



**SPECIAL MEETING
Rouss City Hall, Council Chambers
TUESDAY, OCTOBER 7, 2014
AGENDA
6:00 p.m.**

1.0 CALL TO ORDER AND ROLL CALL

2.0 PUBLIC COMMENTS

3.0 AGENDA

3.1 R-2014-37: Resolution – Providing for the issuance and sale of General Obligation Public Improvement Refunding Bonds, Series 2014, of the City of Winchester, Virginia, in an aggregate principal amount not to exceed \$16,500,000, providing for the form, details and payment thereof, and providing for the refunding of certain General Obligations Bonds of the City (pages 2-1+)

3.2 O-2014-41: Ordinance – AN ORDINANCE TO AUTHORIZE THE ACQUISITION OF 200-214 NORTH CAMERON STREET FOR THE PURPOSE OF CONSTRUCTING A PUBLIC FACILITY (“EVENTS CENTER”) (pages 1, !&\$)

4.0 ADJOURNMENT

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: September 23, 2014 CUT OFF DATE:

RESOLUTION X ORDINANCE PUBLIC HEARING

ITEM TITLE:

Multiple bond issue refunding

STAFF RECOMMENDATION:

Refund bonds that can provide savings to the City of Winchester in current market.

PUBLIC NOTICE AND HEARING:

N/A

ADVISORY BOARD RECOMMENDATION:

N/A

FUNDING DATA:

No funding; possible significant savings in FY 2015 and FY 2016

INSURANCE:

No liability assumed.

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

<u>DEPARTMENT</u>	<u>INITIALS FOR APPROVAL</u>	<u>INITIALS FOR DISAPPROVAL</u>	<u>DATE</u>
1. <u>City Treasurer</u>	<u>JLB</u>		<u>9-16-14</u>
2. _____			
3. _____			
4. _____			
5. <u>City Attorney</u>	<small>Anthony C. Williams</small> <u>[Signature]</u>		<u>9/19/2014</u>
6. <u>City Manager</u>	<u>[Signature]</u>		<u>18 Sept 2014</u>
7. <u>Clerk of Council</u>			

Initiating Department Director's Signature: May Stone Date: 9-16-14



APPROVED AS TO FORM:
[Signature]
CITY ATTORNEY

9/19/2014

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council
From: Mary Blowe, Finance Director
Date: September 10, 2014
Re: Resolution to refund certain maturities of previously issued bonds

THE ISSUE: The Market has allowed us to be able to refund previously issued debt at a considerably lower interest rate.

RELATIONSHIP TO STRATEGIC PLAN: Savings in our budget will allow the City Council to (financially) forward other items in the strategic plan that otherwise may not have been able to be funded.

BACKGROUND: This refunding includes all or a part of the following bonds:

- Series 2004 (new money): 2016
- Series 2004 (refunding): 2016-2020
- Series 2005:2016
- Series 2006: 2017-2019
- Series 2007: 2018-2027

This refunding will allow us to capture interest rate savings allowing us to accomplish other projects and it also helps clean up some older maturities of bonds in one issuance.

BUDGET IMPACT: Total Refunding par amount not to exceed \$16,500,000. Estimated true interest Cost of 1.72%

FY 2015	\$227,606
FY 2016	699,004
FY 2017	3,004
FY 2018	660
FY 2019	2,785
FY 2020	2,710
FY 2021	1,754
FY 2022	2,161
FY 2023	4,075
Total Cash Flow Savings	\$943,759

OPTIONS: City Council could not approve the resolution and disallow staff from continuing with the refunding.

RECOMMENDATIONS: It is recommended that the Council adopt the resolution entitled:

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2014, OF THE CITY OF WINCHESTER, VIRGINIA, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16,500,000, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN GENERAL OBLIGATION BONDS OF THE CITY

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2014, OF THE CITY OF WINCHESTER, VIRGINIA, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16,500,000, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN GENERAL OBLIGATION BONDS OF THE CITY

WHEREAS, there are outstanding certain maturities of the General Obligation Public Improvement and Refunding Bonds, Series 2004 (the “2004 Bonds”), the General Obligation Public Improvement Bonds, Series 2005 (the “2005 Bonds”), the General Obligation Public Improvement Bonds, Series 2006 (the “2006 Bonds”), and the General Obligation Public Improvement Bonds, Series 2007 (the “2006 Bonds”), all of which were issued by the City of Winchester, Virginia (the “City”);

WHEREAS, the City may effect debt service savings by issuing its general obligation public improvement refunding bonds to (a) refund all or a portion of the outstanding maturities of the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and the 2007 Bonds (the portions of such refunded maturities, the “Refunded Bonds”) and (b) pay the costs of refunding the Refunded Bonds and issuing such general obligation public improvement refunding bonds; and

WHEREAS, the City’s administration and a representative of Public Financial Management, Inc., the City’s financial advisor (the “Financial Advisor”), have recommended to the Common Council of the City (the “Common Council”) that the City issue and sell one or more series of general obligation public improvement refunding bonds through a public offering negotiated with Raymond James & Associates, Inc. (the “Underwriter”);

BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF WINCHESTER, VIRGINIA:

1. Issuance of Bonds. Pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, there shall be issued and sold general obligation public improvement refunding bonds of the City in an aggregate principal amount not to exceed \$16,500,000 (the “Bonds”) to refund the Refunded Bonds and pay the costs incurred in connection with such refunding and the costs of issuance of the Bonds.

2. Bond Details. The Bonds shall be designated “General Obligation Public Improvement Refunding Bonds, Series 2014,” or such other designation as may be determined by the City Manager (which term shall include any Deputy City Manager), shall be in registered form, shall be dated such date as may be determined by the City Manager, shall be in denominations of \$5,000 and integral multiples thereof and shall be numbered R-1 upward. Subject to Section 8, the issuance and sale of the Bonds are authorized on terms as shall be satisfactory to the City Manager; provided, however, that the Bonds (a) shall have a “true” or “Canadian” interest cost not to exceed 3.00% (taking into account any original issue discount or premium), (b) shall be sold to the purchaser thereof at a price not less than 99.00% of the principal amount thereof (excluding any original issue discount) and (c) shall mature or be

subject to mandatory sinking fund redemption in annual installments ending no later than December 31, 2027; provided, however, that the refunding of the Refunded Bonds in the aggregate shall result in an aggregate net present value debt service savings to the City of at least 3.00% of the amount of all of the Refunded Bonds.

Principal of the Bonds shall be payable annually on dates determined by the City Manager. Each Bond shall bear interest from its date at such rate as shall be determined at the time of sale, calculated on the basis of a 360-day year of twelve 30-day months, and payable semiannually on dates determined by the City Manager. Principal and premium, if any, shall be payable to the registered owners upon surrender of Bonds as they become due at the office of the Registrar (as hereinafter defined). Interest shall be payable by check or draft mailed to the registered owners at their addresses as they appear on the registration books kept by the Registrar on a date prior to each interest payment date that shall be determined by the City Manager (the "Record Date"); provided, however, that at the request of the registered owner of the Bonds, payment may be made by wire transfer pursuant to the most recent wire instructions received by the Registrar from such registered owner. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America.

Initially, one Bond certificate for each maturity of the Bonds shall be issued to and registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. The City has heretofore entered into a Letter of Representations relating to a book-entry system to be maintained by DTC with respect to the Bonds. "Securities Depository" shall mean DTC or any other securities depository for the Bonds appointed pursuant to this Section.

In the event that (a) the Securities Depository determines not to continue to act as the securities depository for the Bonds by giving notice to the Registrar, and the City discharges the Securities Depository of its responsibilities with respect to the Bonds, or (b) the City in its sole discretion determines (i) that beneficial owners of Bonds shall be able to obtain certificated Bonds or (ii) to select a new Securities Depository, then its chief financial officer shall, at the direction of the City, attempt to locate another qualified securities depository to serve as Securities Depository and authenticate and deliver certificated Bonds to the new Securities Depository or its nominee or to the beneficial owners or to the Securities Depository participants on behalf of beneficial owners substantially in the form provided for in Section 5; provided, however, that such form shall provide for interest on the Bonds to be payable (A) from the date of the Bonds if they are authenticated prior to the first interest payment date or (B) otherwise from the interest payment date that is or immediately precedes the date on which the Bonds are authenticated (unless payment of interest thereon is in default, in which case interest on such Bonds shall be payable from the date to which interest has been paid). In delivering certificated Bonds, the chief financial officer shall be entitled to rely on the records of the Securities Depository as to the beneficial owners or the records of the Securities Depository participants acting on behalf of beneficial owners. Such certificated Bonds will then be registrable, transferable and exchangeable as set forth in Section 7.

So long as there is a Securities Depository for the Bonds, (1) it or its nominee shall be the registered owner of the Bonds; (2) notwithstanding anything to the contrary in this Resolution, determinations of persons entitled to payment of principal, premium, if any, and interest, transfers of ownership and exchanges and receipt of notices shall be the responsibility of the

Securities Depository and shall be effected pursuant to rules and procedures established by such Securities Depository; (3) the Registrar and the City shall not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Securities Depository, its participants or persons acting through such participants; (4) references in this Resolution to registered owners of the Bonds shall mean such Securities Depository or its nominee and shall not mean the beneficial owners of the Bonds; and (5) in the event of any inconsistency between the provisions of this Resolution and the provisions of the above-referenced Letter of Representations such provisions of the Letter of Representations, except to the extent set forth in this paragraph and the next preceding paragraph, shall control.

3. Redemption Provisions. The Bonds may be subject to redemption prior to maturity at the option of the City on or after dates, if any, determined by the City Manager, in whole or in part at any time, at a redemption price equal to the principal amount of the Bonds, together with any interest accrued to the redemption date, plus a redemption premium not to exceed 2.00% of the principal amount of the Bonds, such redemption premium to be determined by the City Manager.

Any term bonds may be subject to mandatory sinking fund redemption upon terms determined by the City Manager.

If less than all of the Bonds are called for redemption, the maturities of the Bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City. If less than all the Bonds of any maturity are called for redemption, the Bonds within such maturity to be redeemed shall be selected by the Securities Depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof, and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000. The City shall cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of the Bonds. The City shall not be responsible for giving notice of redemption to anyone other than DTC or another qualified securities depository then serving or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof will be issued to the registered owner upon the surrender thereof.

In the case of an optional redemption, the notice may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, no later than the redemption date or (2) the City retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. Any Conditional Redemption may be rescinded at any time. The

City shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a Conditional Redemption, the failure of the City to make funds available on or before the redemption date shall not constitute an event of default, and the City shall give immediate notice to all organizations registered with the Securities and Exchange Commission (“SEC”) as securities depositories or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

4. Execution and Authentication. The Bonds shall be signed by the manual or facsimile signature of the President of the Common Council and the City Treasurer, the City’s seal shall be affixed thereto or a facsimile thereof printed thereon and shall be attested by the manual or facsimile signature of the Clerk or Deputy Clerk of the Common Council; provided, however, that no Bond signed by facsimile signatures shall be valid until it has been authenticated by the manual signature of an authorized officer or employee of the Registrar and the date of authentication noted thereon.

5. Bond Form. The Bonds shall be in substantially the form of Exhibit A, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officers signing the Bonds, whose approval shall be evidenced conclusively by the execution and delivery of the Bonds.

6. Pledge of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of principal of and premium, if any, and interest on the Bonds. Unless other funds are lawfully available and appropriated for timely payment of the Bonds, the Common Council shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and premium, if any, and interest on the Bonds.

7. Registration, Transfer and Owners of Bonds. The City Treasurer is appointed paying agent and registrar for the Bonds (the “Registrar”). The City may, in its sole discretion, at any time appoint a qualified bank or trust company as successor paying agent and registrar of the Bonds. The Registrar shall maintain registration books for the registration of the Bonds and transfers thereof. Upon presentation and surrender of any Bonds to the Registrar, or its corporate trust office if the Registrar is a bank or trust company, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the City shall execute, and the Registrar shall authenticate, if required by Section 4, and deliver in exchange, a new Bond or Bonds having an equal aggregate principal amount, in authorized denominations, of the same form and maturity, bearing interest at the same rate, and registered in the name(s) as requested by the then registered owner or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the City, except that the 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 Registrar shall treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and

powers of the owner, except that interest payments shall be made to the person shown as owner on the registration books on the Record Date.

8. Sale of Bonds. The Common Council approves the following terms of the sale of the Bonds. The Bonds shall be sold in one or more series by negotiated public sale with the Underwriter in a principal amount or principal amounts to be determined by the City Manager, in collaboration with the Financial Advisor, and subject to the limitations set forth in Section 1. The City Manager shall also determine (a) the interest rates of the Bonds, the maturity schedule of the Bonds and the price to be paid for the Bonds, subject to the limitations set forth in Section 2, (b) the redemption provisions of the Bonds, subject to the limitations set forth in Section 3, and (c) the dated date, the principal and interest payment dates and the Record Date of the Bonds, all as the City Manager determines to be in the best interests of the City.

Following the determination of the terms of the Bonds and their sale, the City Manager shall execute and deliver a bond purchase agreement with the Underwriter (the "Bond Purchase Agreement"). The final Bond Purchase Agreement shall set forth the final terms of the Bonds and be in a form approved by the City Manager, in collaboration with the City Attorney and the City's bond counsel, the execution thereof by the City Manager to constitute conclusive evidence of her approval of such Agreement. Following the sale of the Bonds, the City Manager shall file the Bond Purchase Agreement with the City Clerk. The actions of the City Manager in selling the Bonds shall be conclusive, and no further action with respect to the sale and issuance of the Bonds shall be necessary on the part of the Common Council.

9. Official Statement. The draft Preliminary Official Statement describing the Bonds, copies of which have been circulated to the Common Council prior to this meeting, is hereby approved as the Preliminary Official Statement by which the Bonds will be offered for sale to the public; provided that the City Manager, in collaboration with the Financial Advisor, may make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this Resolution as she may consider to be in the best interests of the City. After the Bonds have been sold, the City Manager, in collaboration with the Financial Advisor, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this Resolution as are necessary or desirable to complete it as a final Official Statement. The City shall arrange for the delivery to the Underwriter of a reasonable number of printed copies of the final Official Statement, within seven business days after the Bonds have been sold, for delivery to each potential investor requesting a copy of the Official Statement and to each person to whom the Underwriter initially sells Bonds.

10. Official Statement Deemed Final. The City Manager is authorized, on behalf of the City, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12 (the "Rule") of the SEC, except for the omission in the Preliminary Official Statement of certain pricing and other information permitted to be omitted pursuant to the Rule. The distribution of the Preliminary Official Statement and the execution and delivery of the Official Statement in final form shall be conclusive evidence that each has been deemed final as of its date by the City, except for the omission in the Preliminary Official Statement of such pricing and other information permitted to be omitted pursuant to the Rule.

11. Preparation and Delivery of Bonds. After the Bonds have been awarded, the officers of the City are authorized and directed to take all proper steps to have the Bonds prepared and executed in accordance with their terms and to deliver the Bonds to the purchaser thereof upon payment therefor.

12. Redemption of Refunded Bonds. The City Manager is authorized and directed to determine which of the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and the 2007 Bonds, if any, and which maturities of each such series, if any, shall constitute the Refunded Bonds. The Escrow Agreement (as hereinafter defined) shall provide for notice of redemption to be given to the registered owners of the Refunded Bonds in accordance with the resolutions providing for the issuance of the Refunded Bonds.

13. Escrow Deposit Agreement. The City Manager is authorized and directed to execute one or more escrow deposit agreements (each an "Escrow Agreement") between the City and an escrow agent to be appointed by the City Manager (the "Escrow Agent") with respect to the Refunded Bonds. The Escrow Agreement shall be in the form approved by the City Manager, in collaboration with the City Attorney and the City's bond counsel, and shall provide for the deposit and investment of a portion of the Bond proceeds for the defeasance of the Refunded Bonds. The execution of the Escrow Agreement by the City Manager shall constitute conclusive evidence of such official's approval of the Escrow Agreement. The Escrow Agreement shall provide for the irrevocable deposit of a portion of the Bond proceeds (the "Refunding Portion") in an escrow fund that shall be sufficient, when invested in noncallable, direct obligations of the United States Government (the "Government Obligations"), to provide for payment of principal of and interest on the Refunded Bonds; provided, however, that such Refunding Portion shall be invested in such manner that none of the Bonds will be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations issued pursuant thereto (the "Code"). The Escrow Agent is authorized and directed to execute initial and final subscription forms for the purchase of the Government Obligations and such other contracts and agreements necessary to provide for the defeasance of the Refunded Bonds as are approved by the City Manager, in collaboration with the City Attorney and the City's bond counsel.

14. Deposit of Bond Proceeds. The City Treasurer is authorized and directed (a) to provide for the delivery of the Refunding Portion to the Escrow Agent for deposit in the escrow fund established by the Escrow Agreement, in an amount that shall be sufficient, together with any other funds deposited with the Escrow Agent and the interest thereon when invested as provided in the Escrow Agreement, (i) to pay when due the interest on the Refunded Bonds to the first respective dates on which they may be redeemed at the option of the City and (ii) to pay upon the earlier of maturity or redemption the principal of the Refunded Bonds and (b) to provide for the deposit of the remaining proceeds of the Bonds in a special account to be used to pay the costs incurred in refunding the Refunded Bonds and the costs of issuing the Bonds. The City Treasurer is further authorized and directed to take all such further action as may be necessary or desirable in connection with the payment and refunding of the Refunded Bonds.

15. Arbitrage Covenants. (a) The City represents that there have not been issued, and covenants that there will not be issued, any obligations that will be treated as part of the

same issue of obligations as the Bonds within the meaning of Treasury Regulations Section 1.150-1(c).

(b) The City covenants that it shall not take or omit to take any action the taking or omission of which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code or otherwise cause interest on the Bonds to be includable in the gross income for federal income tax purposes of the registered owners thereof under existing law. Without limiting the generality of the foregoing, the City shall comply with any provision of law that may require the City at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bonds, unless the City receives an opinion of nationally recognized bond counsel that such compliance is not required to prevent interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law. The City shall pay any such required rebate from its legally available funds.

16. Non-Arbitrage Certificate and Elections. Such officers of the City as may be requested by the City’s bond counsel are authorized and directed to execute an appropriate certificate setting forth (a) the expected use and investment of the proceeds of the Bonds in order to show that such expected use and investment will not violate the provisions of Section 148 of the Code and (b) any elections such officers deem desirable regarding rebate of earnings to the United States for purposes of complying with Section 148 of the Code. Such certificate shall be prepared in consultation with the City’s bond counsel, and such elections shall be made after consultation with bond counsel.

17. Limitation on Private Use. The City covenants that it shall not permit the proceeds of the Bonds or the facilities refinanced with the proceeds of the Bonds to be used in any manner that would result in (a) 5% or more of such proceeds or facilities being used in a trade or business carried on by any person other than a governmental unit, as provided in Section 141(b) of the Code, (b) 5% or more of such proceeds or facilities being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141(b)(4) of the Code, or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any persons other than a governmental unit, as provided in Section 141(c) of the Code; provided, however, that if the City receives an opinion of nationally recognized bond counsel that any such covenants need not be complied with to prevent the interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the City need not comply with such covenants.

18. Continuing Disclosure Agreement. The President of the Common Council and the City Manager, either of whom may act, are hereby authorized and directed to execute a continuing disclosure agreement (the “Continuing Disclosure Agreement”) setting forth the reports and notices to be filed by the City and containing such covenants as may be necessary to assist the purchaser of the Bonds in complying with the provisions of the Rule promulgated by the SEC. The Continuing Disclosure Agreement shall be substantially in the form of the City’s prior Continuing Disclosure Agreements, which is hereby approved for purposes of the Bonds; provided that the City Manager, in collaboration with the Financial Advisor, may make such changes in the Continuing Disclosure Agreement not inconsistent with this Resolution as she

may consider to be in the best interests of the City. The execution thereof by such officers shall constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes.

19. Other Actions. All other actions of officers of the City in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds are hereby ratified, approved and confirmed. The officers of the City are authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the issuance, sale and delivery of the Bonds.

20. Repeal of Conflicting Resolutions. All resolutions or parts of resolutions in conflict herewith are repealed.

21. Effective Date. This Resolution shall take effect immediately.

[FORM OF BOND]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED

REGISTERED

No. R- _____

\$ _____

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF WINCHESTER

General Obligation Public Improvement Refunding Bond

Series 2014

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____ %	_____, ____	_____, 2014	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Winchester, Virginia (the “City”), for value received, promises to pay, upon surrender hereof to the registered owner hereof, or registered assigns or legal representative, the principal sum stated above on the maturity date stated above, subject to prior redemption as hereinafter provided, and to pay interest hereon from its date semiannually on each _____ and _____, beginning _____, 20__, at the annual rate stated above, calculated on the basis of a 360-day year of twelve 30-day months. Principal, premium, if any, and interest are payable in lawful money of the United States of America by the City Treasurer, who has been appointed paying agent and registrar for the bonds, or at such bank or trust company as may be appointed as successor paying agent and registrar by the City (the “Registrar”).

Notwithstanding any other provision hereof, this bond is subject to a book-entry system maintained by The Depository Trust Company (“DTC”), and the payment of principal, premium,

if any, and interest, the providing of notices and other matters shall be made as described in the City's Letter of Representations to DTC.

This bond is one of an issue of \$_____ General Obligation Public Improvement Refunding Bonds, Series 2014, of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity, and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991. The bonds are being issued pursuant to a resolution adopted by the Common Council of the City (the "Common Council") on _____, 2014, to refund certain of the City's general obligation bonds.

Bonds maturing on or before _____, 20__, are not subject to redemption prior to maturity. Bonds maturing on or after _____, 20__, are subject to redemption prior to maturity at the option of the City on or after _____, 20__, in whole or in part (in any multiple of \$5,000) at any time, upon payment of the following redemption prices (expressed as a percentage of principal amount of bonds to be redeemed) plus interest accrued and unpaid to the date fixed for redemption:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Price
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[Bonds maturing on _____, 20__, are required to be redeemed in part before maturity by the City on _____ in the years and amounts set forth below, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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If less than all of the bonds are called for redemption, the bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City. If less than all of the bonds of any maturity are called for redemption, the bonds within such maturity to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting bonds for redemption, each bond shall be considered as representing that number of bonds that is obtained by dividing the principal amount of such bond by \$5,000. The City shall cause notice of the call for redemption identifying the bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner hereof. If a portion of this bond is called for redemption, a new bond in principal amount of the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

The City may give notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the bonds called for redemption at the place or places of payment, such bonds shall be paid and redeemed.

The full faith and credit of the City are irrevocably pledged for the payment of principal of and premium, if any, and interest on this bond. Unless other funds are lawfully available and appropriated for timely payment of this bond, the Common Council shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all taxable property within the City sufficient to pay when due the principal of and premium, if any, and interest on this bond.

The Registrar shall treat the registered owner of this bond as the person exclusively entitled to payment of principal of and premium, if any, and interest on this bond and the exercise of all others rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the [15th] day of the month preceding each interest payment date.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this bond have happened, exist and have been performed, and the issue of bonds of which this bond is one, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the City of Winchester, Virginia, has caused this bond to be to be signed by the President of the Common Council and the City Treasurer, its seal to be affixed hereto and attested by the Clerk of the Common Council, and this bond to be dated the date first above written.

(SEAL)

President of the Common Council, City of
Winchester, Virginia

City Treasurer, City of Winchester, Virginia

(ATTEST)

Clerk of the Common Council, City of
Winchester, Virginia

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sell(s), assign(s) and transfer(s) unto

(Please print or type name and address, including postal zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEEE:

: :
: :
: :

the within bond and all rights thereunder, hereby irrevocably constituting and appointing
_____,
Attorney, to transfer said bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed
by an Eligible Guarantor Institution such
as a Commercial Bank, Trust Company,
Securities Broker/Dealer, Credit Union
or Savings Association who is a member
of a medallion program approved by The
Securities Transfer Association, Inc.

(Signature of Registered Owner)

NOTICE: The signature above must
correspond with the name of the
registered owner as it appears on the
front of this bond in every particular,
without alteration or enlargement or any
change whatsoever.

PRELIMINARY OFFICIAL STATEMENT DATED [_____, 2014]

NEW ISSUE
BOOK-ENTRY-ONLY

RATINGS: Standard & Poor's: [____]
(See "RATINGS")

In the opinion of Bond Counsel, under current law and subject to conditions described in the section "Tax Exemption," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations, and (c) is exempt from income taxation by the Commonwealth of Virginia. Such interest may be included in the calculation of a corporation's alternative minimum income tax, and a holder may be subject to other federal tax consequences as described in the section "Tax Exemption."

\$ _____*
CITY OF WINCHESTER, VIRGINIA
GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS
SERIES 2014

Dated: November __, 2014

Due: _____, as shown on the inside cover

This Official Statement has been prepared by the City of Winchester, Virginia (the "City"), to provide information on the \$14,430,000* General Obligation Public Improvement Refunding Bonds, Series 2014 (the "Bonds"), the security therefor, the City and other relevant information. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security

The Bonds will be general obligations of the City for the payment of which its full faith and credit will be irrevocably pledged. The Common 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 locality, 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 interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

Redemption

The Bonds are subject to optional redemption as set forth herein.

Purpose

The proceeds of the Bonds will be used to (a) refund certain outstanding bonds of the City and (b) pay the costs of issuing the Bonds and refunding such outstanding bonds.

Interest Rates/Yields

See inside cover.

Interest Payment Dates

[March 1 and September 1, commencing March 1, 2015].

Record Date

The [February 15 and August 15] immediately preceding each interest payment date.

Paying Agent

City Treasurer.

Denominations

\$5,000 or integral multiples thereof.

Closing/Delivery Date

On or about November __, 2014.

Registration

Full book-entry-only; through the facilities of The Depository Trust Company, New York, New York.

Bond Counsel

Hunton & Williams LLP.

Financial Advisor

Public Financial Management, Inc.

Underwriter's Counsel

Christian & Barton, L.L.P.

Conditions Affecting Issuance

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Hunton & Williams LLP, Bond Counsel, and to certain other conditions referred to herein.

Raymond James & Associates, Inc.

Official Statement dated _____, 2014.

* Preliminary, subject to change.

\$ _____*

CITY OF WINCHESTER, VIRGINIA
GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS
SERIES 2014

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> **
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* Preliminary, subject to change.

** Copyright 2013, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and neither the City nor the Underwriter makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF WINCHESTER, VIRGINIA

ELECTED COMMON COUNCIL

Elizabeth A. Minor, *Mayor*
Les Veach, *Vice Mayor*
John A. Willingham, *President*
Milton F. McInturff, Sr., *Vice President*

Jeffrey B. Buettner
Evan H. Clark
John W. Hill

John P. Tagnesi
Corey Sullivan

ELECTED CITY OFFICIALS

Jeffrey L. Barbour, *City Treasurer*
Ann T. Burkholder, *Commissioner of the Revenue*
Terry H. Whittle, *Clerk of the Circuit Court*
Les Taylor, *City Sheriff*
Alexander R. Iden, *Commonwealth's Attorney*

CITY STAFF

Eden E. Freeman, *City Manager*
Kari J. Van Diest, *Deputy Clerk of Council*
Anthony C. Williams, *City Attorney*
Mary M. Blowe, *Finance Director*

CERTIFIED PUBLIC ACCOUNTANTS

Brown, Edwards & Company
Harrisonburg, Virginia

BOND COUNSEL

Hunton & Williams LLP
Richmond, Virginia

FINANCIAL ADVISOR

Public Financial Management, Inc.
Richmond, Virginia

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds also are exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the City since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) over allot in arranging the sales of the Bonds and (b) make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriter may determine.

The Underwriter has provided the following sentence for inclusion in this Official Statement: [The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.]

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OFFICIAL STATEMENT

CITY OF WINCHESTER, VIRGINIA

\$ _____*

GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS SERIES 2014

INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices attached hereto, is to set forth certain information in connection with the issuance of \$ _____* General Obligation Public Improvement Refunding Bonds, Series 2014 (the “Bonds”), by the City of Winchester, Virginia (the “City”). This information is qualified in its entirety by information found elsewhere in this Official Statement. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held through the facilities of The Depository Trust Company, New York, New York (“DTC”), or its nominee, as securities depository with respect to the Bonds. See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” and Appendix D.

The Bonds are general obligations of the City for the payment of which the full faith and credit and unlimited taxing power of the City are irrevocably pledged. The security of the Bonds is more fully described in the section “DESCRIPTION OF THE BONDS - Security for the Bonds.” Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

DESCRIPTION OF THE BONDS

Authorization

The Bonds have been approved by a resolution (the “Bond Resolution”) adopted by the Common Council of the City (the “Common Council”) on [October 14, 2014], and are issued pursuant to the Bond Resolution and the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991 of the Code of Virginia of 1950, as amended (the “Act”).

General

The Bonds will be dated the date of their delivery and will bear interest from their date payable semiannually on each [March 1 and September 1, commencing March 1, 2015]. The Bonds will mature on [September 1] in each of the years as set forth on the inside cover page of this Official Statement. The City Treasurer has been appointed registrar and paying agent for the Bonds (the “Registrar” or “Paying Agent”). The City may in its discretion at any time appoint a qualified bank as successor paying agent and registrar for the Bonds. Interest on the Bonds shall be payable by check or draft to the holders of the Bonds as of [February 15 and August 15] immediately preceding each interest payment date at their addresses as they appear on the registration books kept by the Registrar. If such interest payment date is not a business day, such payment shall be made on the next succeeding business day with the same effect as if made on the interest payment date, and no additional interest shall accrue.

Plan of Refunding*

The Bonds are being issued to provide funds, together with other available funds, to (a) refund on a current basis a portion of certain maturities of the City’s General Obligation Public Improvement and Refunding Bonds, Series 2004, (b) advance refund certain maturities of the City’s General Obligation Public Improvement Bonds, Series 2005, its General Obligation Public Improvement Bonds, Series 2006, and its General Obligation Public Improvement Bonds, Series 2007, and (c) pay the costs of refunding all or a portion of the bonds referenced herein and the costs of

* Preliminary, subject to change.

issuing the Bonds. The following bonds or portions thereof (collectively, the “Refunded Bonds”) are expected to be refunded with proceeds of the Bonds:

Refunded 2004 Bonds

Maturity (January 15)	Principal Amount	Redemption Date	Redemption Price
2016	\$1,630,000	01/15/2015	100%
2017	685,000	01/15/2015	100
2018	720,000	01/15/2015	100
2019	755,000	01/15/2015	100
2020	790,000	01/15/2015	100

Refunded 2005 Bonds

Maturity (November 1)	Principal Amount	Redemption Date	Redemption Price
2016	\$2,330,000	11/01/2015	100%

Refunded 2006 Bonds

Maturity (December 1)	Principal Amount	Redemption Date	Redemption Price
2017	\$1,175,000	12/01/2016	100%
2018	1,220,000	12/01/2016	100
2019	1,270,000	12/01/2016	100

Refunded 2007 Bonds

Maturity (September 1)	Principal Amount	Redemption Date	Redemption Price
2018	\$ 355,000	09/01/2017	100%
2019	370,000	09/01/2017	100
2020	385,000	09/01/2017	100
2021	405,000	09/01/2017	100
2022	420,000	09/01/2017	100
2025*	1,375,000	09/01/2017	100
2027*	1,025,000	09/01/2017	100

* Term Bonds.

A portion of the proceeds of the Bonds will be deposited in an escrow fund (the “Escrow Fund”) to be held by [_____], as escrow agent for the Refunded Bonds, pursuant to an Escrow Deposit Agreement (the “Escrow Agreement”) to be dated the date of delivery of the Bonds. The Escrow Agreement will provide that cash and noncallable obligations of the United States Government (the “Government Obligations”) will be deposited in the Escrow Fund and will mature and bear interest at times and in amounts sufficient to pay principal of and interest on the Refunded Bonds from the date the Bonds are issued until the Refunded Bonds are called for redemption.

Sources and Uses of Funds

The proceeds of the Bonds and other available funds of the City are to be used as follows:

Sources of Funds:

Par Amount of Bonds	\$ _____
Original Issue [Premium][Discount]	_____
Total Sources of Funds	<u>\$ _____</u>

Uses of Funds:

Deposit to Escrow Fund for Refunded Bonds	\$ _____
Costs of Issuance (including underwriter’s compensation)	_____
Total Uses of Funds	<u>\$ _____</u>

Form and Denomination

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. Prior to closing on the Bonds, there shall be deposited with DTC one bond certificate registered in the name of DTC’s nominee, Cede & Co., for each stated maturity of the Bonds. The book-entry system will evidence beneficial ownership of the Bonds in principal amounts of \$5,000 or multiples thereof, with transfers of beneficial ownership effective on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Transfer of principal and interest payments to the Beneficial Owners (as hereinafter defined) by participants of DTC will be the responsibility of such participants and other nominees of the Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (1) DTC determines to discontinue providing its services as securities depository for the Bonds, (2) the chief financial officer of the City determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository with respect to the Bonds is not in the best interests of the City or (3) the chief financial officer of the City determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interest of the City or the Beneficial Owners, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will authenticate and deliver replacement Bonds in the form of fully registered certificates to the Beneficial Owners or their nominees.

Book-Entry-Only System

DTC will act as securities depository for the Bonds pursuant to a book-entry system. Information regarding DTC and its book-entry system appears as Appendix D. Such information has been provided by DTC, and the City assumes no responsibility for the accuracy or completeness of such information. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Bond certificates will be printed and delivered.

Redemption

*[Optional Redemption.** The Bonds maturing on or before _____, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on or after _____, 20__, are subject to redemption prior to maturity at the option of the City on or after _____, 20__, in whole or in part (in integral multiples of \$5,000) at any time, upon payment of 100% of the principal amount of Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.]

Manner of Redemption. If less than all of the Bonds are called for redemption, the Bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City. If less than all the Bonds of any maturity are called for redemption, the Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if

* Preliminary, subject to change.

the book-entry system is discontinued, by the Registrar by lot in such manner as the Registrar in his discretion may determine.

Notice of Redemption. The City shall cause notice of the call of redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date to the registered owner of the Bonds. The City will not be responsible for giving notices of redemption to anyone other than DTC or another securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof will be issued to the registered owner upon the surrender thereof.

The City may give or cause to be given notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption and principal will continue to be payable as scheduled. On presentation and surrender of the Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

Security for the Bonds

The Bonds will be general obligations of the City for the payment of which its full faith and credit will be irrevocably pledged. The Common 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 locality, 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 interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The City has never defaulted in the payment of either principal or interest on any indebtedness.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed with the Governor of the Commonwealth of Virginia by any holder of or paying agent for a general obligation bond in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a summary investigation and, if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal, premium and interest.

Section 15.2-2659 also provides for notice to the registered owners of such bonds of the default and the availability of withheld funds. The State Comptroller advises that to date, no order to withhold funds pursuant to Section 15.1-227.61 or Section 15.1-225, the predecessor provisions of 15.2-2659, has ever been issued. Although Section 15.2-2659 has not been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to its predecessor section. In the fiscal year ended June 30, 2013, the Commonwealth appropriated \$14,061,092 to the City (excluding \$16,704,793 in Commonwealth appropriations for school purposes), of which approximately \$5,973,614 was deposited in the City's General Fund.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to bondholders if the City defaults in the payment of principal of or interest on the Bonds, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the bondholders upon the occurrence of such a default. Upon any default in the payment of principal, premium or interest, a bondholder may, among other things, seek a writ of mandamus from an appropriate court requiring the Common Council to levy and collect taxes as described in the section "Security for and Sources of Payment of the Bonds." The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to levy and collect taxes to enforce payment of the Bonds may be

limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and by equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor” Bankruptcy Code, §109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have an adverse effect on bondholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent.” The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretations.

CITY ORGANIZATION AND SERVICES

Overview

The City, founded in 1744, is the oldest Virginia city west of the Blue Ridge Mountains. Located at the northern entrance to the Shenandoah Valley, the City is the industrial, commercial and agricultural center for the surrounding area and is the county seat of Frederick County.

The City encompasses 9.3 square miles and is located at the crossroads of U.S. Highways 11, 17, 50, 522, Interstate Highway 81 and State Route 7. Interstate 66, terminating 10 miles south of the City at Interstate 81, provides a third transportation artery to Washington, D. C., 72 miles to the southeast.

Governmental Organization

The City is organized under the Council-Manager form of government. The governing body, the Common Council, formulates policies for the administration of the City and is elected by voters located in four wards and five precincts within those four wards. The Common Council is composed of nine members, including the Mayor, who is elected from the community or city at-large. Two members are elected from each ward in November of even numbered years. Each member of the Common Council serves for four years beginning January 1 after election, and the members’ terms are staggered. The Vice-Mayor, President and Vice President of the Common Council are chosen by majority vote of the Common Council.

The Common Council appoints a City Manager to act as the administrative head of the City. She serves at the pleasure of the Common Council, carries out its policies and directs business procedures. She appoints and has the power to dismiss department directors and all employees of the City with the exception of the City Attorney, the directors of the Winchester Parking Authority and the employees of the Winchester Public School System.

The School Board members are appointed by the Common Council, serve four-year terms and are limited to two consecutive terms. Under Virginia law, all operations of the School Board are completely independent of the Common Council and the City administration. The Common Council is required to fund school operations through annual appropriations to the School Board by general categories, but has no authority over how appropriations are spent.

The Constitutional Officers, who are the Treasurer, Commissioner of the Revenue, Sheriff, Clerk of the Circuit Court and Commonwealth’s Attorney, are elected at-large by the voters.

Elected Officials

Common Council

Elizabeth A. Minor, Mayor. Ms. Minor is co-manager and part-owner of Smalts Garden Center. She has been a member of the Common Council since 1980 and was elected Mayor in 2004 and re-elected in 2008 and 2012. Ms. Minor was elected Vice Mayor in 1994 and re-elected in 1996, 1998, 2000 and 2002. Ms. Minor attended Radford University.

Les C. Veach, Vice Mayor. Mr. Veach is a small business owner, operating his State Farm Insurance Agency. He was elected to the Common Council in 2008 and re-elected in 2012. Mr. Veach graduated from Carnegie Mellon University in 1982 with a Bachelor of Science in Chemical Engineering and received his Master of Science in Civil Engineering in 1984.

John A. Willingham, Common Council President. Mr. Willingham is the Market President for Wells Fargo Bank in Winchester. He was elected to the Common Council in 2008 and re-elected in 2012. Mr. Willingham graduated from Virginia Polytechnic Institute and State University where he double majored in Accounting and Finance.

Milton F. McInturff, Sr., Common Council Vice President. Mr. McInturff is the President and Owner of four publishing corporations and two limited liability corporations. He was elected to the Common Council in 2008 and re-elected in 2012. Mr. McInturff graduated from John Handley High School and attended Lord Fairfax Community College.

Jeffrey B. Buettner. Mr. Buettner is President of Buettner Tire Distributors, Inc. He was elected to the Common Council in 1998 and re-elected in 2002, 2006 and 2010. He serves as chair of the Finance and Administration Committee. Mr. Buettner graduated from the University of Virginia with a degree in Government and Foreign Affairs.

Evan H. Clark. Mr. Clark was elected to the Common Council in 2006 and re-elected in 2010. Mr. Clark received a Bachelor's degree from James Madison University and a Master's degree in Social Work from Radford University.

John W. Hill. Mr. Hill is employed with Timber Ridge School as a Case Coordinator. He was elected to the Common Council in 2008 and re-elected in 2012. Mr. Hill graduated from Winston-Salem State University in Winston-Salem, North Carolina, with a Bachelor's degree in History (major) and Sociology (minor), and from George Mason University, Fairfax County, Virginia, with a Master's degree in Counseling.

John P. Tagnesi. Mr. Tagnesi is a self-employed business owner and religious tour operator. He was elected to the Common Council in 2010. Mr. Tagnesi retired from the United States Air Force in 1992 as a Colonel. He has twenty-eight years of service as a Command Pilot with over 6,000 hours experience flying multiple types of aircraft and 250 combat missions in Vietnam. He also served as Safety Officer and as a Civil Engineer. Mr. Tagnesi has a Bachelor's degree from Marshall University and a Master's degree from Oklahoma State University.

Corey Sullivan. Mr. Sullivan was appointed to the Common Council in May 2014 to fill an unexpired term. He will be on the ballot in November 2014 in a Special Election to fill the remaining 2-years of the term. He graduated from John Handley High School in 1996 and from Radford University in 2000, where he received a Bachelor of Science in Media Studies. Mr. Sullivan has worked in Sports Marketing and Publishing and has been a small business owner in Winchester. Mr. Sullivan is currently employed at Mecmessin Corporation, a leading designer and manufacturer of force and torque test equipment, test instruments and systems.

Constitutional Officers

Ann T. Burkholder, Commissioner of the Revenue. Ms. Burkholder was elected Commissioner of the Revenue in November 2009 and re-elected in November 2013. Prior to that, Ms. Burkholder was the owner of a small business, a computer systems analyst and a technical business consultant. Ms. Burkholder holds a Bachelor of Science from the University of Virginia.

Terry H. Whittle, Clerk of the Winchester Circuit Court. Mr. Whittle was elected Clerk of the Circuit Court of Winchester for an eight-year term beginning January 2004 and re-elected for a second eight-year term in January 2012. Mr. Whittle is a member of the Virginia Court Clerk's Association. Mr. Whittle received a Bachelor of Arts from Randolph-Macon College.

Jeffrey L. Barbour, Treasurer. Mr. Barbour was elected City Treasurer in November 2013 and took office on January 1, 2014. Prior to that, Mr. Barbour was the Deputy Treasurer for the City of Fairfax, Virginia. Mr. Barbour holds a Bachelor of Science from Eastern Mennonite University.

Les R. Taylor, Sheriff. Sheriff Taylor was elected Sheriff in 2014. Sheriff Taylor previously served with the Frederick County Sheriff's Office since 2001. Sheriff Taylor is a member of the Virginia Sheriff's Association and holds a Police Science Certificate from Lord Fairfax Community College.

Alexander R. Iden, Commonwealth's Attorney. Mr. Iden was first elected Commonwealth's Attorney in 2001. Previously, Mr. Iden was in private practice and is a former member of the Common Council. Mr. Iden graduated from the College of William & Mary with a Bachelor of Arts and received his Juris Doctor from Washington University School of Law.

City Staff

Eden E. Freeman, City Manager. Ms. Freeman was appointed City Manager effective July 21, 2014. Ms. Freeman has over 15 years of experience working for state and local governments, most recently as the Assistant City Manager of Sandy Springs, Georgia. Ms. Freeman received a Bachelor of Science from Georgia College and a Master of Business Administration from Georgia State University.

Anthony C. Williams, City Attorney. Mr. Williams was appointed City Attorney effective January 1, 2007. Prior to his employment with the City, he served as Assistant City Attorney for the City of Suffolk, Virginia, and practiced at the law firm of Griffin, Pappas & Scarborough. Mr. Williams graduated *cum laude* from Old Dominion University with a Bachelor of Science in Criminal Justice and received his Juris Doctor from Regent University School of Law.

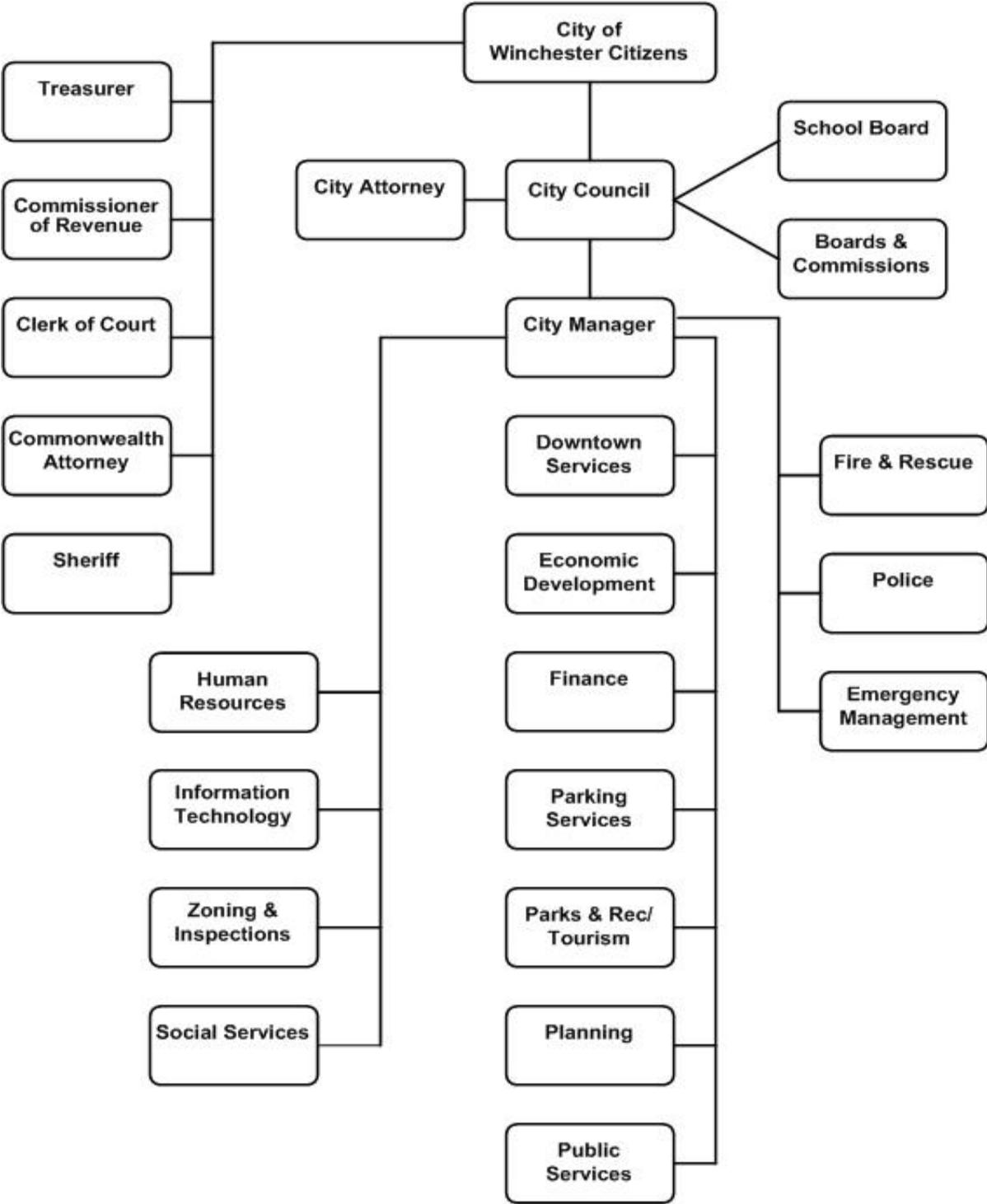
Mary M. Blowe, Finance Director. Ms. Blowe was hired as Finance Director for the City in December 2002. Previously, she served as the City's Tax Auditor beginning in 1997. Ms. Blowe has a Bachelor of Science in Business Administration with a concentration in Finance from Longwood College. She also has completed a graduate certificate in public management program at Shenandoah University and received a Master of Public Administration from George Mason University. She is a member of the Government Finance Officers Association and the Virginia Government Finance Officers Association.

City Employees

The City has approximately 547 employees who provide City services. In addition, the School Board employs approximately [___] employees, including approximately [___] teachers, guidance counselors, and librarians and approximately [___] support staff and [___] administrators. The City has no labor unions or organizations and by law does not engage in collective bargaining.

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City Organizational Chart



Government Services and Facilities

As described below, the City provides a comprehensive range of governmental services including those typical of other urban governments within the Commonwealth.

Winchester Public School System. The Winchester Public School System (the “School System”) is directed by a nine-member School Board, the members of which are appointed by the Common Council. The School Board functions independently of the Common Council. Because the School Board is not empowered to levy taxes, the costs of the School System are funded primarily by appropriations from the City and the Commonwealth.

The School System provides students with a broad curriculum. Specialists in art, music, reading and special education provide instruction at all levels. In addition, there are guidance and counseling services, school psychologists, school nurses, a visiting teacher, a migrant education program, programs for the gifted and a program of summer enrichment workshops for all levels. The Northwestern Regional Educational Program provides specialized programs serving multi-handicapped, emotionally disturbed and pre-school disabled students. The School System is comprised of four elementary schools serving grades K-4, one middle school serving grades 5-8 and one high school serving grades 9-12. The school enrollment for each of the last ten years appears below:

School System Student Enrollment*

As of June 30	Enrollment
2004	3,567
2005	3,631
2006	3,756
2007	3,708
2008	3,652
2009	3,714
2010	3,745
2011	3,829
2012	3,979
2013	4,085
2014	4,147

*Source: Superintendent, City of Winchester Public Schools.

Utilities. The City owns, operates and maintains a water production and distribution system that serves City residents and a limited number of Frederick County residents. The system is self-sustaining, as all revenue for the operation of the system is derived from fees collected from the users of the water and sewer systems. The water treatment facilities use the North Fork of the Shenandoah River as the water supply source. The North Fork has an upstream drainage area of approximately 1,000 square miles, with a normal flow of 485 million gallons per day (“mgd”).

The City owns, operates and maintains a modern water treatment plant, which has a rated capacity of 10 mgd. The Percy D. Miller Water Treatment Plant has the potential for expansion to 14 mgd to meet future growth in water demand. Water is transmitted from the treatment plant to the City through 15 miles of 30-inch transmission main, and distributed by an interconnected system consisting of 126 miles of main. Continuity of water service is assured by 7.1 mgd of in-town storage. The City has the potential to develop a 1.0 mgd facility at City-owned Faye Springs.

The City and Frederick County created the Frederick-Winchester Service Authority (“FWSA”) to provide for the administration, planning and design of regional wastewater facilities. See “Contractual Obligations and Contingent Liabilities” in the section “City Indebtedness.” FWSA collects and treats sewage from the City and Frederick County (through the Frederick County Sanitation Authority) on a user charge basis. The City owns and maintains approximately 110 miles of sewer collection lines discharging into FWSA’s 12.6 mgd regional wastewater facility located on the Opequon Creek, a tributary in the Potomac River Basin. FWSA owns the facility, which is maintained and operated under contract by the City.

By the provisions of a service agreement, the City and the Frederick County Sanitation Authority (the "Sanitation Authority") pay the charges of FWSA, which are set at rates sufficient to cover all operating, maintenance and debt service costs. The City and the Sanitation Authority establish rates and collect fees from their users in an amount sufficient to make the payments required under the service agreement based upon their respective flows delivered to the Opequon Water Reclamation Facility. The charges billed by FWSA are payable solely from revenues received by the City or the Sanitation Authority paid to them by the users of the wastewater system. The outstanding indebtedness of the FWSA is secured solely by the revenues received by operation of the treatment facility, and the City does not have any legal or moral obligation to the holders of FWSA's bonds.

The City provides curbside collection for recycling, yard waste and refuse. All yard waste is composted at the Winchester/Frederick County Landfill. Mixed paper is hauled directly to an industrial end-user. Containers (bottles and cans) are delivered to a private material recovery facility for sorting, bailing and marketing. Approximately 30% of the City's waste stream is recycled annually. All refuse is delivered to the Winchester/Frederick County Landfill, which has a remaining life expectancy of approximately 34 years. The landfill is owned jointly by the City and Frederick County. Frederick County is the fiscal agent for the landfill.

Public Safety. The City's police department consists of four divisions: Uniform Patrol, Criminal Investigations, Administration and Emergency Communications. Within these divisions are several sections including Animal Control, Regional Drug Task Force and Community Response Team. The department sponsors crime prevention and education programs throughout the community, including Neighborhood Watch and the Timbrook Youth Reporting Center for Troubled Youth. In fiscal year 2014, the Department responded to over 44,528 calls, wrote over 2,600 citations and arrested over 1,560 people.

The City's Fire and Rescue and Emergency Communications Department is responsible for the three primary functions described below.

Winchester Fire and Rescue Department is a combination system comprised of 62 career professionals, 40 operational volunteer personnel and 35 administrative volunteer personnel. The department manages the regional fire-training center and operates four stations, including three engine companies and one truck company, 24 hours a day, 365 days a year. The department provides both basic and advanced life support services, emergency transport services, emergency and non-emergency fire and rescue services and mitigation of hazardous materials emergencies, and provides tactical medical emergency operators for the Winchester Police Department's SWAT team. In addition to the [62] operational career professionals, the City employs a Fire Marshal and an Assistant Fire Marshal who work to ensure fire safety and fire code compliance within the City. There are also three career administrative personnel who oversee the day-to-day administrative operations of the department and the EMS revenue recovery program. Winchester Fire and Rescue Department responds to over 5,500 calls for service annually, and the department's public education/life safety initiative has reached over 4,400 citizens of all ages annually.

The Emergency Communications Center ("ECC") is the public safety answering point for all E911 services within the City. The Center is equipped with E911 and dispatches Police, Fire and Rescue. The ECC is an automated center using radio equipment, emergency medical dispatch and a computer-assisted dispatch system. Personnel are trained in accordance with the criteria as established by the Commonwealth and undergo continual in-service training and evaluation.

The City's Emergency Management program addresses disaster related duties and responsibilities including planning, preparation, training exercises, response, recovery and mitigation functions as charged to the City through the Virginia Emergency Services and Disaster Laws. The Emergency Operations Plan and various annexes are reviewed and updated annually through various exercises and are totally reviewed and re-adopted by the Common Council every four years as required. Exercises include table-top through full-scale drills and involve local and regional participation. The Department is also the administrative arm of the Local Emergency Preparedness Committee ("LEPC"), as required by the Superfund Amendment and Re-Authorization Act ("SARA Title III"). The Hazardous Materials Mitigation Plan has been established and maintained annually as required. Tier II information is received and updated annually, and the plan is practiced and evaluated on a regular basis. The Department of Emergency Management also addresses various required programs, including but not limited to the National Incident Management System ("NIMS") program, the Local Capability Assessment Report ("LCAR") and other programs as developed locally or handed down from the state and/or federal authorities.

Social Services. Public Social Services in the Commonwealth is a locally administered, state supervised program financed by federal, state and local funds. The Winchester Department of Social Services provides a broad range of temporary assistance and social service programs in accordance with state and federal laws and regulations, including Medicaid, Temporary Assistance to Needy Families, Employment Services, Supplemental Nutritional Assistance Program, Foster Care, Adoptions, Adult Services, and Child Protective Services. The department also administers the Virginia Housing Development Authority Housing Choice Voucher Program.

Planning and Development. The Common Council adopted the current Comprehensive Plan in May 2011 and adopted an amendment in July 2014 to Chapter 11 primarily focused on the potential location of a new elementary school and other land use recommendations along the planned extension of Meadow Branch Avenue. In July 2013, it received the award from the Virginia Chapter of the American Planning Association as the best Comprehensive Plan among small and mid-sized cities in Virginia. The new Plan completely replaces one that was last amended in 2005. The Plan closely relates to an Economic Master Plan prepared in 2010 and outlines a vision for long-term sustainability from an economic, environmental, and social standpoint. A number of key redevelopment areas are outlined in addition to measures calling for infill development, revitalization and stabilization throughout the City.

The Common Council appoints a seven-member Planning Commission, and each Commission member serves not more than two four-year terms. The Planning Commission is responsible for working with staff to develop the Comprehensive Plan for Common Council adoption. The Commission also services as an advisory board to the Common Council on rezonings, text amendments, conditional use permits, right-of-way vacations and major subdivisions. The Commission also reviews the Capital Improvement Program.

Old Town Winchester (“OTW”) oversees all aspects of downtown vitality through the support of other city staff and the Old Town Development Board (“OTDB”). The Common Council appoints an eleven-member OTDB, and each Board member serves a three-year term. The OTDB advises the Common Council on the improvement, maintenance, development, planning and promotion of downtown Winchester. OTW works to (i) build partnerships among downtown groups such as business owners, bankers and City officials, (ii) develop and conduct special events designed to promote the desired image of the Old Town area in the City, (iii) develop and design programs for facade and signage improvement, (iv) support existing businesses and recruit new business to the area, (v) manage the maintenance and improvement efforts for the primary and secondary assessment districts and (vi) foster tourism in Old Town. OTW is primarily funded by a special assessment on real estate located in the Primary District and the Secondary District of the City and serves as the managing arm for these two districts.

The Economic Development Authority of the City of Winchester establishes economic development goals and strategies for the City. Authority members serve four-year terms and are appointed by the Common Council.

The Winchester-Frederick County Economic Development Commission establishes economic development goals and strategies for the Winchester-Frederick County area. Members of the Commission serve three-year terms and, except for one member who is appointed by the Commission itself, are appointed by the respective City and County governing bodies, planning commissions and industrial development authorities.

Winchester Parking Authority. The Winchester Parking Authority (the “Parking Authority”) was created by an Act of the General Assembly in 1964 to address a need for additional parking in the downtown area of the City. The Common Council appoints the five-member board of the Parking Authority. Each member serves a five-year term and is eligible for reappointment for a second five-year term. The Parking Authority operates six off-street parking lots and four parking garages as well as 400 street metered spaces. The Parking Authority is responsible for the maintenance, security and collection of fees for these facilities. See “CITY INDEBTEDNESS - Contractual Obligations and Contingent Liabilities - *Winchester Parking Authority.*”

Parks and Recreation. The Winchester Parks & Recreation Department maintains approximately 248 acres of land, including parks, open space, natural preserves and wetland areas. In total, the department operates 13 neighborhood sites and one regional 170-acre park. The department offers a wide variety of year-round recreational programs for all ages.

The focal point of the City’s park system is the 170-acre Jim Barnett Park. Jim Barnett Park boasts many recreational amenities including: baseball/softball fields; a BMX track; a dog park; outdoor pavilions, outdoor tennis and basketball courts; a 42,000 square foot recreation center with a 25-meter indoor pool, a fitness room, a racquetball

court, a gymnasium, a social hall and meeting rooms; a 50-meter outdoor pool with a leisure pool and a water slide; a fitness trail; playgrounds; an 18 hole miniature golf course; a stocked lake; lighted horseshoe courts; a radio-controlled race track; and the City's POW-MIA Memorial. Jim Barnett Park is the host site of many local, regional and national events, including the 2011 Cal Ripken 10 Year Old World Series.

Libraries. The Handley Library is a free, regional public library serving the City and the Counties of Frederick and Clarke. Its holdings include over 90,000 items, including books, audio-cassettes, videotapes, microfilm and periodicals, as well as over 600 linear feet of manuscript material. The Library has an extensive business and reference collection. The Handley Library has a branch located in Clarke County and a bookmobile that makes stops throughout Frederick and Clarke Counties.

CITY ECONOMIC AND DEMOGRAPHIC FACTORS

Overview

The City is located at the northern tip of Virginia, in the Shenandoah Valley. Two major interstate highways, I-81 and I-66, and four major highways, Routes 7, 11, 50 and 522, serve the City. These routes provide direct access to the major eastern market areas of Washington D.C., Baltimore and Philadelphia, which are 72, 97 and 211 miles away, respectively.

The City has a population of approximately 27,216 and is the commercial hub of the Northern Shenandoah Valley. The City, located on Interstate 81 just 50 miles west of Washington D.C.'s Dulles International Airport, via Route 7, is noted for its rich cultural history and continues to attract new growth. During the last two years, the City has benefited from two major industrial expansions, resulting in 200 new jobs and an investment of \$87 million in plant expansion and new equipment. Also, the City expects additional industrial expansion resulting in approximately 100 new jobs and an accompanying \$10 million capital expenditure for building improvements and new equipment.

With 40 percent of property in the City utilized for commercial purposes, with continued growth of Valley Health System (the City's largest employer), and with the rate of population growth exceeding the state average, the City's local economy has remained strong. The City anticipates continued growth in two key population segments: the over 55 year-olds and the under 30-year olds. The anticipated growth in the older age group is based on the attraction of the City as a retirement community due to its quality of life, exemplified by Winchester Medical Center's ranking as one of the Top 100 hospitals in the United States. The anticipated growth in the younger age group is attributable to the growth in the health-care related employment opportunities and the growth of Shenandoah University and Lord Fairfax Community College.

The City's commercial center serves a 60-90 mile area surrounding the City, which includes the Counties of Frederick, Clarke, Warren and Shenandoah, Virginia, as well as neighboring areas in West Virginia and Maryland. Because of the City's position as a regional economic center and its extensive highway system, the City's available workforce is drawn from a substantially broader area than the area within, or immediately adjacent to, the City. Significant employment and manufacturing growth in Frederick County (e.g., Hood Dairy, Kraft and Navy Federal Credit Union) and the expansion of Rubbermaid and O'Sullivan Films in the City continue to support expansion of the service and retail industries located primarily in the City.

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Population

Since 2004, the City's estimated population has increased by approximately 7.8%. Population statistics for selected years are set forth below.

Year	Population
2004	25,239
2005	25,650
2006	25,863
2007	25,863
2008	26,189
2009	26,322
2010	26,203
2011	26,587
2012	26,923
2013	27,216

Sources: U.S. Census Bureau.

Per Capita Income

The following table provides comparative total per capita income figures (in dollars) for the combined area of the City and Frederick County, the Commonwealth and the United States for selected years:

Year	City of Winchester & County of Frederick	Commonwealth of Virginia	United States
2004	\$31,327	\$37,742	\$34,300
2005	32,776	39,825	35,888
2006	34,645	42,075	38,127
2007	35,746	43,921	39,804
2008	36,610	44,900	40,873
2009	35,645	44,603	39,357
2010	36,208	44,854	40,163
2011	38,128	47,126	42,298
2012	39,359*	48,377	43,375
2013	-	48,773	44,543

Sources: Bureau of Economic Analysis.

* Latest available data.

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Largest Employers

The estimate of the largest employers located in the City as of December 31, 2013, is listed below:

Largest Employers	Type of Operation	Estimated Employment Range
Valley Health System	Regional Healthcare	1000+
Shenandoah University	Secondary Education	500-999
Winchester City Public Schools	Primary Education	500-999
Rubbermaid Commercial Products	Plastic Products	500-999
Walmart	Retail	500-999
City of Winchester	Local Government	500-999
U.S. Department of Defense	Federal Government	500-999
U.S. Federal Bureau of Investigation	Federal Government	500-999
O'Sullivan Films, Inc.	Manufacturing	250-499
Grafton School, Inc.	Healthcare	250-499

Source: Virginia Employment Commission.

Unemployment Rates

The table below provides comparative average annual unemployment rates for the City, the Winchester Metropolitan Statistical Area, the Commonwealth and the United States.

Calendar Year	City of Winchester⁽¹⁾	Winchester MSA⁽¹⁾⁽³⁾	Commonwealth of Virginia⁽¹⁾	United States⁽²⁾
2004	3.2%	3.3%	3.7%	5.5%
2005	3.1	3.0	3.5	5.1
2006	2.9	2.8	3.0	4.6
2007	3.2	3.1	3.1	4.6
2008	4.6	4.3	4.0	5.8
2009	8.4	8.0	7.0	9.3
2010	7.6	7.7	7.1	9.6
2011	7.3	6.9	6.4	8.9
2012	6.2	6.1	5.9	8.1
2013	5.4	5.4	5.5	7.4
2014	5.1 ⁽⁴⁾	4.9 ⁽⁴⁾	5.4 ⁽⁴⁾	6.3 ⁽⁵⁾

⁽¹⁾ Virginia Employment Commission

⁽²⁾ U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted).

⁽³⁾ The Winchester, Virginia-West Virginia Metropolitan Statistical Area is defined by the Federal Office of Management and Budget as the area encompassing the City, Frederick County, Virginia, and Hampshire County, West Virginia.

⁽⁴⁾ As of July 2014.

⁽⁵⁾ As of August 2014.

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Building Permits

Building permits issued by the City and the corresponding value of such permits are presented below:

Fiscal Year Ended June 30	Number of Permits	Estimated Total Value*
2009	486	\$ 35,529,149
2010**	470	137,725,711
2011	942	34,827,314
2012	1,508	47,226,214
2013	1,463	51,729,708
2014	1,709	50,662,739

Source: City of Winchester, Zoning and Inspections Department.

* The City has undertaken an evaluation of outstanding permits and has adjusted values accordingly.

** 2010 Permits primarily reflect permits for construction activity at Winchester Medical Center.

Recent Economic Development Highlights

Rubbermaid Commercial Products LLC (“Rubbermaid”) completed an expansion resulting in \$53,500,000 in real estate improvements and capital equipment in the City over the past four years. In connection with this expansion, Rubbermaid created 71 new jobs with an average wage of \$73,700.

O’Sullivan Films, Inc. (“O’Sullivan”) has also expanded its facilities in the City and invested a total of \$28,800,000 in new real estate improvements and capital equipment over the past two years. O’Sullivan created 174 new jobs with an average wage of \$42,125 in connection with this expansion. Additional expansions are likely to be announced in the near future.

On June 27, 2013, Simon Properties and Carmike Theaters completed \$10,000,000 in improvements to the 475,000 square foot regional shopping mall located in the City. The improvements include a new 12-screen cinema and upgrades to the current mall building, including new entrance facades, new flooring, new ceilings and new lighting.

The Taylor Hotel, a historically significant and formerly dilapidated structure located on the City’s pedestrian walking mall, recently underwent an extensive rehabilitation. Approximately \$4 million from various funding sources was used to create several luxury apartments, an outdoor amphitheater, a farmers market and several retail/commercial spaces. The renovations were completed in August 2014.

Substantial improvements to the City’s Loudoun Street Pedestrian Mall have recently been completed. The approximately \$8 million project included the replacement of century-old water and sewer lines, brick pavers, new street furniture, landscape work, splash pads for children, public restrooms and gateways.

Transportation

In addition to the extensive system of roads in and around the City, Winchester Regional Airport is located in the City. Dulles International Airport is within an hour’s drive of the City, and Ronald Reagan National Airport and Baltimore-Washington International Airport are each within two hours of the City. CSX and Winchester & Western (W&W) railroads both provide freight rail service to the City. The W&W offers a direct link to the CONRAIL, Norfolk Southern and CSX rail lines.

Virginia Inland Port, located 15 miles south of the City, is a 161-acre distribution facility which links eastern and Midwestern markets to Atlantic Ocean transportation facilities located 220 miles away in Hampton Roads, Virginia. The facility features 3,000 feet of track comprising five rails, room for 780 truck spaces, a U.S. Customs installation, and direct access, via short spur, to Norfolk Southern’s main line. Via a dual divided highway, the facility is easily accessible to the more than 20 truck lines and 15 local truck terminals serving the area. There is

also direct access to Interstate 81, running north and south, and Interstate 66, running east and west, and to Dulles International Airport.

Winchester Regional Airport is a modern 24-hour facility serving corporate and private users. It is a general aviation airport with a 5,500-foot lighted runway system, modern terminal, hangars and fuel storage facilities and is owned and operated by the Winchester Regional Airport Authority (the "Airport Authority"), an entity jointly sponsored by the City and the Counties of Frederick, Clarke, Warren and Shenandoah. The City does not exercise oversight responsibilities for the financial affairs of the Airport Authority, nor does it have moral or legal obligations to the holders of any debt obligations of the Airport Authority. See "Contractual Obligations and Contingent Liabilities."

The Counties of Clarke, Shenandoah and Warren each contribute \$5,000 annually to the capital improvement budget of the airport. The balance of the local share needed to support airport operations and the capital improvement budget is shared by the City and Frederick County based on population. In fiscal year 2014, the City budgeted for the Airport Authority to receive \$188,818 (including supplements) in total support.

Detention Facilities

In 1987, Clarke and Frederick Counties and the City entered into an agreement to establish a regional jail board and operate a regional jail facility. Fauquier County became a member of the regional jail board in 1998. In May 2005, the four participating jurisdictions of the regional jail board formed the Northwestern Regional Jail Authority (the "Jail Authority"). The Jail Authority board consists of three members each from Clarke County and Fauquier County, and four members each from Frederick County and the City. Each jurisdiction appoints the Sheriff from its jurisdiction to serve on the board of the Jail Authority. The other board positions are appointed by the governing bodies of the jurisdictions. The terms are for four years, except for those of the Sheriffs, which run concurrently with their terms in office. Frederick County serves as the facility's fiscal agent. In June 2005, the Jail Authority issued its \$26,560,000 jail facilities revenue bonds and notes to improve and expand the existing regional jail. In April 2013, the Jail Authority issued its \$16,400,000 Jail Facility Revenue and Refunding Bonds, Series 2013, to refund a portion of such outstanding 2005 bonds and to finance certain capital improvements. See "Contractual Obligations and Contingent Liabilities" for the City obligations to the Jail Authority.

In 1996, the Commonwealth of Virginia General Assembly approved the establishment of a regional juvenile detention center. Later that year, the Northwestern Regional Juvenile Detention Center Commission was appointed by the member jurisdictions to construct and operate a regional juvenile detention center. The Commission consists of eight members, one each from the participating jurisdictions (Clarke County, Frederick County, Page County, Shenandoah County, Warren County, and the City), one member from the NRADC Regional Jail Board and a fiscal agent. The participating jurisdictions are responsible for the operating capital and debt service costs not otherwise covered by governmental and non-governmental sources. The City acts as fiscal agent for the facility. The City issued \$4.5 million in revenue debt obligations in 1996 for construction of the facility. These obligations were retired in February 2002. The first residents were admitted to the 32-bed facility in December 1997.

Medical Facilities

Winchester Medical Center ("WMC"), the flagship hospital of Valley Health System, is a 445-bed regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical and rehabilitative care. WMC is a level II trauma center and a resource for 400,000 residents in the region, which includes parts of Virginia, West Virginia and Maryland. WMC has an attending medical staff of approximately 301 physicians, virtually all of whom are board certified.

In 2012, WMC completed a three-year campus expansion project. The \$161 million construction project impacted three sides of the 22 year old medical center, enhancing critical care and women's services.

WMC is affiliated with Shenandoah University via its two-year educational program for professional nurses and respiratory therapists. In addition, WMC and Shenandoah University began offering a graduate program in physical therapy in 1989 and opened a pharmacy school in 1996.

Higher Education

Shenandoah University, located in the City on a 75-acre campus, offers both undergraduate, graduate and professional degree programs. Current enrollment is approximately 4,000 students in seven distinct schools – the College of Arts and Sciences, the School of Health Professions, the School of Business, the School of Pharmacy, the School of Education and Human Development, the School of Nursing and the Shenandoah Conservatory.

CITY FINANCIAL INFORMATION

Fund Accounting

The City's accounts are organized on the basis of fund classifications, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are grouped in the financial statement as described below.

Governmental Funds. The Governmental Funds account for the expendable financial resources, other than those accounted for in the Proprietary and Fiduciary Funds. The Governmental Funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

The Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that legally are restricted to expenditures for specified purposes. The Special Revenue Funds consist of the Human Services Fund, the Highway Maintenance Fund, the Transit Fund, the Emergency Medical Services Fund, the Winchester-Frederick Convention and Visitors Bureau Fund and the Law Library Fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Capital Project Funds include the Capital Improvements Fund.

Proprietary Funds. The Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds use the accrual basis of accounting where the measurement focus is upon determination of net income. The Proprietary Funds consist of the Enterprise Funds and the Internal Service Funds. The government reports the following proprietary funds:

The Enterprise Funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. The Enterprise Funds consist of the Water and Sewer Fund. The Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system, is considered a major fund for financial reporting purposes.

The Internal Service Funds account for employee fringes, equipment inventory and risk management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Employee Benefits Fund, the Equipment Operating Fund and the Post-Employment Benefits Fund.

Fiduciary Funds. The Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units or other funds. These funds include the Private Purpose Trust Funds and the Agency Funds. The Private Purpose Trust Funds use the accrual

basis of accounting as described in the Proprietary Funds presentation. The Agency Funds use the modified accrual basis of accounting described in the Governmental Funds presentation. The Agency Funds reported by the City include the Northern Shenandoah CSA Trust Fund, the Special Welfare Fund, the Northwestern Regional Jail Authority Construction Fund and the Northwestern Regional Juvenile Detention Center Fund. These funds account for assets held by the City for social service clients and a regional jail and juvenile detention center.

Pension System

All eligible full-time employees of the City automatically are enrolled in the Virginia Retirement System (“VRS”), which provides group term life insurance, retirement, disability and death benefits. VRS maintains separate accounts for each participating locality based on contributions made by the locality and its employees. As of June 30, 2012, the most recent actuarial valuation date, the plan was 70.7% and 79.1% funded for the City and the School Board (non-professional employees), respectively. See Note 12 to the Basic Financial Statements in Appendix A for further information regarding the retirement plan generally and the City’s and the School System’s unfunded liability for their share of benefit costs.

For fiscal year 2013, the City’s annual pension cost of \$2,035,368 was equal to the City’s required and actual contributions. For fiscal year 2013, the School System’s annual pension cost of \$196,813 for its non-professional employees was equal to the School System’s required and actual contributions. The required contributions were determined as part of the June 30, 2011, actuarial valuation using the entry-age normal actuarial cost method.

Recent Developments Affecting the Pension Plan. Historically, the City opted to pay the employee’s contribution of 5% of each employee’s salary as well as the City’s share of the retirement contribution required for employees. During the 2010 session of the Virginia General Assembly, legislation was enacted that allowed localities to vote to implement new VRS provisions for employees hired on or after July 1, 2010, who meet certain criteria. This new plan option, titled VRS Plan 2, stipulated that a locality may elect to require employees hired on or after July 1, 2010, to pay 5% of their salary on a pre-tax basis to partially fund their retirement rather than the locality’s paying the employee’s share on the employee’s behalf. The Common Council adopted this provision for new eligible employees hired on or after July 1, 2010. After July 1, 2010, the City continued to pay the 5% employee contribution for all employees hired prior to July 1, 2010, as well as the City’s share for all eligible employees.

During its 2012 session, the General Assembly enacted legislation effective July 1, 2012, that requires local government and school employees to pay the 5% VRS employee contribution that currently is being paid by the local government or school on behalf of its employees. Further, local governments and schools must grant a 5% salary increase to offset the annual contribution. Employers have the option to elect to phase in the amount the employee pays at a minimum of 1% in each of the next five years. The City determined not to phase in the amount the employee pays and has required employees to pay the full 5% (and to grant the full 5% salary increase) as of July 1, 2012.

Also in the 2012 session, a hybrid retirement plan was created with a defined benefit component and a defined compensation component for employees hired after January 1, 2013, except for hazardous duty employees covered under a separate law enforcement officer retirement system (LEORS) or other similar programs for state employees. This retirement benefit is based on a 1.65% multiplier compared to the 1.7% multiplier in place for existing plans.

Post-Employment Benefits Other than Pensions

In addition to the pension benefits described above, the City provides certain post-employment health care benefits for employees who are eligible for retirement benefits. City retirees are eligible to participate in the City’s health insurance plan under certain criteria. As of June 30, 2013, 31 retirees were both eligible and participated in this benefit. The City contributes 100% of the cost of the lowest health care coverage policy in effect. The participants pay the remaining cost if they select a higher coverage policy. The City contributed a total of \$258,000 towards retiree health insurance for fiscal year 2013.

The Governmental Accounting Standards Board (“GASB”) has adopted accounting standard GASB Statement #45 entitled “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions” that requires localities to recognize the post-retirement benefits other than pensions (“OPEB”) (such as healthcare and related costs) that localities have agreed to provide their retired employees. The City implemented GASB Statement #45 and incorporated such information into its financial statements beginning in fiscal year 2009.

The City has elected not to pre-fund its OPEB liabilities, and instead contributes the annual required contribution of the employer (the “ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the fiscal year ending June 30, 2013, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 720,000
Interest on net OPEB obligation	34,000
Adjustment to annual required contribution	(39,000)
Annual OPEB cost	<u>\$ 715,000</u>
Contributions made	<u>(258,000)</u>
Increase in net OPEB obligation	457,000
Net OPEB obligation, beginning of fiscal year (7/1/2012)	851,077
Net OPEB obligation, end of fiscal year (6/30/2013)	<u><u>\$1,308,077</u></u>

The estimated pay-as-you-go cost for OPEB benefits is \$236,000 for fiscal year 2015. The estimated annual employer contribution is \$747,000 for fiscal year 2015.

For further information regarding the City’s Post-Employment Benefits Other than Pensions, see Note 15 to the Basic Financial Statements in Appendix A.

Description of Governmental Fund Revenues

General Property Taxes. An ad valorem tax is levied by the City on the assessed value of real and tangible property located within the City on January 1 of each year.

A personal property tax is levied by the City on motor vehicles that are garaged in the City for more than thirty days. The City prorates personal property taxes.

Real property is assessed at 100% of its appraised value. The ratio of the assessed value of personal property to its appraised value varies for the several classes of personal property but generally is 100%. Real property taxes are due June 5 and December 5 of the calendar year in which they are levied. Personal property taxes are due December 5. The penalty for late payment is 10% of the amount due, and interest on delinquent taxes and penalties accrues at a rate of 10% per annum until paid. In cases of property on which delinquent taxes are not paid within three years, the City may sell the property at public auction to pay the amounts due. In addition, the City is authorized by State law to seize state income tax refunds of delinquent taxpayers to satisfy delinquent personal property taxes. There is no legal limit on the property tax rates that may be established by the City.

For purposes of fiscal year 2013, the real property tax rate was \$0.95 per \$100 of assessed value for both the June 5, 2013, and December 5, 2013, real property tax payments. Property taxes (including penalties and interest for late payment of prior year’s taxes) represented 43.3% of the revenue for all governmental funds in the fiscal year ended June 30, 2013. For fiscal years 2014 and 2015, the real property tax rate is \$0.95 per \$100 of assessed value.

Other Local Taxes. The City levies various other local taxes, including a 1% local sales tax (collected by the Commonwealth and remitted to the City), a tax on consumer utility services, property transfer recordation taxes, automobile license taxes and various business, professional and occupational license taxes. These taxes accounted for 32.4% of the revenue for all governmental funds in fiscal year ended June 30, 2013.

Intergovernmental Revenue. Intergovernmental revenue is comprised of revenue from the Commonwealth and U.S. (federal) funding. The City is reimbursed by the Commonwealth for a portion of shared expenses including certain expenditures for social services, courts and constitutional offices. Additionally, the City receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales and State contributions to assist in meeting law enforcement expenditures. Revenue from this category represented 19% of the revenue for all governmental funds in the fiscal year ended June 30, 2013.

Other Items and Miscellaneous Revenue. Other items include: Permits, Privilege Fees and Regulatory Licenses; Fines and Forfeitures; Revenue from Use of Money and Property; Charges for Services; Recovered Costs; and Miscellaneous Revenues, which include the sale of land and buildings, parking meter fees, interest earned on investments and other miscellaneous sources. Combined, these revenue sources provided 5.3% of governmental fund revenues in the fiscal year ended June 30, 2013.

Description of Governmental Fund Expenditures and Transfers

Cost of General City Government. The costs of general City government are paid from the General Fund. These costs include expenditures for general government administration, judicial administration, public safety, public works, health and welfare, parks and recreation and cultural and community development. These classifications represented approximately 58.7% of all governmental funds disbursements in the fiscal year ended June 30, 2013.

Transfers to the Component Unit School Operating Fund. The City transfers money from the General Fund to the School Board Component Unit Operating Fund primarily to pay the costs of operating the School System. Transfers to school operations represented 30.5% of all governmental funds disbursements during the fiscal year ended June 30, 2013.

Debt Service. Debt service payments on and the cost of issuing general obligation debt during the fiscal year ended June 30, 2013, equaled \$9,464,854, which represented 10.8% of all governmental funds disbursements. This amount included the debt service for the primary government and the School Board Component Unit.

Capital Projects. The City expended \$2,677,902 of governmental fund disbursements for capital projects for fiscal year ended June 30, 2013. These capital projects consisted primarily of public school, public safety, public works and parks and recreation improvements.

Budgeting Process

The City prepares an annual budget in which each department within the City government is required to submit its estimate to the City Manager. The City Manager reviews the estimates and other data and recommends the annual budget to the Common Council under the following guidelines and procedures.

1. Prior to March 30 of each year, the City Manager submits to the Common Council a proposed operating and capital budget for the next fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the annual budget is legally enacted through passage of an Appropriations Ordinance. The appropriated annual budget is adopted for the General, Special Revenue and Capital Projects Funds of the primary government and School Board Component Unit.
4. The Appropriations Ordinance is adopted at the fund, function and department level and places legal restrictions on expenditures at the departmental level. The appropriation for each department can be revised only by the Common Council. The City Manager is authorized to transfer budgeted amounts within general government departments, while the School Board is authorized to transfer budgeted amounts within the School System's departmental categories.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Special Revenue Funds and the Capital Projects Funds. The discreetly presented School Board Component Unit is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles.
7. Appropriations lapse on June 30 for all City funds.
8. All budget data presented in the Comprehensive Annual Financial Report is the appropriated budget as of June 30, as amended.

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General Fund Budget

The City's Fiscal Year 2014 Amended General Fund Budget and Fiscal Year 2015 Adopted General Fund Budget are set forth below. The City has conservative financial policies, including strong budget-to-actual results, conservative fund balances and investment policies and conservative budget estimates for revenue performance.

Fiscal Year 2014 Budget and Fiscal Year 2015 Budget General Fund

	Amended Budget FY 2014	Adopted Budget FY 2015
Revenues		
General Property Taxes	\$ 37,033,000	\$37,632,000
Other Local Taxes	26,875,000	28,953,000
Permits, privilege fees	297,100	271,400
Fines & forfeitures	303,000	153,000
Revenues from use of money & property	275,000	227,500
Charges for services	1,024,000	1,348,000
Miscellaneous	1,123,400	1,094,500
Recovered costs	758,000	737,500
Intergovernmental		
Commonwealth	5,801,671	5,920,100
Federal	445,787	358,000
Transfers In	1,650,000	1,600,000
Other Financing Sources	24,978,847	3,772,000
Total revenues	<u>\$100,564,805</u>	<u>\$82,067,000</u>
Expenditures		
General government administration	\$ 5,369,244	\$5,625,545
Judicial administration	3,214,675	3,179,600
Public safety	18,471,556	19,073,296
Public works	3,382,300	3,587,900
Health & Welfare	1,063,196	891,065
Education	26,339,093	27,820,518
Parks, recreation and culture	3,321,439	3,276,654
Community development	2,168,633	1,789,872
Debt service	9,905,169	10,349,450
Subtotal expenditures	<u>\$ 73,235,305</u>	<u>\$75,593,900</u>
Transfers out	27,329,500	6,473,100
Total	<u><u>\$100,564,805</u></u>	<u><u>\$82,067,000</u></u>

Source: City of Winchester, Department of Finance.

Fiscal Year 2014 Discussion

Based on preliminary, unaudited financial information, General Fund revenues are projected to be \$1.1 million more than budget expectations for the fiscal year ended June 30, 2014, and General Fund expenditures are projected to be \$1.6 million less than budget expectations. Therefore, the General Fund balance will increase to approximately \$21.9 million on June 30, 2014. Actual, audited financial results may be different, and such differences may be significant.

Five-Year Summary of Revenues, Expenditures and Fund Balances

For the fiscal year ended June 30, 2013, the Unassigned General Fund balance totaled \$16.1 million, representing 22.2% of General Fund expenditures. The following table presents a summary for the five fiscal years ended June 30, 2013, of the City's revenues, expenditures and fund balances accounted for in the City's general governmental and expendable trust funds excluding capital funds. The summaries have been compiled from the financial statements of the City and should be read in conjunction with the related financial statements and footnotes thereto appearing in Appendix A.

City of Winchester					
Revenues, Expenditures and Changes in Fund Balances of Total Governmental Funds					
	2009	2010	2011	2012	2013
Revenues					
General Property Taxes	\$33,704,350	\$33,821,252	\$33,942,158	\$34,607,227	\$36,115,435
Sales Taxes	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682
Other Local Taxes	17,172,342	16,662,492	17,481,942	17,270,042	18,346,602
Permits, Privilege Fees, & Regulatory Licenses	285,131	392,290	292,644	252,950	285,746
Fines & Forfeitures	159,077	147,721	221,715	274,147	161,403
Revenues from Use of Money and Property	529,863	439,521	315,006	292,403	219,226
Charges for Services	1,760,787	1,706,059	1,846,033	1,963,310	1,951,951
Miscellaneous	444,901	453,621	764,927	1,157,315	1,044,782
Recovered Costs	1,454,804	979,769	1,045,223	930,667	726,062
Intergovernmental	14,393,918	14,754,690	14,737,288	17,742,776	15,888,838
Total Revenues	<u>\$77,942,204</u>	<u>\$76,746,973</u>	<u>\$78,733,464</u>	<u>\$82,976,522</u>	<u>\$83,458,727</u>
Expenditures					
General Gov't. Admin.	\$ 3,999,143	\$ 3,803,786	\$ 3,690,586	\$ 4,304,202	\$ 4,607,388
Judicial Administration	2,574,148	2,690,827	2,768,905	2,838,387	3,099,072
Public Safety	17,907,345	16,963,980	17,471,623	18,028,989	19,021,960
Public Works	8,611,361	10,526,541	6,958,722	9,708,681	10,215,038
Health and Welfare	7,542,126	7,205,135	7,727,186	7,697,084	7,256,023
Education ⁽¹⁾	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238
Parks, Recreation and Culture	3,716,933	3,877,809	3,117,656	3,364,141	3,696,943
Community Development	1,757,737	1,574,376	2,332,049	2,109,601	3,544,065
Capital Projects	2,027,584	-	-	-	-
<i>Debt Service:</i>					
Principal Retirement	5,544,227	5,829,665	5,760,991	5,519,489	6,064,266
Interest & Fiscal Charges	4,690,387	4,343,895	4,132,168	3,435,326	3,183,954
Bond Issuance Costs	-	-	-	235,527	216,634
Total Expenditures	<u>\$86,295,531</u>	<u>\$82,232,128</u>	<u>\$79,338,079</u>	<u>\$82,624,584</u>	<u>87,621,581</u>
Excess of Revenues over (under) Expenses	(8,353,327)	(5,485,155)	(604,615)	\$ 351,938	(4,162,854)
<i>Other Financing Sources (Uses)</i>					
Sale of Property	\$ 43,198	-	\$ 250,000	\$ 386,296	-
Insurance Recoveries	18,576	\$ 114,754	4,304	31,860	\$47,216
Bonds Issued	-	-	-	27,217,364	27,963,072
Premium on Debt	-	-	-	3,995,350	-
Payment to Refunded Bond Escrow Agent	-	-	-	(30,975,567)	(26,730,493)
Capital Lease	-	-	-	-	-
Transfers In	7,650,015	7,980,231	5,433,719	5,243,455	5,694,575
Transfers Out	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)	(3,824,575)
Total Other Financing Sources (uses)	<u>\$ 1,415,924</u>	<u>\$ 1,758,754</u>	<u>\$ 2,098,237</u>	<u>\$(2,255,303)</u>	<u>\$3,149,795</u>
Net Change in Fund Balances	<u>\$ (6,937,403)</u>	<u>\$ (3,726,401)</u>	<u>\$ 1,493,622</u>	<u>\$ 2,607,241</u>	<u>\$ (1,013,059)</u>
Debt service as a percentage of noncapital expenditures	12.8%	13.3%	12.6%	11.3%	11.4%

Source: City of Winchester Comprehensive Annual Financial Report for fiscal year ended June 30, 2013.

⁽¹⁾ Education expenditures include the City's contribution to the School Board Component Unit.

CITY TAX DATA

Taxable Property Assessment Process

Real estate is assessed at 100% of fair market value. The City uses a two-year reassessment cycle. The current reassessment was effective January 1, 2013. New construction is assessed on a supplemental basis and is billed annually.

Personal property includes automobiles, trucks, motorcycles, trailers, boats, mobile homes, furniture and fixtures and all other business tangible property and machinery and tools used in manufacturing. January 1st is the effective date of assessment or the tax day, except for vehicles, which are assessed as of the month they acquire situs within the City.

Public service real estate and personal property includes property owned and used by railroad, gas, electrical and telephone companies. Assessed value is determined by the State Corporation Commission and the State Department of Taxation.

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**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property ⁽¹⁾⁽³⁾					Personal Property ⁽¹⁾					Total				
	Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate Per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Mobile Homes	Tax Rate per \$100	Taxable Assessed Value	Direct Tax Rate
2004	\$1,168,629,389	\$ 744,643,100	\$0.63	\$59,448,513	\$0.58	\$157,769,037	\$3.50	\$10,558	\$3.50	\$116,302,067	\$1.20	\$242,600	\$0.63	\$2,247,045,264	\$0.86
2005 ⁽²⁾	1,547,000,230	846,685,200	0.63	52,812,984	0.63	163,876,921	3.50	33,411	3.50	114,813,086	1.30	236,400	0.63	2,725,458,232	0.83
2006	1,611,591,819	873,266,900	0.69	64,545,448	0.63	174,036,126	4.50	-	4.50	121,396,014	1.30	251,900	0.69	2,845,088,207	0.95
2007 ⁽²⁾	2,222,262,840	1,145,978,600	0.65	52,548,980	0.69	184,039,831	4.50	7,656	4.50	116,912,479	1.30	175,000	0.65	3,721,925,386	0.86
2008	2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.50	8,814	4.50	116,719,433	1.30	197,956	0.68	3,724,915,427	0.89
2009 ⁽²⁾	1,930,786,600	1,145,085,600	0.77	62,322,900	0.68	183,336,720	4.50	10,493	4.50	109,391,904	1.30	192,756	0.77	3,431,126,973	0.98
2010	1,937,277,200	1,138,605,300	0.77	67,087,131	0.77	178,115,588	4.50	16,957	4.50	124,891,288	1.30	202,056	0.77	3,446,195,520	0.98
2011 ⁽²⁾	1,590,890,500	1,129,950,300	0.86	64,741,641	0.86	186,501,554	4.50	11,236	4.50	124,891,288	1.30	202,056	0.86	3,097,188,575	1.10
2012	1,603,736,800	1,139,679,400	0.95	72,272,617	0.95	102,458,341	4.50	5,494	4.50	120,805,964	1.30	158,888	0.95	3,039,117,504	1.08
2013 ⁽²⁾	1,618,898,500	1,142,293,500	0.95	64,839,333	0.95	101,792,165	4.50	5,936	4.50	152,329,260	1.30	163,048	0.95	3,080,321,742	1.08

Source: City of Winchester, Commissioner of the Revenue.

Notes:

⁽¹⁾ Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.

⁽²⁾ General reassessment of real property completed for the 2003, 2005, 2007, 2009, 2011 and 2013 tax year.

⁽³⁾ Real property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy ⁽¹⁾		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	\$ 19,391,170	\$ 1,802,160	\$ 21,193,330	\$ 18,547,957	95.65%	\$ 2,453,677	\$ 21,001,634	99.10%
2005	20,766,491	2,013,703	22,780,194	19,893,140	95.79	2,648,056	22,541,196	98.95
2006	25,705,020	2,802,593	28,507,613	24,280,467	94.46	3,773,927	28,054,394	98.41
2007	29,728,314	2,850,749	32,579,063	28,477,374	95.79	2,160,600	30,637,974	94.04
2008	32,280,468	2,877,353	35,157,821	31,240,872	96.78	2,168,130	33,409,002	95.03
2009	32,726,042	-	32,726,042	31,632,098	96.66	1,093,944	32,726,042	100.00
2010	35,759,290	-	35,759,290	34,285,769	95.88	1,473,521	35,759,290	100.00
2011	35,941,324	-	35,941,324	32,347,826	90.00	1,448,421	33,796,247	94.03
2012	34,060,423	-	34,060,423	33,158,805	97.35	901,618	34,060,423	100.00
2013	35,795,054	-	35,795,054	34,600,217	96.66	-	34,600,217	96.66

Source: City Treasurer, City of Winchester.

⁽¹⁾ Includes the Commonwealth's personal property tax reimbursement.

**Principal Property Taxpayers
As of December 31, 2013**

Name of Business	Type of Business	Assessment	% of Total Assessment
Mayflower Apple Blossom, LP	Regional Mall	\$ 48,943,400	1.76%
Wal-Mart Realty Co.	Retail	23,733,000	0.85
Cole MT Winchester, LC	Real Estate Management	21,952,800	0.79
P D K Winchester, LC	Shopping Center	21,322,200	0.77
Rubbermaid Commercial Prod. Inc.	Manufacturing	20,122,300	0.72
DDRM Apple Blossom Corners, LLC	Shopping Center	16,440,400	0.59
National Fruit Product Co., Inc.	Canned Fruits	14,589,400	0.52
Pleasant Valley Market Place, LLC	Retail	12,510,500	0.45
Lowe's Home Center Inc.	Retail	12,283,600	0.44
Stuart Hill Apartments LLC	Apartments	12,147,000	0.44
		<u>\$204,044,600</u>	<u>7.33%</u>

Source: City Assessor, City of Winchester.

CITY INDEBTEDNESS

Legal Debt Margin

Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.2-2634 of the Act, contain a limitation on outstanding indebtedness that may be incurred by cities. Such limitation is expressed as 10% of the assessed value of the real estate within the City, which is subject to local taxation. As of June 30, 2013, the legal debt margin of the City was as follows:

Total Assessed Value of Taxable Real Estate as of June 30, 2013	\$2,826,031,333
Legal Debt Limit - (10%)	\$282,603,133
Amount of Debt Applicable to Debt Limit ⁽¹⁾	<u>97,304,935</u>
Legal Margin for Creation of Additional Debt	<u>\$ 185,298,198</u>

⁽¹⁾ Does not include capital leases, which are subject to appropriation.

Debt Statement

As of June 30, 2014, the City had the following long-term indebtedness outstanding:

General Obligation Bonds	\$ 97,092,214.46
Business Activities:	
General Obligation Bonds ⁽¹⁾	18,187,433.80
Revenue Bonds	<u>63,182,779.77</u>
Total	<u>\$178,462,428.03</u>

⁽¹⁾ Consists of general obligation indebtedness issued for enterprise-related activities and expected to be repaid from the revenues generated therefrom. Figures are unaudited. Actual, audited financial results may be different, and such differences may be significant.

Since June 30, 2014, the City has not issued any other general obligation debt other than the Bonds, which are the subject of this financing.

Debt Retirement

The following table provides a summarized debt retirement schedule for the City:

Retirement of Long-Term Indebtedness As of June 30, 2014⁽¹⁾

Maturing Within	Amount Maturing	Percent of Total
5 Years	\$ 56,326,683	31.6%
10 Years	116,750,575	65.4
15 Years	159,968,042	89.6
20 Years	177,888,631	99.7

Source: City of Winchester, Finance Department.

⁽¹⁾ Includes general obligation debt, capital lease agreements and general obligation indebtedness issued for enterprise related activities and expected to be repaid from the revenues generated therefrom. Figures are unaudited. Actual, audited financial results may be different, and such differences may be significant.

Debt Ratios

The key debt ratios of the net general obligation debt of the City are presented in the following table:

Ratios of Net General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita
2004	\$ 60,582,718	\$ 639,959	\$ 59,942,759	2.73%	\$2,453
2005	77,144,348	482,877	76,661,471	3.41	3,137
2006	117,137,103	342,947	116,794,156	4.29	4,650
2007	135,150,065	217,166	134,932,899	4.74	5,341
2008	135,742,274	102,003	135,640,271	3.64	5,271
2009	128,722,719	49,876	128,672,843	3.45	4,969
2010	121,315,345	-	121,315,345	3.54	4,609
2011	113,889,041	-	113,889,041	3.30	4,346
2012	106,907,645	-	106,907,645	3.52	4,021
2013	97,304,937	-	97,304,937	3.16	3,620

Source: City of Winchester Comprehensive Annual Financial Report for fiscal year ended June 30, 2013. Details regarding the City's outstanding debt can be found in the notes to the Basic Financial Statements included as Appendix A.

Debt Service Requirements

The City's total governmental debt, enterprise fund debt and capital lease obligation requirements are presented on the following two pages:

CITY OF WINCHESTER Annual Long-Term Debt Service Requirements* as of June 30, 2014

Year Ending 30-June	Total Governmental Debt		Enterprise Fund ⁽¹⁾		Capital Leases		Total Long-Term Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	\$ 5,842,139	\$ 4,136,789	\$ 4,318,825	\$ 3,880,232	\$151,387	\$28,327	\$ 10,312,351	\$ 8,045,348	\$ 18,357,699
2016	6,219,619	3,876,421	4,478,894	3,690,946	156,671	23,043	10,855,184	7,590,410	18,445,594
2017	6,540,160	3,613,190	4,750,539	3,472,983	162,139	17,575	11,452,837	7,103,747	18,556,584
2018	6,826,284	3,327,184	4,978,900	3,249,363	167,797	11,917	11,972,981	6,588,464	18,561,445
2019	7,149,294	3,006,432	5,222,031	3,017,244	173,653	6,061	12,544,977	6,029,737	18,574,714
2020	7,273,948	2,666,181	5,068,851	2,777,671			12,342,799	5,443,851	17,786,650
2021	7,203,671	2,365,688	4,711,017	2,542,228			11,914,687	4,907,916	16,822,603
2022	7,481,642	2,075,697	4,919,245	2,316,317			12,400,887	4,392,014	16,792,901
2023	7,323,134	1,772,534	4,578,989	2,088,910			11,902,123	3,861,444	15,763,567
2024	7,178,200	1,460,097	4,685,196	1,864,068			11,863,396	3,324,165	15,187,561
2025	6,903,980	1,123,432	4,795,728	1,625,728			11,699,708	2,749,160	14,448,868
2026	5,944,470	815,171	4,906,589	1,374,800			10,851,059	2,189,971	13,041,030
2027	3,215,675	599,642	4,661,777	1,120,227			7,877,452	1,719,869	9,597,321
2028	1,955,000	484,400	4,563,885	871,733			6,518,885	1,356,133	7,875,018
2029	1,490,000	409,150	4,780,363	621,778			6,270,363	1,030,928	7,301,291
2030	1,560,000	340,525	3,996,885	389,302			5,556,885	729,827	6,286,712
2031	1,635,000	268,638	2,298,453	223,466			3,933,453	492,104	4,425,557
2032	1,710,000	193,375	1,475,069	128,012			3,185,069	321,387	3,506,456
2033	1,780,000	119,300	1,546,733	56,178			3,326,733	175,478	3,502,211
2034	1,860,000	41,850	58,448	18,532			1,918,448	60,382	1,978,830
2035			60,215	16,766			60,215	16,766	76,981
2036			62,035	14,946			62,035	14,946	76,981
2037			63,910	13,071			63,910	13,071	76,981
2038			65,841	11,139			65,841	11,139	76,980
2039			67,831	9,149			67,831	9,149	76,980
2040			69,882	7,099			69,882	7,099	76,981
2041			71,994	4,987			71,994	4,987	76,981
2042			74,170	2,811			74,170	2,811	76,981
2043			37,920	569			37,920	569	38,489
TOTAL**	\$97,092,214	\$32,695,696	\$81,370,214	\$35,410,252	\$811,647	\$86,923	\$179,274,075	\$68,192,871	\$247,466,946

Source: City of Winchester, Finance Department.

*Totals may not add due to rounding.

⁽¹⁾ Consists of revenue bonds and general obligation indebtedness issued for enterprise related activities and expected to be repaid from the revenues generated therefrom. Does not take into account federal subsidies expected to be received on the Series 2009B and 2010C VRA Build America Bonds.

CITY OF WINCHESTER
Net General Obligation Annual Debt Service Requirements*
as of June 30, 2014

Fiscal Year	Existing Net G.O. Debt Service Requirements			Add: Net G.O. Debt Service Requirements on Series 2014 Bonds			Less: Net G.O. Debt Service Requirements on Bonds Refunded by Series 2014 Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 5,842,139	\$ 4,136,789	\$ 9,978,928									
2016	6,219,619	3,876,421	10,096,040									
2017	6,540,160	3,613,190	10,153,349									
2018	6,826,284	3,327,184	10,153,468									
2019	7,149,294	3,006,432	10,155,726									
2020	7,273,948	2,666,181	9,940,128									
2021	7,203,671	2,365,688	9,569,359									
2022	7,481,642	2,075,697	9,557,339									
2023	7,323,134	1,772,534	9,095,669									
2024	7,178,200	1,460,097	8,638,297									
2025	6,903,980	1,123,432	8,027,412									
2026	5,944,470	815,171	6,759,641									
2027	3,215,675	599,642	3,815,317									
2028	1,955,000	484,400	2,439,400									
2029	1,490,000	409,150	1,899,150									
2030	1,560,000	340,525	1,900,525									
2031	1,635,000	268,638	1,903,638									
2032	1,710,000	193,375	1,903,375									
2033	1,780,000	119,300	1,899,300									
2034	1,860,000	41,850	1,901,850									
Total	\$97,092,214	\$32,695,696	\$129,787,911									

Source: City of Winchester, Finance Department.

*Totals may not add due to rounding.

Contractual Obligations and Contingent Liabilities

Frederick-Winchester Service Authority. Under the Intermunicipal Agreement, dated April 16, 2008, between the City, the County of Frederick, Virginia, the Frederick County Sanitation Authority and the Frederick-Winchester Service Authority, the parties have provided for the treatment of sewage collected from the City and Frederick County and for the operation and maintenance of the Opequon Water Reclamation Facility. Under the Intermunicipal Agreement, the City is obligated to deliver sewage to the Frederick-Winchester Service Authority and to pay for the treatment thereof. By contractual agreement, the City operates and maintains the Facility on behalf of the Service Authority. The Intermunicipal Agreement is effective until June 30, 2038, and will continue thereafter until such time as one of the parties gives at least two years' written notice of termination.

Winchester Regional Airport Authority. In a joint agreement with Frederick County, the City agreed to contribute its percentage of the combined population of the City and Frederick County to any budgeted and approved operating deficit and capital expenditures of the Airport Authority. For fiscal years 2012 and 2013, the City's contribution rate was budgeted at 28.5%, and for fiscal year 2014 was budgeted at 25.4% (unaudited). The City contributed a total of \$55,179 in fiscal year 2012, \$28,249 in fiscal year 2013 and \$188,818 in fiscal year 2014. The City has budgeted for a total contribution of \$44,294 in fiscal year 2015.

Winchester Parking Authority. The 1982 general agreement between the City and the Parking Authority for the operation of the parking facilities was amended in November 1989 to require that the City pay all revenues in excess of operating expenses and debt contracted prior to the inception of the amendment. This payment then is applied to the portion of the City's Series 1989 bond issue that is attributable to the Loudoun Street Mall parking facility. The City is the fiscal agent of the Parking Authority. In 2007, the Parking Authority issued \$9,000,000 Parking Facility Revenue Bonds, Series 2007, to finance the costs of acquiring, constructing and equipping a new parking garage facility.

Northwestern Regional Jail Authority. The Northwestern Regional Jail Authority was created pursuant to a concurrent resolution to manage and house prisoners from the City and Clarke, Fauquier and Frederick Counties. Pursuant to the Second Amended and Restated Regional Jail Agreement dated as of June 1, 2005, between the City and the Counties of Clarke, Fauquier and Frederick, the City and the Counties have undertaken to pay their respective share of the costs to maintain and operate the jail facilities and to finance and refinance the capital improvements thereto. The Northwestern Regional Jail Authority currently has \$17,777,500 in debt, all of which was issued under an Indenture of Trust dated as of June 1, 2005, with The Bank of New York Mellon Trust Company, N.A. The City's obligation under the Regional Jail Agreement is subject to annual appropriation by the Common Council.

The Northwestern Regional Juvenile Detention Center Commission. The Commission was created in 1997 by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah and Warren to provide for the construction and operation of a regional juvenile detention center for use by the participating jurisdictions. The City appoints less than a majority of the voting members of the Commission and has no equity interest in the venture, but serves as fiscal agent for the Commission.

Capital Improvement Program

The Capital Improvement Program is a plan that sets priorities for funding capital improvements defined as those items or projects with a cost greater than \$25,000 and a useful life of at least seven years. Capital improvements may include acquisition of land, construction of buildings, replacement and acquisition of major pieces of equipment, new services, road improvements and major repair of previous capital improvements. Items or projects not meeting the above criteria are funded through the operational budget of the current year.

The City's Capital Improvement Program estimates expenditures for a multi-year period. The Common Council reviews the program yearly, makes modifications and then approves the current year expenditures that become the Capital Improvement Budget for that year.

Capital Improvement Program Summary*

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Use of Funds:						
General Governmental	\$19,575,000	\$21,938,500	\$ 5,612,500	\$ 6,180,000	\$ 2,085,000	\$ 55,391,000
Schools	17,050,000	4,950,000	2,910,000	150,000	-	25,060,000
Parking Authority	-	-	-	-	-	-
Subtotal	<u>\$36,625,000</u>	<u>\$26,888,500</u>	<u>\$ 8,522,500</u>	<u>\$ 6,330,000</u>	<u>2,085,000</u>	<u>\$80,451,000</u>
Utilities	425,000	4,800,000	12,750,000	5,350,000	7,050,000	30,375,000
Total	<u>\$37,050,000</u>	<u>\$31,688,500</u>	<u>\$21,272,500</u>	<u>\$11,680,000</u>	<u>\$9,135,000</u>	<u>\$110,826,000</u>
Sources of Funds:						
General Fund	\$ 2,855,000	\$ 4,738,500	\$ 3,762,500	\$ 2,880,000	\$ 2,685,000	\$ 16,921,000
Schools	50,000	250,000	310,000	150,000	-	760,000
GO Bonds	-	11,385,000	4,400,000	2,000,000	-	17,785,000
Revenue Bonds						
(Utilities)	-	4,400,000	11,950,000	4,550,000	5,200,000	26,100,000
Bond Proceeds	22,000,000	3,000,000	-	-	-	25,000,000
State	8,150,000	7,415,000	50,000	1,000,000	100,000	16,715,000
Federal	920,000	500,000	500,000	500,000	500,000	2,920,000
Contr/Other	2,500,000	-	300,000	500,000	-	3,300,000
CIP Fund	150,000	-	-	-	-	150,000
Utilities	425,000	-	-	100,000	650,000	1,175,000
Total	<u>\$37,050,000</u>	<u>\$31,688,500</u>	<u>\$21,272,500</u>	<u>\$11,680,000</u>	<u>\$9,135,000</u>	<u>\$110,826,000</u>

Source: City of Winchester Annual Budget.

*The Capital Improvement Program is approved on an annual basis.

LITIGATION AND CLAIMS

The City and its employees have been named from time to time as defendants in various claims, which are being defended by the City Attorney and associated counsel. The City's potential liability is protected partially by sovereign immunity and by indemnification agreements. The City Attorney is of the opinion that any possible losses in connection with such litigation will not have a material adverse effect on the City's financial condition.

The City Attorney advises that there is no litigation pending or, to the best of his knowledge, threatened against the City that would in any way affect the validity of the Bonds or the right of the City to levy and collect ad valorem taxes, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, to pay the principal of or premium, if any, or interest on the Bonds.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Hunton & Williams LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Bonds, in substantially the form set forth as Appendix B (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to the authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described in the section "Tax Exemption." Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

Certain matters will be passed on for the City by Anthony C. Williams, Esquire, City Attorney, and for the Underwriter by its counsel, Christian & Barton, L.L.P., Richmond, Virginia.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel and in accordance with customary opinion practice, under current law, interest, including accrued original issue discount (“OID”), on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax, and (c) is exempt from income taxation by the Commonwealth. Except as discussed below regarding OID, no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel’s opinion is given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the City to comply with such covenants, among other things, could cause interest, including accrued OID, on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all of the assumptions, limitations and exclusions that are a part of the conclusions therein. See “Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions,” 63 Bus. Law. 1277 (2008), and “Legal Opinion Principles,” 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

The initial offering prices of the Bonds maturing in the years _____ (the “OID Bonds”), will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such Bonds are sold.

Under the Code, for purposes of determining the holder’s adjusted basis in an OID Bond, OID treated as having accrued while the holder holds the Bond will be added to the holder’s basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Bonds.

Original Issue Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such Bond must be reduced by the amount of premium that accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds also should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than Virginia.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

RATINGS

[Moody's Investors Service ("Moody's"), 250 Greenwich Street, New York, New York, has assigned a rating of "[]]" to the Bonds, and Standard & Poor's Public Finance Ratings, a division of The McGraw-Hill Companies (Standard & Poor's), 55 Water Street, New York, New York, has assigned a rating of "[]]" to the Bonds.]

[Moody's issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds. The [] rating is within the [] highest of nine such ratings Moody's uses. Moody's describes its [] rating as follows:]

[_____].

[Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa to Caa. The modifier [] indicates [_____].]

Standard & Poor's issues ratings ranging from AAA to D to designate the relative investment qualities of bonds. The [] rating is the [] highest of ten such ratings Standard & Poor's uses. Standard & Poor's describes its [] rating as follows:

[_____].

Such ratings reflect only the respective views of such organizations. There is no assurance that the ratings will continue for any given period of time or that such ratings will not be revised, suspended or withdrawn if, in the judgment of Moody's or Standard & Poor's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity and market value of outstanding debt obligations, including the Bonds.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"), pursuant to a purchase contract with the City dated [_____, 2014] (the "Bond Purchase Agreement"). The Bond Purchase Agreement sets forth the Underwriter's obligation to purchase the Bonds at an aggregate purchase price of \$[_____] , representing the par amount [plus/less] an original issue [premium/discount] of \$[_____] and less an Underwriter's discount of \$[_____] ([_____] % of the principal amount thereof) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices or yields different from the public offering prices and yields stated on the inside cover of this Official Statement. The public offering prices and yields may be changed from time to time at the discretion of the Underwriter.

FINANCIAL ADVISOR

Public Financial Management, Inc., Richmond, Virginia, serves as financial advisor (the "Financial Advisor") to the City. The Financial Advisor has assisted the City in matters relating to the planning and structuring of the Bonds.

CONTINUING DISCLOSURE

General

To permit compliance by the Underwriter with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), the City will execute a Continuing Disclosure Agreement (the "CDA") at closing agreeing to provide certain annual financial information and material event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. Prior to July 1, 2009, filings by the City were made through the then existing national recognized municipal securities information repositories ("NRMSIRs"). As described in Appendix C, the CDA requires the City to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Bonds at any particular time. The City may from time to time disclose certain information and data in addition to that required by the CDA. If the City chooses to provide any additional information, the City shall have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the City to comply with the CDA is not an event of default under the Bonds or the Bond Resolution. The sole remedy for a default under the CDA is to bring an action for specific performance of the City's covenants hereunder, and no assurance can be provided as to the outcome of any such proceeding.

Prior Instances of Non-Compliance

The City has previously entered into continuing disclosure undertakings related to both its own bonds and bonds (the “Jail Bonds”) issued by the Northwestern Regional Jail Authority, of which it is a participating jurisdiction. Pursuant to the continuing disclosure agreement executed in connection with the Jail Bonds, the Northwestern Regional Jail Authority, the City and the other participating jurisdictions agreed to file no later than April 1 of each year copies of their respective audited financial statements and certain operating data. In connection with its obligation as a participating jurisdiction, the City made late filings of its audited financial statements and operating data for the fiscal years ended June 30, 2009 and 2011. All such information has now been filed with and properly linked on EMMA, along with a material event notice acknowledging the fact of such late filings. Pursuant to its disclosure undertakings related its own bonds, the City made its financial information and operating data for the fiscal year ended June 30, 2012, available on EMMA in a timely fashion, but such information was not properly linked to some of its then outstanding bonds. The City has established written procedures to reduce the likelihood of such failures recurring in the future.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor, on behalf of the City, relating to (i) computations of forecasted receipts of principal and interest on the investments in the Government Obligations deposited in the Escrow Fund and the forecasted payment of principal and interest to redeem the Refunded Bonds and (ii) computation of the yields on the Bonds and the Government Obligations was examined by [_____, _____, _____], independent public accountants and consultants. Such computations were based solely on assumptions and information supplied by the Financial Advisor and the Underwriter on behalf of the City. [_____] has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

[RELATIONSHIP OF THE PARTIES] [update]

Hunton & Williams LLP, Bond Counsel, also represents the Underwriter from time to time in matters unrelated to the Bonds.

[Christian & Barton, L.L.P. _____.]

MISCELLANEOUS

The City has furnished all information in this Official Statement relating to the City. The financial statements of the City for the fiscal year ending June 30, [2013], as set forth in Appendix A, have been audited, to the extent set forth in their report included therein, by Brown, Edwards & Company, independent accountants, Staunton, Virginia, and are included in reliance upon the report of such firm as experts in accounting and auditing. Brown, Edwards & Company will not be reviewing this Official Statement or any other matters in connection with the issuance of the Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The distribution of this Preliminary Official Statement has been duly authorized by the Common Council. The Common Council has deemed this Preliminary Official Statement “final” as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule.

CITY OF WINCHESTER, VIRGINIA

By: _____
President of the Common Council

APPENDIX A

**City of Winchester, Virginia,
Basic Financial Statements
for the
Fiscal Year Ended June 30, 2013**

APPENDIX B

Form of Bond Counsel Opinion

*Set forth below is the proposed form of opinion of Hunton & Williams LLP, Bond Counsel.
It is preliminary and subject to change prior to delivery of the Bonds.*

_____, 2014

Mayor and Common Council
City of Winchester
Winchester, Virginia

City of Winchester, Virginia
\$ _____ General Obligation Public Improvement Refunding Bonds
Series 2014

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the City of Winchester, Virginia (the "City"), of its \$ _____ General Obligation Public Improvement Refunding Bonds, Series 2014 (the "Bonds"). Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on (a) computations provided to [_____, _____, _____], independent accountants, the mathematical accuracy of which has been verified by them, relating to the yield of investments in the escrow fund established in connection with the refunding of a portion of the City's outstanding General Obligation Public Improvement and Refunding Bonds, Series 2004, its General Obligation Public Improvement Bonds, Series 2005, its General Obligation Public Improvement Bonds, Series 2006, and its General Obligation Public Improvement Bonds, Series 2007 (collectively, the "Refunded Bonds"), the sufficiency of such investments to pay when due the principal of and interest on the Refunded Bonds and the yield on the Bonds and (b) certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants").

Based on the foregoing, in accordance with customary opinion practice and assuming the due authorization, execution and delivery of all documents by parties other than the City, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and Public Finance Act of 1991, and constitute valid and binding obligations of the City, and the Common Council of the City is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and interest on the Bonds.

2. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

3. Under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax

imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the City to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

4. Under current law, interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated _____, 2014, and its Official Statement dated _____, 2014, that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

APPENDIX C

Form of Continuing Disclosure Agreement

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of _____, 2014 (the “Disclosure Agreement”), is executed and delivered by the City of Winchester, Virginia (the “Issuer”), in connection with the issuance by the Issuer of its \$_____ General Obligation Public Improvement Refunding Bonds, Series 2014 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and in order to assist the original purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), by providing certain annual financial information and material event notices required by the Rule as described below (collectively, the “Continuing Disclosure”).

Section 2. Annual Disclosure. (a) The Issuer shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the Issuer of the type described in the section entitled “City Tax Data” of the Issuer’s Official Statement dated _____, 2014.

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the Issuer shall file such statements as audited when available.

(b) The Issuer shall file annually with the Municipal Securities Rulemaking Board (“MSRB”) the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) no later than the March 31 following the end of the Issuer’s fiscal year, commencing with the Issuer’s fiscal year ending June 30, [2014].

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Issuer shall file with the MSRB in a timely manner the notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. The Issuer shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions; the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications of rights of the holders of the Bonds, if material;

- (h) bond calls, if material, and tender offers;
- (i) defeasance of all or any portion of the Bonds;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 4. Termination. The obligations of the Issuer hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The Issuer shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

Section 6. Defaults. (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the Bondholders by an action for specific performance of the Issuer's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

Section 7. Filing Method. Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access ("EMMA") system pursuant to procedures promulgated by the MSRB.

Section 8. Additional Disclosure. The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 9. Counterparts. This Disclosure Agreement may be executed in several counterparts; each of which shall be an original, and all of which shall constitute but one and the same instrument.

Section 10. Governing Law. This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

CITY OF WINCHESTER, VIRGINIA

President of the Common Council,
City of Winchester, Virginia

APPENDIX D

**Information Regarding The Depository
Trust Company and Its Book-Entry System**

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through the Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. The Beneficial Owners will not receive written confirmation from DTC of their purchase. The Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct or Indirect Participants acting on behalf of the Beneficial Owners. The Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by the Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to the Direct Participants, by the Direct Participants to the Indirect Participants, and by the Direct and Indirect Participants to the Beneficial Owners will be

governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by the Direct and Indirect Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Neither the City nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of the Beneficial Owners or Bondholders.

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: October 7, 2014 CUT OFF DATE: __

RESOLUTION __ ORDINANCE X PUBLIC HEARING X

ITEM TITLE: AN ORDINANCE TO AUTHORIZE THE ACQUISITION OF 200-214 NORTH CAMERON STREET FOR THE PURPOSE OF CONSTRUCTING A PUBLIC FACILITY ("EVENTS CENTER")

STAFF RECOMMENDATION: Approval

PUBLIC NOTICE AND HEARING: Authorize advertisement of ordinance for purposes of receiving public comment and hold public hearing October 14th, 2014.

ADVISORY BOARD RECOMMENDATION: The Winchester Economic Development Authority approves of the ordinance.

FUNDING DATA: \$795,000 from the City's general fund

INSURANCE: N/A

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

<u>DEPARTMENT</u>	<u>INITIALS FOR APPROVAL</u>	<u>INITIALS FOR DISAPPROVAL</u>	<u>DATE</u>
1. Finance	<i>B</i>		10-2-14
2.			
3.			
4.			
5. City Attorney	<i>av</i>		10/2/2014
6. City Manager	<i>ts</i>		20 Oct 2014
7. Clerk of Council			

Initiating Department Director's Signature: *[Signature]*
Economic Development Coordinator

10/2/14
Date



Revised: September 28, 2009



APPROVED AS TO FORM;

[Signature] 10/2/2014
CITY ATTORNEY



CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council
From: Tyler Schenck, Economic Development Coordinator
Date: 10/7/2014
Re: AN ORDINANCE TO AUTHORIZE THE ACQUISITION OF 200-214 NORTH CAMERON STREET FOR THE PURPOSE OF CONSTRUCTING A PUBLIC FACILITY ("EVENTS CENTER")

THE ISSUE: The Winchester Common Council and City Staff have a strong desire to facilitate the development of an events center.

RELATIONSHIP TO STRATEGIC PLAN: Will assist in the City's desire to grow the economy.

BACKGROUND: The Economic Development Authority of the City of Winchester received a feasibility study from Strategic Advisory Group (SAG) that stated Winchester could support the creation of an events center and provided two potential sites for the development.

BUDGET IMPACT: Proposed purchase price of the property is \$795,000. Funds will be from the City's general fund.

OPTIONS: Council may approve the City's acquisition of the property, decline to acquire the property, or modify the scope of the agreement to purchase.

RECOMMENDATIONS: City Staff recommends the approval of the attached ordinance and execute a contract to acquire 200-214 North Cameron Street in the amount of \$795,000.

AN ORDINANCE TO AUTHORIZE THE ACQUISITION OF 200-214 NORTH CAMERON STREET FOR THE PURPOSE OF CONSTRUCTING A PUBLIC FACILITY (“EVENTS CENTER”)

WHEREAS, it is the belief of Common Council for the City of Winchester that the construction of an “auditorium/convention center/conference center/coliseum” (hereinafter “events center”) would be of benefit to the citizens of the City of Winchester; and

WHEREAS, §58.1-608.3 of the Code of Virginia provides for the recovery of certain tax revenues for the purpose of offsetting certain costs related to such facility including but not limited to the cost acquisition of property and development of such a facility; and

WHEREAS, Common Council believes that the property located at 200-214 North Cameron Street would be suitable to facilitate the development of such a facility; and

WHEREAS, said property is available and the City holds an option to purchase said property at a cost of \$795,000.00; and

WHEREAS, it is the wish of Common Council that the City exercise its option and purchase said property using existing funds and savings generated from the refinancing of bonds under the Resolution currently being considered by Council (R-2014-37) entitled:

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2014, OF THE CITY OF WINCHESTER, VIRGINIA, IN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16,500,000.00 PROVIDING FOR THE FORM, DETAILS, AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN GENERAL OBLIGATION BONDS OF THE CITY; and

WHEREAS, the details and funding of the development of said facility shall be set forth in further documents to be reviewed and approved by Common Council.

NOW therefore be it ORDAINED, that the City Manager and City Attorney are hereby directed to take all necessary action to exercise the option and conclude the purchase of said property for the uses described herein in accordance with the provisions of this Ordinance.

BE it further ORDAINED that upon such acquisition, the City does hereby accept the property described in this Ordinance.