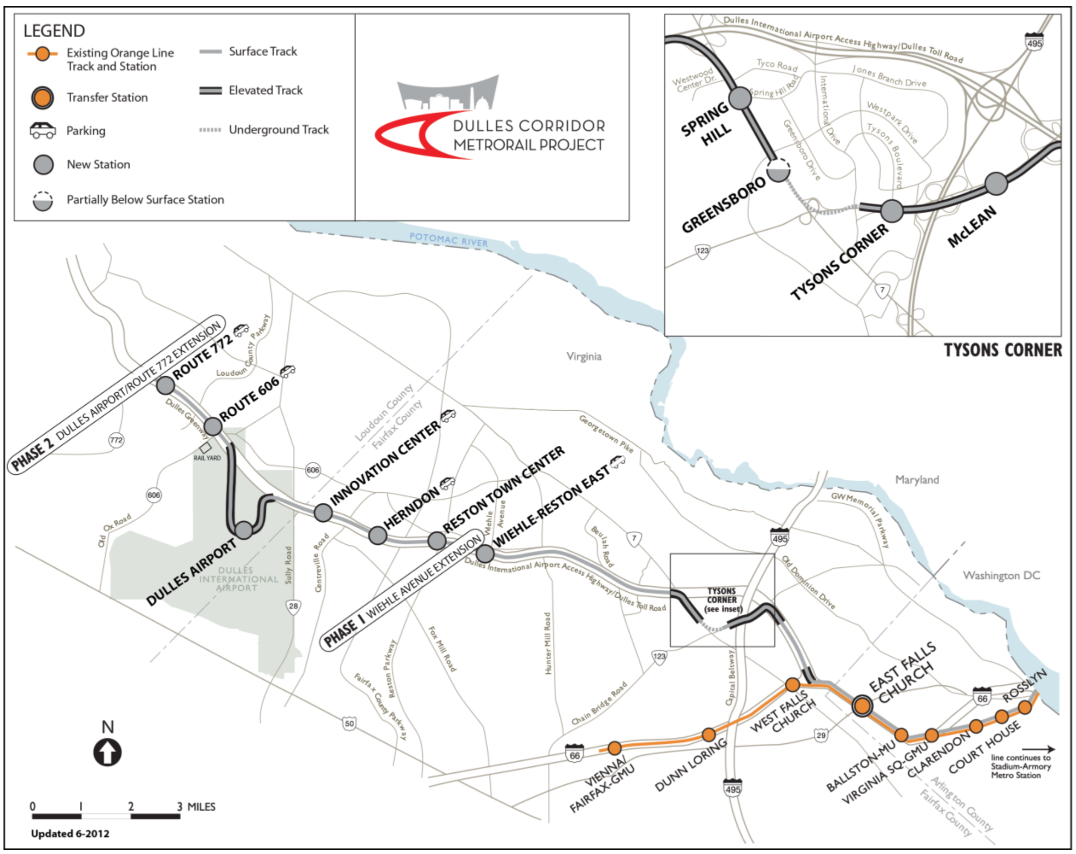
# Fund 40120: Dulles Rail Phase II Transportation Improvement District

## 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, as 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 the 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 and 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.

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.

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 was achieved using two approaches. First, there is 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.

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 per $100 of assessed value was adopted for FY 2012. The rate increased to $0.15 per $100 of assessed value in FY 2013 and $0.20 per $100 of assessed value in FY 2014. Per the Petition, the tax rate had remained at $0.20 per $100 of assessed value until full revenue operations commenced on Phase II, which occurred on November 15, 2022.

As part of the FY 2023 Adopted Budget Plan, there was joint concurrence from the Phase II District Advisory Board as well as the Phase II Transportation District Commission on the formal adoption of a Tax Rate Policy. Specifically, a series of criteria were to be met to allow for a reduction in the tax rate that included the following: maintaining targeted debt service coverage at 125 percent; historical debt service coverage will be at least 125 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 125 percent in the current fiscal year and the fiscal year that tax rate reduction is effective. As part of the FY 2024 Adopted Budget Plan, the tax rate decreased from $0.20 to $0.18 per $100 of assessed value based on the joint recommendation from the Phase II District Advisory Board and the Phase II Transportation District Commission that was consistent with the tax rate reduction criteria. The tax rate remains unchanged as part of the FY 2025 Advertised Budget Plan.

## FY 2025 Funding Adjustments

*The following funding adjustments from the FY 2024 Adopted Budget Plan are necessary to support the FY 2025 program:*

**Debt Service Adjustments** **($2,055,787)**

A decrease of $2,055,787 will support programmed debt service payments associated with the County's TIFIA loan in FY 2025, as a result of the partial loan defeasance in Fall 2023. Annualized debt service on the County's TIFIA loan equates to $23.9 million in FY 2025, with $10.6 million to be repaid from the Phase II District and $13.3 million to be repaid from Fund 40010, County and Regional Transportation Projects.

**Operational Requirements** **($400,000)**

A decrease of $400,000 in Operating Expenses to align with historical spending patterns.

## Changes to FY 2024 Adopted Budget Plan

*The following funding adjustments reflect all approved changes in the FY 2024 Revised Budget Plan since passage of the FY 2024 Adopted Budget Plan. Included are all adjustments made as part of the FY 2023 Carryover Review and all other approved changes through December 31, 2023.*

**Carryover Adjustments** **$27,700,000**

As part of the *FY 2023 Carryover Review*, the Board of Supervisors approved funding of $27,700,000 to appropriate funding from the fund balance. This is based on a recommendation from the Silver Line Phase II Transportation District Commission to partially pay off a portion of the County's Transportation Infrastructure Financing and Innovation Act (TIFIA) loan allocable to the Phase II Transportation Improvement District and the associated costs of issuance in FY 2024.

## FUND STATEMENT

| Category | FY 2023 Actual | FY 2024 Adopted Budget Plan | FY 2024 Revised Budget Plan | FY 2025 Advertised Budget Plan |
|---|---|---|---|---|
| **Beginning Balance** | **$67,971,687** | **$50,353,587** | **$51,876,910** | **$30,818,801** |
| | | | | |
| **Revenue:** | | | | |
| Real Estate Taxes[1] | $21,864,755 | $19,359,242 | $19,359,242 | $19,372,827 |
| Interest on Investments | 667,168 | 0 | 0 | 0 |
| **Total Revenue** | **$22,531,923** | **$19,359,242** | **$19,359,242** | **$19,372,827** |
| **Total Available** | **$90,503,610** | **$69,712,829** | **$71,236,152** | **$50,191,628** |
| | | | | |
| **Expenditures:** | | | | |
| TIFIA Debt Service Prepayment[2] | $38,600,000 | $0 | $27,700,000 | $0 |
| TIFIA Debt Service | 0 | 12,217,351 | 12,217,351 | 10,561,564 |
| Operating Expenses | 26,700 | 500,000 | 500,000 | 100,000 |
| **Total Expenditures** | **$38,626,700** | **$12,717,351** | **$40,417,351** | **$10,661,564** |
| **Total Disbursements** | **$38,626,700** | **$12,717,351** | **$40,417,351** | **$10,661,564** |
| | | | | |
| **Ending Balance** | **$51,876,910** | **$56,995,478** | **$30,818,801** | **$39,530,064** |
| TIFIA Debt Service Reserve[3] | $12,200,864 | $12,200,864 | $12,200,864 | $10,561,564 |
| **Unreserved Balance** | **$39,676,046** | **$44,794,614** | **$18,617,937** | **$28,968,500** |
| | | | | |
| **Tax rate per $100 Assessed Value[4]** | **$0.20** | **$0.18** | **$0.18** | **$0.18** |

[1] FY 2025 estimate based on January 1, 2024 assessed values and an adopted tax rate of $0.18 per $100 of assessed value.

[2] An amount of $27,700,000 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 2024.

[3] 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 decreased from $12,200,864 to $10,561,564 following the partial prepayment of the TIFIA loan in October 2023.

[4] The tax rate decreased from $0.20 to $0.18 per $100 of assessed value in FY 2024 based on the joint recommendation from the Phase II District Advisory Board and the Silver Line Phase II Transportation District Commission.