

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND AWARD
OF AN UP TO \$8,000,000 CITY OF HARRISONBURG, VIRGINIA
GENERAL OBLIGATION BOND (HRCBSB PROJECT), SERIES 2019,
AND PROVIDING THE FORM AND DETAILS THEREOF**

WHEREAS, pursuant to Title 15.2 of the Code of Virginia, 1950, as amended (the "Virginia Code"), the City of Harrisonburg, Virginia (the "City") is empowered to finance, among other things, the acquisition, construction, and equipping of facilities for governmental purposes, issue its general obligation notes and bonds to pay all or any portion of the cost thereof, and pledge the full faith and credit of the City in connection with the payment of such notes and bonds; and

WHEREAS, Section 37.2-500 of the Virginia Code requires each county and city in the Commonwealth of Virginia (the "Commonwealth") to establish a community services board either by itself or in any combination with other cities and counties or, in the alternative a behavioral health authority, to carry out a system of community-based behavioral health services to support persons with mental illness, developmental disabilities, or substance abuse. The City has combined with the County of Rockingham, Virginia (the "County") to establish the Harrisonburg-Rockingham Community Services Board (the "CSB") and for many years the City has provided funding and facilities to enable the CSB to fulfill its mission. The Commonwealth has designated the CSB to function as the single point of entry for persons in the City and the County into publicly-funded mental health, developmental and substance abuse services; and

WHEREAS, the City desires to provide for a portion of the long-term financing of the capital costs to provide funds to (a) acquire, construct, reconstruct, expand, and equip capital projects for governmental purposes of the CSB, including but not limited to a new Main Street services building, an addition and renovation to the McNulty services building, related furnishings, fixtures, and equipment, and parking facilities for the CSB's operations, and (b) pay costs of issuance in connection with such undertakings (collectively, the "Project"). The Bond will be a general obligation bond of the City secured by the City's full faith and credit; and

WHEREAS, Virginia Resources Authority ("VRA") has indicated its willingness to purchase a general obligation bond of the City in order to provide funds for the City to pay the costs to accomplish a portion of the Project (as market conditions may permit, if at all); and

WHEREAS, VRA will purchase the general obligation bond of the City with the proceeds of VRA's Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2019B, in one or more series (the "VRA Bonds"), in accordance with the terms of (a) a Local Bond Sale and Financing Agreement, dated June 21, 2019 between VRA and the City (the "Financing Agreement"), and (b) a Nonarbitrage Certificate and Tax Compliance Agreement between VRA and the City (the "Tax Compliance Agreement"), which documents shall be in standard forms generally required by VRA in connection with its pooled bond financing program; and

WHEREAS, it is anticipated that the County will also provide for a portion of the long-term financing of a portion of the Project through certain leasing arrangements of CSB property among the CSB, the County, and VRA; and

WHEREAS, the City Council of the City (the "Council") has held a duly noticed public hearing immediately prior hereto, on the issuance and sale by the City of an up to \$8,000,000 City of Harrisonburg, Virginia General Obligation Bond (HRCSB Project), Series 2019 (the "Bond") in connection with such financing of the Project, all in accordance with the requirements of Section 15.2-2606 of the Virginia Code; and

WHEREAS, the City has indicated that the amount of proceeds being requested by the City from VRA for a portion of the Project and other costs is \$8,000,000 (the "Proceeds Requested") including amounts necessary to pay the costs of issuance, or such other amount requested by the City in writing and approved by VRA prior to the pricing of the VRA Bonds; and

WHEREAS, VRA has advised the City that VRA's objective is to pay the City as the purchase price for the Bond an amount which, in VRA's judgment, reflects the market value of the Bond (the "Purchase Price Objective"), taking into consideration such factors as the maximum authorized par amount of the Bond, the Proceeds Requested, the purchase price to be received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters' discount and other costs incurred by VRA (collectively, the "VRA Costs")) and other market conditions relating to the sale of the VRA Bonds; and

WHEREAS, such factors may result in the City receiving an amount other than the Proceeds Requested and consequently (a) the principal amount of the Bond may be greater than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (b) if the maximum authorized amount of the Bond set forth in this Resolution does not exceed the Proceeds Requested by at least the amount of the VRA Costs and any original issue discount, the amount to be paid to the City, given the VRA Purchase Price Objective and market conditions, will be less than the Proceeds Requested; and

WHEREAS, the Council now desires to authorize the issuance, sale, and award of the Bond and to approve the Project for the essential governmental purposes and benefit of the City and the CSB; and

WHEREAS, the City may issue such long-term indebtedness, at the election of the Council, under the provisions of Section 15.2-2601 of the Virginia Code without regard to the requirements, restrictions, or other provisions contained in any charter or local or special act applicable of the City, and, further, under the provisions of Section 15.2-2607 of the Virginia Code, the Council may finally adopt this Resolution authorizing the issuance thereof at the meeting at which it is introduced upon a majority vote of the members of the Council.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HARRISONBURG, VIRGINIA:

1. **Authorization of Bond; Use of Bond Proceeds.** The Council hereby determines that it is in the best interest of the City to contract a debt and issue and sell to VRA an up to \$8,000,000 City of Harrisonburg, Virginia General Obligation Bond (HRCSB Project), Series

2019, in one or more series, and further, to enter into the Financing Agreement, including transactions contemplated thereby, for the purposes of the Project, all as described herein.

Accordingly, the Council hereby authorizes the issuance and sale of the Bond in the form and upon the terms established pursuant to this Resolution (this "Authorizing Resolution") and, further, approves and authorizes the Project, including all transactions contemplated thereby.

The sale of the Bond to VRA is hereby authorized and shall be delivered to or upon the order of VRA upon payment of the purchase price thereof, pursuant to the terms and conditions set forth in the Financing Agreement, a substantially final draft copy of which is on file and available for review in the office of the City Manager. The proceeds from the issuance and sale of the Bond shall be used, along with other lawfully available funds of the City to the extent appropriated, if any, to provide funds to pay a portion of the costs of the Project and as further described in the Financing Agreement.

2. **Sale of the Bond.** The City hereby ratifies, confirms, and accepts the provisions of the VRA Term Sheet, attached hereto as **Exhibit A**, and VRA's offer to purchase the Bond at a price determined by VRA to be fair and accepted by the Mayor, Vice Mayor, or the City Manager (whether collectively or individually, any one or more of whom may act, the "City Representative"), upon the terms established pursuant to Section 4 below and otherwise set forth in this Authorizing Resolution and the Financing Agreement.

3. **Authorization of Documentation in Connection with the Bond.** The Mayor or Vice Mayor (either of whom may act) are each authorized and directed to execute and deliver the Bond on the City's behalf to or at the direction of VRA, all in such forms as may be required by VRA in order for the City to finance a portion of the Project and to reflect, facilitate, and give effect to the transactions contemplated thereby within the parameters and intent of this Authorizing Resolution. The Clerk of the Council is authorized to affix the City's seal on such Bond, and any other documentation in connection with the Project, all as may be requested, and to attest or counter-sign the same.

The City's execution and delivery of the Financing Agreement and the Tax Compliance Agreement, including any other documentation in connection with the Bond or the Project (collectively, the "Financing Documents"), are hereby approved in all respects, as may be required by VRA or otherwise advised by the City Attorney or bond counsel to the City. The City Representative, and such officer(s) of the City as any of them may designate, are each hereby authorized and directed to execute and deliver the Financing Documents on behalf of the City, and the Clerk (or Deputy Clerk) of the Council is authorized to attest or counter-sign the same and attach the City's seal thereon, with such changes as any one or more of them shall approve, as may be requested by VRA or advised by the City Attorney or bond counsel to the City.

4. **Details of the Bond.** The Bond shall be issued in fully registered form and shall be designated as the up to \$8,000,000 "City of Harrisonburg, Virginia General Obligation Bond (HRCSB Project), Series 2019." The City Representative is authorized and directed to determine and approve all of the final details of the Bond, including without limitation, the date of issuance and the dated date of the Bond, the maximum principal amount authorized to be issued thereunder, the stated interest rates therein, the payment dates and amounts and the final maturity date thereof;

provided however, that (i) the maximum principal amount of the Bond shall not exceed the amount of \$8,000,000; (ii) the aggregate true interest cost of the Bond shall not exceed five percent (5%) per annum (exclusive of Supplemental Interest as defined in the Financing Agreement); (iii) the Bond shall be sold to VRA at a price not less than 98% of the principal amount of the Bond, and (iv) the final maturity date of the Bond shall not be later than October 1, 2039.

Given the VRA Purchase Price Objective and market conditions, it may become necessary to issue the Bond in an aggregate amount greater than the Proceeds Requested. If the limitation on the maximum aggregate principal amount of the Bond set forth in this Section 4 restricts VRA's ability to generate the Proceeds Requested, taking into account the VRA Costs, the VRA Purchase Price Objective and market conditions, the purchase price of the Bond will result in an amount less than the Proceeds Requested. Subject to the foregoing limitations, the City authorizes VRA to establish the final principal amount of the Bond, the final interest rate(s) on the Bond, and the final maturity date and the final principal amortization schedule (including principal installment dates and amounts) for the Bond. No further action or approval of such financing terms shall be necessary on the part of the City. The principal of and premium, if any, and interest on the Bond shall be payable on the dates and in the amounts set forth in the Bond and the Financing Agreement.

The City will issue the Bond which shall be initially in the form of a single, registered typewritten bond substantially in the form attached hereto as **Exhibit B**. There may be endorsed on the Bond such legend 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.

5. **Pledge of Full Faith and Credit.** The City will issue the Bond as a general obligation of the City for the payment of the principal of, and premium, if any, and interest on the Bond for which the City's full faith and credit shall be irrevocably pledged and payable from the City's *ad valorem* taxes without limitation of rate or amount. To the extent other funds of the City are not lawfully available and appropriated for payment of the Bond, Section 15.2-2624 of the Virginia Code requires that for such a general obligation bond, the City is required to levy and collect an annual *ad valorem* tax upon all taxable property in the City subject to local taxation over and above all other taxes, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bond.

The City also agrees to pay all amounts required by the Financing Agreement, including the "supplemental interest" and "late charges," as provided therein and required by VRA, and reference is hereby made to such provisions for the details of the requirements therefor.

6. **Redemption or Prepayment.** The City may defease, redeem, prepay, or refund the Bond only in accordance with the Financing Agreement or other requirements of VRA.

7. **Registration, Transfer, and Exchange.** The Council hereby appoints the City Treasurer as its registrar and transfer agent to keep books for the registration and transfer of the Bond and to make such registrations and transfers on such books under such reasonable regulations as the City may prescribe. Upon surrender for transfer or exchange of the Bond at the office of the City Treasurer, the City shall cause the execution and delivery in the name of the transferee or registered owner, as applicable, of a new Bond for a principal amount equal to the Bond

surrendered and of the same date and tenor as the Bond surrendered, subject in each case to such reasonable regulations as the City may prescribe. If surrendered for transfer, exchange, redemption, or payment, the Bond shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the City Treasurer, duly executed by the registered owner or by his or her duly authorized attorney-in-fact or legal representative. The new Bond delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Bond surrendered and shall be entitled to all of the security and benefits of this Authorizing Resolution to the same extent as the Bond. No charge shall be made for any exchange or transfer of the Bond, but the City Treasurer may require payment by the holder of the Bond of a sum sufficient to cover any tax or any other governmental charge that may be imposed in relation thereto.

8. **Essentiality Matters.** The Council hereby affirms and declares that the transactions contemplated herein constitute the financing of essential capital projects for local governmental purposes, and the City anticipates that the Project will continue to be essential to the local governmental purposes of the City, County, and the CSB during and beyond the terms of the Bond.

9. **CSB Actions; County Financing.** To the extent required by law, if at all, the Council hereby endorses and further approves any necessary or appropriate actions of the CSB to (a) undertake the Project, and (b) allow for the City's financing of a portion of the Project by the Bond, and (c) cause the lease arrangements with the County and VRA to allow for the County's long-term financing of a portion of the Project through VRA.

10. **Official Statement.** The City authorizes and consents to the inclusion of information with respect to the City in VRA's Preliminary Official Statement and Official Statement, both to be prepared in connection with the sale of the VRA Bonds. The City Representative is authorized and directed to take whatever actions are necessary and/or appropriate to ensure compliance by VRA and the City, if any, with Securities and Exchange Commission Rule 15c2-12, all as may be required by the VRA in connection with the issuance of the VRA Bonds and any continuing disclosure requirements thereafter, all as set forth in the Financing Agreement.

11. **Tax Compliance Agreement.** In addition to the City Representative, the Director of Finance and such officers of the City as any City Representative may designate are each hereby authorized and directed to execute the Tax Compliance Agreement or any other appropriate compliance agreements or certificates as required by VRA and its counsel, and further, as advised by the City Attorney or bond counsel to the City, setting forth the expected use and investment of the proceeds of the Bond and containing such covenants as may be necessary in order to show and maintain compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), including the provisions of Section 141 relating to "private activity bonds" and Section 148 of the Tax Code and applicable regulations relating to "arbitrage bonds," among others. To such end, the Council hereby covenants and agrees on behalf of the City that (a) the proceeds from the issuance and sale of the Bond will be invested and expended as set forth in the Tax Compliance Agreement and that the City shall comply with the covenants and representations contained therein, and (b) the City shall comply with the provisions of the Tax Code so that interest on the VRA Bonds will remain excludible from gross income for federal income tax purposes, in accordance with law.

12. **State Non-Arbitrage Program.** The Council hereby determines that it is in the best interest of the City to authorize and direct the City Treasurer to participate in the Virginia State Non-Arbitrage Program in connection with the proceeds of the Bond, as set forth in the Financing Agreement, and as may be required by VRA.

13. **Reimbursement Matters.** The City hereby declares its intent to use a portion of the proceeds of the Bond to reimburse certain capital expenditures by the City and/or the CSB in connection with the Project, all as required by federal tax laws and further described below. The City and/or the CSB has paid (or shall cause to be paid), beginning no earlier than 60 days prior to adoption hereof, and will pay on and after the date hereof, certain capital expenditures (the "Expenditures") in connection with the Project. Further, it has been determined that those funds previously advanced no more than 60 days prior to the date hereof and to be advanced on and after the date hereof to pay Expenditures related to the Project are available only for a temporary period and it is necessary to reimburse the City and/or the CSB for the Expenditures from the proceeds of the Bond. Accordingly, the City hereby declares its intent to reimburse itself or the CSB with all or any portion of the proceeds thereof for the Expenditures with respect to the Project made no earlier than 60 days prior to the adoption hereof.

To such end, the City will make a reimbursement allocation, which is a written allocation that evidences the use of proceeds thereof to reimburse the Expenditures, no later than 18 months after the later of the date on which the Expenditure(s) is/are paid or the Project is placed in service or abandoned, but in no event more than three (3) years after the date on which the Expenditure(s) is/are paid. This declaration of intent to reimburse, as required by federal tax laws, shall take effect immediately.

14. **Filing of Authorizing Resolution.** The appropriate officers or agents of the City are each hereby authorized and directed to cause a certified copy of this Authorizing Resolution to be filed with the Circuit Court of Rockingham County, Virginia, all in accordance with the Virginia Code.

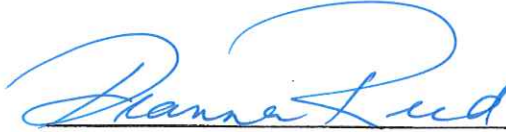
15. **Election to Proceed under Public Finance Act.** The Council hereby elects to issue the Bond under the provisions of Section 15.2-2601 of the Public Finance Act of the Virginia Code, and, further, in accordance with the provisions of Section 15.2-2607 thereof, among others, all as described previously herein, and without regard to the City Charter.

16. **Further Actions; Authorized Representatives.** The City Representative, and all officers, employees, and agents of the City as may be designated, are each hereby authorized and directed to take all such further actions as they or any one or more of them may consider necessary or desirable in connection with the issuance of the Bond, and the execution, delivery, and performance of the Financing Documents, including, without limitation, the execution and delivery of other documents and certificates, all as may be requested by the City Attorney or bond counsel to the City, or required by VRA, in furtherance of the purposes herein. All such actions previously taken in connection with this Authorizing Resolution are hereby ratified and confirmed, and all such further actions consistent with the terms and provisions of this Authorizing Resolution shall be conclusively deemed as having been accepted and approved as authorized by this Authorizing Resolution without any further acts or approvals. The persons named herein as the

City Representative shall also be designated as the City's Local Representative for purposes of the Financing Documents.

17. **Effective Date.** This Authorizing Resolution shall take effect immediately.

Approved: June 11, 2019



Mayor
City of Harrisonburg, Virginia

Exhibit A: VRA Term Sheet
Exhibit B: Form of the Bond

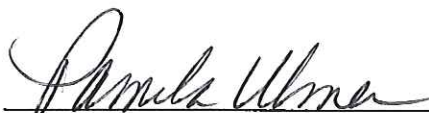
CERTIFICATE

The undersigned Clerk of the Council of the City of Harrisonburg, Virginia, hereby certifies that the foregoing constitutes a true and correct copy of a resolution adopted by the Council, after the holding of a duly noticed public hearing therefor, at a regular meeting duly held and called on June 11, 2019. A record of the roll-call vote by the Council is as follows:

	<u>AYE</u>	<u>NAY</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Deanna R. Reed, Mayor	✓			
Sal Romero, Vice Mayor	✓			
Richard Baugh	✓			
Christopher B. Jones	✓			
George Hirschmann	✓			

Dated: June 11, 2019

[SEAL]



Clerk, City Council
City of Harrisonburg, Virginia