Fund 121
Dulles Rail Phase I Transportation Improvement District

Focus

Metrorail service is planned to be extended approximately 23 miles from an area east of West Falls Church station, along the median of the Dulles International Airport Access Highway (DIAAH) through Tysons Corner, then further out the DIAAH, through Dulles International Airport, to Route 772 in Loudoun County. The total cost of the Rail to Dulles Project currently is estimated to be $4.0 billion. Negotiations are on-going with the general contractor to determine a final construction cost for Phase I. It is anticipated that a fixed-price construction cost will be known in the spring timeframe. Final cost estimates for Phase II will be developed during FY 2008.

Due to financial constraints imposed by the federal government, the project is currently expected to be completed in two phases. Phase I is expected to cost approximately $2.06 billion for the segment from the Metrorail Orange line to Wiehle Avenue in Reston, including construction of five new stations. Phase II is expected to cost approximately $2.0 billion for the segment from Wiehle Avenue to Route 772. Based on the latest estimate available from the Virginia Department of Rail and Public Transportation (VDRPT), the County's share for Phase I is expected to be approximately $460.0 million and for Phase II it is expected to be $176.7 million.

The costs are expected to be shared by the federal government, the Commonwealth, and Fairfax County, Loudoun County and the Metropolitan Washington Airports Authority (MWAA). It should be noted that the County's participation rate is determined on the basis of total project costs and sharing the cost of common features necessary to complete an operational line, such as soft costs, rail yards and power stations.

On January 21, 2004, a petition was filed with the Clerk to the Board of Supervisors (the Petition) by owners of commercial and industrial property (the Petitioners) asking the Board of Supervisors to create a Phase I Dulles Rail Transportation Improvement District (the Phase I District), as provided by Chapter 15 of Title 33.1 of the Code of Virginia, as amended (the Act). The Act is similar although not identical to the law that empowered the Board and the Board of Supervisors of Loudoun County to create the Route 28 Highway Transportation Improvement District (the Route 28 District) in both counties in 1988.

The Phase I District was approved and established by the Board of Supervisors on February 23, 2004, following a public hearing. The Phase I District is governed by a District Commission, consisting of four Board members and the Chairman of the Commonwealth Transportation Board (CTB) or his/her designee. The District Commission is advised by a District Advisory Board, composed of landowner representatives. This is the same basic governance structure used for the Route 28 District.

Commercial and industrial property within the district created pursuant to the Act can be taxed to raise funds for transportation improvements in the district. Such a district can be created upon the petition of the owners of at least 51 percent, measured by land area or assessed value, of the real property located within the proposed district that is zoned or used for commercial or industrial purposes. The properties listed on the signature pages of the Petition constituted over 64 percent of such property located within the Phase I District, measured by assessed value.

Per the Code of Virginia § 33.1-435, properties zoned to permit multi-unit residential use but not yet used for that purpose and multi-unit properties primarily leased or rented to residential tenants or other occupants by an owner who is engaged in such a business are deemed to be in commercial use for purposes of the Act. But no other residential properties are subject to any tax that may be levied on behalf of such a district, even if they are within the boundaries of such a district.

The boundaries, as proposed by the Petitioners, encompass most if not all of the Tysons Corner Urban Center, commercial and industrial properties near the proposed Metrorail station at Wiehle Avenue, and the necessary DAAR right-of-way.

The proposed transportation improvements include that portion in the Phase I District of the capital improvements described as the Locally Preferred Alternative (LPA) in a resolution of the Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA), adopted on November 21, 2002.

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The Petitioners will contribute up to $400.0 million of the County's share for Phase I through the imposition of a voluntary tax on commercial and industrial properties within the Phase I District. Included in the proposal is a provision for full coverage of the long-term financing costs for the County's net share of construction costs. At the maximum contribution, under the current plan, the total expected cost including interest costs over the life of the district to be provided by the tax on behalf of the Phase I District is approximately $882.5 million. As of December 2006, funds for the tax district are expected to fully fund the County's expected share of Phase I costs. Funding requirements in excess of the amount to be provided by the District are expected to be funded by other available revenue sources.

The plan as set forth in the Petition contains specific provisions regarding timing, tax rates, total costs, and percentage of costs to be paid with Phase I District revenue. The plan contemplates the establishment of a Revenue Stabilization Fund (RSF) with early collection of taxes commencing in FY 2005 to build reasonable reserves to help maintain the rate parameters in view of the cyclic pattern of changes in assessed value from year to year. It is anticipated that the RSF and perhaps other rate or coverage covenants will be required by rating agencies to achieve an investment grade rating on bonds issued that are supported by Phase I District tax revenues.

Under the terms of the petition, before any Phase I District revenues are committed the tax rate is capped at 22 cents per $100 of assessed value, and taxes collected accumulate in the RSF. If a federal Full Funding Grant Agreement (FFGA) for Phase I is not executed, then the owners of 51 percent of the commercial and industrial property within the Phase I District may petition for its dissolution, and individual property owners can ask for the return of taxes previously paid and accumulated in the RSF.

Before committing Phase I District tax revenues, the District Commission must determine that the District's actual share of the financing will not exceed $400 million of construction funds for Phase I costs, and that a tax rate of no more than 29 cents per $100 of assessed value will be sufficient to meet the Phase I District's obligations at an assumed rate of growth in assessed value of 1.5 percent. If at the time the District Commission expects either of those parameters to be exceeded, then they must seek approval from the owners of 51 percent of the commercial or industrial property within the Phase I District before proceeding to commit the revenues.

However, once Phase I District revenues have been committed, allowing the financing to be put into place for the sale of bonds supported by those revenues, there is no "hard" cap on the Phase I District tax rate other than the statutory cap of 40 cents per $100 of assessed value. Thus there would be full latitude to set the tax rate up to the statutory maximum, if necessary, to meet the obligations of the Phase I District, e.g., if necessary to meet debt service requirements in the event assessed value growth rates cannot be sustained at 1.5 percent or greater.

The Commonwealth of Virginia is in the process of transferring the Dulles Toll Road to the Metropolitan Washington Airports Authority (MWAA) as part of a proposal by MWAA to operate and maintain the Dulles Toll Road and to accelerate the construction and operation of Phase II of the Metrorail extension to Dulles International Airport. The transfer of the Dulles Toll Road occurred in December 2006 and the transfer of the Metrorail project will occur during the 1st quarter of 2007. Phase II of the project will complete the 23 mile line to Dulles Airport and beyond into Loudoun County. The plan of finance will likely be similar to that of Phase I; however, the local share will be shared among Fairfax County, Loudoun County and the Washington Metropolitan Airports Authority. The County expects to receive another petition in the near future from interested landowners to form another tax district comprising the Reston-Herndon-Dulles commercial districts in order to provide funds for Phase II financing. The transfer of the Dulles Toll road and the Metrorail project to MWAA does not alter the funding approach to the project. Dulles Toll Road revenues will continue to be used as a major portion of the non-federal share of the project cost.

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FY 2008 Funding Adjustments

The following funding adjustments from the FY 2007 Revised Budget Plan are necessary to support the FY 2008 program:

- **Debt Service Payments** **$6,350,000**
  Funding of $6,350,000 is estimated for interim debt service financing based on total project expenditure projections and the percentage share for the District's contribution. A bond sale will be planned for FY 2008 or FY 2009 in order to provide the permanent financing.

Changes to FY 2007 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:

- There have been no revisions to this fund since approval of the FY 2007 Adopted Budget Plan.

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FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 121, Dulles Rail Phase I Transportation Improvement District

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan
Beginning Balance	**$7,512,571**	**$24,782,537**	**$26,186,239**	**$40,961,970**
Revenue:				
Real Estate Taxes-Current	$17,849,886	$20,610,469	$20,610,469	$24,398,029
Interest on Investments	823,782	515,262	515,262	2,276,292
Total Revenue	$18,673,668	$21,125,731	$21,125,731	$26,674,321
Total Available	**$26,186,239**	**$45,908,268**	**$47,311,970**	**$67,636,291**
Expenditures:				
Debt Service	$0	$6,350,000	$6,350,000	$6,350,000
Total Expenditures	$0	$6,350,000	$6,350,000	$6,350,000
Total Disbursements	**$0**	**$6,350,000**	**$6,350,000**	**$6,350,000**
Ending Balance[1]	**$26,186,239**	**$39,558,268**	**$40,961,970**	**$61,286,291**
Tax rate/per $100 Assessed Value	**$0.22**	**$0.22**	**$0.22**	**$0.22**

[1] The ending balance is accumulating in anticipation of the start of construction costs. Construction is expected to begin following approval of the Full Funding Grant Agreement in November 2007.