



## Legislation Details (With Text)

<b>File #:</b>	18-0341	<b>Version:</b>	1	<b>Name:</b>	CSB Line of Credit
<b>Type:</b>	Resolution	<b>Status:</b>	Passed		
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<b>Title:</b>	Resolution of the City Council of the City of Hampton, Virginia Pursuant to Virginia Code Section 37.2-504(a)(11) Authorizing the Hampton-Newport News Community Services Board to Incur Certain Borrowing Obligations				

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
10/10/2018	1	City Council Legislative Session	approved	Pass

Resolution of the City Council of the City of Hampton, Virginia Pursuant to Virginia Code Section 37.2-504(a)(11) Authorizing the Hampton-Newport News Community Services Board to Incur Certain Borrowing Obligations

**PURPOSE/BACKGROUND:**

The FY2019-20 Performance Contract now requires that all operating Community Service Boards ("CSB") maintain an operating reserve sufficient to cover at least two months of personnel and operating expenses and ensure that the CSBs financial position is sound. Based on the current HNNCSB budget, this would equate to approximately \$11.6MIL dollars. The HNNCSB currently has a cash operating balance of \$7.8MIL dollars. In order to meet the new Performance Contract requirements, the HNNCSB is requesting an increase to the current line of credit from \$3MIL dollars to \$5MIL dollars to ensure that they are in compliance with the new state requirements. Code of Virginia section 37.2-504 A(11) permits CSBs to apply for and accept loans as authorized by the governing body of each city or county that established it.

**Discussion:**

As with previous requests of this nature, Council's adoption of the resolution does not obligate the City in anyway on the debt nor constitute any guarantee of repayment of any part of the loan or line of credit. It merely fulfills the state law requirement referenced above.

**Impact:**

Enable compliance with the Performance Contract requirements and the applicable state code.

**Recommendation:**

Approve on the consent agenda.

**WHEREAS**, the City of Hampton, Virginia ("the City"), with the City of Newport News, Virginia established the Hampton-Newport News Community Services Board (the "Board") as required by Section 37.2-500 of the Code of Virginia, 1950, as amended; and

**WHEREAS**, the *Code of Virginia* (37.2-504 A (11)) permits Community Services Boards to apply for and accept loans as authorized by the governing body of each city or county that established it; and

**WHEREAS**, the Board maintains an annually renewable line of credit with TowneBank to provide flexibility of cash related operations; and

**WHEREAS**, by resolution of the Board the City Councils of Hampton and Newport News have been requested to authorize the Board to accept a renewal of the line of credit offered by TowneBank to the Board with an increase in the loan limit to two months of personnel and operating expenses to comply with the FY2019-20 Hampton-Newport News Community Services Board Performance Contract; and

**WHEREAS**, the Board will be requested to extend a commitment to renew the existing line of credit for an additional year under the same terms and conditions applicable in the current year with a limit of up to two months of personnel and operating expenses from \$3,000,000 to \$5,000,000; and

**WHEREAS**, the Executive Director and Board staff have determined that the current need for line of credit access is \$5,000,000; and

**WHEREAS**, the Board seeks the City's authorization solely to meet the statutory requirement for governing body approval; and

**WHEREAS**, the line of credit will enable the Board to carry out governmental activities in connection with its mental health, mental retardation and substance abuse services in the political subdivisions of Hampton, Virginia, and Newport News, Virginia; and

**WHEREAS**, the Board and the City understand and agree that no payments will be requested by the Board from the City in connection with repayment of the line of credit and that the obligations under the line of credit will not constitute a debt or pledge of the full faith and credit of the City and will not impose any liability on the City, nor is the requested authorization a guarantee on the part of the City of the line of credit.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Hampton, Virginia:

1. That pursuant to the requirement of Section 37.2-504.A.11 of the Code of Virginia of 1950, as amended, authorization is hereby given to the Hampton-Newport News Community Services Board for the above described line of credit applied for and accepted by the Board on the terms and conditions of the documents required by the Lender to evidence and secure the line of credit, and such authorization shall include any and all extensions and renewals of, and modifications to, the line of credit (other than any modification which would increase the principal amount of the line of credit in excess of the amounts set forth herein).

2. The authorization of the line of credit applied for and accepted by the Board does not constitute an endorsement to the Lender of the creditworthiness of the Board nor is it a guarantee of the line of credit. Furthermore, the City shall not be obligated to pay nor to guarantee any debt incurred by the Board as a result of the line of credit applied for and accepted by the Board, nor any interest or other costs associated therewith. Accordingly, no debt of the Board and no line of credit shall constitute a debt or pledge of the faith and credit of the City, and the taxing power of the City shall not be pledged thereto.

3. This resolution shall be in effect on and after the date of its adoption.