




# County of Fairfax, Virginia

## MEMORANDUM

**DATE:** APR 13 2009

**TO:** Board of Supervisors

**FROM:** Anthony H. Griffin   
County Executive

**SUBJECT:** Metro Matters "Opt-Out"

The Metro Matters Funding Agreement was adopted by the Board of Supervisors on October 18, 2004. It fixed the County's pay-as-you-go capital funding payments to Metro for FY 2005 through FY 2010. The County chose to fulfill its obligation by issuing general obligation debt approved at voter referendum on November 2, 2004 in the amount of \$110 million. The Metro Matters Funding Agreement also included a long-term WMATA debt component and committed the County (subject to annual appropriations) to funding the WMATA debt service on Metro Matters bonds to be issued by WMATA. The Agreement further provided an option to participating jurisdictions to "opt-out" of the Metro Matters bond issue and the long term commitment by paying the jurisdiction's share of the debt in full at the time of closing on the WMATA bonds. This option was included in the MMFA, because many jurisdictions believed that their own cost of financing would be lower than Metro's.

On March 9, 2009, WMATA notified the County that they are issuing Metro Matters bonds in the amount of \$468 million on June 9, 2009. These bonds will cover the currently outstanding commercial paper (short-term) debt incurred for the Metro Matters construction program, and provide additional funds for the remaining Metro Matters projects. The County's on-going obligation to support the debt service on these bonds would be \$4.8 million per year for the next 25 years. However, the County's financing costs are much lower than WMATA's, exercising the "opt-out" provision could save the County an estimated \$11.5 million net present value over the life of the bonds. Therefore, staff recommends exercising the opt-out provision, and paying the County's share (\$58,634,664) in full by June 9, 2009.

The County can utilize a portion of the remaining authorized bonds of approximately \$65.8 million that were approved for the Metro Matters program. An amount of \$27.9 million is included in the County's FY 2010 Advertised Budget for the final installment of the Metro Matters pay-as-you-go component owed by the County. After funding Metro's capital program through FY 2010, the remaining bond authorization is approximately \$38 million.

The County's bonds would be issued in FY 2010 to reimburse the FY 2009 "opt-out" payment as part of the County's annual general obligation bond sale. The increase in debt as a result of accelerating authorized Metro bond sales by \$37.6 million over planned sales can be accommodated within the planned program of sales with no significant impact to future debt ratios. No other bond programs will be affected by this sale. In addition, the estimated annual debt service of approximately \$3.4 million on the additional County bond sales will generate immediate savings compared to the \$4.8 million requirement that would result from participation in the WMATA bond issue.

---

Office of the County Executive  
12000 Government Center Parkway, Suite 552  
Fairfax, Virginia 22035-0074  
Telephone: (703) 324-2531 Fax: (703) 324-3956 TTY: 711  
[www.fairfaxcounty.gov](http://www.fairfaxcounty.gov)

The balance of approximately \$21 million required to complete the "opt-out" payment is proposed to be provided by the County's share of \$40 million in state appropriations for Metro capital. These funds were approved by the General Assembly in 2005 and are to be provided to the Northern Virginia Transportation Commission (NVTC) for Metro Matters certain expenditures. They are anticipated to be available for the Metro Matters "opt-out" payment on June 9, 2009. These funds are paid directly by NVTC to Metro, and are not reflected as an appropriation within Fund 309, Metro Operations and Construction.

Available appropriation authority currently within Fund 124, County and Regional Transportation Projects in the amount of \$37,634,664 will be reallocated to Fund 309, Metro Operations and Construction, in order to meet the partial costs of a one-time "opt-out" requirement as detailed below. This action results in a net impact of \$0 to the total level of County appropriations. It is possible to decrease Fund 124 appropriations due to the absence of supporting revenue for regional transportation projects from the Northern Virginia Transportation Authority (NVTA). This revenue source was eliminated by a February 2008 Virginia Supreme Court ruling that the General Assembly did not have the ability to delegate its taxing authority to the NVTA. The General Assembly has not taken action in FY 2009 to restore this funding. This reallocation is only an accounting change, and does not result in any actual Fund 124 revenues being used for the Metro Matters payment.

Assuming Board concurrence and unless otherwise directed, I will direct staff to include a motion in the final *FY 2009 Third-Quarter Review* package to allow for the following:

- Exercise the option to "opt-out" from Metro issuing bonds on the County's behalf for the Metro Matters program, by paying Metro \$58,634,664 by June 9, 2009, of which it is currently estimated that \$37,634,664 is to be paid by the County and \$21 million is to be paid by NVTC on Fairfax County's behalf. Once the exact amount of available State funding is determined, County bond funds will be used to pay the remaining portion of the \$58,634,664.
- Use the remaining authorized bond balance of approximately \$38 million to pay a portion of the \$58.6 million "opt-out" payment in FY 2009, to be reimbursed from a future bond sale. Appropriation authority will be reallocated to Fund 309, Metro Operations and Construction from Fund 124, County and Regional Transportation Projects.
- Use approximately \$21 million of the County's share of state funds for Metro Matters and held by the NVTC to pay the balance of the County's "opt-out" obligation.

If you have any questions or desire additional information, please feel free to contact me at 703-324-2536.

cc: Edward L. Long, Jr., Deputy County Executive  
Robert A. Stalzer, Deputy County Executive  
Verdia L. Haywood, Deputy County Executive  
David J. Molchany, Deputy County Executive  
Victor L. Garcia, Director, Department of Finance  
Susan W. Datta, Director, Department of Management and Budget  
Katharine D. Ichter, Director, Department of Transportation  
Leonard P. Wales, County Debt Manager