Regular
Council Meeting
March 18, 2002

The regular meeting of the Elkton Town Council was held Monday, March 18, 2002 in the Council Chambers with Mayor M. Lee Dearing presiding. The following Council members were present:

PRESENT

J. T. Dean
C. H. Murphy
M. S. O'Neill
T. Pence
W. E. Printz
L. Sigafoose

J. Burns Earle and Lauri Sigler, attorneys, Faye Vickers, Treasurer, Richard Pullen, Chief of Police, and Richard Carey, Clerk of Council, were also present.

Councilman O'Neill offered the Invocation.

The Pledge of Allegiance was recited.

CITIZEN COMMENTS

Hazel Crider, 114 Hillside Avenue, spoke of a drainage ditch at Hillside turning on to North Street which was a safety hazard for the area. This problem has been on-going for two years and she would like to have it resolved. Mrs. Crider announced August 6, 2002 as the Neighborhood Watch National Night Out and requested a street closing from McDonalds Restaurant to the intersection of Spotswood Trail, as well as the use of the front porch of the Municipal Building for a Lam Brothers concert.

Mayor Dearing stated the North Street ditch would cost a couple thousand dollars and Council must appropriate money for the project. A temporary fix was accomplished when Kenny Flick was Director of Public Works. Mayor Dearing and Mrs. Crider disagreed on past promises made. A group consisting of any combination of the Mayor, Chief Pullen, Mr. McCoy and/or Councilman Printz will look at the ditch tomorrow. Councilman O'Neill offered that there was $40,000.00 in matching ISTEA money which could be deferred and could provide the funding for this project. Mayor Dearing stated $40,000.00 could not be allocated twice because Council committed the ISTEA money to the storm drainage on downtown Spotswood.

Caroline Brill, 148 Sweetgum, stated when you ask for the moon sometimes you get a star. The star is the Food Lion complex. After attending the annexation public hearing, she questioned why Council did not appear as a unified body. She felt the appearance of solidarity would have had greater impact on the opponents. She urged Council to take advantage of the low interest rates and purchase the Kite property.

Randell Snow, 121 Clover Lane, on behalf of the Historical Society, urged Council to act expeditiously to insure the contents of the Miller-Kite House. He asked Council to act on the Park Authority and appoint the members. People want a community center and the only way to pay for it is to have a source of revenue.

Rick Workman, 154 Sweetgum, urged Council to name the Park Authority and get moving toward the development of a community center. He believed that development of a community center on 11 acres outside of Town would be a non-issue because a simple boundary adjustment with the County would solve the problem.

Regarding annexation, Mayor Dearing stated that he and attorney Miller receive guidance from the Town Council. Two years ago Mayor Dearing declared an aggressive stand on annexation and Council blessed that approach. He said annexation would include the Food Lion

area, but Councilmen Printz and Sigafoose wanted the area to and including the East Rockingham Health Center so "they could control the doctors." Mayor Dearing acquiesced and agreed to go to the Health Center. Sixty thousand dollars were spent to survey that area. An election changed the faces on the Board of Supervisors and elected Supervisor Michael Breeden was willing to go to the river, an area which included a dump, a sewer plant, and a cement plant. At a meeting, Mayor Dearing told Mr. Breeden that that was not acceptable to the Town of Elkton. He will represent Council and the Town and will not remove the gloves when dealing with the County. From the public hearing it was said to find a cordial way to deal with the issue. Mayor Dearing "has not found a cordial way to deal with the County yet."

Councilman O'Neill stated why Elkton was treated differently from the other Towns in Rockingham County came from Supervisor Breeden. The other Towns don't negotiate in the newspapers and resort to name calling. They have diplomatic negotiations. He suggested the reason Elkton has not progressed on annexation may be in large part due to Elkton's publically aggressive stand.

Mayor Dearing stated that when he, Kenny Flick, a planning official, and Mr. Miller sat down at the table with the annexation map and were offered area to the river, he became aggressive. He brought the plan back to Council. It was Council who told him to go hostile. He added he is hostile because he is paid $200.00 per month to be hostile.

Councilman Printz wants the Town to be represented in a more respectable fashion. He disagrees with the approach the Town has taken on several issues. He said the Mayor used profanity earlier in the meeting and he has seen the Mayor throw the gavel at Council. He does not agree with the County's position, but he will not negotiate in the newspaper or on TV. Being the mayor of Elkton is a privilege and an honor, and, as Mayor, he should depict the viewpoints of the Council. The chief spokesman should be very careful what he states.

As far as a golf course, Councilman Printz has no problem with a separate business starting a golf course. In review, there are issues such as run-off and how much water will be taken in, debt load, and operating costs which have not been considered. He is not opposed to a golf course but there is growing concern that the Town would be liable if a mistake were to be made.

Regarding a community center, Councilman Printz received Council approval to do an analysis of what would be good for the Town and then to make recommendations to Council. There were two recommendations, one of which was a new facility at a cost of 1.1 million dollars. Councilman Printz did not like the concept of creating that much debt. The other option was the old IGA building at a cost of $350,000.00 for 23,000 sq. ft. Councilman Printz emphasized they were both options.

Councilman Printz had stated earlier in the meeting that Mayor Dearing appeared on TV3 news at 6:00 P.M., tonight and released annexation information of which the other Council members were unaware. Mayor Dearing said if anyone had listened to the broadcast that he stated that "we had tentatively met an agreement with the County. They were drawing a boundary line and within two weeks they would submit that to the Town Council and we would determine if that was suitable or not. That's what was said. That's what I said on the news."

Councilman Pence said he has watched the County for 42 years give to the other side of the County. He also said name calling should be reserved for closed session and he objected to public name calling.

MINUTES

Councilwoman Murphy moved, second by Councilman O'Neill, and carried to

approve the minutes of the Public Hearing of February 12, 2002.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Councilwoman Murphy moved, second by Councilman Pence, and carried to approved the minutes of the Public Hearing of February 18, 2002.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Councilwoman Murphy moved, second by Councilman Pence, and carried to approved the minutes of the Regular Council meeting of February 18, 2002.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Councilwoman Murphy moved, second by Councilman O'Neill, and carried to approve the minutes of the Special Council meeting for February 25, 2002

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

DEPARTMENT HEAD REPORTS

Chief of Police

There were no questions for Chief Pullen.

Department of Public Works/Zoning Administrator

Mayor Dearing reported Mr. McCoy was attending classes in Richmond. There were no questions for Public Works.

Treasurer

Ms. Vickers reported an ending ledger balance of $295,108.92 for the month of February, 2002.

Councilman O'Neill moved, second by Councilman Dean, and carried to approve the Treasurer's Report.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

COMMITTEE REPORTS

Electric

Councilman Sigafoose asked to table the appointment of Mr. McCoy as Elkton's voting

director to the Virginia Municipal Electric Association.

There was discussion as to the merits of VMEA. Mayor Dearing expressed how vital it was to Elkton to have a representative to an association to which we belong.

Councilwoman Murphy moved, second by Councilman Pence, and carried to appoint Todd McCoy as Elkton's voting director to the Virginia Municipal Electric Association.

YEAS: T. Pence, C. Murphy, J. T. Dean
NAYS: W. Printz, M. O'Neill, L. Sigafoose

Mayor Dearing broke the tie with a YEA vote.

Motion carried (4-3)

Finance

Councilman O'Neill deferred to Old Business.

Personnel

Councilwoman Murphy deferred to New Business.

Public Health, Public Safety, and Ordinances

Mayor Dearing commended the police department for recent drug investigations and assisting other police departments in the apprehension of suspects.

Streets and Sidewalks

Councilman Printz will discuss sidewalk obstructions at the next committee meeting. Although riding of bicycles on sidewalks is a Public Safety topic, he hopes to also have dialogue on that issue.

Water and Sewer

Councilman Dean read the following:

RESOLUTION
DROUGHT CONDITIONS IN ROCKINGHAM COUNTY

WHEREAS, water provides sustenance to Town of Elkton citizens and businesses, which is important to the Town's quality of life and prosperity; and

WHEREAS, the Town is greatly dependent upon rainfall to sustain the economic base of our locality; and

WHEREAS, during the past few years Elkton has received considerably less rain than normal while experiencing unseasonably high temperatures, causing the ground water level to be at a 31-year low, according to the U. S. Geological Survey Database; and

WHEREAS, many acres of farmland and a number of private wells in the County have been adversely affected by the resulting drought; and

WHEREAS, individual citizens, businesses and organizations through their voluntary efforts, can accomplish the most to conserve our water resources and provide long-term environmental benefits;

NOW, THEREFORE, BE IT RESOLVED that the Council of the Town of Elkton, Virginia hereby urges all Town citizens, businesses and organizations, public and private, to be sensitive to the drought conditions and to observe good conservation practices in the use of water so that we may continue to enjoy a beautiful, healthy and prosperous community without the need for official government regulations governing the use of water.

Recreation

No report.

Planning Commission

Councilman Dean deferred to New Business.

OLD BUSINESS

Touch Read System - Second Reading

Councilman O'Neill moved, second by Councilman Printz, and carried to approve that $500.00 be allocated from the Water Budget to purchase the software necessary for touch read upgrade.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Councilman O'Neill said he had a second item under Old Business.

Councilman O'Neill moved, second by Councilman Printz, that Elkton provide insurance coverage to the Elkton Historical Society for the contents of the Miller-Kite House in the amount of $2,000.00.

There was a great deal of dissension among Council. Mayor Dearing had sent a letter to the Historical Society requesting that the Society give Elkton ownership of the contents of the Miller-Kite House, which included the fine arts collection donated by Mary Elizabeth Kite. An appraisal of that collection submitted by Green Valley Auctions, Inc., of Mt. Crawford, Virginia resulted in a value of $105,200.00. The total value of the contents of the House was $135,145.76.

David Smith, Senior Underwriter for VML Insurance Programs, was faxed a copy of the appraisal. His response was, with the Town of Elkton having ownership of the contents, the premium would be $678.00 per year with the Fine Arts classification. Mayor Dearing could not justify spending an additional $1,400.00 of taxpayers' money, when the Town could obtain ownership then lend the contents back to the Historical Society.

Mayor Dearing: "This has become an issue that this Town Council has become aware of within the last month. The items were given to the Historical Society by Ms. Kite several months ago. Then, all of a sudden, everyone started getting calls that those items had not been insured. We can't fix something until we know it's broke. Ms. Kite's intent was this: those items were to be loaned to the Historical Society. If they dissolve then they would go to the Town of Elkton."

Councilman O'Neill: "I'd like to bring to Council's attention I have a quote dated March 1, 2001 that Mr. Casey Billhimer told me he obtained from Mr. Wayne Hensley. He approached the Mayor about this issue back in April, 2001 time frame. So I do dispute that this issue has not been pursued for almost a year now to no effect."

Mayor Dearing: "Mr. Billhimer did bring me the request and I will tell you the same thing as I tell you now. If we do not own the items we do not insure the items. I asked Mr. Billhimer to go back to the Historical Society and say they were the Town of Elkton's items and at that time we would insure them."

Councilman Printz: "That's not the version Mr. Billhimer gave to me. He said that you stated the items are covered. I called Rick and asked Rick whether they were covered. He thought they were also. After some investigation into the insurance people we found out they cannot be covered because basically the Historical Society is a separate entity from the Town. Since those articles are in their possession that the Town insurance could not cover them. For right now, it's my opinion you are talking about some very important artifacts up there that have to be covered. We can argue about the politics of that later like Mr. Workman said. We have got to...one jacket up there is I think $40,000.00. I am very concerned it would take very little to go in there and break in and get that stuff."

Councilman O'Neill: "Also Mr. Billhimer did express to me that Ms. Kite was concerned about the lack of insurance on the property."

Councilwoman Murphy wanted to know how many insurance estimates were obtained by the Historical Society and the range of the quotes. Councilman O'Neill answered two quotes had been received and a third was coming. The range is $2,700.00 to $3,000.00.

Councilwoman Murphy: "I don't think anyone sitting at this table disagrees that they need to be insured. The question is what is the best way to insure them at the least cost to the taxpayers. That's the question."

Councilman Dean: "Did Mr. Billhimer give you any indication where the Historical Society is leaning to turn this stuff over to the Town or do they plan to keep it and us keep paying the premium on it?"

Councilman O'Neill: "They have submitted a request for a donation next year, according to our policies, for $5,000.00 which would include enough money for them to obtain insurance themselves. This is basically a donation for what I believe to be a worthy cause and something very valuable to the Town."

Mayor Dearing: "Each of you got a copy of the letter from Jack DePoy which stated Ms. Kite's intent was that they belong to the Town of Elkton. You got a copy of the letter I sent the Historical Society saying you have to have a meeting - you have to determine who owns the items. They don't care who pays the $2,000.00. So you're gonna pay $,1400.00 more for an item because you want them to have it vs. us? It makes no sense."

Councilman O'Neill: I think it makes perfect sense because I don't like the idea of these contents being at the mercy of the political winds that happen to blow in and out of this Council from time-to-time."

Councilwoman Murphy: "They don't mind taking our money. What's the difference?"

Councilman O'Neill: "The difference is we have a group of people who have invested a great deal of time and effort into protection and presentation of those valuable items and I feel that they are by far the best qualified to look out for their well-being."

Councilwoman Murphy: "We are not saying that. We are saying look out after them. Just do a paper move to get the cheaper insurance and save tax dollars. That is all we're saying."

Mayor Dearing: "We go through this every two years. Go back and read your minutes. Right before every election we become political prostitutes. They come in here and they (wording could not be understood) we have to have this fixed. Last year they were in a crisis. They needed four thousand dollars right before your budget. You didn't budget $4,000.00 but you gave them $4,000.00 because they were in a bind. But did you look at the financial report? They have 11 or 12 thousand dollars. They are asking you now to spend taxpayer money. We own the house. We give them the house. That's one of those things as politicians that we own and we give it to them to use. So why not let us have our property and we'll give it back to you to use and we will save the taxpayers $1,400.00."

Councilman O'Neill: "If Ms. Kite had intended for the Town to own those contents she would have donated them to the Town."

Mayor Dearing: "She did. She did."

Councilman Sigafoose: "Mr. Dearing, can you make a statement to me that we can insure them at a cheaper rate and then let the Historical Society use them?"

Mayor Dearing: "Our insurance carrier will not insure anything we do no own. If they give them to us we then own them. We give it back to them just like we do the property. We own the house, we insure the house and we give it to them to use so they get a cheaper rate. We have four hundred and some thousand dollars on that building now...four hundred and seventy some thousand and just on the building. It makes sense to the taxpayers. If you want to put something on the ballot, put this on it."

Councilman O'Neill: "Do we insist that we own the fire sensing device we just donated the first $8,000.00 for for the fire department?"

Mayor Dearing: "You have a motion on the floor. I won't argue it anymore. If you want to spend the taxpayers' money then spend it."

Councilman Printz: "Mayor Dearing, you are not being honest with the people. You specifically told Mr. Billhimer that you supported this concept. You are not being honest with the people. I also would like for you to be very cautious with your language. I think some of the terminology you are using in this room is improper."

Mayor Dearing: "Wayne, I told Mr. Billhimer the same thing I told you and that is we would insure those items under the way we could do it legally and most cost effective. Now, all I'm saying is if you want to give the money up...you all do what you want to do. I don't vote on this unless there is a tie...I gave you the facts. If you are willing to take a $2,000.00 quote over a $678.00 quote, which is fact, then you do whatever is best in your heart. Now, the motion is on the floor. Any further discussion?"

Mayor Dearing: "Lucky, how do you vote on a two thousand dollar ticket?"

Councilman Printz: "What you have to understand, Lucky, is the Historical Society has to vote that we own that property. If they don't then they are uninsured."

Councilwoman Murphy: "They can pay it."

Mayor Dearing: "They got $12,000.00. They can pay it."

Councilman Printz: "They have two rooms - if you would take the time to go up to the Historical Society Preservation site like I did the other day - you would see there are still two rooms that need to be worked on up there to the tune of maybe 30 or 40 thousand dollars. That is our property they are investing in. That is not their property and they are doing it all for us free-of-charge.

Mayor Dearing: "Lucky, the motion on the floor is to spend $2,000.00 to let the Historical Society keep the items and we pay the bill - $2,000.00. How do you vote?"

Councilman Sigafoose: "I'm very confused right now so I am gonna abstain."

YEAS: M. O'Neill, J. Dean, W. Printz
NAYS: C. Murphy, T. Pence
ABSTAIN: L. Sigafoose

***CLERK'S NOTE: At a Special Meeting called by Mayor Dearing on April 2, 2002, this vote was challenged under Section 22 of The Charter of the Town of Elkton, Virginia which requires a 2/3 vote of Council for passage.**

Councilman Printz: "You also have to recall that they will be giving a request for funding, like they do every year. Casey also made the point to say that maybe the money will be subtracted from that request."

Councilman Dean: "I have one more thing under Old Business."

Councilman Dean moved, second by Councilman Printz, and carried that the Town of Elkton allow a resident of East Spring Street, the George Herring home, to be hooked on to the Town sewer system on an emergency basis due to potential health and safety issues."

Mayor Dearing: "Thursday night I brought to you that I wanted to hook those people up. I got a donation from the County of $5,000.00 to do it and you told me not to accept the check. Now what are you telling me to do?"

Mayor Dearing stated the Town agreed to pay for the pipe at a cost of $451.00. He asked Mike Breeden to take it to the Board of Supervisors, who agreed to allocate $5,000.00 to the Town for that project only.

Councilman Dean said he spoke with Mike Breeden and the County will install a line from the Herring house and collect a hook-up fee at no cost to the Town. "The reason I brought this up, I was at the Herring house again and they have methane gas bubbling up in their commode. I cannot sit here as Chair of Water and Sewer and consciously deny these people hook-up. If I got it in my ability to help these people, I'm gonna do it. Now that's the motion I put on the floor, and there is a second..."

After it was determined the County installed and owned the line on the East side of Rt. 340, Councilman Dean said, "I'm not asking nobody to debate whose line it is." He just wanted to help someone in an emergency situation.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Mayor Dearing: "Now, let's clarify the situation. Tomorrow morning Mr. Herring can hook on. The Town will not spend a dime. The $5,000.00 to come from the County will go to Mr. Herring."

Councilman Dean: "The County will also install it. They are gonna install a line. That $5,000.00 grant, or whatever they gave, will stay with them."

Mayor Dearing: "Starting tomorrow afternoon, get ready for more requests because we just endorsed a line."

Councilman Pence moved to kill the project, the recreation building, in the old IGA building.

Councilman Printz: "We don't need a motion for that because it's never been started."

Councilwoman Murphy: "There was a vote to instruct the attorney to negotiate an option. Yes sir, there was a vote.

Councilman Printz: "There was a motion to try to see what negotiation could come out of a meeting with the attorney, which I have, incidentally, notified that attorney that there should be no negotiation until after the election so that the people could decide what location they would prefer for their community center."

Councilwoman Murphy: "When were you planning on telling the rest of us that?"

Councilman Printz: "Tonight, but I can't get a word in edgewise because you are talking all the time."

Councilman Pence: "Who's talking all the time?"

Councilman Printz: "Her."

Councilwoman Murphy: "Excuse me?"

Councilman Pence: "I think me and her are the only ones who have kept our mouths shut."

Mayor Dearing: "If you want to get down on it, all I'm telling you is Mr. Theodore brought a motion to stop the project at the plaza. Now you can debate whether or not there was dialogue to negotiate a contract. He is asking to stop that motion. Is that what you're saying, Theo?"

Councilman Pence: "That's exactly what I'm saying."

Mayor Dearing: "Do I have a second?"

Councilwoman Murphy: "Second."

Mayor Dearing: "Is there any further discussion?"

Councilman O'Neill: "I would suggest that the motion be rephrased to say 'cease negotiations' because that was all that was authorized."

Mayor Dearing asked the Clerk to read the motion.

Councilman Pence moved, second by Councilwoman Murphy, and carried to cease negotiations for purchase of the old IGA building in ShenElk Plaza for the proposed purpose of a community center.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Interim Town Manager

Mayor Dearing explained that the bond procedure required the Town to have a Town Manager to execute the bond. The person named for this purpose would have very limited administrative powers. Attorney Earle added this person would have sole responsibility and capacity for the bond process only. The banks and bond council require the Town Manager be identified.

RESOLUTION OF THE ELKTON TOWN COUNCIL
Appointment of an Interim Town Manager and
Approving the 2002 General Obligation Bonds

BE IT RESOLVED by the Council for the Town of Elkton, Virginia, as follows:

1. That the position of Town Manager for the Town of Elkton is currently vacant.

2. That no individual has been appointed acting interim Town Manager.

3. That the Resolution passed by Council on February 18, 2002 entitled "Resolution of the Town Council of the Town of Elkton, Virginia, Authorizing the issuance and sale of $2,000,000.00 General Obligation Bonds" ("February 18, 2002 Resolution") bestows on the Town Manager certain powers and duties including the appointment as Bond Registrar and Paying Agent.

4. That the Council finds that it is in the best interest of the Town to appoint an interim Town Manager for the limited purpose of carrying out the duties outlined in the February 18, 2002 Resolution.

5. That the Council hereby appoints Todd McCoy as Interim Town Manager and gives him the authority to act on behalf of the Town in all manners outlined in the February 18, 2002 Resolution.

6. That the Council hereby approves the form of bond to be executed in substantially the same form as the bond attached to this Resolution as Exhibit A, with such variations, omissions and insertions as are permitted or required.

EXHIBIT A
UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA

TOWN OF ELKTON

GENERAL OBLIGATION CAPITAL IMPROVEMENT BOND,
SERIES 2002

TOWN OF ELKTON, VIRGINIA (the "Town"), for value received, acknowledges itself indebted and promises to pay to the order of Rockingham Heritage Bank, as registered owner of this Bond or legal representative (the "Bondholder"), the principal amount of One Million Dollars

($1,000,000.00) and to pay interest on the principal amount of this Bond at the annual rate of 5.00%. Principal of and interest on this Bond shall be paid in the amounts and on the dates set for on Schedule 1 attached to this Bond. Both principal of and interest on this Bond are payable in lawful money of the United States of America. The principal of and interest on this Bond are payable by check or wire transfer mailed or sent to the registered owner hereof without presentation or surrender; provided that the final payment of principal and interest is payable upon presentation and surrender hereof at the office of the Town Manger, as Bond Registrar ("Bond Registrar"). Interest on this Bond will be calculated on the basis of a 360 day year and twelve 30 day months.

This Bond has been duly authorized by the Town Council and is issued for the purpose of providing funds to pay the costs, in whole or in part, to finance the cost of acquisition of real estate and the acquisition and/or construction of a community center. The full faith and credit of the Town are irrevocably pledged for the payment of the principal of and premium, if any, and interest on this Bond in accordance with its terms.

This Bond is issued under the authority of and in full compliance with the Constitution and Statutes of the Commonwealth of Virginia, and, more particularly, issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended and a resolution adopted by the Town Council on February 18, 2002 (the "Resolution").

This Bond is not subject to prepayment at the option of the town.

Any payment of principal or of interest on this Bond that is not paid within 15 days of its due date shall be subject to a late charge (in addition to any interest that will continue to accrue) equal to 5.00% of the amount of such payment that is overdue.

Upon default in the payment when due of any installment of principal or interest (including Supplemental Interest (as defined below), if any) on this Bond, the holder of this Bond may, at its option, declare the entire unpaid principal balance and all accrued interest hereon to be immediately due and payable.

This Bond is subject to mandatory call without penalty or premium at the option of the registered owner hereof, or in lieu of such mandatory call the registered owner hereof has the right to require the Town to transfer this Bond to a subsequent purchaser, only July 15, 2012. The registered owner of this Bond shall give the Town 60 days written notice of its intent to require prepayment or transfer of this Bond.

No notation is required to be made on this Bond of the payment of any principal or interest on normal installment payment date. HENCE, THE FACE AMOUNT OF THIS BOND MAY EXCEED THE PRINCIPAL SUM REMAINING OUTSTANDING AND DUE HEREUNDER. The registered owner, by acceptance of this Bond, agrees, before any sale, assignment or transfer of this Bond, to note in the certificate at the foot of this Bond the aggregate amount of all principal payments which have been made and the date through which interest has been paid.

The interest rate on this Bond is subject to increase or decrease as provided herein. So long as no Event of Taxability (as defined herein) has occurred, if at any time, or from time to time, there is an increase or decrease in the maximum federal marginal income tax rate applicable to the owner of this Bond, then the interest rate hereon shall be increased or decreased, effective as of the effective date of the increase or decrease in such maximum federal marginal income tax rate, to the tax equivalent yield on this Bond multiplied by the difference between one (1) and the new federal marginal income tax rate (expressed as a decimal). The Town acknowledges this Bond is being purchased on the assumption that the interest hereon shall be exempt from federal income tax and that the tax equivalent yield on this Bond is _____% per annum.

If there shall be any change in the federal income tax laws, by statute or regulation, or in the interpretation thereof the effect of which is to increase the Bondholder's cost of holding the Bond (e.g., a change in Section 265 of the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings thereunder (the "Code"), by the complete or partial disallowance of a deduction or otherwise, the Town, shall reimburse the Bondholder for such increase in cost plus the additional federal and state income taxes which the Bondholder will incur by reason of including the reimbursement in its income. The Bondholder's good faith estimate of such increase and such additional taxes, absent clear and manifest error, shall be determinative of the amount payable by the Town as provided herein. Such amount shall be payable with respect to each taxable year of the Bondholder and shall be paid within thirty (30) days after the later of (i) the Bondholder's notification to the Town of the amount payable with respect to such taxable year, and (ii) the last day of such taxable year. For purposes of this paragraph, the failure of the Bond to be qualified tax-exempt obligation (as defined in Section 265(b)(3) of the Code), or any circumstance upon an Event of Taxability which causes any portion of the interest on the bond to be included in the bondholder's gross income for federal income tax purposes, shall be deemed to be such a change in the federal income tax laws.

From and after an Event of Taxability, in addition to the interest on this Bond as set forth above, the Town shall pay to the owner of this Bond supplemental interest ("Supplemental Interest") hereon such that the interest rate hereon is equal to the corresponding conventional rate determined by the Bondholder to be equivalent to the tax-exempt rate stated herein. The term "interest," as used herein, shall include Supplemental Interest, to the extent payable. Supplemental Interest accruing prior to a Determination of Taxability (as defined herein) shall be immediately due and payable on the date of such Determination of Taxability. Supplemental Interest accruing thereafter shall be payable at the same time, together with any regularly scheduled installments of principal and interest, at the same time and in the same manner.

Additionally, the owner hereof shall be paid a supplemental payment equal to the amount required to be paid by the Town to reimburse the owner of this Bond for any interest, penalties or other charges assessed by reason of failure to include interest on this Bond in the owner's federal gross income (hereinafter "Unpaid Tax Penalties"). The Town shall make payments of Supplemental Interest and Unpaid Tax Penalties to each person who presents written proof satisfactory to the Town that on or after the Event of Taxability, such person was an owner of this bond. It is expressly intended that to the extent interest received on this Bond may become subject to federal income taxation as a result of a Determination of Taxability, the Supplemental Interest and Unpaid Tax Penalties which would have been payable to the owner hereof but for the payment or authorized transfer hereof shall continue, notwithstanding such payment or transfer, as an obligation of the Town.

All acts, conditions and things required to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed.

"Determination of Taxability" shall mean any determination that interest on the Bond shall become includable, in whole or in part, in the gross income of the Bondholder for federal income tax purposes (a) as a result of a change in the federal tax laws after the date of the issuance of the Bond, or (b) as a result of a determination (subject to no further appeal) by the Commissioner or any District Director of the Internal Revenue Service or by any court of competent jurisdiction that the exclusion from gross income of interest on the Bond has been lost because of a failure to comply with the requirement of Section 103 and Sections 141-150, inclusive, of the Code, or because of a violation of any of the Town's obligations, or (c) for any other reason, other than the holding hereof by a Bondholder who is not the owner hereof for federal income tax purposes. Provided, however, a Determination of Taxability shall not result from the inclusion of interest on the Bond in the computation of the alternative minimum tax on corporations imposed by Section 55 of the Code, the environmental tax imposed by Section 59A of the Code or the branch profits tax on foreign corporations imposed by Section 884 of the Code with respect to any Bondholder.

"Event of Taxability" shall mean the first date interest shall be included in the gross income of the Bondholder.

The Town shall at all times protect, indemnify and save harmless the Bondholder from and against all liabilities, obligations, claims, damages, penalties, fines, losses, costs and expenses in connection with the Bondholder's ownership of the Bond to the extent permitted by law, including
without limitation (a) all amounts paid in settlement of any litigation commenced or threatened against the Bondholder, if such settlement is effected with the written consent of the Town; (b) all expenses reasonably incurred in the investigation of, preparation for or defense of any litigation, proceeding or investigation of any nature whatsoever, commenced or threatened against the Bondholder; (c) any judgements, penalties, fines, damages, assessments, indemnities or contributions; and (d) the reasonable fees of attorneys, auditors, and consultants. Indemnification payments shall be due and payable within 30 days of a request for indemnification by the Bondholder.

The owner of this Bond by its acceptance hereof shall agree, if requested by the Town to have an attorney-in-fact, qualified to practice before the Internal Revenue Service, designated by the Town for the purpose of appealing or challenging any Determination of Taxability, provided the Town provides indemnity reasonably satisfactory to the owner of this Bond to indemnify it against any additional tax liability, penalties or interest that may result from any such appeal and agrees to pay legal fees and costs incurred in prosecuting such appeal including all reasonable legal fees and costs. In the event a final judgment or order shall have been entered within 90 days of the Determination of Taxability finding that no Event of Taxability has occurred, the owner of this Bond shall reimburse to the Town all Supplemental Interest which has been paid hereon, and no additional Supplemental Interest shall be payable unless and until an Event of Taxability shall subsequently occur. Notwithstanding anything herein to the contrary, the right of the Town to challenge any Determination of Taxability shall terminate if no such final judgment or order shall have been entered within 90 days after the occurrence of the expiration of such 90 day period without the entry of a final judgment or order, the owner of this Bond may exercise its right to call this Bond in full. In addition, unless the Town shall otherwise provide reasonable indemnification to the owner of this Bond, the right of the Town to challenge any Determination of Taxability shall terminate if the exercise of such right would cause any tax return of the owner to be inaccurate or would delay the timely filing thereof or would in the owner's opinion result in an adverse impact on its tax returns.

This Bond is one of two bonds, each of the same principal amount and identical terms one issued to Rockingham Heritage Bank, the other issued to Farmers & Merchants Bank. Default in the payment of either principal or interest under either bond shall constitute default in both such bonds, and each of the holders thereof may declare the entire unpaid balance of the principal and interest immediately due and payable.

Failure to exercise any of the rights and privileges set forth in this Bond shall not be deemed a waiver of such rights and privileges.

This Bond may be transferred only by an assignment duly executed by the registered owner hereof or such owner's attorney or legal representative in a form satisfactory to the Bonds Registrar. Such transfer shall be made in the registration books kept by the Bond Registrar upon presentation and surrender hereof and the Town shall execute, and the Bonds Registrar shall authenticate and deliver in exchange, a new Bond having an equal aggregate principal amount, of the same form and maturity, bearing interest at the same rate, and registered in the name as requested by the then registered owner hereof or such owner's attorney or legal representative. Any such exchange shall be at the expense of the Town, except that the Bond Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Town may designate a successor Bond Registrar and/or paying agent, provided that written notice specifying the name and location of the principal office of any such successor shall be given to the registered owner of the Bonds. Upon registration of transfer of this Bond, the Bond Registrar shall furnish written notice to the transferee of the name and location of the principal office of the Bond Registrar and/or the paying agent.

The Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

This Bond has been designated as a "qualified tax-exempt obligation" for the purpose of Section 265(b)(3) of the Code.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the issuance of this Bond have happened, exist or been performed in due time, form and manner as so required and that the indebtedness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

At a meeting of the Town Council of the Town of Elkton, Virginia, held on the 18th day of March, 2002, the following Town Council members were recorded as present:

PRESENT:

J. T . DEAN
C. MURPHY
T. PENCE
W. PRINTZ
L. SIGAFOOSE
M. O'NEILL

On motion by Councilman Pence, seconded by Councilwoman Murphy, the attached Resolution was adopted by a majority of the members of the Town Council by a roll call vote, the votes being recorded as follows

MEMBER	VOTE
J. T DEAN	YEA
C. MURPHY	YEA
T. PENCE	YEA
W. PRINTZ	YEA
L. SIGAFOOSE	YEA
M. O'NEILL	YEA

The undersigned Clerk of the Town Council of the Town of Elkton, Virginia, certifies that the foregoing constitutes a true, complete and correct copy of the Resolution adopted at a meeting of the Town Council of the Town of Elkton, Virginia held on March 18, 2002 and has not been revoked, rescinded or repealed.

_____
Clerk, Town Council, Town of Elkton, Virginia

Councilman Pence moved, second by Councilwoman Murphy, and carried to appoint Todd McCoy as Interim Town Manager with limited authority to satisfy the Bond requirements.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Adopt Park Authority Bylaws

Councilwoman Murphy moved, second by Councilman Pence, to adopt the Park Authority Bylaws as presented.

Councilman O'Neill asked where was the provision which stated that no member of the governing body may be appointed to the Board, or no Town employee or elected official may serve as an officer of the Authority?

Mayor Dearing wanted to know if this was the consensus of the Council. He stated Council has representatives on other Commissions and Boards whose purpose is to represent Council's interests and wishes.

Councilman Dean responded Council wanted to eliminate the possibility that a member of Council could obligate the Town to debt as a voting member of the Authority. As a safeguard, they want the language to include "no Town employee or Council member can be an officer of the Authority."

Councilman O'Neill stated the Authority would have a tremendous amount of work and that the demands would be such as to prevent a Council member from performing his/her Council duties. The Park Authority, according to Councilman O'Neill, is a business; whereas, the Town is a separate entity which requires people to focus on managing the affairs of the Town.

Action was tabled.

Employee Health Benefits

Councilwoman Murphy moved, second by Councilman Printz, and carried to approve to change the Town employees' benefits from Key Advantage Expanded to Cost Alliance with Dental effective July 1, 2002.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Historical Society Resolution

Councilman Printz moved, second by Councilman O'Neill, and carried to support the following Proclamation:

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

A Proclamation
Confederate History and Heritage Month

Whereas: April is the month in which the Confederate States of America began and ended a four year struggle for states' rights, individual freedom, and local government control, and

Whereas: April is the month in which the Commonwealth of Virginia, after struggling politically to remain with Honor within the Union of States, but being forced by Lincoln's call for the Militia of the States, upheld her rights as specified in her Constitution, and her ratification of the Constitution of these United States, with the overwhelming support of her citizens by vote, withdrew from the Union on 17 April 1861, and

Whereas: Rockingham County supported the War through the actions of her citizens, numbering some 23, 500, both in the military and on the home front - some 2600 men served in the various military organizations raised throughout the County, out of a military aged population of only 4, 163, and at least 325 men and boys paid the ultimate sacrifice in response to Duty, Home, and Country; millions of dollars of agriculture were supplied in support of the war effort in Virginia, millions more were destroyed by invading troops during the 1864 Valley Campaign; numerous civilians, both white and black, free and slave, provided support, comfort and aid to the war effort; two major battles of the 1862 Valley Campaign were fought in the County - Cross Keys and Port Republic, and

Whereas: Virginia has long cherished her Confederate History and the great leaders, such as General Robert Edward Lee, General Thomas Jonathan Jackson, and General Turner Ashby, and the people of Elkton have long cherished their Confederate History and the memory of the men who served in the Riverton Invincible (10th Regiment Virginia Volunteer Infantry) 58th

Regiment Virginia Militia, Rockingham Reserves, and various home guard organizations, who made sacrifices on behalf of the Confederate Cause, and

Whereas: It is vital that Virginians reflect upon the Commonwealth's past, and honor and respect the devotion of the Confederate leaders, soldiers and civilians, both white and black, free and slave, to the cause of Southern Independence, now

Therefore, we, the Elkton Town Council, do hereby proclaim the month of April, 2002, as "Confederate History and Heritage Month" in Elkton and encourage our citizens to become more knowledgeable of the role Virginia and the Confederate States of America played in the history of our country.

Councilman Printz stated there are 11 volunteers in the Elkton Rescue Squad and 10 in the Elkton Volunteer Fire Department

Councilman Printz moved, second by Councilman O'Neill, and carried that the Town of Elkton give these 21 volunteers a decal, pending approval by the Town attorney.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Planning Commission

Councilman Dean reported the Planning Commission sent back two recommendations regarding a request to open Elm Street.

1. Request the developer to put in street to state code;
2. Consult with the attorney to determine the Town's legal obligation to open the street.

The Planning Commission wanted assurance that funds would be available, approximately $8,000.00, for the Central Shenandoah Planning District to fine-tune the Comprehensive Plan once it is finished.

Mayor Dearing stated that would be an operating expense, included in the new budget.

Mayor Dearing set the Committee meetings:

April 9, 2002 - Personnel, Water and Sewer, and Electric;
April 11, 2002 - Public Safety, Streets and Sidewalks, and Finance

Councilman O'Neill moved, second by Councilman Dean, and carried to close W.

Rockingham Street to the intersection with Spotswood Trail as requested by Neighborhood Watch on August 6, 2002.

YEAS: T. Dean, C. Murphy, M. O'Neill, T. Pence, W. Printz, and L. Sigafoose.

Motion carried (6-0)

Mayor Dearing: "It has become very obvious in the last couple of months in the dialogue with the Town Council that I cannot act as Mayor and Town Manager. I am asking each of you to do what you have asked me to do and that is to give a day a week up to be Town Manager. I will no longer set here and take potshots because I did not do what I was supposed to do. I am not your whipping boy. I am the Mayor. You put me in a position to be a Town Manager which is basically telling the employees what to do. I will no longer act as your Town Manager. That means that one of you will be here everyday, or on the phone every day, to answer the questions that the employees have. I am here every day. I can no longer do it. If Wayne wants to be the new Town Manager, or the new Mayor, then start putting in the time. If any of you want to do it, do it, and then you will learn what it's all about. I will no longer do it. I have campaigning to do and I have a life. So, you all decide who's gonna do it. I will no longer answer it. I will tell the employees who to call and I know if you work at James Madison you will appreciate 20 calls a day."

Councilman Printz: "I have no problem with doing whatever it takes to help run this Town and I will help anyway I can."

Mayor Dearing: "I am just trying..."

Councilman Printz: "I would like to point out also that you are the Mayor and that customarily that is the way the system operates. I did not want to come down here because I did not want to circumvent how you felt about certain things and how you ran it. If I am the Mayor the next time I'm hoping I would get support to run things the way I feel fit."

Mayor Dearing: "You cannot run the Town without a Town Manager, I will tell you that. You need someone here everyday. So you all decide what to do."

The Town attorneys were asked to look into taxation of consumer cell phones. Attorney Earle stated that a Town may not impose a tax if the County in which the Town is located imposes such a tax. The Town could impose a tax, but the ordinance would need amending because we would need to meet state code. If, and when, Rockingham County would decide to impose such a tax, then Elkton's taxation of consumer cell phones would cease.

As there was no further business, the meeting was adjourned.

MAYOR: _____
M. Lee Dearing, Mayor

RECORDER: _____
Richard D. Carey, Clerk