# Undergrounding of Dry Utilities County Comparison

| US Route 1 Projects | | |
|---|---|---|
| **Factors to Consider** | **Fairfax County (FFX) – Jeff Todd Way to Sherwood Hall Lane** | **Prince William County (PWC) – Neabsco Mills Road to Featherstone Road** |
| Major Utilities Included | • Dominion Energy (D.E.) – Power Lines<br>• Verizon – Telephone & Fiber<br>• Cox – Cable TV | • Dominion Energy (D.E.) – Power Lines<br>• Verizon – Telephone & Fiber<br>• Comcast |
| Undergrounding Cost | • Approx. $60M total for undergrounding utilities for 3-mile project (≈$20M/mile)<br>• Approx. cost of overhead relocation - $16 million<br>• Cost difference of "betterment" of undergrounding is approx. $44M (≈$14.7 M/mile)<br>o This is a high-level estimate without approved plans or design<br>o Costs in FY 2019 dollars (seven years of inflation over PWC costs) | • Approx. $11M for undergrounding for undergrounding utilities for 2.1-mile project (≈ $5.3M/mile)<br>o PWC hired consultant to design and build duct bank themselves and coordinated with all utilities<br>o Final/as-built cost based on approved plans<br>o Cost in FY 2012 dollars (at 3% inflation, the FY 2019 cost would be approximately $6.5M) |
| Equipment/ Facility Complexity | • Greater density and complexity of utility equipment in FFX (e.g., switches, cables, transformers, duct-bank, circuits)<br>• Multiple electric distribution circuits (up to four) with multiple crossings<br>• Possibly greater conflicts with other existing underground utilities in FFX | • Less density and complexity of utility equipment in PWC<br>• One to two electric distribution circuits<br>• Fewer underground utility conflicts in PWC |
| Schedule | • Anticipate roughly 2+ year delay for project to design, construct, and relocate utilities into duct bank<br>• Unknown delay due to securing cost difference | • Project delayed 6-12 months to secure funding<br>• Design completed FY 2012 - Design/Build Contract FY 12-15; Project Completed in 2016 |
| Total Project Cost | • $372M <u>without undergrounding</u><br>• $416M if undergrounding is included<br>• *Not included: additional cost from inflation due to 2+ year schedule delay* | • $58.5M<br>• Cost in FY 2012 dollars |
| Sources of Funding for Undergrounding | Federal and state monies are not eligible for undergrounding which is considered a "betterment". Only the overhead relocation portion of the utility costs could be used. | |
| | • Possible Sources:<br>o Utility Fee (SB 1759 – 2019)<br>o Special Purpose Tax District<br>o Tax Increment Financing (TIF)<br>o Transient Occupancy Tax (TOT)<br>o General Fund | • Funded through bonds, proffers and other local funds.<br>o 2002 Road Bond Referendum<br>o 2006 Road Bond Referendum<br>o FY 2014-2019 Capital Improvement Plan |

# Undergrounding of Dry Utilities Funding Options

**I. Utility Rate Surcharge**

a. Enabling legislation from the General Assembly
b. Implementation would require Board approval
c. Modeling assumes $1 per customer per month beginning in FY 2021 with approximately 439,000 total County-wide customer - includes residential and commercial
d. Assumes a revenue bond sale where certain debt service coverage requirements of 1.5x (150%) must be met
    i. Coverage = Revenues / Debt Service
e. Assumes interest rate of 5.25% for all financings
f. Under these assumptions, revenues are sufficient to support $60 million in project costs over a 30-year period

**II. Service District**

a. Incorporates a surcharge tax on both residential and commercial property owners in a defined area
    i. Comparative County examples are the Tysons and Reston Service Districts for transportation improvements
b. Also assumes a revenue bond sale where certain debt service coverage requirements of 1.5x (150%) must be met
c. Assumes interest rate of 5.25% for all financings
d. Result is a significant annual tax rate required to meet these coverage requirements & project cashflows for small areas of the County typically with values that are much less than current examples in Tysons and Reston

**III. Tax Increment Financing (TIF)**

a. Assumes there will be notable development to occur to drive the increase in land values
b. Modeling scenario solves for the required level of growth to meet the project cashflow
c. Assumes interest rate of 8.0% for all financings
d. Pledge of solely TIF revenue, absent additional security from other revenue sources, is generally considered a weak and volatile credit structure
e. Assumes a revenue bond sale of a non-investment grade credit where certain debt service coverage requirements of 1.5x (150%) must be met

**IV. General Obligation Bonds**

a. Requires voter approval, carries Triple A Bond Rating, and interest rate at or below 3%

**V. General Fund Cash**

a. Review of funds at quarterly reviews, and potential use of funds deposited into Economic Opportunity Reserve (EOR)