

Guidelines Term Sheet

Credit Structure: Service or use agreement(s) or similar documents whereby participating jurisdictions or members (Participants) pay for services provided by the Authority. Guidelines may also be applied to non-regional Authorities that derive revenues from a retail customer base.

Rating Requirement: Authorities borrowing \$25 million or more or having total Virginia Resources Authority (VRA) indebtedness of \$25 million or more after the requested borrowing that do not meet (a), (b) or (c) below must have a rating in the “BBB” category or above from Standard & Poor’s. Additional Moody’s rating is optional. To the extent the Authority’s total VRA indebtedness exceeds [10%] of the program portfolio, a rating may be required.

(a) The Participants shall guarantee the Local Bonds and such guarantees shall be subject to the state aid intercept provisions of the VRA Act. The Participants shall demonstrate that their lowest level of state aid budgeted in the current fiscal year or received in the previous three fiscal years has been not less than 200% of the maximum annual future debt service including any general obligation debt or other debt of the Participant subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other debt planned by the Participant during the next succeeding five fiscal year period.

(b) A certificate of a local engineer, independent Consulting Engineer or independent third party Consultant acceptable to VRA to the effect that in the opinion of the Consultant (i) the project to be financed with such proposed additional Local Bonds (Project) will be a part of the System, (ii) the proceeds of the Local Bond and funds available from the other sources specified in the project budget will be sufficient to pay the estimated project costs, and (iii) either (A) based on the financial records of the Authority for any 12 consecutive months period within the 24 months period prior to the issuance of such Local Bonds the Authority generated Net Revenues Available for Debt Service equal to or greater than the maximum annual debt service on all existing and proposed additional Parity Bonds in the current or any future fiscal year or (B) no later than the second full fiscal year following the anticipated completion of the Project to be financed with such proposed additional Local Bonds, the projected Net Revenues

Available for Debt Service will satisfy the rate covenant made by the Authority in the [Loan Agreement] taking into account (1) the maximum annual debt service on the proposed additional Local Bonds in the current or any future fiscal year, and (2) the rates, fees and other charges which are in effect and any future changes approved by the governing body of the Authority as of the date of delivery of the proposed additional Local Bonds

(c) Each Participant shall have either (1) credit ratings on its outstanding obligations secured by a senior pledge of the revenues of the system; or (2) issuer credit rating of not less than Aa3 or the equivalent from any rating agency rating such obligations.

Where the participation of an unrated local government borrower in a VRA program has the potential to adversely impact the existing public debt rating of a VRA loan program, VRA reserves the right to require that a local government borrower obtain a rating from Moody's and/or Standard & Poor's as a condition of loan approval. VRA may require that a certain rating level be achieved by the borrower as a condition of loan approval if such borrower rating is required to maintain the existing VRA program public debt ratings.

**Debt Service Reserve Funds:** Fully funded debt service reserve fund at the Authority level may be required for authorities which have ratings lower than the "AA" level.

**Shortfall Make-up Provision:** Documents must provide for a timely adjustment of any shortfall in debt service payments with respect to the proposed additional Local Bonds (Debt Service Payments).

**Feasibility Report:** For start-up authorities, a feasibility report of an independent Consulting Engineer acceptable to VRA is required for borrowings in excess of \$25 million.

**Member Jurisdiction Approval:** Each Participant must approve a consent resolution acknowledging its approval of the Authority's borrowing and the project (in effect, the intention to issue bonds for new money projects).

**Borrower Concentration:** Where the total existing or proposed debt exposure to any one local government borrower rises to a level where the locality becomes a Material Obligor, as defined in the appropriate VRA program documentation, or such other lesser amount that could impact the existing public debt ratings of a VRA loan program, the Executive Director shall seek PRMC and Board approval prior to authorization of any new debt exposure.