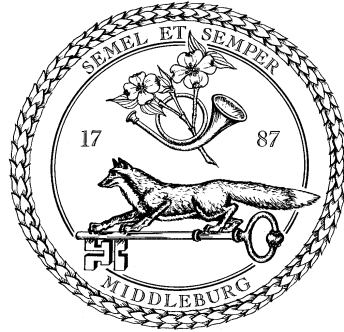


TOWN COUNCIL

Betsy Allen Davis, *Mayor*
 Darlene Kirk, *Vice Mayor*
 Trowbridge Littleton
 Catherine "Bundles" Murdock
 Lisa H. Patterson
 Judith Pryor Plescow
 Kathy Jo Shea
 Mark T. Snyder



TOWN STAFF

Jerry M. Schiro, *Town Administrator*
 Rhonda S. North, MMC, *Town Clerk*
 David M. Beniamino, *Town Planner*
 Debbie Wheeler, *Town Treasurer*
 Cindy Pearson, *Economic Development
 Coordinator*

T O W N O F M I D D L E B U R G

UPCOMING EVENTS

Fri., April 16—5:30 pm
Middleburg Art Walk—
Celebrating Women in the
Arts—throughout Town.

Sat., April 24—9:00 am
Arbor Day Celebration—
Middleburg Elementary
School

Sun., April 25- 1:00 pm—
Middleburg Hunt Point-
to-Point—Glenwood Park.
 For more info, call 454-
 2991

Saturdays beginning May 1
Farmer's Market—
Community Center. For
 more info, call 687-5152

Event calendar available:
www.middleburg.org

MIDDLEBURG BUSINESS LICENSES WERE DUE MARCH 1.

A late fee of 10% is due.
 Call the Treasurer, Debbie
 Wheeler if you have any
 questions. 687-5152 x 206

BUDGET MESSAGE TO CITIZENRY

As is the case with all local governments across the Commonwealth of Virginia, diminishing revenues from the State and local sources are forcing local elected officials to address revenue shortfalls. Middleburg's real property, assessed by the County, was reduced by 14% in January 2009 and an additional 7% in January 2010. (While individual property owners may have experienced different assessments, these reductions are the averages for all property within the town.) Through reduced expenses, the Town was able to absorb the 14% reduction during budget deliberations last year, leaving the real property tax rate unchanged. In many cases, this netted a lower tax bill to property owners. Unfortunately, given the declining local business revenues and the additional reduction in assessments this year, the Town Council is forced to consider an increase to the real property tax rate, which if approved would become effective July 1, 2010. Accordingly, the Fiscal Year 2011 draft budget proposes an increase to the real property tax rate from \$.15 per \$100 dollars of assessed real property value to \$.19 per \$100 dollars of assessed property value. If approved, this increase would appear on the tax billing at the end of calendar year 2010.

In recent years, a thriving business community has allowed the Town of Middleburg to keep its real property rates considerably lower than similarly situated towns. In fact, the currently proposed increase to \$.19 is in line with the tax rate charged by the Towns of Hamilton, Lovettsville, Round Hill, and Purcellville. Aside from Purcellville, a much larger town, the aforementioned three towns do not provide Police Departments, which constitutes the largest portion of Middleburg's General Fund expenditures.

Middleburg's budget is composed of three major fund categories - the General Fund, the Utility Fund and the Health Center Fund. From a government accounting standpoint, the three Funds and the operations they support are separate entities.

Services provided in the General Fund departments are supported by business taxes, real property taxes, business personal property taxes, parking meter receipts, land use application fees, limited State revenues and fines. The departments covered by the General Fund include the Town Office and Administration, the Street Department, the Police Department, Planning and Zoning, Economic Development and the Pink Box, the Town's tourist information center. They provide assistance to residents in a variety of services including Public Safety, refuse collection, snow removal, street cleaning, maintenance of certain public properties, assistance with business licenses, land use applications, zoning, marketing services for businesses, the Farmer's Market, the Bluemont Concert, tourism promotion and the list goes on. Just as General Fund revenues cannot be used to fund the operations of the Town's water and sewer departments, utility revenues cannot be used to fund non-utility services. As such, the Town has limited areas in which it can generate the revenue necessary to provide these services.

During the budget deliberations, the Town Council considered imposing additional user fees for refuse collection, implementing a residential personal property tax for automobiles housed and garaged in Middleburg and increasing taxes to the business community. Due to concerns that an increased tax burden on an already struggling business community would only force more shops out of business and result in a more significant decline in revenue from those sources, the Council declined to pursue that option. After much discussion, they felt the fairest way to generate the needed revenue was to raise the real property tax, which would also bring it in line with that charged by other towns our size.

The Town Council also looked at the feasibility of reducing Town services. Over the past three years, the Town has eliminated several positions in the workforce, held the remaining employees to minimal cost of living increases and outsourced many of the duties once performed by in-house staff. The employees have averaged less than a 1.5% cost of living increase in the last three budget years, and the Town Administrator took a voluntary pay reduction in the current budget. These steps allowed the General Fund budget to be reduced an additional 5% over the previous budget. As a result, there is no longer any "fat" in the budget to eliminate. At this point, additional savings could only be generated by eliminating additional positions, which would reduce services. The Town Council did not feel this was an acceptable option.

The Utility Fund is composed of the water and sewer departments. A 6% increase to the utility rates to support these departments is proposed in the FY-2011 Budget. Revenues to pay for these services are derived from water and sewer user fees, the sale of water and sewer connections, and the revenue the Town receives from several cellular phone companies that occupy antenna space on our water tanks. New connections are not frequent and the revenue from the cellular phone companies only generates approximately 20% of the necessary income to operate the water and sewer systems. The bulk of the revenue to provide water and sewer service is dependent on user fees. Because of the small number of customers to spread the cost among, Middleburg's water and sewer rates are higher than towns with larger customer bases. Rate increases are necessary to cover increasing operational costs. The Town struggles to establish a revenue stream that totally funds the cost of providing water and sewer services to the residents of Middleburg and provide capital for much needed improvements and repairs to the water distribution and wastewater collection systems. In addition, the Town must cover any unfunded State mandates that require regulatory compliance with the Virginia Department of Environmental Quality and Virginia Department of Health. As the water and wastewater treatment requirements from these regulatory agencies become more stringent, the cost for treatment by the Town increases. These requirements are termed "unfunded mandates" because the State imposes the requirements on towns, but offers no financial assistance in complying with them.

The construction of the new water and wastewater treatment facilities has also created additional engineering costs for the Town. In the end, these facilities will greatly enhance the quality of the utility services the Town provides; however, the interim construction phases are costly and require oversight. The Town is working with the Salamander group to come up with a plan that will allow prepayment of utility fees for the planned Resort. If an agreement is reached, the revenue will offset the additional operational costs for the new facilities until such time as the Salamander Resort comes on line. While the second water plant and larger sewer treatment plant will involve higher operational costs in the upcoming budget, it is anticipated that once the Resort is fully operational, the additional demand for service will stabilize the cash flow situation. At that time it is hoped that user rates can be frozen or possibly reduced.

The Health Center Fund is more fiduciary in nature. It accounts for the revenues received from the rental leases in the Middleburg Health Center Building. This building was donated to the Town many years ago, with the provision that the proceeds go to the maintenance and upkeep of the building and that any additional revenues be contributed to charitable organizations in the Middleburg area. The Town Council and its appointed Health Center Advisory Board have been diligent with this charge and have, over the years, made substantial contributions to many well deserving charities in the Middleburg area. The upcoming budget provides for some major improvements to the building, as well as some much needed maintenance. The revenue from the Health Center Building is not used to fund other departments, although some staff time is charged to the fund.

In closing, this is an extremely challenging budget year. The Middleburg Town Council struggles with the financial hardships created by the current economy and the resulting declining revenues. Balancing the provision of an acceptable level of municipal services with the economic hardships many of our residents face is challenging. The Mayor and Council would like the citizens of Middleburg to understand the proposed tax increases and water and sewer rates were not recommended without much work in reviewing other options. The increases would not be considered if not absolutely necessary to provide the level of service our residents expect. The Council is optimistic the economy will rebound and is committed to reducing the burden on its tax payers when that occurs. In the interim, the Mayor and Council will make every effort to keep spending to a minimum and to seek new sources of revenue where possible.

On behalf of the Mayor and Town Council, we appreciate your time in reviewing this message.

