

AGENDA--CITY COUNCIL MEETING
CITY OF MARTINSVILLE, VIRGINIA

Council Chambers – Municipal Building
7:30 p.m. – Tuesday, October 11, 2011

Invocation – Mayor Kim Adkins
Pledge to the American flag

1. [Presentation of proclamation to Martinsville Rotary Club recognizing World Polio Day October 24, 2011.](#) (2 minutes)
2. [Presentation of proclamation recognizing October 2011 as Children’s Health Month.](#) (2 minutes)
3. [Hear monthly report from Martinsville-Henry County Economic Development Corporation.](#) (15 minutes)
4. [Conduct public hearing and consider adoption of ordinance, on second reading, authorizing the issuance of a not to exceed \\$9,300,000 General Obligation School Bond for renovations at Martinsville High School.](#) (60 minutes)
5. [Conduct a public hearing and consider approval, on first reading, amendments to the Zoning Ordinance to add civil penalty for violating the ordinance.](#) (10 minutes)
6. [Hear a littering concern from Reid Young.](#) (15 minutes)
7. [Consider financing options for Building Energy Efficiency Project.](#) (10 minutes)
8. [Consider review and approval of Fund Balance Policy.](#) (10 minutes)
9. [Consider review and approval of Write-Off Policies.](#) (10 minutes)
10. [Consider approval of consent agenda.](#) (2 minutes)
 - A. Accept and appropriate re-appropriations from FY11 to FY12.
11. [Consider review of semi annual reports submitted by outside agencies that received FY12 funding.](#) (5 minutes)
12. [Consider approval of required certifications for Neighborhood Stabilization Project and consider review of Program Design.](#) (5 minutes)
13. [Business from the Floor](#)

This section of the Council meeting provides citizens the opportunity to discuss matters that are not listed on the printed agenda. Since the Council meetings are broadcast on Martinsville Government Television, the City Council is responsible for the content of the programming. Thus, any person wishing to bring a matter to Council’s attention under this Section of the agenda should:

 - (1) come to the podium, state name and address;**
 - (2) state the matter they wish to discuss and Council action requested;**
 - (3) limit remarks to five minutes;**

(4) refrain from making any personal references or accusations of a factually false and/or malicious nature.

Persons who violate these guidelines will be ruled out of order by the presiding officer and asked to leave the podium. Persons who refuse to comply with the direction of the presiding officer may be removed from the chambers.

14. Comments by Council Members. (5 minutes)
15. Comments by City Manager. (5 minutes)
16. Items to be considered in Closed Session, in accordance with the Code of Virginia, Title 2.2, Chapter 37—Freedom of Information Act, Section 2.2-3711—Closed Meetings, the following:
 - A. Appointments to Boards and Commissions as authorized by Subsection 1.



City Council Agenda Summary

Meeting Date: October 11, 2011

Item No: 1.

Department: City Council

Issue: Presentation of proclamation to Martinsville Rotary Club recognizing World Polio Day October 24, 2011.

Summary: Martinsville Rotary Club President, Evelyn Eades, will be present to accept the proclamation.

Attachments: [Proclamation](#)

Recommendations: No action required



PROCLAMATION Rotary International

WHEREAS, Rotary International, founded on February 23, 1905 in Chicago, Illinois USA, is the World's first and one of the largest non-profit service organizations; and

WHEREAS, there are over 1.2 million Rotary club members comprised of professional and business leaders in over 33,000 clubs in 200 countries and geographical areas; and

WHEREAS, the Rotary motto "Service Above Self" inspires members to provide humanitarian service, encourage high ethical standards, and promote goodwill and peace in the world; and

WHEREAS, Rotary in 1985 launched Polio Plus and spearheaded the Global Polio Eradication Initiative with the World Health Organization, U.S. Centers for Disease Control and Prevention, and UNICEF to immunize the children of the world against polio; and

WHEREAS, polio cases have dropped by 99 percent since 1988 and the world stands on the threshold of eradicating the disease; and

WHEREAS, to date, Rotary has contributed more than US\$1 billion and countless volunteer hours to the protection of more than two billion children in 122 countries; and

WHEREAS, Rotary is currently working to raise an additional \$200 million toward a \$355 million challenge grant from the Bill and Melinda Gates Foundation; and

WHEREAS, these efforts are providing much needed operational support, medical personnel, laboratory equipment and educational materials for health workers and parents; and

WHEREAS, in addition, Rotary has played a major role in decisions by donor governments to contribute \$8 billion to the effort; and

WHEREAS, there are over 10,000 Rotary club members in more than 200 clubs throughout the Commonwealth of Virginia sponsoring projects to address such critical issues as poverty, health, hunger, illiteracy, and the environment in their local communities, and abroad.

Therefore, I, Kim Adkins, Mayor of Martinsville, Virginia, do hereby proclaim October 24, 2011 as World Polio Day in the City of Martinsville, and encourage all citizens to join myself and Rotary International in the fight for a polio-free world.

Kim Adkins
Mayor



City Council Agenda Summary

Meeting Date: October 11, 2011

Item No: 2.

Department: City Council

Issue: Presentation of proclamation proclaiming October 2011 as Children's Health Month.

Summary: Ann Walker of the MHC Coalition for Health & Wellness will be present to accept the proclamation.

Attachments: [Proclamation](#)

Recommendations: No action required



Proclamation
Children's Health Month
October 2011

WHEREAS, the health and well being of children is fundamental to the future progress and welfare of the City Of Martinsville; and

WHEREAS, the issue of healthy children is a serious and growing issue that all adults have an opportunity and a responsibility to help solve; and

WHEREAS, it is appropriate that a month be set apart each year for the direction of our thoughts toward the health of our children, today and for the future; and

WHEREAS, the Martinsville Henry County Coalition for Health and Wellness and Project Connect, through a unique community driven approach to partnering with families to improve child health has made it considerably easier for parents to help their children eat healthy and be more active for a healthier future:

NOW, THEREFORE, BE IT PROCLAIMED, on this 11th day of October, 2011 that October 2011 is recognized as "Children's Health Month" in the City of Martinsville. In addition, the City Council encourages all citizens to embrace the cause of healthy children and work toward making it a reality.

Kim Adkins
Mayor



City Council Agenda Summary

Meeting Date: October 11, 2011

Item No: 3.

Department: City Manager

Issue: Hear an update from the Martinsville-Henry County Economic Development Corporation.

Summary: Mark Heath of the EDC will give this update and answer any questions.

Attachments: None

Recommendations: No action required

Meeting Date: October 11, 2011

Item No: 4.

Department: City Manager and Finance

Issue: Conduct Public Hearing and consider adoption of Ordinance on second reading, authorizing the issuance of a not to exceed \$9,300,000 General Obligation School Bond for renovations at Martinsville High School.

Summary: A Public Hearing has been advertised for the purposes of receiving public input for the proposed MHS renovation project. 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 8th.

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 30th. The purpose of the final Ordinance is known as a Supplementary Ordinance, and its purpose is to approve the terms of the bond sale.

Attachments: [Ordinance](#)
[Bond Sale Agreement](#)
[Continuing Disclosure Agreement form](#)
[Proceeds Agreement](#)

Recommendations: If it is the desire of the Council to authorize the renovation project, Council should adopt the Ordinance on second reading.

**ORDINANCE AUTHORIZING THE ISSUANCE OF A NOT TO EXCEED
\$_____ 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 \$_____ 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 \$_____ 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 \$_____ (**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.

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.

* * *

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 _____, 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: _____. Members absent from the meeting were: _____. Members voting in favor of the foregoing Ordinance were: _____. Members voting against the foregoing Ordinance were: _____. Members abstaining from voting on the foregoing Ordinance were: _____.

WITNESS MY HAND and the seal of the City Council of the City of Martinsville, Virginia, this ___ day of _____, 2011.

Clerk, City Council of the City of Martinsville,
Virginia

[SEAL]

EXHIBIT A

[FORM OF TEMPORARY BOND]

NO. TR-1

\$ _____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA
CITY OF MARTINSVILLE
General Obligation School Bond
Series 2011**

The **CITY OF MARTINSVILLE, VIRGINIA** (the "City"), for value received, hereby acknowledges itself indebted and promises to pay to the **VIRGINIA PUBLIC SCHOOL AUTHORITY** ("VPSA") the principal amount of _____ DOLLARS (\$ _____), in annual installments in the amounts set forth on Schedule I attached hereto commencing on June 1, 20__ and continuing each June 1 thereafter to and including June 1, 20__ (each a "Principal Payment Date"), together with interest from the date of this Bond on the unpaid installments, payable semi-annually on June 1 and December 1 of each year, commencing [_____ 1, 2012] (each an "Interest Payment Date," and together with any Principal Payment Date, a "Payment Date"), at the rate of ___% per annum, subject to redemption as hereinafter provided. The principal of and interest and premium, if any, on this Bond are payable in lawful money of the United States of America.

For as long as VPSA is the registered owner of this Bond, U.S. Bank National Association, as bond registrar and paying agent (the "Bond Registrar"), shall make all payments of the principal of and interest and premium, if any, on this Bond, without the presentation or surrender hereof, to or at the direction of VPSA, in immediately available funds at or before 11:00 a.m. on the applicable Payment Date or date fixed for redemption. If a Payment Date or date fixed for redemption is not a business day for banks in the Commonwealth of Virginia or for the Commonwealth of Virginia, then the payment of the principal of and interest and premium, if any, on this Bond shall be made in immediately available funds at or before 11:00 a.m. on the business day next succeeding the scheduled Payment Date or date fixed for payment or redemption. Upon receipt by the registered owner of this Bond of said payments, written acknowledgment of the receipt thereof shall be given promptly to the Bond Registrar, and the City shall be fully discharged of its obligation on this Bond to the extent of the payment so made. Upon final payment, this Bond shall be surrendered to the Bond Registrar for cancellation.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of and interest and the premium, if any, on this Bond. The Ordinance adopted by the City Council of the City on _____, 2011 (the "Local Ordinance"), authorizing the issuance of this Bond provides, and Section 15.2-2624, Code of Virginia 1950, as amended (the "Virginia Code"), requires, that there shall be levied and collected an annual tax upon all taxable property in the City subject to local taxation sufficient to provide for the payment of the principal of and

interest and premium, if any, on this Bond as the same shall become due which tax shall be without limitation as to rate or amount and shall be 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.

This Bond is duly authorized and issued in compliance with and pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Public Finance Act of 1991, Chapter 26, Title 15.2, of the Virginia Code, and the Local Ordinance and a Resolution duly adopted by the School Board of the City to provide funds for capital projects for school purposes.

This Bond is registered in VPSA's name on the books of the City kept by the Bond Registrar, and the transfer of this Bond may be effected by the registered owner of this Bond only upon due execution of an assignment by such registered owner. Upon receipt of such assignment and the surrender of this Bond, the Bond Registrar shall exchange this Bond for a substitute Bond, and register such substitute Bond on such registration books in the name of the assignee or assignees named in such assignment.

The principal installments of this Bond are not subject to optional prepayment or redemption prior to their stated maturities without the prior written consent of VPSA, except as set forth below.

Upon not less than 45 days' written notice from VPSA to the Bond Registrar and the City, this Bond is subject to mandatory redemption in whole or in part in an amount to be specified by VPSA on a date to be fixed by VPSA in the event that VPSA determines that a redemption of all or a portion of the VPSA Bonds allocable to this Bond is necessary to maintain the status of the VPSA Bonds as "qualified tax credit bonds" and "qualified school construction bonds" under Sections 54A and 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Circumstances under which VPSA may make such a determination may include, but are not limited to, the failure of the City to cause 100% of the Available Project Proceeds to be expended by the end of the Expenditure Period for Qualified Purposes, or there occurs a Determination of Loss of QSCB Status with respect to all or any portion of the VPSA Bonds due to a default by the City under the Use of Proceeds Certificate and Tax Compliance Agreement dated the dated date hereof (the "Tax Compliance Agreement").

The redemption price shall be equal to (i) the redemption price VPSA will be obligated to pay in connection with the optional redemption or extraordinary optional redemption of the allocable portion of the VPSA Bonds under Section 3.1 of the Fourth Supplemental Trust Indenture dated as of November 1, 2011 (the "Fourth Supplemental Indenture"), between VPSA and U.S. Bank National Association, as trustee, and (ii) any outstanding fees, costs and expenses for which the City is or will become obligated to pay under paragraph 15 of the Local Ordinance, all as determined by VPSA.

Upon not less than 90 days' written notice from the City to VPSA, this Bond is also subject to extraordinary optional redemption in whole or in part, as determined by the City, on a date to be fixed by VPSA if, due to (i) any amendments by Congress to Section 54A, 54F or

6431 or any other applicable sections of the Tax Code, or (ii) 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 refundable credit to be received by VPSA with respect to the VPSA Bonds. The redemption price shall be equal to (i) the redemption price VPSA will be obligated to pay in connection with the optional redemption or extraordinary optional redemption of the allocable portion of the VPSA Bonds under Section 3.1 of the Fourth Supplemental Indenture and (ii) any outstanding fees, costs and expenses for which the City is or will become obligated to pay under paragraph 15 of the Local Ordinance, all as determined by VPSA.

Unless otherwise defined, each of the capitalized terms used in the foregoing three paragraphs has the meaning given it in the Tax Compliance Agreement.

No notation is required to be made on this Bond of the redemption of principal. In such circumstance, the outstanding principal balance of this Bond shall be equal to \$_____, less the aggregate amount of any and all redemptions of principal which may have been made on this Bond. **HENCE, THE FACE AMOUNT OF THIS BOND MAY EXCEED THE PRINCIPAL SUM REMAINING OUTSTANDING AND DUE HEREUNDER.**

All acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed in due time, form and manner as so required, and this Bond, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and laws of the Commonwealth of Virginia.

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IN WITNESS WHEREOF, the City Council of the City of Martinsville has caused this Bond to be issued in the name of the City of Martinsville, Virginia, to be signed by its Mayor or Vice-Mayor, its seal to be affixed hereto and attested by the signature of its Clerk or any of its Deputy Clerks, and this Bond to be dated _____, 2011.

**CITY OF MARTINSVILLE,
VIRGINIA**

Mayor
City of Martinsville, Virginia

(SEAL)

ATTEST:

Clerk, City Council of the
City of Martinsville, Virginia

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: _____

the within Bond and irrevocably constitutes and appoints

_____ attorney to exchange said Bond for definitive bonds in lieu of which this Bond is issued and to register the transfer of such definitive bonds on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____
_____ Registered Owner

<p>Signature Guaranteed:</p> <p>_____</p> <p>(NOTICE: Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar which requirements will include Membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.</p>	<p>(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or change.)</p>
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SCHEDULE 1

AMORTIZATION SCHEDULE

**VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL TAX CREDIT BOND PROGRAM**

BOND SALE AGREEMENT

City of Martinsville, Virginia (the "Locality"):

VPSA Sale Date: Expected to be on or about November 30, 2011

Closing Date: Expected to be on or about December 15, 2011

Proceeds Requested: \$_____

Maximum Authorized Par Amount: \$_____

1. The Virginia Public School Authority ("VPSA") hereby offers to purchase, solely from the proceeds of VPSA's School Tax Credit Bonds (Direct Payment), Series 2011-2 (the "VPSA Bonds"), your general obligation school bond ("local school bond") at a price, determined by VPSA to be within the parameters set forth in your local resolution, that, subject to VPSA's *purchase price objective* and market conditions described below, is substantially equal to your Proceeds Requested set forth above (as authorized by your local resolution, as defined below). The sale date of the VPSA Bonds is tentatively scheduled for the week of November 28, 2011 but may occur, subject to market conditions, at any time between November 28, 2011 and December 2, 2011 (the "VPSA Sale Date"). You acknowledge that VPSA has advised you that its objective is to pay you a purchase price for your local school bond which in VPSA's judgment reflects its market value ("*purchase price objective*") taking into consideration such factors as the purchase price received by VPSA for the VPSA Bonds, the underwriters' discount and other issuance costs of the VPSA Bonds¹ and other market conditions relating to the sale of the VPSA Bonds. You further acknowledge that VPSA has advised you that such factors may result in your local school bond having a value other than par and that in order to receive an amount of proceeds that is substantially equal to your Proceeds Requested, you may need to issue your local school bond with a par amount that is greater or less than your Proceeds Requested. You, at the request of VPSA, agree to issue your local school bond in a par amount not in excess of the Maximum Authorized Par Amount to provide, to the fullest extent practicable given VPSA's *purchase price objective*, a purchase price for your local school bond and a proceeds amount that is substantially equal to your Proceeds Requested. You acknowledge that the purchase price for your local school bond will be less than the Proceeds Requested should the Maximum Authorized Par Amount be insufficient, based upon VPSA's *purchase price objective*, to generate an amount of proceeds substantially equal to your Proceeds

¹ Please note proceeds of your local school bond may not be used to pay for local issuance costs.

Requested. Notwithstanding the above, the amount of your local school bond is limited to the amount of the "qualified school construction bond" allocation you received in the Executive Order issued by the Governor of the Commonwealth of Virginia.

2. You represent that on or before _____, 2011, your local governing body will have duly authorized the issuance of your local school bond by adopting a resolution or ordinance in the form attached hereto as Appendix B (the "local resolution") and that your local school bond will be in the form set forth in the local resolution. Any changes that you or your counsel wish to make to the form of the local resolution and/or your local school bond must be approved by VPSA prior to adoption of the local resolution by your local governing body.
3. You hereby covenant that you will comply with and carry out all of the provisions of the Continuing Disclosure Agreement in the form attached hereto as Appendix D, which agreement is hereby incorporated by reference herein and expressly made a part hereof for all purposes. VPSA has defined a Material Obligated Person ("MOP") for purposes of the Continuing Disclosure Agreement as any Locality the principal amount of whose local school bonds pledged under the Master Trust Indenture dated as of October 1, 2009 between VPSA and U.S. Bank National Association, as trustee, as amended and supplemented from time to time (the "Indenture") comprises more than 10% of the total principal amount of all bonds of VPSA outstanding under the Indenture. MOP status with respect to the VPSA Bonds will be determined by comparing the principal amount of your local school bonds to the principal amount of the bonds outstanding under the Indenture. MOP status for future VPSA bonds issued under the Indenture will be determined by adding the principal amount of your local school bond(s) to be sold to VPSA and the principal amount of your local school bond(s) previously sold to VPSA and pledged under the Indenture and measuring the total against 10% of the face value of all bonds of VPSA outstanding as of a bond closing date under the Indenture. If you are or may be a MOP with respect to the VPSA Bonds, VPSA will require that you file all the information described in the following paragraph prior to VPSA's distribution of its Preliminary Official Statement, currently scheduled for the week of November 21, 2011.

You acknowledge that if you are, or in the sole judgment of VPSA may be, a MOP following the issuance of your local school bond that is the subject of this Bond Sale Agreement, VPSA will include by specific reference in its Preliminary Official Statements and final Official Statements (for this sale and, if you remain a MOP or become a MOP again after ceasing to be a MOP, for all applicable future sales) the information respecting you ("Your Information") that is on file with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System. Accordingly, if VPSA has determined that you are at any time a MOP (I) following the delivery of your local school bond to VPSA in connection with this sale, or (II) during the course of any future sale, whether or not you are a participant in such sale, you hereby represent and covenant to VPSA that you will file such additional information, if any, as is required so that Your Information, as of each of (I)(A) the date of VPSA's applicable Preliminary Official Statement (in the case of this sale, expected to be November 22, 2011), (B) the date of the VPSA's applicable final Official Statement (in the case of this sale, expected to be November 30, 2011) and (C) the date of delivery of VPSA's bonds (in the case of this sale,

expected to be December __, 2011) and (II) such other dates associated with future sales as VPSA may specify to you, will be true and correct and will not contain any untrue statement of a material fact or omit to state a material fact which should be included in Your Information for the purpose for which it is included by specific reference in VPSA's Official Statement or which is necessary to make the statements contained in such information, in light of the circumstances under which they were made, not misleading. You further agree to furnish to VPSA a copy of all filings related to your local school bond(s) you make with the MSRB subsequent to the date of this Agreement. Such copy will be furnished to VPSA on or before the day that any such filing is made.

VPSA will advise you in writing within 60 days after the end of each fiscal year if you were a MOP as of the end of such fiscal year. Upon written request, VPSA will also advise you of your status as a MOP as of any other date. You hereby covenant that you will provide the certificate described in clause (e) of Section 4 below if VPSA includes Your Information by specific reference in its disclosure documents in connection with this sale or any future sale, whether or not you are a participant in such sale.

4. VPSA's commitment to purchase your local school bond is contingent upon VPSA's receipt on the Closing Date of (a) your local school bond which shall include and otherwise meet the Standard Terms and Conditions contained in Appendix A hereto, (b) certified copies of the local resolution (see Appendix B attached hereto) and the school board resolution, if applicable (see Appendix C attached hereto), (c) an executed agreement, among VPSA, you and the other local units simultaneously selling their bonds to VPSA (the "Proceeds Agreement"), and the payment by you and the other local units of the allocable, associated costs of compliance with the Internal Revenue Code of 1986, as amended (the "Code"), (d) an executed copy of the Use of Proceeds Certificate and Tax Compliance Agreement (the "Tax Compliance Agreement") in the form to be presented by McGuireWoods LLP, bond counsel to VPSA, (e) if VPSA has included by specific reference Your Information into VPSA's Preliminary and final Official Statement, your certificate dated the date of the delivery of VPSA's Bonds to the effect that (i) Your Information was as of the date of VPSA's Preliminary and final Official Statements, and is as of the date of the certificate, true and correct and did not and does not contain an untrue statement of a material fact or omit to state a material fact which should be included in Your Information for the purpose for which it is included by specific reference in VPSA's official statements or which is necessary to make the statements contained in such information, in light of the circumstances under which they were made, not misleading, and (ii) you have complied in all material respects with your undertakings regarding the amendments adopted on November 10, 1994 to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, for the preceding five years, (f) an approving legal opinion from your bond counsel in form satisfactory to VPSA as to (1) the validity of your local school bond, (2) the conformity of the terms and provisions of your local school bond to the requirements of this Bond Sale Agreement including the appendices attached hereto, (3) the due authorization, execution and delivery of this Bond Sale Agreement, Continuing Disclosure Agreement, Tax Compliance Agreement and the Proceeds Agreement, (4) the validity of the Continuing Disclosure Agreement, the Tax Compliance Agreement and the Proceeds Agreement, and (5) the current and expected

use of the Available Project Proceeds (as defined in the Tax Compliance Agreement) of the local school bond and the Financed Property (as defined in the Tax Compliance Agreement) by your locality and the School Board of your locality (the "School Board") will not cause the VPSA Bonds, a portion of the proceeds of the sale of which were used by VPSA to purchase your local school bond, to fail to qualify as "qualified tax credit bonds," "qualified school construction bonds" or "specified tax credit bonds" within the meaning of Section 54A, Section 54F and Section 6431, respectively, of the Code, (g) such other closing documents as the underwriters of the VPSA Bonds or VPSA's Bond Counsel may reasonably request, (h) a transcript of the other customary closing documents not listed above, and (i) the proceeds of the sale of the VPSA Bonds.

One complete set of the documents listed above shall be provided by your counsel to McGuireWoods LLP, bond counsel to VPSA, on the Closing Date and one complete original transcript of the documents listed above shall be provided by your counsel to VPSA, McGuireWoods LLP and U.S. Bank National Association, as soon as practicable after the closing date but in no event more than thirty (30) calendar days after the Closing Date.

5. Subject to the conditions described in Section 4 hereto, this Bond Sale Agreement shall become binding as of the later of the VPSA Sale Date and the date you execute this Bond Sale Agreement.

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Dated: _____, 2011

VIRGINIA PUBLIC SCHOOL AUTHORITY

**CITY OF MARTINSVILLE,
VIRGINIA**

By: _____
Authorized VPSA Representative

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE OF BOND SALE AGREEMENT]

(For information only; not part of the Bond Sale Agreement.)

Please have the presiding officer, or other specifically designated agent, of your governing body execute **two (2)** copies of this Bond Sale Agreement and **return them no later than noon on _____, 2011 to, Richard A. Davis, Public Finance Manager, Virginia Public School Authority, P. O. Box 1879, Richmond, Virginia 23218-1879 or by hand or courier service, James Monroe Building- 3rd Floor, 101 N. 14th Street, Richmond, Virginia 23219. VPSA recommends the use of an overnight delivery service to ensure timely arrival of your documents.** If your governing body or bond counsel requires more than one originally signed Bond Sale Agreement, please send the appropriate number; all but one will be returned at closing.

PROCEEDS AGREEMENT

**Respecting the Custody, Investment, and
Disbursement of Proceeds of
Local School Bonds Purchased by the
Virginia Public School Authority with the Proceeds of its
\$175,000,000 School Tax Credit Bonds
(Direct Payment)
Series 2011-2**

Dated November 1, 2011

Among

**Virginia Public School Authority
Wells Fargo Bank, N.A.
PFM Asset Management LLC
U.S. Bank National Association**

And

**Albemarle County
Brunswick County
Charlotte County
City of Chesapeake
Dickenson County
Essex County
City of Falls Church
Fauquier County
Frederick County
Gloucester County
King George County**

**Loudon County
Lunenburg County
City of Martinsville
Montgomery County
Richmond County
Rockbridge County
Smyth County
City of Suffolk
Williamsburg-James City County
Wise County**

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- Exhibit A - Description of 2011-2 Local Issuers, Projects and Local Account Deposits
- Exhibit B - Form of Requisition for Reimbursement by Pre-Authorized Electronic Funds Transfer
- Exhibit C - Authorized Representatives

PROCEEDS AGREEMENT

**Respecting the Custody, Investment, and
Disbursement of Proceeds of
Local School Bonds Purchased by the
Virginia Public School Authority with the Proceeds of its
\$175,000,000 School Tax Credit Bonds
(Direct Payment)
Series 2011-2**

This **PROCEEDS AGREEMENT**, dated November 1, 2011 (this "Agreement"), is among the **Virginia Public School Authority**, a public body corporate and an agency and instrumentality of the Commonwealth of Virginia ("VPSA"), the **seventeen (17) counties and four (4) cities** that are signatories to this Agreement (collectively, the "Localities", and each a "Locality"), **Wells Fargo Bank, N.A.**, a national banking association organized under the laws of the United States of America and having an office in Richmond, Virginia, **PFM Asset Management LLC**, a corporation organized under the laws of Delaware and having an office in Harrisburg, Pennsylvania, and **U.S. Bank National Association**, a national banking association with a corporate trust office in Richmond, Virginia, as trustee (the "Trustee"), under a Master Trust Indenture dated as of October 1, 2009 (as previously supplemented, the "Master Indenture"), between VPSA and the Trustee, as supplemented by a Fourth Supplemental Trust Agreement dated as of November 1, 2011 (the "Fourth Supplemental Indenture," and, together with the Master Indenture, the "Indenture"), between VPSA and the Trustee.

The parties hereto agree and covenant as follows:

Section 1. **Recitals.**

A. On or before _____, 2011, VPSA and each of the Localities entered into a Bond Sale Agreement, pursuant to which each Locality agreed to sell, and VPSA agreed to purchase, each Local School Bond.

B. On November __, 2011, VPSA awarded the VPSA Bonds at competitive bidding to _____ (the "Purchaser"). The Purchaser is obligated by the terms of its bid to pay the purchase price for the VPSA Bonds on December 15, 2011 (the "Closing Date"). VPSA will apply certain of the proceeds of the sale of the VPSA Bonds to the purchase of the Local School Bonds on the Closing Date, pursuant to the Indenture.

C. The Internal Revenue Code of 1986, as amended (the "Code"), imposes requirements on VPSA and the Localities that must be met in order to qualify and to maintain the qualification of the VPSA Bonds as "qualified tax credit bonds" ("QTCBs"), "qualified school construction bonds" ("QSCBs"), "qualified zone academy bonds" ("QZABs") and "specified tax credit bonds" ("STCBs") within the meaning of Section 54A, Section 54F, Section 54E(c) and Section 6431, respectively, of the Code, including a requirement that in certain circumstances, certain investment income with respect to the Local School Bonds, which income is deemed for federal income tax purposes to be investment proceeds of the VPSA Bonds, be subject to rebate, or in lieu thereof certain payments be made, to the United States Department of the Treasury. The parties hereto have been advised and acknowledge that the rebate requirement does not apply to the Available Project Proceeds of the VPSA Bonds during the Expenditure Period or to investments held in the 2011-2 Revenue Account and the 2011-2 Reserve Account established under the Indenture so long as the Yield thereon is not greater than the Permitted Sinking Fund Yield.

D. VPSA has irrevocably elected to treat the VPSA Bonds as "STCBs" under Section 6431(f)(3) of the Code, which status enables VPSA to receive a direct payment of a refundable credit in lieu of providing a tax credit to the purchaser or holder of a VPSA Bond.

E. Under Section 6431 of the Code, the refundable credit to be paid to the issuer of a STCB contemporaneously with each interest payment date on such bond will be equal to the lesser of (i) the amount of interest payable under such bond on such date or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code (that is, the rate used in computing the amount of tax credit that could be claimed by the holder of such bond absent the election to treat such bond as a STCB).

F. Each Locality has agreed in its respective 2011-2 Local Tax Compliance Agreement to take or refrain from taking certain actions with respect to its Local School Bond, the proceeds thereof and the property to be financed thereby to maintain the status of the VPSA Bonds as QTCBs, QSCBs, QZABs and STCBs.

G. VPSA has determined that in order to fulfill its representations respecting the qualification and the maintenance of the qualification of the VPSA Bonds as QTCBs, QSCBs, QZABs and STCBs, VPSA must establish a mechanism to provide accountability for the custody, investment and disbursement of the proceeds of the VPSA Bonds and the proceeds of the Local School Bonds.

H. It is the purpose of this Agreement to enable VPSA (i) to fulfill its representations mentioned in the preceding subsection; (ii) to subject the proceeds of the Local School Bonds to the constraints of the Code affecting the investment of the proceeds of QSCBs and QZABs, to achieve the optimum, practicable income by the professional management of the investment and reinvestment thereof; (iii) to provide for the custody, investment and disbursement of the proceeds of the Local School Bonds, and for the maintenance of appropriate records thereof; (iv) to meet the rebate requirement imposed on the VPSA Bonds by Sections

54A, 54E(c) and 148(f) of the Code; and (v) to provide for the allocation and payment of the costs associated with the establishment and maintenance of this Agreement.

I. Notwithstanding the applicability of the rebate requirement to the VPSA Bonds, Bond Counsel has prepared the 2011-2 Tax Agreements with the intention that if VPSA and the Localities comply with the terms thereof, there should be no rebate liability with respect to the VPSA Bonds.

J. The purposes set forth in the preceding subsection I shall be accomplished through SNAP. The proceeds of the Local School Bonds shall be invested in accordance with the Information Statement, this Proceeds Agreement and the 2011-2 Tax Agreements.

K. Any statements of facts contained in these recitals pertaining to the sale of the VPSA Bonds and the application of such proceeds, other than the purchase of the Local School Bonds, will not be deemed to be made by the Localities except to the extent they have knowledge of such facts.

Section 2. **Definitions.**

A. Unless otherwise defined, each capitalized word and term used herein has the meaning given it in the Indenture.

B. In addition to the words and terms elsewhere defined in this Proceeds Agreement, including the Exhibits attached hereto, the following words and terms shall have the following meanings:

"AMT Bond" shall mean a "specified private activity bond" as defined in Section 57(a)(5)(C) of the Code, the interest on which is a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

"Agreement" or "Proceeds Agreement" shall mean this Proceeds Agreement, dated November 1, 2011, among VPSA, the Localities, the Depository, the Investment Manager and the Trustee.

"Authorized Representative" shall mean, as applied to VPSA, the Depository, the Investment Manager, the Localities and the Trustee, the person or each of the persons thereby designated, from time to time, in accordance with and as listed on the page of this Agreement executed by such party.

"Available Project Proceeds" means (i) the excess of (A) the proceeds received by VPSA from the sale of the VPSA Bonds (\$175,000,000) over (B) the issuance costs of the VPSA Bonds to be paid from such proceeds (to the extent that such issuance costs (including underwriter's discount) do not exceed 2% of such proceeds (\$_____)), and (ii) the proceeds derived from any investment of the excess described in clause (i) of this definition.

"Bond Sale Agreements" shall refer to the respective Bond Sale Agreements, dated on or before _____, 2011, between VPSA and each Locality.

"Capital Expenditure" shall mean any cost of a type that is properly chargeable to capital account (or would be so chargeable with (or but for) a proper election or the application of the definition of "placed in service" under Treasury Regulation Section 1.150-2(c)) under general federal income tax principles, determined at the time the expenditure is paid.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of the VPSA Bonds and the regulations of the United States Department of the Treasury promulgated thereunder as in effect upon the issuance of the VPSA Bonds.

"Computation Date" shall mean each of the Installment Computation Dates and the Final Computation Date.

"Contract" shall mean the Contract respecting the Virginia State Non-Arbitrage Program, between the Treasury Board of the Commonwealth of Virginia and the Investment Manager, including the Depository Agreement appearing as Appendix A thereto.

"Demand Deposit SLGS" shall mean certificates of indebtedness issued by the United States Department of the Treasury pursuant to the Demand Deposit State and Locality Series Program described in 31 C.F.R. Part 344.

"Depository" shall mean Wells Fargo Bank, N.A., a national banking association organized under the laws of the United States of America and having an office in Richmond, Virginia and its successors and assigns under the Depository Agreement.

"Depository Agreement" shall mean the Depository Agreement appearing as Exhibit A to the Contract.

"Expenditure Period" means the 3-year period beginning on the Closing Date and any extension of such period granted by the Internal Revenue Service.

"Final Computation Date" shall mean the date the last bond that is part of the issue of the VPSA Bonds is discharged.

"Gross Proceeds" shall have the meaning given to such term in the 2011-2 Tax Regulatory Agreement.

"Individual Portfolio" shall have the meaning given to such term in the Information Statement.

"Information Statement" shall mean the current Information Statement describing SNAP, as the same may be supplemented and amended.

"Interest Subsidy Payment" means the refundable tax credit to be paid to VPSA by the Secretary in an amount equal to the amount of interest payable under the VPSA Bonds on

such date computed at the applicable coupon rate on the VPSA Bonds of _____%, which is less than the amount of interest which would have been payable on the VPSA Bonds on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code (that is, _____%, the rate that would have been used to compute the amount of tax credit that could be claimed by a VPSA Bond holder had VPSA not irrevocably elected to treat the VPSA Bonds as STCBs).

"Investment Manager" shall mean the investment manager of SNAP and its successors and assigns, on the Closing Date being PFM Asset Management LLC, a corporation organized under the laws of Delaware and having an office in Harrisburg, Pennsylvania.

"Issuance Costs" shall have the meaning given to such term in the 2011-2 Local Tax Compliance Agreements.

"Locality" or "Localities" shall have the meaning accorded to such term by the first paragraph of this Agreement.

"Local Accounts" means, collectively, the Proceeds Account established for each Locality under Section 4 of this Proceeds Agreement.

"Locality Rebate Computation", with respect to each issue of Local School Bonds, shall mean a Rebate Computation for each Locality made on each Computation Date pursuant to Section 11 of this Proceeds Agreement.

"Permitted Sinking Fund Yield" means _____%.

"Proceeds Account" shall mean, with respect to each Locality, its account by that name established under Section 4 of this Proceeds Agreement.

"Rebate Computation" shall mean the computation, as of a Computation Date, of the Locality Rebate Requirement to such Computation Date. The amount so computed may be a positive or a negative number.

"SNAP" shall mean the State Non-Arbitrage Program established pursuant to Article 7.1, Chapter 14, Title 2.1, Code of Virginia, as amended.

"SNAP Documents" shall mean the Information Statement and the Contract.

"Tax-Exempt Bond" shall mean any bond, note or other obligation the interest on which is excludable from gross income under Section 103(a) of the Code, but shall not include an AMT Bond.

"Tax-Exempt Investment" shall mean a Tax-Exempt Bond, a Tax-Exempt Mutual Fund or a Demand Deposit SLGS.

"Tax-Exempt Mutual Fund" shall mean an interest in a regulated investment company to the extent that at least 95% of the income to the holder thereof constitutes interest that is derived from Tax-Exempt Bonds.

"VPSA Bond Yield" shall mean _____%, as set forth in the 2011-2 Tax Regulatory Agreement.

"VPSA Bonds" shall mean the \$175,000,000 aggregate principal amount of VPSA's School Tax Credit Bonds (Direct Payment), Series 2011-2.

"Yield" shall have the meaning accorded to such term by the 2011-2 Tax Regulatory Agreement.

"Local School Bond" shall mean general obligation school bond of a Locality having the terms and provisions required by the Bond Sale Agreement and shall have the same meaning as the term "2011-2 Local School Bond" under the Indenture.

Section 3. **Disposition of VPSA Bond Proceeds.**

A. Prior to the Closing Date, each Locality will complete and submit, to the Investment Manager, the program registration form and the SNAP account registration form annexed to the Information Statement.

B. On the Closing Date, VPSA will cause the Trustee to transfer to the Depository for deposit in SNAP, in immediately available funds, an amount equal to the aggregate purchase price of all of the Local School Bonds (\$_____).

C. Each Locality hereby agrees to adhere strictly to the prescribed and recommended procedures described in the Information Statement and to the terms of its 2011-2 Local Tax Compliance Agreement. Each Locality hereby further agrees that it will not deviate from or request an exception to such procedures without first obtaining the prior written approval of VPSA. In the event of a conflict between the provisions of this Agreement or the 2011-2 Local Tax Compliance Agreement and the Information Statement, the provisions of this Agreement or the 2011-2 Local Tax Compliance Agreement shall control.

Section 4. **Establishment of Accounts.**

The Investment Manager will establish on its books for each Locality one (1) account designated: VPSA - (Name of Locality) 2011-2 Proceeds Account.

Section 5. **Disposition of Local School Bond Proceeds.**

The Investment Manager shall allocate the proceeds of the Local School Bonds on the Closing Date to the Localities, and the Local Accounts, dollar for dollar, in accordance with the respective purchase prices of their Local School Bonds and the allocations to the various Local Accounts set forth in Exhibit A to this Agreement. There is no accrued interest on the Local School Bonds.

Section 6. **Investment of the Local Accounts.**

The Investment Manager shall invest and reinvest moneys to the credit of the Local Accounts of each Locality for the benefit of such Locality in accordance with the provisions of the Information Statement, this Agreement and the 2011-2 Tax Agreements. The Investment Manager shall credit to the Locality's Local Accounts all income and profits from the investment and reinvestment of moneys to the credit of its respective Local Accounts.

Section 7. **Disbursements from Local Accounts.**

Beginning on its Closing Date, each Locality may at any time withdraw all or any portion of the proceeds of its Local School Bonds credited to its Local Accounts, in accordance with the Information Statement and, in the case of a reimbursement to the Locality, by filing with the Investment Manager a requisition therefor in the form of Exhibit B to this Agreement signed by an Authorized Representative of the Locality. Notwithstanding anything to the contrary in the Information Statement, the Investment Manager agrees that, in the case of a reimbursement to the Locality, it shall not disburse any money from the Local Accounts unless and until they have received such requisition from the Locality.

Section 8. **Limitation on Payment of Local Issuance Costs.**

Under no circumstances shall any Locality requisition from its Proceeds Account for the payment or reimbursement of any Issuance Costs of its Local School Bond. Any Issuance Costs of a Local School Bond must be paid only from general funds of the Locality.

Section 9. **Expenditure Period Reporting; Transfers from VPSA Issuance Cost Fund.**

A. The Investment Manager will notify each Locality and VPSA of the amount of Available Project Proceeds remaining in the Proceeds Accounts commencing on December 15, 20____, and continuing on the 15th of each June and December thereafter until

June 15, 20____, at which time any remaining Available Project Proceeds will be applied to redeem Local School Bonds and VPSA Bonds in accordance with the Indenture and the terms of the Local School Bonds unless the Expenditure Period is extended past the third anniversary of the Closing Date.

B. The Investment Manager shall deposit into the Proceeds Accounts any amounts transferred for such purpose by VPSA or the Trustee from the 2011-2 VPSA Issuance Cost Fund pursuant to Section 4.4 of the Fourth Supplemental Indenture.

Section 10. **Investment Losses.**

The Investment Manager and the Trustee shall charge any loss realized from the investment or reinvestment of moneys in a Local Account to the credit of the Local Account.

Section 11. **Rebate Computations.**

On or before each Computation Date, VPSA will prepare, or cause to be prepared, the Locality Rebate Computations. The Locality Rebate Computation for each Locality shall be made on the basis of information provided by such Locality pursuant to its 2011-2 Local Tax Compliance Agreement.

The Locality Rebate Requirement shall be calculated separately for each Locality. If it is determined, however, that the Locality Rebate Requirement is required to be calculated in the aggregate, the Locality Rebate Requirement for each Locality shall be equal to a percentage of the aggregate Localities Rebate Requirement determined by multiplying the aggregate Localities Rebate Requirement by a fraction, the numerator of which is the positive Locality Rebate Requirement calculated separately and the denominator of which is the sum of all of the positive Locality Rebate Requirements calculated separately.

If any provision of this Agreement shall become inconsistent with any regulation or regulations promulgated under Sections 54A, 54E(c) and 148(f) of the Code subsequent to the date hereof, VPSA hereby agrees and covenants to prepare, or cause to be prepared, as soon as practicable, a Locality Rebate Computation for each Locality, in compliance with such regulation or regulations, and VPSA, the Investment Manager and each of the Localities hereby further agree and covenant immediately to make any and all transfers and payments required by Sections 12 and 14 of this Agreement from any moneys of the Locality legally available for such purpose.

Section 12. **Payment of Interest Subsidy Payments.**

VPSA agrees to timely file Internal Revenue Service Form 8038-CP (or any successor thereto) and to otherwise fulfill all requirements necessary to receive any Interest Subsidy Payment in respect of the VPSA Bonds and to promptly pay to the Locality the Locality's allocable share any such Interest Subsidy Payment; provided, however, payment of the allocable share of such Interest Subsidy Payment to any Locality is conditioned upon (i) the actual receipt of such Interest Subsidy Payment in cash by VPSA, and (ii) all amounts then payable by the Locality pursuant to this Agreement having been paid in full.

Section 13. **Disposition of Excess Proceeds, Redemption, Yield Restriction and Yield Reduction Payments.**

A. Subject to subsection B below, to the extent that there are Available Project Proceeds in a Locality's Proceeds Account at the close of the Expenditure Period, the Locality authorizes VPSA to use such moneys in the Locality's Proceeds Account to cause the redemption of an allocable principal portion of the VPSA Bonds that VPSA determines must be redeemed pursuant to Section 54A of the Code. In connection with such determination by VPSA, the Locality's Local School Bond shall be subject to mandatory redemption as provided

therein. The Locality will be responsible for the payment of the portion of the redemption price not covered by the excess Available Project Proceeds described above. Any such redemption of the VPSA Bonds shall coincide with a cancellation by VPSA of an amount of principal of the Locality's Local School Bond equal to the amount of principal of the VPSA Bonds so redeemed.

B. If in its sole discretion VPSA decides to seek an extension of the Expenditure Period from the Internal Revenue Service, the Locality agrees to provide VPSA with any information that may assist VPSA in obtaining an extension of the Expenditure Period.

C. If a Locality has any balance remaining in its Proceeds Account as of the end of the Expenditure Period, such amount must be invested at a Yield not in excess of the VPSA Bond Yield or in Tax-Exempt Investments.

Section 14. **Rebate Payments and Penalty Payments, Yield Reduction Payments.**

The Locality Rebate Requirement and Yield Reduction Payment of each Locality shall be paid to the United States Department of the Treasury at the direction of VPSA on behalf of and for the accounts of the Locality and VPSA in accordance with the 2011-2 Tax Agreements.

Section 15. **Duties of VPSA.**

A. VPSA shall carry out its duties and responsibilities under this Agreement and may retain agents, independent contractors and others that it deems qualified to carry out any or all of such duties and responsibilities.

B. VPSA shall carry out, or cause to be carried out, all of its responsibilities under the 2011-2 Tax Regulatory Agreement.

C. VPSA agrees that, except as provided in this Agreement, any rebate liability that VPSA may have on account of the investment and reinvestment of the Gross

Proceeds of the VPSA Bonds, including, by way of example and not of limitation, any rebate liability as a result of the investment of money credited to funds and accounts created under its bond resolutions or as a result of the advance refunding of its bonds, shall be the sole responsibility of VPSA and not any Locality.

Section 16. **Duties of the Depository.**

The Depository shall carry out its duties and responsibilities under the SNAP Documents and this Agreement.

Section 17. **Duties of Localities.**

A. The Localities will cooperate with VPSA, the Investment Manager and the Depository in order to ensure that the purposes of this Agreement and the 2011-2 Tax Agreements are fulfilled.

B. Each Locality agrees to provide for the payment of its Locality Rebate Requirement and acknowledges that the payment of its Locality Rebate Requirement is necessary to maintain the status of the VPSA Bonds QTCBs, QSCBs, QZABs and STCBs. Each Locality agrees to complete and to provide to VPSA such forms as VPSA may request for filing in connection with the payment of the Locality Rebate Requirement.

C. Each Locality hereby covenants and represents that neither the Locality nor any related party, as defined in Section 1.150-1(b) of the Treasury Regulations, to such Locality, pursuant to any arrangement, formal or informal, will purchase the VPSA Bonds in an amount related to the amount of Local School Bonds to be acquired from such Locality by VPSA.

Section 18. **Responsibilities of the Investment Manager.**

A. The Investment Manager shall be the agent of, and serve at the expense of, the Localities, to manage and direct the temporary investment and reinvestment of all moneys to the credit of the Local Accounts pending their disbursement to the Localities and to make such computations as required by this Agreement.

B. In general, the duties of the Investment Manager shall include those described in the SNAP Documents.

C. In particular, the Investment Manager will direct the investment and reinvestment of moneys to the credit of the Local Account of each Locality in accordance with the Information Statement, the Contract and this Agreement.

Section 19. **[Reserved].**

Section 20. **Costs.**

Costs of SNAP are payable as provided in the Information Statement and the SNAP[®] Fund Prospectus, dated October 8, 2010. VPSA will charge or seek reimbursement for its costs, fees and expenses, including counsel fees, incurred in connection with the discharge of its duties and responsibilities under this Agreement as provided in the resolutions of the Local Issuers authorizing the Local School Bonds.

Section 21. **Opinions of Counsel.**

On the Closing Date, VPSA and each Locality shall furnish an opinion of counsel addressed, in the case of counsel to VPSA, to all the Localities, and in the case of counsel to the Localities, to VPSA, to the effect that the obligations of its client under this Agreement are valid, binding and enforceable against such client in accordance with its terms.

Section 22. **Amendment.**

This Agreement may be amended only with the consent of all the affected parties; provided, however, that this Agreement shall be amended whenever, in the judgment of VPSA, based on an opinion of its counsel, such amendment is required in order to insure that the VPSA Bonds shall remain QTCBs, QSCBs, QZABs and STCBs within the meaning of Section 54A, Section 54F, Section 54E(c) and Section 6431, respectively, of the Code. VPSA shall offer to amend this Agreement whenever it shall in good faith determine, based on an opinion of its counsel, that any one or more of the restrictions or requirements imposed by this Agreement upon the Localities, or any of them, may be removed or modified without adversely affecting the status of the VPSA Bonds as QTCBs, QSCBs, QZABs and STCBs under Section 54A, Section 54F, Section 54E(c) and Section 6431, respectively, of the Code.

Section 23. **Notices.**

Whenever notice is to be given pursuant to the provisions of this Agreement, such notice shall be deemed to have been satisfactorily given on the same day if hand delivered or telecopied during regular business hours or three (3) days after the date of postmark if mailed, first class mail, postage prepaid, as follows:

If to VPSA, to	Virginia Public School Authority c/o State Treasurer
<i>by hand</i>	3rd Floor, James Monroe Building 101 North 14th Street Richmond, Virginia 23219
<i>by mail</i>	Post Office Box 1879 Richmond, Virginia 23218-1879
<i>by telecopier</i>	(804) 225-3187
<i>in any case</i>	Attention: Public Finance Manager

If to the Depository, to

Wells Fargo Bank, N.A.

by hand

1021 East Cary Street
Richmond, Virginia 23219

by mail

Post Office Box 27602
Richmond, Virginia 23261

by telecopier

(804) 697-7370

in any case

Attention: Patrick Dixon
Senior Vice President

If to the Investment Manager, to

PFM Asset Management LLC

by hand or mail

One Keystone Plaza, Suite 300
N. Front & Market Streets
Harrisburg, PA 17101

by telecopier

(717) 233-6073

in any case

Attention: Barbara Fava,
Managing Director

If to the Trustee, to

U.S. Bank National Association

by hand or mail

1021 E. Cary Street, Suite 1850
Richmond, VA 23219

by telecopier

(804) 343-1572

in any case

Attention: Stephanie E. Haysley
Vice President

If to a Locality, to the address or telecopier number indicated on the page of this Agreement executed by such Locality.

Any such address or number may be changed by written notice given to all the other parties to this Agreement and the Investment Manager, except that a Locality need give such notice only to VPSA, the Depository, the Investment Manager and the Trustee.

Section 24. **No Third Party Beneficiaries.**

Except as herein otherwise expressly provided, nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto any right, remedy or claim, legal or equitable, under or by reason of this Agreement or any provision hereof, this Agreement and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto.

Section 25. **Severability.**

In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein. In case any covenant, stipulation, obligation or agreement contained in this Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the affected party to the full extent permitted by law.

Section 26. **No Personal Liability.**

All covenants, stipulations, obligations and agreements of VPSA contained in this Agreement shall be deemed to be covenants, stipulations, obligations and agreements of VPSA to the full extent authorized by the laws and permitted by the Constitution of Virginia. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, employee or agent of VPSA or any Locality in his individual capacity. No commissioner, officer, employee or agent of VPSA or any Locality shall incur any personal liability in acting or proceeding or in not acting

or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement and the applicable laws of the Commonwealth of Virginia.

Section 27. **Applicable Law.**

This Agreement is executed with the intent that the laws of the Commonwealth of Virginia shall govern its construction.

Section 28. **Counterparts.**

This Agreement may be executed in one or more counterparts.

Section 29. **Effective Date; Term.**

This Agreement shall take effect on the Closing Date and shall expire on the date on which VPSA shall make the final rebate payment required by the Code with respect to the VPSA Bonds.

[SIGNATURE PAGE FOLLOWS]

VIRGINIA PUBLIC SCHOOL AUTHORITY

By: _____
Richard A. Davis, Assistant Secretary and
Assistant Treasurer

WELLS FARGO BANK, N.A.

By: _____
Patrick Dixon, Senior Vice President

PFM ASSET MANAGEMENT LLC

By: _____
Barbara Fava, Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: _____
Stephanie E. Haysley, Vice President

NAME OF ISSUER: _____

Page 1 of 2

A. Address for notices, by hand, by mail and by telecopier, if any, as referred to in Section 22 above:

B. Authorized Representative(s):

Name

Title

Specimen Signature

C. Local School Bonds Closing Date (if not December 15, 2011 enter Date of Issue of Local School Bonds): _____

NAME OF ISSUER: _____

Page 2 of 2

_____ **[City/County/Town]**

By: _____
Name: _____
Title: _____

**DESCRIPTION OF 2011-2 LOCAL ISSUERS, PROJECTS
AND LOCAL ACCOUNT DEPOSITS**

<u>2011-2 Local Issuer</u>	<u>Principal Amount of 2011-2 Local School Bond</u>	<u>Portion of the Purchase Fund Allocated to Each Locality</u>
Albemarle County	\$ 2,000,000	\$
Brunswick County	1,500,000	
Charlotte County	1,500,000	
City of Chesapeake	5,000,000	
Dickenson County	10,000,000	
Essex County	10,000,000	
City of Falls Church	3,000,000	
Fauquier County	10,000,000	
Frederick County	7,000,000	
Gloucester County	500,000	
King George County	5,000,000	
Loudoun County	5,000,000	
Lunenburg County	5,000,000	
City of Martinsville		
Montgomery County	15,000,000	
Richmond County	5,000,000	
Rockbridge County	7,500,000	
Smyth County	9,500,000	
City of Suffolk	7,500,000	
Williamsburg-James City County	1,000,000	
Wise County	<u>15,000,000</u>	
	<u>\$</u>	<u>\$</u>

[No requisition is required in conjunction with a check payable to a vendor in respect of an invoice due and payable.]

**FORM OF REQUISITION FOR REIMBURSEMENT BY
PRE-AUTHORIZED ELECTRONIC FUNDS TRANSFER**

[To be used for REIMBURSEMENT to a Locality from Local School Bond proceeds for an invoice or obligation that has been paid and is eligible for payment from Local School Bond proceeds.]

PFM Asset Management LLC
One Keystone Plaza, Suite 300
N. Front & Market Streets
Harrisburg, Pennsylvania 17101

**VIRGINIA PUBLIC SCHOOL AUTHORITY [Name of Locality]
PROCEEDS ACCOUNT - SERIES 2011-2 ISSUE**

Requisition

Requisition No. _____
("item number")

This requisition for payment from the Proceeds Account is submitted in accordance with the provisions of the Proceeds Agreement dated November 1, 2011 (the "Proceeds Agreement"), among the Virginia Public School Authority ("VPSA"), the undersigned (the "Locality") and the other units of local government signatory thereto, PFM Asset Management LLC, as Investment Manager, Wells Fargo Bank, N.A., as Depository and U.S. Bank National Association, as trustee. You are hereby notified that you are authorized and directed by the Locality to pay the following obligation from the Proceeds Account:

1. The item number of such payment: __
2. The amount[s] to be paid: \$_____
3. Purpose by general classification for which such obligation was incurred:
4. The date(s) the expenditure(s) was/were made:

{V0047592.1 012688-079686 }

To reimburse the Locality for costs of the _____ School paid by the Locality through ____, 20__ as follows:

5. A copy of each supporting [invoice, work order, statement] for which reimbursement is to be made is attached hereto.

6. The obligation[s] in the stated amount[s] have been paid, and each item thereof is a proper charge against the proceeds of the Locality's Proceeds Account and has not been the subject of a previous withdrawal from the Proceeds Account.

7. Pursuant to Section 8 in the Proceeds Agreement, no amounts to be paid pursuant to this requisition are for Issuance Costs.

8. All of which is hereby certified.

Dated _____

[Name of Locality]

By: _____

Authorized Locality Representative

AUTHORIZED REPRESENTATIVES

The following are the Authorized Representatives of Virginia Public School Authority, Wells Fargo Bank, N.A., PFM Asset Management LLC and U.S. Bank National Association:

Virginia Public School Authority:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Richard A. Davis	Assistant Secretary and Assistant Treasurer	_____
Evelyn R. Whitley	Assistant Secretary and Assistant Treasurer	_____

Wells Fargo Bank, N.A.:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Patrick Dixon	Senior Vice President	_____

PFM Asset Management LLC:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Barbara L. Fava	Managing Director	_____

U.S. Bank National Association:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Stephanie E. Haysley	Vice President	_____

[Exhibit D to Bond Sale Agreement – Form of Continuing Disclosure Agreement]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the undersigned local issuer (the "Local Issuer") in connection with the issuance by the Virginia Public School Authority (the "Authority") of \$_____ aggregate principal amount of its School Tax Credit Bonds (Direct Payment), Series 2011-2 (the "Series 2011-2 Bonds") pursuant to the provisions of a Fourth Supplemental Trust Indenture dated as of November 1, 2011 (the "Fourth Supplemental Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), supplementing a Master Trust Indenture dated as of October 1, 2009 (as previously supplemented, the "Master Indenture," and together with the Fourth Supplemental Indenture, the "Indenture"), between the Authority and the Trustee, and a resolution adopted by the Board of Commissioners of the Authority on September 8, 2011 (the "Bond Resolution" and together with the Indenture, the "Authorization"). The Series 2011-2 Bonds and all other parity bonds heretofore and hereafter issued under the Authorization are collectively called the "Bonds." A portion of the proceeds of the Series 2011-2 Bonds are being used by the Authority to purchase certain general obligation school bonds ("Local School Bonds") of the Local Issuer pursuant to a bond sale agreement between the Authority and the Local Issuer (the "Bond Sale Agreement"). Pursuant to paragraph 3 of the Bond Sale Agreement, the Local Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Local Issuer for the benefit of the holders of the Series 2011-2 Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Local Issuer acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Authorization, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Local Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"bond sale agreement" shall mean the Bond Sale Agreement and any other comparable written commitment of the Local Issuer to sell local school bonds to the Authority.

"Dissemination Agent" shall mean the Local Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by such Local Issuer and which has filed with such Local Issuer a written acceptance of such designation.

"Filing Date" shall have the meaning given to such term in Section 3(a) hereof.

"Fiscal Year" shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the Local Issuer's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

"holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Series 2011-2 Bond.

"Listed Events" shall mean any of the events listed in subsection 5(b)(5)(i)(C) of the Rule.

"local school bonds" shall mean any of the Local School Bonds and any other bonds of the Local Issuer pledged as security for Bonds issued under the Authorization.

"Material Obligated Person" (or "MOP") shall mean the Local Issuer if it has local school bonds outstanding in an aggregate principal amount that exceeds 10% of the aggregate principal amount of all outstanding Bonds of the Authority.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

"Participating Underwriter" shall mean any of the original underwriters of the Authority's Series 2011-2 Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Local Issuer shall, or shall cause the Dissemination Agent to, provide the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the "Filing Date") that is not later than 12 months after the end of any Fiscal Year (commencing with its Fiscal Year ended June 30, 2011) as of the end of which such Local Issuer was a MOP, unless as of the Filing Date the Local Issuer is no longer a MOP.¹ Not later than ten (10) days prior to the Filing Date, the Local Issuer shall provide the Annual Report to the Dissemination Agent (if applicable) and shall provide copies to the Authority. In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the Local Issuer's audited financial statements prepared in accordance with applicable State law

¹ The Authority will covenant in the Bond Sale Agreement to advise the Local Issuer within 60 days of the end of each Fiscal Year if such Local Issuer was a Material Obligated Person as of the end of such Fiscal Year. Upon written request, the Authority will also advise the Local Issuer as to its status as a MOP as of any other date.

or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of such Local Issuer must be submitted, if and when available, together with or separately from the Annual Report.

(b) If the Local Issuer is unable to provide an Annual Report to the MSRB by the date required in subsection (a), the Local Issuer shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the Local Issuer, including operating data,

- (i) updating such information relating to the Local Issuer as shall have been included or cross-referenced in the final Official Statement of the Authority describing the Authority's Series 2011-2 Bonds or
- (ii) if there is no such information described in clause (i), updating such information relating to the Local Issuer as shall have been included or cross-referenced in any comparable disclosure document of the Local Issuer relating to its tax-supported obligations or
- (iii) if there is no such information described in clauses (i) or (ii) above, initially setting forth and then updating the information referred to in Exhibit B as it relates to the Local Issuer, all with a view toward assisting Participating Underwriters in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the Local Issuer is an "obligated person" (within the meaning of the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Local Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. Whenever the Local Issuer is a Material Obligated Person required to file Annual Reports pursuant to Section 3(a) hereof and obtains knowledge of the occurrence of a Listed Event, such Local Issuer shall file in a timely manner, not in excess of ten business days after the occurrence of the event, a notice of such occurrence with the MSRB with a copy to the Authority.

SECTION 6. Termination of Reporting Obligation. The Local Issuer's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of all the Local School Bonds.

SECTION 7. Dissemination Agent. The Local Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Local Issuer shall advise the Authority of any such appointment or discharge. If at any time there is not any other designated Dissemination Agent, the Local Issuer shall be the Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Local Issuer may amend this Disclosure Agreement, if such amendment has been approved in writing by the Authority and is supported by an opinion of independent counsel, acceptable to the Authority, with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Local Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Local Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, such Local Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the Local Issuer) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Local Issuer to file its Annual Report or to give notice of a Listed Event. The Authority may, and the holders of not less than a majority in aggregate principal amount of Bonds outstanding may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Local Issuer hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the applicable resolution or bonds of the Local Issuer, and the sole remedy under this Disclosure Agreement in the event of any failure of the Local Issuer to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Local Issuer, the Participating Underwriters, and holders from time to time of the Authority's Series 2011-2 Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: November __, 2011

[LOCAL ISSUER]

By: _____
Name: _____
Its: _____

[Signature Page to Continuing Disclosure Agreement]

**NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED FINANCIAL STATEMENTS]**

**Re: VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL TAX CREDIT BONDS
(DIRECT PAYMENT), SERIES 2011-2**

CUSIP Number: 92817-____

Dated: _____, 20__

Name of Local Issuer: _____

NOTICE IS HEREBY GIVEN that the [Local Issuer] has not provided an Annual Report as required by Section 3(a) of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to a Fourth Supplemental Trust Indenture dated as of November 1, 2011 between Virginia Public School Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"), supplementing a Master Trust Indenture dated as of October 1, 2009, between the Authority and the Trustee, as previously supplemented, and a resolution adopted by the Board of Commissioners of the Authority on September 8, 2011, the proceeds of which were used to purchase \$ _____ General Obligation School Bond of the Local Issuer. The Local Issuer anticipates that the Annual Report will be filed by _____. The Local Issuer is a material "obligated person" within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, with respect to the above-named bonds of the Authority.

Dated: _____

[LOCAL ISSUER]

By: _____

CONTENT OF ANNUAL REPORT

Description of the Local Issuer. A description of the Local Issuer including a summary of its form of government, budgetary processes and its management and officers.

Debt. A description of the terms of the Local Issuer's outstanding tax-supported and other debt including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt; a summary of legal debt margin; a summary of overlapping debt; and a summary of annual debt service on outstanding tax-supported debt as of the end of the preceding fiscal year. The Annual Report should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Issuer and any unfunded pension liabilities.

Financial Data. Financial information respecting the Local Issuer including a description of revenues and expenditures for its major funds and a summary of its tax policy, structure and collections as of the end of the preceding fiscal year.

Capital Improvement Plan. A summary of the Local Issuer's capital improvement plan.

Demographic, Economic and Supplemental Information. A summary of the Local Issuer's demographic and economic characteristics such as population, income, employment, and public school enrollment and infrastructure data as of the end of the preceding fiscal year. The Annual Report should also include a description of material litigation pending against the Local Issuer.

Meeting Date: October 11, 2011
Item No: 5.
Department: Community Development

Issue: Conduct a public hearing and consider approval on first reading of amendments to the Zoning Ordinance to add a civil penalty for violating the ordinance.

Summary: At present, the City of Martinsville has a criminal penalty for violating the Zoning Ordinance but no civil penalty. The need for a civil penalty was brought up for discussion by the Planning Commission due to the numerous sign violations that are occurring in the City. After consultation with the City Attorney, the Commission learned that a civil penalty could be added to the current ordinance. The civil penalty enforcement will require fewer taxpayer dollars by requiring less administrative time (for documentation, photography of each site, and other field work); and postage/supplies. This proposed amendment would be to assess a civil penalty of not more than fifty dollars (\$50.00) for the initial summons and no more than two hundred dollars (\$200.00) for each additional summons.

The Planning Commission held a duly advertised public hearing on August 30, 2011. There was one person in attendance at the public hearing. That person did not voice opinion in favor or against the proposed amendment. Planning Commission voted unanimously (5—0) to send this amendment to City Council for their consideration.

The Planning Commission recommends amending the Zoning Ordinance to add a civil penalty for violating the ordinance.

Attachments: [Planning Commission Letter](#)
[Proposed Amendment to the Zoning Ordinance](#)

Recommendations: Conduct public hearing and consider a motion to approve amendments on first reading.

PROPOSED AMENDMENTS – ZONING ORDINANCE

(~~Strikethrough~~ indicates deletion; ***italicized bold*** indicates addition)

SECTION XXII: VIOLATION AND PENALTIES

A. General.

All employees, officials and departments of the city, which are vested with the duty or authority to issue permits or licenses, shall issue permits for uses, building or purposes only when they are in harmony with the provisions of this ordinance. Any such permit, if issued in conflict with the provisions of this ordinance, shall be null and void.

B. Penalties.

1. Any person, firm or corporation whether as principal, agent, employed or otherwise, violating, causing or permitting the violation of this ordinance, shall be guilty of a misdemeanor, punishable by a fine of not less than ten dollars (\$10.00) nor more than one thousand dollars (\$1,000.00). Failure to remove or abate a zoning violation within the specified time period set by the court upon conviction, shall constitute a separate misdemeanor offense punishable by a fine of not less than ten dollars ten dollars (\$10.00) nor more than one thousand dollars (\$1,000.00), and any such failure during any succeeding thirty-day period shall constitute a separate misdemeanor offense for each thirty-day period punishable by a fine of not less than ten dollars (\$10.00) nor more than one thousand dollars (\$1,000.00).

2. *Any person, firm or corporation whether as principal, agent, employed or otherwise, violating, causing or permitting the violation of this ordinance, shall be assessed a civil penalty in the amount of fifty dollars (\$50.00) for the initial summons and not more than two hundred dollars (\$200.00) for each additional summons. The assessment of a civil penalty shall not preclude the institution of a civil action by the zoning administrator pursuant to this ordinance, but no such violation shall, unless it results in injury to any person, be prosecuted as a criminal misdemeanor, provided however that when such civil penalties total five thousand dollars (\$5,000.00) or more, the violation may be prosecuted as a criminal misdemeanor.*

3. *The zoning administrator or his or her designee may issue a civil summons as provided by law for a violation. Any person summoned or issued a ticket for a violation may make an appearance in person or in writing by mail to the city treasurer prior to the date fixed for trial in court. Any person so appearing may enter a waiver of trial, admit liability, and pay the civil penalty established for the offense charged. Such persons shall be informed of their right to stand trial and that a signature to an*

admission of liability will have the same force and effect as a judgment of court. If a person charged with a scheduled violation does not elect to enter a waiver of trial and admit liability, the violation shall be tried in the general district court in the same manner and with the same right of appeal as provided by law. In any trial for a violation, it shall be the burden of the zoning administrator or his or her designee to show the liability of the violator by a preponderance of the evidence. If the violation remains uncorrected at the time of the admission of liability or finding of liability, the court may order the violator to abate or remedy the violation in order to comply with the zoning ordinance. Except as otherwise provided by the court for good cause shown, any such violator shall abate or remedy the violation within a period of time as determined by the court, but not later than six months of the date of admission of liability or finding of liability. Each day during which the violation continues after the court-ordered abatement period has ended shall constitute a separate offense. An admission of liability or finding of liability shall not be a criminal conviction for any purpose.

4. Each day during which the violation is found to have existed shall constitute a separate offense. However, specified violations arising from the same operative set of facts shall not be charged more frequently than once in any ten-day period, and a series of specified violations arising from the same operative set of facts shall not result in civil penalties which exceed a total of five thousand dollars (\$5,000.00).



September 2, 2011

Mayor Kim Adkins
Members of City Council
City of Martinsville
P. O. Box 1112
Martinsville, VA 24114

RE: Amendment to the Zoning Ordinance (Civil Penalties)

Dear Mayor and City Council Members:

The Planning Commission, at its meeting on August 30, 2011, conducted a duly advertised Public Hearing on a request by the City of Martinsville, for a proposed amendment to the Martinsville Zoning Ordinance to add civil penalties for violating the ordinance.

At the public hearing, it was noted that this request would add a civil penalty provision to the current ordinance that would allow the Zoning Administrator or his designee to issue a civil summons (ticket) as provided by law for a violation of the Zoning Ordinance. The proposed amendment would assess a civil penalty of not more than fifty dollars (\$50.00) for the initial summons and no more than two hundred dollars (\$200.00) for each additional summons. There was only one citizen present at the public hearing. That person voiced no opinion on the matter.

Following evidence heard at the public hearing, the Planning Commission voted unanimously (5-0) to recommend the proposed amendment to City Council. The Planning Commission respectfully submits the recommendation for further consideration.

Yours Truly,

Barbara Cousin, Secretary

Wayne D.P. Knox
Director of Community Development

WDPK

cc: Timothy D. Martin, Chairperson
Barbara Cousin, Secretary



City Council Agenda Summary

Meeting Date: October 11, 2011

Item No: 6.

Department: City Manager

Issue: Hear a littering concern from Reid Young.

Summary: Mr. Reid Young will address Council on his concerns with littering issues.

Attachments: None

Recommendations:

Meeting Date: October 11, 2011

Item No: 7.

Department: Public Works

Issue: Consider financing options for Building Energy Efficiency Project

Summary: At the September 27th Council meeting, staff presented information on a 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%.

Attachments: [A project cash flow analysis](#) based on use of the \$400,000 grant and a financed amount of \$1,060,307 at a rate of 3.25%

Recommendations: Staff recommends proceeding with the project and to take necessary steps to initiate financing and development of construction contracts.

City of Martinsville, Virginia
 Trane Base PC Project- for Review
 Cash Flow Analysis

	9/22/2011																
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Totals	
Trane Contract Cost																	
Financed Project Cost																	
Rate of Financing						4%											
Term of Financing						3%											
						3%											
Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Construction	0																
Down Payment= \$ 400,000 (Grant Funds)																	
Annual Utility Rate Increase																	
Annual Operational Savings																	
Service and M&V Cost Increase																	
Project Savings																	
Energy Savings	16,787	83,933	87,290	90,782	94,413	98,190	102,117	106,202	110,450	114,868	119,463	124,241	129,211	134,379	139,755	145,345	1,697,426
Water Savings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lighting Operational Savings	4,034	4,155	4,280	4,408	4,536	4,665	4,794	4,923	5,052	5,181	5,310	5,439	5,568	5,697	5,826	5,955	19,192
Controls & HVAC Operational Savings	4,500	4,635	4,774	4,917	5,065												23,891
Total Project Savings	92,467	96,080	99,836	103,739	107,770	111,915	116,174	120,544	125,022	129,611	134,314	139,140	144,088	149,157	154,345	159,655	1,723,723
Service Annual Payment																	
Customer Contribution	0	15,450	15,914	16,391	16,883	17,389	17,911	18,448	18,999	19,572	20,159	20,764	21,386	22,028	22,689	23,361	263,984
Net Cash Available to Fund Project	92,467	111,530	115,749	120,129	124,453	128,898	133,465	138,154	142,973	147,911	152,960	158,124	163,402	168,795	174,304	179,926	1,987,707
Project Cost																	
Service Contract																	
M&V																	
Principal	55,972	57,791	59,669	61,609	63,611	65,678	67,813	70,017	72,292	74,642	77,068	79,572	82,158	84,829	87,586	90,421	1,060,307
Interest	34,460	32,641	30,763	28,823	26,821	24,754	22,619	20,415	18,140	15,790	13,364	10,860	8,274	5,603	2,847	0	296,174
Total Payment	90,432	113,607	114,302	115,018	115,756	116,516	117,298	118,104	118,934	119,789	120,670	121,577	122,512	123,474	124,465	125,486	1,752,457
Total Project Cost	90,432	113,607	114,302	115,018	115,756	116,516	117,298	118,104	118,934	119,789	120,670	121,577	122,512	123,474	124,465	125,486	1,752,457
Net Annual Cash Flow	16,787	2,035	(2,077)	1,447	5,111	6,697	8,305	10,000	11,799	13,683	15,643	17,680	19,794	21,977	24,229	26,550	252,037
Cumulative Net Ann Cash Flow	16,787	18,822	16,745	18,192	23,303	29,999	39,805	50,599	62,598	75,891	90,480	106,360	123,554	142,083	161,862	182,892	252,037

Meeting Date: October 11, 2011
Item No: 8.
Department: Finance
Issue: Consider review and approval of Fund Balance Policy

Summary:**FUND BALANCE POLICY**

The City Council is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the City's Fund Balance. This policy also authorizes and directs the Finance director to prepare financial reports which accurately categorize fund balance as required by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Adoption of this policy enhances the usefulness of fund balance information through clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type designations. There are some differences between fund balance and liquidity (cash-on-hand) because some assets reported in the governmental funds inherently cannot be spent – the nonspendable portion of fund balance. If resources are limited in how they can be spent due to externally enforceable legal restrictions, they roll into fund balance as restricted. If the governing body limits the use of fund balance and that limitation can only be removed by that same governing through similar action, those fund balance resources are considered committed. If a government has intentions for certain resources, but they are not externally restricted or committed through formal governing body action, those resources are considered assigned fund balance. If the general fund has net resources in excess of the other four categories that surplus is considered unassigned. Examples for each category are provided on the annotated version attached.

Attachments: [Policy overview Annotated Version for Discussion Fund Balance Policy for approval](#)

Recommendations: Motion to approve Fund Balance Policy

City of Martinsville, Virginia
Fund Balance Policy

*** ANNOTATED VERSION FOR DISCUSSION PURPOSES ***

I. Purpose

The City Council of the City of Martinsville, Virginia is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the City's Fund Balance. This policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

II. Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund; it is not to be confused with cash-on-hand. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory, prepaids, and long-term receivables); or are required to be maintained intact (endowment type funds); ***examples: pre-paid real estate taxes; the value of items held in the inventory at the shop; long-term loans/notes receivable***
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, creditors, and higher levels of government), through constitutional provisions, or by enabling legislation; ***examples: Bonds for School Construction; most grant proceeds; meals taxes; voter-approved constraints***
- Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint; ***example: funds committed to the Commonwealth Crossing Business Center – authorized by an act of City Council; encumbrances for contracts approved by Council***
- Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or high-level body to which the governing body delegates the authority; residual amounts in governmental funds other than the general fund; appropriation of existing fund balance; ***examples: budgeted use of fund balance in order to balance the budget; mid-year adjustments to budget: unanticipated vehicle replacement; re-appropriations; purchase order encumbrances. Essentially what is now designated.***
- Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. *** serves as a measure of current available resources, and is essential to mitigate current and future risks***

III. Committed Fund Balance Policy

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a motion approved by the City Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

IV. Assigned Fund Balance Policy

The City Council has authorized the Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

V. Minimum Unassigned Fund Balance Policy

The City will attempt to maintain an unassigned General fund balance in the general fund equal to or greater than 10% of operating expenditures.

*** 10% has been inserted for discussion purposes. City Council would determine the actual figure to be inserted here. Based on the year-end FY11 budget, 10% of General Fund operating expenses would be \$3,001,002 (30,010,023 X 10%); 5% = \$1,500,501; 15% = \$4,501,503; should be no less than one to two months of regular general fund operating expenditures. Monthly average for FY11 = \$2,320,981.

VI. Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City of Martinsville, Virginia

Fund Balance Policy

I. Purpose

The City Council of the City of Martinsville, Virginia is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the City's Fund Balance. This policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

II. Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund; it is not to be confused with cash-on-hand. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory, prepaids, and long-term receivables) or are required to be maintained intact (endowment type funds);
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, creditors, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; residual amounts in governmental funds other than the general fund; appropriation of existing fund balance;
- Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

III. Committed Fund Balance Policy

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a motion approved by the City Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

IV. Assigned Fund Balance Policy

The City Council has authorized the Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

V. Minimum Unassigned Fund Balance Policy

The City will attempt to maintain an unassigned General fund balance in the general fund equal to or greater than 10% of operating expenditures.

VI. Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Meeting Date: October 11, 2011
Item No: 9.
Department: Finance
Issue: Consider review and approval of Write-off Policies of Outstanding Utility and General Bill Accounts.

Summary:

To ensure strong fiscal management practices, the proper controls over revenue is imperative in determining budget, forecasting, reconciliations, and accounts receivable management and general oversight over the various revenues the City collects.

There is a need for a policy to be established regarding the write off of uncollectible general bill and utility bill accounts. With regard to utility bill accounts, there is an unwritten policy that if a utility customer comes in requesting services, and they had prior unpaid utility balances, they were required to make payment in full before new services are connected.

Currently we have in our system unpaid utility accounts from 1997 to the present and unpaid general bills from 2002 to the present. At the request of our independent auditor, we should only have five years of outstanding utility and general bill balances in our general ledger. At the recommendation of the City Attorney, in order to follow the statute of limitations, any outstanding utility and general bill accounts over five (5) years shall be deemed as uncollectible. These two policies, as presented, will allow the City to remove the uncollectible balances in a timely manner.

Attachments: [General bills](#)
[Utilities](#)

Recommendations: Motion to approve city policy as presented

Write-Off Policy for Uncollectible General Bills

Any write-offs of a properly assessed general billing assessment will be considered when all of the following apply:

1. The Finance Department has properly assessed that an outstanding delinquent (over 5 years) general billing customer is deceased and there are no further collection means available.
2. The City Attorney concurs with the Finance Department that all collection means have been exhausted for the general billing account.
3. The statute of limitations for collection activity has expired.

COLLECTION ACTIONS TO BE FOLLOWED PRIOR TO WRITE-OFF

June 1st – a report is generated and verified by the Finance Department Accountant of all outstanding delinquent general bills over five (5) years and any previous payments received.

Payment agreements that are entered into by the Finance Department and customer with a delinquent general bill, will be maintained by the Accounting Division and noted in the MUNIS records. All payment plans are to be concluded within 2 years pursuant to Code of Virginia 58.1-3018. If the customer defaults on the payment agreement, the account will be turned over to the City Attorney for further legal action.

With the concurrence of the City Attorney, or any other appointed collector, the Finance Department Accountant will submit by the end of the city's fiscal year (June 30th) a list of general billing accounts that have been determined to be uncollectible. These accounts will be considered for write-off, if all of the write-off criteria has been met. Approved accounts will then be written off by the Budget Analyst, and a copy provided to City's independent auditor and one copy retained in the Finance Department.

RECORDS

Departments are to maintain completely documented files containing written evidence of all collection action taken. This file will contain, at a minimum:

- Clear evidence establishing the general billing assessment.
- Copies of all correspondence, including e-mails, between the respective departments and the customer dealing with the delinquent assessment of City services provided.
- A record of all activity on the account including payments, charges, adjustments or write-offs, payment agreements, etc.
- Memos concerning all phone calls or verbal communications with the customer indicating the date, parties involved, nature of the discussion, and all other pertinent documents that would assist in collecting the account.

Write-Off Policy for Uncollectible Utility Bills

Any write-offs of a properly assessed utility bill will be considered when all of the following apply:

1. The Utility Billing Division has properly assessed that an outstanding (over 5 years) billing customer is deceased and there are no further collection means available.
2. The City Attorney concurs with the Utility Billing Division that all collection means have been exhausted for the utilities account.
3. The statute of limitations for collection activity has expired.

COLLECTION ACTIONS TO BE FOLLOWED PRIOR TO WRITE-OFF

June 1st – a report is generated by the Information Services Department and verified by the Utility Billing Supervisor of all outstanding delinquent utility bills over five (5) years and any previous payments received.

Payment agreements that are entered into by Utility Billing Supervisor and customer with delinquent utility bills, will be maintained by the Billing Division and noted in the MUNIS records. All payment plans are to be concluded within 2 years pursuant to Code of Virginia 58.1-3018. If the customer defaults on the payment agreement, the account will be turned over to the City Attorney for further legal action.

With the concurrence of the City Attorney, or any other appointed collector, the Utility Billing Supervisor will submit by the end of the city's fiscal year (June 30th) a list of billing accounts that have been determined to be uncollectible to the Finance Director and/or Assistant Finance Director, and the Director of Utilities. These accounts will be considered for write-off, if all of the write-off criteria has been met. Approved accounts will then be written off by the Budget Analyst and a final copy provided to the City's independent auditor, Utility Billing Supervisor, and Director of Utilities.

RECORDS

Departments are to maintain completely documented files containing written evidence of all collection action taken. This file will contain, at a minimum:

- Clear evidence establishing the utility billing assessment.
- Copies of all correspondence, including e-mails, between the respective department and the customer with the delinquent assessment of City utility services provided.
- A record of all activity on the account including payments, charges, adjustments or write-offs, payment agreements, etc.
- Memos concerning all phone calls or verbal communications with the customer indicating the date, parties involved, nature of the discussion, and all other pertinent documents that would assist in collecting the account.

Meeting Date: October 11, 2011

Item No: 10.

Department: Finance

Issue: Consider approval of consent agenda to accept and appropriate re-appropriations from FY11 to FY12.

Summary:

The attachment amends the FY12 Budget with re-appropriation of FY11 budgeted funds remaining due to incomplete projects and various grant funding in the following amount by fund:

General Fund: \$1,111,020

Refuse Fund: \$339,455

Water Fund: \$46,616

Electric Fund: \$60,400

Capital Reserve Fund: \$58,982

CDBG Fund: \$666

Housing Choice Fund: \$43,399

School Funds: \$138,529

Total All Funds: \$1,799,066

Attachments: [Spreadsheet-re-appropriations](#)
[Re-appropriation request 911 Center](#)

Recommendations: Motion to approve consent agenda

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	

Spreadsheet Reappropriations - Council - 10-11-11 (2).xls

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
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

Spreadsheet Reappropriations - Council - 10-11-11 (2).xls

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 Operatino	\$	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

**MARTINSVILLE – HENRY COUNTY
9-1-1 COMMUNICATIONS CENTER**

Henry County Administration Building
3300 Kings Mountain Road
P. O. Box 7
Collinsville, VA 24078-0007
Wes Ashley, Director
(276)-638-8751

October 4, 2011

Mr. Clarence C. Monday
Office of the City Manager
55 West Church Street
P.O. Box 1112
Martinsville, Virginia 24114

RE: Proposed implementation of Emergency Medical Dispatch (EMD) by the 911 Center.

Dear Mr. Monday,

As you know, the 911 Center has been working for a few years to secure funding that would allow the Center to implement Emergency Medical Dispatch, commonly referred to as EMD. It allows our emergency dispatchers to provide “pre-arrival” instructions to a caller for situations such as CPR, choking, etc. EMD is strongly supported by our Rescue Squad Association, City/County public safety agencies, as well as the 911 Center Board of Directors.

The Martinsville-Henry County 911 Center has sought grant funding from several sources and we were fortunate to have been awarded a grant in the amount of \$74,573.54 from the Virginia Department of Health, Office of Emergency Medical Services, through the Rescue Squad Assistance Fund (RSAF). We still need approximately \$30,000, in addition to the grant, to implement EMD, which would also cover the 20% grant match.

During our last 911 Board of Director’s meeting, members of the 911 Board asked if there would be any funding left over from the 911 Center’s FY ’11 budget that could be carried forward into the current FY ’12 budget, to help bridge the gap? The answer came on September 30, 2011 when Finance Director Darrell Jones announced that the 911 Center has \$28,224 available to be carried forward, if the City and County chooses to do so. Proportionally, that would be city - \$8,185, and county \$20,039. Both County Administrator Benny Summerlin and City Manager

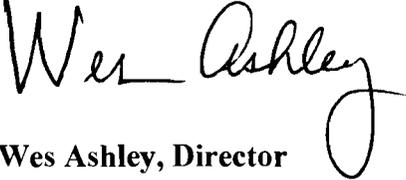
Clarence Monday asked me to write a letter requesting those funds be carried forward into FY '12 for the implementation of EMD.

I respectfully request the City of Martinsville carry forward, and appropriate, \$8,185 into the FY '12 budget, for implementation of EMD.

I have also respectfully requested that Henry County carry forward \$20,039 into the current FY '12 budget.

Thanks for your consideration of this request.

Sincerely,


Wes Ashley, Director

**Copy: Benny Summerlin, County Administrator
Darrell Jones, Henry County Finance Director**



City Council Agenda Summary

Meeting Date: October 11, 2011

Item No: 11.

Department: City Manager

Issue: Consider review of outside agency semi annual reports.

Summary: Copies of semi-annual reports submitted from outside agencies that received FY12 funding are included in your packets for review. As directed by Council, agencies receiving city funding are required to submit a semi-annual report on September 1 and March 1 of each year. Agency representatives will not be present at this meeting, however, if you have questions for a specific agency, they can be invited to attend your next meeting.

Attachments: None

Recommendations:

Date: October 11, 2011

Item No: 12.

Department: Community Development

Issue: Consider approval of required certifications for Neighborhood Stabilization Program (NSP3) and consider review of Program Design.

Summary: The Neighborhood Stabilization Program – 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.

Attachments:

[Fair Housing Certification, Non – Discrimination Policy, Local Business and Employment Plan](#)

[NSP3 Program Design for Martinsville](#)

[NSP3 Management Team Roster](#)

[NSP3 Management Timeline](#)

Recommendations: Approve the requested policy statements and certifications for this meeting and consider review of Program Design for approval at October 25, 2011 meeting.

**NON-DISCRIMINATION POLICY
CITY OF MARTINSVILLE, VIRGINIA**

The City of Martinsville or any employee thereof will not discriminate against an employee or applicant for employment because of age, handicap, creed, religion, color, sex, or national origin. Administrative and Personnel officials will take affirmative action to insure that this policy shall include, but not be limited to the following: employment, upgrading, demotion or transfer; rates of pay or other forms of compensation; and selection for training.

Duly adopted at the regular meeting of the City of Martinsville's City Council Meeting
on _____, 2011.

Kim Adkins, Mayor
City of Martinsville

FAIR HOUSING CERTIFICATION

Compliance with Title VIII of the Civil Rights Act of 1968

WHEREAS, the City of Martinsville is eligible to receive Neighborhood Stabilization Program grant funds from the Virginia Department of Housing and Community Development;

WHEREAS, recipients of funding under the Neighborhood Stabilization Program are required to take action to affirmatively further fair housing;

NOW THEREFORE, the City of Martinsville agrees to take at least one action to affirmatively further fair housing each grant year during the life of its project funded with Neighborhood Stabilization Program funds. The action taken will be selected from a list provided by the Virginia Department of Housing and Community Development.

Kim Adkins, Mayor
Martinsville City Council

Date

**LOCAL BUSINESS AND EMPLOYMENT PLAN
CITY OF MARTINSVILLE, VIRGINIA
NEIGHBORHOOD IMPROVEMENT PROJECT**

- (1) The City of Martinsville hereby designates as its Local Business and Employment Project Area the boundary of Henry County, Virginia including the City of Martinsville, VA.
- (2) The City of Martinsville, its contractors and designated third parties shall in utilizing Neighborhood Stabilization Program (NSP) Community Development Block Grant (CDBG) funds utilize businesses and lower income residents of the Project Area in carrying out all activities, to the greatest extent feasible.
- (3) In awarding contracts for work and for procurement of materials, equipment or services for the NSP using NSP funds, the City, its contractors, and designated third parties shall take the following steps to utilize businesses which are located in or owned in substantial part by persons residing in the Project Area:
 - (a) The City of Martinsville shall ascertain what work and procurements are likely to take place through the use of the NSP funds.
 - (b) The City of Martinsville shall ascertain through various and appropriate sources including advertisement in THE MARTINSVILLE BULLETIN, the business concerns within the Project Area which are likely to provide materials, equipment and services which will be utilized in the activities funded through the NSP.
 - (c) The identified business concerns shall be apprised of opportunities to submit bids, quotes, or proposals for work or procurement contracts which utilize NSP funds.
 - (d) To the greatest extent feasible, the identified businesses and any other Project Area business concerns shall be utilized in activities which are funded by the NSP.
- (4) In the utilization of trainees or employees for activities funded through the NSP, the City of Martinsville, its contractors and designated third parties shall take the following steps to utilize low income persons residing in the Project Area:
 - (a) The City of Martinsville in consultation with its contractors, including design professionals, shall ascertain the types and number of positions for both trainees and employees who are likely to be utilized during the NSP funded project.

- (b) The City of Martinsville shall advertise through the following source: THE MARTINSVILLE BULLETIN, the availability of such positions with information on how to apply.
 - (c) The City of Martinsville, its contractors and designated third parties shall be required to maintain a record of inquiries and applications of Project Area residents who respond to the advertisements and shall maintain a record of the status of such inquiries and applications.
 - (d) To the greatest extent feasible, the City of Martinsville, its contractors and designated third parties shall utilize lower income Project Area residents in filling training and employment positions necessary for implementing activities funded with NSP funds.
- (5) In order to ascertain substantial compliance with the above affirmative actions and Section 3 of the Housing and Community Development Act of 1968, the City of Martinsville shall keep and require to be kept by contractors and designated third parties, listings of all persons employed and all procurements made through the implementation of activities funded by the NSP program. Such listings shall be completed and shall be verified by site visits and interviews, cross-checking of payroll reports and invoices, and through audits if necessary.

Kim Adkins
Mayor
City of Martinsville

ATTEST

Clerk of Council

Date of Adoption

| NEIGHBORHOOD STABILIZATION PROGRAM-3
PROGRAM DESIGN

CITY OF MARTINSVILLE, VIRGINIA

APPROVED BY CITY COUNCIL _____, 2011

ASSISTANCE BY:
COMMUNITY PLANNING PARTNERS, INC.
COMMUNITY DEVELOPMENT CONSULTANTS

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PROGRAM OVERVIEW

The Neighborhood Stabilization Program-3 (NSP), funded by the US 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. The specific guidelines relating to the Martinsville NSP3 are set forth in this document to provide guidance to the Management Team during the implementation of the program. The Housing Program for the Martinsville NSP will operate according to these written guidelines which have been established as local policies and procedures for the implementation of the project. Every applicant will be treated with fairness and consistency. The adopted program standards will apply equally to each program applicant.

PROGRAM PURPOSE AND OBJECTIVE

The objective of the Martinsville City Council, City staff and the Martinsville Neighborhood Stabilization Program Management Team is to stabilize those neighborhoods hardest hit by the recent foreclosure crisis. The program will achieve this objective by acquiring foreclosed and abandoned properties in eligible areas, rehabilitating them, and selling them to eligible and qualified low-to-moderate-to-middle (LMMI) income households as their primary residence.

NEIGHBORHOOD STABILIZATION PROGRAM STAFF

The successful implementation of the Martinsville Neighborhood Stabilization Program will require the expertise and actions of all program staff. Individual project tasks are assigned to one 'responsible party' with additional support provided by other program staff members. The Martinsville Neighborhood Stabilization Program will be implemented by the following persons:

City Manager

Mr. Clarence Monday, will serve as the Certified Federal Official for the project as well as supervise all project activities. Mr. Monday will also keep the Martinsville City Council informed of project activities.

Project Manager

Mr. Wayne Knox, Director of Community Development, will serve as the NSP Project Manager and will be responsible for the overall implementation, management, budget, and file maintenance for the project. Mr. Knox will complete pre-contract activities; arrange for the procurement of the rehab specialist, project realtor, management consultant and any other required assistance; lead management team meetings; attend NSP workshops; monitor project budget, DHCD contract, and drawdowns; ensure Equal Opportunity and Fair Housing compliance; serve on Acquisition Team; order appraisals; coordinate marketing and outreach; activate utilities in acquired properties; issue Notices to Proceed; and provide

overall coordination of all program members. All positions involved in the project will report directly to the Project Manager.

City Council Representative

Mr. Kimble Reynolds, has been identified as the representative from City Council to serve on the NSP Management Team.

Management Consultant

_____, will assist the Project Manager with the coordination of project activities and compliance with local, state and federal regulations that are necessary for the successful and timely implementation of the Martinsville NSP.

_____, is the assigned management consultant and will provide assistance to the Management Team as directed by the Project Manager. He will prepare materials for dissemination to the Management Team and general public that explain the Neighborhood Stabilization Program. He will also monitor DHCD contract compliance and ensure annual Fair Housing Compliance. _____ will attend regular management meetings, submit Statutory Checklists to DHR and submit monthly project reports to DHCD as required.

Housing Rehabilitation Specialist

_____, will be responsible for the supervision, quality, cost control and DHCD/HUD Housing Quality Standards (HQS) requirements of the rehabilitation of NSP houses. Duties include HQS and lead paint property inspections, completion of blower door testing, lead-based paint notifications/approvals, cost estimated and work write-ups, weekly and final inspections to monitor rehabilitation work, lead paint clearance testing, asbestos testing, pay request approvals, and closeout of individual projects including certification that housing quality standards violations have been addressed. _____ will prepare master specifications and necessary support materials for bid packages; coordinate pre-bid and preconstruction conferences and walk-throughs; review and recommend contract awards; review change order requests; and coordinate with City code inspections. The Housing Rehabilitation Specialist is also expected to attend regular Project Management Team meetings.

Real Estate Consultant/City Realtor

Ms. Wanda Green of Crown Associates Realty will provide realtor services to the City. These services include identification of foreclosed and eligible properties; issuance of a 'broker price offering' (BPO); negotiations with banks regarding acquisition of target properties; and general real estate consultation as needed by the management team.

Construction Inspector

Mr. Teddy Anderson, Jr. is the Building Official for the City of Martinsville. He will assist the rehab specialist with inspection services during the rehabilitation of NSP-acquired homes.

Housing Counselors

Ms. Cecil Lowe of the Martinsville Redevelopment and Housing Authority and *Ms. Earline Powell* of Southside Outreach are certified HUD housing counselors and have been providing area residents with housing services for many years. Ms. Lowe and Ms. Powell have assisted

the City on several CDBG projects and are familiar with program requirements. Ms. Lowe and Ms. Powell will assist the potential homebuyer with identifying mortgage financing and provide information on NSP houses (to be supplied by the City).

Budget Analyst

Ms. Linda Conover, Budget Analyst, will monitor the project budget and coordinate all CDBG draw downs and be responsible for monitoring all project funds. Ms. Conover will also handle the return of program income to DHCD and track, as necessary, any leverage funds for the project.

Martinsville County Building Official

Mr. Teddy Anderson, Jr. is the Building Official for Martinsville. The Building Department will be responsible for issuing all permits and certificates. The department, under Mr. Anderson's direction, will also oversee final inspections of all rehab construction done on NSP houses.

Appraisers

Mr. Tim Stone and *Mr. Henry Wall*, Appraisers, will serve as Project Appraisers of targeted properties as directed by the Project Manager. They will issue BPOs and provide general guidance to the Management Team regarding the pre- and post-rehab value of targeted units as well as market conditions.

Mortgage Lender

Ms. Betty Wright is a mortgage lender who will provide advice on how to maintain and inform a pool of lenders for NSP homebuyers. She has also volunteered to serve in the lenders pool.

DHCD Community Development Specialists

Mr. Doug Ellis and *Ms. Cheri Miles* will serve as points of contact at DHCD and will provide technical assistance and overall project guidance. They will monitor project compliance with all applicable state and federal requirements.

ELIGIBLE PROJECT AREAS AND PROPERTIES

The Martinsville NSP project areas are based on a number of factors: concentrations of vacant and abandoned/foreclosed properties, affordability of the homes to be re-sold to low-to-moderate-to-middle income (LMMI) households, and the extent of housing rehabilitation needs. The Department of Housing and Urban Development (HUD) has compiled these factors into a scoring system for every Census tract in the country. A Census tract with a HUD score of 18 or higher constitutes an eligible project area for NSP. The eligible Census tracts for the City of Martinsville are 9901, 9902, 9903, and 9904. An eligible property must be located within one of these eligible Census tracts as detailed in Appendix A: Project Area Maps (to be included).

Eligible properties are those structures located in one of the identified Census tracts that are foreclosed, vacant, and suitable for rehabilitation within the maximum allowable \$45,000 in NSP rehabilitation funds. HUD defines a property as ‘foreclosed’ if one of the conditions below is met:

- The property is at least 60 days delinquent under Mortgage Bankers of America delinquency calculation and the owner has been notified of the delinquency.
- The owner is 90 days or more delinquent on tax payments
- Under state, local or tribal law, foreclosure proceedings have been initiated or completed; or
- Foreclosure has been completed and the title has been transferred to an intermediary aggregator or servicer (not an investor) that is not an NSP grantee, contractor subrecipient, developer or end user.

HUD defines a property as ‘abandoned’ if any one of the following conditions is met:

- The mortgage, tax payments, or tribal leasehold is at least 90 days delinquent
- A code enforcement inspection has determined the home is not habitable and the property owner has taken no corrective actions within 90 days of deficiency notification
- The property is subject to court-ordered receivership or nuisance; abatement related to abandonment pursuant to state, local laws, tribal laws or otherwise meets Virginia’s definition of an abandoned home

Units requiring rehabilitation above the allowable \$45,000 are not immediately desirable for the NSP program. If a unit with rehabilitation costs exceeding \$45,000 becomes available and the end product will continue to be affordable to an LMMI household, the City reserves the right to seek approval from DHCD for the acquisition, rehabilitation and resale of this target property.

Housing affordability is a critical component of the success of the Martinsville NSP. Houses with high acquisition prices or rehabilitation costs will not be affordable for LMMI households and, therefore, will not be targeted by NSP. Mobile homes will not be considered eligible for NSP activities.

ELIGIBILITY OF LMMI HOUSEHOLDS TO PURCHASE NSP HOMES

The eligibility of an applicant shall be determined on the basis of the household's income. Eligible applicants must be interested in purchasing and residing in a home located within one of the target project areas. The program will not benefit middle or moderate income persons to the exclusion of low income persons. It will not prioritize beneficiaries as to discriminate against large families or female-headed households.

Program staff will apply all procedures in a uniform manner. Information regarding race, color, religion, sex, national origin, age, familial status, or disability will be used only for demographic reporting to the funding agency and will have no bearing on eligibility or scoring for program participation.

Income Eligibility

An applicant must meet the following Housing and Urban Development (HUD) Income Limits for this program which are set at 120% of the area median income (AMI). Documentation of all income sources must be submitted and verified at the time of application. The Martinsville RHA will be responsible for verifying the annual income for NSP participants and providing the required HUD housing counseling.

The adjusted gross family income for the previous twelve (12) months will be utilized as the applicant's 'annual income.' Additionally, 10% of liquid assets or actual interest earned is counted as income. Total adjusted gross income cannot exceed 120% of the area median income by family size as issued by HUD, as listed below. The maximum income limits are revised annually as income levels are released by HUD.

Total Number of Persons in Household	2011 Maximum Income Limit is 120% of the Area Median Income
1	\$43,600
2	\$49,800
3	\$56,050
4	\$62,300
5	\$67,250
6	\$72,250
7	\$77,250
8	\$82,200

Source: FY 2011 Low Income Limit (Martinsville City). Maximum income limits are revised annually by HUD.

It is recommended that NSP applicants become pre-approved for a mortgage early in the process. If that is not possible, the Housing Counselor will work with the applicant to get him/her lender-ready. The housing counselor will pull an applicant's credit report (if not

provided by the applicant or mortgage lender) to determine the debt-to-income ratio of prospective NSP participants. This calculation is an important step in determining 'affordability' for homebuyers. A goal of the NSP program is to keep all housing costs at or below 32% of the household's monthly gross income. Excessive liabilities such as deferred student loans, child support payments, alimony, personal loans, repayment loans with collection accounts, judgments and payday loans will be taken into consideration when determining affordability of housing.

Income inclusions are: wages and salaries, overtime pay, commissions, fees, tips, and bonuses; paid alimony, child support and regular contributions or gifts received from persons not residing in the dwelling; interest and dividends; periodic payments from social security, SSI benefit, annuities, insurance policy payments, retirement funds, pensions, lotteries; unemployment, workers compensation and severance pay; welfare, food stamps, aid-to-dependent children, and other sources of public assistance.

Income exclusions are: income from employment of children under the age of 18 years, foster care payments, medical reimbursements, income of live-in aid, student financial assistance paid directly to the student or educational institution, hostile fire pay, qualified training payments, temporary, nonrecurring or sporadic income, disabled PASS, temporary, non-recurring gifts, and housing assistance payments.

APPLICATION PROCESS

All interested homebuyers are encouraged to submit an application for participation in the Martinsville NSP. Applications can be obtained by contacting the Project Manager or Housing Counselor. Each application will be reviewed by project staff and determined if the applicant is income eligible as set forth by HUD income limits of 120% AMI. All information provided in the application will be verified to substantiate program eligibility. Applications can be received by either the Project Manager or Housing Counselor. All information supplied in the application will be held in confidence. Applicants must sign a waiver allowing the Housing Counselor or designated agent to verify the information listed in the application.

Applicants will be notified by letter of the results of their eligibility determination. If an applicant is determined to be ineligible for NSP participation, the notification letter will state the reasons for ineligibility. Once approved to participate in NSP, the homebuyer must complete HUD-certified housing counseling (8 hour course including intake), if not already completed.

CONTRACTOR SOLICITATION

The City of Martinsville has maintained a list of pre-qualified housing rehabilitation contractors that was developed during a previous Community Development Block Grant project. The City advertised for rehabilitation contractors in local newspapers and will continue to solicit and accept additional contractors for rehabilitation work. The City will verify that all contractors on the pre-approval list are current with appropriate insurance, licensing, certifications, and DPOR clearance.

CONTRACTING PROCEDURES

General contractors on the pre-approval list will be solicited by the Housing Rehabilitation Specialist to submit bids on housing rehabilitation construction for the Martinsville NSP via direct correspondence. Public notices and outreach efforts have been made to solicit participation of local, female-owned and minority businesses. The NSP program will accept requests from contractors for pre-qualification throughout the course of the project.

CONTRACTOR'S QUALIFICATIONS

Contractors will be required to complete a prequalification form requesting information regarding experience and certification to determine their qualifications and eligibility to perform rehabilitation work. Contractors must be Commonwealth of Virginia Class A, B or C registered. Minimum liability insurance requirements are at least \$100,000 property damage and \$300,000 personal injury. Contractors will also be required to demonstrate creditworthiness with no outstanding or pending judgements or claims. The program will not require contractors to be bonded if adequate credit is established. A list of approved contractors will be established and approved by the project Management Team. Additional pre-qualified contractors may be added to the list with Board approval during the course of the project. No contract will be awarded to a contractor until all qualification criteria have been met.

For rehabilitation construction on units built prior to 1978, contractors must have all the proper EPA certifications regarding lead safe work practices. For demolition, contractors must provide an asbestos report prior to any demolition work.

Failure to perform under the terms of the construction contract will be documented by the Housing Rehabilitation Specialist. The Management Team can vote to bar a contractor from future bidding based on staff recommendation and/or public complaint. A correspondence to the contractor from the Housing Rehabilitation Specialist and Project Manager will be sent by certified mail detailing the problems and the specific reasons for this action. The Complaint and Appeals Proceedure will be be given to all applicants, beneficiaries and contractors.

PRE-BID ACTIVITIES

An informational meeting will be held by the Housing Rehabilitation Specialist for interested contractors, both prime and sub. All Federal, State and local guidelines and requirements will be discussed. HUD Housing Quality Standards, master specifications, bidding procedures, work process and payment schedules will be reviewed. The Rehab Specialist has the option of bidding several rehabilitation jobs together to ensure timely implementation of the program.

BIDDING

All rehabilitation work will be procured through competitive bidding. Bid packages will be provided to all pre-qualified contractors which will include detailed bidding procedures for contractors to follow in preparing and submitting their bids, and rehabilitation specifications with cost estimates. No one prime contractor may have more than two (2) jobs under construction at any one time, although the Management Team may waive this limitation at its discretion based on the size of the company, the extent of the rehabilitation work, the contractor's work experience and ability to complete the jobs in a timely fashion. The Housing Rehabilitation Specialist will conduct a mandatory walk-through of the structure under consideration for bid.

In the event no acceptable bid is received for a particular unit, the City may request authority from DHCD to negotiate a noncompetitive contract with the lowest responsible bidder. The Housing Assistance Board will review and approve the bids prior to the award of the contracts.

CONSTRUCTION CONTRACT

The City will enter into a construction contract with the contractor who meets all project requirements and provides the lowest bid. All local and state licenses and permits will be required for each job and will be the responsibility of the selected contractor. All rehabilitation work must be completed within thirty (30) days of the contract date. Longer timeframes may be possible if the Rehabilitation Specialist deems the extent of the rehabilitation will take longer. Extensions of this time period are subject to the Housing Rehabilitation Specialist's approval and shall be for causes beyond the contractor's control such as inclement weather or material availability.

Change orders are deletions or additions to the specifications made through an addendum to the rehabilitation contract. Change orders will be initiated only by the Rehabilitation Specialist for work that was not foreseen prior to construction (conditions obscured by walls, floors, etc.). Change orders will not be executed without signed authorization and agreement of the specified work and cost by the contractor and Rehabilitation Specialist. All change orders must receive final approval from DHCD prior to their execution.

During contract execution, the contractor will be required to submit a Disclosure Statement and will be provided a Monthly Register of Assigned Employees and a Monthly Register of Contractors, Subcontractors and Suppliers which must be completed and provided to the Housing Rehabilitation Specialist during each month he is working on the job.

PRECONSTRUCTION CONFERENCE

After bids have been received and a contract has been awarded to the lowest responsible bidder, the Housing Rehabilitation Specialist will arrange a walk-through of the property with the contractor to ensure that all work to be done is understood between the parties. Every effort will be made to have the prospective buyer select basic paint and appliance

colors, where necessary. Disagreements about the work to be performed shall be resolved by the Rehabilitation Specialist. Reporting requirements will once again be outlined for the contractor.

INSPECTIONS

The Rehabilitation Specialist will be responsible for weekly inspections. The City Construction Inspector may also provide inspection assistance. An inspection will be made at approximately 50 percent completion in order to authorize partial payment to the contractor for work completed and approved.

At the conclusion of the rehabilitation, the Rehabilitation Specialist will perform a final inspection to make sure that construction activities are completed to his satisfaction and in compliance with the construction contract. Any work items not completed to the Rehabilitation Specialist's satisfaction will be enumerated on a punch list and delivered to the contractor. Once the contractor has completed the items on the punch list, a final inspection shall be performed to ensure completion.

PROGRESS PAYMENTS

Payment will be made when the work specified in the contract is 50% completed and approved by the Rehabilitation Specialist and City or at the end of the first thirty (30) days for work performed and approved by inspection with a minimum 25% completed. A final payment will be made at the completion of the job and final inspection approval. All work must be completed to the satisfaction of the Rehabilitation Specialist. A 5% retainage will be held from both payments (interim and final) until punch list items are satisfactorily completed and accepted.

Portions of work completed and progress payments will be based upon complete work items, not materials delivered to the project, start-up costs, or partial completions. Payments to contractors will be made within thirty (30) days of inspections for work performed.

Release of the final payment will not be made until the Housing Rehabilitation Specialist has received all of DHCD's required contractor paperwork, as stipulated below:

1. Electrical inspection report by a certified electrical inspector
2. Exterminator Inspection/Treatment Report
3. Chimney Inspection Report, if applicable
4. Initial and Final Blower Door Test Reports
5. Initial and Final HQS Inspection Reports, signed and dated
6. Progress Inspection Reports
7. Payment Approval Inspection Reports
8. Punch List Inspection Report

9. Lead Paint Clearance Test, if applicable
10. Building Permit
11. Building Code Inspection Report per CABO
12. Affidavit of Release of Liens
13. Affidavit of Payment of Debts and Claims
14. Register of Assigned Employees, Contractors, Subcontractors and Suppliers

Once a job is officially closed out and the one-year rehabilitation warranty period is in effect, the property owner should address complaints, in writing, directly to the responsible contractor.

LEAD-BASED PAINT

All properties constructed prior to 1978 are assumed to have the presence of lead paint and are required to have a visual inspection, conducted in conjunction with the initial HQS inspection by the Housing Rehabilitation Specialist, to determine the presence of deteriorated paint surfaces, paint dust, chips or residue, or rehab activity which will disturb a paint surface and which exceeds the allowable 'de minimus' levels permitted by HUD regulations.

If a visual inspection reveals such conditions, the property must undertake "interim measures" or "standard treatments" (Lead Safe Work Practices) to protect occupants and workers during rehabilitation.

1. All contractors, subcontractors and crew, including volunteer workers, must have a representative attend the "Lead Safe Work Practices" training class conducted by a licensed trainer or provide documentation of valid certification. This class will be offered at least one time during the project. As of April 22, 2010, the contractor must be an EPA Lead-Safe Certified Firm to perform any rehab work on properties constructed before 1978.
2. Clearance testing must be performed at the conclusion of the work;
3. All houses must successfully pass the lead paint clearance test.

Any property known to have been constructed after 1978 will be assumed to be lead-free.

ACQUISITION PLAN

The City of Martinsville will follow the general guidelines set forth below when identifying and acquiring properties under the NSP program:

- 1) Monitor target neighborhoods for eligible foreclosed properties through field visits, discussions with local realtors, review of public notices of foreclosure,

cooperation with mortgage holders, and any other means that identifies foreclosed properties that would be eligible and suitable for inclusion in the Martinsville NSP program.

- 2) Consult with City Realtor, obtain BPO, and negotiate with deed holder for acquisition price, preferably at 10%+ discount but at least 1% below the 'as-is' appraisal price.
- 3) Calculate acquisition price, housing rehabilitation cost estimate, and affordability of property based on income eligibility requirements.
- 4) Match targeted property with interested homebuyer.
- 5) Acquire property
- 6) Issue bid specs for work write-up to pre-qualified contractors.
- 7) Award housing rehab contract to lowest bidder.
- 8) Complete housing rehabilitation within 30 to 60 days from contract award
- 9) Order appraisal at completion of housing rehabilitation
- 10) Sell property to homebuyer.

PROPERTY REHABILITATION STANDARDS

All units receiving rehabilitation improvements are restricted to the correction of deficiencies as determined by the DHCD/HUD Housing Quality Standards and in accordance with the DHCD requirements for termite control, chimney safety, debris and trash removal, electrical components function, safety and weatherization, etc.

All properties receiving assistance will be inspected by the Rehabilitation Specialist in adherence to the Property Rehabilitation Standards of this program. All properties rehabilitated will be brought into compliance with HQS. The housing standards will be comprehensive in covering all housing equipment and construction elements. Cosmetic improvements will be scrutinized and related to correcting substandard conditions or bringing the unit up to neighborhood standards for the purpose of resale.

FINANCIAL ASSISTANCE

DHCD Acquisition Match

The NSP program requires grantees to acquire foreclosed and abandoned properties at a minimum of 1% below the 'as-is' appraised value. DHCD will match 1-for-1 the dollar amount of the discount off the as-is appraised value up to 10% on all NSP-acquired properties. The DHCD match will be held as a forgivable lien on the property for a term determined by the total amount of all NSP funds held as a lien and according to HOME program guidelines.

DHCD Subsidy of 3.5% of Sales Price

DHCD recognizes that FHA-backed loans require a 3.5% down payment. As such, DHCD will hold 3.5% of the sales price of all NSP properties in a 2nd Deed of Trust as a forgivable lien subject to HOME program guidelines. This 3.5% subsidy will serve as the down payment.

DHCD AMI Subsidy

120% - 81% Area Median Income – For all eligible homebuyers in this AMI range, DHCD will hold 10% of the NSP sales price (acquisition + rehab costs) in a 2nd Deed of Trust. The term for the forgivable lien will be set according to HOME program guidelines and is based on the total amount of NSP funds left in the property.

80% - 51% Area Median Income - For all eligible homebuyers in this AMI range, DHCD will hold 20% of the NSP sales price (acquisition + rehab costs) in a 2nd Deed of Trust. The term for the forgivable lien will be set according to HOME program guidelines and is based on the total amount of NSP funds left in the property.

50% Area Median Income and below - For all eligible homebuyers in this AMI range, DHCD will hold 30% of the NSP sales price (acquisition + rehab costs) in a 2nd Deed of Trust. The term for the forgivable lien will be set according to HOME program guidelines and is based on the total amount of NSP funds left in the property.

Down Payment Assistance

NSP funds will not be used for down payment assistance.

Closing Cost Assistance

Additional financial assistance will be available to those qualified households that will participate in the Martinsville NSP program. Each qualified household may be eligible to receive up to \$8,000 in closing cost assistance from NSP funds. Closing cost assistance is forgiven to the homebuyer at the time of property transfer and is NOT held in the second deed of trust. Additional funds may also be utilized to supplement the NSP funds. The Housing Counselor will advise applicants of the availability of these funds and will recommend to the Management Team the most appropriate financing package for each homebuyer.

HOME BUYER OUTREACH, EDUCATION, AND COUNSELING PLAN

The City of Martinsville has partnered with the Martinsville Redevelopment and Housing Authority (MRHA) and Southside Outreach, a housing non-profit, to provide

VHDA/HUD-certified housing counseling to homebuyers interested in participating in NSP. All potential homebuyers must complete the HUD-certified housing counseling before they become eligible to acquire an NSP home.

The City will undertake additional efforts to inform the public and recruit new homebuyers to the program through the City website, public access station, newspaper articles, flyers, City staff paycheck inserts, and/or any other available means that support the efforts of NSP.

LOAN APPROVAL AND RESALE PROCESS

All potential NSP homebuyers will be pre-qualified by a mortgage lender before being matched with a potential property. This requirement serves several purposes:

- 1) The buyer knows how much he/she can afford up front and does not waste time viewing houses out of price range.
- 2) The City knows which properties should be considered for acquisition.

Pre-qualification of potential homebuyers minimizes the chances of a property not going to closing due to financing issues.

As part of the housing counseling, the potential buyer will be paired with a mortgage lender who has qualified the buyer for the appropriate financing. The Housing Counselor will investigate all reasonable mortgage financing options including conventional lenders, Rural Development, and VHDA so that the homebuyer is matched with the most appropriate financial product. Sub-prime mortgage financing will be strongly discouraged.

SECURITY, RESALE REQUIREMENTS AND AFFORDABILITY

All properties acquired and rehabilitated with funds from NSP will be secured with a lien granted to the City of Martinsville equal to the amount of grant funds invested in the unit and not recaptured at the resale of the unit. The lien will be forgiven proportionally over the lien term and, therefore, be forgiven in total at the end of the lien period. In circumstances where affordability can only be achieved through the reduction of the sales price, the City reserves the right to secure the difference between the invested grant funds and the recaptured amount in a lien against the property. The lien term will be determined by the amount of grant funds secured in the lien and according to HOME program guidelines:

Less than \$15,000 – 5 years

\$15,000 to \$40,000 – 10 years

More than \$40,000 – 15 years

When a NSP unit is sold before the end of the forgivable lien term, the new purchaser must meet the income requirements of the NSP program. The new purchaser must also be acquiring the property as the primary residence. The lien can be placed as a silent second, deferred or forgivable loan. If the property is sold, transferred, or otherwise conveyed, the

property owner must repay any unforgiven portion of the loan.

The City of Martinsville or its qualified agency or institution which services loans under the City's NSP Program will be under no liability for loss of funds due to lack of repayment or default by program beneficiaries. The responsibility of entities servicing housing rehabilitation loans is to collect, defer and forgive payments monthly. The servicing agents are to maintain records of loan balances, final payment due dates, and to make a good faith effort to collect delinquent loans. The servicing agent must adhere to all requirements under the law related to the collection of delinquent or bad debts.

In the case of death or institutionalization of the owner of a NSP unit, the heirs or responsible parties have several options. They include the following:

- 1) The balance of remaining indebtedness must be paid in full and the lien will be removed by the City.
- 2) A family member who qualifies as a low to moderate income (LMMI) household may assume the outstanding balance of the loan, enter into an agreement with the City and reside in the property as an owner.
- 3) The heirs or their authorized agent to rent the property to a qualified LMMI family. New loan documents must be executed to include the unpaid balance of the loan. The loan will be structured as an investor-owner loan and will include the unpaid balance to date and rental requirements.

CONFLICT OF INTEREST POLICY

The NSP program is subject to DHCD's strict conflict of interest position. The program will not benefit any person, or his/her immediate family, who has or had decision-making power in the NSP program from the time the application was planned, developed and submitted to DHCD to the grant's execution and implementation without DHCD's prior written approval regardless of any prior approval of a Program Design. This includes any elected and appointed officials and employees of the City, in accordance with Virginia and federal conflict of interest requirements.

In order to obtain DHCD's consent, the City must contact DHCD before providing any benefit to an individual in any of the above listed categories, outlining the nature of the potential conflict. Relevant information would include whether or not the individual is a low-to-moderate person and whether or not he or she has waived his or her responsibilities with respect to the specific assisted activity in question throughout the grant process.

COMPLAINT AND APPEAL POLICY AND PROCEDURE

The complaint and appeals procedure will be reviewed and adopted by the Management Team. A copy of the written procedure will be given to all approved applicants and contractors.

Oral complaints of any nature and by any party shall be documented and resolved by the Project Manager as informally and quickly as possible.

MARTINSVILLE NSP3
MANAGEMENT TEAM ROSTER

NAME	ORG / DEPT TITLE	OFFICE PH	OFFICE FAX	EMAIL
Clarence Monday	City Manager	276 403-5185	276 403-5280	cmonday@ci.martinsville.va.us
Wayne Knox	Community Development Director	276 403-5169	276 403-5381	wknox@ci.martinsville.va.us
Cecil Lowe	Housing Counselor – MRHA	276 403-5193		clowe@ci.martinsville.va.us
Earline Powell	Housing Counselor – Southside Outreach	434 572-9556	434 572-6762	outreach01@earthlink.net
Linda Conover	Budget Analyst			lconover@ci.martinsville.va.us
Teddy Anderson, Jr.	Building Official	276 403-5276	276 403-5381	twanderson@ci.martinsville.va.us
Wanda Green	Realtor	276 666-6969	276 666-9464	Wanda@crownassociatesrealty.com
TBD	Rehab Specialist			
Betty Wright	Mortgage Advisor			
Kimble Reynolds, Jr.	Vice Mayor			kreynolds@ci.martinsville.va.us
Henry Wall	Appraiser			
Tim Stone	Appraiser			
Eric Monday	City Attorney	276 403-5198	276 403-5194	emonday@ci.martinsville.va.us
Doug Ellis	DHCD Rep.	804 371-7115	804 371-7093	douglas.ellis@dhcd.virginia.gov
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TBD	Management Consultant			

