



# Virginia Municipal League Town Section Meeting

## October 3, 2021

# Overview of Virginia Resources Authority

- Municipal bond bank and political subdivision created by General Assembly in 1984
- 30+ years of underwriting experience
- Provides low interest loans to municipalities
- Finances municipal facilities, equipment and infrastructure
- Has supported over 2,000 infrastructure projects with over \$10 billion in financing since inception

# Sources of Infrastructure Funding

- Town equity from unrestricted cash balances
- Bank loan
- Public debt issuance
- Existing state and federal programs
- Virginia Resources Authority
  - Virginia Pooled Financing Program
  - Clean Water Revolving Loan Fund
  - Drinking Water State Revolving Fund
  - Community Flood Preparedness Fund

# Virginia Pooled Financing Program

- Project areas include water, wastewater and broadband among many others
- Natural “AAA/AA” interest rates
- Loan terms up to 30 years and custom-tailored to meet borrower financial objectives and policies
- Locality considerations
  - Loan security
  - Project timing
- Applications typically due early February, May and August each year

# Clean Water Revolving Loan Fund

- Eligible projects include High Water Quality Impact Wastewater Projects, stormwater, brownfield remediation, and land conservation
- At least 1% below prevailing market rates (0% loans available based on criteria and demographics)
- Loan terms up to 30 years for sewer lines and up to 25 years for treatment plants and pump stations
- No issuance costs beyond local bond counsel
- Federal funding requirements apply such as Davis-Bacon and American Iron & Steel
- Applications are typically accepted by Department of Environmental Quality once a year in July

# Drinking Water State Revolving Fund

- Eligible projects include ones that will correct health and compliance issues pertaining to drinking water systems
- 1% below prevailing market rates (grant funding available based on criteria and demographics)
- Loan terms up to 30 years
- No issuance costs beyond local bond counsel
- Payment waiver during construction
- Applications are typically accepted by Virginia Department of Health Office of Drinking Water once a year in April

# Community Flood Preparedness Fund

- Eligible projects include flood prevention and protection projects and studies, capacity building, and planning
- Department of Conservation and Recreation is currently accepting grant applications for Round 2 through November 5 no later than 4pm
- Question and Answer Sessions about the Fund may be viewed here:  
<https://www.dcr.virginia.gov/dam-safety-and-floodplains/dsfpm-cfpf>
- Virginia's Coastal Resilience Master Planning Framework may be found here:  
<https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/Virginia-Coastal-Resilience-Master-Planning-Framework-October-2020.pdf>

# VRA Project Highlight: Town of Marion

- Over time, the Town's water and sewer system lines have become deteriorated, necessitating ongoing repairs
- In response, the Town developed a "Comprehensive Infrastructure Replacement Program" (CIRP) – a 15-year plan for water and sewer system capital projects
- Has consecutively been applying to the Clean Water Revolving Loan Fund and Drinking Water State Revolving Fund to finance phases of the CIRP

# VRA Project Highlight: Town of Strasburg

- Borrowing from the 2021 Fall VPFPP Pooled Issuance
- Will fund a road paving and road extension project
- While the Town completes the road project, they will also replace water lines
- Debt Service Reserve Fund was part of the loan security

# VRA Project Highlight: Town of Dumfries

- Borrowed from the 2018 Spring VPFP Pooled Issuance
- Project was to acquire a building for use as the Town Hall and Police Department
- Debt Service Reserve Fund was part of the loan security

# American Rescue Plan Act “ARPA” Funding – Eligible Infrastructure Categories

- The ARPA Act identifies one of the Act’s purposes is “to make necessary investments in water, sewer, or broadband infrastructure.”
- U.S. Department of the Treasury released eligibility guidance in its “Interim Final Rule” - <https://www.federalregister.gov/documents/2021/05/17/2021-10283/coronavirus-state-and-local-fiscal-recovery-funds>

Source: US Dept of the Treasury Fact Sheet found here: [SLFRP-Fact-Sheet-FINAL1-508A.pdf \(treasury.gov\)](#)

# ARPA Funding – Eligible Infrastructure Categories: Drinking Water

- Facilities
- Transmission
- Distribution
- Storage systems
- Replacement of lead service lines

Source: US Dept of the Treasury Fact Sheet found here: [SLFRP-Fact-Sheet-FINAL1-508A.pdf \(treasury.gov\)](#)

# ARPA Funding – Eligible Infrastructure Categories: Wastewater

- Treatment infrastructure
- Managing and treating stormwater
- Managing and treating subsurface drainage water
- Facilitating water reuse

Source: US Dept of the Treasury Fact Sheet found here: [SLFRP-Fact-Sheet-FINAL1-508A.pdf \(treasury.gov\)](#)

# ARPA Funding – Eligible Infrastructure Categories: Broadband

- Infrastructure that delivers reliable 100 Mbps download and 100 Mbps upload speeds
- Fiber optic investments
- Projects that achieve last-mile connections to households and businesses

Source: US Dept of the Treasury Fact Sheet found here: [SLFRP-Fact-Sheet-FINAL1-508A.pdf \(treasury.gov\)](#)

# Tracking and Reporting the Funds Used

- Ensure adequate tracking mechanisms are in place prior to usage of funds, including documenting determinations of eligibility
- U.S. Office of Management and Budget (OMB) released its 2021 Compliance Supplement to the Uniform Guidance on August 25 and is expected to issue an Addendum this fall
- Publications of the OMB can be found here:  
<https://www.whitehouse.gov/omb/office-federal-financial-management/>
- If there are questions about how to sufficiently track and report ARPA funds, consult with the Town's external auditor prior to proceeding

# Tracking and Reporting the Funds Used

- For infrastructure projects, maintain records for reporting purposes on the following information:
  - Projected/ actual construction start date (month/year)
  - Projected/ actual initiation of operations date (month/year)
  - Location (for broadband, geospatial location data)

Source: GFOA Presentation found here: <https://www.vgfoa.org/2021%20Fall%20Conference/Presentations/Emily%20Brock.pdf>

# Government Finance Officers Association (GFOA)

- GFOA has developed “Guiding Principles” regarding use of ARPA funds
- Summary of their guiding principles was included in the August issue of GFOA’s publication *Government Finance Review*
- Article can be retrieved at this link:  
[https://gfoaorg.cdn.prismic.io/gfoaorg/f42e2162-a33c-40e5-929d-926f30995b2e\\_InBrief\\_Principles\\_GFR0821.pdf](https://gfoaorg.cdn.prismic.io/gfoaorg/f42e2162-a33c-40e5-929d-926f30995b2e_InBrief_Principles_GFR0821.pdf)

# GFOA's Guiding Principles: ARPA Funds are Temporary

- Avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment
- Budget restraint in future years may be necessary if ARPA funds were used to cover operating deficits caused by the pandemic
- Investment in infrastructure is a well-suited use of ARPA funds, but need to identify ongoing operating costs

Source: GFOA Presentation found here: <https://www.vgfoa.org/2021%20Fall%20Conference/Presentations/Emily%20Brock.pdf>

# GFOA's Guiding Principles: Consider Partnerships

- Become familiar with how the Commonwealth is using ARPA funds for a cohesive state-wide approach
- Consider partnering with other ARPA recipients in your area for a regional approach with higher education entities, transportation agencies, and local economic development authorities

Source: GFOA Presentation found here: <https://www.vgfoa.org/2021%20Fall%20Conference/Presentations/Emily%20Brock.pdf>

# GFOA's Guiding Principles: Don't Rush Your Decisions

- Costs may be incurred through December 31, 2024 and expended through December 31, 2026 (with a few exceptions)
- Use other funding sources prior to using ARPA funds particularly for projects not typically eligible for federal assistance
- Spread the ARPA funds over the spend-down period for greater budget stability
- Consider all the possibilities prior to committing to the use of ARPA funds

Source: GFOA Presentation found here: <https://www.vgfoa.org/2021%20Fall%20Conference/Presentations/Emily%20Brock.pdf>

# Fiscally Responsible Projects

- Planning ahead is key
  - Capital Improvement Programs updated during annual budget process
  - Rate analysis to determine rates necessary to support debt service and ongoing maintenance of new infrastructure
  - Talk with potential lenders early to know specific requirements such as audited financials, rate covenants and debt service reserves
- Setting internal policies for financial metrics, such as:
  - Debt service to expenditures
  - Unassigned fund balance to total revenues
  - Debt payout ratio
  - Debt to valuation

# VRA Underwriting Guidelines: Debt service to expenditures

- Total annual debt service payments on tax-supported debt compared to total General Fund expenditures\*
- Strong: Less than 10%
- Adequate: 10.01% to 15%
- Poor: 15.01% and above

\*VRA subtracts General Fund education expenditures and adds back total School Board expenditures for a full governmental assessment

# VRA Underwriting Guidelines: Unassigned fund balance to total revenues\*

- An indication of reserve levels available for unforeseen circumstances
- Strong: 10%+
- Adequate: 5% to 9.99%
- Poor: Less than 5%

\*VRA subtracts General Fund education expenditures and adds back total School Board revenues for a full governmental assessment

# VRA Underwriting Guidelines: Debt Payout Ratio

- A measurement of how much debt is paid off in 10 years
- Strong: 60%+
- Adequate: 50% to 59%
- Poor: Less than 50%

# VRA Underwriting Guidelines: Debt to Valuation

- Tax-supported debt versus the total assessed valuation of the locality's tax base
- Strong: Less than 2%
- Adequate: 2.01% to 6%
- Poor: 6.01% to above

# Additional considerations when planning for capital projects

- 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 liabilities and funded ratios

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