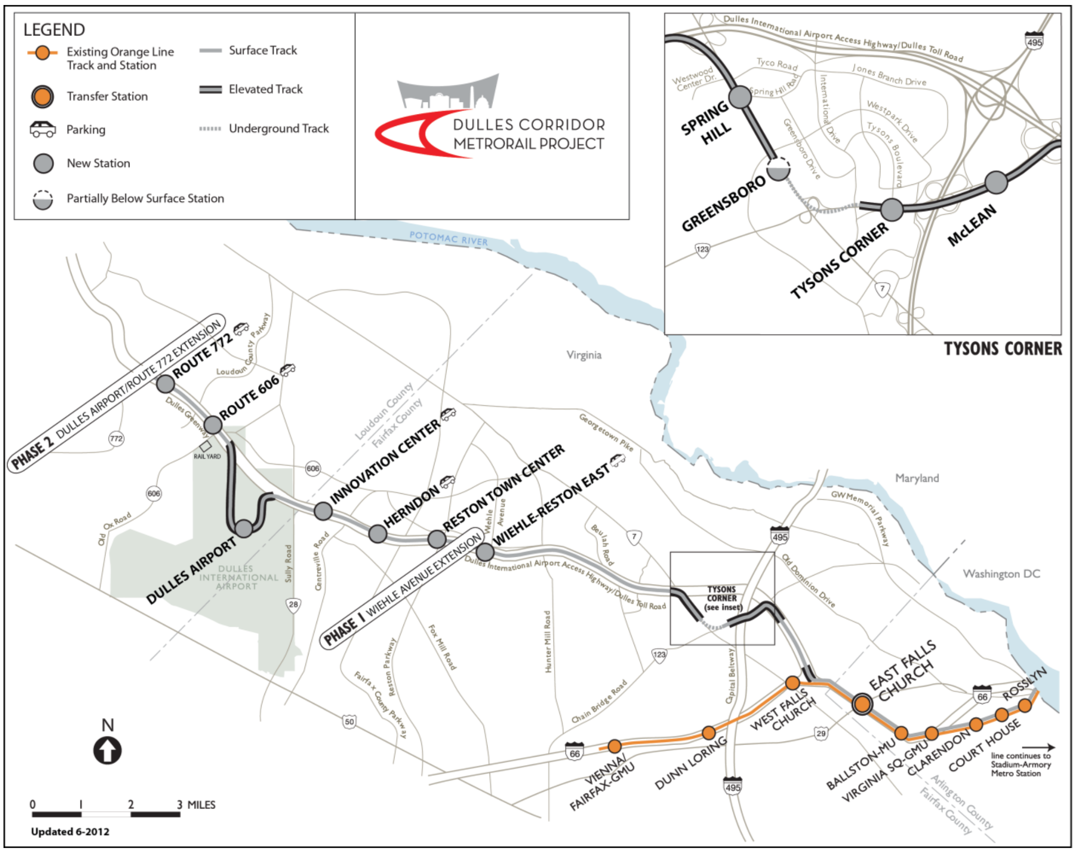
Fund 40120: Dulles Rail Phase II Transportation Improvement District

Focus

The purpose of the Dulles Metrorail is to provide high-quality, high-capacity transit service in the Dulles Corridor. New Metrorail service in the corridor results in travel time savings between the corridor and downtown D.C., expands the reach of the existing regional rail system, offers a viable alternative to automobile travel and supports future transit-oriented development along the corridor. Phase II cost approximately $3.02 billion for the segment from the Wiehle-Reston East Metrorail Station to Route 772 in Loudoun County and was completed on November 15, 2022. Phase II included the construction of three new stations in Fairfax County, including Reston Town Center, Herndon, and Innovation Center, and these stations are noted in the map below:



On October 9, 2009, a petition (the Petition) was filed with the Clerk to the Board of Supervisors (Board) to create the Phase II Dulles Rail Transportation Improvement District (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. Pursuant to that statute, following a public hearing on December 7, 2009, the Board created the Phase II District on December 21, 2009. On November 10, 2009, the Town of Herndon also approved the creation of the Phase II District.

Phase II of the Dulles Metrorail project (Project) runs from just west of Wiehle Avenue to Ashburn in eastern Loudoun County. This extension serves the 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, are taxed to help Fairfax County fund the County's 16.1 percent 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 $100 of assessed value was adopted for FY 2011 for commercial and industrial properties within the Phase II District, and a rate of $0.10 was adopted for FY 2012. The rate increased to $0.15 in FY 2013 and $0.20 in FY 2014. Per the Petition, the tax rate has since remained at $0.20 and was held flat at $0.20 until full revenue operations commenced on Phase II, which occurred on November 15, 2022. The tax rate is recommended to be held at $0.20 per $100 of assessed value as part of the FY 2024 Advertised Budget Plan. A revised lower rate will be discussed with the Phase II Advisory Board and the Phase II Commission as part of the FY 2024 Adopted Budget process. 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.

On April 10, 2012, the Board confirmed the County's participation in Phase II of the Project. As part of the financial deal, the County agreed to make its best efforts to pay for building the Route 28 Station, along with the parking garage at this station and at Herndon Monroe, outside of the Project. On July 3, 2012, Loudoun County voted to confirm their participation in Phase II.

In Spring 2013, Fairfax County officially notified USDOT and MWAA that the Innovation Center Station (formerly Route 28 Station), which had a total project estimate of $89 million, would be funded as part of the total project cost and shared among the funding partners through the agreed upon percent allocations. As part of the MOA for Phase II, the County agreed to use "best efforts" to fund this station along with the parking garages at Innovation Center and Herndon-Monroe. Since that time, the County received funding approval of $69 million from NVTA 70 percent toward the Innovation Center Station that will be spread among the funding partners per the standard percent splits. The County funded the parking garages outside the project. The plan of finance included the pledge of annual parking revenues from the two new parking garages and accessing surcharge revenues from current County garages in the WMATA system. In order to access these surcharge revenues, County staff worked with WMATA staff to amend the appropriate legal documents. The WMATA board formally agreed to amend these documents on October 23, 2014, and the Fairfax County Board of Supervisors agreed to amend these same documents on November 18, 2014. The parking garage bond sale occurred in February 2017. For additional information on the parking garages, please refer to Fund 40125, Metrorail Parking System Pledged Revenues, as part of Volume 2, Capital Construction and Other Operating Funds.

The County's total 16.1 percent share of the Project (Phase I and Phase II) was equal to $967.6 million. The County contributed $400 million from the Phase I tax district and $328.3 million from the Phase II tax district. The balance was supported by allocating $187.7 million in proceeds from the Transportation Infrastructure Financing and Innovation Act (TIFIA) loan that will be repaid using the County's Commercial and Industrial real estate tax, $40.2 million in cash from Fund 40010, County and Regional Transportation Projects Fund, $9.7 million in 70 percent regional funds from the Northern Virginia Transportation Authority (NVTA), and $1.7 million in Congestion Mitigation Air Quality (CMAQ) Grant funds.

The Phase II tax district's $328.3 million contribution is achieved using two approaches. First, there will be an internal allocation of $215.6 million toward repayment of the County's $403.3 million TIFIA loan. The debt service on this portion of the TIFIA loan is repaid out of this fund. Second, the remaining $112.7 million was provided from tax district equity.

FY 2024 Funding Adjustments

The following funding adjustments from the FY 2023 Adopted Budget Plan are necessary to support the FY 2024 program:

Debt Service Adjustments **$12,217,351**

An increase of $12,217,351 will support programmed debt service payments associated with the County's TIFIA loan in FY 2024. Annualized debt service on the County's TIFIA loan equates to $25.5 million beginning in FY 2024, with $12.2 million to be repaid from the Phase II District and $13.3 million to be repaid from Fund 40010, County and Regional Transportation Projects.

Changes to FY 2023 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2023 Revised Budget Plan since passage of the FY 2023 Adopted Budget Plan. Included are all adjustments made as part of the FY 2022 Carryover Review and all other approved changes through December 31, 2022:

Carryover Adjustments **$38,600,000**

As part of the *FY 2022 Carryover Review*, the Board of Supervisors approved funding of $38,600,000 to appropriate funding from the fund balance. This was based on a recommendation from the Silver Line Phase II Transportation District Commission to partially payoff a portion of the County's TIFIA loan allocable to the Phase II Transportation Improvement District and the associated costs of issuance in FY 2023.

FUND STATEMENT

Category	FY 2022 Actual	FY 2023 Adopted Budget Plan	FY 2023 Revised Budget Plan	FY 2024 Advertised Budget Plan
Beginning Balance	**$58,948,176**	**$66,010,246**	**$67,971,687**	**$50,353,587**
Revenue:				
Real Estate Taxes[1]	$20,015,642	$21,481,900	$21,481,900	$21,510,269
Interest on Investments	69,158	0	0	0
Total Revenue	**$20,084,800**	**$21,481,900**	**$21,481,900**	**$21,510,269**
Total Available	**$79,032,976**	**$87,492,146**	**$89,453,587**	**$71,863,856**
Expenditures:				
Construction Payments[2]	$11,047,939	$0	$0	$0
TIFIA Debt Service Prepayment[3]	0	0	38,600,000	0
TIFIA Debt Service	0	0	0	12,217,351
Operating Expenses	13,350	500,000	500,000	500,000
Total Expenditures	**$11,061,289**	**$500,000**	**$39,100,000**	**$12,717,351**
Total Disbursements	**$11,061,289**	**$500,000**	**$39,100,000**	**$12,717,351**
Ending Balance	**$67,971,687**	**$86,992,146**	**$50,353,587**	**$59,146,505**
TIFIA Debt Service Reserve[4]	$14,749,704	$14,749,704	$14,749,704	$12,200,864
Unreserved Balance	**$53,221,983**	**$72,242,442**	**$35,603,883**	**$46,945,641**
Tax rate per $100 Assessed Value[5]	**$0.20**	**$0.20**	**$0.20**	**$0.20**

[1] FY 2024 estimate based on January 1, 2023 assessed values and an advertised tax rate of $0.20 per $100 of assessed value.

[2] The amount represented the balance of the District's $112.7 million construction costs due after the $215.6 million in Transportation Infrastructure Financing and Innovation Act (TIFIA) loan proceeds were expended in FY 2019. These construction payments were funded with current revenues collected in the District.

[3] An amount of $38,600,000 was appropriated from the fund balance in FY 2023 based on a recommendation from the Silver Line Phase II Transportation District Commission to partially payoff a portion of the County's TIFIA loan and the associated costs of issuance in FY 2023.

[4] This amount represents the debt service reserve fund requirement that is used as a contribution toward the Dulles Rail Phase II District's $215.6 million portion of the County's overall $403.3 million TIFIA loan with the United States Department of Transportation that closed on December 17, 2014. The Dulles Rail Phase II District's $215.6 million portion of the TIFIA loan was expended in FY 2019. The TIFIA debt service reserve amount was decreased from $14,749,704 to $12,200,864 following the partial prepayment of the TIFIA loan on November 17, 2022.

[5] The tax rate is recommended to be held at $0.20 per $100 of assessed value as part of the FY 2024 Advertised Budget Plan. A revised lower rate will be discussed with the Phase II Advisory Board and the Phase II Commission as part of the FY 2024 Adopted Budget process.