Fund 700
Route 28 Tax District

Focus

Fairfax County, in partnership with Loudoun County, formed the Route 28 Highway Transportation Improvement District on December 21, 1987. Under Virginia law such a district may be formed only upon the joint petition of owners of at least 51 percent of the land area in each county which is within the boundaries of the proposed district and which has been zoned or is used for commercial or industrial purposes. The District was formed to provide improvements to State Route 28 which connects State Route 7 in eastern Loudoun County to U.S. Route 50 and Interstate 66 in western Fairfax County, running approximately parallel to the County's western border. State Route 28 provides access to Dulles International Airport, along with the Dulles Access Road, which connects the Capital Beltway to Dulles International Airport. This District was formed upon landowner petition to accelerate planned highway improvements proposed by the state which relied primarily on slower pay-as-you-go financing from the Northern Virginia region's share of the state primary road fund allocation. Under the terms of the agreement with the state, the District will fund 75 percent of defined Phase I and Phase II improvements and the state will fund 25 percent.

The District, administered by a Commission appointed by the Board of Supervisors of both counties, may subject the owners of industrial and commercial property within the District to a maximum additional tax assessment of 20 cents per $100 of assessed value. These funds, in addition to funds received through the State Primary Road Fund allocation formula, are to be used for the road improvements and debt service on bonds issued by the state. Improvements completed for Phase I of the Route 28 project included widening the existing road from two to six lanes and upgrading three major intersections. Legislation authorizing the issuance of Commonwealth Transportation Board (CTB) revenue bonds up to $160.7 million plus issuance expenses to finance the Phase I improvements to Route 28 was enacted during the 1988 Virginia General Assembly and became effective July 1, 1988. This legislation stipulates that the additional tax assessment in the District and funds allocated to the highway construction district, in which Route 28 lies, would reimburse the state for its debt service payments on its bonds. The Commonwealth issued $138.5 million in revenue bonds for the District in September 1988.

Fairfax County and Loudoun County have entered into a contract with the District and agreed to levy an additional tax assessment, as requested by the District, collect the tax, and pay all tax revenues to a Fiscal Agent for distribution. The contract specifies that the counties shall pay all revenues collected on behalf of the District to Trustees jointly designated by the CTB and the counties, and the District in turn shall notify the County of the required payment and request a rate sufficient to collect that amount, up to a maximum of 20 cents per $100 of assessed value. The rate is set at 20 cents per $100 dollars of assessed value and to date, the District Commission has not proposed a rate reduction in anticipation of expenditure requirements for the next and final phase of planned improvements.

In FY 2007, an amount of $10,215,052 has been included for Fairfax County collections based on estimated tax collections plus an allowance for potential property buy-outs, late payments and penalties. FY 2001 was the first year in its history that the District was able to pay the entire debt service requirement without state contributions. In accordance with the terms of the contract, the District must pay the full debt requirement for two years before the tax rate can be reduced.

In August 2002 Fairfax County, Loudoun County, the Commonwealth Transportation Board and the Fairfax County Economic Development Authority (EDA) entered into new contractual agreements that will provide for construction of a portion of additional improvements on Route 28 (Phase II improvements). Specifically, six separated grade interchanges will be constructed to ease traffic congestion. Funding totaling $201.7 million is made available from a joint financing plan that provides $75.4 million from CTB funds allocated from the state six-year primary and secondary road plan, approximately $36.4 million of remaining CTB Route 28 bond authorization, and $90 million of bond funds to be issued by the EDA and supported by the two counties.

The funded Phase II improvements are expected to cost $198.3 million to complete. The remaining $3.5 million surplus is available as contingency or for future improvements. Remaining unfunded Phase II improvements include the completion of four other interchanges and widening a portion of the highway to eight lanes. State grant funding is being pursued to potentially expedite some or all of the remaining projects.

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If state grant funding is unavailable, funding for these improvements will be addressed at a later date. It should be noted that on June 29, 2005 the Route 28 Tax District Commission voted unanimously to recommend that the Loudoun County and Fairfax County Boards of Supervisors authorize the use of up to $1.5 million from the Route 28 Highway Transportation Improvements Project Completion Fund and request the Virginia Department of Transportation (VDOT) to contract with the Route 28 Corridor Improvements LLC to prepare ten percent conceptual design plans for interchanges at Willard Road, Frying Pan Park Road, Innovation Drive and Nokes Boulevard. Plans completed to this level will allow for identification of needed rights of way and provide more accurate cost estimates needed to assess future financing options. This recommendation was approved by the Fairfax Board of Supervisors on September 12, 2005 and by the Loudoun Board of Supervisors on September 6, 2005.

All bond issues will be fully supported by District tax revenue. In order to maximize revenues available for new debt service, the CTB refunded its outstanding 1992 bonds in October 2002. At the same time the CTB issued $36.4 million of new bonds for construction, representing the balance of bond authorization remaining from the 1988 acts of the General Assembly. The Fairfax County EDA issued Transportation Contract Revenue bonds in the amount of $33.375 million in October 2003 and issued $57.4 million in August 2004. In the event that District revenues are not sufficient to make debt service payments, the state bonds are backed by the appropriated state allocations to the Northern Virginia Transportation District. The EDA bonds will be supported by a Revenue Stabilization Fund (RSF) equal to maximum annual EDA debt service created from surplus revenue collections. As a further credit enhancement for the proposed EDA bonds, both Fairfax and Loudoun Counties have pledged a joint moral obligation in the event that tax revenues and the RSF are not sufficient to support EDA debt service. Also, the Series 2004 Bonds are guaranteed under a separate insurance policy by MBIA Insurance Corporation. The following chart depicts the financing structure:

Current Bonds

Bond Year (April 1)	District Revenues[1]	CTB Annual Debt Service[2]	EDA Annual Debt Service[3]	Total Annual Debt Service	Excess Revenues	Cumulative Excess Revenues[4]
Balance Fwd						$6,408,259
2003	$5,836,398	$4,656,294	$0	$4,656,294	$1,180,104	7,588,363
2004	12,679,429	7,523,176	3,127,943	10,651,119	2,028,310	9,616,673
2005	13,367,270	7,531,145	3,676,138	11,207,283	2,159,987	11,776,660
2006	14,176,176	7,528,145	4,169,446	11,697,591	2,478,585	12,755,245[5]
2007	16,073,382	7,529,845	4,169,446	11,699,291	4,374,091	17,129,336
2008		7,524,883	4,169,446	11,694,329		
2009		7,530,713	4,169,446	11,700,159		
2010		7,528,150	4,529,446	12,057,596		
2011		7,528,835	5,148,566	12,677,401		
2012		7,529,625	5,601,701	13,131,326		
2013		7,530,300	5,837,713	13,368,013		
2014		7,528,050	5,630,263	13,158,313		
2015		7,531,800	5,672,350	13,204,150		
2016		7,530,550	5,716,810	13,247,360		
2017		7,528,800	5,888,810	13,417,610		
2018		7,525,800	6,270,000	13,795,800		
2019		8,100,000	6,406,763	14,506,763		
2020		8,100,000	7,122,200	15,222,200		
2021		8,105,000	7,117,375	15,222,375		
2022		8,105,000	7,119,325	15,224,325		

Bond Year (April 1)	District Revenues[1]	CTB Annual Debt Service[2]	EDA Annual Debt Service[3]	Total Annual Debt Service	Excess Revenues	Cumulative Excess Revenues[4]
2023		8,105,000	7,120,975	15,225,975		
2024		8,105,000	7,121,000	15,226,000		
2025		8,105,000	7,117,250	15,222,250		
2026		8,105,000	7,122,750	15,227,750		
2027		8,105,000	7,116,500	15,221,500		
2028		8,105,000	7,118,500	15,223,500		
2029		8,105,000	7,117,750	15,222,750		
2030		8,105,000	7,119,500	15,224,500		
2031		8,105,000	7,117,250	15,222,250		
2032		8,105,000	7,120,500	15,225,500		
2033			7,118,250	7,118,250		
Total	**N/A**	**$231,046,111**	**$179,853,412**	**$410,899,523**	**N/A**	**N/A**

1 FY 2003 represents partial year tax revenue and interest collections from October 1, 2002 to April 1, 2003. Tax district revenues for FY 2004 and FY 2005 represent all revenue collected from April 2, 2003 through April 1, 2004 and April 2, 2004 through April 1, 2005, respectively. FY 2006 and FY 2007 are estimates of combined Fairfax and Loudoun collections plus estimated interest earnings on revenue, debt service reserve and revenue stabilization fund accounts. Actual revenues may also include district buy-out proceeds.

2 CTB Revenue Refunding and Revenue Bond Debt Service issue of September 26, 2002.

3 Based on completion of EDA bond issues in 2003 and 2004 for an aggregate amount of $90,785,000. Sale of the Series 2003 bonds in the amount of $33,375,000 was completed on October 29, 2003. Sale of the Series 2004 bonds in the amount of $57,410,000 was completed on August 19, 2004.

4 Balance Forward represents funds on account with CTB and transferred to the Fiscal Agent upon refunding the 1992 bonds and new money bonds issued October 2002. An amount of $7.12 million is reserved to fund the Revenue Stabilization Fund (RSF). Excess revenues available after achieving full RSF funding are held with the Fiscal Agent and may be used to fund deficiencies in the Debt Service Fund, additional Phase II improvements or reduce the tax rate in accordance with the District Contract. The tax rate may not be reduced until the District has recorded at least two successive years of excess revenues.

5 An amount of $1.5 million was transferred to VDOT in September 2005 for 10 percent design of the last four interchanges.

FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

♦ **Fiscal Agent Payments** **$954,953**
An increase of $954,953 in estimated payments to the fiscal agent which includes taxes due of $8,715,052 based on the anticipated January 1, 2006 assessment, an allowance for one time buyouts and late payments of $1,500,000 and appropriation of all funds available in fund balance remaining from prior year collections.

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Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the <u>FY 2007 Advertised Budget Plan</u>, as approved by the Board of Supervisors on May 1, 2006:

- The Board of Supervisors made no adjustments to this fund.

Changes to <u>FY 2006 Adopted Budget Plan</u>

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the <u>FY 2006 Adopted Budget Plan</u>. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- There have been no revisions to this fund since approval of the <u>FY 2006 Adopted Budget Plan</u>.

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 Third Quarter Review:

- The Board of Supervisors made no adjustments to this fund.

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FUND STATEMENT

Fund Type G70, Agency Funds **Fund 700, Route 28 Tax District**

	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Beginning Balance	**$91**	**$39,590**	**$641**	**$0**	**$0**
Revenue:					
Real Estate Taxes-Current[1]	$6,908,468	$7,720,509	$7,759,458	$8,715,052	$8,715,052
Revenue from Buy Outs	0	1,500,000	1,500,000	1,500,000	1,500,000
Interest on Investments	1,533	0	0	0	0
Total Revenue	$6,910,001	$9,220,509	$9,259,458	$10,215,052	$10,215,052
Total Available	**$6,910,092**	**$9,260,099**	**$9,260,099**	**$10,215,052**	**$10,215,052**
Expenditures:					
Payments to the Fiscal Agent	$6,909,451	$9,260,099	$9,260,099	$10,215,052	$10,215,052
Total Expenditures	$6,909,451	$9,260,099	$9,260,099	$10,215,052	$10,215,052
Total Disbursements	**$6,909,451**	**$9,260,099**	**$9,260,099**	**$10,215,052**	**$10,215,052**
Ending Balance[2]	**$641**	**$0**	**$0**	**$0**	**$0**
Tax rate/per $100 Assessed Value	$0.20	$0.20	$0.20	$0.20	$0.20

[1] Estimate to provide for sufficient appropriation includes projected tax collections based on assessments, and allowances for late payments, penalties and permitted property buy-outs. All monies collected are required to be remitted to the Fiscal Agent monthly as collected.

[2] As all monies collected are required to be remitted to the Fiscal Agent monthly as collected the ending balance should be zero unless as of the closing period there were pending remittances to the Fiscal Agent.