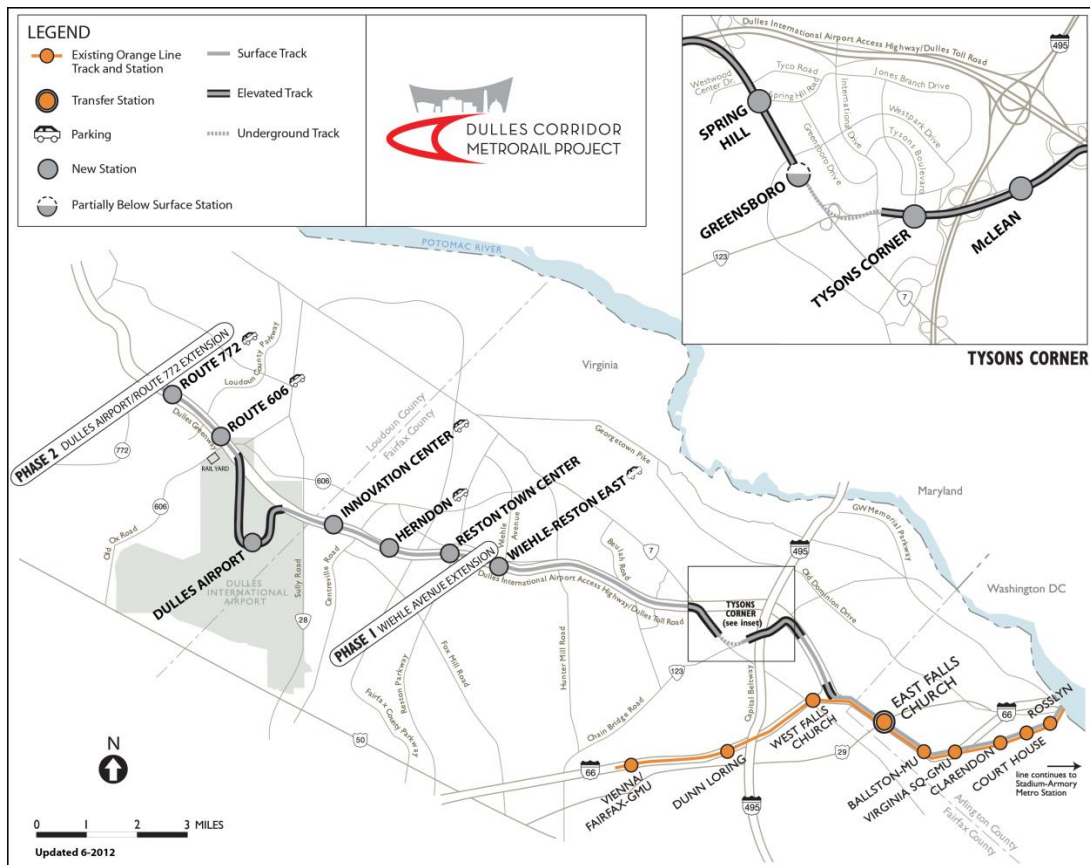


Fund 40120

Dulles Rail Phase II Transportation Improvement District

Focus

The purpose of the Dulles Metrorail is to provide high-quality, high-capacity transit service in the Dulles Corridor. New Metrorail service in the corridor will result in travel time savings between the corridor and downtown D.C., expand the reach of the existing regional rail system, offer a viable alternative to automobile travel and support future transit-oriented development along the corridor. The Phase II cost is approximately \$2.8 billion for the segment from the Wiehle-Reston East Metrorail Station to Route 772 in Loudoun County, and includes the construction of three new stations in Fairfax County. These stations are Reston Town Center, Herndon, and Innovation Center and are noted in the map below:



On October 9, 2009, a petition (the Petition) was filed with the Clerk to the Board of Supervisors (Board) to create the Phase II Dulles Rail Transportation Improvement District (Phase II District). As required by Code of Virginia Ann. § 33.1-431, the Petition was signed by owners of more than 51 percent of the commercial and industrial property within the proposed Phase II District, measured by assessed value, that would be subject to a special tax pursuant to Code of Virginia Ann. § 33.1-435. Pursuant to that statute, following a public hearing on December 7, 2009, the Board created the Phase II District on December 21, 2009. On November 10, 2009, the Town of Herndon also approved the creation of the Phase II District.

Phase II of the Dulles Metrorail project (Project) will run from just west of Wiehle Avenue to Ashburn in eastern Loudoun County. This extension will serve Reston Town Center, Herndon, Dulles Airport, Route 606, and Ashburn. Commercial and industrial properties in the Phase II District, which lie near the Project on either side of the right-of-way of the Dulles Airport Access and Toll Road (DTR) within Fairfax County, will be taxed to help Fairfax County fund the County's 16.1 percent share of the Project.

Fund 40120

Dulles Rail Phase II Transportation Improvement District

Consistent with the Petition and the resolution adopted by the Board to create the Phase II District, a tax rate of \$0.05 per \$100 of assessed value was adopted for FY 2011 for commercial and industrial properties within the Phase II District, and a rate of \$0.10 was adopted for FY 2012. The rate increased to \$0.15 in FY 2013 and \$0.20 in FY 2014. Per the petition, the tax rate has since remained at \$0.20 and will be held flat at \$0.20 until full revenue operations commence on Phase II, which is expected in 2020. At that time, the rate may be set at the level necessary to support the District's debt obligations. For planning purposes, the Phase II District may not enter into a financing agreement unless it is reasonably believed that it can be accomplished within the maximum rate established by the Petition of \$0.25 per \$100 of assessed value.

The original funding plan was that the federal government, through grants from the Federal Transit Administration (FTA), would pay 50 percent of the entire Metrorail Project cost (i.e., both Phases I and II), the Commonwealth would pay 25 percent using DTR revenues, and local governments would pay 25 percent. That plan was based on an early cost estimate, prior to preliminary engineering and environmental studies that resulted in an improved estimate for the total project cost.

The Full Funding Agreement later entered into with the federal government provided for a federal share for Phase I only (Interstate 66 to Wiehle Avenue) and capped that contribution at \$900 million, which necessarily changed the percentages for the partners' shares.

No funds may be expended until certain other conditions are met. Conditions include the completion of the preliminary design and cost estimate for Phase II, acceptable to the Board, which was completed in 2012. Other key conditions include: appropriate commitments from all sources contributing to Phase II are in place to assure completion of the Phase II transportation improvements; the Phase II District's share of the aggregate capital cost does not exceed \$330 million; the County's share of aggregate costs remain reasonably consistent with currently anticipated contributions; and there is no "Supplemental Tax" on the commercial and industrial real estate within the Phase II District that exceeds \$0.11 per \$100 of assessed value unless a credit or other benefit is extended substantially equivalent to the Supplemental Tax.

In late 2011, the County, in addition to the other local funding partners, approved the Memorandum of Agreement (MOA) to proceed with Phase II of the Project. The MOA provided the following major points of agreement:

- ◆ The Metropolitan Washington Airports Authority (MWAA) agreed that the airport station would be an aerial station.
- ◆ The Commonwealth agreed to seek \$150 million from the General Assembly to reduce the burden on DTR users.
- ◆ The U.S. Department of Transportation (USDOT) agreed to provide up to a \$30 million credit subsidy for Transportation Infrastructure Finance and Innovation Act (TIFIA) loans to be made to Fairfax County (County), Loudoun County, and MWAA. The County and Loudoun County would apply for the maximum amount of TIFIA credit assistance for which each would qualify based on their share of the total cost of the Project, and MWAA would apply for the balance available.

Fund 40120

Dulles Rail Phase II Transportation Improvement District

- ◆ The County and Loudoun County agreed to use their best efforts individually to find third party funding for five garages (three in Loudoun County and two in Fairfax County) and the Route 28 Innovation Center Station (Fairfax), but if and to the extent they were unable to do so, then whatever portion is not funded by third party revenues will be shared as currently provided by the Funding Agreement.
- ◆ Other Phase II cost savings opportunities would be implemented, including a reduction in the size of the Metrorail yard and shop facilities at the Airport for additional cumulative net Project cost savings of \$125 million as estimated by USDOT, 75 percent of which (\$94 million) would be cost savings for DTR users.
- ◆ A reallocation of estimated third party funding credits from what would have resulted from the Funding Agreement is expected to produce additional cost savings for DTR users of as much as \$242 million.
- ◆ The Washington Metropolitan Area Transit Authority (WMATA) agreed to cooperate with the County to make such amendments in agreements between the two parties as shall be necessary to permit parking revenues from the two garages included in the Fairfax Facilities to be used to pay for the cost of constructing the garages, if Fairfax deems it appropriate to use such parking revenues for that purpose.
- ◆ The Commonwealth of Virginia, the County, Loudoun County, WMATA, and MWAA agreed to form a Coordinating Committee composed of their respective chief executive officers (including Fairfax's County Executive) to implement the MOA and to regularly monitor progress in planning, designing, and constructing Phase II of the Metrorail.
- ◆ The Commonwealth of Virginia and MWAA agreed that they had reached a separate agreement on a Project Labor Agreement for Phase II that is consistent with Federal statutory and regulatory requirements and Virginia law.
- ◆ The MOA explicitly recognized that nothing in it required the County to pay or will result in the County paying more than 16.1 percent of the total Project cost as previously agreed in the Funding Agreement.
- ◆ There will be continuing FTA oversight of the Project.

On April 10, 2012, the Board confirmed the County's participation in Phase II of the Project. As part of the financial deal, the County agreed to make its best efforts to pay for building the Route 28 Station, along with the parking garage at this station and at Herndon Monroe, outside of the Project. On July 3, 2012, Loudoun County voted to confirm their participation in Phase II.

The County's total 16.1 percent share of the Project is estimated to be \$927 million. The County contributed \$400 million from the Phase I tax district and will contribute \$330 million from the Phase II tax district. The balance will be supported by allocating \$187 million in proceeds from the TIFIA loan that will be repaid using the County's Commercial and Industrial real estate tax and \$10 million in 70 percent regional funds from the Northern Virginia Transportation Authority (NVTA).

Fund 40120

Dulles Rail Phase II Transportation Improvement District

The Phase II tax district's \$330 million contribution is achieved using two approaches. First, there will be an internal allocation of \$215.6 million toward repayment of the County's \$403.3 million TIFIA loan. The future debt service on this portion of the TIFIA loan will be repaid out of this fund. Second, the remaining \$114.4 million will be provided from tax district equity.

In Spring 2013, Fairfax County officially notified USDOT and MWAA that the Innovation Center Station (formerly Route 28 Station), which has a total project estimate of \$89 million, would be funded as part of the total project cost and shared among the funding partners through the agreed upon percent allocations. As part of the MOA for Phase II, the County agreed to use "best efforts" to fund this station along with the parking garages at Innovation Center and Herndon-Monroe. Since that time, the County received funding approval of \$69 million from NVTA 70 percent toward the Innovation Center Station that will be spread among the funding partners per the standard percent splits. The County continues its plan to fund the parking garages outside the project as preliminary design and engineering have been completed. The plan of finance includes the pledging of annual parking revenues from the two new parking garages and accessing surcharge revenues from current County garages in the WMATA system. In order to access these surcharge revenues, County staff worked with WMATA staff to amend the appropriate legal documents. The WMATA board formally agreed to amend these documents on October 23, 2014, and the Fairfax County Board of Supervisors agreed to amend these same documents on November 18, 2014. The parking garage bond sale occurred in February 2017 in the amount of \$90.9 million with project completion targeted for the end of 2019. For additional information on the parking garages, please refer to Fund 40125, Metrorail Parking System Pledged Revenues, as part of Volume 2, Capital Construction and Other Operating Funds.

The Funding Partners were officially notified on May 9, 2014 by USDOT that the TIFIA loan had been approved for the Project. The \$1.9 billion loan was one of the largest financings approved in the program's history with the allocation by funding partner as follows: \$1.3 billion to MWAA, \$403.3 million to Fairfax County, and \$195.0 million to Loudoun County. On August 20, 2014, MWAA closed on its \$1.3 billion TIFIA loan at an interest rate of 3.21 percent. On December 9, 2014, Loudoun County closed on its \$195.0 million TIFIA loan at an interest rate of 2.87 percent. On December 17, 2014, Fairfax County closed on its \$403.3 million TIFIA loan at an interest rate of 2.73 percent. The County's \$403.3 million TIFIA loan will be repaid from two sources: \$215.6 million from the Phase II Tax District and \$187.7 million from Fund 40010, County and Regional Transportation Projects. Annualized debt service on the County's TIFIA loan equates to \$28.9 million beginning in FY 2024, with \$15.6 million to be repaid from the Phase II District and \$13.3 million to be repaid from Fund 40010, County and Regional Transportation Projects. The County made its first draw on its TIFIA loan proceeds for payments to MWAA in March 2015 and its last draw in April 2019. The current payments to MWAA are being paid using available balance in this fund.

In April 2015, MWAA announced an updated Phase II construction timeline with more than 150 modifications to the design phase that will enhance the safety and reliability of Phase II. The substantial completion date is scheduled for late 2019.

Fund 40120

Dulles Rail Phase II Transportation Improvement District

FY 2020 Funding Adjustments

The following funding adjustments from the FY 2019 Adopted Budget Plan are necessary to support the FY 2020 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the Budget on May 7, 2019.

- ◆ FY 2020 funding remains at the same level as the FY 2019 Adopted Budget Plan.

Changes to FY 2019 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2019 Revised Budget Plan since passage of the FY 2019 Adopted Budget Plan. Included are all adjustments made as part of the FY 2018 Carryover Review, FY 2019 Third Quarter Review, and all other approved changes through April 30, 2019.

- ◆ **Carryover Adjustments** **\$4,560,654**

As part of the FY 2018 Carryover Review, the Board of Supervisors approved funding of \$4,560,654. This amount represents the balance of the debt service reserve fund requirement for the Phase II Tax District's \$215.6 million portion of the County's overall \$403.3 million Transportation Infrastructure Financing and Innovation Act (TIFIA) loan with the United States Department of Transportation that closed on December 17, 2014.

- ◆ **Third Quarter Adjustments** **\$30,000,000**

As part of the FY 2019 Third Quarter Review, the Board of Supervisors approved funding of \$30,000,000 to support the construction payments to the Metropolitan Washington Airports Authority (MWAA) for the tax district's share of construction costs after the proceeds from the Dulles Rail Phase II District's \$215.6 million portion of the County's Transportation Infrastructure Financing and Innovation Act (TIFIA) loan have been spent. The TIFIA loan with the United States Department of Transportation closed on December 17, 2014. The proceeds from this loan were spent in April 2019, and available cash funding is needed to support the construction payments.

Fund 40120

Dulles Rail Phase II Transportation Improvement District

FUND STATEMENT

Fund 40120, Dulles Rail Phase II Transportation Improvement District

	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan	FY 2020 Advertised Budget Plan	FY 2020 Adopted Budget Plan
Beginning Balance	\$82,815,932	\$84,196,202	\$100,176,724	\$112,988,132	\$82,988,132
Revenue:					
Real Estate Taxes ¹	\$16,596,637	\$17,872,062	\$17,872,062	\$19,470,335	\$19,470,335
Interest on Investments	764,155	0	0	0	0
Total Revenue	\$17,360,792	\$17,872,062	\$17,872,062	\$19,470,335	\$19,470,335
Total Available	\$100,176,724	\$102,068,264	\$118,048,786	\$132,458,467	\$102,458,467
Expenditures:					
Debt Service Reserve Fund Requirement ²	\$0	\$0	\$4,560,654	\$0	\$0
Construction Payments ³	0	0	30,000,000	0	0
Operating Expenses	0	500,000	500,000	500,000	500,000
Total Expenditures	\$0	\$500,000	\$35,060,654	\$500,000	\$500,000
Total Disbursements	\$0	\$500,000	\$35,060,654	\$500,000	\$500,000
Ending Balance⁴	\$100,176,724	\$101,568,264	\$82,988,132	\$131,958,467	\$101,958,467
TIFIA Debt Service Reserve ²	\$1,179,346	\$1,179,346	\$9,910,000	\$9,910,000	\$9,910,000
Unreserved Balance	\$98,997,378	\$100,388,918	\$73,078,132	\$122,048,467	\$92,048,467
Tax rate per \$100 Assessed Value⁵	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20

¹ FY 2020 estimate based on January 1, 2019 assessed values.

² This amount represents the debt service reserve fund requirement that is used as a contribution toward the Dulles Rail Phase II District's \$215.6 million portion of the County's overall \$403.3 million Transportation Infrastructure Financing and Innovation Act (TIFIA) loan with the United States Department of Transportation that closed on December 17, 2014. The current TIFIA debt service reserve amount is \$9,910,000. Once the Dulles Rail Phase II District's \$215.6 million portion of the TIFIA loan has been expended, the TIFIA debt service reserve amount is estimated to be equal to \$14,470,654.

³ This amount represents an estimated portion of the District's \$114.4 million construction costs after the \$215.6 million in TIFIA loan proceeds have been expended. These construction payments are being funded with current and projected revenues collected in the District.

⁴ The ending balance will be accumulating to cover the District's \$114.4 million non-TIFIA cost toward Phase II.

⁵ The tax rate will be held at \$0.20 per \$100 of assessed value until full revenue operations commence on Phase II, which is expected in 2020 with the exact date determined by WMATA.