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## SENATE BILL NO. 396

Offered January 22, 1996

A *BILL to amend and reenact §§ 62.1-224 and 62.1-229 of the Code of Virginia, relating to small water facility project loans.*

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Patron—Colgan

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Referred to the Committee on Agriculture, Conservation and Natural Resources

**Be it enacted by the General Assembly of Virginia:****1. That §§ 62.1-224 and 62.1-229 of the Code of Virginia are amended and reenacted as follows:**

§ 62.1-224. Definitions.

As used in this chapter, unless a different meaning clearly appears from the context:

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

"Board" means the State Water Control Board.

"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. It includes, without limitation, all necessary developmental, planning and feasibility studies, surveys, plans and specifications, architectural, engineering, financial, legal or other special services, the cost of acquisition of land and any buildings and improvements thereon, including the discharge of any obligations of the sellers of such land, buildings or improvements, site preparation and development, including demolition or removal of existing structures, construction and reconstruction, labor, materials, machinery and equipment, the reasonable costs of financing incurred by the local government in the course of the development of the project, carrying charges incurred before placing the project in service, interest on funds borrowed to finance the project to a date subsequent to the estimated date the project is to be placed in service, necessary expenses incurred in connection with placing the project in service, the funding of accounts and reserves which the Authority may require and the cost of other items which the Authority determines to be reasonable and necessary.

"Fund" means the Virginia Water Facilities Revolving Fund created by this chapter.

"Local government" means any county, city, town, municipal corporation, authority, district, commission or political subdivision created by the General Assembly or pursuant to the Constitution or laws of the Commonwealth or any combination of any two or more of the foregoing. The term "local government" includes any authority, commission, district, sanitary board or governmental entity issuing bonds on behalf of an authority, commission, district or sanitary board of an adjoining state that operates a wastewater treatment facility located in Virginia.

"Project" means any *small water facility project as defined in § 62.1-229 and any wastewater treatment facility located or to be located in the Commonwealth by any local government, 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.*

§ 62.1-229. Loans to local governments.

Except as otherwise provided in this chapter, money in the Fund shall be used solely to make loans to local governments to finance or refinance the cost of any project. The local governments to which loans are to be made, the purposes of the loan, and the amount of each such loan, the interest rate thereon and the repayment terms thereof, which may vary between local governments, shall be designated in writing by the Board to the Authority following consultation with the Authority. No loan 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 made from the Fund, in the Board's discretion, to a local government which has developed a low-interest loan program to provide loans or other incentives to facilitate the correction of onsite sewage disposal problems ("small water facility projects"), provided that the monies may be used only for the program and that the onsite sewage disposal systems to be repaired or upgraded are owned by individual citizens of the Commonwealth where (i) public health or water quality concerns are present and (ii) connection to a public sewer system is not feasible because of location or cost.*

Except as set forth above, the Authority shall determine the terms and conditions of any loan from the Fund, which may vary between local governments. Each loan shall be evidenced by appropriate

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

67 A. 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 and premium, if any, and interest on the loan from the Fund to the local government; and (iii) any  
71 amounts necessary to create and maintain any required reserve, including any rate stabilization fund  
72 deemed necessary or appropriate by the Authority to offset the need, in whole or part, for future  
73 increases in rents, rates, fees or charges;

74 B. Levy and collect ad valorem taxes on all property within the jurisdiction of the local government  
75 subject to local taxation sufficient to pay the principal of and premium, if any, and interest on the loan  
76 from the Fund to the local government;

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

83 D. Create and maintain other special funds as required by the Authority; and

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

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

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

98 3. The maintenance, replacement, renewal and repair of the project; and

99 4. The procurement of casualty and liability insurance.

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

104 Subject to the rights, if any, of the registered owners of any of the bonds of the Authority, the  
105 Authority may consent to and approve any modification in the terms of any loan to any local  
106 government subject to guidelines adopted by the Board.