

FY 2011 ANNUAL REPORT

Staying the Course



I am pleased to present the Town of Leesburg's FY 2011 Annual Report. FY 2011 was the most difficult year I have faced in my public service career. I am very proud of the way that the Town staff, at all levels of our organization, stepped up to the challenges of the past year. We made difficult decisions about how to provide quality services to our residents in an environment of declining revenue.

As we began to look towards FY 2012, we knew that we have additional tough times ahead. In the early stages of preparing the FY 2012 budget, it became apparent that the Town could not sustain its current staffing levels with the projected revenue. In February 2011, I recommended and the Town Council approved a reduction in force. As a result, Town staff spent much of the final months of the 2011 Fiscal Year reorganizing and adjusting to the reduced staffing levels.

We now know that the economic recovery will be slower and more modest than we originally hoped. However, the hard work of the past several years has paid off by laying a solid financial foundation for the future. Based on very conservative revenue and expenditure projections, the Town Council has endorsed a long-range financial plan that will hold the tax rate steady, maintain quality services and keep our commitments to the Capital Improvements Program.

There is good news for the Town of Leesburg. Our housing market has stabilized and we anticipate seeing the first new Single Family Home construction since 2007 in the coming months. Although at a slower pace than in the past, new commercial construction continues. Significant new public infrastructure projects, including a new segment of Battlefield Parkway, have been completed recently or are under construction.

Please take a moment to read this annual report. While the report does not provide a comprehensive accounting of the FY 2011 activities and accomplishments, it does highlight major achievements and events. If you have comments, please let us know—you can email me directly at jwells@leesburgva.gov. We strive to make your Town government accessible and transparent. We welcome your thoughts and comments to continually improve the level of service we provide our residents, businesses and visitors.

Sincerely,

A handwritten signature in black ink that reads "John Wells".

John Wells
Town Manager

Town Debuts Trenchless Water Main Installation System

In December 2010, for the first time, the Town's Utilities Department installed a new water main using trenchless technology. The new water main was a 175-foot extension connecting a formerly dead-end line in the Westgreen subdivision to an existing water main on Ayr Street.

Trenchless technology greatly reduces the impact of utility line installation and repair work on the surrounding areas. Excavation is kept to a minimum, usually just at the ends of the lines where connections need to be made. This technology also eliminates the need for extensive surface restoration required when the traditional open cut installation method is used.

The Utilities Department had used trenchless technology extensively in sewer and water line repairs and rehabilitation, as well as in the replacement of water service lines, but the Westgreen project was the first time the Town used trenchless technology to install a new water main. In addition to the significant cost and time savings, this cutting-edge installation method also lessens the impact on residents during construction.



New Instrument Landing System Installed at Leesburg Executive Airport

A new Instrument Landing System, or ILS, was dedicated at the Leesburg Executive Airport on March 10, 2011.

An Instrument Landing System allows aircraft to land during weather conditions such as fog, snow, or low clouds that result in reduced visibility. In these conditions, pilots must rely on signals received from navigational aids based at the



airport to guide their aircraft a safe landing. In aviation parlance, an ILS is known as a "precision approach." The ILS at Leesburg Executive Airport has two components that provide both lateral and vertical guidance to pilots when landing in poor weather. The first component, a localizer antenna that provides runway centerline guidance, was commissioned in April 2008. Installation of the second component, the Glide Slope and DME (distance measuring equipment) antenna array which provide vertical guidance, was completed in December 2010. The new ILS supplements existing GPS (Global Positioning System) and WAAS (Wide Area Augmentation System) approaches at the Leesburg Executive Airport.

Funding for the new ILS was provided by the Federal Aviation Administration, through the efforts of U.S. Representative Frank Wolf. Congressman Wolf spoke at the dedication ceremony on March 10, 2011, and highlighted the increased safety measures provided by the new system. He noted that it was following two aircraft accidents at the Leesburg Executive Airport in 2002 that the Town requested his assistance in

obtaining the funding for the new system. Because the Leesburg Executive Airport does not have a tower, the addition of the ILS to the airport's existing navigational aids provides an added margin of safety to the airport's operations. In addition, having an ILS at the Leesburg Executive Airport will allow the Town to attract more corporate aircraft to the airport. Most corporate aircraft owners are required by their insurance carriers to be based at and operate out of airports with precision approaches.

Mason Enterprise Center Leesburg Receives Virginia Torchbearer Award

At the Virginia Economic Summit in December, the Virginia Chamber of Commerce recognized the Town of Leesburg, Loudoun County and George Mason University with a 2010 Virginia Torchbearer Award for their collaborative efforts in establishing the Mason Enterprise Center Leesburg, the new business incubator in downtown Leesburg.

The new Leesburg incubator is part of the Mason Enterprise Center's regional network of business accelerators and innovation centers. Leesburg and Loudoun County each committed \$100,000 to fund the initial operating costs for the business incubator, while the Mason Enterprise Center will manage the facility. After the first three years, the Leesburg center is expected to be financially self-sustaining.

The Mason Enterprise Center Leesburg provides services to growing and start-up businesses, such as educational programs and access to resources. The ultimate goal is to create a pipeline of new and growing businesses that will diversify and sustain the local economy. Due to high demand for its services, the Mason Enterprise Center Leesburg opened in temporary quarters at 15 North King Street while its permanent home at 202 Church Street SE was under construction. Now completed, the new building has space for 10 to 14 "client companies" as well as telework stations that offer companies and federal agencies the opportunity to allow employees to work closer to home in a secure environment. The Loudoun Small Business Development Center will be co-located with the Mason Enterprise Center Leesburg, along with the Leesburg Economic Development Office, creating a full-service center for business innovation and entrepreneurship.



Leesburg Police Crack Serial Stabber Case

In August 2010, Leesburg was at the center of a multi-state case involving a serial killer. Within a four-day period of time, three people were attacked in the Town by an assailant unknown to them. On Tuesday, August 3, a 15-year-old African-American boy was stabbed while jogging. Two days later, a 67-year-old African-American man was stabbed as he sat on the stoop of his apartment building. The next day, on Friday, August 6, a 19-year-old Hispanic man was struck with a blunt object in a shopping center parking lot.

After the first two incidents, the Leesburg Police Department's investigative team quickly realized that the two crimes had, in all likelihood, been committed by the same person and were apparently racially motivated. Investigators began to look for patterns of similar attacks by strangers on African-American males, in neighboring communities and nationwide. The third incident was captured on surveillance video, providing key information about the suspect's vehicle.

Working non-stop through the weekend, the Leesburg investigators discovered similarities between the crimes committed in Leesburg and a series of five murders and eleven other stabbing attacks in the Flint, Michigan area, that occurred between May 24 and August 2, just one day before the first victim in Leesburg was attacked. A twentieth attack occurred near Toledo, Ohio on August 7.

After exchanging information with the Michigan State Police, investigators determined that the two series of attacks were linked. As a result of the media coverage, which included the release of a composite sketch of the suspect, Leesburg Police received a tip which ultimately led them to identify an individual with ties to both the Flint, Michigan and Leesburg areas. On August 11, this suspect, Elias Abuelazam, was arrested by U.S. Custom and Border Protection agents at the Hartsfield-Jackson Atlanta International Airport as he was attempting to board a flight for his native Israel. To date, he has been charged in three murders and five assaults in Michigan and one assault in Ohio. The first trial is set to begin in early 2012.

Through the excellent investigative work done by Leesburg police officers, a suspect was identified and arrested within a week of the second Leesburg attack. In a joint press conference with federal officials, Leesburg Police Chief Joseph Price praised the professionalism of his staff, saying, "I am extremely proud of the way not only our agency, but all the agencies, worked together on this [case]."

LET'S TALK MONEY

Revenue

The Town's revenue comes from many sources, including county/state/federal funding, real estate and other local taxes, permits, fees, fines and grants. When people talk about the "Town Budget," they usually mean the General Fund (see Budget Basics on the next page). This chart illustrates the major sources of revenue for the General Fund (\$46.2 million in FY 2011).

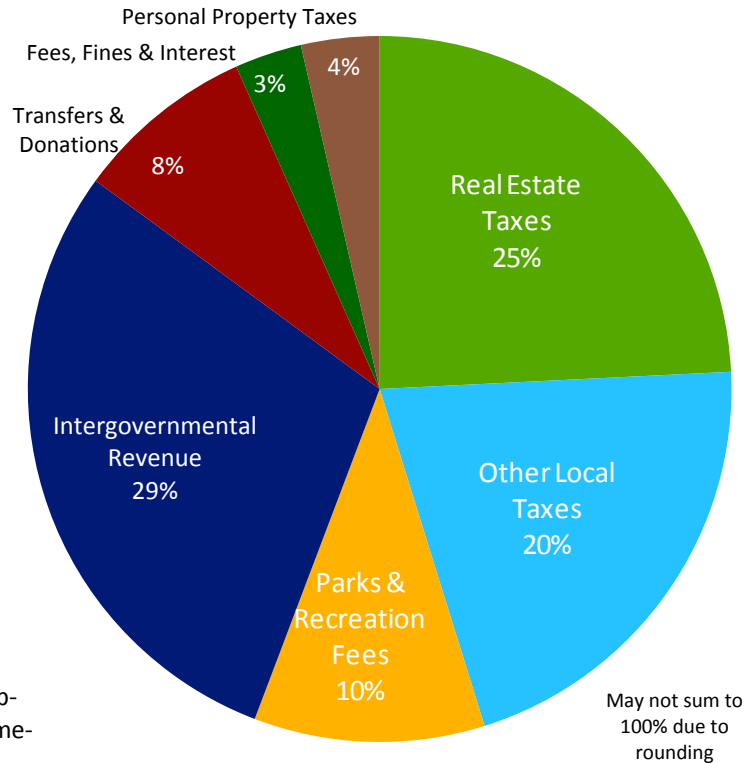
Real Estate Taxes – in FY 2011, 73% of real estate taxes came from residential property and 27% came from commercial property.

Other Local Taxes – includes Motor Vehicle and Business Licenses and Meals, Hotel, Bank Franchise, Cigarette, Daily Rental and Utility Consumption Taxes.

Intergovernmental Revenue – the majority of this revenue comes from the Commonwealth of Virginia, including sales and communications taxes, funding for highway maintenance and law enforcement, and state relief for personal property tax (motor vehicles). The remainder is from Loudoun County and the federal government.

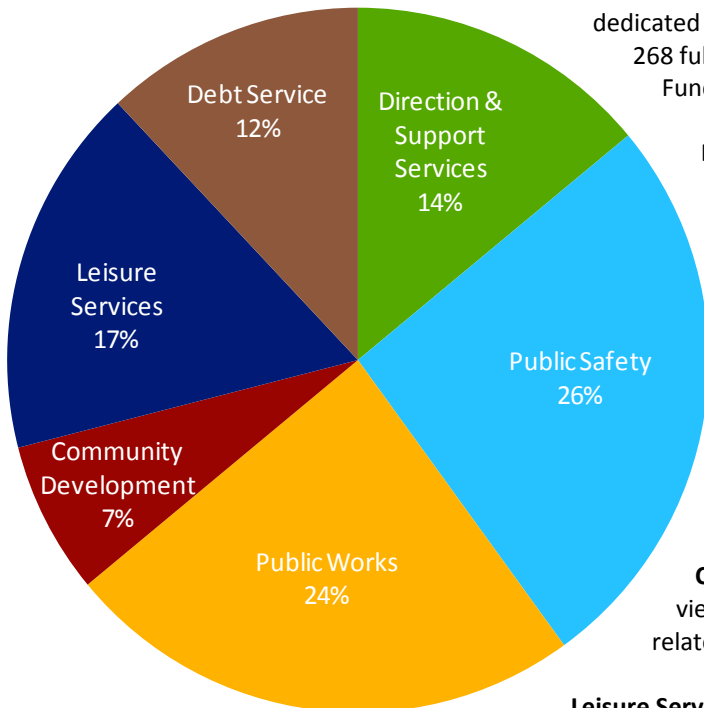
Fees, Fines & Interest – includes interest on investments, land development application fees, parking and traffic tickets, parking garage and meter revenue, and other miscellaneous charges for Town services.

Transfers & Donations – includes transfers from the enterprise funds, cash proffers from developers, and other contributions such as the A.V. Symington bequest.



Expenditures

How does the Town spend all that revenue? 61% of the Town's General Fund is dedicated to personnel expenditures – the salaries and benefits of the Town's 268 full-time and 78 part-time employees. This chart illustrates General Fund expenditures by functional program.



Direction & Support Services – includes the Town Manager's Office, the Town Council, the Clerk of the Council, the Town Attorney, the Economic Development Office, and the Departments of Finance, Human Resources and Information Technology.

Public Safety – includes the Leesburg Police Department and the Town's contributions to the Leesburg Volunteer Fire Company and Loudoun County Rescue Squad.

Public Works – includes the Streets, Grounds and Building Maintenance Divisions, Traffic Management, Trash Collection & Recycling, Fleet Maintenance and Inspections.

Community Development – includes the Departments of Plan Review and Planning & Zoning, as well as the Boards & Commissions related to community development.

Leisure Services – includes the Parks & Recreation Department and the Thomas Balch Library.

Navigating Through The Tough Economic Times

It is important to understand that any single fiscal year budget for the Town of Leesburg does not stand in isolation. Budget decisions that were made in previous years affect the current year's budget. Budget decisions made this year will affect future budgets. For this reason, having sound and prudent fiscal policies in place is key to allowing the Town to navigate through tough economic times with minimal impact on the services it provides to citizens.

In 2007, recognizing that the Town would not always experience the same economic growth that it had seen over the past decade, Town staff recommended, and the Town Council enacted, a series of fiscal policies intended to insulate the Town from an economic slowdown. First, the Town significantly reduced the reliance on carryover funds to balance the General Fund budget. The FY 2008 budget used \$3.4 million in carryover funds (unexpended funds from the FY 2007 budget). By FY 2010, the Town had reduced the use of carryover funds to \$861,339. The FY 2011 budget was balanced without the use of any carryover funds at all, with the expectation that all future budgets will be as well. Secondly, the Town created a \$1.4 million Revenue Stabilization Fund in addition to the existing 15% fiscal reserve to further bolster the Town's emergency funding reserves.

In addition, starting with the FY 2010 budget, the Town staff began a conscious effort to reduce operating costs, by looking critically at how services are delivered and where cost savings could be achieved. Before any vacant position was filled, it was evaluated to determine if the position was necessary or if the position functions could be restructured. As a result, in the FY 2010 budget, one full-time position was eliminated and six vacant positions were not funded. This effort continued with the FY 2011 budget. In this year's budget, an additional seven full-time positions were eliminated and 7.5 positions were not funded.

As a result of these fiscal policies, the FY 2011 Budget, for all funds, totals \$91.2 million – a 3.2% decrease from the FY 2010 Budget – with no appreciable cut in services to residents. The real estate property tax rate of 19.5¢ per \$100 of assessed value remained the same as last year, but the average home owner in Leesburg saw a slight decrease in their tax bill, thanks to slightly lower assessments. Those lower assessments are, unfortunately, an indicator that the effects of the recession have not ended.

FY 2012 will be as tough a budget year as FY 2011 was. However, all of the hard budget work done over the past several years by both the Town staff and the Town Council will ensure that the Town's residents will continue to receive good value for their tax dollars.

For more information about the Leesburg budget, visit the Town website at www.leesburgva.gov/budget

Budget Basics

Fiscal Year vs. Tax Year

The fiscal year runs from July 1st to June 30th. It is the 12-month period designated as the operating year for accounting and budgeting purposes. The tax year is the same as the calendar year (January 1st to December 31st) and is based on the January real estate assessments.

General Fund

FY 2011 Total: \$46.2 million

The General Fund is the Town's primary operating fund and accounts for all revenues and expenditures not designated for specific use by statutes or the Town Charter. The General Fund budget increased by 0.2% from FY 2010 to FY 2011.

Capital Projects Fund

FY 2011 Total: \$18.8 million

The Capital Projects Fund accounts for the purchase and/or construction of major capital facilities, such as roads, buildings, and recreational facilities, and the operating budget for the Capital Projects Department. The revenue for this fund comes from developer proffers, grants, funding from the state and federal governments, bond proceeds, and transfers from other funds.

Enterprise Funds

FY 2011 Total: \$26.2 million

The Town of Leesburg has two Enterprise Funds: the Airport Fund and the Utilities Fund. These funds were established to account for the operations, investing and financing activities of self-supporting activities of the Town that provide services to the public on a user-fee basis.

Budget Process

The annual budget process begins in September with revenue projections. In December, each department submits a budget request to the Town Manager. In February, the Town Manager submits the proposed budget to the Town Council. Public hearings are held in March and in April, the Town Council sets the tax rate and adopts the budget.

Town Prevails In Water Rate Case

In November 2010, the Virginia Supreme Court overturned a decision by the Circuit Court in the utility rate case, finding that the Town's water and sewer rates charged to out-of-town customers are fair, reasonable, equitable and uniform, and ending the long-running dispute.

In 2006, a group of out-of-town utility customers filed a lawsuit against the Town, challenging the 100-percent surcharge placed on out-of-town customers. That lawsuit went to trial in early 2009, with the Town arguing that rates prior to 2006 did not cover the costs of running the utility system, making the rate increase necessary.

On March 6, 2009, Circuit Court Judge Thomas D. Horne ruled in favor of the out-of-town customers. The Town appealed his decision to the Virginia Supreme Court.

Prior to the Supreme Court decision, however, the Town conducted a new rate study and adopted a new schedule for water and sewer service rates in September 2009. The new rates are intended to address a projected revenue shortfall within the utility system. Following the Supreme Court decision, the Town made no changes to the water and sewer rate schedule adopted in 2009.

In order to manage on-going issues related to providing utility service to out-of-town customers, the Town created a Utility Rate Advisory Committee. The committee is comprised of 7 in-town customers and 3 out-of-town customers and is charged with advising the Town Council on matters relating to utility rates, fees and policies. For more information, please visit the Town website at www.leesburgva.gov.

Excessive Occupancy Enforcement Program Implemented

The Town of Leesburg implemented a new public outreach and awareness campaign to inform citizens about the Town's Excessive Occupancy Enforcement Program (EOEP) in the past year. Excessive occupancy occurs when either too many unrelated people live in a single-family residence or the square footage of a dwelling unit is too small for the number of residents, based upon minimum standards set by the Virginia Property Maintenance Code.

Excessive occupancy impacts a variety of health, safety and quality of life issues within neighborhoods, including poor property maintenance and overuse of common areas. The Town initiated the new outreach campaign to address citizen concerns, in part due to an increasing number of complaints, but also because certain neighborhood situations, such as a lack of parking, can be mistaken for signs of excessive occupancy.

Detailed information about the Excessive Occupancy Enforcement Program is available on the Town website at www.leesburgva.gov/eoep, including a list of Frequently Asked Questions, links to the Town regulations, and a downloadable brochure. If citizens have concerns about possible excessive occupancy violations in their neighborhoods, they can file confidential complaints with the Town's Zoning Division. The complaint form can be downloaded from the Town website.



Downtown Improvement Project Approved

As part of the Town's Capital Improvements Program, Town Council approved a project for public infrastructure improvements in Leesburg's historic downtown. After Council awarded a design contract for the improvements to AECOM, Town staff and AECOM held a series of public stakeholder meetings to clarify the community's vision for the downtown, and presented conceptual designs to the Town Council in July 2010.

In September 2010, the Town Council approved three phases of the Downtown Improvement Project. The project includes sidewalk improvements, new street lights, additional street trees, new pedestrian crosswalks and other amenities that will enhance the pedestrian environment in downtown. Phase I of the project is slated to begin construction in Spring 2012, after the annual Flower & Garden Festival. This first phase of construction will include enhanced pedestrian walkways from the Town Hall parking garage to King Street and a rebuild of the East End Triangle adjacent to Mom's Apple Pie. Phase II of the project includes improvements on Loudoun Street from King Street to the East End Triangle with construction expected to start in Spring 2013. Discussions continue on the layout and design of King Street which is Phase III of the project.



MLK March Route Markers Installed

In January 2011, the Town installed seven granite plaques and ten engraved bricks in the sidewalks along East Market Street, from the Loudoun County Courthouse to the Douglass Community Center, as a permanent designation of the annual Martin Luther King Day March route. Installed in conjunction with the "I Have A Dream" Committee, the route markers include two plaques engraved with a profile image of Dr. King to mark the beginning and the end of the route. Five smaller granite plaques, engraved with quotes from Dr. King's speeches and writings, are placed periodically along the march route and are interspersed with ten bricks engraved with "MLK Dream."

The "I Have A Dream" Committee was formed in 1992 and sponsors the annual Loudoun MLK Day Celebration on the third Monday of January.

Online Restaurant Directory Added to Town Website

Did you know that Leesburg has over 100 restaurants, coffee shops, tea rooms, bakeries, ice cream shops and other eateries? In August 2010, a new online directory of the Town's eating establishments was added to the website, listing every single one of those businesses. Listings are divided into thirteen cuisine categories and the listings are linked to Google maps to assist customers in locating the businesses. In the past year, more than a dozen new eateries opened in the Town, and more are on the way. The directory is intended to drive traffic to the Town's dining establishments, by making it easy for both locals and visitors to find the many unique and wonderful places to eat in Leesburg.

Business-to-Business Brochure Goes Digital

In February 2011, the Leesburg Economic Development office debuted a digital version of the Town's Business-to-Business brochure. The shift from print to electronic format allows the Economic Development office to be nimble in responding to the needs of the business community, and to update the content of the brochure in a more timely fashion. A key feature of the brochure is a series of business profiles that showcase Leesburg-based businesses and business leaders, including Dr. Kitty Saylor of REHAU, Eric Major of K2M, Shye Gilad of Projet Aviation, and Timo Winkel and Nicole Marschall of Doener Bistro. The brochure also contains links to videos and other online content. You can see the new brochure on the Town website at www.leesburgva.gov/business.



Town Hall Rose Garden Redesigned

After many years of the Town Hall Rose Garden being an underutilized and neglected outdoor space, the area received a complete makeover in Spring 2011.

The entire project, including design and construction, was completed by Town staff. Most of the rosebushes were relocated to a new planting area on the

south end of the garden. Three crape myrtle trees, along with new plantings for seasonal color, were installed. The wooden circular bench around the main planting area was removed and new wrought iron benches, chairs and tables were installed, along with changes to brick paving areas.

The changes to the Rose Garden were dedicated to the memory of Bob Lilly, the Town's longtime Chief of Operations, who passed away in July 2010 after a battle with cancer. Bob and his wife, Keith, "adopted" the Rose Garden when the Town Hall was first constructed.

"I think Bob would approve of the new Rose Garden," said Bill Ference, the Town's Parks & Public Space Planner, who designed the changes.

VDOT Funds Sycolin Overpass

The intersection of Sycolin Road and the Route 7/15 Bypass is the most dangerous intersection in the Town of Leesburg, with the highest number of accidents annually. During rush hour, the high traffic volume at this intersection frequently results in gridlock, creating major traffic delays and backups on Route 7. For years, construction of the Sycolin Overpass, and the elimination of the existing at-grade signalized intersection, has been the Leesburg Town Council's top transportation priority.

As originally conceived, the Sycolin Overpass was a component of a much larger project to widen the Route 7/15 Bypass to six lanes from East Market Street to South King Street. State budget constraints kept pushing that project further and further into the future. The Town worked cooperatively with Loudoun County to request that VDOT separate the Overpass as a stand-alone project, recognizing that, even without the additional travel lanes, the elimination of the signal light would improve traffic flow and reduce accidents.

After studying the options, VDOT agreed with the Town and County suggestion and separated the Sycolin Overpass into a single project as a part of VDOT's 2012-2017 Six-Year Improvement Plan. The preliminary engineering work is currently underway, with right-of-way acquisition scheduled for Fiscal Year 2013 and construction scheduled for Fiscal Year 2014. The total estimated cost for the Sycolin Overpass will be \$21.6 million.

Demonstration Rain Garden Installed at Freedom Park

In November 2010, the Town's Watershed Committee, in partnership with the Loudoun Wildlife Conservancy, and assisted by volunteers from the Parks & Recreation R.O.C.K. Program and the Smartts Middle School Ecology Club, installed a demonstration rain garden in Freedom Park. Funding for the rain garden was donated by the Dulles Greenway, through their annual Drive for Charity.

A rain garden is a landscaped area that collects rainfall and stormwater runoff from impervious surfaces such as parking lots and rooftops and filters pollutants from the runoff before it drains into local streams. On the surface, a rain garden looks like any other landscaped area, but it is different in three key ways. First, rain gardens are located in low areas, or depressions, so that stormwater is intercepted before flowing into storm sewers or streams. Secondly, a rain garden features native plants that absorb and transform stormwater pollutants. Finally, the soil in rain gardens is engineered to detain stormwater runoff long enough for the plants to absorb the pollutants.

Prior to the actual planting, crews from the Department of Public Works prepared the rain garden site according to plans designed by Dewberry's Leesburg office. Site preparation involved excavating the garden area, creating a berm around the garden, and mixing the excavated dirt with mulch before returning it to the site. Then, on Saturday, November 13, 2010, volunteers planted over 260 native trees, shrubs, perennials and grasses.



Honors & Accolades

Police Department Reaccredited By VLEPSC

In August 2010, the Leesburg Police Department achieved reaccreditation by the Virginia Law Enforcement Professional Standards Commission. In order to be reaccredited, the Police Department had to demonstrate that its policies and practices met 187 standards in four subject areas: Administration, Operations, Personnel and Training.

Aquatic Center Recognized for Design Excellence

The A.V. Symington Aquatic Center at Ida Lee Park was featured in *Aquatics International's* "2010 Dream Designs" showcase. The annual list recognizes the most innovative new recreational aquatics facilities in the world. The A.V. Symington Aquatic Center opened in May 2009.

FY 2011 Town Council

Kristen C. Umstatt, Mayor
Kevin D. Wright, Vice Mayor
David S. Butler
Thomas S. Dunn, II
Katie Sheldon Hammler
Fernando "Marty" Martinez
Kenneth "Ken" Reid

Town Manager
John Wells

Leesburg

the hometown of the 21st century

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