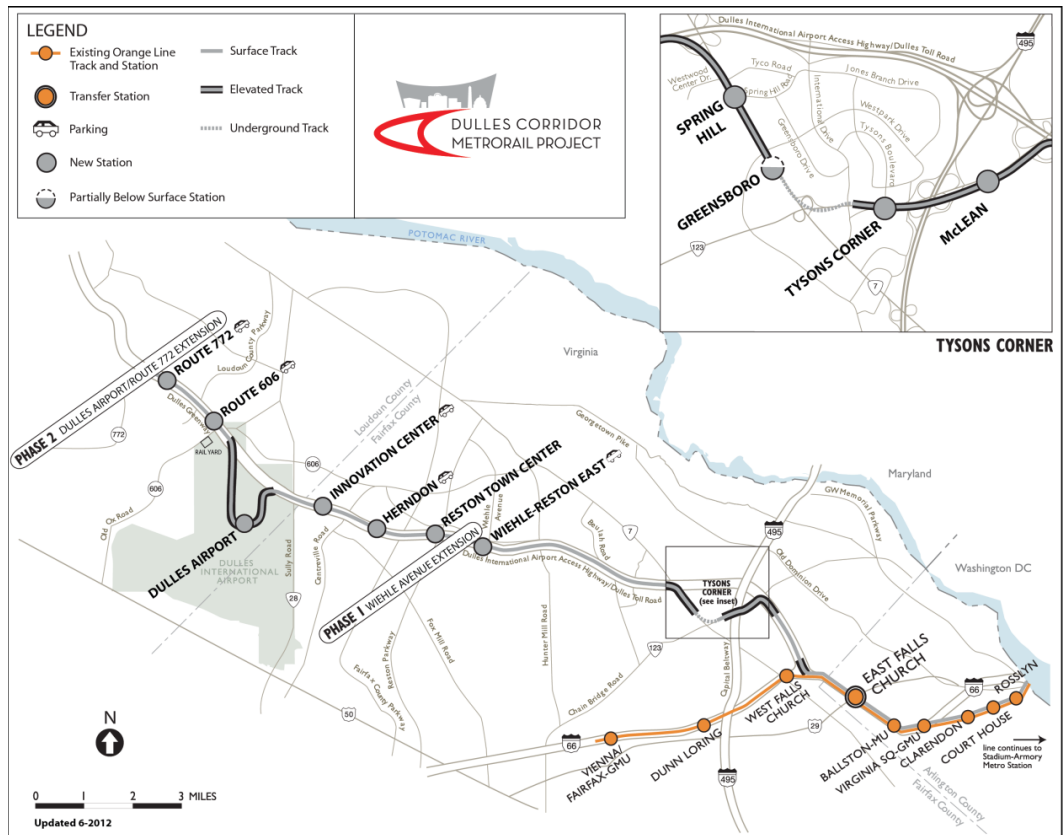


# Fund 40110: Dulles Rail Phase I Transportation Improvement District

## Focus

Metrorail 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 along 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 \$5.9 billion. Due to financial constraints imposed by the federal government, the project will be completed in two phases. Phase I was completed in July 2014 and cost approximately \$2.9 billion for the segment from the Metrorail Orange line to Wiehle Avenue in Reston and included construction of five new stations in Fairfax County: McLean, Tysons Corner, Greensboro, Spring Hill, and Wiehle-Reston East, and are noted on the map below.



The Phase I cost of \$2.9 billion was 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 (FTA) executed a Full Funding Grant Agreement with the Metropolitan Washington Airports Authority (MWAA) for \$900.0 million for Phase I of the project. Fairfax County's share of Phase I, \$400.0 million, was financed from the Phase I Transportation Improvement District (Phase I District).

On January 21, 2004, a petition was filed with the Clerk to the Fairfax County Board of Supervisors (the Petition) by owners of commercial and industrial property (the Petitioners) asking the Board of Supervisors (Board) to create 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.

## Fund 40110: Dulles Rail Phase I Transportation Improvement District

The Phase I District was approved and established by the Board on February 23, 2004, following a public hearing. It is governed by a District Commission, consisting of four Fairfax County 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 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 of the Tysons Corner Urban Center, commercial and industrial properties near the Wiehle-Reston East Metrorail station, and the necessary Dulles Airport Access Road (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.

The plan as set forth in the Petition contained specific provisions regarding timing, tax rates, total costs, and percentage of costs to be paid with Phase I District revenue. The plan contemplated 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 was anticipated that the RSF and perhaps other rate or coverage covenants would be required by rating agencies to achieve an investment grade rating on bonds issued that are supported by Phase I District tax revenues.

Before committing Phase I District tax revenues, the District Commission needed to determine that the District's actual share of the financing would not exceed \$400.0 million of construction funds for Phase I costs, and that a tax rate of no more than \$0.29 per \$100 of assessed value would 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 had expected either of those parameters to be exceeded, they would have been required to 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 had 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 \$0.40 per \$100 of assessed value. Thus, there is 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 40110: Dulles Rail Phase I Transportation Improvement District

On June 22, 2009, the Board of Supervisors approved preliminary bond documents for Phase I 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 by the Circuit Court 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 District EDA bonds in the amount of \$205.7 million, which provided \$220 million, including bond premium, for the construction of the Phase I project. On October 10, 2012, the second and final Phase I District EDA bonds were issued in the amount of \$42.4 million, which provided \$48.4 million, including bond premium, for the construction of the Phase I project. These two issues together, with \$131.6 million in equity contribution from District taxes collected, fully funded the County's obligation of providing \$400.0 million for Phase I of the project.

On April 10, 2012, the Board confirmed the County's participation in Phase II, which has a cost estimate of approximately \$2.8 billion. For additional cost and project information about Dulles Rail Phase II, please refer to Fund 40120, Dulles Rail Phase II Transportation Improvement District, contained in Volume 2, Capital Construction and Other Operating Funds. MWAA transferred Phase I of the Silver Line to WMATA for final testing and training on May 27, 2014, and it opened for passenger service on July 26, 2014.

As part of the FY 2014 Adopted Budget Plan, there was joint concurrence from the Phase I Advisory Board as well as the Phase I Commission on the formal adoption of a Tax Rate Policy. Specifically, a series of criteria must be met to allow for a reduction in the tax rate that includes the following: maintaining targeted debt service coverage at 150 percent; historical debt service coverage will be at least 150 percent for two consecutive fiscal years before lowering the tax rate; and the tax rate will be lowered by no more than two cents in any given year provided coverage can still be maintained at 150 percent with the lower tax rate. For FY 2014, the tax rate decreased by \$0.01 from \$0.22 to \$0.21 per \$100 of assessed value. The tax rate remained unchanged as part of the FY 2015 Adopted Budget Plan.

The District has witnessed strong growth in assessed values in recent years. The result was an ability to provide corresponding annual decreases in the tax rate of \$0.02 cents per \$100 of assessed value from FY 2016 through FY 2021, coupled with a revision to the Tax Rate Policy by lowering the targeted debt service coverage from 150 percent to 140 percent. These actions were recommended by both the Advisory Board and the Commission. The District tax rate of \$0.09 per \$100 of assessed value as part of the FY 2023 Adopted Budget Plan remains unchanged from the FY 2022 Adopted Budget Plan.

## Fund 40110: Dulles Rail Phase I Transportation Improvement District

### FY 2023 Funding Adjustments

*The following funding adjustments from the FY 2022 Adopted Budget Plan are necessary to support the FY 2023 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 10, 2022.*

#### **Debt Service Adjustments** **(\$458,100)**

There is a decrease of \$458,100, or 3.2 percent, from the FY 2022 Adopted Budget Plan amount of \$14,466,350 due to programmed debt service payments in FY 2023. This decrease represents savings from the debt defeasance that occurred in FY 2021.

### Changes to FY 2022 Adopted Budget Plan

*The following funding adjustments reflect all approved changes in the FY 2022 Revised Budget Plan since passage of the FY 2022 Adopted Budget Plan. Included are all adjustments made as part of the FY 2021 Carryover Review, FY 2022 Mid-Year Review, FY 2022 Third Quarter Review, and all other approved changes through April 30, 2022.*

#### **Carryover Adjustments** **\$3,752,400**

As part of the FY 2021 Carryover Review, the Board of Supervisors approved funding of \$3,752,400, including an increase of \$4,200,000 to appropriate funding from the fund balance based on a recommendation from the Silver Line Phase I Transportation District Commission. An amount of \$4,000,000 was appropriated for debt defeasance and an amount of \$200,000 was appropriated for the associated costs of issuance in FY 2022. This increase was partially offset by a decrease of \$447,600 that represented savings from the debt defeasance that occurred in FY 2021.

#### **Third Quarter Adjustments** **\$1,000,000**

As part of the FY 2022 Third Quarter Review, the Board of Supervisors approved an increase of \$1,000,000 that was used for partial debt defeasance in FY 2022.

# Fund 40110: Dulles Rail Phase I Transportation Improvement District

## FUND STATEMENT

Category	FY 2021 Actual	FY 2022 Adopted Budget Plan	FY 2022 Revised Budget Plan	FY 2023 Advertised Budget Plan	FY 2023 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$51,324,419</b>	<b>\$40,016,206</b>	<b>\$40,025,126</b>	<b>\$37,101,489</b>	<b>\$36,101,489</b>
<b>Revenue:</b>					
Real Estate Taxes-Current	\$16,018,557	\$15,295,113	\$15,295,113	\$15,629,149	\$15,629,149
Interest on Investments <sup>1,2</sup>	138,574	0	0	0	0
<b>Total Revenue</b>	<b>\$16,157,131</b>	<b>\$15,295,113</b>	<b>\$15,295,113</b>	<b>\$15,629,149</b>	<b>\$15,629,149</b>
<b>Total Available</b>	<b>\$67,481,550</b>	<b>\$55,311,319</b>	<b>\$55,320,239</b>	<b>\$52,730,638</b>	<b>\$51,730,638</b>
<b>Expenditures:</b>					
Debt Service <sup>3</sup>	\$14,457,600	\$14,466,350	\$14,018,750	\$14,008,250	\$14,008,250
Debt Service Prepayment <sup>4</sup>	12,998,824	0	5,200,000	0	0
<b>Total Expenditures</b>	<b>\$27,456,424</b>	<b>\$14,466,350</b>	<b>\$19,218,750</b>	<b>\$14,008,250</b>	<b>\$14,008,250</b>
<b>Total Disbursements</b>	<b>\$27,456,424</b>	<b>\$14,466,350</b>	<b>\$19,218,750</b>	<b>\$14,008,250</b>	<b>\$14,008,250</b>
<b>Ending Balance<sup>5</sup></b>	<b>\$40,025,126</b>	<b>\$40,844,969</b>	<b>\$36,101,489</b>	<b>\$38,722,388</b>	<b>\$37,722,388</b>
<b>Tax rate per \$100 Assessed Value</b>	<b>\$0.09</b>	<b>\$0.09</b>	<b>\$0.09</b>	<b>\$0.09</b>	<b>\$0.09</b>

<sup>1</sup> Interest on Investments revenue of \$138,574 was received in FY 2021.

<sup>2</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments were reflected as a decrease of \$2,768.23 to FY 2021 revenues to record earned revenue in the appropriate fiscal year. The Annual Comprehensive Financial Report (ACFR) reflects all audit adjustments in FY 2021. Details of the audit adjustments were found in Attachment VI of the *FY 2022 Mid-Year Review*.

<sup>3</sup> A partial refunding of outstanding Series 2011 and Series 2012 District bonds took place on March 2, 2016, resulting in a net present value savings of approximately \$16.5 million over the life of the bonds and corresponding lower annual debt service payments. No bond maturities were extended as a result of the refunding.

<sup>4</sup> An amount of \$12,998,824 was used for partial debt defeasance in FY 2021 resulting in lower annual debt service payments. In addition, an amount of \$5,200,000 was appropriated from the fund balance in FY 2022 based on a recommendation from the Silver Line Phase I Transportation District Commission. An amount of \$5,000,000 was appropriated for partial debt defeasance and an amount of \$200,000 was appropriated for the associated costs of issuance in FY 2022.

<sup>5</sup> The ending balance includes the Residual Fund, the Debt Service Reserve Fund, and the Revenue Stabilization Fund.