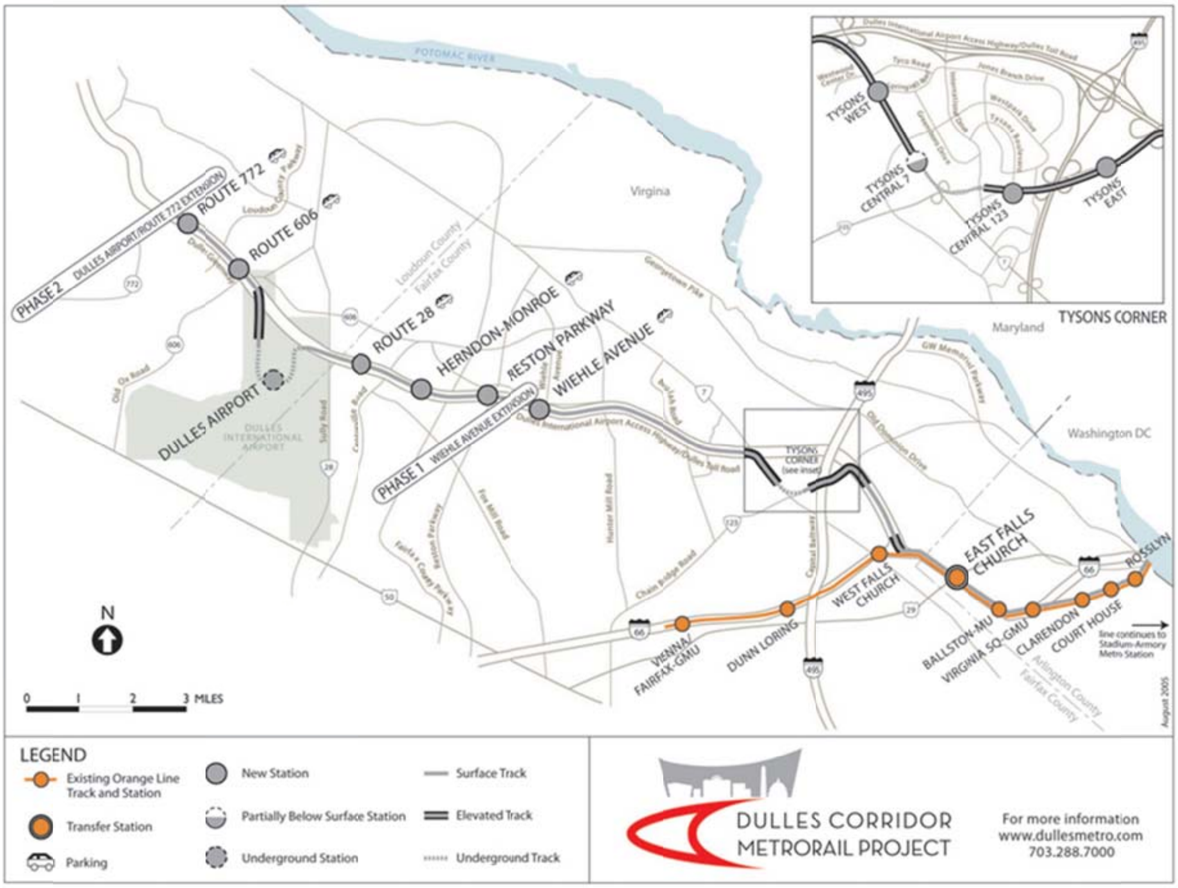
Fund 122
Dulles Rail Phase II Transportation Improvement District

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 was adopted for FY 2011 for commercial and industrial properties within the Phase II District, and a tax rate of $0.10 per hundred dollars of assessed value was adopted for FY 2012 for commercial and industrial properties within the Phase II District. According to the Petition, for FY 2013, this tax rate increases to $0.15 per hundred dollars of assessed value. It is expected to yield approximately $11.1 million in revenue for the fund. The Petition proposed annual tax increases of $0.05 cents per year until the rate reaches $0.20 cents per $100 of assessed value in FY 2014. The tax rate will be held at $0.20 until full revenue operations commence on Phase II, which is 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 these conditions is completion of the preliminary design and cost estimate for Phase II, acceptable to the Board of Supervisors, which is expected during 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 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. Recent updates to the cost for Phase II is approximately $2.8 billion to $3.1 billion, which is subject to change based on final engineering estimates.

The total County share of the project is expected to be approximately $900 million with $400 million from the Phase I tax district and $330 million from the Phase II tax district and the source for the remaining portion cost of $170 million to be determined.

In late 2011, the County, in addition to the other local funding partners, approved the Memorandum of Agreement (MOA) to proceed with Phase II of the Project. The MOA provides for the following major points of agreement:

- MWAA agrees that the Airport station will be an aerial station.
- The Commonwealth agrees to seek $150 million from the General Assembly to be used to reduce the burden on DTR users.
- USDOT agrees to provide up to a $30 million credit subsidy for TIFIA loans to be made to Fairfax, Loudoun, and MWAA. Fairfax and Loudoun may apply for the maximum amount of TIFIA credit assistance for which each will qualify based on their share of the total cost of the Project, and MWAA will apply for the balance available.
- Fairfax and Loudoun agree to use their best efforts individually to find third party funding for the 5 garages (3 in Loudoun and 2 in Fairfax) and the Route 28 station (Fairfax), but if and to the extent they are unable to do so, then whatever portion is not funded by third party revenues will be shared as currently provided by the Funding Agreement.
- Other Phase 2 cost savings opportunities will be implemented, including a reduction in the size of the Metrorail yard and shop facilities at the Airport, for additional cumulative net Project cost savings of $125 million as estimated by US DOT, 75 percent of which ($94 million) would be cost savings for DTR users.
- A reallocation of estimated third party funding credits from what would have resulted from the Funding Agreement is expected to produce additional cost savings for DTR users of as much as $242 million.
- WMATA agrees to cooperate with Fairfax to make such amendments in agreements between the two parties as shall be necessary to permit parking revenues from the two garages included in the Fairfax Facilities to be used to pay for the cost of constructing the garages, if Fairfax deems it appropriate to use such parking revenues for that purpose.
- Virginia, Fairfax, Loudoun, WMATA, and MWAA agree to form a Coordinating Committee composed of their respective chief executive officers (including Fairfax's County Executive) to implement the MOA and to regularly monitor progress in planning, designing, and constructing Phase 2.
- Virginia and MWAA agree that they have reached a separate agreement on a Project Labor Agreement for Phase 2 that will be consistent with Federal statutory and regulatory requirements and Virginia law.
- The MOA explicitly recognizes that nothing in it required Fairfax to pay or will result in Fairfax paying more than 16.1 percent of the total Project cost as previously agreed in the Funding Agreement.
- There will be continuing FTA oversight of the Project.

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FY 2013 Funding Adjustments

The following funding adjustments from the FY 2012 Adopted Budget Plan are necessary to support the FY 2013 program:

- FY 2013 funding remains at the same level as the FY 2012 Adopted Budget Plan.

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, and all other approved changes through December 31, 2011:

- There have been no adjustments to this fund since approval of the FY 2012 Adopted Budget Plan.

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FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 122, Dulles Rail Phase II Transportation Improvement District

	FY 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan
Beginning Balance	**$0**	**$3,097,035**	**$3,014,931**	**$9,234,251**
Revenue:				
Real Estate Taxes	$3,239,716	$6,654,110	$6,654,110	$11,049,068
Interest on Investments	7,639	65,210	65,210	13,104
Total Revenue	$3,247,355	$6,719,320	$6,719,320	$11,062,172
Total Available	**$3,247,355**	**$9,816,355**	**$9,734,251**	**$20,296,423**
Expenditures:				
Operating Expenses	$232,424	$500,000	$500,000	$500,000
Total Expenditures	$232,424	$500,000	$500,000	$500,000
Total Disbursements	**$232,424**	**$500,000**	**$500,000**	**$500,000**
Ending Balance[1]	**$3,014,931**	**$9,316,355**	**$9,234,251**	**$19,796,423**
Tax rate/per $100 Assessed Value[2]	$0.05	$0.10	$0.10	$0.15

[1] The ending balance will be accumulating in anticipation of the sale of bonds to fund the district's share of the project.

[2] Per the Petition the annual tax rate will increase $0.05 cents per year, which is reflected by the increase from $0.10 in FY 2012 to $0.15 in FY 2013, 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 expected in late 2016.