

October 11, 2011

The regular meeting of the Council of the City of Martinsville, Virginia, was held on October 11, 2011, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kim Adkins presiding. Council Members present included: Mayor Kim Adkins, Vice Mayor Kimble Reynolds, Gene Teague, Mark Stroud, Sr., and Danny Turner. Staff present included: Clarence Monday, City Manager, Brenda Prillaman, Eric Monday, Leon Towarnicki, Mike Rogers, and Wayne Knox.

Mayor Adkins called the Council meeting to order and Mark Stroud gave the invocation and Pledge of Allegiance to the flag.

Proclamations were presented by the Mayor recognizing Martinsville Rotary Club's World Polio Day October 24, 2011 and MHC Coalition for Health & Wellness Children's Health Month October 2011.

Mark Heath of the MHC Economic Development Corporation gave his monthly update to Council regarding activities and prospects. Lisa Fultz of the Small Business and Minority Division reported on activities with small business efforts.

Mayor Adkins explained process up to this point regarding school bonds. A public hearing has been advertised for the purposes of receiving public input for the proposed MHS renovation project at this meeting. Following the public hearing, the Council may adopt the ordinance on second reading, authorizing the issuance of up to \$9,300,000 as a General Obligation School Bond. The Council's absolute deadline to adopt this particular ordinance at a regular Council meeting is November 8. If the Council authorizes the project and adopts this ordinance on second reading, there will be one additional required ordinance for Council's consideration that requires two readings. This "third and final" ordinance cannot be adopted until after the bond sale on November 30. The purpose of the final ordinance is known as a Supplementary Ordinance, and its purpose is to approve the terms of the bond sale. The Mayor called on Mr. Motley with RRM Architects who gave a presentation and pros and cons of each suggested change and the logic behind the chosen design. The architect's comments included: importance of Master Plan for site; should not ignore the need to build a gym, even in long-term; propose to design roof of global access center so it can be built upon...can bid out as portion in case second floor can't be funded...if not enough money for second floor now, it can be built later; if Council funds less than \$9.3M, we must take a fresh look at project; need to make up time for project to start summer 2012; if have to go back and re-design, would take a few weeks and cost approximately \$25,000 to do. Mayor Adkins then opened the public hearing: L. D. Oakes, 1713 Mulberry Rd., asked Council to move forward with the \$9.3million as the schools will merge eventually and this will give us an opportunity to have a high school in the city; Brad Kinkema, Pioneer Trail, Collinsville, encouraged funding full

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amount of \$9.3 million; Skip Phillips, 1105 Sam Lions Trail, said schools help attract physicians and he encouraged funding the project; Malvester Dixon, 622 Watt St., feels we are having this funding discussion because of black/white issue and he encouraged funding the entire \$10M; Shane Painter, Collinsville, in favor of as much as possible as education is key to reducing unemployment and crime and renovations are long overdue; Mayor Adkins read a letter from Perry Harrold endorsing the \$9.3M being funded; Craig Dietrich, 1227 Lanier Rd., school board member, said project should go forward; J. C. Richardson, school board member, feels school board has done their job and that is was thoroughly researched before he and Dietrich started their terms on the school board; Jim Johnson, White Oak Ct., after 46 years, it is time to bring school into 21st century with the \$9.3M funding and this is not taking anything away from the city and he asked if anyone has given a true projection of the fund balance in the last five years; Jim Barnett, 1318 Root Trail, reminded Council of the importance of perception and he feels this will not increase taxes and school budget at all; Tyler Millner, Henry County, encouraged unanimous Council support of this project as it is positive for education and economic development and would be a tremendous statement to citizens; Angilee Downing, 917 Corn Tassel Tr., supported project as it provides for the needs of our children; Bernie Gray, Grayson St., supports renovations, but it is only impacting 20% of the school and he feels the schools will be coming back and asking for more money to do it right and this is not being good stewards of taxpayer money; Monty Ridenhour, 1231 Mulberry Rd., stated RRM Architects knew from the start the budget is \$10.5M and they built the project around that...city is headed for a waterfall that it is going over soon...feels meals tax revenue should be preserved for other city needs...no compelling reason to spend \$1.5M for cafeteria...he feels \$7M would take care of the schools capital needs for next 5 years....sure that taxes will have to be raised; Carolyn McCraw, 1724 Meadowview Lane, asking for Council's support to fund \$9.3M to renovate the 43 year old high school and stated everything asked for are needs, not just wants, including the global access center; Robert Williams, 1710 Country Club Drive, stated project was started two years ago and the board has listened to public comment and narrowed it down and asking for funding at \$9.3M, said process was transparent from the beginning, and board requests approval of \$9.3M that includes discretion to do what is in the best interest of the students; Pam Heath--have many needs that exceed the \$9.3M available, have used stimulus funds to save jobs and will not come back to Council asking to restore stimulus funds, worked hard to develop renovation master plan and would cost and be a waste to un-do what has been done if renovation doesn't follow the master plan, schools not planning on coming back and asking for money for gymnasium, global access center signals that we are trying to be visionary, schools pledge to remain good

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stewards and requests funding of \$9.3M; Bill Manning—supportive of the alternate bid strategy, master plan addresses immediate needs to position schools for future teaching needs, requests \$9.3M and ask that school board be trusted to make the decision if project doesn't come in at exactly \$9.3M. The Mayor closed the school bond public hearing at 9:54pm. Council discussion before the vote: Turner- supportive of \$9.3M and hopes global access center can be included; Adkins—supports \$9.3M, noted that unintended consequences had occurred during this process and there was never an intent to question the integrity of the City Manager, Clarence Monday, and the architects, and it was most unfortunate; Reynolds—supports \$8M, noted budget constraints and less local funds for public education will be forthcoming and that needs should take precedence over wants, all of the city's needs have to be addressed, project should take out the global access center and dining services to trim \$2.5 and then put back in the roof for a total of \$8M; Stroud—before Mr. Stroud's comments, City Attorney, Eric Monday, pointed out a disclosure statement is on file for Mr. Stroud—supports the \$9.3M, when he went through RTI, he saw the future and he wants to be fair to the city employees; Teague—is not supporting the \$9.3M, in today's economy it a very difficult decision and we have to protect the long term interest of the city, there is no dedicated revenue stream for city capital needs at present, education is important, but not the only thing Council has to consider, he is supportive of technology needs and feels it is appropriate to question the design, security needs to be addressed. On a motion by Danny Turner, seconded by Mark Stroud, with the following 3-2 recorded vote: Adkins, aye; Teague, nay; Reynolds, nay; Stroud, aye; and Turner, aye, Council approved the following ordinance on second reading to fund \$9.3M Martinsville High School renovations:

**ORDINANCE AUTHORIZING THE ISSUANCE OF A NOT TO EXCEED
\$9,300,000 GENERAL OBLIGATION SCHOOL BOND, SERIES 2011,
OF THE CITY OF MARTINSVILLE, VIRGINIA, TO BE SOLD TO
THE VIRGINIA PUBLIC SCHOOL AUTHORITY
AND PROVIDING FOR THE FORM AND DETAILS THEREOF**

[Second reading]

WHEREAS, the City Council (**the "Council"**) of the City of Martinsville, Virginia (**the "City"**), has determined that it is necessary and expedient to borrow an amount not to exceed \$9,300,000 and to issue its general obligation school bond (**as more specifically defined below, the "Local School Bond"**) for the purpose of financing the construction, expansion, renovation and equipping of Martinsville High School in the City, which constitutes a capital project for public school purposes (**the "Project"**); and

WHEREAS, the City has held a public hearing, duly noticed, on October 11, 2011, on the issuance of the Local School Bond in accordance with the requirements of Section 15.2-2606, Code of Virginia 1950, as amended (**the "Virginia Code"**); and

WHEREAS, the School Board of the City has, by Resolution, requested the Council to authorize the issuance of the Local School Bond and consented to the issuance of the Local School Bond; and

WHEREAS, the Virginia Public School Authority ("**VPSA**") has offered to purchase the Local School Bond along with the local school bonds of certain other localities with a portion of the proceeds of certain bonds to be issued by VPSA in the fall of 2011 (**the "VPSA Bonds"**); and

WHEREAS, VPSA intends to issue the VPSA Bonds as "qualified school construction bonds" (**referred to below as "QSCBs"**) within the meaning of Section 54F of the Internal Revenue Code of 1986, as amended (the "Tax Code"), which section was added to the Tax Code by the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 355), enacted on February 17, 2009; and

WHEREAS, VPSA intends to elect to treat the VPSA Bonds as "specified tax credit bonds" under Section 6431 of the Tax Code, as amended by the Hiring Incentives to Restore Employment Act (Pub. L. No. 111-147, 123 Stat. 301), enacted on March 18, 2010, which status enables an issuer of a QSCB to receive a direct payment of a refundable credit in lieu of providing a tax credit to the purchaser or holder of the QSCB; and

WHEREAS, the refundable credit payable with respect to each interest payment date will be equal to the lesser of (i) the amount of interest payable under the QSCB on such date or (ii) the amount of interest which would have been payable under the QSCB on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Tax Code (that is, the rate used in computing the amount of tax credit that could be claimed by

the QSCB holder absent the "specified tax credit bond" refundable credit election); and

WHEREAS, subject to the terms and conditions set forth or referred to below, VPSA will transfer to the City the allocable portion of the refundable credit actually received in cash by VPSA with respect to the VPSA Bonds; and

WHEREAS, the allocation of QSCB volume cap pursuant to which VPSA will issue the VPSA Bonds will be made by Executive Order to be issued by the Governor of the Commonwealth of Virginia (**the "Executive Order"**), to finance the Project along with a number of other projects selected through a competitive evaluation process administered by the Virginia Department of Education; and

WHEREAS, the Bond Sale Agreement (as defined below) shall indicate that \$9,300,000 is the amount of proceeds requested (**the "Proceeds Requested"**) by the City from the VPSA in connection with the sale of the Local School Bond; and

WHEREAS, VPSA's objective is to pay the City a purchase price for the Local School Bond which, in VPSA's judgment, reflects the Local School Bond's market value (**the "VPSA Purchase Price Objective"**), taking consideration of such factors as the purchase price to be received by VPSA from the sale of the VPSA Bonds, the underwriters' discount and the other issuance costs of the VPSA Bonds and other market conditions relating to the sale of the VPSA Bonds; and

WHEREAS, such factors may result in the Local School Bond having a purchase price other than par and consequently (i) the City may have to issue the Local School Bond in a principal amount that is less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (ii) because the maximum authorized principal amount of the Local School Bond set forth in paragraph 1 of this Ordinance cannot exceed the Proceeds Requested, the purchase price to be paid to the City, given the VPSA Purchase Price Objective and market conditions, will be less than the Proceeds Requested.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MARTINSVILLE, VIRGINIA:

1. **Authorization of Local School Bond and Use of Proceeds.** The Council hereby determines that it is advisable to contract a debt and issue and sell its general obligation school bond in a principal amount not to exceed \$9,300,000 (**the "Local School Bond"**) for the purpose of financing the Project and the City's allocable share of (A) VPSA's costs of issuing the VPSA Bonds and (B) any upfront flat fees of VPSA as determined by VPSA to be necessary to compensate VPSA for the on-going costs related to administering the local school bonds purchased with the VPSA Bonds, including the City's Local School Bond (such upfront fees may be in lieu of the Annual Administrative Fee described in paragraph 4 in this Ordinance). The Council hereby authorizes the issuance and sale of the Local School Bond in the form and upon the terms established pursuant to this Ordinance and the Bond Sale Agreement.

2. **Sale of the Local School Bond.** The sale of the Local School Bond, within the parameters set forth in paragraph 4 of this Ordinance, to VPSA is authorized. Given the VPSA

Purchase Price Objective and market conditions, the City acknowledges that the limitation on the maximum principal amount on the Local School Bond set forth in paragraph 1 of this Ordinance restricts VPSA's ability to generate the Proceeds Requested, however, the Local School Bond may be sold for a purchase price not lower than 90% of the Proceeds Requested. The Mayor of the City, the City Manager, or either of them and such other officer or officers of the City as either may designate are hereby authorized and directed to enter into an agreement with VPSA providing for the sale of the Local School Bond to VPSA (**the "Bond Sale Agreement"**). The Bond Sale Agreement shall be in substantially the form submitted to the Council at this meeting, which form is hereby approved.

3. **Details of the Local School Bond.** The Local School Bond shall be dated the date of its issuance and delivery; shall be designated "General Obligation School Bond, Series 2011;" shall bear interest from the date of delivery thereof payable semi-annually on dates specified by VPSA (**each, an "Interest Payment Date"**) at the rates established in accordance with paragraph 4 of this Ordinance; and shall mature annually in the years (**each a "Principal Payment Date," and together with any Interest Payment Date, a "Payment Date"**) and in the amounts (**the "Principal Installments"**) determined by the City Manager, subject to the provisions of paragraph 4 of this Ordinance.

4. **Interest Rate and Principal Installments.** The City Manager is hereby authorized and directed to accept the interest rate on the Local School Bond established by VPSA, provided that each interest rate may be up to five one-hundredths of one percent (0.05%) over the interest rate to be paid by VPSA for the corresponding principal payment date of the VPSA Bonds, a portion of the proceeds of which will be used to purchase the Bonds, to the extent required by VPSA (**the "Annual Administrative Fee"**), and provided further that the true interest cost of the Local School Bond does not exceed seven and a half percent (7.50%) per annum. The Payment Dates and the Principal Installments shall be specified by VPSA. The City Manager is hereby authorized and directed to accept the final Payment Dates and the Principal Installments at the request of VPSA based on the final term to maturity of the VPSA Bonds, requirements imposed on VPSA by the nationally-recognized rating agencies and the final principal amount of the Local School Bond; provided, however, that the principal amount of the Local School Bond shall not exceed the amount authorized by this Ordinance and the final maturity of the Local School Bond shall be no later than the earlier of December 31, 2031 and the latest maturity date permitted under Section 54A of the Tax Code. The execution and delivery of the Local School Bond as described in paragraph 10 hereof shall conclusively evidence the approval and acceptance all of the details of the Local School Bond by the City Manager as authorized by this Ordinance.

5. **Certain Acknowledgements.** The City acknowledges that the interest rate on the Local School Bond will be set at the level necessary to pay the interest on the allocable portion of the VPSA Bonds plus the Annual Administrative Fee, if any, and that the City will be obligated to pay interest on the Local School Bond at the stated taxable rate thereon regardless of the elimination or reduction of the refundable credit to be received by VPSA due to (i) any amendments by Congress to Sections 54A, 54F or 6431 or any other applicable sections of the Tax Code, (ii) any failure or determination by Congress not to appropriate funds necessary to pay the refundable credit, (iii) any guidance or changes to guidance provided by the U.S. Department of Treasury or the Internal Revenue Service, or (iv) any action or omission by VPSA, the City or

any other locality selling local school bonds to VPSA in connection with the VPSA Bonds that causes the VPSA Bonds to lose their status as QSCBs and/or specified tax credit bonds in whole or in part. It is also acknowledged that the City has the right to effect an extraordinary optional redemption of the Local School Bond in whole or in part upon the occurrence of any of these events as provided in the form of Local School Bond.

6. **Certain Investment Earnings.** The Council hereby acknowledges that VPSA will (i) issue the VPSA Bonds with multiple maturities or with a single "bullet" maturity, in either case, with a final maturity date on or shortly before the latest maturity date permitted for the VPSA Bonds under Section 54A of the Tax Code, (ii) invest the Principal Installments for the benefit of the City until they are applied to pay the principal of the VPSA Bonds and (iii) either remit the investment earnings periodically to the City or credit the investment earnings against the City's obligation to make Principal Installments, at the option of VPSA. The Council further acknowledges that VPSA may cause a portion of such earnings to be deposited into a reserve fund or account to be applied by VPSA for use to pay the costs, fees and expenses described in paragraph 15 below. Any balance in such reserve fund or account attributable to investment earnings on the City's Principal Installments as reasonably determined by VPSA will be remitted or credited to the City on the final maturity date of the VPSA Bonds.

7. **Form of the Local School Bond.** The Local School Bond shall be initially in the form of a single, temporary typewritten bond substantially in the form attached hereto as Exhibit A.

8. **Payment; Paying Agent and Bond Registrar.** The following provisions shall apply to the Local School Bond:

(a) For as long as VPSA is the registered owner of the Local School Bond, all payments of principal of and interest and premium, if any, on the Local School Bond shall be made in immediately available funds to, or at the direction of, VPSA at, or before 11:00 a.m. on the applicable Payment Date or date fixed for prepayment or redemption, or if such date is not a business day for Virginia banks or for the Commonwealth of Virginia, then at or before 11:00 a.m. on the business day next succeeding such Payment Date or date fixed for payment, prepayment or redemption.

(b) The Bond Registrar and Paying Agent for the Local School Bond shall be the banking institution selected by VPSA for such purposes.

9. **Prepayment or Redemption.** The Principal Installments of the Local School Bond may be subject to optional prepayment or redemption prior to their stated maturities as determined by VPSA. The Principal Installments of the Local School Bond will be subject to extraordinary mandatory redemption (i) if certain proceeds of the Local School Bond have not been spent within three years after the date of its issuance and delivery (which three year period may be extended by the U.S. Secretary of the Treasury or his delegate), (ii) due to a loss of "qualified tax credit bond" and "qualified school construction bond" status of the VPSA Bonds corresponding to the Local School Bond under Sections 54A and 54F of the Tax Code, and (iii) if due to (a) any amendments by Congress to Sections 54A, 54F or 6431 or any other applicable sections of the Tax Code or (b) any guidance or changes to guidance provided by the U.S.

Department of Treasury or the Internal Revenue Service, there is a reduction or elimination of the direct payment of the refundable credit to be received by VPSA with respect to the VPSA Bonds. The Principal Installments of the Local School Bond shall be redeemed at the redemption prices and upon the other terms set forth in the Local School Bond.

10. **Execution of the Local School Bond.** The Mayor or Vice Mayor of the City and the Clerk or any Deputy Clerk of the Council are authorized and directed to execute and deliver the Local School Bond and to affix the seal of the City thereto.

11. **Pledge of Full Faith and Credit.** For the prompt payment of the principal of and interest and premium, if any, on the Local School Bond as the same shall become due, the full faith and credit of the City are hereby irrevocably pledged, and in each year while any of the Local School Bond shall be outstanding there shall be levied and collected in accordance with law an annual ad valorem tax upon all taxable property in the City subject to local taxation sufficient in amount to provide for the payment of the principal of and interest and premium, if any, on the Local School Bond as such principal and interest and premium, if any, shall become due, which tax shall be without limitation as to rate or amount and in addition to all other taxes authorized to be levied in the City to the extent other funds of the City are not lawfully available and appropriated for such purpose.

12. **Use of Proceeds Certificate and Tax Compliance Agreement.** The Mayor or Vice Mayor of the City, the City Manager and such other officer or officers of the City as either may designate are hereby authorized and directed to execute and deliver on behalf of the City a Use of Proceeds Certificate and Tax Compliance Agreement (**the "Tax Compliance Agreement"**) setting forth the expected use and investment of the proceeds of the Local School Bond and containing such covenants as may be necessary for the VPSA Bonds to qualify as and to remain as "qualified tax credit bonds," "qualified school construction bonds" and "specified tax credit bonds" under Sections 54A, 54F and 6431 of the Tax Code and the applicable regulations. The Council covenants on behalf of the City that (i) the proceeds from the issuance and sale of the Local School Bond will be invested and expended as set forth in the Tax Compliance Agreement and that the City shall comply with the other covenants and representations contained therein and (ii) the City shall comply with the provisions of the Tax Code so that the VPSA Bonds will not lose their status as "qualified tax credit bonds," "qualified school construction bonds" and "specified tax credit bonds" under Sections 54A, 54F and 6431 of the Tax Code.

13. **State Non-Arbitrage Program; Proceeds Agreement.** The Council hereby determines that it is in the best interests of the City to authorize and direct the City Treasurer and Director of Finance to participate in the State Non-Arbitrage Program in connection with the Local School Bond. The Mayor or Vice Mayor of the City, the City Manager and such officer or officers of the City as either may designate are hereby authorized and directed to execute and deliver a Proceeds Agreement with respect to the deposit and investment of proceeds of the Local School Bond by and among the City, the other participants in the sale of the VPSA Bonds, VPSA, the investment manager and the depository, substantially in the form submitted to the Council at this meeting, which form is hereby approved.

14. **Continuing Disclosure Agreement.** The Mayor or Vice Mayor of the City, the City Manager and such other officer or officers of the City as either may designate are hereby authorized and directed to execute a Continuing Disclosure Agreement, as set forth in Appendix D to the Bond Sale Agreement, setting forth the reports and notices to be filed by the City and containing such covenants as may be necessary in order to show compliance with the provisions of the Securities and Exchange Commission Rule 15c2-12, under the Securities Exchange Act of 1934, as amended, and directed to make all filings required by Section 3 of the Bond Sale Agreement should the City be determined by the VPSA to be a MOP (as defined in the Continuing Disclosure Agreement).

15. **Fees, Costs and Expenses.** The City agrees to pay the following fees, costs and expenses incurred by VPSA in connection with its purchase and carrying of the Local School Bond within thirty days after receipt by the City Manager of a written bill therefor:

(A) The City's allocable share of (i) the fees, costs and expenses of the trustee, paying agent and bond registrar under the indenture pursuant to which VPSA will issue the VPSA Bonds and (ii) any fees, costs and expenses payable to third parties in connection with such indenture or VPSA's School Tax Credit Bond Program, as determined by VPSA; and

(B) To the extent permitted by law, the reasonable fees, costs and expenses, including reasonable attorneys' fees, if any, incurred by VPSA in connection with any false representation or certification or covenant default by the City or any City or School Board official, employee, agent or contractor under the Local School Bond, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Proceeds Agreement and/or any document, certificate or instrument associated therewith (collectively, the "City Documents"), or in connection with any extraordinary mandatory redemption of the Local School Bond as described in paragraph 9 above and the corresponding VPSA Bonds, any amendment to or discretionary action that VPSA makes or undertakes at the request of the City under any of the City Documents or any other document related to the VPSA Bonds.

16. **Filing of Ordinance.** The appropriate officers or agents of the City are hereby authorized and directed to cause a certified copy of this Ordinance to be filed with the Circuit Court of the City.

17. **Election to Proceed under Public Finance Act.** In accordance with Section 15.2-2601 of the Virginia Code, the Council elects to issue the Local School Bond pursuant to the provisions of the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Virginia Code (the "Act").

18. **Further Actions.** The members of the Council and all officers, employees and agents of the City are hereby authorized to take such action as they or any one of them may consider necessary or desirable in connection with the issuance and sale of the Local School Bond and any such action previously taken is hereby ratified and confirmed.

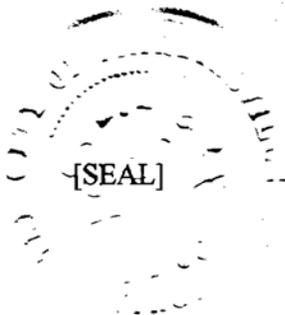
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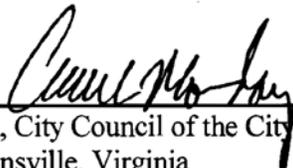
19. **Effective Date.** This Ordinance shall take effect immediately as provided for in the Act and pursuant to Section 3 of Chapter 3 of the City Charter.

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The undersigned Clerk of the City Council of the City of Martinsville, Virginia, hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the City Council held on October 11, 2011, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly scheduled meeting and that, during the consideration of the foregoing Ordinance, a quorum was present. Members present at the meeting were: Kim Adkins, Kimble Reynolds, Mark Stroud, Gene Teague and Danny Turner. Members absent from the meeting were: None. Members voting in favor of the foregoing Ordinance were: Kim Adkins, Mark Stroud and Danny Turner.. Members voting against the foregoing Ordinance were: Kimble Reynolds and Gene Teague. Members abstaining from voting on the foregoing Ordinance were: None.

WITNESS MY HAND and the seal of the City Council of the City of Martinsville, Virginia, this 11th day of October, 2011.





Clerk, City Council of the City of
Martinsville, Virginia

VIRGINIA
In City of Martinsville Circuit Court
Clerk's Office.
Received and Filed this the
1st Day of November 2011
at 4:10 PM
Tester: Ashley R. Ditchett Clerk

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After a brief recess, Council re-convened at 10:30pm with Mayor Adkins noting adjustments to the agenda due to the late hour.

Mayor Adkins called on Mr. Reid Young who spoke to Council regarding his strong feelings on the littering issues in the community and his ideas for remedying the situation. Leon Towarnicki reported that he has discussed littering issues with the Gateway Streetscape Board and that organization will form a committee to look at the issues.

After brief comments from Wayne Knox regarding the civil penalty being added to the violations of the Zoning Ordinance, Mayor Adkins opened the public hearing. Hearing no public comments, Mayor Adkins closed the public hearing. On a motion by Kimble Reynolds, seconded by Mark Stroud, with the following 5-0 recorded vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council approved the zoning ordinance amendment on first reading adding the civil penalty. A second reading and final vote will be done at the October 25, 2011 meeting to make the ordinance amendment effective with the text of the ordinance amendment included in the minutes of that meeting.

Leon Towarnicki briefed Council on the Building Energy Efficiency Project reporting that at the September 27th Council meeting, staff presented information on the building energy efficiency project utilizing a combination of a \$400,000 Department of Mines, Minerals, & Energy grant and an approximate \$1.1 million financed construction loan. The project would implement building energy efficiency and comfort improvements including new lighting, new heating and air conditioning equipment, and controls upgrades, resulting in guaranteed energy savings of approximately \$93,000 per year. The energy savings will be used to pay debt service on the construction loan, minimizing impact to the City's budget over the term of the project. Staff has contacted several local banks to discuss financing options and it appears the issuance of a general obligation bond for the amount and term of the project is the preferred option, with an expected rate of approximately 3.25%. A project cash flow analysis based on use of the \$400,000 grant and a financed amount of approximately \$1,060,307 at a rate of 3.25% was presented for review and staff recommended proceeding with the project and to take necessary steps to initiate financing and development of construction contracts. After Council discussion and on a motion by Mark Stroud, seconded by Danny Turner, with a 5-0 vote, Council authorized moving forward on initiating financing and construction contracts.

Agenda items regarding Fund Balance Policy and Write-Off Policies were tabled until a future meeting.

On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council approved the following consent agenda:

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RE-APPROPRIATIONS FY11 TO FY12

ORG CODE	OBJECT	DEPARTMENT	ACCOUNT DESCRIPTION	DEBIT	CREDIT
GENERAL FUND					
01103938	462101		Contribution From Fund Balance		\$ 1,111,020
01132068	501100	Registrar	Full-time Salaries	\$ 15,348	
01221082	501100	Commonwealth's Attorney	Full-time Salaries	\$ 2,380	
01221082	505500	Commonwealth's Attorney	Travel	\$ 762	
01221082	506105	Commonwealth's Attorney	State - Confiscated Assets	\$ 455	
01221082	506118	Commonwealth's Attorney	Local - Confiscated Assets	\$ 590	
01217078	506047	Sheriff - Courts	Project Lifesaver	\$ 5,758	
01217078	508207	Sheriff - Courts	ADP Equipment	\$ 6,900	
01311085	501100	Police	Full-time Salaries	\$ 98,471	
01311085	501206	Police	Overtime - DMV Grant	\$ 3,646	
01311085	506044	Police	Terrorism Prevention Program	\$ 784	
01311085	506061	Police	Ammunition	\$ 4,934	
01311085	506078	Police	State - Confiscated Assets	\$ 1,323	
01311085	506079	Police	Federal - Confiscated Assets	\$ 6,838	
01311085	506106	Police	Non-Capital Equip JAG	\$ 805	
01311085	506118	Police	Local - Confiscated Assets	\$ 572	
01311085	208165	Police	Construction - Animal Shelter	\$ 25,000	
01321102	506110	Fire	Fire Programs	\$ 95,265	
01322105	506114	EMS	Four for Life	\$ 1,703	
01331108	506010	Sheriff - Corrections	Radios & Weapons	\$ 4,480	
01331108	508216	Sheriff - Corrections	COPS Technology	\$ 65,657	
01413145	503185	Street Maintenance	Paving	\$ 99,902	
01711210	506091	Parks & Recreation	Special Events/Cruise-In	\$ 2,123	
01812245	503830	Uptown Master Plan Phase I	PS - Comfort Station	\$ 213,830	
01812245	503831	Uptown Master Plan Phase I	PS - Depot St	\$ 5,745	
01812245	503832	Uptown Master Plan Phase I	PS - NCI Parking	\$ 3,989	
01812245	503833	Uptown Master Plan Phase I	PS - North Lawn	\$ 4,117	
01812245	203834	Uptown Master Plan Phase I	PS - Baldwin Block	\$ 3,638	
01812245	503835	Uptown Master Plan Phase I	PS - Wayfinding	\$ 7,388	
01812245	506831	Uptown Master Plan Phase I	Supplies - Depot St	\$ 116,500	
01812245	506832	Uptown Master Plan Phase I	Supplies - NCI Parking	\$ 62,500	
01812245	506833	Uptown Master Plan Phase I	Supplies - North Lawn	\$ 63,682	
01812245	506834	Uptown Master Plan Phase I	Supplies - Baldwin Block	\$ 57,000	
01812245	506835	Uptown Master Plan Phase I	Supplies - Wayfinding	\$ 115,750	
01816244	505645	Contributions-Outside Agencies	E911 Communications Center	\$ 8,185	
01913250	505620	General Expense	Goals & Initiatives	\$ 5,000	
REFUSE FUND					
09103938	462101		Contribution From Fund Balance		\$ 339,455
09425302	508220	Landfill	Physical Plant Expansion	\$ 339,455	
WATER FUND					
12103938	462101		Contribution From Fund Balance		\$ 46,616
12542312	508220	Reservoir	Physical Plant Expansion	\$ 18,000	
12542312	503140	Reservoir	Prof Serv - Eng & Arch	\$ 10,000	
12541311	508220	Water Plant	Physical Plant Expansion	\$ 15,000	
12541311	508220	Water Plant	Physical Plant Expansion	\$ 3,616	
ELECTRIC FUND					
14103938	462101		Contribution From Fund Balance		\$ 60,400
14565340	506900	Electric General Expense	Disaster Recovery	\$ 60,400	
CAPITAL RESERVE FUND					
16103938	462101		Contribution From Fund Balance		\$ 58,982
16575365	508105	Vehicles	Public Works	\$ 11,400	
16575365	508085	Vehicles	Sheriff - Jail	\$ 28,726	
16572362	508075	Tools/Equipment	Police Dept	\$ 10,056	

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16577367	508660	Physical Plant Expansion	Purchasing	\$	8,800	
CDBG FUND						
47103938	462101		Contribution From Fund Balance		\$	666
47825501	503144	CDBG Administration	Certificate Recordation	\$	179	
47825501	506100	CDBG Administration	Adm Supplies & Equip	\$	487	
HOUSING CHOICE FUND						
49103938	462101		Contribution From Fund Balance		\$	43,399
49535280	503150	HAP Administration	Prof. Services - Legal	\$	12,000	
49535280	503300	HAP Administration	Software Maint.	\$	9,666	
49535280	505210	HAP Administration	Postal Services	\$	1,788	
49535280	505500	HAP Administration	Travel	\$	5,922	
49535280	505540	HAP Administration	Training	\$	12,045	
49535280	505810	HAP Administration	Dues	\$	627	
49535280	506001	HAP Administration	Office Supplies	\$	1,352	
TOTAL CITY FUNDS:					\$	1,660,537
SCHOOL FUNDS						
18103938	462101		Contribution From Fund Balance		\$	138,529
61101100	561120	SEMAA	Instructional S & W	\$	34,000	
61101100	561151	SEMAA	Instructional Aide S & W	\$	15,000	
61101100	562100	SEMAA	Social Security	\$	3,038	
61101100	562150	SEMAA	Medicare	\$	711	
61101100	562210	SEMAA	Retirement	\$	5,552	
61101100	562300	SEMAA	Medical Insurance	\$	9,656	
61101100	562400	SEMAA	State Life Insurance	\$	137	
61101100	562520	SEMAA	Long-term Disability Insurance	\$	70	
61101100	562750	SEMAA	Retiree Health Care Credit	\$	294	
61101100	565503	SEMAA	Travel	\$	2,000	
61101100	566000	SEMAA	Materials & Supplies	\$	1,500	
61101100	566013	SEMAA	Instructional Materials & Supplies	\$	1,500	
66501100	561120	SEMAA SUMMER	Instructional S & W	\$	12,000	
66501100	561151	SEMAA SUMMER	Teachers Aides S & W	\$	5,500	
66501100	562100	SEMAA SUMMER	Social Security	\$	744	
66501100	562150	SEMAA SUMMER	Medicare	\$	174	
66501100	563000	SEMAA SUMMER	Purchased Services	\$	1,000	
66501100	565503	SEMAA SUMMER	Travel	\$	300	
66501100	565800	SEMAA SUMMER	Miscellaneous Expense	\$	1,000	
66501100	566013	SEMAA SUMMER	Instructional Materials & Supplies	\$	918	
71001100	567000	HIGH SCHOOL REGULAR	Tuition Payment/Joint Operation	\$	4,287	
81621310	561120	HARVEST - ELEMENTARY	Instructional S & W	\$	2,000	
81621310	562100	HARVEST - ELEMENTARY	Social Security	\$	124	
81621310	562150	HARVEST - ELEMENTARY	Medicare	\$	29	
81621310	563000	HARVEST - ELEMENTARY	Purchased Services	\$	20,259	
81631310	561120	HARVEST - SECONDARY	Instructional S & W	\$	3,000	
81631310	562100	HARVEST - SECONDARY	Social Security	\$	186	
81631310	562150	HARVEST - SECONDARY	Medicare	\$	44	
81631310	563000	HARVEST - SECONDARY	Purchased Services	\$	13,506	
TOTAL SCHOOL FUNDS:					\$	138,529
TOTAL FY11 RE-APPROPRIATIONS INTO FY12					\$	1,799,066

No comments were made regarding semi-annual reports submitted by outside agencies.

Mayor Adkins stated the closed session will be delayed.

Wayne Knox briefed Council on the Neighborhood Stabilization Project and policy statements and certifications requiring action. The Neighborhood Stabilization Program–

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3(NSP), funded by the Congress in the Dodd – Frank Wall Street reform and Consumer Protection Act of 2010, utilizes the Community Development Block Grant framework to provide the general guidelines for NSP3. This is the third round of funding under that legislation, and the City of Martinsville is the only locality that is eligible for funding. This program is intended to assist localities in restoring residential properties that have been foreclosed on and are now vacant. The Housing Program for the City of Martinsville will operate under written program design. It will be managed by a team of local residents and staff, along with city council representation, local real estate related agencies, a rehab specialist and management consultant. Funding for this program will cover all costs of the program. As part of the requirements for implementing an NSP3 program, policies regarding non – discrimination, fair housing and local business and employment, as well as the actual program design, must be approved by City Council. On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council approved the required Fair Housing Certification, Non-Discrimination Policy, and Local Business & Employment Plan.

Business from the Floor: Craig Dietrich, Lanier Road, commented as a new school board member and as a citizen noting that he would like to see the school board and city council come together and he feels the city council should be kept very informed by the school board.

There being no further business, the meeting adjourned at 11:30 PM.

Clarence Monday
Clerk of Council

Kim Adkins
Mayor