

Fairfax County, Virginia

Metrorail Silver Line Phase 2



**Presentation
to
Phase 2 Dulles Rail
Transportation
Improvement District
District Commission**

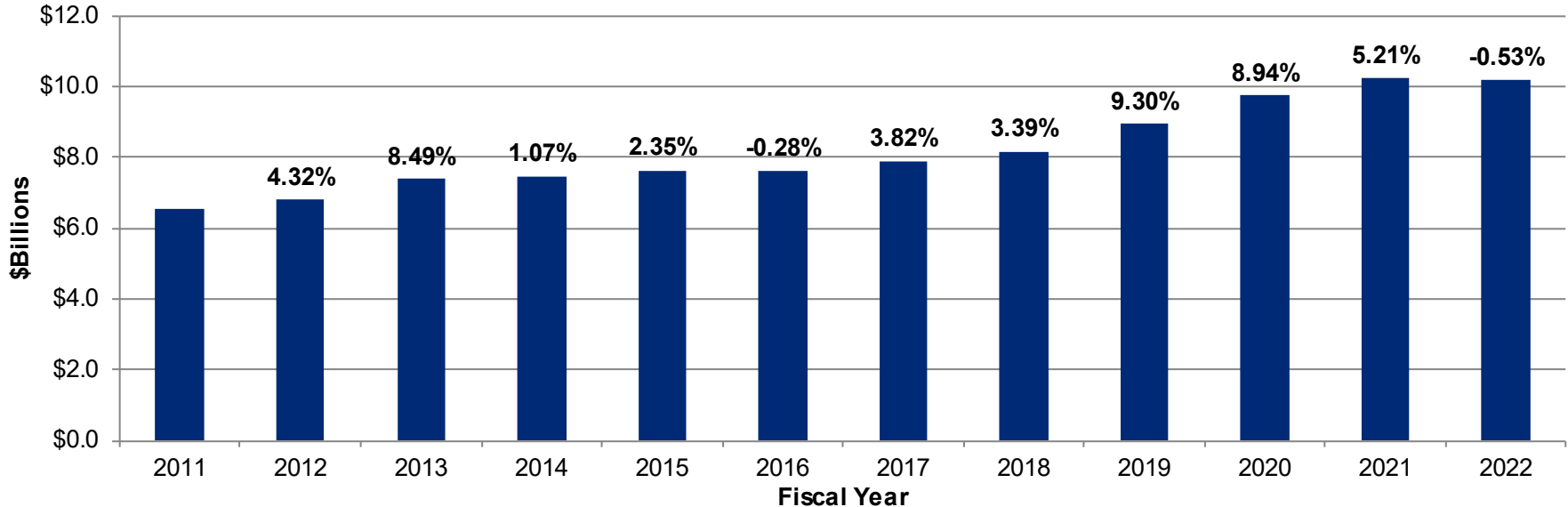
April 6, 2021



Overview

- The Phase 2 Special Improvements Tax was initially levied in FY 2011
- Assessed value has grown 56.2% since inception

Phase II Tax District Assessed Value



| Fiscal Year (Valuation Date) | 2011 (1/1/10) | 2012 (1/1/11) | 2013 (1/1/12) | 2014 (1/1/13) | 2015 (1/1/14) | 2016 (1/1/15) | 2017 (1/1/16) | 2018 (1/1/17) | 2019 (1/1/18) | 2020 (1/1/19) | 2021 (1/1/20) | 2022 (1/1/21) |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Assessed Value (Billions) | \$6.52 | \$6.81 | \$7.38 | \$7.46 | \$7.64 | \$7.62 | \$7.91 | \$8.18 | \$8.94 | \$9.74 | \$10.24 | \$10.19 |
| District Tax Rate (per \$100 AV) | \$0.05 | \$0.10 | \$0.15 | \$0.20 | \$0.20 | \$0.20 | \$0.20 | \$0.20 | \$0.20 | \$0.20 | \$0.20 | \$0.20 |
| AV Growth | - | 4.32% | 8.49% | 1.07% | 2.35% | -0.28% | 3.82% | 3.39% | 9.30% | 8.94% | 5.21% | -0.53% |

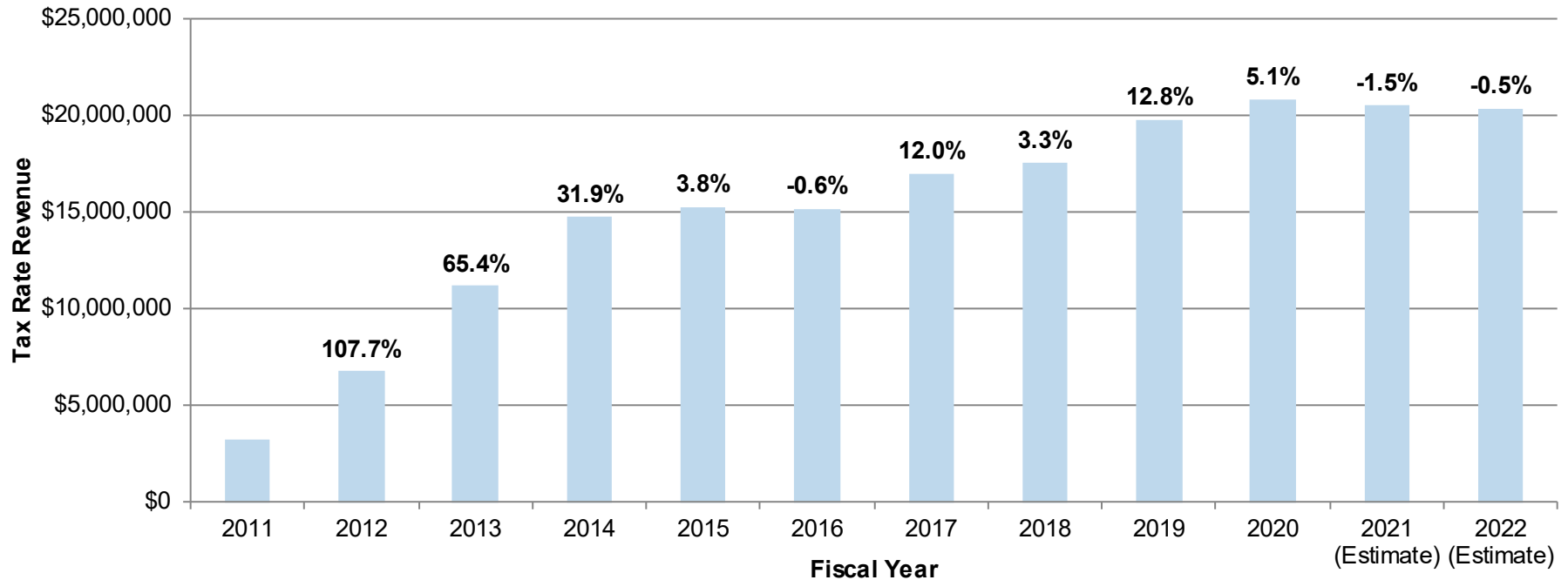


The Phase 2 Tax District was created by the County on December 21, 2009; tax first levied in FY2011

Trend in Phase 2 District Revenues

- Tax district revenue collected since inception through June 30, 2020 totals \$141.5 million, including interest income
- Taxes in the District are collected concurrently with all other County real property taxes on a single bill in two installments due July 28 and December 5
- The July 28, 2020 collection date in FY2021 was delayed to August 28, 2020 by the County Board due to the COVID-19 pandemic

Annual Phase 2 Tax District Revenues and Tax Rate



Source: Data shown through FY2020 from County CAFRs & includes interest earnings. FY 2021 and FY 2022 estimates are based on tax year assessed values multiplied by applicable tax rate.

Remaining Silver Line Cash Flow

- The County's remaining financing needs for the Silver Line totals \$527.3 million
- As of February 2021, \$90.0 million of Tax District cash has been used to pay MWAA invoices leaving \$22.6 million remaining to be invoiced

| Source | Amount | Comments |
|--|------------------------|---|
| County & Regional Transportation Projects Fund (C&I Revenues) – TIFIA Loan | \$187.7 million | Internal allocation of 47% of the \$403 million TIFIA loan, fully drawn & allocated as of June, 2017 |
| Phase 2 Tax District – TIFIA Loan | \$215.6 million | Internal allocation of 53% of the \$403 million TIFIA loan repayment, with full amount drawn through April 2019 |
| Phase 2 Tax District – Non-TIFIA Sources | \$112.6 million | Remaining balance of \$330 million Phase 2 Tax District Requirement after TIFIA loan; will come from Phase 2 tax district revenue, with \$90 million drawn through February 2021 |
| CMAQ Grant | \$1.7 million | In July 2018, Fairfax County and MWAA received Congestion Mitigation and Air Quality Improvement (CMAQ) grant |
| Northern Virginia Transportation Authority (NVTA) Regional Revenue (70% portion) | \$9.7 million | NVTA has approved funds for the Innovation Station component of the Phase 2 construction totaling \$69 million; a portion is allocable to Fairfax's share of total project costs; 100% of funds have been drawn to date |
| Total | \$527.3 million | |



Financing Plan Update

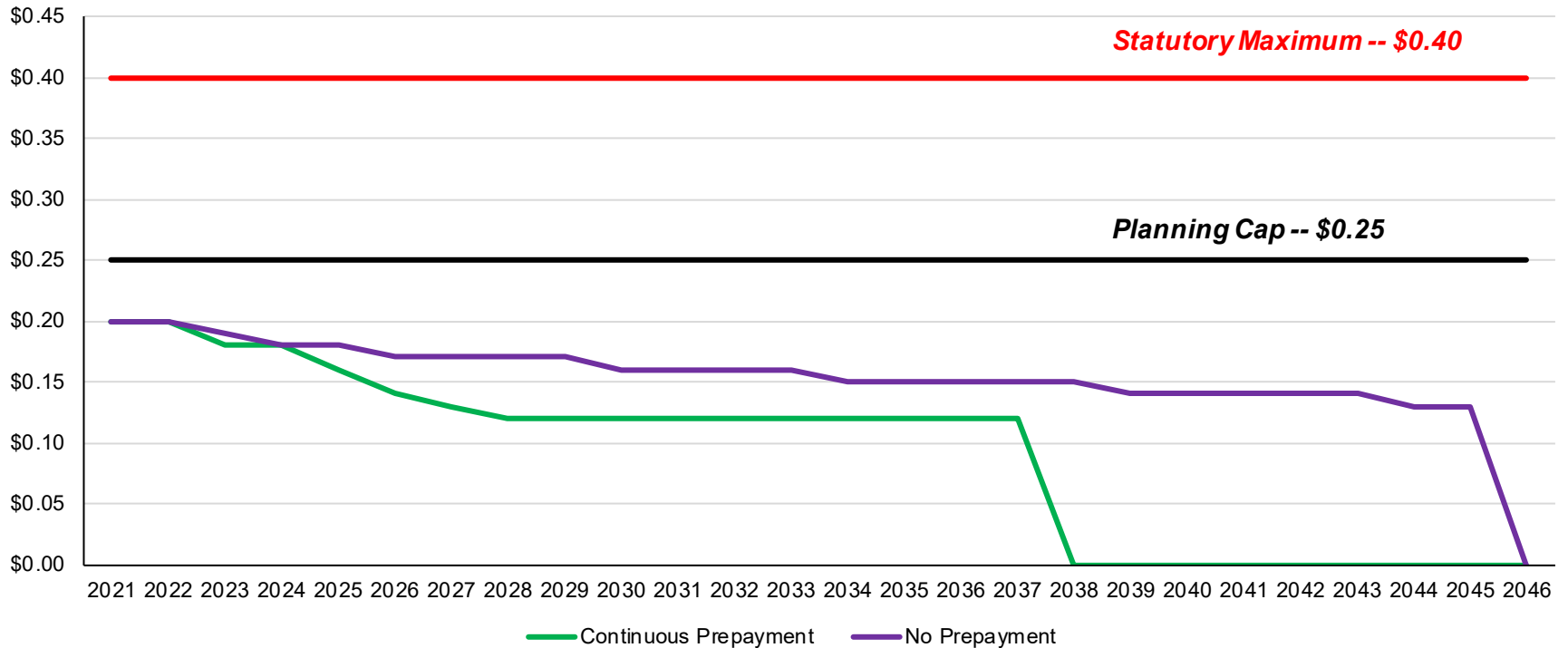
- Per the terms of the Phase 2 Petition, the Tax District will fund Phase 2 Silver Line capital project expenditures in the amount of \$330 million, plus required reserves and financing costs
 - \$215.6 million from the TIFIA loan
 - \$112.6 million will be funded from Phase 2 Tax District cash on hand
 - No additional borrowing contemplated
- \$403 million TIFIA Loan closed in December 2014, backed by County moral obligation to refill a DSRF, subject to annual appropriation from the County's General Fund
- Interest rate locked at 2.73%
- Level semi-annual debt service payments will be due starting on October 1, 2023 through April 1, 2046
 - Assuming no early pre-payments, annual debt service on the TIFIA loan allocated to the District is estimated at \$14.5 million
 - Prepayment in full or in part in amounts greater than \$1 million is permitted without penalty, at any time
- A debt service reserve fund is fully funded at its requirement equal to maximum annual debt service (MADS) of \$14.5 million
- TIFIA Loan is rated AA+/AA+ by FitchRatings and Standard & Poor's



Comparison of Scenarios (1.5% AV Growth)

Scenario forecasts were derived to achieve at least 1.25x coverage in each fiscal year with tax rate reductions occurring in accordance with draft policy guidelines discussed in November 2020.

Silver Line Phase 2 Tax District



| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Prepay | 1.41x | 1.40x | 1.28x | 1.30x | 1.56x | 1.45x | 1.42x | 1.38x | 1.45x | 1.54x | 1.65x | 1.80x | 2.02x | 2.36x | 2.95x | 4.29x | 10.27x |



Phase 2 Tax District Draft Debt & Financial Policy

- County will develop financial management policies for the Phase 2 Tax District
- County staff recommends adoption of Phase 2 Tax District Debt & Financial Policy prior to initial debt service payments due on TIFIA loan (October 1, 2023/FY2024) & when unknowns resolved
 - Additional AV cycles, reflecting pandemic & recovery
 - Commencement of revenue service
- Draft policy covers same scope as Phase 1 Tax District adopted policy, but tailored to reflect differences between the two districts' plans of finance
- Minimum debt service coverage threshold = 1.25 times (125%)
- Minimum reserve levels = 2.0 times maximum annual debt service (MADS) or \$29 million
- Subject to provisions specified in the Petition & Board of Supervisors authority, tax rate reduction of up to 2 cents per year

$$\text{Debt Service Coverage} = \frac{\text{Annual Tax District Revenue}}{\text{Annual Debt Service}}$$



Recommendation & Next Steps

- Maintain the existing tax rate at \$0.20/\$100 AV in FY 2022
- Address comments & questions on draft policy for planned adoption in March 2022
- Continue to use available tax district balances to pay monthly capital expenditures
- Once all Capital Expenditure needs have been met, begin pre-payment of TIFIA loan with available amounts
- Evaluate options for refinancing the TIFIA loan, given current market conditions

| Expected Date | Event |
|---------------|---|
| 3/15/2021 | District Advisory Board meeting |
| 4/6/2021 | District Commission meeting |
| 4/27/2021 | Board of Supervisors FY 2022 Budget Mark-Up |
| 5/4/2021 | Board of Supervisors Adopts FY 2022 Budget |

