

# Fund 40125

## Metrorail Parking System Pledged Revenues

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### Focus

The Metrorail Parking System Pledged Revenues Fund was established by the Board of Supervisors on November 18, 2014 to collect and disburse funds related to revenue-generating activities at Metrorail parking facilities owned by and located within the County. These funds will be generated from fees paid at these parking facilities and used to pay operating, maintenance and debt expenses of the facilities. Previously, these revenues and expenditures were either collected by the County or on behalf of the County by the Washington Metropolitan Area Transit Authority (WMATA) and budgeted under Fund 40010, County and Regional Transportation Projects, and Fund 40000, County Transit Systems.

In November 2011, the Board of Supervisors agreed to the Memorandum of Agreement (MOA) to participate in Phase 2 of the Silver Line and to use its “best efforts” to seek funding for the parking garages at Herndon and Innovation Center from sources outside of the shared funding formula agreed to by the funding partners. In that MOA, WMATA agreed in principle to changes in the 1999 Surcharge Agreement that would enable the County to use surcharge revenues to finance those parking facilities.

County staff worked with the staff at WMATA to provide the County direct access to parking surcharge revenue funds generated from County parking garages currently in the WMATA system. In addition, the Department of Public Works and Environmental Services (DPWES) had initiated preliminary design work at the Herndon and Innovation parking garages. At the June 10, 2014, Board Transportation Committee Meeting, County staff provided an update on staff coordination with WMATA to amend surcharge documents, and an overview of the plan of finance to construct the parking garages at Herndon and Innovation Center. Until the opening of the Silver Line Phase 1, WMATA owned or leased all of the Metrorail parking garages in Fairfax County. The parking facility at the Wiehle-Reston East Metrorail Station is owned by Fairfax County, and the future parking facilities at the Herndon and Innovation Center Metrorail Stations will also be owned by Fairfax County. By retaining ownership of the new parking facilities, the County will be able to control future joint development on the sites, and retain all revenues generated from those joint developments.

The Surcharge Agreement provides a mechanism to collect a base fee and a surcharge fee at the five WMATA owned/leased parking facilities in Fairfax County and two additional stations (East Falls Church in Arlington County and Van Dorn in the City of Alexandria). The surcharge fee has been used to pay the debt service on revenue bonds sold by the Fairfax County Economic Development Authority (EDA) to finance the construction of Metrorail parking facilities in the County. The base parking fee is used by WMATA to operate and maintain the parking facilities. Since the County will own the new parking facilities within its jurisdiction, the agreement needed to be amended so the entire fee at the new facilities would be retained by the County, and the surcharge from the WMATA owned facilities could be used by the County for the County-owned facilities. WMATA and Fairfax County staff worked together to create the Second Amended and Restated Surcharge Implementation Agreement. The major changes to the existing surcharge agreement are summarized below:

- The parking surcharge balance held at WMATA was transferred to the County in June 2015 (minus approximately \$2 million for a 12-month reserve for the current Vienna II garage debt service). The County currently plans to use this one time balance transfer of approximately \$21 million to pay current debt service and reduce the amount of debt required to finance the Herndon and Innovation Station parking facilities which originally had a Total Project Estimate of \$44,500,000 and \$57,400,000, respectively.

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- All ongoing surcharge revenues collected at the five WMATA owned parking facilities in Fairfax County plus the East Falls Church and Van Dorn parking facilities will be transferred to the County and used to pay debt service, operating, and maintenance costs.
- All parking fees collected at Metrorail parking facilities owned by Fairfax County (e.g. Wiehle-Reston East, Herndon, and Innovation Center) will be retained by the County and used to pay debt service, operating, and maintenance expenses.
- The Agreement has been extended so that it will continue until all the costs incurred for the Fairfax County-owned parking spaces have been recovered.
- The County and WMATA agree that the surcharge revenues shall be used for the planning, development, financing (including, but not limited to, the payment of debt service), construction, operation, maintenance, insurance, improvement and expansion of Fairfax County's Metrorail parking facilities and WMATA-controlled parking facilities.
- WMATA acknowledges that the County will set the fees for the County-owned spaces and that the fees shall not be subject to WMATA's approval. On July 1, 2014, the Board of Supervisors established the parking fees for the Wiehle-Reston East Metrorail garage, and will continue to do so annually. The rates for the additional parking garages at Herndon and Innovation Center will be added when they become operational.
- WMATA also acknowledges that none of the fees set for County-owned Metrorail parking spaces is a surcharge, and that the County may use those fees for the same purposes allowed for the surcharge funds, except that the County may also use the fees for other parking facilities in the County that provide remote parking spaces for Metrorail patrons.

Before the agreement was amended, the only outstanding surcharge agreement-related debt was that associated with the Vienna II parking garage through 2020. Absent the amendments that were recommended, the surcharge fee would otherwise be eliminated after the debt service on Vienna II had been defeased. In November 2016, the County utilized a portion of the equity in this fund to pay off the outstanding debt on the Vienna II bonds. Maintaining County access to this revenue surcharge stream is an essential component to the parking revenue bond financing of the Herndon and Innovation Center Station Parking Garages as part of the County's "best efforts" to fund the parking garages, per the 2011 MOA.

The WMATA Board approved the Second Amended and Restated Surcharge Implementation Agreement on October 23, 2014. The Fairfax County Board of Supervisors then approved the Second Amended and Restated Surcharge Implementation Agreement at its meeting on October 28, 2014. Lastly, the Fairfax County Board of Supervisors approved a resolution and plan of finance on November 18, 2014 to create the Fairfax County Metrorail Parking System.

As part of the United States Department of Transportation's (USDOT) Transportation Infrastructure and Finance and Innovation Act (TIFIA) loan for the Dulles Metrorail project, Fairfax County received \$403.3 million toward its baseline share of project costs. As a condition to financial closing on the TIFIA loan, a Letter Agreement between USDOT and the County regarding the County's construction of the parking garages at the Herndon and Innovation Center Metrorail Stations was established. The County agreed to complete construction of the parking garages by the WMATA-announced start date of revenue service for

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Phase 2. If the County does not meet this deadline, it is required to prepay any drawn portion of the TIFIA loan plus accrued interest. In the unlikely event the County does not complete construction of the parking garages by the agreed-upon date, staff would recommend a public sale of bonds backed by Fund 40010, County and Regional Transportation Projects, to repay the drawn portion of the County's TIFIA loan. The County timeline provides for construction of the garages to be completed in spring 2019. This completion estimate is well in advance of anticipated Phase 2 revenue service and therefore the County does not anticipate any mandatory prepayment of the TIFIA loan.

The Letter Agreement also provides for an uncontrollable force provision (i.e., force majeure), whereby the County would not be held liable for any construction delay to either parking garage that was the result of certain circumstances beyond the control of the County, such as a natural disaster. Lastly, USDOT provided language in the Letter Agreement confirming that no TIFIA loan proceeds have or will be used for the parking garages. Thus, the parking garages have neither been selected nor designated a federally funded project. This provision was requested by the County to ensure that the parking garages would not be subject to federal regulation and oversight, which could cause a significant increase to the cost of constructing the garages and jeopardize the County's current plan of finance and project schedule.

As part of the Board of Supervisors Transportation Committee meeting on May 24, 2016 and December 13, 2016, County staff provided an overview of the plan of finance associated with the planned Economic Development Authority (EDA) Parking Revenue bond for the Herndon and Innovation Center Station Parking Garages. The EDA and the Board of Supervisors then approved the plan of finance at their respective meetings on January 11, 2017 and January 24, 2017. The bond sale occurred in February 2017 in the amount of \$90.9 million to fund the following: Herndon Station and Innovation Center Station Parking Garages of \$37.9 million and \$37.1 million, respectively, per final construction bids; and \$15.9 million to fund capitalized interest, funding of a debt service reserve, and cost of issuance.

### FY 2018 Funding Adjustments

*The following funding adjustments from the FY 2017 Adopted Budget Plan are necessary to support the FY 2018 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 2, 2017.*

- ◆ **Debt Service Adjustments** **(\$650)**

A total of \$7,384,563 is included for debt service expenses for the Wiehle-Reston East Metrorail parking garage. The FY 2018 budgeted amount is a \$650 decrease from the FY 2017 Adopted Budget Plan.

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#### **Changes to FY 2017 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2017 Revised Budget Plan since passage of the FY 2017 Adopted Budget Plan. Included are all adjustments made as part of the FY 2016 Carryover Review, FY 2017 Third Quarter Review, and all other approved changes through April 30, 2017.*

- ◆ **Carryover Adjustments** **\$99,700,000**

As part of the *FY 2016 Carryover Review*, the Board of Supervisors approved an appropriation of \$99,700,000 for the Fairfax County Economic Development Authority (EDA) Parking Revenue bond sale anticipated in winter 2017 for the Herndon Station Parking Garage for \$48,900,000 and the Innovation Center Station Parking Garage for \$43,000,000. In addition, an appropriation of \$7,800,000 is provided for the defeasance of the outstanding callable debt on the Fairfax County Economic Development Authority Parking Revenue Bonds Series 2005 for the Vienna II Parking Garage.
  
- ◆ **Third Quarter Adjustments** **(\$5,715,252)**

As part of the *FY 2017 Third Quarter Review*, the Board of Supervisors approved a reduction of \$5,715,252, including a \$16,900,000 decrease in Capital Projects related to the construction and final bids awarded for the two Metrorail parking facilities at the Herndon and Innovation Center Metrorail stations. This decrease is partially offset by an \$11,184,748 increase necessary to support capitalized interest and cost of issuance expense related to the bond sale for the parking garages.

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### FUND STATEMENT

#### Fund 40125, Metrorail Parking System Pledged Revenues

	FY 2016 Actual	FY 2017 Adopted Budget Plan	FY 2017 Revised Budget Plan	FY 2018 Advertised Budget Plan	FY 2018 Adopted Budget Plan
<b>Beginning Balance</b>	\$20,616,004	\$22,216,004	\$23,860,792	\$17,660,792	\$11,769,292
Revenue:					
Wiehle-Reston East Ground Rent <sup>1</sup>	\$1,394,365	\$967,000	\$1,164,700	\$1,933,430	\$1,933,430
Interest on Investments	60,200	0	0	0	0
Parking Revenue Bond Proceeds <sup>2</sup>	0	0	80,293,248	0	0
Wiehle-Reston East Metrorail Parking Garage <sup>3</sup>	2,761,983	2,000,000	2,000,000	2,000,000	2,000,000
WMATA Surcharge Parking Fees <sup>4</sup>	3,259,198	3,000,000	3,000,000	3,600,000	3,600,000
<b>Total Revenue</b>	<b>\$7,475,746</b>	<b>\$5,967,000</b>	<b>\$86,457,948</b>	<b>\$7,533,430</b>	<b>\$7,533,430</b>
Transfer In:					
County and Regional Transportation Projects (40010) <sup>5</sup>	\$4,220,513	\$0	\$4,220,513	\$0	\$0
<b>Total Transfer In</b>	<b>\$4,220,513</b>	<b>\$0</b>	<b>\$4,220,513</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Available</b>	<b>\$32,312,263</b>	<b>\$28,183,004</b>	<b>\$114,539,253</b>	<b>\$25,194,222</b>	<b>\$19,302,722</b>
Expenditures:					
Wiehle-Reston East Parking Garage Operating Expenses	\$1,063,758	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
Vienna II Parking Garage Debt Payoff <sup>6</sup>	0	0	7,800,000	0	0
Herndon Station Parking Garage - Construction <sup>2</sup>	0	0	37,900,000	0	0
Innovation Center Station Parking Garage - Construction <sup>2</sup>	0	0	37,100,000	0	0
Capitalized Interest <sup>7</sup>	0	0	10,669,227	0	0
Costs of Issuance <sup>7</sup>	0	0	515,521	0	0
Wiehle-Reston East Parking Garage Debt Service	7,387,713	7,385,213	7,385,213	7,384,563	7,384,563
<b>Total Expenditures</b>	<b>\$8,451,471</b>	<b>\$8,785,213</b>	<b>\$102,769,961</b>	<b>\$8,784,563</b>	<b>\$8,784,563</b>
<b>Total Disbursements</b>	<b>\$8,451,471</b>	<b>\$8,785,213</b>	<b>\$102,769,961</b>	<b>\$8,784,563</b>	<b>\$8,784,563</b>
<b>Ending Balance</b>	<b>\$23,860,792</b>	<b>\$19,397,791</b>	<b>\$11,769,292</b>	<b>\$16,409,659</b>	<b>\$10,518,159</b>
Debt Service Reserve <sup>8</sup>	\$0	\$0	\$4,758,500	\$0	\$4,758,500
<b>Unreserved Balance</b>	<b>\$23,860,792</b>	<b>\$19,397,791</b>	<b>\$7,010,792</b>	<b>\$16,409,659</b>	<b>\$5,759,659</b>

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<sup>1</sup> Revenues associated with ground rent at the Wiehle-Reston East Metrorail Station Parking Garage.

<sup>2</sup> Construction funding from the Fairfax County Economic Development Authority Parking Revenue bond sale in February 2017 for the Herndon Station Parking Garage (\$37,900,000) and Innovation Center Station Parking Garage (\$37,100,000).

<sup>3</sup> Parking revenues collected at the Wiehle-Reston East Metrorail Station Parking Garage.

<sup>4</sup> Projected revenues transferred from the Washington Metropolitan Area Transit Authority (WMATA) for five WMATA owned/leased parking facilities in Fairfax County (Huntington, West Falls Church, Dunn Loring, Vienna, and Franconia) and two additional stations (East Falls Church in Arlington County and Van Dorn in the City of Alexandria). These revenues will be used by the County to pay debt service for the Herndon and Innovation Center Station Parking Garages.

<sup>5</sup> Provides for the balance of funds required to pay debt service on the Wiehle-Reston East Metrorail Station Parking Garage not covered by ground rent and parking fees. Funding needs will be reviewed as part of the annual budget process as well as the Carryover Review process.

<sup>6</sup> Represents the outstanding callable debt for the Fairfax County Economic Development Authority Parking Revenue Bonds Series 2005 for the Vienna II Parking Garage. The County paid off this balance in November 2016.

<sup>7</sup> Capitalized interest and costs of issuance for the bond sale in February 2017 to fund construction of the Metrorail parking garage structures at the Herndon and Innovation Center Metrorail stations.

<sup>8</sup> Debt service reserve fund for the parking garage revenue bonds, which was funded at closing of the bond sale in March 2017.

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### FY 2018 Summary of Capital Projects

#### Fund 40125, Metrorail Parking System Pledged Revenues

<b>Project</b>	<b>Total Project Estimate</b>	<b>FY 2016 Actual Expenditures</b>	<b>FY 2017 Revised Budget</b>	<b>FY 2018 Advertised Budget Plan</b>	<b>FY 2018 Adopted Budget Plan</b>
Herndon Metrorail Parking Facility (TF-000033)	\$37,900,000	\$0.00	\$37,900,000.00	\$0	\$0
Innovation Metrorail Parking Facility (TF-000034)	37,100,000	0.00	37,100,000.00	0	0
Vienna II Metro Pkg Facility Debt Service (2G40-134-000)	7,800,000	0.00	7,800,000.00	0	0
Wiehle Metro Pkg Facility Debt Service (2G40-115-000)	14,772,926	7,387,712.50	7,385,213.00	7,384,563	7,384,563
Wiehle Pkg Operations and Maintenance (2G40-120-000)	2,463,758	1,063,758.39	1,400,000.00	1,400,000	1,400,000
<b>Total</b>	<b>\$100,036,684</b>	<b>\$8,451,470.89</b>	<b>\$91,585,213.00</b>	<b>\$8,784,563</b>	<b>\$8,784,563</b>