

Meeting Date: December 14, 2010

Item No: 1.

Department: Clerk of Council

Issue: Consider approval of minutes of City Council Nov. 8 Neighborhood meeting, the Nov. 8 School Board Board meeting with Council in attendance, and Nov. 9, 2010 regular Council meeting.

Summary: None

Attachments: [Minutes November 8, 2010 joint School Boards](#)
[Minutes November 8, 2010 Neighborhood mtg](#)
[Minutes November 9, 2010 regular meeting](#)

Recommendations: Motion to approve minutes as presented

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Members of the City Council of the City of Martinsville, Virginia were attendance at a joint meeting of the Martinsville City School Board and the Henry County School Board at the Virginia Museum of Natural History at 4:00pm on November 8, 2010 at the invitation of the City School Board. Council members present were: Mayor Kim Akins, Vice Mayor Kimble Reynolds, Council Member Gene Teague, and Council Member Mark Stroud. Council Member Danny Turner arrived at 5:00 pm. City Staff present: Assistant City Manager Leon Towarnicki, Brenda Prillaman, and Eric Monday.

Both school board chairpersons called their meeting to order. The purpose of this meeting was discussion of possible merger of city and county schools. Both school boards reviewed a presentation of a review of the 2004 study done and Supt. Jackson and Interim Supt. Heath gave updated information where applicable. Information was presented that the combined enrollment of both systems FY09 was 9,635 in comparison to the 11,450 combined enrollment figure when the June 2004 school merger study was done. Dr. Boshier, the facilitator, pointed out that the first step to get to is deciding to do a MOU and any parties without intent to do this should back out now. Legal aspects of a merger were reviewed by Douglas Guynn who urged both boards to talk to each other during the merger discussions if anything is to be done out of the ordinary such as incurring large debt. Boshier will pursue engaging the public during December with interviews and other means of public input and then boards decide their intent in January/February before budget discussions begin.

No formal action was taken.

There being no further business, the joint school board meeting adjourned at 5:45 PM and Council members disbursed after the meeting.

Leon Towarnicki
Deputy Clerk of Council

Kim Adkins
Mayor

November 8, 2010

Martinsville City Council Neighborhood Meeting for the Southside area was held on November 8, 2010, at Fuller Memorial Baptist Church, 1204 Askin St., Martinsville, Virginia, at 7:30 P. M., with Mayor Kim Adkins presiding and Council members present including: Vice Mayor Kimble Reynolds, Gene Teague, Mark Stroud, Sr., and Danny Turner. Staff present included: Clarence Monday, City Manager; Leon Towarnicki, Assistant City Manager; Brenda Prillaman, Wayne Knox, Eric Monday, Eddie Cassady, Kenneth Draper and Andy Powers. Mayor Adkins welcomed attendees and Gene Teague gave the invocation.

Mayor Adkins asked Andy Powers, Property Maintenance Inspector, to give a property maintenance update. Mr. Powers pointed out properties on the list for demolition and noted that turn around time is about 12 weeks to get a property inspected. Council asked that the list of demolitions be ranked from severe to minor and brought back to Council for future discussion. Mayor Adkins pointed out Council did individual tours rather than a group tour due to a special School Board joint meeting. Mayor Adkins opened the floor for citizen comments: Kathy Lawson—noted that the one-way section of Askin St. needs yellow line removed to make it clearer that it is a one way street; Trula Clark of 1124 S. Askin had concerns with the pavement repairs on the upper section of the street; Donna Boyd of 1209 Askin St. inquired about fire dept. personnel coming out to check chimneys for residents and Fire Chief Kenneth Draper responded the department no longer does this due to liability issues; Howard Hairston of 1307 Askin St. reported issues with numerous break ins and the need for more police patrol due to people standing in the street blocking vehicles and speeding vehicles including school buses. The speeding on the straight stretch of Askin St. will be referred to the Transportation Safety Commission for review. Mr. Sparks of Wingfield St. voiced issues with the dead end of Wingfield St. needing more light; Donna Boyd of Askin St. praised the city for taking care of her situation when her tire was damaged by the manhole cover which was raised up in the street; several citizens reported there are kids messing with the manhole covers and they keep tilting them sideways just to cause problems for the vehicles; graffiti issues on the building at Askin & South St. were discussed.

Mayor Adkins adjourned the meeting at 8:25 pm.

Clarence Monday
Clerk of Council

Kim E. Adkins
Mayor

November 9, 2010

The regular meeting of the Council of the City of Martinsville, Virginia, was held on November 9, 2010, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kim Adkins presiding. Council Members present included: Mayor Kim Adkins, Vice Mayor Kimble Reynolds, Jr., Gene Teague, Mark Stroud, Sr., and Danny Turner. Staff present included: Clarence Monday, City Manager, Brenda Prillaman, Eric Monday, Leon Towarnicki, Linda Conover, Robert Ramsey, Ruth Easley and Wayne Knox.

Following the invocation by Council Member Gene Teague and Pledge to the American Flag, the Mayor welcomed everyone to the meeting.

On a motion by Gene Teague, seconded by Danny Turner, with a 5-0 vote, Council approved the minutes of October 12, 2010 and October 15-16, 2010 meetings.

Mayor Adkins presented a proclamation recognizing Starling Avenue Baptist Church's 75th Anniversary. Mayor Adkins presented a proclamation to Green Committee member, Mark Stroud, recognizing Recycle Day 2010.

Brief comments were made by Wayne Knox regarding the proposed zoning ordinance amendment related to electronic game rooms and Mayor Adkins continued the public hearing from the previous Council meeting. Comments: Carolyn Drew of Fifth St. concerned about crimes increasing; Johnny Robertson of Cascade, questioned why NC banned them if the high revenue is expected from these establishments; Naomi Hodge Muse of MHC Voters League asked that Council do away with the internet cafes; Tim Martin of the Planning Commission explained the commission did more investigating and that Va. legislators need to address this and he encouraged a moratorium on all these establishments; Gina Bozack of Colonial Downs stating this is hurting their business here; Tony Jones concerned with so many of the establishments being located in the West End area and encouraged citizens to call the landlords; Mike Elder of Childress Dr. concerned that blacks not being treated fairly; Marty Rainer, an owner of internet sweepstakes facility located in West Side of the City, stated he has a guard at the facility and there is not a lot of difference in lottery and internet sweepstakes; Melvin Smith of 614 E. Church St. has a game room Uptown and concerned about the wording in the ordinance regarding bladed instrument; Leonard Jones of 701 Starling Ave. concerns with this type of establishment as well as pay day lenders; Rev. J. C. Richardson who is a member of the Planning Commission advised that the law allowed these establishments to come in, not the Planning Commission, and the reason they are here is because they weren't regulated and he requests a moratorium be put on them; Tim Martin questioned

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if current law allows them in all zones all over the city and the City Attorney responded that the present law allows it except in residential. The City Attorney stated that Council can do away with Special Use Permits and have no more of these establishments and the grandfathered ones would have to go by restrictions; Gloria Hylton of 402 Second St. concerned that they were banned in Henry County and not here; Jean Wilson of 627 Fayette St. stated the distance requirements are not being adhered to; Tony Millner of the NAACP voiced his concerns regarding negative impact; Rick Moore, who runs a location on W. Church St., and lives in Charlotte NC, stated the sweepstakes are pre-determined winnings and he has full security. There being no further comments, the Mayor closed the public hearing.

Council members and the City Attorney then discussed particulars of the proposed ordinance related to electronic game rooms. On a *motion* by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council agreed to take out the special use permit language and move it into definitions that no electronic game rooms be allowed in any zones. There was Council discussion on hours of operation and it was recommended by Vice Mayor Reynolds to set hours from 10:00am to 7:00pm. On a *motion* by Kimble Reynolds, seconded by Gene Teague, Council approved with a 3-2 vote (Stroud-aye, Teague-aye, Reynolds-aye, Turner-nay, and Adkins-nay) to amend regulation on hours to 10:00 am to 7:00pm. There was Council discussion on number of gaming machines engaged in sweepstakes. Vice Mayor Reynolds made a *motion* that establishments cannot have more than 10 gaming machines simultaneously at any given time. The motion died for lack of a second. The City Attorney advised that the final language of the ordinance will have clarified language regarding restrictions applying to grandfathered facilities. On a *motion* by Gene Teague, seconded by Kimble Reynolds, with the following 4-1 recorded vote: Teague-aye, Adkins-aye, Stroud-aye, Reynolds-aye, Turner-nay, Council voted to adopt on an emergency basis and making the amendments effective today. Council Member Turner challenged whether an emergency exists. On a *motion* by Gene Teague, seconded by Kimble Reynolds, with the following 5-0 recorded vote, Teague-aye, Adkins-aye, Stroud-aye, Reynolds-aye, Turner-aye, Council agreed to adopt the following ordinance related to internet gaming, on second reading, as amended to take effect immediately:

ORDINANCE 2010-Z-4 INTERNET GAMING

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session held on November 9, 2010 and that Appendix B of the City Code, the Zoning Ordinance, be amended as follows with strikethrough indicating deletion of existing text and italicized boldface type indicating new text, and that pursuant to Chapter 3, Section 2(a) of the City Charter, and by the majority vote of the Council, said amendments shall take effect immediately upon passage:

SECTION II-DEFINITIONS

Amusement arcade - Establishments in which a principal use is the operation of video, mechanical, electronic, and/or coin operated games and/or devices for the amusement of the general public.

Amusement machine - Any video, mechanical, electronic and/or coin operated game and/or device for the amusement of patrons. This definition shall not be construed to include coin operated music players, coin operated mechanical children's rides or coin operated television.

Electronic Game Room (internet sweepstake/internet café) - A business enterprise, whether principal or accessory, where persons utilize electronic machines, including but not limited to computers and gaming terminals to conduct games of odds or chance, including sweepstakes, and where cash, merchandise, or other items of value are deemed or otherwise distributed, whether or not the value of such distribution is determined by electronic games played or by predetermined odds. Electronic Gaming Operations do not include operations associated with the official Virginia Lottery or amusement arcades.

- A. *With respect to each such establishment existing prior to November 9, 2010:*
- (1) Alcohol is prohibited;*
 - (2) Bladed weapons are prohibited;*
 - (3) Establishment cannot open for business prior to 10:00 a.m. and must close by 7:00 p.m.;*
 - (4) Establishment must abide by all building and zoning codes.*
- B. *With respect to any such establishment existing after November 9, 2010:*
- (1) Alcohol is prohibited;*
 - (2) Bladed weapons are prohibited;*

- (3) Establishment cannot open for business prior to 10:00 a.m. and must close by 7:00 p.m.;*
- (4) Establishment must abide by all building and zoning codes.*
- (5) Establishment must be located at least 1000 feet from churches, schools, and playgrounds;*
- (6) Establishment is prohibited in any local historic district without regard to zoning classification.*

Internet café- *See Electronic game room*

Internet sweepstake- *See Electronic game room*

SECTION XII: COMMERCIAL DISTRICTS

- A. C-1 Neighborhood Commercial District.**
- B. Uses permitted by right in the C-1 District.**
 - 53. ~~Electronic game rooms.~~ *Amusement arcades.*
- E. C-1A Intermediate Commercial District.**
- F. Uses permitted by right in the C-1A District.**
 - 53. ~~Electronic game rooms.~~ *Amusement arcades.*
- I. C-2 Central Business District.**
- J. Uses permitted by right in the C-2 District.**
 - 54. ~~Electronic game rooms.~~ *Amusement arcades.*
- M. C-3 General Commercial District.**
- N. Uses permitted by right in the C-3 District.**
 - 51. ~~Electronic game rooms.~~ *Amusement arcades.*

SECTION XIII: BUSINESS AND MANUFACTURING DISTRICTS

- E. M-1 Light Manufacturing District.**
- F. Uses permitted by right in the M-1 Light Manufacturing District.**
 - 50. ~~Electronic game rooms.~~ *Amusement arcades.*

I. M-2 Heavy Manufacturing District.

J. Uses permitted by right in the M-2 Heavy Manufacturing District.

All uses are allowed in the M-2 District with exception of the following:

24. *Electronic game rooms.*

Attest:



Clarence C. Monday, Clerk of Council

11-9-10
Date Adopted

11-9-10
Date Effective

Sharon Brooks-Hodge, Tony Jones, and Phyllis Page presented an update to Council regarding a proposed Westside Community Center. Information was presented on volunteer recruitment, collaborations, upcoming events, technical assistance, planned projects, development of two community advisory boards, and temporary site now being used at 105 East Main St. The City Manager briefed Council on the Baldwin Park old landfill site and reported about 5 acres used to be the landfill, but it is a 15 acre site. Mr. Jones thanked Council for working with the group and reported they will continue their fundraising efforts.

Business from the floor: Leonard Jones commended Council on a good resolution. Jessie Ward, 178 Ward Road, voiced her concerns with the comments made by a member of Council that she felt were unacceptable. Sharon Hodge of 203 Greyson St. voiced her concerns about having to deal with the city's zoning ordinances regarding 201 Greyson St. and she questioned as to when Council was going to enforce the zoning ordinance on that property. The Mayor responded that the business there is in the process of re-locating.

Clarence Monday made brief comments regarding the approval on second reading of the preliminary ordinance making initial findings regarding issuance of bonds for the landfill-methane project noting that this ordinance still does not commit the City to the

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issuance of such bonds. On a motion by Gene Teague, seconded by Mark Stroud, with the following 5-0 recorded vote: Adkins, aye; Reynolds, aye; Teague, aye; Stroud, aye; and Turner, aye, Council approved the following ordinance on second reading:

CITY OF MARTINSVILLE, VIRGINIA

AN ORDINANCE RECITING THE EXPEDIENCY OF THE ISSUANCE OF UP TO \$1,950,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, AND SETTING FORTH THE PURPOSE, IN GENERAL TERMS, FOR WHICH THE BONDS ARE TO BE ISSUED, THE MAXIMUM AMOUNT OF THE BONDS TO BE ISSUED AND THE MAXIMUM LENGTH OF TIME SUCH BONDS WILL BE OUTSTANDING

Adopted on November 9, 2010 (second reading)

Be it Ordained by the Council of the City of Martinsville, Virginia:

Section 1 - Findings and Determinations

The City Council ("**City Council**") of the City of Martinsville, Virginia (**the "City"**) proposes to issue bonds for the purpose of assisting in the acquisition, construction, expansion, renovation and equipping of City of Martinsville public works facilities, including landfill improvements (including facilities for electricity generation from landfill gas) and wastewater treatment plant improvements (including an automatic bar screen), all for municipal purposes (**together, the "Project"**) and hereby finds and determines that: (i) the City is in need of funds to be used by the City for such construction and equipment needs brought to the attention of the City Council by the Martinsville City Manager, specifically for the Project, for costs of issuance of the Bonds (defined below) and for payment of interest on the Bonds; (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the City's public works solid waste disposal and wastewater treatment services; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of general obligation bonds in an original principal amount not to exceed \$1,950,000 to be issued by the City as further described herein (**the "Bonds"**) to be used for the acquisition, construction and equipping of the Project and for certain costs of issuance of the Bonds; (iv) the issuance of the Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Bonds is in the best interests of the City and its citizens.

Section 2 - Description of the Bonds

The City Council finds that it is expedient for the City to borrow money and issue the Bonds for the Project in a maximum amount not to exceed ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS (\$1,950,000). The maximum length of time that the Bonds will be outstanding is eleven years from the date of issuance of the Bonds. The form and details of the Bonds which are proposed to be issued will be more specifically set forth in a City Ordinance to be entitled "AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$1,950,000 MAXIMUM PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, which will be introduced before the Council and considered for passage following a public hearing on the issuance of the Bonds, as required by law.

Section 3 - Further Actions Authorized

The City Manager, Clerk of the Council, City Treasurer, City Attorney, Sands Anderson PC as bond counsel, Davenport & Company LLC as financial advisor to the City and all other officers, employees and agents of the City are hereby authorized and directed to take any and all such further action as shall be deemed necessary or desirable to facilitate consideration of the issuance of the Bonds. All actions of the City Manager, Clerk of the Council, City Treasurer, City Attorney, bond counsel, the City's financial advisor and all other officers, employees and agents of the City in furtherance of the issuance of the Bonds and the financing of the Project are hereby approved and ratified.

Section 4 - Invalidity of Sections

If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.

Section 5 - Headings of Sections

The headings of the sections of this Ordinance shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.

Section 6 - Effective Date and Filing of Ordinance

Council hereby declares in the public interest that this Ordinance shall become effective immediately upon its passage. A copy of this Ordinance, certified by the Clerk of the Council, shall be filed with the Clerk of the Circuit Court of the City of Martinsville, Virginia.

City Manager, Clarence Monday, briefed Council on the proposed ordinance for the construction and implementation of Phase II of the Landfill-Methane Project. This Ordinance authorizes the issuance of up to \$1,950,000 of General Obligation Bonds and is a determination by the City Council that: (1)The City is in need of the funds for generation of electricity from landfill gas and a wastewater treatment plant improvement project. (2)The project is for municipal purposes to serve the City and its citizens. (3)The most effective, efficient, and expedient manner in which to provide such funds is by the issuance of General Obligation Bonds, not to exceed a principal amount of \$1,950,000. (4)Issuance of the bonds is within the power of the City to incur such indebtedness. (5)The maximum length of time the Bonds will be outstanding is eleven years, from the date of issuance, and the Council determines the Project's useful life

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exceeds eleven years. Adoption of this Ordinance requires a second reading and is scheduled for the November 23 Council meeting. Request for proposals (RFPs) have been issued for bank financing and necessary equipment. Four financial institutions responded to the financing RFP. These proposals will be discussed with the Council at the meeting, and the selected financial institution will be identified within the Ordinance upon approval. Nine proposals were received on Monday, Nov. 1, for the landfill gas/electric project. An evaluation committee has already been convened and has started examining the proposals, comparing proposals to the scope of work required of the project, and thoroughly evaluating the proposals based on cost and other factors deemed appropriate in ensuring the best value to the City. In closed session, staff will offer more specific information that the Council needs to know in order to make an informed decision as to the project's cost-benefit. Discussion to this detail in public, at this point, will adversely affect the City's negotiating position. At Council's November 23 meeting, staff will make a more formal public presentation including total project cost, fiscal benefit to the City, and other relevant information. A Public Hearing will also be conducted prior to adoption of this Ordinance on second reading. Paul Jacobson and David Boyd briefed council on bank rates and gave details explaining the bank proposals and reported the recommendation is Carter Bank. On a *motion* by Gene Teague, seconded by Kimble Reynolds, with the following recorded 5-0 vote: Teague-aye, Adkins-aye, Stroud-aye, Reynolds-aye, Turner-aye, Council approved the following ordinance, on first reading, with Carter Bank being the chosen bank:

CITY OF MARTINSVILLE, VIRGINIA

AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$1,950,000 MAXIMUM PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF

Adopted on November 9, 2010 (first reading)

Be it Ordained by the Council of the City of Martinsville, Virginia:

Section 1 Definitions

Unless the context shall clearly indicate some other meaning, the following words and terms shall for all purposes of the Ordinance and of any certificate, resolution or other instrument amendatory thereof or supplemental thereto for all purposes of any opinion or instrument or other documents therein or herein mentioned, have the following meanings:

"Act" shall mean the Public Finance Act, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended.

"Bank" shall mean _____ Bank, _____, _____.

"Bonds" shall mean the City's General Obligation Bonds, Series 2010, in the aggregate principal amount of up to \$1,950,000, authorized to be issued hereunder.

"Bondholder" or "Bondholders" shall mean the registered holder or holders of the Bonds.

"Bond Counsel" shall mean Sands Anderson PC or another attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City.

"Bond Fund" shall mean the Bond Fund established by Section 6.

"Bond Maturity Date" shall mean _____, 20__.

"Bond Payment Date" shall mean the ___ day of each _____ and _____, beginning _____, 20__, up to and including the Bond Maturity Date.

"Bond Proceeds Fund" shall mean the Bond Proceeds Fund established by Section 4.

"Business Day" shall mean any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banks generally are open for business in the Commonwealth of Virginia.

"City" shall mean the City of Martinsville, Virginia.

"City Charter" shall mean the City Charter of the City of Martinsville, Virginia, as amended.

"Clerk" shall mean the Clerk of the Council or the Deputy Clerk of the Council.

"Closing Date" shall mean the date on which the Bonds are issued and delivered to the Bondholder.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and applicable regulations, procedures and rulings thereunder.

"Commonwealth" shall mean the Commonwealth of Virginia.

"Council" shall mean the City Council of the City of Martinsville.

"Interest Account" shall mean the Interest Account in the Bond Fund established by Section 6.

"Mayor" shall mean the Mayor or Vice Mayor of the City.

"Outstanding" when used in reference to the Bonds shall mean as of a particular date, the Bonds authenticated and delivered under this Ordinance except:

- (i) if a Bond is canceled by the City at or before such date;
- (ii) a Bond for the redemption or purchase of which cash or noncallable direct obligations of the United States of America, equal to the redemption or purchase price thereof to the redemption or purchase date, shall have been deposited with the Paying Agent, for which notice of redemption or purchase shall have been given in accordance with the Ordinance;
- (iii) a Bond in lieu of, or in substitution for which, another Bond shall have been authenticated and delivered pursuant to this Ordinance; and
- (iv) if a Bond is deemed paid under the provisions of Section 9, except that such Bond shall be considered Outstanding until the maturity or redemption date thereof only for the purposes of actually being paid.

"Paying Agent" shall mean the City Treasurer acting as Paying Agent for the Bonds hereunder or the successors or assigns serving as such hereunder.

"Principal Account" shall mean the Principal Account in the Bond Fund established by Section 6.

"Registrar" shall mean the Paying Agent, or the successors or assigns serving as such hereunder.

Section 2 Findings and Determinations

The Council hereby finds and determines that (i) the City is in need of funds to be used for the purposes of financing the acquisition, construction, expansion, renovation and equipping of City of Martinsville municipal facilities, specifically landfill improvements (including facilities for electricity generation from landfill gas) and wastewater treatment plant improvements (including an automatic bar screen), all for municipal purposes (**together, the "Project"**) including payment of costs of issuance of the Bonds and interest on the Bonds; (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the activities of the City and the City's municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of general obligation Bonds, Series 2010, in an aggregate original principal amount not to exceed \$1,950,000 to be issued by the City as further described herein (**the "Bonds"**) to be sold to the Bank, which has offered to purchase the same on certain terms and conditions pursuant to the Bank's proposal and the Financing Agreement; (iv) the issuance of the Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Bonds is in the best interests of the City and its citizens. The maximum length of time that the Bonds will be outstanding is eleven years from the date of issuance of the Bonds. The Council further hereby finds and determines that the average probable useful life of the Project, and each portion thereof, financed by the Bonds exceeds eleven years and that the Bonds are payable and shall mature within the average probable useful life of that portion of the Project.

Section 3 Authorization, Form and Details of the Bonds

(a) There is hereby authorized to be issued general obligation bonds of the City in the aggregate principal amount of up to \$1,950,000 for municipal purposes as described in Section 2 above. The Bonds authorized herein shall each be designated "General Obligation Bond, Series 2010." The Bonds shall be issuable in the principal amount of \$ _____ as a fully registered Bond, without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear interest payable on the Bond Payment Dates at a rate of ____% per annum. The Bonds shall mature on the Bond Maturity Dates. Commencing on _____, 2010, and continuing on each _____ and _____ thereafter, interest on the outstanding principal amount of the Bonds shall be due and payable as set forth above, and commencing on _____, 20____, and continuing on each _____ thereafter, principal amounts of the Bonds shall be due in accordance with the Bank's written proposal to purchase the Bonds until the Bond Maturity Date. The Bonds are subject to redemption prior to maturity at the option of the Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date, and if any Bonds are issued as Build America Bonds (as defined below) such Bonds shall be subject to optional redemption in the event the federal government terminates or modifies the Build America Bond direct payment program and discontinues or reduces interest subsidy payments as described below.

Any of the Bonds may bear interest at a taxable rate and may be issued as an interest-subsidy Build America Bond ("**Build America Bond**"), provided for in the American Recovery and Reinvestment Act of 2009 (**the "Stimulus Act"**), which provides for the issuer of a Build America Bond to receive subsidy payments directly from the United States Treasury equal to 35% of the interest paid on the Build America Bond. The Council may designate any Bond as a "Build America Bond" as provided for in the Stimulus Act and irrevocably elect (a) to have Section 54AA of the Code apply to the Bond so that the Bond is treated as a Build America Bond and (b) to receive refundable credit subsidy payments directly from the United States Treasury equal to 35% of the interest paid on the Bond pursuant to §54AA(g) of the Code. The City Manager or other officer of the City executing Internal Revenue Service Forms 8038-CP in relation to such Bond is authorized to bind the City in relation to the execution of such forms, to request the Internal Revenue Service to send such refundable credit subsidy payments directly to the City and to consent to the disclosure of return information necessary to process the refundable credit subsidy payments City contact persons designated by that officer.

The Bonds are hereby authorized to be issued under the City Charter and the Act. The Bonds shall bear interest from the date on which they are authenticated. Interest on the Bonds shall be computed on the basis of 30-day months and a 360-day year.

Principal of, and interest on, the Bonds shall be payable in lawful money of the United States of America. Principal of and interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof at its address.

The Bonds shall be printed, lithographed or typewritten and shall be substantially in the form herein below set forth, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance, including such variations, insertions and omissions as shall be necessary to issue the Bonds under a system of book-entry for recording the ownership and transfer of ownership of rights to receive payments of principal of and interest on the Bonds and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

If any principal of, or interest on, the Bonds is not paid when due (whether at maturity, by acceleration or call for redemption, or otherwise), then, to the extent permitted by law, the overdue installments of principal shall bear interest until paid at the same rate or rates as set forth in the Bonds.

The Bonds shall be signed by the facsimile or manual signature of the Mayor. The facsimile of the City's seal shall be printed thereon or manually impressed thereon and attested by the facsimile or manual signature of the Clerk. In case any officer whose signature or facsimile of whose signature shall appear on a Bond shall cease to be such officer before delivery of the Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he remained in office until such delivery. The Bonds may bear the facsimile signature of or may be signed by such persons as at the actual time of the execution thereof shall be the proper officers to sign the Bonds although on the date of delivery of the Bonds such persons may not have been such officers.

The Bonds shall bear a certificate of authentication, in the form set forth below, duly executed by the Registrar. The Registrar shall authenticate the Bonds with the signature of an authorized officer of the Registrar. Only authenticated Bonds shall be entitled to any right or benefit under this Ordinance, and such certificate on the Bonds issued hereunder shall be conclusive evidence that the Bonds have been duly issued and is secured by the provisions hereof.

The Paying Agent shall act as Registrar and shall maintain Registration Books for the registration and the registration of transfer of the Bonds. The City Treasurer is hereby designated and authorized to act as Paying Agent and Registrar hereunder. The transfer of the Bonds may be registered only on the books kept for the registration and registration of transfer of the Bonds upon surrender thereof to the Registrar together with an assignment duly executed by the registered Bondholder in person or by his duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such

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transfer, the City shall execute and the Registrar shall authenticate and deliver, in exchange of the Bonds, a new registered Bond registered in the name of the transferee of the same series, maturity and interest rate as the Bond so exchanged in any denomination or denominations authorized by this Ordinance.

The Registrar shall not be required to make any such registration or registration of transfer during the thirty (30) days immediately preceding any Bond Payment Date or a redemption date.

Prior to due presentation for registration of transfer for the Bonds, the Registrar shall treat the registered Bondholders as the person or persons exclusively entitled to payment of principal of, premium, if any, and interest on, the Bonds and the exercise of all other rights and powers of the Bondholder.

If a Bond has been mutilated, lost or destroyed, the City shall execute and the Registrar shall authenticate and deliver a new Bond of like date and tenor in exchange or substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond; provided, however, that the City and the Registrar shall execute, authenticate and deliver such Bond only if the Bondholder has paid the reasonable expenses and charges of the City and the Registrar in connection therewith and, in the case of a lost or destroyed Bond, has furnished to the City and the Registrar (a) evidence satisfactory to them that such Bond was lost or destroyed and the Bondholder was the Owner thereof and (b) indemnity satisfactory to them. If the Bond has matured, instead of issuing a new Bond, the Registrar may pay the same without surrender thereof upon receipt of the aforesaid evidence and indemnity.

If a Bond has been paid (whether at maturity, by acceleration or otherwise) or delivered to the Paying Agent for cancellation, the Bond shall not be reissued and the Registrar shall, unless otherwise directed by the City, cremate, shred or otherwise dispose of the Bond. The Registrar shall deliver to the City a certificate of any such cremation, shredding or other disposition of the Bond.

CUSIP identification numbers may be printed on the Bonds, but such numbers shall not be deemed to be a part of the Bonds or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of the officers or agents thereof because or on account of said CUSIP numbers.

The Bonds, the Certificate of Authentication and the provision for the assignment to be inserted in the Bonds shall be substantially in the following form, to-wit:

"FORM OF BOND"

No. R-1

**UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA, CITY OF MARTINSVILLE
GENERAL OBLIGATION BOND, SERIES 2010**

Dated: _____, 2010 **Registered Holder:**

Maturity Date: July 15, 20__

BANK

Principal Sum: \$ _____

Interest Rate: _____%

KNOW ALL MEN BY THESE PRESENTS, that the City of Martinsville, Virginia (**hereinafter sometimes referred to as the "City"**), a City of the Commonwealth of Virginia, for value received hereby promises to pay to the registered holder (named above), or assigns, subject to prepayment or prior redemption as hereinafter provided, the principal amount of _____ (\$ _____), in annual installments in the amounts set forth on Schedule A attached hereto payable on _____ and annually on _____ thereafter to and including _____, 20__, together with interest from the date of this bond on the unpaid principal balance, payable semi-annually on _____ and _____ of each year, commencing on _____, at the rate of _____% per annum, as set forth in Schedule A attached hereto.

Both principal of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

It is hereby certified, recited and declared that all acts, conditions and things required to have happened, to exist and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; that this Bond does not exceed any constitutional, statutory or charter limitation of indebtedness; and that provision has been made for the payment of the principal of, and interest on, this Bond as provided in the Ordinance.

No registration, transfer or exchange of this Bond shall be permitted within thirty (30) days of the Maturity Date or the date of prepayment or redemption of this Bond.

This Bond is in the aggregate principal amount of \$ _____, and is issued under and pursuant to and in compliance with the Constitution and laws of the Commonwealth of Virginia, including the City Charter of the City of Martinsville, Virginia and Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, the same being the Public Finance Act, and the Ordinances duly adopted under said Chapter by the City Council on _____, 2010 and _____, 2010 (**together, the "Ordinance"**) and the Financing Agreement between the City and _____ Bank dated as of _____, 2010 (**the "Financing Agreement"**).

This Bond shall bear interest from the date on which this Bond is authenticated. Interest on this Bond shall be computed on the basis of 30-day months and a 360-day year.

This Bond is transferable only upon the registration books kept at the office of the Registrar by the registered holder hereof, or by his duly authorized attorney, upon surrender of this Bond (together with a written instrument of transfer, satisfactory in form to the Registrar, duly executed by the registered holder or his duly authorized attorney, which may be the form endorsed hereon) and subject to the limitations and upon payment of the charges, if any, as provided in the Ordinance, and thereupon as provided in the Ordinance a new Bond, in the aggregate principal amount and of the same series, interest rate and maturity as the Bond surrendered, shall be issued in exchange therefor. The City and the Registrar shall deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes whatsoever.

The Bond is subject to prepayment or redemption prior to maturity at the option of the City Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of Bond to be redeemed, plus interest accrued to the redemption date. The records of the Holder hereof shall be prima facie evidence of the amount of principal and interest owed hereunder.

THIS BOND IS A GENERAL OBLIGATION OF THE CITY FOR THE PAYMENT OF WHICH THE CITY'S FULL FAITH AND CREDIT ARE IRREVOCABLY PLEDGED. THE CITY COUNCIL IS AUTHORIZED AND REQUIRED TO LEVY AND COLLECT ANNUALLY AT THE SAME TIME AND IN THE SAME MANNER AS OTHER TAXES OF THE CITY ARE ASSESSED, LEVIED AND COLLECTED, A TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY, OVER AND ABOVE ALL OTHER TAXES AUTHORIZED OR LIMITED BY LAW AND WITHOUT LIMITATION AS TO RATE OR AMOUNT, SUFFICIENT TO PAY WHEN DUE THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BOND, TO THE EXTENT OTHER FUNDS OF THE CITY ARE NOT LAWFULLY AVAILABLE AND APPROPRIATED FOR SUCH PURPOSE.

Reference is hereby made to the Ordinance and to all of the provisions thereof to which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and nature and extent of the security for the Bond; the conditions upon which the Ordinance may be amended or supplemented without the consent of the holder of this Bond and upon which it may be amended only with the consent of the holder of the Bond affected thereby; the rights and remedies of the holder hereof with respect hereto; the rights, duties and obligations of the City; the provisions discharging the Ordinance as to this Bond and for the other terms and provisions of the Ordinance.

This Bond shall not be valid or obligatory for any purpose unless the certificate of authentication hereon has been duly executed by the Registrar and the date of authentication inserted hereon.

IN WITNESS WHEREOF, the City of Martinsville, Virginia, by its City Council has caused this Bond to be signed by the Mayor and attested by the Clerk of said Council, by their manual or facsimile signatures, and its seal to be impressed or imprinted hereon, and this Bond to be dated as set forth above.

(SEAL)

Clerk of the City Council

Mayor of the City of Martinsville

November 9, 2010

CERTIFICATE OF AUTHENTICATION

This Bond is the Bond described in the within-mentioned Ordinance.

REGISTRAR - CITY OF MARTINSVILLE TREASURER

By: _____
Martinsville City Treasurer

DATE OF AUTHENTICATION:

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns, and transfers unto

Please insert social security number or other tax identification number of assignee: [_____]

Name and address of assignee, including zip code: _____

_____ the within-mentioned Bond and hereby irrevocably constitutes and appoints _____ attorney-in-fact, to transfer the same on the registration books thereof maintained in the office of the within-mentioned Registrar with the full power of substitution in the premises.

DATED: _____

BOND: The signature to this assignment must correspond with the name of the registered holder that is written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Section 4 **Creation of Proceeds Fund**

There is hereby established a trust fund to be designated the "Bond Proceeds Fund, City of Martinsville General Obligation Bond, Series 2010."

Section 5 **Payments into Proceeds Fund**

(a) All funds received from the proceeds of the sale of the Bonds after payment of certain costs of issuance of the Bonds shall be deposited into the Proceeds Fund to pay costs of the Project in accordance with the Financing Agreement and applicable law.

Section 6 **Creation of Bond Fund**

There is hereby established a trust fund to be designated the "Bond Fund, City of Martinsville General Obligation Bonds, Series 2010" in which Bond Fund there is hereby established an Interest Account and a Principal Account. As and when received, monies shall be deposited into the Bond Fund, and payments from the Bond Fund shall be made as follows:

- (i) to the Interest Account in the Bond Fund, subject to credit, if any, for proceeds of the Bonds deposited therein, on the Business Day prior to each Bond Payment Date, an amount equal to the amount of interest that will become due on the Bonds on the next succeeding Bond Payment Date; and
- (ii) to the Principal Account in the Bond Fund on the Business Day prior to each Bond Payment Date an amount equal to the principal that is required to be deposited into the Principal Account in order to pay the principal due on the Bond on the next succeeding Bond Payment Date.

Section 7 **Accounts Within Funds**

Any fund or account created by this Ordinance may contain such accounts or subaccounts as may be necessary for the orderly administration thereof.

Section 8 **Investment of Funds**

- (a) The City shall separately invest and reinvest any monies held in the funds established by this Ordinance in investments which would mature in amounts and at times so that the principal of, premium, if any, and interest on, the Bonds can be paid when due at maturity thereof.
- (b) Permissible investments include investments in securities that are legal investments under Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended (Section 2.2-4500 et seq.) and which are otherwise in compliance with Section 15.2-2619 of the Act.

Section 9 **Defeasance**

The obligations of the City under this Ordinance and covenants of the City provided for herein shall be fully discharged and satisfied as to the Bonds and the Bonds shall no longer be deemed to be Outstanding thereunder when the Bonds shall have been purchased by the City and canceled or destroyed, when the payment of principal of the Bonds, plus interest on such principal to the due date thereof either (a) shall have been made or (b) shall have been provided for by irrevocably depositing with a financial institution acting as escrow agent selected by the Paying Agent for the Bonds, money sufficient to make such payment, or direct and general obligations of, or obligations the principal of, and interest on, which are guaranteed by, the United States of America, maturing in such amounts and at such times as will insure the availability of sufficient monies to make such payment.

Section 10 **General Obligation**

The Council, in accordance with Section 7 of Chapter 11 of the City Charter and Section 15.2-2624 of the Act, is hereafter authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any and interest on the Bonds, to the extent other funds of the City are not lawfully available and appropriated for such purpose.

Section 11 **Event of Default**

Each of the following shall constitute an event of default hereunder as to any particular Bond:

- (a) Failure to pay the principal of the Bond when due;
- (b) Failure to pay interest on the Bond when due;
- (c) Failure of the City to perform any other covenant or agreement contained in this

Ordinance, which failure shall have continued for 60 days after the notice thereof from the Bondholder; provided, however, that if any such failure shall be such that it cannot be cured or corrected within a 60-day period but is, in fact, susceptible of cure or correction, it shall not constitute an Event of Default if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected;

- (d) The instituting of any proceeding with the consent of the City for the purpose of effecting composition between the City and its creditors or for the purpose of reducing the claims of creditors pursuant to any federal or state statute; or
- (e) If the City for any reason shall be rendered incapable of fulfilling its obligations under this Ordinance as to the Bond.

Upon the occurrence of an Event of Default, the Bondholder may declare the principal of the Outstanding Bond and all accrued and unpaid interest thereon to be due and payable immediately. This provision is subject to the condition that if, at any time after such declaration and before any such further action has been taken, all arrears of interest on, and principal of, the Bond shall have been paid and all other Events of Default, if any, which shall have occurred have been remedied, then the Bondholder may waive such default and annul such declaration.

In case an Event of Default shall occur, subject to the provisions referred to in the preceding paragraph, the Bondholder shall have the right to protect the rights vested in such Bondholder by the Ordinance by such appropriate judicial proceeding as such Bondholder shall determine either by suit in equity or by action at law.

Section 12 Enforcement by Bondholders

The Bondholders may by mandamus or other appropriate proceeding at law or in equity in any court of competent jurisdiction, enforce and compel performance of this Ordinance and every provision and covenant thereof concerning the Bonds, including without limiting the generality of the foregoing, the enforcement of the performance of all obligations and duties and requirements to be done or performed by the City by the Ordinance or by the applicable laws of the Commonwealth as to the Bonds.

Section 13 Modification of Bond Ordinance

The City may without the consent of the Bondholder make any modification or amendment of this Ordinance required to cure any ambiguity or error herein contained or to make any amendments hereto or to grant to the Bondholder additional rights. The Bondholder shall have the power to authorize any modifications to this Ordinance proposed by the City other than as permitted above; provided that without the consent of the Bondholder affected thereby, no modifications shall be made which will (a) extend the time of payment of principal of, or interest on, a Bond or reduce the principal amount thereof or the rate of interest thereon; (b) give to a Bond any preference over any other bond secured equally and ratably therewith; (c) deprive the Bondholder of the security afforded by this Ordinance, or (d) reduce the percentage in principal amount of a Bond required to authorize any modification to the Ordinance.

Section 14 Application of Proceeds; Sale of Bonds

Proceeds derived from the sale of the Bonds together with other monies available therefor shall be used to pay the costs of issuance and other expenses of the City relating to the issuance of the Bonds and thereafter any remaining funds to be deposited in the Bond Proceeds Fund shall be used for the purposes specified in Section 2 of this Ordinance and otherwise used in accordance with the provisions of this Ordinance or an opinion of Bond Counsel. Interest accruing on the principal of the Proceeds Fund and any profit realized from it may be transferred to the Bond Fund to be applied to the payment of interest on the Bonds during the acquisition, construction, improvement and equipping of the Project.

Section 15 No Arbitrage Covenant and Covenants and Designations as to the Code

The City hereby covenants that it will not use or invest, or permit the use or investment of any proceeds of the Bonds in a manner that would (a) cause the Bonds to be subjected to treatment under Section 148 of the Code and the regulations adopted thereunder as an "arbitrage bond," and to that end the City shall comply with applicable regulations adopted under said Section 148 of the Code or (b) if any Bonds are Build America Bonds, adversely affect the status of such Bonds as Build America Bonds under existing law.

The City covenants to comply with the Code provisions requiring that any issuance of "governmental bonds," as defined therein, be subject to certain requirements as to rebate and timing and type of payments to be paid for from the proceeds of such bonds, as well as other additional requirements. In order to assure compliance with such Code provisions, the City will enter into a Compliance Certificate, to comply with such requirements and covenants therein that it will not breach the terms thereof.

The Council, on behalf of the City, if any Bonds are not Build America Bonds, hereby designates such Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code and certifies by this Ordinance that it does not reasonably anticipate the issuance by it or its subordinate entities of more than \$30,000,000 in "qualified tax-exempt obligations" during the calendar year 2010 and will not designate, or permit the designation by any of its subordinate entities of, any of its notes or bonds (or those of its subordinate entities) during the calendar year 2010 which would cause the \$30,000,000 limitation of Section 265(b)(3)(D) of the Code to be violated.

Section 16 Further Actions Authorized; Approval of Documents

The Mayor and Clerk of the Council and the City Manager, City Treasurer, City Attorney, Bond Counsel, the City's financial advisor and all other officers, employees and agents of the City are hereby authorized and directed to take any and all such further action and to execute and deliver such other documents, certificates, undertakings, agreements or other instruments as shall be deemed necessary or desirable in order to effectuate delivery of, and payment for the Bonds, all in accordance with the Ordinance, including but not limited to the execution and delivery of forms 8038-G, 8038-B and 8038-CP, as appropriate and as determined necessary by bond counsel, and Non-Arbitrage Certificate and Tax Covenants and the making of any elections such officers, employees and agents deem desirable regarding any provision of the Code or regulations promulgated thereunder. The City Manager is hereby authorized to make any additional designations and irrevocable elections for the issuance of the Bonds, including issuance of any Bonds as Build America Bonds, if advisable. The Financing Agreement shall be in substantially the form submitted to this meeting, which is hereby approved, with such completions, omissions, insertions, changes and revisions as may be approved by the officer executing them in his sole and absolute discretion, his execution thereof to constitute conclusive evidence of his approval of any such completions, omissions, insertions, changes and revisions.

Section 17 Invalidity of Sections

If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.

Section 18 Headings of Sections, Table of Contents

The headings of the sections of this Ordinance and the Table of Contents appended hereto or to copies hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.

Section 19 Effectiveness and Filing of Ordinance

The Council hereby declares that this Ordinance shall become effective upon its passage as provided for in the Act and pursuant to Section 3 of Chapter 3 of the City Charter. A certified copy of this Ordinance shall be filed by the Clerk with the Clerk of the Circuit Court of the City of Martinsville, Virginia. The filing of this Ordinance with the Clerk of the Circuit Court of the City of Martinsville, Virginia shall be deemed to be the filing of an initial resolution or ordinance with such Court for all purposes of the Act.

Mayor Adkins gave an overview of November 8, 2010 Council Neighborhood meeting outlining citizen concerns that were brought to Council's attention at the neighborhood meeting. Leon Towarnicki gave an update on the pavement issues on Askin St. Council asked that Leon send a letter to VDOT to get some of the street maintenance funds released.

Budget Analyst, Linda Conover, presented the monthly finance report which was approved with a 5-0 vote on a motion by Kimble Reynolds, seconded by Gene Teague.

FY10 – PRELIMINARY AUDIT FIGURES

Based on the current information at the conclusion of the audit on October 29th, overall revenues were \$85,432,999 and overall expenditures, including depreciation, were \$86,863,241.

The total of combined fund balances for FY10 is \$13,133,683, which is \$449,274 less than the audited fund balance as of June 30, 2009. As previously stated, several items impacted the combined fund balance throughout the year, including the purchase of the Henry Hotel, the City's share of the relocation of Social Services, reduction in State Aid to Localities, personnel reductions, payroll furloughs and overall conservation efforts on the part of City staff. The final

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fund balance during the FY10 budget process eighteen months ago was projected to be \$12,214,459. No additional changes are expected; however, the official draft document has yet to be received. It will be arriving before the end of November, at which time it will be thoroughly reviewed by staff for accuracy.

FY11 – September Revenue & Expenditure Reports

In September, total expenditures exceeded revenues as expected for the first quarter. A variance is typical at this point in the new fiscal year, due to the timing of the receipt of revenues, such as real estate taxes that are not due until December 5th. Early tax payments are just now beginning to come in. This delay in revenues combined with annual early-in-the-year expenditures, such as debt service, contributes to this difference. At this point in the fiscal year, staff does not foresee any real revenue concerns.

FY11 – Combined Balance Sheet

The total of combined fund balances for FY11 at the end of September is \$6,033,502. This “low” amount would only be a concern if this were the end of the fiscal year. Again as stated before, the main contributing factors to this variance are the many annual one-time expenditures and the timing of the receipt of funds. With anticipated tax collections of approximately \$3,000,000, the fund balance is expected to improve in the second quarter.

FY11 – Projected Fund Balance

The projected fund balance at year-end FY11 is \$11,937,976, a difference of \$1,195,707 less than year-end FY10. Contributing to this difference is the budgeted use of fund balance and additional fund balance appropriations including \$331,900 for the Commonwealth Crossing Business Center Water & Sewer Infrastructure Project.

Council had brief discussion regarding adding back the employee furlough days noting that one has already been taken in September. Council decided that if finances continue the way they are presently, there will be enough time to make that call as time gets closer and it will be looked at in February.

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

BUDGET ADDITIONS FOR 11/09/10				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
<u>FY11</u>				
<u>GENERAL FUND</u>				
	01103919	443133 Private Grants - VML Grant		3,311
	01334122	506104 Safety - Non-capital Equipment Risk Management Safety Grant Program	3,311	
	01100909	490104 Recovered Costs		1,572
	01100908	440402 Donation/Hooker Field		51
	01720420	506014 Hooker Field - Field Materials & Supplies recovered cost of seeding & donations	1,623	
	01101917	442810 State Categorical Other - Highway Projects		16,936
	01413151	503140 Thorofare Construction - Prof. Service Engineering appropriate state reimbursements-Liberty St.	16,936	
Total General Fund:			21,870	21,870

City Attorney, Eric Monday, presented information on a resolution regarding Business, Professional & Occupational License Tax and Machinery & Tools Tax and requested Council’s consideration of a resolution. On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council approved the following resolution opposing alteration to the taxes:

WHEREAS, Earlier this year Governor Bob McDonnell appointed his Commission on Economic Development and Job Creation and the Commission recently returned its suggestions to Governor McDonnell; and

WHEREAS, two of the suggestions, if implemented, would have devastating consequences on City of Martinsville’s ability to collect sufficient revenue needed to provide services to its citizens; and

WHEREAS, one change, in the method of calculating the Business, Professional and Occupational Tax (BPOL), could negatively affect the \$1,752,744 City of Martinsville has budgeted in revenue for Fiscal Year 2011; and

WHEREAS, a second change, the elimination of the Machinery and Tools Tax, could result in the loss of an additional \$105,015 in assessed revenue in the FY 2011 Budget; and

WHEREAS, the total potential impact on the current City of Martinsville Budget of \$1,857,759 would be catastrophic on the City’s ability to provide basic services and would require an increase of 28.78 cents per \$100 of assessed value in real property tax rates to replace; and

WHEREAS, these changes would be another example of the Commonwealth of Virginia tying the hands of localities in revenue generation, with no options planned or presented for alternative revenue streams:

NOW, THEREFORE, BE IT RESOLVED, on this 9th day of November 2010 that the City of Martinsville strongly opposes these suggested changes and requests the Governor and the General Assembly to refrain from their implementation.

November 9, 2010

After discussion, Council approved the following 2011 City Legislative Agenda with amendments as suggested on a motion by Gene Teague, seconded by Mark Stroud, with a 5-0 vote:

The City of Martinsville appreciates the efforts its legislators undertake at both the state and federal level on behalf of its citizens. Listed below are the City's priorities requested of its legislative delegation in 2011.

Virginia General Assembly

Transportation

1. Urge the CTB to reach a final conclusion on the I-73 corridor.
2. In the short term, upgrade those portions of Route 220 overlaying I-73 to interstate standards. Any construction or upgrades to the I-73 corridor should begin on those sections passing through Henry County.
3. Continue to place priority on Route 58 improvements, particularly the section between Stuart and Hillsville, Virginia.
4. Endorse the rapid development of the Trans-Dominion Express, with particular emphasis on extension of passenger rail service to Roanoke.
5. Request that the Trans-Dominion Express be extended to include a spur from Lynchburg to Danville.
6. Encourage the enactment of a long-term capital funding formula for the future transportation needs of the Commonwealth.

Education

1. City Council endorses the agenda proposed by the Martinsville City School System and also endorses the educational priorities adopted by Henry County on behalf of its school system.
2. Oppose the imposition of unaided education mandates and in the event of revenue cuts by the Commonwealth opposes targeted cuts by the Commonwealth, instead preferring local decision making authority on where to make any such cuts.
3. Recognizing its potential to promote economic development within our community and region, continue support for the development and funding of the New College Institute; urge that any funding reductions to New College Institute, if considered, be minimized to the greatest extent possible; and support the affiliation of The New College Institute as a branch of a four-year public university.

Economic Development

1. Maintain current levels of funding for economic development incentives, including but not limited to the Governor's Opportunity Fund.
2. Enhance the authority granted to localities to address and eliminate blighted properties, and the formation of interstate compacts to allow expedited recourse against out-of-state property owners.
3. Continue current funding levels of the Virginia Museum of Natural History.
4. Support the development of a multiuse trail traversing Southern Virginia from the Blue Ridge Parkway to the Chesapeake Bay in order to stimulate economic growth and promote regional tourism.
5. Include Mayo River State Park on the Commonwealth's list for future capital funding, as a benefit to the entire southern Virginia region.
6. Request enhanced state and federal financial assistance for localities which exceed the average state unemployment rate by 300% or more.
7. Request state and federal economic development reimbursements to Martinsville and Henry County for development of the Commonwealth Crossing site.
8. Support continued tourism awareness initiatives in the Martinsville-Henry County region.

Governance

1. Request the appointment of a joint gubernatorial/legislative commission to examine the structure of local government in Virginia, the commission's mandate to include:
 - a. Examination of local government in the other 49 states for potential adaptation to Virginia.
 - b. Enable cities to expand their revenue base
 - c. Elimination of the "zero-sum" revenue base structure, which creates friction between cities and counties.
 - d. Elimination of redundant services and programs between contiguous cities and counties.
2. Require full funding for HB 599 funds, in fulfillment of the Commonwealth's commitment to cities in return for their acquiescence in the annexation moratorium.
3. Explore all potential options for the generation of revenue by localities.
4. Elimination of all unfunded mandates from the Commonwealth to localities.
5. Oppose any elimination or alteration of local revenue streams, and specifically oppose any amendment to the current manner in which the Business Occupation and Licensing Tax and the Machinery and Tools Tax are levied.
6. Request additional funding to adequately accommodate the space and office requirements of the Henry-Martinsville Department of Social Services.
7. Request that the General Assembly leaves intact the fire programs fund and the rescue squad assistance funds and not use these funds as a way to balance the state budget.
8. Support legislation directing health insurance credit for retirees of local government, constitutional officers, school division employees & state employees.
9. Request that the Commonwealth fully fund its obligations to constitutional officers.
10. Oppose any attempt to curtail the doctrine of sovereign immunity for localities.
11. Oppose any attempt to permit collective bargaining for state and local government employees.
12. Request that the 2011 legislative redistricting result in at least the same number of legislative districts and members as are currently representing Martinsville & Henry County and that Martinsville & Henry County remain in the Fifth Congressional district.
13. Oppose any amendment of the existing burden of proof or process in local tax appeals cases.

United States Congress

1. Continue to place priority on Route 58 improvements and the development of I-73.
2. In the short term, upgrade those portions of Route 220 overlaying I-73 to interstate standards.
3. Oppose any change in the route of the Amtrak Crescent train service. Encourage Amtrak to provide motorcoach transfer service between Danville and Martinsville.
4. Request \$3.72M in funds for the redevelopment of brownfields extending from the former Sara Lee site, along Aaron Street, to Rives Road.
5. Request \$6.25M in funds for the elimination and redevelopment of blighted areas in the city.
6. Request legislation to provide special federal incentives to businesses locating in regions which have experienced job losses in excess of 5% of the total workforce and/or declines in median incomes since the adoption of NAFTA, WTO or GATT. Target such areas for increased federal funding in education or workforce retraining.
7. Extend high speed broadband service throughout southern Virginia.
8. Request enhanced state and federal financial assistance for localities which exceed the average state unemployment rate by 300% or more.
9. Request state & federal economic development reimbursements to Martinsville & Henry County for development of the Commonwealth Crossing site.

Staff Designations

City Council empowers the following staff members to speak on its behalf and in its best interests to the General Assembly, its members and committees:

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City Attorney Eric Monday, City Manager Clarence Monday, Other department heads as appointed by the City Manager

Comments from City Council: Reynolds-inquired as to conversations with EDC as it relates to education and he asked that the issues Sharon Hodge voiced be resolved and get the business to be in compliance within 60 days; Turner-thanked veterans in honor of Veterans Day; Stroud-reminder to donate blood.

Comments by City Manager: reported the Power Advisory Committee will meet on Nov. 19 and their agenda will be posted on city website and the meeting is open to the public.

In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Gene Teague, seconded by Mark Stroud, with the following 5-0 recorded vote: Adkins, aye; Reynolds, aye; Teague, aye; Stroud, aye; and Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matters: (A) Discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected as authorized by Subsection 6. (B) A prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community as authorized by Subsection 5. The third item on the closed agenda (a personnel matter as authorized by Subsection 1) will be postponed until next meeting due to time.

At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during said Session. On a motion by Gene Teague, seconded by Danny Turner, with the following recorded 5-0 vote: Adkins, aye; Reynolds, aye; Teague, aye; Stroud, aye; and Turner, aye, Council returned to Open Session. No action taken on the two items discussed.

There being no further business, Mayor Adkins adjourned the meeting at 11:16 PM.

Clarence C. Monday
Clerk of Council

Kim E. Adkins
Mayor



City Council Agenda Summary

Meeting Date: December 14, 2010

Item No: 2.

Department: City Manager

Issue: Hear comments from legislators regarding redistricting.

Summary: Invitations were extended to area legislators to attend this Council meeting to discuss redistricting effects on our area. Delegate Don Merricks has confirmed his attendance; however, Senator Roscoe Reynolds and Delegate Ward Armstrong had conflicts and will not be attending.

Attachments: None

Recommendations: No action required

Meeting Date: December 14, 2010

Item No: 3.

Department: Public Works

Issue: Consider approval, on second reading, of an ordinance authorizing issuance of bonds for the landfill methane and sewer plant projects and consider public comment.

Summary: A public hearing was conducted at the November 23, 2010 Council meeting regarding the issuance of up to \$1,950,000 of General Obligation Bonds for the construction and implementation of Phase II of the Landfill Methane Project and for wastewater treatment plant equipment.

The City received proposals for the Landfill Methane Project on November 1 and since that time has been reviewing economic feasibility of various options. The review will be completed by the December 14th Council meeting, at which time information will be presented to Council along with a recommendation regarding project size and required funding.

Attachments: [Ordinance](#)

Recommendations: Recommend approval, on second reading, of ordinance authorizing issuance of bonds for the landfill/wastewater plant projects, with information on the specific bond amount presented at the December 14th meeting.

CITY OF MARTINSVILLE, VIRGINIA

**AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$1,950,000 MAXIMUM
PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF
MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND
PAYMENT THEREOF**

Adopted on December 14, 2010 (second reading)

Be it Ordained by the Council of the City of Martinsville, Virginia:

Section 1 Definitions

Unless the context shall clearly indicate some other meaning, the following words and terms shall for all purposes of the Ordinance and of any certificate, resolution or other instrument amendatory thereof or supplemental thereto for all purposes of any opinion or instrument or other documents therein or herein mentioned, have the following meanings:

"Act" shall mean the Public Finance Act, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended.

"Bank" shall mean Carter Bank & Trust, Martinsville, Virginia.

"Bonds" shall mean the City's General Obligation Bonds, Series 2010, in the aggregate principal amount of up to \$1,950,000, authorized to be issued hereunder.

"Bondholder" or **"Bondholders"** shall mean the registered holder or holders of the Bonds.

"Bond Counsel" shall mean Sands Anderson PC or another attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City.

"Bond Fund" shall mean the Bond Fund established by Section 6.

"Bond Maturity Date" shall mean February 1, 2021.

"Bond Payment Date" shall mean the 1st day of each February and August, beginning August 1, 2011, up to and including the Bond Maturity Date.

"Bond Proceeds Fund" shall mean the Bond Proceeds Fund established by Section 4.

"Business Day" shall mean any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banks generally are open for business in the Commonwealth of Virginia.

"City" shall mean the City of Martinsville, Virginia.

"City Charter" shall mean the City Charter of the City of Martinsville, Virginia, as amended.

"Clerk" shall mean the Clerk of the Council or the Deputy Clerk of the Council.

"Closing Date" shall mean the date on which the Bonds are issued and delivered to the Bondholder.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and applicable regulations, procedures and rulings thereunder.

"Commonwealth" shall mean the Commonwealth of Virginia.

"Council" shall mean the City Council of the City of Martinsville.

"Interest Account" shall mean the Interest Account in the Bond Fund established by Section 6.

"Mayor" shall mean the Mayor or Vice Mayor of the City.

"Outstanding" when used in reference to the Bonds shall mean as of a particular date, the Bonds authenticated and delivered under this Ordinance except:

- (i) if a Bond is canceled by the City at or before such date;
- (ii) a Bond for the redemption or purchase of which cash or noncallable direct obligations of the United States of America, equal to the redemption or purchase price thereof to the redemption or purchase date, shall have been deposited with the Paying Agent, for which notice of redemption or purchase shall have been given in accordance with the Ordinance;
- (iii) a Bond in lieu of, or in substitution for which, another Bond shall have been authenticated and delivered pursuant to this Ordinance; and
- (iv) if a Bond is deemed paid under the provisions of Section 9, except that such Bond shall be considered Outstanding until the maturity or redemption date thereof only for the purposes of actually being paid.

"Paying Agent" shall mean the City Treasurer acting as Paying Agent for the Bonds hereunder or the successors or assigns serving as such hereunder.

"Principal Account" shall mean the Principal Account in the Bond Fund established by Section 6.

"Registrar" shall mean the Paying Agent, or the successors or assigns serving as such hereunder.

Section 2 Findings and Determinations

The Council hereby finds and determines that (i) the City is in need of funds to be used for the purposes of financing the acquisition, construction, expansion, renovation and equipping of City of Martinsville municipal facilities, specifically landfill improvements (including facilities for electricity generation from landfill gas) and wastewater treatment plant improvements (including an automatic bar screen), all for municipal purposes (**together, the "Project"**) including payment of costs of issuance of the Bonds and interest on the Bonds; (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the activities of the City and the City's municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of general obligation Bonds, Series 2010, in an aggregate original principal amount not to exceed \$1,950,000 to be issued by the City as further described herein (**the "Bonds"**) to be sold to the Bank, which has offered to purchase the same on certain terms and conditions pursuant to the Bank's proposal and the Financing Agreement; (iv) the issuance of the Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Bonds is in the best interests of the City and its citizens. The maximum length of time that the Bonds will be outstanding is eleven years from the date of issuance of the Bonds. The Council further hereby finds and determines that the average probable useful life of the Project, and each portion thereof, financed by the Bonds exceeds eleven years and that the Bonds are payable and shall mature within the average probable useful life of that portion of the Project.

Section 3 Authorization, Form and Details of the Bonds

(a) There is hereby authorized to be issued general obligation bonds of the City in the aggregate principal amount of up to \$1,950,000 for municipal purposes as described in Section 2 above. The Bonds authorized herein shall each be designated "General Obligation Bond, Series 2010." The Bonds shall be issuable in the principal amount of \$_____ as a fully registered Bond, without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear interest payable on the Bond Payment Dates at a rate of 2.65% per annum. The Bonds shall mature on the Bond Maturity Dates. Commencing on August 1, 2011, and continuing on each February 1 and August 1 thereafter, interest on the outstanding principal amount of the Bonds shall be due and payable as set forth above, and commencing on February 1, 2012, and continuing on each February 1 thereafter, principal amounts of the Bonds shall be due in accordance with the Bank's written proposal to purchase the Bonds until the Bond Maturity Date. The Bonds are subject to redemption prior to maturity at the option of the Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date.

The Bonds are hereby authorized to be issued under the City Charter and the Act. The Bonds shall bear interest from the date on which they are authenticated. Interest on the Bonds shall be computed on the basis of 30-day months and a 360-day year.

Principal of, and interest on, the Bonds shall be payable in lawful money of the United States of America. Principal of and interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof at its address.

The Bonds shall be printed, lithographed or typewritten and shall be substantially in the form herein below set forth, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance, including such variations, insertions and omissions as shall be necessary to issue the Bonds under a system of book-entry for recording the ownership and transfer of ownership of rights to receive payments of principal of and interest on the Bonds and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

If any principal of, or interest on, the Bonds is not paid when due (whether at maturity, by acceleration or call for redemption, or otherwise), then, to the extent permitted by law, the overdue installments of principal shall bear interest until paid at the same rate or rates as set forth in the Bonds.

The Bonds shall be signed by the facsimile or manual signature of the Mayor. The facsimile of the City's seal shall be printed thereon or manually impressed thereon and attested by the facsimile or manual signature of the Clerk. In case any officer whose signature or facsimile of whose signature shall appear on a Bond shall cease to be such officer before delivery of the Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he remained in office until such delivery. The Bonds may bear the facsimile signature of or may be signed by such persons as at the actual time of the execution thereof shall be the proper officers to sign the Bonds although on the date of delivery of the Bonds such persons may not have been such officers.

The Bonds shall bear a certificate of authentication, in the form set forth below, duly executed by the Registrar. The Registrar shall authenticate the Bonds with the signature of an authorized officer of the Registrar. Only authenticated Bonds shall be entitled to any right or benefit under this Ordinance, and such certificate on the Bonds issued hereunder shall be conclusive evidence that the Bonds have been duly issued and is secured by the provisions hereof.

The Paying Agent shall act as Registrar and shall maintain Registration Books for the registration and the registration of transfer of the Bonds. The City Treasurer is hereby designated and authorized to act as Paying Agent and Registrar hereunder. The transfer of the Bonds may be registered only on the books kept for the registration and registration of transfer of

the Bonds upon surrender thereof to the Registrar together with an assignment duly executed by the registered Bondholder in person or by his duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such transfer, the City shall execute and the Registrar shall authenticate and deliver, in exchange of the Bonds, a new registered Bond registered in the name of the transferee of the same series, maturity and interest rate as the Bond so exchanged in any denomination or denominations authorized by this Ordinance.

The Registrar shall not be required to make any such registration or registration of transfer during the thirty (30) days immediately preceding any Bond Payment Date or a redemption date.

Prior to due presentment for registration of transfer for the Bonds, the Registrar shall treat the registered Bondholders as the person or persons exclusively entitled to payment of principal of, premium, if any, and interest on, the Bonds and the exercise of all other rights and powers of the Bondholder.

If a Bond has been mutilated, lost or destroyed, the City shall execute and the Registrar shall authenticate and deliver a new Bond of like date and tenor in exchange or substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond; provided, however, that the City and the Registrar shall execute, authenticate and deliver such Bond only if the Bondholder has paid the reasonable expenses and charges of the City and the Registrar in connection therewith and, in the case of a lost or destroyed Bond, has furnished to the City and the Registrar (a) evidence satisfactory to them that such Bond was lost or destroyed and the Bondholder was the Owner thereof and (b) indemnity satisfactory to them. If the Bond has matured, instead of issuing a new Bond, the Registrar may pay the same without surrender thereof upon receipt of the aforesaid evidence and indemnity.

If a Bond has been paid (whether at maturity, by acceleration or otherwise) or delivered to the Paying Agent for cancellation, the Bond shall not be reissued and the Registrar shall, unless otherwise directed by the City, cremate, shred or otherwise dispose of the Bond. The Registrar shall deliver to the City a certificate of any such cremation, shredding or other disposition of the Bond.

CUSIP identification numbers may be printed on the Bonds, but such numbers shall not be deemed to be a part of the Bonds or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of the officers or agents thereof because or on account of said CUSIP numbers.

The Bonds, the Certificate of Authentication and the provision for the assignment to be inserted in the Bonds shall be substantially in the following form, to-wit:

"FORM OF BOND"

No. R-1

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA, CITY OF MARTINSVILLE

GENERAL OBLIGATION BOND,
SERIES 2010

Dated: _____, 2010

Registered Holder:
CARTER BANK & TRUST

Maturity Date: February 1, 2021

Principal Sum: \$ _____
Interest Rate: 2.65%

KNOW ALL MEN BY THESE PRESENTS, that the City of Martinsville, Virginia (hereinafter sometimes referred to as the "City"), a City of the Commonwealth of Virginia, for value received hereby promises to pay to the registered holder (named above), or assigns, subject to prepayment or prior redemption as hereinafter provided, the principal amount of _____ (\$ _____), in annual installments in the amounts set forth on Schedule A attached hereto payable on February 1, 2012 and annually on February 1 thereafter to and including February 1, 2021, together with interest from the date of this bond on the unpaid principal balance, payable semi-annually on February 1 and August 1 of each year, commencing on August 1, 2011, at the rate of 2.65% per annum, as set forth in Schedule A attached hereto.

Both principal of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

It is hereby certified, recited and declared that all acts, conditions and things required to have happened, to exist and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; that this Bond does not exceed any constitutional, statutory or charter limitation of indebtedness; and that provision has been made for the payment of the principal of, and interest on, this Bond as provided in the Ordinance.

No registration, transfer or exchange of this Bond shall be permitted within thirty (30) days of the Maturity Date or the date of prepayment or redemption of this Bond.

This Bond is in the aggregate principal amount of \$_____, and is issued under and pursuant to and in compliance with the Constitution and laws of the Commonwealth of Virginia, including the City Charter of the City of Martinsville, Virginia and Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, the same being the Public Finance Act, and the Ordinances duly adopted under said Chapter by the City Council on November 9, 2010 and December 14, 2010 (**together, the "Ordinance"**) and the Financing Agreement between the City and Carter Bank & Trust dated as of December 1, 2010 (**the "Financing Agreement"**).

This Bond shall bear interest from the date on which this Bond is authenticated. Interest on this Bond shall be computed on the basis of 30-day months and a 360-day year.

This Bond is transferable only upon the registration books kept at the office of the Registrar by the registered holder hereof, or by his duly authorized attorney, upon surrender of this Bond (together with a written instrument of transfer, satisfactory in form to the Registrar, duly executed by the registered holder or his duly authorized attorney, which may be the form endorsed hereon) and subject to the limitations and upon payment of the charges, if any, as provided in the Ordinance, and thereupon as provided in the Ordinance a new Bond, in the aggregate principal amount and of the same series, interest rate and maturity as the Bond surrendered, shall be issued in exchange therefor. The City and the Registrar shall deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes whatsoever.

The Bond is subject to prepayment or redemption prior to maturity at the option of the City Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of Bond to be redeemed, plus interest accrued to the redemption date. The records of the Holder hereof shall be prima facie evidence of the amount of principal and interest owed hereunder.

THIS BOND IS A GENERAL OBLIGATION OF THE CITY FOR THE PAYMENT OF WHICH THE CITY'S FULL FAITH AND CREDIT ARE IRREVOCABLY PLEDGED. THE CITY COUNCIL IS AUTHORIZED AND REQUIRED TO LEVY AND COLLECT ANNUALLY AT THE SAME TIME AND IN THE SAME MANNER AS OTHER TAXES OF THE CITY ARE ASSESSED, LEVIED AND COLLECTED, A TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY, OVER AND ABOVE ALL OTHER TAXES AUTHORIZED OR LIMITED BY LAW AND WITHOUT LIMITATION AS TO RATE OR AMOUNT, SUFFICIENT TO PAY WHEN DUE THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BOND, TO THE EXTENT OTHER FUNDS OF THE CITY ARE NOT LAWFULLY AVAILABLE AND APPROPRIATED FOR SUCH PURPOSE.

Reference is hereby made to the Ordinance and to all of the provisions thereof to which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the

description of and nature and extent of the security for the Bond; the conditions upon which the Ordinance may be amended or supplemented without the consent of the holder of this Bond and upon which it may be amended only with the consent of the holder of the Bond affected thereby; the rights and remedies of the holder hereof with respect hereto; the rights, duties and obligations of the City; the provisions discharging the Ordinance as to this Bond and for the other terms and provisions of the Ordinance.

This Bond shall not be valid or obligatory for any purpose unless the certificate of authentication hereon has been duly executed by the Registrar and the date of authentication inserted hereon.

IN WITNESS WHEREOF, the City of Martinsville, Virginia, by its City Council has caused this Bond to be signed by the Mayor and attested by the Clerk of said Council, by their manual or facsimile signatures, and its seal to be impressed or imprinted hereon, and this Bond to be dated as set forth above.

(SEAL)

Clerk of the City Council

Mayor of the City of Martinsville

CERTIFICATE OF AUTHENTICATION

This Bond is the Bond described in the within-mentioned Ordinance.

**REGISTRAR - CITY OF MARTINSVILLE
TREASURER**

By: _____
Martinsville City Treasurer

DATE OF AUTHENTICATION:

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns, and transfers unto

Please insert social security number or other tax identification number of assignee:
[_____]

Name and address of assignee, including zip code: _____ the within-
mentioned Bond and hereby irrevocably constitutes and appoints _____
attorney-in-fact, to transfer the same on the registration books thereof maintained in the
office of the within-mentioned Registrar with the full power of substitution in the
premises.

DATED: _____

BOND: The signature to this assignment must correspond with the name of the registered holder that is written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Section 4 Creation of Proceeds Fund

There is hereby established a trust fund to be designated the "Bond Proceeds Fund, City of Martinsville General Obligation Bond, Series 2010."

Section 5 Payments into Proceeds Fund

(a) All funds received from the proceeds of the sale of the Bonds after payment of certain costs of issuance of the Bonds shall be deposited into the Proceeds Fund to pay costs of the Project in accordance with the Financing Agreement and applicable law.

Section 6 Creation of Bond Fund

There is hereby established a trust fund to be designated the "Bond Fund, City of Martinsville General Obligation Bonds, Series 2010" in which Bond Fund there is hereby established an Interest Account and a Principal Account. As and when received, monies shall be deposited into the Bond Fund, and payments from the Bond Fund shall be made as follows:

- (i) to the Interest Account in the Bond Fund, subject to credit, if any, for proceeds of the Bonds deposited therein, on the Business Day prior to each Bond Payment Date, an amount equal to the amount of interest that will become due on the Bonds on the next succeeding Bond Payment Date; and
- (ii) to the Principal Account in the Bond Fund on the Business Day prior to each Bond Payment Date an amount equal to the principal that is required to be deposited into the Principal Account in order to pay the principal due on the Bond on the next succeeding Bond Payment Date.

Section 7 Accounts Within Funds

Any fund or account created by this Ordinance may contain such accounts or subaccounts as may be necessary for the orderly administration thereof.

Section 8 Investment of Funds

(a) The City shall separately invest and reinvest any monies held in the funds established by this Ordinance in investments which would mature in amounts and at times so that the principal of, premium, if any, and interest on, the Bonds can be paid when due at maturity thereof.

(b) Permissible investments include investments in securities that are legal investments under Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended (Section 2.2-4500 et seq.) and which are otherwise in compliance with Section 15.2-2619 of the Act.

Section 9 Defeasance

The obligations of the City under this Ordinance and covenants of the City provided for herein shall be fully discharged and satisfied as to the Bonds and the Bonds shall no longer be deemed to be Outstanding thereunder when the Bonds shall have been purchased by the City and canceled or destroyed, when the payment of principal of the Bonds, plus interest on such principal to the due date thereof either (a) shall have been made or (b) shall have been provided for by irrevocably depositing with a financial institution acting as escrow agent selected by the Paying Agent for the Bonds, money sufficient to make such payment, or direct and general obligations of, or obligations the principal of, and interest on, which are guaranteed by, the United States of America, maturing in such amounts and at such times as will insure the availability of sufficient monies to make such payment.

Section 10 General Obligation

The Council, in accordance with Section 7 of Chapter 11 of the City Charter and Section 15.2-2624 of the Act, is hereafter authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any and interest on the Bonds, to the extent other funds of the City are not lawfully available and appropriated for such purpose.

Section 11 Event of Default

Each of the following shall constitute an event of default hereunder as to any particular Bond:

(a) Failure to pay the principal of the Bond when due;

(b) Failure to pay interest on the Bond when due;

(c) Failure of the City to perform any other covenant or agreement contained in this Ordinance, which failure shall have continued for 60 days after the notice thereof from the Bondholder; provided, however, that if any such failure shall be such that it cannot be cured or corrected within a 60-day period but is, in fact, susceptible of cure or correction, it shall not constitute an Event of Default if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected;

(d) The instituting of any proceeding with the consent of the City for the purpose of effecting composition between the City and its creditors or for the purpose of reducing the claims of creditors pursuant to any federal or state statute; or

(e) If the City for any reason shall be rendered incapable of fulfilling its obligations under this Ordinance as to the Bond.

Upon the occurrence of an Event of Default, the Bondholder may declare the principal of the Outstanding Bond and all accrued and unpaid interest thereon to be due and payable immediately. This provision is subject to the condition that if, at any time after such declaration and before any such further action has been taken, all arrears of interest on, and principal of, the Bond shall have been paid and all other Events of Default, if any, which shall have occurred have been remedied, then the Bondholder may waive such default and annul such declaration.

In case an Event of Default shall occur, subject to the provisions referred to in the preceding paragraph, the Bondholder shall have the right to protect the rights vested in such Bondholder by the Ordinance by such appropriate judicial proceeding as such Bondholder shall determine either by suit in equity or by action at law.

Section 12 Enforcement by Bondholders

The Bondholders may by mandamus or other appropriate proceeding at law or in equity in any court of competent jurisdiction, enforce and compel performance of this Ordinance and every provision and covenant thereof concerning the Bonds, including without limiting the generality of the foregoing, the enforcement of the performance of all obligations and duties and requirements to be done or performed by the City by the Ordinance or by the applicable laws of the Commonwealth as to the Bonds.

Section 13 Modification of Bond Ordinance

The City may without the consent of the Bondholder make any modification or amendment of this Ordinance required to cure any ambiguity or error herein contained or to make any amendments hereto or to grant to the Bondholder additional rights. The Bondholder

shall have the power to authorize any modifications to this Ordinance proposed by the City other than as permitted above; provided that without the consent of the Bondholder affected thereby, no modifications shall be made which will (a) extend the time of payment of principal of, or interest on, a Bond or reduce the principal amount thereof or the rate of interest thereon; (b) give to a Bond any preference over any other bond secured equally and ratably therewith; (c) deprive the Bondholder of the security afforded by this Ordinance, or (d) reduce the percentage in principal amount of a Bond required to authorize any modification to the Ordinance.

Section 14 Application of Proceeds; Sale of Bonds

Proceeds derived from the sale of the Bonds together with other monies available therefor shall be used to pay the costs of issuance and other expenses of the City relating to the issuance of the Bonds and thereafter any remaining funds to be deposited in the Bond Proceeds Fund shall be used for the purposes specified in Section 2 of this Ordinance and otherwise used in accordance with the provisions of this Ordinance or an opinion of Bond Counsel. Interest accruing on the principal of the Proceeds Fund and any profit realized from it may be transferred to the Bond Fund to be applied to the payment of interest on the Bonds during the acquisition, construction, improvement and equipping of the Project.

Section 15 No Arbitrage Covenant and Covenants and Designations as to the Code

The City hereby covenants that it will not use or invest, or permit the use or investment of any proceeds of the Bonds in a manner that would cause the Bonds to be subjected to treatment under Section 148 of the Code and the regulations adopted thereunder as an "arbitrage bond," and to that end the City shall comply with applicable regulations adopted under said Section 148 of the Code.

The City covenants to comply with the Code provisions requiring that any issuance of "governmental bonds," as defined therein, be subject to certain requirements as to rebate and timing and type of payments to be paid for from the proceeds of such bonds, as well as other additional requirements. In order to assure compliance with such Code provisions, the City will enter into a Compliance Certificate, to comply with such requirements and covenants therein that it will not breach the terms thereof.

The Council intends for the Bond to be treated as complying with the provisions of Section 148(f)(4)(D) of the Code, which provides an exception from the "rebate requirement," since the Bond is (1) issued by the City which is a governmental unit with general taxing powers, (2) no bond which is a part of this issue of the Bond is a private activity bond, (3) 95% or more of the net proceeds of the Bond are to be used for local governmental activities entirely within the jurisdiction of the City, and (4) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and notes and bonds issued by any subordinate entity of the City) during

the calendar year 2010 is not reasonably expected to exceed \$5,000,000 except that, pursuant to the provisions of Section 148(f)(4)(D)(vii) of the Code, this amount of \$5,000,000 may increase by the lesser of \$10,000,000 or so much of the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and notes and bonds issued by any subordinate entity of the City) during the calendar year 2010 attributable to financing and construction (within the meaning of Section 148(f)(4)(C)(iv) of the Code) of public school facilities.

The Council, on behalf of the City, hereby designates the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code and certifies by this Ordinance that it does not reasonably anticipate the issuance by it or its subordinate entities of more than \$30,000,000 in "qualified tax-exempt obligations" during the calendar year 2010 and will not designate, or permit the designation by any of its subordinate entities of, any of its notes or bonds (or those of its subordinate entities) during the calendar year 2010 which would cause the \$30,000,000 limitation of Section 265(b)(3)(D) of the Code to be violated.

Section 16 Further Actions Authorized; Approval of Documents

The Mayor and Clerk of the Council and the City Manager, City Treasurer, City Attorney, Bond Counsel, the City's financial advisor and all other officers, employees and agents of the City are hereby authorized and directed to take any and all such further action and to execute and deliver such other documents, certificates, undertakings, agreements or other instruments as shall be deemed necessary or desirable in order to effectuate delivery of, and payment for the Bonds, all in accordance with the Ordinance, including but not limited to the execution and delivery of form 8038-G, as appropriate and as determined necessary by bond counsel, and Non-Arbitrage Certificate and Tax Covenants and the making of any elections such officers, employees and agents deem desirable regarding any provision of the Code or regulations promulgated thereunder. The City Manager is hereby authorized to make any additional designations and irrevocable elections for the issuance of the Bonds. The Financing Agreement shall be in substantially the form submitted to this meeting, which is hereby approved, with such completions, omissions, insertions, changes and revisions as may be approved by the officer executing them in his sole and absolute discretion, his execution thereof to constitute conclusive evidence of his approval of any such completions, omissions, insertions, changes and revisions.

Section 17 Invalidity of Sections

If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.

Section 18 Headings of Sections, Table of Contents

The headings of the sections of this Ordinance and the Table of Contents appended hereto or to copies hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.

Section 19 Effectiveness and Filing of Ordinance

The Council hereby declares that this Ordinance shall become effective upon its passage as provided for in the Act and pursuant to Section 3 of Chapter 3 of the City Charter. A certified copy of this Ordinance shall be filed by the Clerk with the Clerk of the Circuit Court of the City of Martinsville, Virginia. The filing of this Ordinance with the Clerk of the Circuit Court of the City of Martinsville, Virginia shall be deemed to be the filing of an initial resolution or ordinance with such Court for all purposes of the Act.

The Members of the Council voted as follows:

Ayes

Nays

Absent

Abstentions

None

Adopted this 14th day of December, 2010.

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 December 14, 2010, 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 called meeting and that, during the consideration of the foregoing ordinance, a quorum was present.

Dated this ___ day of December, 2010.

Clerk, City Council of
City of Martinsville, Virginia

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City Council Agenda Summary

Meeting Date: December 14, 2010

Item No: 4.

Department: City Manager

Issue: Hear a monthly 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: December 14, 2010
Item No: 5.
Department: Inspections
Issue: Hear a report from Inspections regarding ranking of potential properties for demolition.

Summary: Andy Powers, Building Inspector, will present information regarding properties that are demolition candidates.

Attachments: [Narrative](#) and [Demo list](#)

Photos: [19 Jackson](#) [125 Askin](#)
[212 Montgomery](#) [116 Summitt](#)
[215 Central](#) [207 Water](#)
[303 Red Oak](#) [854 Katheren](#)
[509 Swanson](#) [907 Fayette](#)
[615 Parkview](#) [505 College](#)
[1021 Griggs](#) [1510 Roundabout](#)
[935 Memorial Blvd.](#) [301 Red Oak](#)
[118 Sellers](#) [315 Granville](#)
[131 Sellers](#) [507 Third](#)
[407 S. College](#) [519 Fayette](#)
[911 Loche](#) [33 Dunlap](#)
[317 Clift](#) [707 Smith](#)
[1214 Fayette](#)
[606 Third](#)

Recommendations:

1. The immediate focus should be on the 15 open/unsecured structures.

- a. At an estimated cost of \$5,000-\$7000 per structure, these 15 would equate to approximately \$75,000-\$105,000. This is only an estimate. Some of the properties may be able to be demolished by City crews where others will have to be bid out to eligible contractors.
- b. With \$21,900 left in this FY's allocation, approximately 4-6 structures would be our goal for the current FY. Based on an estimated budget allocation of \$25,000 each FY, the first 15 structures would take approximately three fiscal years to complete pending no other properties become open and unsecure.
- c. Allocated money could possibly be placed in a line item that any funds recovered from the property owner could be appropriated back into that same line item in order to increase, or at minimum, maintain that line item. Unfortunately recovery of these type funds is minimal.
- d. The court system should be used on local property owners in order to have the legal system force the properties razed or repaired. This could take considerable more time and man hours to obtain and would involve the City Attorney more.

2. The remaining 13 properties can be sent notices of violations ordering them to maintain the properties so that they are safe from public entry and acceptable plans of action submitted.

- a. If acceptable plans of action are not submitted on those respective properties, these should be the next focus for properties to be razed.

These suggestions are based upon no other properties being added to our current list of 28.

Meeting Date: December 14, 2010

Item No: 6.

Department: Community Development

Issue: Consider approval, on first reading, Graffiti Ordinance, as recommended by Planning Commission.

Summary: The Planning Commission was asked to vett a graffiti ordinance submitted by the City Attorney's office. They reviewed the ordinance at their regular scheduled meeting on November 9, 2010. Below are their recommendations:

The Planning Commission recommends the following changes and/or additions to City Council as part of the ordinance:

- **Under Sec. 13.28** – Include a provision to address repeat offenders (under the discretion of the City Attorney)
- **Under Sec. 13-28.4.a** - Change the 15-day period to a 10-day period
- **Under Sec. 13-28.5.b** - Bold text indicates addition – “The city manager **with full approval of City Council** may waive and release such liens in order to facilitate the sale of the property.”

Attachments: [Proposed Graffiti Ordinance](#)

Recommendations: Consider approval on first reading.

ORDINANCE NO. 2010-_____

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session held on September 28, 2010 and pursuant to Section 15.2-1812.2 of the Code of Virginia, that Section 13-28 of the City Code be repealed and reenacted, and that Sections 13-28.1 through 13-28.5 be enacted, as follows:

Sec. 13.28. Defacement of property prohibited; criminal penalty.

- (a) It shall be unlawful for any person to apply graffiti upon or to willfully and maliciously deface or damage in any other manner any public buildings, facilities or other property, or any private buildings, facilities or other property. In any case where the defacement is (i) more than 20 feet off the ground, (ii) on a railroad or highway overpass, or (iii) committed for the benefit of, at the direction of, or in association with any criminal street gang, as that term is defined by section 18.2-46.1 of the Virginia Code, there shall be a mandatory minimum fine of \$500.00. Any fine imposed pursuant to conviction of a minor for violations of this section shall be assessed against the minor and such minor's parents or legal guardian.
- (b) Upon a finding of guilt in a case tried before the court without a jury where the violation constitutes a first offense that results in property damage or loss, the court, without entering a judgment of guilt, upon motion of defendant, may defer further proceedings and place defendant on probation pending completion of a plan of community service work. If the defendant fails or refuses to complete the community service as ordered by the court, the court may make final disposition of the case and proceed as otherwise provided. If the community service work is completed as the court prescribes, the court may discharge the defendant and dismiss the proceedings. Such discharge and dismissal procedure under this section shall be without adjudication of guilt and operates as a conviction only for the purposes of applying this article in subsequent proceedings.
- (c) Community service work prescribed by the court under subsection (b) shall include, to the extent feasible, the repair, restoration, or replacement of any damage or defacement to property within the city, and may include clean-up, beautification, landscaping or other appropriate community service within the city.
- (d) Community service work prescribed by the court under subsection (b) shall be performed under the supervision of the city manager or his/her designee, who shall report on such work to the court imposing the community service work requirement at such times and in such manner as the court may direct.
- (e) At or before the time of sentencing under this section, the court shall receive and consider any plan for making restitution or performing community service submitted by the defendant, as well as the recommendations of the city manager or the manager's designee concerning the plan.
- (f) As provided in Code of Virginia § 15.2-908, the court may order any person convicted of unlawfully defacing property to pay full or partial restitution to the city for costs incurred by the city in removing or repairing the defacement. No person convicted of a violation of this article shall be placed on probation or have his/her sentence suspended unless such person shall make at least partial restitution for such property damage or is compelled to perform community services, or both, as is more particularly set forth in Code of Virginia, § 19.2-305.1. The court's order of restitution shall be docketed as provided in Code of Virginia § 8.01-446 when so ordered by the court upon written request of the city and may be enforced by the city in the same manner as a judgment in a civil action.

Sec. 13.28.1. Parental liability for cost of repair of damage to property.

- (a) In accordance with § 8.01-44 of the Code of Virginia the city may institute an action and recover from the parents or either of them of any minor living with such parents or either of them for damages

suffered by reason of the willful or malicious destruction of, or damage to, public property by such minor. No more than \$2,500.00 may be recovered from such parents or either of them as a result of any incident or occurrence on which such action is based.

(b) The owner of any property in the city may institute an action and recover from the parents, or either of them, of any minor living with such parents, or either of them, for damages suffered by reason of the willful or malicious destruction of, or damage to, such property by such minor. No more than \$2,500.00 may be recovered from such parents, or either of them, as a result of any incident or occurrence on which such action is based. Any recovery from the parent or parents of such minor shall not preclude full recovery from such minor except to the amount of the recovery from such parent or parents. The provisions of this section shall be in addition to, and not in lieu of, any other law imposing upon a parent liability for the acts of his minor child.

Sec. 13-28.2 Definition of "graffiti."

"Graffiti" shall mean the unauthorized application by any means of any writing, painting, drawing, etching, scratching or marking of an inscription, word, mark, figure or design of any type on any public or private building or other real or personal property owned, operated or maintained by a governmental entity or agency or instrumentality thereof or by any private person.

Sec. 13-28.3. Graffiti declared a public nuisance.

The existence of graffiti within the city limits in violation of this article is expressly declared a public nuisance, and is subject to the removal and abatement procedures specified in this article.

Sec. 13-28.4. Removal of graffiti.

(a) The city manager or his/her designated representative is authorized to undertake or contract for the removal or repair of the defacement of any public building, wall, fence or other structure, by the application of graffiti. Further the city manager or his/her designated representative may also undertake or contract for the removal or repair of the defacement by graffiti of any private building, wall, fence or other structure where such defacement is visible from any public right-of-way, but only in accordance with the following procedures:

(1) Prior to such removal of graffiti from private property, the city manager or his/her designated representative shall send to the property owner, by regular mail sent to the last address listed for the owner in city property assessment records, a notice stating: the street address and legal description of the property; that the property has been determined by the city to constitute a graffiti public nuisance; that the owner must take corrective action to abate the public nuisance created by such graffiti within 15 days of the date of the notice; and that if the graffiti is not removed within the 15-day period, the city will begin removal procedures. In the case of unimproved property, the notice shall also state that the cost of such corrective action shall be charged to the property owner. The notice shall further advise the owner of the right to challenge the city's determination and proposed action by requesting a meeting with a city official identified in the notice within 15 days of the date of the notice. The city shall initiate no corrective actions while a request for such a meeting or the outcome of such a meeting is pending. The determination of the designated city official following the requested meeting shall be final.

(2) If no corrective action is taken by the property owner within the 15-day period provided above and there is no request to challenge the city's determination within that period, the city manager or his/her designee shall send to the property owner by regular mail an additional notice that shall conform to the requirements of the first notice as set forth in subsection (a)(1) above and shall also state the date on which the city will commence corrective action to remove the graffiti on the property, which date shall be no earlier than 15 days from the date of mailing the second notice. Such additional notice shall also reasonably describe the corrective action contemplated to be taken by the city. Where the property owner

fails to abate the public nuisance within 15 days after issuance of the second notice, the city manager or his/her designated representative is authorized to proceed with removal efforts forthwith.

(3) Before entering upon private property for the purpose of graffiti removal, the city shall attempt to obtain the consent of the property owner, occupant or other responsible party.

(b) Where a structure defaced by graffiti is owned by a public entity other than the city, the removal of the graffiti by the city is conditioned upon securing the consent of an authorized representative of the public entity having jurisdiction over the structure.

(c) If the city manager or his/her designee determines that any graffiti is an immediate danger to public health, safety or welfare and is unable to provide notice by personal service after at least two attempts to do so, then 48 hours after the later of (1) mailing notice to the property owner or other responsible party and (2) posting notice in a conspicuous place on the property, the city may remove or cause the graffiti to be removed.

Sec. 13-28.5. Assessment of costs against property for removal of graffiti.

(a) If the city undertakes corrective action to remove graffiti from private property after complying with the notice provisions of subsection 13-28.4(a)(1), and if the property was unoccupied when such graffiti was applied, the actual cost or expenses for such removal and related repairs shall be chargeable to and paid by the property owner, and may be collected as a special assessment against the respective lot or parcel of land to which it relates in the manner in which city taxes and levies are collected.

(b) Every charge authorized by this section with which the owner of any such property has been assessed and which remains unpaid shall constitute a lien against such property with the same priority as liens for unpaid local taxes and enforceable in the same manner as such liens. The city manager may waive and release such liens in order to facilitate the sale of the property. Such liens may be waived only as to a purchaser who is unrelated by blood or marriage to the owner and who has no business association with the owner. All such liens shall remain a personal obligation of the owner of the property at the time the liens were imposed.

Attest:

Clarence C. Monday,
Clerk of Council

Date Adopted

Date Effective

Meeting Date: December 14, 2010
Item No: 7.
Department: City Manager, City Attorney, Commissioner of the Revenue
Issue: Consider adoption of ordinance, on first reading, clarifying language regarding effective dates for exemptions granted by classification and designation.

Summary: In November 2002 the voters of the Commonwealth of Virginia passed a referendum to remove the responsibility of granting tax-exempt status to organizations from the General Assembly to local governing bodies. This local authority for granting exemptions became effective January 1, 2003; however, the City of Martinsville had imposed a moratorium on granting exemptions until an Exemption Ordinance was enacted in January 2007.

Under the provisions of the Exemption Ordinance enacted by council in January 2007, any entity that does not clearly fall into any exemption category granted by the Code of Virginia either by classification or by General Assembly designation approved prior to January 1, 2003 must request an exemption approval from the city council in the form of an exemption ordinance. In order for the exemption request to be considered by council as part of the annual budget deliberations, the requesting entity must have submitted an exemption application to the Commissioner of the Revenue by November 1st preceding the budget deliberations.

The requested language change clarifies the effective date for exemptions that are granted as a result of meeting Code of Virginia exemption requirements by classification and local determinations by designation.

The preceding seven sections of the ordinance are attached for reference.

Attachments: [Draft Ordinance Language Change](#)

Recommendations: Motion to adopt on first reading

City of Martinsville, Virginia

ORDINANCE 2010-_____

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session held on December 14, 2010 that Section 21-11.7 of the City Code , is hereby repealed and reenacted as follows:

Sec. 21-11. Prior exemptions generally recognized and continued; standard of review; revocation of tax exemptions.

(a) Real and personal property that was exempt from taxation pursuant to Virginia Constitution, Article X, § 6, or Code of Virginia §§ 58.1-3600 through 58.1-3650.1001, or any other general or special act of the Virginia General Assembly prior to January 1, 2003, shall continue to be exempt from property taxation so long as that property is owned and used in conformance with the provisions of law that provided such exemption. Property that was exempt from taxation by classification or by designation on July 1, 1971, shall continue to be exempt from taxation under the rules of statutory construction applicable to exempt property prior to such date. Property that was exempt from taxation by classification or designation after July 1, 1971, shall be strictly construed in accordance with Virginia Constitution Article X, § 6(f).

(b) If any property that was exempt from property taxation is sold to another person or entity that is not exempt from property taxes, or if such property is used by its owner for some purpose that is not consistent with the terms of the previous exemption, then that property shall no longer be exempt from property taxes, unless another tax exemption applies to the new owner or the new use of the property. If any property is not being used in accordance with an applicable tax exemption following any such change in ownership or use, then the formerly tax-exempt property shall be subject to property taxation from the date of the change in ownership or use. In any dispute concerning the revocation of any property tax exemption, the person who owns that property shall have the burden of showing that any such property is exempt from property taxation.

(Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.1. Property tax exemption classifications.

Pursuant to the authority granted in Virginia Constitution, Article X, § 6(a)(6), to exempt property from taxation by classification, the following classes of real and personal property shall be exempt from taxation:

- (1) Property owned directly or indirectly by the Commonwealth, or any political subdivision thereof.
- (2) Buildings with land they actually occupy, and the personal property owned by churches or religious bodies, including (a) an incorporated church or religious body and (b) a corporation mentioned in Code of Virginia § 57-16.1, and exclusively occupied or used for religious worship or for the residence of their ministers, and such additional adjacent land reasonably necessary for the convenient use of any such building.
- (3) Nonprofit private or public burying grounds or cemeteries.
- (4) Property owned by public libraries, law libraries of local bar associations when the same are used or available for use by a state court or courts or the judge or judges thereof, medical libraries of local medical associations when the same are used or available for use by state health officials, incorporated colleges or other institutions of learning not conducted for profit. This paragraph shall apply only for property primarily used for literary, scientific or educational purposes or purposes incidental thereto and shall not apply to industrial schools, which sell their products to other than their own employees or students.
- (5) Property belonging to and actually and exclusively occupied and used by the Young Men's Christian Associations and similar religious associations, including religious mission boards and associations, orphan or other asylums, reformatories, hospitals and nunneries, conducted not for profit

but exclusively as charities (which shall include hospitals operated by nonstock corporations not organized or conducted for profit, but which may charge persons able to pay in whole or in part for their care and treatment.)

(6) Parks or playgrounds held by trustees for the perpetual use of the general public.

(7) Buildings with the land they actually occupy, and the furniture and furnishings therein belonging to any benevolent or charitable organization and used by it exclusively for lodge purposes or meeting rooms, together with such additional adjacent land as may be necessary for the convenient use of the buildings for such purposes.

(8) Property of any nonprofit corporation organized to establish and maintain a museum.

(Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.2. Further property tax exemption classifications.

Pursuant to the authority granted in Virginia Constitution, Article X, § 6(a)(6), to exempt real and personal property of an organization classified in Article 3 of Title 58.1 of the Code of Virginia, the real property owned and used by such organization for a religious, charitable, patriotic, historical, benevolent, cultural, or public park or playground purpose, as set forth in Virginia Constitution, Article X, § 6(a)(6), and classified as being exempt pursuant to Code of Virginia §§ 58.1-3609 through 58.1-3622, shall be exempt from taxation, so long as such organization is operated not for profit and the property so exempt is used in accordance with the purpose for which the organization is classified. The real and personal property of an organization classified as exempt from taxation by Code of Virginia § 58.1-3622 and used by such organization for charitable and benevolent purposes as set forth in Virginia Constitution, Article X, § 6(a)(6), shall be exempt from taxation, so long as the local governing body in which the property is located passes a resolution approving such exemption, and so long as the organization satisfies the other requirements of this subsection.

(Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.3. Property tax exemption by designation of the city council; actions of the commissioner of the revenue.

Pursuant to the authority granted in Virginia Constitution, Article X, § 6(a)(6), and Code of Virginia § 58.1-3651, any organization that wants the city council to consider designating the organization as being exempt from property taxation shall meet the minimum criteria set forth in section 21-11.4 and shall submit the information required in section 21-11.5 in the form of an application to the commissioner of the revenue. The commissioner of the revenue shall prepare such application forms, and all information submitted on such forms shall be accurate and complete when submitted to the commissioner of the revenue. The commissioner of the revenue may require additional information and/or clarifications concerning such application, and pursuant to Code of Virginia §§ 58.1-3110 and 58.1-3111, the commissioner of the revenue may summons taxpayers and other persons for the purpose of determining whether the property should be exempted or whether taxes should be assessed. If the commissioner of the revenue determines that any application or applications are complete and meet the minimum criteria set forth in section 21-11.4, then the commissioner of the revenue shall provide an estimate of the revenue impact to the locality and its taxpayers of exempting the property for which the exemption or exemptions are being sought to the city manager for presentation to the city council for its consideration at the time of the consideration of the annual budget. The commissioner of the revenue shall also submit any such tax exemption application or applications, together with the estimated revenue impact and any other pertinent information to the city council for its consideration at the public hearing as required by Code of Virginia § 58.1-3651. The tax exemption public hearing may be held concurrently with the public hearing on the annual budget, or the public hearing may be held at a separate date and time.

(Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.4. Minimum criteria for property tax exemption by designation of the city council.

The city council shall not consider any application from any organization unless that organization is qualified for designation pursuant to Virginia Constitution, Article X, § 6(a)(6) and that organization also meets these minimum criteria:

- (1) The organization seeking tax exemption is operated on a nonprofit basis and has qualified for federal income tax exemption pursuant to 26 U.S.C. §§ 501(c)(3), 501 (c)(4), or 501(c)(7);
 - (2) The organization seeking tax exemption owns and uses property for religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes within the city;
 - (3) Except for reasonable salaries and reimbursements paid to its officers and employees for services actually rendered, no part of the profits or income of the organization inures to the benefit of any individual person or any other organization; and
 - (4) The organization has filed the information required by section 21-11.5 on or before November 1 of the year preceding the tax year for which the property tax exemption is sought.
- (Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.5. Application requirements for consideration of property tax exemption by designation of the city council.

Any application submitted to the commissioner of the revenue shall include the following information:

- (1) Copies of the current articles of incorporation, charter and by-laws and other documents establishing the organization and describing its purpose, and a statement showing the current officers and the agent or agents of the organization. If the organization is operating under a fictitious name certificates;
- (2) A statement listing all of the property owned by the organization and all the property owned by the organization for which exemption is sought. Such list or lists should include (a) the addresses of the real property, (b) the real property tax map descriptions, (c) the size of the properties, (d) a list of personal property, which shows a description of the personal property, its acquisition cost and its age, and (e) the uses being made of all properties owned by the organization;
- (3) A statement of the value of the property and the taxes due on all property owned by the organization and on all property owned by the organization for which tax exemption is being sought. If any property taxes are due and unpaid, the statement should identify the unpaid amount or amounts and include an explanation of why such property taxes have not been paid;
- (4) Documentation from appropriate federal authorities showing that the organization has been designated by the federal government as exempt from federal income taxation pursuant to 26 U.S.C. §§ 501(c)(3), 501 (c)(4), or 501(c)(7);
- (5) A statement of whether the organization holds a current annual alcoholic beverage license for serving alcoholic beverages that has been issued by the Virginia Alcoholic Beverage Control Board to such organization for use on such property, and if so, then the application shall include a copy of any such alcoholic beverage license and a statement explaining when and under what conditions the organization serves alcoholic beverages;
- (6) Copies of all income tax returns filed by the organization for each of the three (3) previous calendar years with the Internal Revenue Service of the United States Department of Treasury, including, without limitation, Form 990, Form 990-EZ, Form 990-PF, and Form 990-T (herein collectively referred to as "Federal Form 990"), together with copies of all attachments, exhibits, schedules, and statements that accompanied all such income tax returns. In the event that no such income tax returns were filed in any of the three (3) previous calendar years, then the application shall include a statement explaining why any such return or returns were not required by federal law in each of the three (3) previous calendar years. Also, in the event that such an organization was not required to file a Federal Form 990 in any of the previous calendar years, then the organization shall provide the commissioner of the revenue with information that would have been included in a Federal Form 990 for each of those years;
- (7) For each officer, director, trustee, key employee, employee, or independent contractor whose compensation is listed on any Federal Form 990 filed by the organization, the application shall include a statement that (a) describes the services provided by each such officer, director, trustee, key

employee, employee, or contractor and (b) explains why such compensation was reasonable. In the event that such an organization was not required to file a Federal Form 990 in any of the previous calendar years, then the organization shall provide the commissioner of the revenue with comparable information for each of those years showing any compensation provided to a director, trustee, key employee, employee, or independent contractor and a statement explaining why such compensation was reasonable;

(8) A copy of the most recent annual report for the organization, and if no such report was prepared, then an explanation of why no annual report has been prepared;

(9) A copy of the most recent financial audit report for the organization, and if no such report was prepared, then an explanation of why no financial report has been prepared;

(10) A statement describing whether the organization provides services for the common good of the public, with special emphasis on what benefits and services the organization provides to the residents of the city;

(11) A statement describing why the requested property tax exemption is necessary to the local operation of the organization;

(12) A statement describing whether a substantial part of the activities of the organization involves carrying on propaganda or otherwise attempting to influence legislation and whether the organization participates in, or intervenes in, any political campaign on behalf of any candidate for public office; and

(13) Any other information required by Virginia Code § 58.1-3651 and any other information that may be required by the commissioner of the revenue pursuant to section 21-10.5.

(Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.6. Triennial application for exemption retention; periodic review by the commissioner of the revenue.

(a) Any entity except the commonwealth, any political subdivision of the commonwealth, or the United States, that has been granted tax-exempt status for its real or personal property, either by classification or designation, shall file triennially an application with the commissioner of the revenue as a requirement for retention of the exempt status of the property. The commissioner of the revenue shall provide sixty (60) days' written notice to the entity of their filing requirement. The application shall show the ownership and usage of such property and shall be filed by November 1 of the preceding tax year for which the retention is sought.

(b) If an organization, except the commonwealth, any political subdivision of the commonwealth, or the United States, that has been granted tax-exempt status for its real or personal property, either by classification or designation, pursuant to Code of Virginia §§ 58.1-3110 and 58.1-3111, the commissioner of the revenue may require additional information from that organization from time-to-time to verify that the organization continues to operate and to use its property in accordance with the terms and conditions of the exempt classification or designation.

(Ord. No. 2006-13, 1-9-2007)

Sec. 21-11.7 Effective date.

~~This ordinance shall become effective on adoption, but all exemptions granted hereby shall become effective beginning on or after January 1, 2007, for personal property and July 1, 2007, for real property, or for the tax year effective date for which the tax exemption is granted.~~

(Ord. No. 2006-13, 1-9-2007)

Unless otherwise directed by city council, the grant of tax exemption under this section shall be effective from the date that the non-profit owner began using the property for the purposes referenced in Sec. 21-11.1 and Sec. 21-11.2. An exemption granted under this section may be

deemed effective retroactively, but in any case, no earlier than July 1, 2010. Where retroactive application on or after July 1, 2010 is approved, the Commissioner of the Revenue shall adjust the land book or personal property book accordingly, and the City Treasurer shall refund any tax, including penalty and interest, paid for the period of retroactive application. Exemptions granted by designation shall become effective for the next fiscal year after the exemption is approved by city council.

* * * * *

Attest:

**Clarence C. Monday,
Clerk of Council**

Date Adopted

Date Effective



City Council Agenda Summary

Meeting Date: December 14, 2010
Item No: 8.
Department: Finance
Issue: Consider approval of consent agenda

Summary:

The attachments amend the FY11 Budget with appropriations in the following funds:

FY11:

A. General Fund: \$2,320 – recovered costs and donations
School Fund: \$317,765 – Harvest and various other program funds
Federal School Program Fund: \$1,884,794 – various program funds

B. The attachments amend the FY11 Budget with appropriations in the Capital Reserve Fund for Southern Finishing Company funding from the Governor's Opportunity and Tobacco Commission Funds in the amount of \$515,000.

Attachments: [Spreadsheet](#)
[Spreadsheet](#) (Southern Finishing)

Recommendations: Motion to approve

BUDGET ADDITIONS FOR 12/14/10

ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
<u>FY11</u>				
<u>GENERAL FUND</u>				
01100909	490134	Recovered Costs - Parks & Recreation		745
01711210	503159	Recreation - Instructors	713	
01711210	506007	Recreation - Equipment & Supplies	32	
		appropriation of dance & dog obedience class fees		
01100908	480410	Donations/Fire Department		75
01321102	506112	Fire Department - Fire Supplies	75	
		appropriation of donation (M.Worthy)		
01100909	490104	Advance/Recovered Costs		1,500
01211070	503127	Circuit Court - General Professional Services	1,500	
		donation agreement with Judge Greer		
Total General Fund:			2,320	2,320
<u>SCHOOL FUND</u>				
18102926	418278	Categorical Federal - General Adult Education		4,688
87101310	561120	Adult Basic Education - Instructional S & W	168	
87101310	561150	Adult Basic Education - Clerical S & W	4,190	
87101310	562100	Adult Basic Education - Social Security	267	
87101310	562150	Adult Basic Education - Medicare	63	
18103919	489904	Grants Private (American Psychological Foundation)		14,000
71001100	563840	Tuition Paid PHCC	14,000	
18103919	489904	Harvest		70,000
81621310	561120	Instructional S&W	3,927	
81621310	562100	Social Security	244	
81621310	562150	Medicare	57	
81621310	563000	Purchased Services	14,490	
81621310	563142	Professional Development	16,150	
81621310	565503	Travel	5,311	
81621310	565800	Miscellaneous	1,623	
81621310	566013	Instructional Materials	200	
81631310	561120	Instructional S&W	2,618	
81631310	562100	Social Security	162	
81631310	562150	Medicare	38	
81631310	563000	Purchased Services	9,660	
81631310	563142	Professional Development	10,766	
81631310	565503	Travel	3,541	
81631310	565800	Miscellaneous	1,082	
81631310	566013	Instructional Materials	131	
18103909	480303	Other Rebates/Refunds		50,000
71001210	561120	Instructional S&W	40,182	
71001210	562100	Social Security	2,491	
71001210	562150	Medicare	583	

71001210	562210	Retirement Payments	3,974	
71001210	562300	Group Medical	2,381	
71001210	562400	State Life	113	
71001210	562520	Disability Insurance	35	
71001210	562750	Retiree Health Insurance Credit	241	
20102926	428718	21st Century Community Learning Center Grants		174,077
86891100	563000	Purchased Services	128,397	
86891100	565506	Travel	9,600	
86891100	565800	Miscellaneous	13,180	
86891100	566000	Materials & Supplies	22,900	
18101917	403992	National Board Certification		5,000
12001100	561650	National Board Certification	2,500	
41001100	561650	National Board Certification	2,500	
Total School Fund:			317,765	317,765

FEDERAL SCHOOL PROGRAMS FUND

24600100	420451	TITLE I REGULAR		988,327
86011100	561120	SALARY	560,382	
86011100	561151	SALARY	75,720	
86011100	562100	SOCIAL SECURITY	39,438	
86011100	562500	MEDICARE	9,223	
86011100	562210	RETIREMENT	56,804	
86011100	562300	MEDICAL INSURANCE	50,450	
86011100	562400	LIFE INSURANCE	1,781	
86011100	562520	DIABILITY INSURANCE	564	
86011100	562750	RETIREE HEALTH INS CREDIT	3,817	
86011310	561120	SALARY	30,621	
86011310	562100	SOCIAL SECURITY	1,899	
86011310	562500	MEDICARE	444	
86011310	562210	RETIREMENT	2,734	
86011310	562300	MEDICAL INSURANCE	3,023	
86011310	562400	LIFE INSURANCE	86	
86011310	562520	DIABILITY INSURANCE	209	
86011310	562750	RETIREE HEALTH INS CREDIT	184	
86011260	561120	SALARY	28,752	
86012160	562100	SOCIAL SECURITY	1,783	
86012160	562500	MEDICARE	417	
86012160	562210	RETIREMENT	2,568	
86012160	562300	MEDICAL INSURANCE	3,023	
86012160	562400	LIFE INSURANCE	81	
86012160	562520	DIABILITY INSURANCE	227	
86012160	562750	RETIREE HEALTH INS CREDIT	173	
85002000	563140	CONTRACTED SERVICES	30,000	
85002000	565503	TRAVEL	8,000	
85002000	566013	INSTRUCTIONAL MATERIALS	75,927	
20102926	420200	TITLE IIA		163,258
86111100	561120	SALARY	112,590	

86111100	562100	SOCIAL SECURITY	6,981	
86111100	562500	MEDICARE	1,633	
86111100	562210	RETIREMENT	10,054	
86111100	562300	MEDICAL	3,304	
86111100	562400	LIFE INSURANCE	315	
86111100	562520	DIABILITY INSURANCE	70	
86111100	562750	RETIREE HEALTH INS CREDIT	676	
86111100	563000	PURCHASED SERVICES	27,636	
20102926	420210	TITLE IIIA		12,247
86311100	561120	SALARY	10,000	
86311100	562100	SOCIAL SECURITY	620	
86311100	562500	MEDICARE	145	
86311100	563140	CONTRACTED SERVICES	225	
86311100	565503	TRAVEL	250	
86311100	566013	INSTRUCTIONAL MATERIALS	1,007	
20102926	420451	TITLE VIB FLOW THROUGH		646,393
86511100	561120	SALARY	200,495	
86511100	561151	SALARY	219,000	
86511100	562100	SOCIAL SECURITY	26,009	
86511100	562500	MEDICARE	6,083	
86511100	562210	RETIREMENT	37,461	
86511100	562750	RETIREE HEALTH INS CREDITIT	2,517	
86511100	562300	MEDICAL	43,914	
86511100	562400	LIFE INSURANCE	1,175	
86511100	562520	DIABILITY INSURANCE	3,314	
86512160	561150	SALARY	33,252	
86512160	562100	SOCIAL SECURITY	2,062	
86512160	562500	MEDICARE	482	
86512160	562210	RETIREMENT	2,969	
86512160	562750	RETIREE HEALTH INS CREDITIT	200	
86512160	562400	MEDICAL	263	
86512160	562300	LIFE INSURANCE	3,413	
86512160	562520	DIABILITY INSURANCE	209	
86511100	563140	CONTRACTED SERVICES	15,000	
86511100	566013	INSTRUCTIONAL MATERIALS	40,000	
86511100	565503	TRAVEL	5,000	
86511100	566000	MATERIALS & SUPPLIES	3,577	
20102926	420399	TITLE VIB PRESCHOOL		6,606
86611100	561120	SALARY	5,000	
86611100	562100	SOCIAL SECURITY	310	
86611100	562500	MEDICARE	73	
86611100	566013	INSTRUCTIONAL MATERIALS	1,224	
20102926	420301	TITLE VI RURAL EDUCATION		61,543
86411310	561120	SALARY	20,000	
86411310	562100	SOCIAL SECURITY	1,240	
86411310	562500	MEDICARE	290	
86411310	563140	CONTRACTED SERVICES	21,726	
86411310	566013	INSTRUCTIONAL MATERIALS	18,287	

20102926	420201	TITLE IID		6,420
86218100	56563140	CONTRACTED SERVICES	1,000	
86218100	56566013	INSTRUCTIONAL MATERIALS	3,815	
86218100	56565503	TRAVEL	1,605	

Total Federal School Programs Fund:			1,884,794	1,884,794
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BUDGET ADDITIONS FOR 12/14/10

<u>ORG</u>	<u>OBJECT</u>	<u>DESCRIPTION</u>	<u>DEBIT</u>	<u>CREDIT</u>
<u>FY11</u>				
<u>CAPITAL RESERVE FUND</u>				
16101917	416611	Categorical Other State - Governor's Opportunity Fund		135,000
16582373	509186	GOF/TROF - Gov Opp Funds - Southern Finishing Co.	135,000	
16101917	443700	Categorical Other State - Tobacco Commission Grant		380,000
16582373	509187	GOF/TROF - Tobacco Comm - Southern Finishing Co.	380,000	
<u>Total Capital Reserve Fund:</u>			515,000	515,000