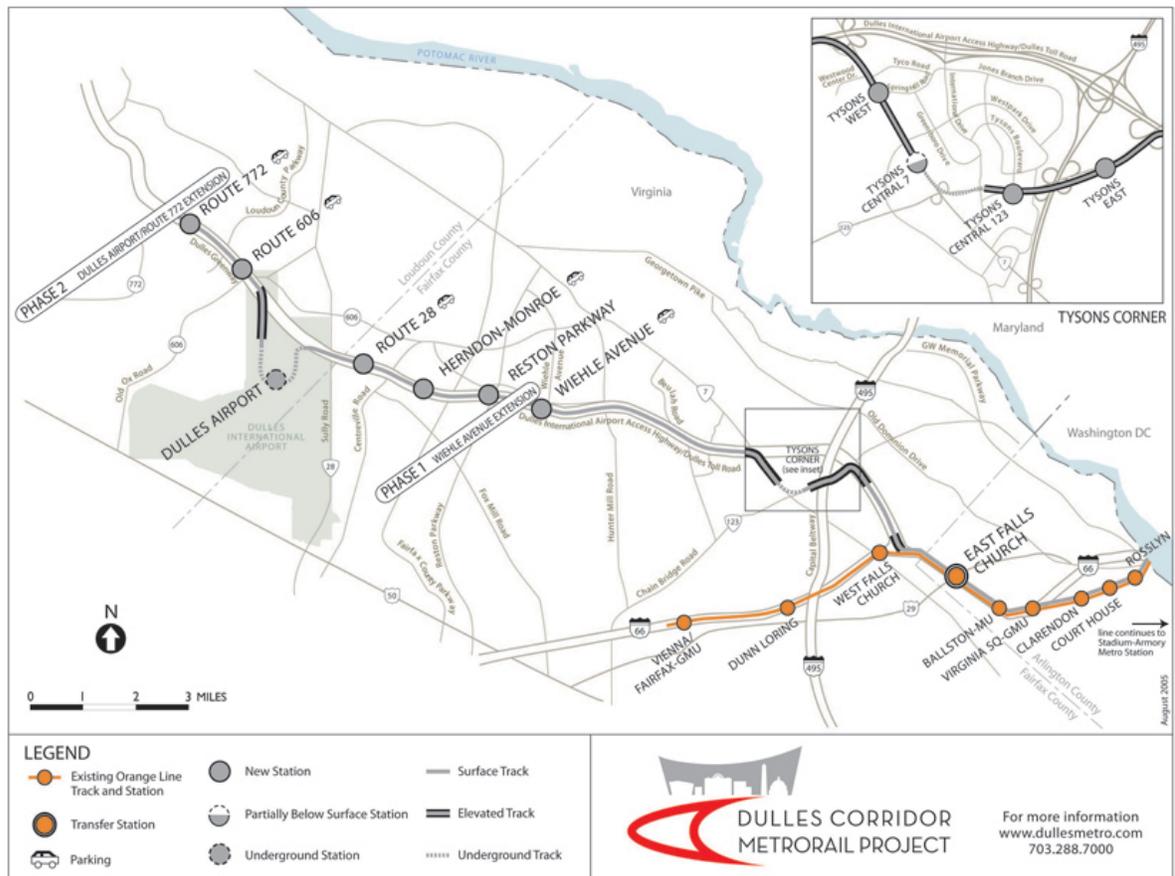


Fund 122

Dulles Rail Phase II Transportation Improvement District

Focus

The purpose of 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.



On October 9, 2009 a petition (the "Petition") was filed with the Clerk to the Board of Supervisors to create the Phase II Dulles Rail Transportation Improvement District (the "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 (a "District Tax"). Pursuant to that statute, following a public hearing on December 7, 2009, the Board created the Phase II District on December 21, 2009. It should be noted that on November 10, 2009, the Town of Herndon approved the creation of the Phase II District.

Phase II of the Dulles Metrorail project (the "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 share of the Project. Consistent with the Petition and the resolution adopted by the Board to create the Phase II District, a tax rate of \$0.05 per hundred dollars of assessed value is proposed for FY 2011 for commercial and industrial properties within the Phase II District. This tax rate is expected to yield approximately \$3.6 million in revenue for the fund. The Petition also proposed annual increases of \$0.05 cents until the rate reaches \$0.20 cents per \$100 of assessed value in FY 2014. The rate will be held at \$0.20 until full revenue operations commence on Phase II, which is

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expected in late 2016. 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 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 made a number of years ago and prior to preliminary engineering and environmental studies that resulted in an improved estimate for the total project cost.

However, the Full Funding Agreement later entered into with the federal government provides for a federal share for Phase I only (Interstate 66 to Wiehle Avenue) and caps that contribution at \$900 million, which necessarily changes the percentages for the partners' shares. At this time, no federal funds have been committed to Phase II. The current absence of federal funds for Phase II has resulted in the DTR taking over the share of Phase II costs that the original plan had "assigned" to the federal government.

No funds may be expended until certain other conditions are met, among which is completion of the preliminary design and cost estimate for Phase II acceptable to the Board or Supervisors, expected by 2011. Other key conditions include: 1) appropriate commitments from all sources contributing to Phase II are in place to assure completion of the Phase II Transportation Improvements; 2) the Phase II District's share of the aggregate capital cost does not exceed \$330,000,000; 3) the County's share of aggregate costs remain reasonably consistent with currently anticipated contributions; and 4) there is no "Supplemental Tax" on the commercial and industrial real estate within in 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.

As a result of increases in estimated project costs and the lack of a federal funding commitment for Phase II, the original funding plan was revised. The current funding structure for the full project including both Phase I and Phase II, is based on a projected total project cost of \$5.25 billion and is as follows:

- ◆ Fairfax County, Loudoun County and Airports Authority contribution is 25 percent.
- ◆ Federal contribution is 17.1 percent, which is based upon a fixed FTA grant for Phase 1 of \$900 million.
- ◆ The Commonwealth contribution is 5.2 percent, which is based upon a fixed contribution of \$275 million consisting of non-toll road funding.
- ◆ The DTR contribution provides the remaining amount, and is 52.7 percent.

The total County share of the project cost is estimated to be 16.1 percent of the total project cost of \$5.25 billion or \$845.25 million with \$400.0 million from the Phase I tax district and \$330.0 million from the Phase II tax district and the source for the remaining portion cost of \$115.25 million to be determined.

FY 2011 Funding Adjustments

The following funding adjustments from the FY 2010 Adopted Budget Plan are necessary to support the FY 2011 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 April 27, 2010.

- ◆ **Operating Expenses** **\$500,000**
It is anticipated that funding may be required for start-up fees associated with establishment of this new district. Therefore, \$500,000 has been budgeted in Operating Expenses for FY 2011 which is the first year of existence for this fund. However, it should be noted that no funds will be expended unless and until precedent conditions as established by the petition are met. Any unspent funds will return to fund balance to pay for project construction costs.

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Changes to FY 2010 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2010 Revised Budget Plan since passage of the FY 2010 Adopted Budget Plan. Included are all adjustments made as part of the FY 2009 Carryover Review, FY 2010 Third Quarter Review, and all other approved changes through April 20, 2010.

◆ **New Fund Established**

\$0

This fund was newly created on December 21, 2009. FY 2011 will be the first year of tax collection for Dulles Rail Phase II. Therefore, there were no funding adjustments during this time period.

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FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 122, Dulles Rail
Phase II Transportation Improvement District

| | FY 2009 Actual | FY 2010 Adopted Budget Plan | FY 2010 Revised Budget Plan | FY 2011 Advertised Budget Plan | FY 2011 Adopted Budget Plan |
|--|-------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Beginning Balance | \$0 | \$0 | \$0 | \$0 | \$0 |
| Revenue: | | | | | |
| Real Estate Taxes | \$0 | \$0 | \$0 | \$3,582,035 | \$3,582,035 |
| Interest on Investments | 0 | 0 | 0 | 15,000 | 15,000 |
| Total Revenue | \$0 | \$0 | \$0 | \$3,597,035 | \$3,597,035 |
| Total Available | \$0 | \$0 | \$0 | \$3,597,035 | \$3,597,035 |
| Expenditures: | | | | | |
| Operating Expenses | \$0 | \$0 | \$0 | \$500,000 | \$500,000 |
| Total Expenditures | \$0 | \$0 | \$0 | \$500,000 | \$500,000 |
| Total Disbursements | \$0 | \$0 | \$0 | \$500,000 | \$500,000 |
| Ending Balance | \$0 | \$0 | \$0 | \$3,097,035 | \$3,097,035 |
| Tax rate/per \$100 Assessed Value | \$0.00 | \$0.00 | \$0.00 | \$0.05 | \$0.05 |