Mayor Kirk noted the number of empty houses around town, including on her street. Councilmember Murdock

expressed concern that the Town was out-pricing the residents. Town Administrator Schiro agreed the Town's utility rates were high. Councilmember Littleton noted that this was the same with all towns. He expressed an understanding of what the Council was saying; however, he noted that the situation was this way everywhere. Town Administrator Schiro advised that he did not want to "play a smoke and mirrors game" with the budget. Councilmember Murdock noted that the Town Administrator pulled the Town out of a terrible financial mess in the past. She advised that if the Council must raise rates, they would do so. Vice Mayor Kirk noted that the proposed budget was a starting point.

Town Administrator Schiro reviewed Page 2 of the proposed budget, which identified the General Fund revenue projections. He advised that he had some justification to raise the projected BPOL and meals tax revenues; and, explained that he had originally thought they would come in much lower. Mr. Schiro noted that the only issue was the bank franchise tax. He reminded Council that even though the Town budgeted \$200,000, the actual franchise revenue for FY '09 was only \$147,000. He expressed his opinion that the Town would not get that much this year. Mr. Schiro explained that, as a result, he projected the revenue at \$130,000. He reminded Council that the bank franchise tax was not received until May. Vice Mayor Kirk asked who determined the payment amount. Town Administrator Schiro explained that it was based upon the amount of business a bank did.

Town Administrator Schiro advised Council that he reduced the revenue projections in the Planning/Zoning budget as the Town was not receiving a lot of land use applications. He reiterated that the General Fund revenue did increase, as it contained the \$150,000 revenue stream that was anticipated from the grant.

Mayor Davis noted the Fines and Fees revenue. She reminded Council of the agreement with the Methodist Church to pay them \$5,500 in rent for the parking lot. Ms. Davis noted that the Town has only taken in \$2,827 to-date; and, must pay the Church \$5,500. She asked whether motorists were feeding the meters in the lot. Councilmember Shea advised Council that the parking lot was not full all the time.

Mayor Davis asked why there was miscellaneous income shown under the Pink Box. Town Administrator Schiro explained that they periodically sold items and received donations. Mayor Davis asked why it was shown in this location as opposed to being shown under the Pink Box. Town Administrator Schiro explained that this sheet showed the \$17,000 intergovernmental transfer from their fund. He reminded Council that the Pink Box was not carried as a separate fund, but was carried under the Economic Development budget. Mr. Schiro advised that the budget showed what was being spent each year.

Councilmember Patterson noted that the proposed budget projected \$35,000 in parking meter receipts. She asked whether this was a good figure since the Town had only received \$18,000 year-to-date. Town Administrator Schiro noted that he looked at actual revenues in FY '09. He agreed that \$35,000 may be aggressive. Councilmember Shea agreed that it seemed aggressive. Councilmember Patterson noted the need to get more people into town.

Councilmember Shea asked about the donation line item shown under miscellaneous revenues. Town Administrator Schiro explained that this was set up for any donations for street trees. Councilmember Shea asked whether it was correct that the Town was budgeting \$1,600 in revenue, even though it had only received \$100 year-to-date. Town Administrator Schiro explained that he may have double pasted the figure from another line; and, noted that this was a good catch.

Town Administrator Schiro reviewed Page 3 of the proposed budget, which covered the Administration expenditures. He noted that the expenses associated with his position were lower; and, advised that the actual cost would depend upon what the Council decided to do with the transition. Mr. Schiro reminded Council that the current budget contained \$6,000 for part-time administrative help; and, advised that he eliminated this in the proposed budget. He noted that he also reduced the expenditures for the attorney and engineering fees. Mr. Schiro advised that the benefits expenses were the same as the current year; and, noted that these were fixed expenses such as FICA, VRS and health care. He reported that he had built in a contingency that could be used for items such as equipment. Mr. Schiro reminded Council that the Town had deferred maintenance on its computers and copier. He advised that the copier lease was up this year; however, he left money in the budget in case it needed to be replaced. Mr. Schiro reported that the contingency could also be used for his position. He suggested that if there was any money left over, the Council could consider a modest cost-of-living increase for the staff. Vice Mayor Kirk noted that she looked at the staff's salaries; and, suggested the Street Superintendent's was too low. She noted that he was the least paid of the employees.

Councilmember Shea noted that the Council had spent \$15 to date on travel; however, the proposed budget contained \$1,500. Councilmember Patterson reminded Council that there would be two new members of Council. Vice Mayor Kirk noted that they would need to travel to the Newly Elected Officials Conference. Town Administrator Schiro advised Council that they could cut this out if they wished; however, he kept it in as something they may want. Councilmember Murdock noted that the Council previously spent \$6,000 on travel. Councilmember Shea noted that those were for expenses associated with the visioning sessions.

Councilmember Shea noted that the Town had only spent \$470 to-date on Memberships and Publications; however, \$2,300 had been included in the proposed budget. Town Administrator Schiro noted that some of the memberships have not yet been paid. He explained that the ICMA and VML membership dues would come later. Councilmember Shea noted that the FY '11 costs were higher than FY '10. Town Administrator Schiro explained that these were related to the Town Planner's memberships. Councilmember Shea asked whether the memberships were paid annually or every two years. Town Administrator Schiro confirmed they were paid annually. He noted that they included VML, ICMA and the Chamber of Commerce. He advised that he could provide Council with a breakdown of the expenses. Councilmember Shea explained that she was only interested in knowing why the Town budgeted \$1,500 in FY '10 and \$2,300 for FY '11. Town Administrator Schiro noted that he did not have the final numbers for the FY '10 budget; and, explained that he based the projections on actual expenditures. He expressed his opinion that there may have been changes in this category after the Council adopted the FY '10 budget.

Councilmember Shea asked that Council notice that the printing line item under administrative supplies were actual expenditures and that the budgeted expenditures were not very different. She encouraged caution in this area.

Mayor Davis noted that nothing was budgeted for elections. She further noted that the Town was paying more now for its elections since it was keeping them in May. Councilmember Patterson explained that this year's election costs would be covered in the current budget. Town Clerk North noted that elections were only held every other year. Mayor Davis asked whether election costs were only included in every other budget. Town Administrator Schiro noted that there have been times when the Town paid the costs late and it was audited back. He suggested this may have been the reason the costs were seen in an odd year. Mr. Schiro confirmed that this year's election expenses would be taken from the current budget. Mayor Davis noted that the Town paid \$1,874 in FY '09 for election expenses. Town Administrator Schiro expressed his opinion that they were for the previous year's election; and, that they showed up in the '09 budget because they were paid after July 1st.

Vice Mayor Kirk noted that the Town had already spent \$2,700 for liability insurance; however, only \$2,500 was proposed for the coming year. Town Administrator Schiro noted that the Town's liability insurance would be re-assessed after the new facilities came on line. He advised that he was spreading the costs between the buildings. Mr. Schiro noted that the professional liability costs have also been split with Public Safety.

Town Administrator Schiro reviewed Page 4 of the proposed budget, which included Building Expenses. Vice Mayor Kirk asked what boiler insurance was. Town Administrator Schiro explained that this was insurance the Town was required to carry in the event of a system failure. He noted that it was now being carried in the Health Center Fund, whereas it was previously carried in the Building Expense budget. Councilmember Murdock asked whether any of the maintenance money in this account could go toward snow removal. Town Administrator Schiro confirmed it could; however, he noted that there would then be nothing left for grounds maintenance. He reminded Council that the reserves were for items such as snow removal.

Town Administrator Schiro reviewed Page 5 of the proposed budget, which included the Public Safety costs. Councilmember Murdock asked whether the proposed budget included a cost-of-living increase for the Town employees. Town Administrator Schiro confirmed there was no COLA built into the proposed budget. He suggested that if Council wanted to offer one, it could do so through the use of contingency funds. Mr. Schiro reiterated that the contingency could be used to fund a COLA for all the employees if the Council wished.

Town Administrator Schiro reported that the expenses under the Public Safety budget were pretty consistent. Councilmember Shea asked why there were no expenses shown for office rent. Town Administrator Schiro reiterated that this was for the Police offices that were previously discussed.

Town Administrator Schiro reported that the Police Department had experienced a lot of issues with the Ford Explorer; therefore, he built another vehicle lease into the budget. He advised that a lot of money was spent on maintenance of the vehicle; and, the Department was still having problems with it. Mr. Schiro noted that next year, the police car that was purchased two years ago would come off the lease. Vice Mayor Kirk asked whether the staff was proposing to get rid of the Explorer. Chief Webber advised Council that if he was allowed to keep it, he would love to have a second four-wheel drive vehicle for the winter months. Mayor Davis expressed her opinion that this would mean the Town was back to the issue of upkeep of the vehicle. Chief Webber advised Council that it would not be driven every day; therefore, it would cut down on the maintenance and wear and tear on the vehicle. He explained that if the Explorer had broken down more, the officers would have had no way to get around during bad weather. Chief Webber advised that he did not have the exact number; however, he suggested the Town had put \$5,000 into the vehicle this year. Town Administrator Schiro reported that Town had spent almost \$8,000 in maintenance costs for the Police Department. Chief Webber expressed his opinion that \$5,000 of this was for the Explorer. Vice Mayor Kirk asked whether the vehicle was worth keeping. Chief Webber expressed hope that the repairs would not have to be repeated in the future. He advised that it would be nice to have two four-wheel drive vehicles in the winter. Chief Webber noted that the Town had already put money into the transmission. He reminded Council that it was nine years old; and, noted that police cars that were driven in towns took more abuse due to the constant stopping, starting and turning. Mayor Davis asked if the main expense associated with keeping the vehicle would be the insurance. Town Administrator Schiro confirmed there would be insurance expenses; however, he expressed his opinion that there would not be as much maintenance required if the vehicle was not operated on a regular basis. Vice Mayor Kirk asked whether the proposed budget was built to keep both vehicles. Town Administrator Schiro confirmed it was. Mayor Davis reminded Council that the Town had already made an investment in the Explorer.

Town Administrator Schiro reviewed Page 6 of the proposed budget, which covered the Street Department. Mayor Davis reminded the staff that the Council had previously discussed moving the Fire/Rescue pass-through funds so they were in their own category. Town Administrator Schiro noted that it had always been in this budget. Town Treasurer Wheeler advised Council that she had already removed it from the Streets Department budget. Town Administrator Schiro noted that this was pass-through funding. He confirmed that he would move it in the proposed budget to the location where the Town Treasurer now had it.

Councilmember Shea noted that the Street Superintendent's salary was shown in two locations. She asked whether it was more than the \$40,000 shown in the Street Fund. Town Administrator Schiro confirmed that funding was also included in the Health Center Fund. Vice Mayor Kirk asked whether any funding was included in the Pink Box budget. Town Administrator Schiro confirmed it was not; and, explained that it did not do any good to place it in that budget since the Pink Box was a General Fund item. He explained that by placing some of the costs in the Health Center Fund, it allowed him to back the costs out of the General Fund. Mayor Davis asked whether the Street Superintendent made \$55,000. Town Administrator Schiro noted that this was not all his salary, as it included some part-time salary costs. He confirmed that the Street Superintendent's salary was proposed to stay the same; and, advised that no one was proposed to get a pay increase. Vice Mayor Kirk advised Council that she would like to do a little COLA.

Town Administrator Schiro reiterated that the grant funds for the Marshall/Madison Street Project were included in the Streets Budget. He advised that he had increased the proposed expenditures for snow removal a little. Mr. Schiro reminded Council that the Town experienced an exceptional winter; and, noted that the Town should not budget for that.

Town Administrator Schiro reviewed Page 7 of the proposed budget, which covered the Planning/Zoning Budget. He reiterated that he had decreased the proposed expenditures for engineer/consulting and attorneys fees. Mr. Schiro noted that he had reduced the attorney's fees across the spectrum; and, explained that in looking at the final numbers for FY '09, the Town did not use her as much.

Town Administrator Schiro reviewed Page 8 of the proposed budget, which covered the Economic Development and Pink Box budgets. He noted that nothing had changed of significance. Councilmember Shea noted that the proposed budget included \$7,500 for the Christmas in Middleburg event. She reminded Council of the actual costs they were shown earlier in the year. Ms. Shea asked whether this amount included the Town's extra costs, with \$5,000 going toward the Christmas in Middleburg Committee. Town Administrator Schiro confirmed that the Town gave the Committee \$5,000, with the remainder of the budget covering the additional costs incurred by the Town.

Councilmember Shea noted that the Town gave Bluemont \$5,000 for concerts. She asked whether there were any additional costs to the Town for those concerts. Town Administrator Schiro confirmed there was for the Police and Street Superintendent's time. He explained that they were absorbed in their budgets. Councilmember Shea asked whether the two events should be budgeted to be consistent. Town Administrator Schiro explained that the problem was that the Bluemont expenditures were set up as a grant match; and, reminded Council of the \$5,000 State grant. Councilmember Shea reiterated her suggestion that the budget be set up to keep the manner in which the two events were budgeted consistent. Town Administrator Schiro explained that this line item just showed what the Town paid to match the grant. Councilmember Shea suggested that if the Town was matching the grant, it was actually putting in an additional \$1,500 through the employee's time. Town Administrator Schiro explained that the match must be a hard one; and, could not include in-kind costs.

Councilmember Murdock noted that the budget included \$32,000 under the categories of marketing contract, tourism advertising and LCVA marketing. Vice Mayor Kirk expressed her opinion that the Town received “good bang for the buck”. Town Administrator Schiro agreed; and, noted that the Town received a lot out of these contracts. He noted that LCVA focused on Middleburg a lot. Councilmember Murdock asked whether the Town received \$32,000 worth of benefits. She further asked whether these expenditures translated into traffic. Councilmember Patterson expressed her opinion that LCVA did a very good job of showcasing Middleburg. She expressed her opinion that the Town was a draw for Loudoun County. Councilmember Murdock noted that the Town also had a marketing contract. She expressed her opinion that all three seemed like a lot. Economic Development Coordinator Pearson advised Council that a portion of those funds (tourism advertising) were used to cover the printing of the Town’s brochures. She noted that LCVA would be at the Metro Center this year; and, would market Middleburg. Ms. Pearson reminded Council that the other funds were used to cover the Bendure contract. Councilmember Murdock noted the expenses to-date. She explained that she was trying to “skim here and there”. Vice Mayor Kirk reminded Council that these contracts were what brought people to Middleburg. Mayor Davis agreed with the need to use this money to promote Middleburg. Economic Development Coordinator Pearson confirmed that she was in the midst of spending it now. Mayor Davis expressed her opinion that the expenditures looked reasonable when compared to the amount of revenue brought in by the businesses.

Councilmember Shea asked whether the Town buildings, including the Pink Box, were using energy saving light bulbs to reduce electrical costs. Town Administrator Schiro expressed his opinion that not all of the lights have been changed; however, he confirmed that the Town Office used fluorescent lights. Eura Lewis confirmed that the Pink Box lights were also fluorescent. Councilmember Shea asked that the staff look at this item to see if there was room for reductions.

Mayor Davis asked whether the Town was receiving interest on the Pink Box money. She further asked whether this was shown as revenue. Town Administrator Schiro confirmed it was. Mayor Davis asked whether the balance of the expenditures was being pulled from the remaining reserves. Town Administrator Schiro confirmed that he was tracking the reserves used so he could say how much had been spent. He noted that he carried this independently last year; however, it caused confusion for the auditors as it was not shown on the revenue side.

Councilmember Patterson asked whether the Pink Box was charged for their water/sewer use at the end of the year. She further asked why they had not been charged this year. Town Treasurer Wheeler confirmed that she usually did so at the end of the year. She noted that the charges were not that much. Councilmember Patterson expressed her opinion that every penny would help the utility budget.

Town Administrator Schiro reviewed Page 9 of the proposed budget, which covered the Health Center Fund expenditures. He reiterated that the Council could do a budget amendment for the repairs if desired. Vice Mayor Kirk agreed that since the Town had the money, she wanted to start the repairs. She asked whether the building was fully occupied. Town Administrator Schiro confirmed it was. Councilmember Patterson asked whether the Town paid the utilities. Town Administrator Schiro confirmed it did. Councilmember Patterson noted that another reason to replace the windows was that it would help the Town with the operational expenses. Councilmember Shea expressed her opinion that removing all of the air conditioning units would save the Town a lot of money. Councilmember Littleton expressed his opinion that changing the windows would make a big difference in the utility bills. Vice Mayor Kirk suggested the Street Superintendent be responsible for removing the air conditioning units. Councilmember Shea expressed her opinion that if the Town removed them, they may need to replace some of the units. Town Administrator Schiro suggested that some were permanently installed.

Councilmember Shea expressed her opinion that the Town needed to look at the overall building maintenance costs; and, suggested the building was losing a lot of heat. Councilmember Patterson advised that she would hate to see the replacement windows destroyed by air conditioners that leaked. She suggested the Town must look at something else. Councilmember Shea expressed her opinion that newer air conditioning units did not have the same issues as older ones. Councilmember Littleton advised Council that Dr. Falkenstein's office was the only location where a heat pump system could be installed as he had attic access. He reiterated that there was no room for the duct work elsewhere. Councilmember Patterson noted that hotels used slim line systems. Mayor Davis noted that she installed an individual gas heating unit in one of her shop areas.

Town Administrator Schiro reviewed Page 10 of the proposed budget, which covered the Utility Fund revenues. He reminded Council that the user fees were proposed to increase by 6%. Mr. Schiro noted that the tower lease revenue was proposed to increase by 3%. He advised that Salamander's contribution of \$120,000 was also shown as revenue.

Mayor Davis suggested the reference to "Cingular" in the tower lease contracts be changed to "AT&T". Vice Mayor Kirk asked whether the contracts were paid up to date. Town Administrator Schiro confirmed they were.

Mayor Davis asked about the line item for the "Refuse Service Transfer". Town Administrator Schiro confirmed this was a \$5,000 transfer from the General Fund to the Utility Fund. Town Treasurer Wheeler explained that the Town charged some people for refuse service, which was the source of this revenue. She further explained that it was something that was in the system. Ms. Wheeler reiterated that the Town charged some customers on a quarterly basis. Councilmember Shea asked whether those charged were businesses. Town Treasurer Wheeler advised that she was unsure; however, she would find out. Vice Mayor Kirk asked that this information be shared with Council. Councilmember Murdock agreed. She noted that if the Town wanted to talk about a general rate, it may already have a basis for one.

Councilmember Patterson asked whether the tower lease rents were paid monthly. Town Clerk North confirmed they were. Town Administrator Schiro noted that the companies sometimes paid late. Mayor Davis expressed her opinion that the Nextel rent looked like it increased by more than 3%. Town Administrator Schiro advised Council that he looked at the actual revenues for FY '09 and what was budgeted in FY '10; and, added an additional 3%.

Town Administrator Schiro reviewed Page 11 of the proposed budget, which covered the Utility Fund expenditures. He noted that the increased costs associated with Loudoun Water were the result of the additional time needed to operate the two extra plants. Mr. Schiro advised that the proposed engineering costs were based on the possible need for assistance when the plants were brought on line. He noted that this may not be needed. Vice Mayor Kirk asked whether Charlie Triplett was the only person from Loudoun Water who worked in Middleburg. Town Administrator Schiro confirmed that Mr. Triplett worked in Town. He noted that David Gartrell now worked at the Lena plant. Mr. Schiro advised Council that there were a couple of other operators who worked in Middleburg; however, Mr. Triplett was the primary contact.

Town Administrator Schiro reminded Council that part of the Town Administrator and Town Treasurer's salaries were included in the Utility Fund. He noted that the expenditures for automobile insurance had been removed since the Town no longer had vehicles for these operations. Mr. Schiro reported that the property insurance line item was increased some due to the new facilities.

Town Administrator Schiro reminded Council that the debt service costs were fixed. Mayor Davis asked whether there was a way of identifying what the Town was paying on which loans. Town Treasurer Wheeler noted that this information could be found in the financial reports. Town Administrator Schiro reminded Council that the Town had two separate loans. Mayor Davis asked when they would be retired. Town Administrator Schiro advised Council that the two older loans were through the Virginia Resource Authority. Mayor Davis asked that Council be provided with a sheet outlining the Town's debt service. Town Administrator Schiro noted that this information was available in the Town's audit. He confirmed that he would provide it to Council. Mayor Davis explained that she would like to know when the debt would be finished, what the Town was paying and the balances.

Town Administrator Schiro noted that from an operations standpoint, the chemicals and electricity were big components of the costs. He explained that he basically took Salamander's design engineer's numbers for the new treatment plant, with input from Loudoun Water, to develop the operational costs. Mr. Schiro reminded Council that when Salamander generated the operational numbers, they were trying to convince the Council to not go with the membrane system; therefore, the costs may be high. He suggested it would be mid-year before the Town had a better feel for the operational costs. Mr. Schiro expressed hope that it would not be as much as projected. Mayor Davis noted that the electric costs would increase due to the larger plant; however, she asked whether it would increase as much as projected. Town Administrator Schiro explained that the membrane technology took a lot of electricity. He advised Council that these figures were based upon the design engineer's estimates.

Mayor Davis noted that funding was proposed for the future replacement of the membrane system. She asked whether this should be shown as a capital cost, as opposed to an operational one. Town Administrator Schiro confirmed this could be shown in the CIP. Mayor Davis expressed a desire to show that the Town was building equity to replace the system every seven years. Councilmember Patterson asked whether the membrane system would burn out faster if it was under-utilized. Councilmember Murdock asked whether the system would be under-utilized for a year or two until Salamander came on line. Mayor Davis asked whether the system would be alternated. Town Administrator Schiro confirmed the system would be alternated so that all portions were exercised. He also confirmed that under-utilization would take away from the life of the membrane. Mayor Davis reiterated her request to show this line item as a capital expenditure. Town Administrator Schiro noted that it must be accounted for in the budget. He reminded Council that the plant would be on line in July or August.

Town Administrator Schiro reminded Council that this was a draft budget. He advised that they could use alternatives to increase revenue, such as the implementation of a refuse collection fee.

Vice Mayor Kirk asked whether the Town Administrator was recommending an increase in the cigarette tax. Town Administrator Schiro confirmed he was not. He explained that if the tax was too high, it would drive customer's elsewhere to buy their cigarettes. Mr. Schiro advised Council that this was discussed at the recent Northern Virginia Cigarette Tax Board meeting; and, explained that some jurisdictions have lost revenue because the tax was too high.

Councilmember Murdock advised Council that she would like to see what the Town Treasurer found with regard to a refuse fee. She noted that she wanted to know who was being charged and how much.

Town Administrator Schiro advised Council that they could do a combination of the two – keep the real estate tax rate lower and implement a refuse collection fee. Councilmember Littleton expressed his opinion that as proposed, the numbers the residents received in their tax bill would be consistent due to the decreased assessed values. Councilmember Patterson noted that the

assessed value for her home did not go down. Town Administrator Schiro advised Council that the assessed value reduction was 7% across the board. Mayor Davis suggested that given the assessed value reduction, the property owners would still pay the same amount.

Town Administrator Schiro asked whether the Council wanted the staff to advertise the public hearing for a nineteen cent real estate tax rate. He reminded them that they needed to set the tax rates. Councilmember Plescow agreed that she would like this rate advertised. Town Administrator Schiro reminded Council that they could always take the rate lower than what was advertised; however, they could not go higher. Councilmember Shea expressed her opinion that the Council had no choice. Councilmember Littleton agreed. Councilmember Murdock noted that a nineteen cent rate was still low when compared to other towns in Loudoun County. Town Planner Beniamino advised Council that the Town of Hamilton's real estate tax rate was twenty-nine cents; and, noted that they were considering increasing it to thirty-three. Town Administrator Schiro advised Council that Round Hill's rate was twenty-one or twenty-two cents. He noted that he thought other jurisdictions were charging for trash collection; however, they were not. Mr. Schiro reiterated that the other towns in Loudoun County had higher real estate tax rates; and, noted that they did not provide police or other services that Middleburg provided. Councilmember Plescow expressed her opinion that the residents received a lot of services for the amount of taxes they paid.

Town Administrator Schiro asked whether the Council wanted the staff to advertise the public hearing for the 6% increase in the water and sewer rates. Councilmember Murdock asked that the real estate tax rate and utility rates be advertised for public hearings together.

Councilmember Shea advised that she would like to discuss whether to raise the rates by 6% or implement a refuse collection fee. Town Administrator Schiro explained that the refuse fee was General Fund revenue. He advised that the Council could implement the fee and then borrow from the General Fund to support the Utility Fund. Vice Mayor Kirk expressed her opinion that there was no sense in doing that. Councilmember Murdock expressed her opinion that the Council had to raise the rates. Councilmember Shea agreed that the increased rates should be advertised. She expressed her opinion that the Council would have a turnout for that meeting as she had already heard some feedback. Mayor Davis suggested that those who were concerned should come with ideas on how to address the revenue shortfall. Councilmember Littleton agreed that "the numbers were the numbers". He advised that he would like to hear if someone had a better solution. Councilmember Murdock expressed her opinion that residents would suggest cutting the marketing and advertising budgets. Mayor Davis explained that these were found in a different fund. Councilmember Shea asked that the staff explain the difference between the funds before the public hearing. Mayor Davis suggested the staff develop an executive summary. Vice Mayor Kirk suggested that articles be placed in the newspapers.

Councilmember Patterson asked the date for which the public hearing would be advertised. Town Clerk North reminded Council that the ads must appear twice, with no less than two weeks between the last ad and the public hearing. She noted that the General Assembly approved some changes to the advertising requirements; however, those would not go into effect until July 1st. Ms. North expressed her opinion that the soonest the public hearings could be held would be the regular meeting in May. She advised that she would look at the schedule. Councilmember Patterson suggested this would give the Town time to produce any educational materials. Mayor Davis asked whether the newspapers would allow the Town to have a column so the public could understand how the budget worked. Councilmember Shea suggested the staff write it so it could be taken to the newspapers. Councilmember Patterson expressed her opinion that this would be a useful tool; and, that the Town would get more positive participation. Vice Mayor Kirk suggested the article explain that the employees were not getting a raise. Town Clerk North noted that the Town would be sending out a newsletter in April; and, could include information

on the proposed budget. Councilmember Shea asked that it also be posted on the Town's website. Town Administrator Schiro advised Council that he would make the recommended changes to the draft budget.

Discussion

Councilmember Patterson reminded Council of the Art Walk scheduled for April 16th.

Closed Session - Personnel

Vice Mayor Kirk moved, seconded by Councilmember Shea, that Council go into closed session as allowed under the Virginia Freedom of Information Act Section 2.2-3711(A)(1) pertaining to the discussion, consideration or interviews of prospective candidates for employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of the public body. Vice Mayor Kirk further moved, seconded by Councilmember Shea, that this discussion be limited to the retirement of the Town Administrator. Vice Mayor Kirk further moved, seconded by Councilmember Shea, that the Council thereafter reconvene in open session for action as appropriate.

Vote: Yes – Councilmembers Kirk, Littleton, Murdock, Patterson, Plescow and Shea
No – N/A
Abstain: N/A
Absent: Councilmember Snyder
(Mayor Davis did not vote as there was no tie to require her vote)

Mayor Davis asked the members of Council to certify that to the best of each member's knowledge (i) only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting, which they so did.

There being no further business, a motion was made to adjourn the meeting at 8:02 p.m.

APPROVED:

Betsy A. Davis, MAYOR

ATTEST:

Rhonda S. North, MMC, Town Clerk