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SENATE BILL NO. 418

Offered January 13, 2010

Prefiled January 13, 2010

A *BILL to amend the Code of Virginia by adding in Title 15.2 a chapter numbered 24.3, consisting of sections numbered 15.2-2430 through 15.2-2440, relating to creation of the Virginia Infrastructure in Urban Development Areas Loan Fund.*

 Patron—Vogel

Referred to Committee on Local Government

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 15.2 a chapter numbered 24.3, consisting of sections numbered 15.2-2430 through 15.2-2440, as follows:

CHAPTER 24.3.**VIRGINIA INFRASTRUCTURE IN URBAN DEVELOPMENT AREAS LOAN FUND.****§ 15.2-2430. Definitions.**

As used in this chapter, unless the context requires a different meaning:

"Authority" means the Virginia Resources Authority created in Chapter 21 (§ 62.1-197 et seq.) of Title 62.1.

"Cost," as applied to any project financed under the provisions of this chapter, means the total of all costs incurred by the local government as reasonable and necessary for carrying out all works and undertakings necessary or incident to the accomplishment of any project.

"Fund" means the Virginia Infrastructure in Urban Development Areas Loan Fund.

"Local government" means any county, city, or town that has, pursuant to § 15.2-2223.1, amended its comprehensive plan to incorporate one or more urban development areas.

"Project" means (i) the design and construction of roads located or to be located within an urban development area in the Commonwealth and (ii) any small water facility project as defined in § 62.1-229 and any wastewater treatment facility located or to be located within an urban development area in the Commonwealth, all or part of which facility serves the citizens of the Commonwealth. The term includes, without limitation, sewage and wastewater (including surface and ground water) collection, treatment and disposal facilities; drainage facilities and projects; related office, administrative, storage, maintenance and laboratory facilities; and interests in land related thereto.

"Urban development area" shall have the same meaning as provided in § 15.2-2223.1.

§ 15.2-2431. Creation and management of Fund.

There shall be set apart as a permanent and perpetual fund, to be known as the Virginia Infrastructure in Urban Development Areas Loan Fund, consisting of such sums that may be appropriated to the Fund by the General Assembly, all receipts by the Fund from loans made by it to local governments, all income from the investment of moneys held in the Fund, and any other sums designated for deposit to the Fund from any source, public or private. The Fund shall be administered and managed by the Authority as prescribed in this chapter. The Authority shall establish guidelines regarding the distribution of loans or grants from the Fund, prioritization of such loans and grants, and shall establish interest rates and repayment terms of such loans as provided in this chapter. The Authority may disperse from the Fund its reasonable costs and expenses incurred in the administration and management of the Fund.

§ 15.2-2432. Deposit of money; expenditures; investments.

All money belonging to the Fund shall be deposited in an account or accounts in banks or trust companies organized under the laws of the Commonwealth or in national banking associations located in Virginia or in savings institutions located in Virginia organized under the laws of the Commonwealth or the United States. The money in these accounts shall be paid by check signed by the Executive Director of the Authority or other officers or employees designated by the Board of Directors of the Authority. All deposits of money shall, if required by the Authority, be secured in a manner determined by the Authority to be prudent, and all banks, trust companies, and savings institutions are authorized to give security for the deposits. Money in the Fund shall not be comingled with other money of the Authority. Money in the Fund not needed for immediate use or disbursement may be invested or reinvested by the Authority in obligations or securities that are considered lawful investments for public funds under the laws of the Commonwealth.

§ 15.2-2433. Annual audit.

The Auditor of Public Accounts, or his legally authorized representatives, shall annually audit the

INTRODUCED

SB418

59 accounts of the Authority, and the cost of such audit services as shall be required shall be borne by the
60 Authority. The audit shall be performed at least each fiscal year, in accordance with generally accepted
61 auditing standards and, accordingly, include such tests of the accounting records and such auditing
62 procedures as are considered necessary under the circumstances. The Authority shall furnish copies of
63 such audit to the Governor.

64 § 15.2-2434. Collection of money due Fund.

65 The Authority is empowered to collect, or to authorize others to collect on its behalf, amounts due to
66 the Fund under any loan to a local government, including, if appropriate, taking the action required by
67 § 15.2-2659 to obtain payment of any amounts in default. Proceedings to recover amounts due to the
68 Fund may be instituted by the Authority in the name of the Fund in the appropriate circuit court.

69 § 15.2-2435. Loans to local governments.

70 Except as otherwise provided in this chapter, money in the Fund shall be used solely to make loans
71 to local governments to finance or refinance the cost of any project. No loan from the Fund shall
72 exceed the total cost of the project to be financed or the outstanding principal amount of indebtedness
73 to be refinanced plus reasonable financing expenses.

74 The Authority shall determine the terms and conditions of any loan from the Fund, which may vary
75 between local governments. Each loan shall be evidenced by appropriate bonds or notes of the local
76 government payable to the Fund. The bonds or notes shall have been duly authorized by the local
77 government and executed by its authorized legal representatives. The Authority is authorized to require
78 in connection with any loan from the Fund such documents, instruments, certificates, legal opinions, and
79 other information as it may deem necessary or convenient. In addition to any other terms or conditions
80 that the Authority may establish, the Authority may require, as a condition to making any loan from the
81 Fund, that the local government receiving the loan covenant perform any of the following:

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

89 2. Levy and collect ad valorem taxes on all property within the jurisdiction of the local government
90 subject to local taxation sufficient to pay the principal and premium, if any, and interest on the loan
91 from the Fund to the local government;

92 3. Create and maintain a special fund or funds for the payment of the principal and premium, if any,
93 and interest on the loan from the Fund to the local government and any other amounts becoming due
94 under any agreement entered into in connection with the loan, or for the operation, maintenance, repair,
95 or replacement of the project or any portions thereof or other property of the local government, and
96 deposit into any fund or funds amounts sufficient to make any payments on the loan as they become due
97 and payable;

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

99 5. Perform other acts, including the conveyance of, or the granting of liens on or security interests
100 in, real and personal property, together with all rights, title and interest therein, to the Fund, or to take
101 other actions as may be deemed necessary or desirable by the Authority to secure payment of the
102 principal and premium, if any, and interest on the loan from the Fund to the local government and to
103 provide for the remedies of the Fund in the event of any default by the local government in the payment
104 of the loan, including, without limitation, any of the following:

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

108 b. The combination of one or more projects, or the combination of one or more projects with one or
109 more other undertakings, facilities, utilities, or systems, for the purpose of operations and financing, and
110 the pledging of the revenues from such combined projects, undertakings, facilities, utilities, and systems
111 to secure the loan from the Fund to the local government made in connection with such combination or
112 any part or parts thereof;

113 c. The maintenance, replacement, renewal, and repair of the project; and

114 d. The procurement of casualty and liability insurance.

115 All local governments borrowing money from the Fund are authorized to perform any acts, take any
116 action, adopt any proceedings, and make and carry out any contracts that are contemplated by this
117 chapter. Such contracts need not be identical among all local governments, but may be structured as
118 determined by the Authority according to the needs of the contracting local governments and the Fund.

119 Subject to the rights, if any, of the registered owners of any of the bonds of the Authority, the
120 Authority may consent to and approve any modification in the terms of any loan to any local

government subject to the guidelines adopted by the Board.

§ 15.2-2436. Prioritization of loans.

In approving loans, the Authority shall give preference to loans for projects that will serve two or more local governments to encourage regional cooperation.

§ 15.2-2437. Pledge of loans to secure bonds of Authority.

The Authority is empowered at any time and from time to time to transfer from the Fund to banks or trust companies designated by the Authority any or all assets of the Fund to be held in trust as security for the payment of the principal and premium, if any, and interest on any or all of the bonds (as defined in § 62.1-199) of the Authority. The interests of the Fund in any obligations so transferred shall be subordinate to the rights of the trustee under the pledge. To the extent funds are not available from other sources pledged for such purpose, any payments of principal and interest received on the assets transferred or held in trust may be applied by the trustee thereof to the payment of the principal and premium, if any, and interest on such bonds of the Authority to which the obligations have been pledged, and, if such payments are insufficient for such purpose, the trustee is empowered to sell any or all of such assets and apply the net proceeds from the sale to the payment of the principal and premium, if any, and interest on such bonds of the Authority. Any assets of the Fund transferred in trust as set forth above and any payments of principal, interest, or earnings received thereon shall remain part of the Fund but shall be subject to the pledge to secure the bonds of the Authority and shall be held by the trustee to which they are pledged until no longer required for such purpose by the terms of the pledge. On or before January 10 each year, the Authority shall transfer, or shall cause the trustee to transfer, to the Fund any assets transferred or held in trust as set forth above that are no longer required to be held in trust pursuant to the terms of the pledge.

§ 15.2-2438. Sale of loans.

The Authority is empowered at any time and from time to time to sell, upon such terms and conditions as the Authority shall deem appropriate, any loan, or interest therein, made pursuant to this chapter. The net proceeds of sale remaining after payment of the costs and expenses of the sale shall be designated for deposit to, and become part of, the Fund.

§ 15.2-2439. Powers of the Authority.

The Authority is authorized to do any act necessary or convenient to the exercise of the powers granted in this chapter or reasonably implied thereby.

§ 15.2-2440. Liberal construction of chapter.

The provisions of this chapter shall be liberally construed to the end that its beneficial purposes may be effectuated. Insofar as the provisions of this chapter are inconsistent with the provisions of any other law, general, special, or local, the provisions of this chapter shall be controlling.