

# Bond Validation Process

Central Virginia  
Transportation Authority



Finance Committee

July 10, 2024

# Financial Flexibility

- CVTA currently utilizes pay-as-you-go financing of regional transportation projects benefiting localities in Planning District 15.
- Virginia Code authorizes CVTA to issue revenue bonds payable from Central Virginia Transportation Fund (CVTF) revenues.
- Before CVTA issues bonds, it may consider validating its proposed bond structure.

# Financial Flexibility, cont.

- Validation proceedings have been taken by other regional transportation authorities (Northern Virginia Transportation Authority and Hampton Roads Transportation Accountability Commission).
- These actions would not obligate CVTA to issue any bonds but would provide the framework for future issuances and prevent future challenges to the overall financing structure.
- Any future bond issue would be subject to further review and approval by CVTA.

# Legal Validation

Under Virginia's Public Finance Act, an issuer of bonds may file a special civil proceeding in the applicable circuit court to "validate" a bond issuance and related actions (Virginia Code Sections 15.2-2650 through 15.2-2658).

# Legal Validation, cont.

The court would analyze:

- validity of CVTF Revenue Bonds;
- legality of CVTA proceedings taken in connection with authorization of CVTF Revenue Bonds;
- validity of taxes supporting CVTF revenues and payment of CVTF Revenue Bonds; and
- validity of pledge of revenues and covenants and provisions in bond documents.

The court would also review: CVTA's statutory authority, organization and procedures, and project selection process.

# Legal Validation, cont.

- A decree of validation constitutes a permanent injunction by any person of any action or proceeding contesting the validity of the bonds or any other matter adjudicated or which might have been called in question in such proceedings, permitting any future bonds to be sold without uncertainty about their validity.
- Property owners and citizens of CVTA's jurisdiction may contest the validation, and any circuit court's decree may be appealed.

# Timeline Summary

An uncontested validation proceeding could take up to 6 months (Fall 2024 – Spring 2025):

- Filing preparation and CVTA validation authorization (~2 months).
- Initial Filing (Motion for Judgment) (can occur partially in conjunction with first step above; an additional week or two may be necessary to complete the filing after approvals are obtained).
- Setting the Hearing and Publication (~2 months after the initial filing).

# Timeline Summary, cont.

- Contesting the Issuance (potentially no additional time, though the court in its discretion could schedule another hearing if it deemed additional time was needed).
- Judgment and Appeal (an appeal of any judgment would add several additional months at a minimum).



# Next Steps

- Authorize preparation of bond documents and begin commencement of arrangements to obtain validation.
- Finance Committee to review and approve drafts of bond documents.
- CVTA Board to review and approve resolutions authorizing bond documents and filing of a validation suit.
- There would be no actual bond issue without further review and approval of Finance Committee and CVTA Board.

# Questions?

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