Fund 70000
Route 28 Tax District

Focus

Fairfax County, in partnership with Loudoun County, formed the Route 28 Highway Transportation Improvement District (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. Fund 70000 (formerly Fund 700), Route 28 Tax 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 $0.20 cents per $100 of assessed value. The FY 2014 tax rate for this district is $0.18 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 (CTB) 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 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 $0.20 cents per $100 of assessed value. The rate is set at $0.18 cents per $100 dollars of assessed value. In FY 2014, an amount of $10,707,629 has been included for Fairfax County collections based on estimated tax collections and an allowance for potential property buy outs, late payments, and penalties.

In August 2002 Fairfax County, Loudoun County, the Commonwealth Transportation Board and the Fairfax County Economic Development Authority (EDA) entered into contractual agreements to provide for construction of a portion of additional improvements on Route 28 (Phase II improvements). Specifically, six separated grade interchanges would be constructed to ease traffic congestion. Funding totaling $201.7 million was made available from a joint financing plan providing $75.4 million from CTB funds allocated from the state six-year primary and secondary road plan, approximately $36.3 million of remaining CTB Route 28 bond authorization, and approximately $90.0 million of bond funds issued by the EDA in 2003 and 2004 and supported by the two counties. Construction of the first six interchanges was completed in FY 2008.

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In October 2006, the CTB, the counties and the Fairfax County EDA approved the financing plan for the construction of the final four interchanges at Willard Road, Frying Pan Park Road, CIT/Innovation Drive and Nokes Boulevard. The plan included acceptance of a $5.0 million grant and a $20.0 million loan from the State Transportation Partnership Opportunity Fund (TPOF); issuance of Route 28 District revenue bonds; and use of surplus District tax revenues to fund the $119.2 million project estimate. Fairfax County EDA Revenue bonds were planned to be issued in two series. A total of $41.505 million were issued on February 27, 2007 and $51.505 million were issued on July 9, 2008. It should be noted that on July 24, 2007, the CTB notified the District Commission that an additional $23,936,772 was approved in the CTB's FY 2008-2013 Six Year Improvement Plan as payment toward the State Obligation under the District Contract. Therefore, this additional funding fully replaced the $20,000,000 originally planned for the TPOF loan.

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 million in October 2003 and issued $57.4 million in August 2004 as well as $41.505 million on February 27, 2007 and $51.505 million on July 9, 2008. 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 are supported by a Revenue Stabilization Fund (RSF) that is equal to the maximum annual EDA debt service and is 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. It should be noted that due to the strong financial status of the fund, the Route 28 District Advisory Board recommended on March 18, 2009 a two cent decrease in the tax rate from $0.20 to $0.18 per $100 of assessed value. This tax rate decrease was subsequently adopted by the Board of Supervisors on April 27, 2009.

In March 2011, the Route 28 District Advisory Board recommended to approve $6.0 million in Project Completion Funds for final design plans for four priority sections of Route 28 widening from six to eight lanes. These design areas include the following: Priority 1 – Route 28 southbound between Sterling Boulevard and the Dulles Toll Road; Priority 2 – the Route 28 southbound bridge over the Dulles Toll Road; Priority 3 – Route 28 northbound between McLearen Road and the Dulles Toll Road; and Priority 4 – Route 28 southbound between the Dulles Toll Road and Route 50.

Favorable market conditions in the spring of 2012 allowed for a refunding opportunity of outstanding district debt obligations. The District Commission approved a resolution to proceed with refunding the Series 2003 and Series 2004 EDA revenue bonds at their March 2012 annual meeting. Concurrent with the EDA refunding, the CTB agreed to a refunding of the Transportation Contract Revenue Refunding Bonds Series 2002 from its original Capital Appreciation Bonds (CABs) to Current Interest Bonds (CIBs). On May 9, 2012, two separate competitive bond sales occurred that resulted in combined savings of $22.48 million.

In October 2012, the Commission considered the next steps for completion of the Hot Spot Improvements. The staff recommended that the Commission delay additional debt until the District's debt service coverage is stronger, and to apply for a series of TPOF grants or loans to construct the improvements until the District's credit and debt coverage factors improve. County staff recommended the use of a

portion of the Route 28 District Project Completion Fund to construct the Route 28 Southbound Bridge over Dulles Toll Road, as has been designed. The estimated cost of this project is $4,339,500.

Additionally, the Commission discussed the importance of constructing the northbound bridge over the Dulles Toll Road. This project was not originally included in the four spot widening projects that had recently been designed. However, discussions between the Route 28 Corridor Improvements contractor and the Metropolitan Washington Airports Authority (MWAA) have highlighted the importance of construction of the bridges over the Dulles Toll Road in a timely manner. MWAA will begin construction of Phase 2 of the Dulles Corridor Metrorail Project in mid- to late-2013, which will involve construction of facilities in the vicinity of the Route 28/Dulles Toll Road Intersection. MWAA noted that completion of any construction activities in this location is recommended prior to the mobilization of its contractor, to avoid any conflicts between the two contractors and allow their respective activities to be properly scheduled and coordinated. MWAA cautioned that construction of these bridge projects would be severely restricted during the Silver Line construction and after it is completed. Route 28 contractors estimate that substantial additional costs to the District would be incurred as a result of the delay and the restrictions.

Due to the timeliness of both these projects, the Commission considered the need to move forward with the design for the northbound bridge. The Commission members then voted to recommend approval to fund the construction of the southbound bridge and design of the northbound bridge from the Route 28 PCF, in the amount of no more than $5,000,000. The Commission also voted to authorize Fairfax and Loudoun County staffs to apply immediately for TPOF grant funding in the amount of $5.0 million (the maximum allowed under TPOF guidelines) for the northbound bridge in FY 2013 and to apply for further funding in FY 2014 to continue the remaining spot widening improvements. The TPOF application was submitted in November 2012 and was financially awarded in February 2013.

There is no change in the tax rate of $0.18 per $100 of assessed value for FY 2014. The following chart depicts the current financing structure:

Current Bonds[1]

Bond Year	CTB Debt 2002 & 2012 Ref	EDA 2003, 2004, 2007, 2008, and 2012 Ref	Total
2012	$7,529,625	$9,752,250	$17,281,875
2013	7,259,155	8,534,449	15,793,604
2014	7,209,719	9,948,188	17,157,907
2015	7,216,819	10,709,213	17,926,032
2016	7,212,819	11,182,013	18,394,832
2017	7,215,019	11,184,363	18,399,382
2018	7,212,269	11,189,613	18,401,882
2019	8,639,519	10,619,463	19,258,982
2020	8,639,519	10,614,288	19,253,807
2021	8,644,519	10,610,200	19,254,719
2022	8,644,519	10,614,075	19,258,594
2023	8,644,519	10,610,313	19,254,832
2024	8,644,519	10,609,588	19,254,107

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Bond Year	CTB Debt 2002 & 2012 Ref	EDA 2003, 2004, 2007, 2008, and 2012 Ref	Total
2025	8,644,519	10,615,500	19,260,019
2026	8,644,519	10,611,150	19,255,669
2027	8,644,519	10,610,750	19,255,269
2028	3,484,519	10,609,875	14,094,394
2029	3,481,169	10,613,450	14,094,619
2030	3,485,269	10,612,438	14,097,707
2031	3,480,269	10,612,338	14,092,607
2032	3,480,469	10,612,088	14,092,557
2033	-	18,716,863	18,716,863
2034	-	19,298,213	19,298,213
2035	-	19,298,325	19,298,325
2036	-	19,298,038	19,298,038
2037	-	19,295,813	19,295,813
Total	**$146,057,791**	**$316,982,857**	**$463,040,648**

[1] Represents the revised debt profile of the district following the refunding bond sales that occurred in May 2012.

FY 2014 Funding Adjustments

The following funding adjustments from the FY 2013 Adopted Budget Plan are necessary to support the FY 2014 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 30, 2013.

- **Fiscal Agent Payments** **$128,996**
  An increase of $128,996 or 1.2 percent over the FY 2013 Adopted Budget Plan amount of $10,578,633 for estimated payments to the Fiscal Agent is projected primarily due to assessed value adjustments anticipated for FY 2014 which include tax estimates of $9,707,629 based on projections for the January 1, 2013 assessments and an allowance for one-time buy-outs and late payments of $1,000,000.

Changes to FY 2013 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2013 Revised Budget Plan since passage of the FY 2013 Adopted Budget Plan. Included are all adjustments made as part of the FY 2012 Carryover Review, FY 2013 Third Quarter Review, and all other approved changes through April 23, 2013.

- **Carryover Adjustments** **$25,626**
  As part of the *FY 2012 Carryover Review*, the Board of Supervisors approved appropriation of $25,626 remaining in the fund balance. All taxes collected, as well as tax district buy-out funds, are remitted to the fiscal agent on a monthly basis as collected.

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FUND STATEMENT

Fund 70000, Route 28 Tax District

	FY 2012 Actual	FY 2013 Adopted Budget Plan	FY 2013 Revised Budget Plan	FY 2014 Advertised Budget Plan	FY 2014 Adopted Budget Plan
Beginning Balance	$35,458	$0	$25,751	$0	$125
Revenue:					
Real Estate Taxes-Current[1]	$9,045,186	$9,578,633	$9,578,633	$9,707,629	$9,707,629
Revenue from Buy Outs	0	1,000,000	1,000,000	1,000,000	1,000,000
Interest on Investments	1,878	0	0	0	0
Total Revenue	$9,047,064	$10,578,633	$10,578,633	$10,707,629	$10,707,629
Total Available	$9,082,522	$10,578,633	$10,604,384	$10,707,629	$10,707,754
Expenditures:					
Payments to the Fiscal Agent[2]	$9,056,771	$10,578,633	$10,604,259	$10,707,629	$10,707,629
Total Expenditures	$9,056,771	$10,578,633	$10,604,259	$10,707,629	$10,707,629
Total Disbursements	$9,056,771	$10,578,633	$10,604,259	$10,707,629	$10,707,629
Ending Balance[3]	$25,751	$0	$125	$0	$125
Tax rate per $100 Assessed Value	$0.18	$0.18	$0.18	$0.18	$0.18

[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] In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of $124.50 has been reflected as a decrease to FY 2012 expenditures. This adjustment has been included in the FY 2012 Comprehensive Annual Financial Report (CAFR). Details of the audit adjustments were included in the FY 2013 Third Quarter package.

[3] As all monies collected are required to be remitted to the Fiscal Agent monthly as collected the ending balance should be zero unless as of the closing period there were pending remittances to the Fiscal Agent.