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 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.

In FY 2005, an amount of $7,100,000 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 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 State Commonwealth Transportation Board (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 4 other interchanges and widening a portion of the highway to 8 lanes. Funding for these improvements will be addressed at a later date.

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 in October 2003 and expects to issue approximately $60 million in FY 2005. 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. The following chart depicts the financing structure and summary of past contributions and payments.

Route 28 Project Financing Plan

Pre-October 2002 Contributions and Expenditures[1]

Local Revenues Applied	Present Value of District Obligation Paid	Transportation Board Payments Made	Present Value of Transportation Board Payments	Special tax Revenues and Investment Earnings on Hand 10/10/02
$87,809,985	$56,518,295	$36,174,633	$25,355,615	$6,408,259

[1] Source: *Financial Report: State Route 28 Highway Transportation Improvement District*, Virginia Department of Transportation, September 10, 2002 and CTB Series 2002 closing documents. Presented for historical reference.

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	12,676,429	7,523,176	3,127,943	10,651,119	2,028,310	9,616,673
2005	11,514,210	7,531,145	3,480,184	11,011,328	502,882	10,011,555
2006		7,528,145	3,589,659	11,117,805		
2007		7,529,845	4,434,659	11,964,503		
2008		7,524,883	4,683,534	12,208,418		
2009		7,530,713	4,927,872	12,458,584		
2010		7,528,150	5,291,172	12,819,322		
2011		7,528,835	5,657,954	13,186,788		
2012		7,529,625	6,038,182	13,567,808		
2013		7,530,300	6,439,800	13,970,099		
2014		7,528,050	6,845,639	14,373,690		
2015		7,531,800	7,260,314	14,792,114		
2016		7,530,550	7,694,694	15,225,243		
2017		7,528,800	8,142,562	15,671,362		
2018		7,525,800	8,445,249	15,971,049		

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]
2019		8,100,000	8,450,748	16,550,748		
2020		8,100,000	8,447,012	16,547,011		
2021		8,105,000	8,446,026	16,551,026		
2022		8,105,000	8,449,075	16,554,075		
2023		8,105,000	8,446,975	16,551,975		
2024		8,105,000	8,450,000	16,555,000		
2025		8,105,000	8,446,000	16,551,000		
2026		8,105,000	8,448,500	16,553,500		
2027		8,105,000	8,447,000	16,552,000		
2028		8,105,000	8,446,500	16,551,500		
2029		8,105,000	8,446,750	16,551,750		
2030		8,105,000	8,448,250	16,553,250		
2031		8,105,000	8,445,000	16,550,000		
2032		8,105,000	8,447,000	16,552,000		
2033			8,448,750	8,448,750		
Total	$23,797,690	$231,046,111	$212,773,000	$443,819,111	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 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] Estimated based on completion of EDA bond issues scheduled for 2003 and 2004 for an approximate aggregate amount of $90,000,000. 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 is expected in October 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. Excess revenues in succeeding years will accumulate to the credit of the RSF until an amount equal to maximum annual debt service is achieved. Excess revenues available after achieving full RSF funding will be 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.

FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

♦ **Fiscal Agent Payments** **$1,176,808**

An increase of $1,176,808 in estimated payments to the fiscal agent including taxes due of $5,600,000 based on the anticipated January 1, 2004 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 2005 Advertised Budget Plan</u>, as approved by the Board of Supervisors on April 26, 2004:

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

Changes to <u>FY 2004 Adopted Budget Plan</u>

The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the <u>FY 2004 Adopted Budget Plan</u>. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:

- ♦ **Carryover Adjustments** **$0**
  As part of the *FY 2003 Carryover Review*, the Board of Supervisors approved no adjustment to this trust.

The following funding adjustments reflect all approved changes to the FY 2004 Revised Budget Plan from January 1, 2004 through April 19, 2004. Included are all adjustments made as part of the FY 2004 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 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Beginning Balance	**$41,215**	**$41,215**	**$41,215**	**$41,215**	**$0**
Revenue:					
Real Estate Taxes-Current[1]	$7,105,570	$5,973,407	$5,973,407	$7,100,000	$7,100,000
Revenue from Buy Outs	$0	$0	$1,000,000	$0	$0
Interest on Investments	6,500	0	0	0	0
Total Revenue	$7,112,070	$5,973,407	$6,973,407	$7,100,000	$7,100,000
Total Available	**$7,153,285**	**$6,014,622**	**$7,014,622**	**$7,141,215**	**$7,100,000**
Expenditures:					
Payments to the Fiscal Agent	$7,112,070	$5,973,407	$7,014,622	$7,141,215	$7,141,215
Total Expenditures	$7,112,070	$5,973,407	$7,014,622	$7,141,215	$7,141,215
Total Disbursements	**$7,112,070**	**$5,973,407**	**$7,014,622**	**$7,141,215**	**$7,141,215**
Ending Balance[2]	**$41,215**	**$41,215**	**$0**	**$0**	**($41,215)**

[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] Accumulated interest earned on investments. Interest earnings were appropriated from fund balance in FY 2004 in accordance with the Route 28 interjurisdictional agreements. This action results in a negative ending balance in FY 2005 which will be adjusted by FY 2005 expenditure adjustments as part of a scheduled quarterly review.