



CITY OF POQUOSON

500 CITY HALL AVENUE, POQUOSON, VIRGINIA 23662-1996
(757) 868-3000 FAX (757) 868-3101

Office of the City Manager

J. Randall Wheeler

February 22, 2010

To: City Council
From: City Manager
Subject: **Resolution Authorizing The Colonial Services Board To Borrow Money**

As required by the State Code the Colonial Services Board is seeking your authorization for them to establish a line of credit to be used as an additional source of cash flow in unforeseen emergencies. As pointed out in the letter from the Colonial Services Board dated February 3, 2010, there is no guarantee or moral obligation required by the City, either stated or implied.

JRW:ei

RESOLUTION NO. _____

**RESOLUTION AUTHORIZING THE
COLONIAL SERVICES BOARD TO BORROW FUNDS**

WHEREAS, the Colonial Services Board plans to open a line of credit in the amount of \$500,000 to be used as an additional source for cash flow in unforeseen emergencies; and

WHEREAS, the Code of Virginia (1950), as amended requires authorization from the governing body that established the Board before it can apply for or accept a loan; and

WHEREAS, there is no request for a guarantee or moral obligation by the City, either stated or implied.

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

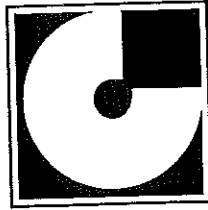
Section 1: That authorization is hereby granted for the Colonial Services Board to open a line of credit in the amount of \$500,000 to be used in unforeseen emergencies.

Section 2: That this resolution shall be in effect on and after its adoption.

ADOPTED: _____

TESTE: _____

City Clerk



Colonial Services Board
Mental Health, Mental Retardation, and Substance Abuse Services
SERVING JAMES CITY AND YORK COUNTIES, POQUOSON, AND WILLIAMSBURG

February 3, 2010

J. Randall Wheeler
City Manager
City of Poquoson
500 City Hall Avenue
Poquoson, VA 23662

Dear Mr. Wheeler:

As a follow-up to the CSB's original request for authorization from the City of Poquoson to borrow funds, I submit the following additional information.

The CSB plans to open a line of credit in the amount of \$500,000 (five hundred thousand dollars). Discussions with the bank have indicated this amount will be approved.

The CSB is asking the city only for authority to borrow, as required by state code. There is no request for a guarantee or moral obligation by the city, either stated or implied. The bank has not requested any such arrangement, and has preliminarily approved the credit line based only on the CSB's financials.

The credit line is intended to be an additional source for cash flow in the event of catastrophic disruption in funding. The CSB has adequate reserves to meet its working capital needs under normal circumstances. It is not anticipated the line of credit would be used except in unforeseen emergencies.

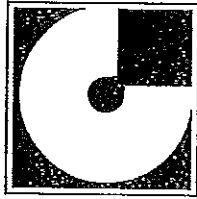
I hope this additional information is useful to you; please do not hesitate to let me know if you need anything further. Many thanks for your assistance in this matter.

Best regards,

Keith B. German
Director of Administration

xc: David Coe, Executive Director

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Colonial Services Board

Mental Health, Mental Retardation, and Substance Abuse Services

SERVING JAMES CITY AND YORK COUNTIES, POQUOSON AND WILLIAMSBURG

January 14, 2010

D. Wayne Moore, Esq.
City of Poquoson
500 City Hall Avenue
Poquoson, VA

Dear Mr. Moore:

I am working on a project for the Services Board in which I hope you would be of assistance.

As part of a recent financial statement audit, the Board's auditors issued a management letter recommendation to obtain a line of credit for temporary working capital during unexpected catastrophic events. The Board has ample reserves to meet its routine cash needs; this would serve as an additional resource for unusual circumstances. The Board authorized the Executive Director to apply for the line of credit at its 10/6/09 meeting (minutes attached).

The Code of Virginia § 37.2-504-A.11 (copy attached) requires a CSB to obtain authorization by the governing body that established it before applying for or accepting a loan. Not having requested this authorization before, I am uncertain as to a starting point with the City.

If you are able to help in this, I would certainly appreciate your assistance. If you are not the appropriate recipient of my request, perhaps you could let me know to whom I should direct it.

Thanks very much for your assistance.

Best regards,

Keith B. German
Director of Administration

KBG/am
Encls.

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