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## SENATE BILL NO. 1060

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Agriculture, Conservation and Natural Resources  
on February 7, 2011)

(Patrons Prior to Substitute—Senators McDougle and Vogel [SB 1406])

A BILL to amend and reenact §§ 10.1-603.19 and 10.1-606.4 of the Code of Virginia and to amend the Code of Virginia by adding sections numbered 10.1-604.1 and 10.1-605.3, relating to impoundment structures.

Be it enacted by the General Assembly of Virginia:

1. That §§ 10.1-603.19 and 10.1-606.4 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 10.1-604.1 and 10.1-605.3 as follows:

Article 1.2.

*Dam Safety, Flood Prevention, and Protection Assistance Fund.*

§ 10.1-603.19. Purposes for which Fund is to be used; Authority to set terms and conditions of loans.

A. The Director is ~~authorized to~~ *may* make grants or loans to any local government for the purpose of assisting the local government in the development and implementation of flood prevention or protection projects, or for flood prevention or protection studies.

B. The Director is ~~authorized to~~ *may* expend from the Fund up to \$50,000 annually for cost share with federal agencies in flood protection studies of statewide or regional significance.

C. The Director is ~~also authorized to~~ *may*, in order to protect public safety and welfare, ~~to~~ make (i) grants or loans to local governments owning dams and ~~to~~ make loans to private entities for the design, repair, and the safety modifications of dams identified in safety reports generated pursuant to § 10.1-607 or 10.1-609, and ~~to~~ make (ii) grants to local governments and private entities for the determination of the hazard classification for impounding structures, dam break analysis, the mapping and digitization of dam break inundation zones, and incremental damage analysis, and other engineering requirements such as emergency action plan development.

D. The Director may, in order to reduce dam owner expenses associated with hazard classification, dam break analysis, the mapping and digitization of dam break inundation zones, incremental damage analysis, and other engineering requirements such as emergency action plan development, expend moneys from the Fund to employ staff or to directly contract for these services. The Director may establish a fee to be paid by the dam owner to offset a portion of these services. Such fee shall not exceed 50 percent of the cost incurred by the Department.

E. The Director may, in order to protect people at risk from a dam failure and to assist dam owners, localities, and emergency responders, expend moneys from the Fund to maintain a statewide dam failure early warning system in cooperation with the Department of Emergency Management and the U.S. National Weather Service.

F. The total amount of expenditures for grants in any fiscal year shall not exceed 50 percent of the total noninterest or income deposits made to the Fund during the previous fiscal year, together with the total amount collected in interest or income from the investment of moneys in the Fund from the previous fiscal year as determined at the beginning of the fiscal year.

EG. Any grants made from the Fund shall require a 50 percent project match by the applicant. Any loans made from the Fund shall require a minimum of a 10 percent project match by the applicant.

FH. Except as otherwise provided in this article, money in the Fund shall be used solely to make loans or grants to local governments or private entities to finance or refinance the cost of a project. The local government or private entity to which loans or grants are made, the purposes of the loan or grant, the required match for the specific loan or grant, and the amount of each loan or grant, shall be designated in writing by the Director to the Authority. No loan or grant from the Fund shall exceed the total cost of the project to be financed or the outstanding principal amount of the indebtedness to be refinanced plus reasonable financing expenses. Loans may also be from the Fund, at the Director's discretion, to a local government that has developed a low-interest loan program to provide loans or other incentives to facilitate the correction of dam or impounding structure deficiencies, as required by the Department, provided that the moneys are to be used only for the program and that the dams or impounding structures to be repaired or upgraded are owned by private entities.

GI. Except as otherwise provided in this article, the Authority shall determine the interest rate and terms and conditions of any loan from the Fund, which may vary between different loans and between local governments and private entities to finance or refinance the cost of a project. Each loan shall be evidenced by appropriate bonds or notes of the local government or by the appropriate debt instrument for private entities payable to the Fund. Private entities shall duly authorize an appropriate debt

60 instrument and execute same by their authorized legal representatives. The bonds or notes shall have  
61 been duly authorized by the local government and executed by its authorized legal representatives. The  
62 Authority may require in connection with any loan from the Fund such documents, instruments,  
63 certificates, legal opinions, covenants, conditions, and other information as it may deem necessary or  
64 convenient to further the purpose of the loan. In addition to any other terms or conditions that the  
65 Authority may establish, the Authority may require, as a condition to making any loan from the Fund,  
66 that the local government or private entity receiving the loan covenant to perform any of the following:

67 1. Establish and collect rents, rates, fees, and charges to produce revenue sufficient to pay all or a  
68 specified portion of (i) the costs of operation, maintenance, replacement, renewal, and repairs of the  
69 project; (ii) any outstanding indebtedness incurred for the purposes of the project, including the principal  
70 of, premium, if any, and interest on the loan from the Fund; and (iii) any amounts necessary to create  
71 and maintain any required reserve, including any rate stabilization fund deemed necessary or appropriate  
72 by the Authority to offset the need, in whole or part, for future increases in rents, rates, fees, or charges;

73 2. With respect to local governments, levy and collect ad valorem taxes on all property within the  
74 jurisdiction of the local government subject to local taxation sufficient to pay the principal of and  
75 premium, if any, and interest on the loan from the Fund to the local government;

76 3. Create and maintain a special fund or funds for the payment of the principal of, premium, if any,  
77 and interest on the loan from the Fund and any other amounts becoming due under any agreement  
78 entered into in connection with the loan, or for the operation, maintenance, repair, or replacement of the  
79 project or any portions thereof or other property of the borrower, and deposit into any fund or funds  
80 amounts sufficient to make any payments on the loan as they become due and payable;

81 4. Create and maintain other special funds as required by the Authority;

82 5. Perform other acts otherwise permitted by applicable law to secure payment of the principal of,  
83 premium, if any, and interest on the loan from the Fund and to provide for the remedies of the Fund in  
84 the event of any default by the borrower in payment of the loan, including, without limitation, any of  
85 the following:

86 a. The conveyance of, or the granting of liens on or security interests in, real and personal property,  
87 together with all rights, title and interest therein;

88 b. The procurement of insurance, guarantees, letters of credit and other forms of collateral, security,  
89 liquidity arrangements or credit supports for the loan from any source, public or private, and the  
90 payment therefor of premiums, fees, or other charges;

91 c. The combination of one or more projects, or the combination of one or more projects with one or  
92 more other undertakings, facilities, utilities, or systems, for the purpose of operations and financing, and  
93 the pledging of the revenues from such combined projects, undertakings, facilities, utilities and systems  
94 to secure the loan from the Fund borrower made in connection with such combination or any part or  
95 parts thereof;

96 d. The maintenance, replacement, renewal, and repair of the project; and

97 e. The procurement of casualty and liability insurance;

98 6. Obtain a review of the accounting and internal controls from the Auditor of Public Accounts or  
99 his legally authorized representatives, as applicable. The Authority may request additional reviews at any  
100 time during the term of the loan. In addition, anyone receiving a report in accordance with  
101 § 10.1-603.23 may request an additional review as set forth in this section; and

102 7. Directly offer, pledge, and consent to the Authority to take action pursuant to § 62.1-216.1 to  
103 obtain payment of any amounts in default, as applicable.

104 All local governments or private entities borrowing money from the Fund are authorized to perform  
105 any acts, take any action, adopt any proceedings, and make and carry out any contracts that are  
106 contemplated by this article. Such contracts need not be identical among all local governments or private  
107 entities, but may be structured as determined by the Authority according to the needs of the contracting  
108 local governments or private entities and the Fund.

109 Subject to the rights, if any, of the registered owners of any of the bonds of the Authority, the  
110 Authority may consent to and approve any modification in the terms of any loan to any local  
111 government.

112 § 10.1-604.1. *Determination of hazard potential classification.*

113 A. *The hazard potential classification for an impounding structure shall be determined by one of the*  
114 *following procedures:*

115 1. *The owner of an impounding structure that does not currently hold a regular or conditional*  
116 *certificate from the Board, or the owner of an impounding structure that is already under certificate but*  
117 *the owner believes that a condition has changed downstream of the impounding structure that may*  
118 *reduce its hazard potential classification, may request that the Department conduct a simplified dam*  
119 *break inundation zone analysis to determine whether the impounding structure has a low hazard*  
120 *potential classification. The owner shall pay 50 percent of the cost of the analysis. If the Department*  
121 *finds that the impounding structure has a low hazard potential classification, the owner shall be eligible*

122 for general permit coverage in accordance with § 10.1-605.3. If the Department finds that the  
123 impounding structure appears to be a high or significant hazard potential structure, the owner's  
124 engineer shall provide further analysis in accordance with §10.1-606.2 and the criteria set out in the  
125 Impounding Structure Regulations (4 VAC 50-20). The owner may be eligible for grant assistance in  
126 accordance with § 10.1-603.19.

127 2. The owner may propose a hazard potential classification that shall be subject to approval by the  
128 Board. To support the proposed hazard classification, an analysis shall be conducted by the owner's  
129 engineer and shall comply with the criteria set out in the Impounding Structure Regulations (4 VAC  
130 50-20). If the engineer finds that the impounding structure has a low hazard potential classification, the  
131 owner shall be eligible for general permit coverage in accordance with § 10.1-605.3.

132 An impounding structure's hazard potential classification's determination shall include an analysis of  
133 those hazards created by flood and nonflood dam failures. In conducting the hazard potential  
134 classification, the Department or the owner's engineer may utilize an incremental damage analysis.  
135 When considering the failure of the impounding structure under a flood condition, such engineers shall  
136 only consider those hazards that exceed those created by the flood event.

137 B. Any owner aggrieved by a decision of the Department regarding his impounding structure shall  
138 have the right to judicial review of the final decision pursuant to the provisions of the Administrative  
139 Process Act (§ 2.2-4000 et seq.).

140 C. The Board may adopt regulations in accordance with § 10.1-605 to establish a simplified  
141 methodology for dam break inundation zone analysis.

142 § 10.1-605.3. General permit for certain impounding structures.

143 A. The Board shall develop a general permit for the regulation of low hazard potential impounding  
144 structures in accordance with § 10.1-605.

145 B. The regulations shall include the following:

146 1. A registration statement requiring:

147 a. The name and address of the owner;

148 b. The location of the impounding structure;

149 c. The height of the impounding structure;

150 d. The volume of water impounded; and

151 e. A certification from the owner that the impounding structure (i) is classified as low hazard  
152 pursuant to a determination by the Department or the owner's professional engineer in accordance with  
153 §10.1-604.1; (ii) is properly and safely constructed and has no deficiencies that would threaten life or  
154 property; and (iii) shall be maintained and operated in accordance with the provisions of the general  
155 permit.

156 2. A spillway design flood requirement of the 100-year flood. When appropriate, the spillway design  
157 flood requirement may be reduced to the 50-year flood in accordance with an incremental damage  
158 analysis.

159 3. A simplified emergency preparedness plan that provides:

160 a. Name and location information for the impounding structure;

161 b. Name of owner and operator and associated contact information;

162 c. Contact information for relevant emergency responders;

163 d. Procedures for notifying downstream property owners or occupants; and

164 e. Identification of any downstream roadways that would be impacted by a failure.

165 4. An annual inspection of the impounding structure by the owner. No inspection of the impounding  
166 structure by a licensed professional engineer shall be required if the owner certifies at the time of  
167 general permit coverage renewal that conditions at the impounding structure and downstream are  
168 unchanged.

169 5. Procedures for seeking and issuing coverage under the general permit.

170 6. A six-year term of coverage under the general permit after which time the owner shall reapply for  
171 coverage by filing a new registration statement. The Board may, by regulation, establish a fee for the  
172 processing of registration statements.

173 C. The owner shall notify the Department immediately of any change in circumstances that would  
174 cause the impounding structure to no longer qualify for coverage under the general permit. In the event  
175 of a failure or an imminent failure at the impounding structure, the owner shall immediately notify the  
176 local emergency services coordinator, the Department of Emergency Management, and the Department.  
177 The Department shall take actions in accordance with § 10.1-608 or 10.1-609, depending on the degree  
178 of hazard and the imminence of failure caused by the unsafe condition.

179 D. Failure to comply with the provisions of the general permit may result in penalties assessed in  
180 accordance with §§ 10.1-613.1 and 10.1-613.2.

181 E. In order to qualify for the provisions of § 10.1-606.3, a dam owner eligible for a general permit  
182 shall file a dam break inundation map with the Department and with the offices with plat and plan

183 approval authority or zoning responsibilities as designated by the locality for each locality in which the  
184 dam break inundation zone resides in accordance with § 10.1-606.2.

185 F. If the failure of a low hazard potential impounding structure is not expected to cause loss of  
186 human life or economic damage to any property except property owned by the owner, the owner may  
187 follow the special criteria established for certain low hazard impounding structures in the Impounding  
188 Structure Regulations (4 VAC 50-20) in lieu of coverage under the general permit.

189 § 10.1-606.4. Notice to the public.

190 A. When applying to the Department for a permit under the Virginia Impounding Structure  
191 Regulations (4VAC 50-20) to construct a new *high or significant hazard potential* impounding structure,  
192 the applicant shall provide localities that lie within the inundation zone with copies of the construction  
193 permit request and the dam break inundation zone map.

194 B. When submitting the application to the Department, the permit applicant shall publish a notice in  
195 a newspaper of general circulation in the affected localities summarizing the permit request and  
196 providing the address of locations where copies of the construction permit request and the dam break  
197 inundation zone map may be examined. The applicant shall provide copies of the published notice to the  
198 Department and to the local government offices with plat and plan approval authority or zoning  
199 responsibilities as designated by the locality.

200 C. The Department may hold, on behalf of the Virginia Soil and Water Conservation Board, a public  
201 hearing on safety issues associated with the construction permit application for the impounding structure.

202 D. The Department may require a permit applicant to provide other forms of reasonable notice, such  
203 as the placement of a sign on the proposed site, to ensure that affected parties have been informed.

204 E. The permit applicant shall send, by certified mail, to each property owner within the dam break  
205 inundation zone, a summary of the permit request and the addresses of locations where the map of the  
206 dam break inundation zone may be viewed. In the case of a condominium or cooperative, such  
207 information shall be sent to each property owner or the owners' association. The permit applicant may  
208 rely upon real estate assessment records to identify property owners. If requested by the Department, the  
209 applicant shall provide a list of the persons to whom notice has been sent.