Guidelines Term Sheet

Rating Requirement: 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.

Debt Service vs. Expenditures: Total annual debt service payments on all outstanding Tax Supported (general obligation, moral obligation, etc.) indebtedness on which the local government is obligated to make payments as compared to the total operating (general fund and component unit school board) budget of the local government. The total operating budget should also include the total annual debt service adjusted for any bond anticipation notes that may be refinanced or paid off.

Total Debt Service vs. Expenditures ranges:

Strong	Less than 10.0%
Adequate	10.01% to 15.00%
Poor	15.01% and above

Standard & Poor's considers a local government's debt burden to be high when debt service payments represent 15% to 20% of the total expenditures.

Unassigned Fund Balance: When measured against the local government's general fund and component unit school board revenues (inclusive of transfers in) this policy provides an indication of the reserve levels available for unforeseen circumstances.

Note: interfund payables to the local government's general fund that may be included in Unassigned Fund Balance should be netted out.

Unassigned Fund Balance vs Total Revenue ranges:

Strong	10%+
Adequate	5.0% to 9.99%
Poor	Less than 5%

The Government Finance Officers Association recommends that localities maintain unassigned fund balance levels within a 5% to 15% range when measured against general fund revenues only.

Moody's commentary on fund balance states that a minimum of 5% to 10% of general fund reserves should be targeted if the measurement criteria is based on a flat percentage.

Debt Payout Ratio: A measurement of how much debt is paid off in 10 years. Typically this measurement is applied to Tax Supported indebtedness of a local government and excludes revenue bond indebtedness. Debt Payout Ratio ranges:

Strong	60%+
Adequate	50% to 59%
Poor	Less than 50%

Total Debt vs. Total Valuation: Total of all outstanding Tax Supported (general obligation, moral obligation, etc.) indebtedness on which the local government is obligated to make payments as measured against total Tax Valuation of the local government's tax base (real estate and personal property).

Total Debt vs. Total Valuation ranges:

Strong	Less than 2.0%
Adequate	2.01% to 6.00%
Poor	6.01% and above

Moody's Median for Debt Burden (Overall Net Debt as a Percentage of Full Valuation) for its Virginia Rated credits is 2.18%. This Median is comprised of 119 localities with ratings ranging from Aaa to Baa3.

Additional Factors to Consider:

- Tax Rate
- Impact of New Debt Service on Tax Rate
- Unemployment
- Population
- Debt Per Capita
- Per Capita Income
- Pension Plan and Other-Post-Employment-Benefits Program Actuarial Accrued Liability, Funded Ratio, and Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll