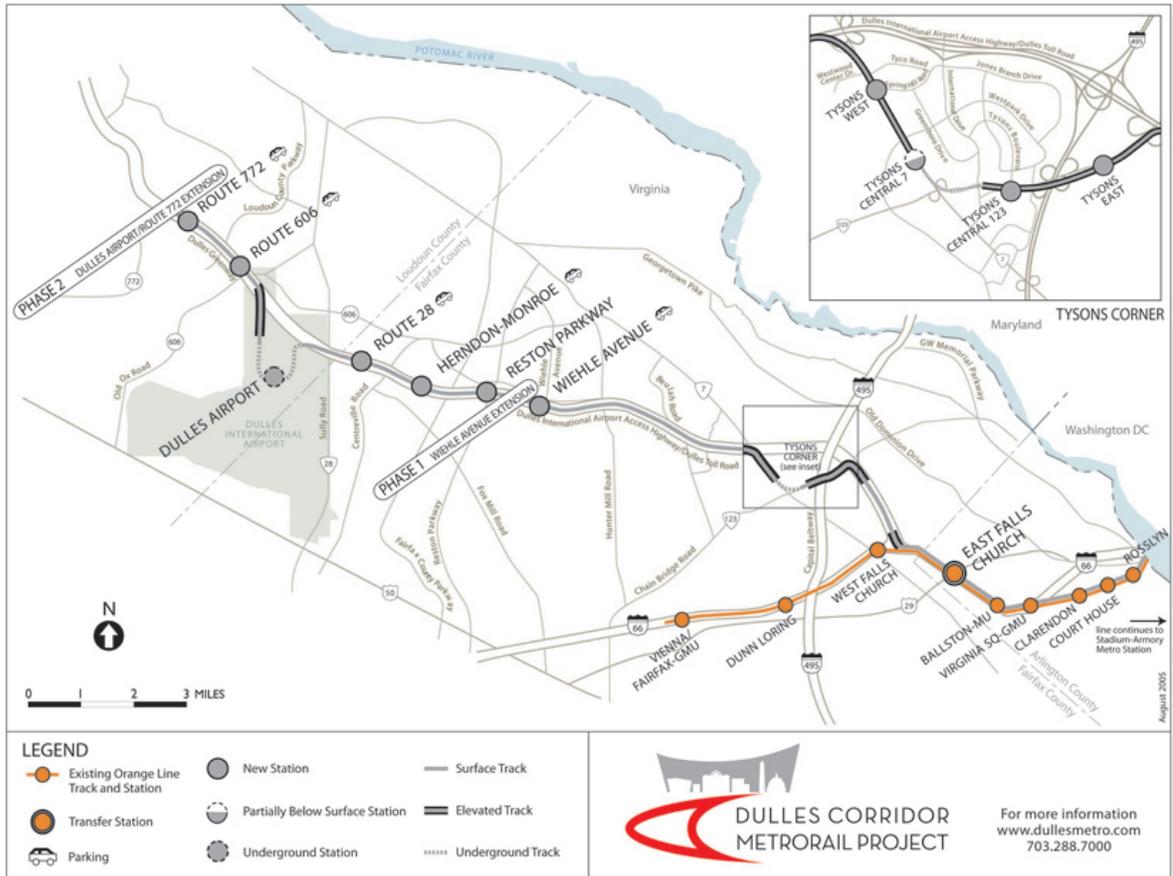


Fund 121

Dulles Rail Phase I Transportation Improvement District

Focus

Metro rail service is planned to be extended approximately 23 miles from an area east of West Falls Church station, along the median of the Dulles Connector Road (DCR) through Tysons Corner, then further out the Dulles International Airport Access Highway (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 between \$5.8 billion to \$6.5 billion. Due to financial constraints imposed by the federal government, the project is currently expected to be completed in two phases. The Phase I cost is approximately \$2.8 billion for the segment from the Metrorail Orange line to Wiehle Avenue in Reston, including construction of five new stations.



The Phase I cost of \$2.8 billion is being financed by the federal government, the Commonwealth of Virginia, Fairfax County, and revenue from the Dulles Toll Road (DTR). In March 2009, the Federal Transit Administration executed a Full Funding Grant Agreement with Metropolitan Washington Airports Authority (MWAA) for \$900 million for Phase I of the project. Fairfax County’s share of Phase I, \$400 million, is being financed from the Phase I Tax District; the remaining funding for Phase I is a combination of state and DTR funds.

The total project costs are expected to be shared by the federal government, the Commonwealth, Fairfax County, Loudoun County, MWAA, and operation of the Dulles Toll Road. 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.

Fund 121

Dulles Rail Phase I Transportation Improvement District

The primary source of revenue to support construction of the rail line is expected to be tolls from the Dulles Toll Road. Control and operation of the Dulles Toll Road was transferred to MWAA on November 1, 2008. The local funding partners, Fairfax County, Loudoun County, and MWAA have entered into an agreement which specifies the level of funding responsibility for each partner; the Fairfax share is approximately 16.1 percent of total costs and approximately \$400.0 million for Phase I. This is also the maximum permitted under the terms of the Phase I Tax District. Additionally, landowners in Phase II submitted a petition to the Board of Supervisors to form a Phase II tax district which would commit \$330 million to the County's share of Phase II funding.

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 Tax 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. 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.

Fund 121

Dulles Rail Phase I Transportation Improvement District

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. The Federal Transit Administration (FTA) received the Full Funding Grant Agreement application on October 22, 2008 and approved it and forwarded it to the Secretary of the United States Department of Transportation and the Office of Management and Budget on December 19, 2008 for their approval. Secretary Peters, after reviewing the FFGA application with OMB, approved the FFGA on January 7, 2009, and forwarded it to Congress for their approval. The FFGA between the FTA and the MWAA was executed on March 10, 2009.

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.

Fund 121

Dulles Rail Phase I Transportation Improvement District

On June 22, 2009, the Board of Supervisors approved preliminary bond documents for Phase I Dulles Rail Tax District financing and authorization of judicial proceedings to validate the bonds. It was determined that prior to the issuance of bonds by the Economic Development Authority (EDA), there should be a judicial determination of the validity of the bonds to ensure broad financial market acceptance of the bonds. The initial judicial review was completed at the Circuit Court level on August 28, 2009, at which time the County received a favorable ruling. On November 4, 2010, the Virginia Supreme Court affirmed the lower court ruling.

On May 26, 2011, the EDA issued the first series of Phase I EDA bonds in the amount of \$205.7 million which provided \$220 million for the construction of the Phase I project. A second Phase I EDA bond issue is tentatively planned for fall 2012 for purposes of providing approximately \$65 million for the Phase I project. These issues together with an estimated \$115 million in total equity contribution from taxes collected will fully fund the County's obligation of providing \$400 million for Phase I of the project.

Prior to the execution of the Full Funding Grant Agreement between the Federal Transit Administration (FTA) and the MWAA on March 10, 2009, the only construction work occurring on the Dulles Corridor Metrorail Project (DCMP) concerned the relocation of utilities along Route 7 and Route 123 in Tysons Corner.

As of April 2012, construction for Phase I was seventy-three percent complete. MWAA expects substantial completion of construction of Phase I to occur in the Summer of 2013, and WMATA to begin revenue service in December 2013. Additional construction activities provided by DCMP are as follows:

- ◆ Bridge construction above I-495 was completed last fall and now track work is being laid behind sound barriers.
- ◆ Aerial construction along Route 123 from the Dulles Connector Road into the future Route 123 Metrorail Station near Tysons Corner Center and Tysons Galleria is complete and track continues to be laid.
- ◆ Construction continues on the bridges crossing from Route 7 to the median of the Dulles International Airport Access Highway/Dulles Toll Road. Aerial work from Route 7 to the airport road will be completed in late summer 2012.
- ◆ Construction continues on wayside support facilities that includes traction power substations, train control rooms and communications rooms along the corridor. Several are currently in use with full completion expected by late summer 2012.
- ◆ Each of the five rail stations is visible from ongoing construction along with the tie in for the Silver Line to the existing Orange Line between the East Falls Church and West Falls Church Metrorail stations. The most advanced work is noted at the Wiehle and Tysons East stations. At the Wiehle station, the station structure is complete, escalators, canopies and rooftop are in place and track work is complete. At the Tysons East station, interiors are ready for equipment installation, escalators are in place and architectural precast work is complete.

On April 10, 2012 the Fairfax County Board of Supervisors confirmed the County's participation in Phase II which has a projected cost estimate ranging from \$2.7 to \$3.1 billion. For additional cost and project information about the Dulles Rail project Phase II, please see Fund 122, Dulles Rail Phase II Transportation Improvement District contained in Volume 2, Capital Construction and Other Operating Funds.

Fund 121

Dulles Rail Phase I Transportation Improvement District

FY 2013 Funding Adjustments

The following funding adjustments from the FY 2012 Adopted Budget Plan are necessary to support the FY 2013 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 1, 2012.

- ◆ **Debt Service Adjustments** **(\$7,933,417)**
A decrease of \$7,933,417 or 31.7 percent from the FY 2012 Adopted Budget Plan amount of \$25,000,000 due to adjustments necessary to accommodate lower than estimated debt service payments.

- ◆ **Construction Payments** **\$35,000,000**
An increase of \$35,000,000 over the FY 2012 Adopted Budget Plan for estimated construction payments to MWAA. There were no funds budgeted for construction as part of the FY 2012 Adopted Budget Plan based on delays in the sale of bonds necessitated by legal challenges.

Changes to FY 2012 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2012 Revised Budget Plan since passage of the FY 2012 Adopted Budget Plan. Included are all adjustments made as part of the FY 2011 Carryover Review, FY 2012 Third Quarter Review, and all other approved changes through April 24, 2012.

- ◆ **Carryover Adjustments** **\$20,000,000**
As part of the FY 2011 Carryover Review, the Board of Supervisors approved increased expenditures of \$20,000,000 in Operating Expenses, to allow for construction payments to MWAA.

Fund 121

Dulles Rail Phase I Transportation Improvement District

FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 121, Dulles Rail
Phase I Transportation Improvement District

	FY 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan	FY 2013 Adopted Budget Plan
Beginning Balance	\$90,099,993	\$47,868,264	\$65,391,666	\$43,613,276	\$43,613,276
Revenue:					
Real Estate Taxes-Current	\$22,242,614	\$22,436,338	\$22,436,338	\$24,221,727	\$24,221,727
Interest on Investments	349,910	785,272	785,272	195,000	195,000
Total Revenue	\$22,592,524	\$23,221,610	\$23,221,610	\$24,416,727	\$24,416,727
Total Available	\$112,692,517	\$71,089,874	\$88,613,276	\$68,030,003	\$68,030,003
Expenditures:					
Debt Service	\$0	\$25,000,000	\$25,000,000	\$17,066,583	\$17,066,583
Construction Payments	47,000,000	0	20,000,000	35,000,000	35,000,000
District Expenses	300,851	0	0	0	0
Total Expenditures	\$47,300,851	\$25,000,000	\$45,000,000	\$52,066,583	\$52,066,583
Total Disbursements	\$47,300,851	\$25,000,000	\$45,000,000	\$52,066,583	\$52,066,583
Ending Balance ¹	\$65,391,666	\$46,089,874	\$43,613,276	\$15,963,420	\$15,963,420
Tax rate per \$100 Assessed Value	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22

¹ The ending balance has been fluctuating based on cash funding of construction due to delays in the sale of bonds necessitated by legal challenges. Legal challenges to the sale of the bonds were resolved in early 2011 and a total of \$205.705 million in bond were sold in May 2011. An additional bond sale of \$65 million is tentatively scheduled for fall 2012. The decrease in ending balance is also a result of the increased construction activity occurring and MWAA payments invoiced to the County.