REVENUE CREDIT GUIDELINES
VIRGINIA RESOURCES AUTHORITY
Updated as of 3/12/2013

Credit Structure:	Borrowings supported by a revenue pledge of an enterprise system(s) of a Local Borrower. Revenues may be derived from rates, fees and charges on the users of such system and/or long-term service contracts with other jurisdictions or a combination thereof.
Rating Requirement:	Local Borrowers 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) or (b) below must have a rating in the "BBB" category from either Standard & Poor's, Moody's or Fitch. A rating from Standard & Poor's is preferred but not mandatory. To the extent the Local Borrower's total VRA indebtedness exceeds 10% of the program portfolio, a rating may be required.

(a) If the Local Borrower is a Town, City or County, such Local Borrower shall be subject to the state aid intercept provisions of the VRA Act and the Local Borrower 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 125% 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) If the Local Borrower is an Authority, such Local Borrower shall provide a certificate in form satisfactory and acceptable to VRA of a local engineer, independent Consulting Engineer or independent third party consultant acceptable to VRA to the effect that in the opinion of such 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 Local Borrower for any 12 consecutive months period within the 24 months period prior to the issuance of such Local Bonds the Local Borrower generated Net Revenues Available for Debt Service[1] 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

[1] Net Revenues Available for Debt Service is typically defined in VRA financing and loan agreements as the Revenues less amounts necessary to pay Operation and Maintenance Expenses. The Local Borrower should review its existing financing or loan agreements for any variances in the defined term.

Available for Debt Service will satisfy the rate covenant made by the Local Borrower in the financing or 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 Local Borrower as of the date of delivery of the proposed additional Local Bonds.

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.

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.

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

Environmental Report: The Local Borrower is required to establish to VRA's reasonable satisfaction that no environmental issues exist with respect to the project that would have a negative impact on the ability of the project or the system to cover expenses and debt service and meet the covenants contained in the VRA financing or loan agreement. A Phase I environmental report may be required if the Local Borrower is unable to establish that no such environmental issues exist.

Property or Source Requirements: The Local Borrower is required to establish to VRA's reasonable satisfaction that no property or source issues (e.g., adequate property rights, permits, zoning, adequate rights to necessary water sources) exist with respect to the project that would have a negative impact on the ability of the project or the system to cover expenses and debt service and meet the covenants contained in the VRA financing or loan agreement.

Debt Service Coverage: Net Revenues Available for Debt Service divided by applicable debt service.

Debt Service Coverage ranges:

Strong	Greater than 1.5x
Adequate	Between 1.15x to 1.49x
Poor	Less than 1.14x

Days Cash on Hand:	Amount of total available unrestricted liquid reserves divided by daily operating expenditure requirements.

Days Cash on Hand ranges:

Strong	Greater than 120
Adequate	Between 60 and 120
Poor	Less than 60 days