

Fairfax County & Loudoun County, Virginia

Route 28 Tax District

Presentation to Route 28 Transportation Improvement District Advisory Board

March 2, 2023



FY 2024 Assessed Value Estimates

- Assessed values for Loudoun’s portion of the Route 28 District went up 25% from January 2022 to January 2023
- Within Loudoun’s portion of the District, data centers grew 39.6% and comprised 64.3% of the total
- As of July 1, 2022, new legislation became effective changing in the way data centers are valued
- There is potential for appeals of data center assessed valuation which could impact the December 2023 collection; however, Loudoun is unable to quantify potential impacts

	Assessed Value as of 1/1/2022	Assessed Value as of 1/1/2023	% Change
Fairfax County ¹	\$6,562,521,459	\$6,927,681,101	5.56%
Loudoun County ^{2,3}	\$10,122,024,823	\$12,658,750,679	25.06%
Total	\$16,684,546,282	\$19,586,431,780	17.39%

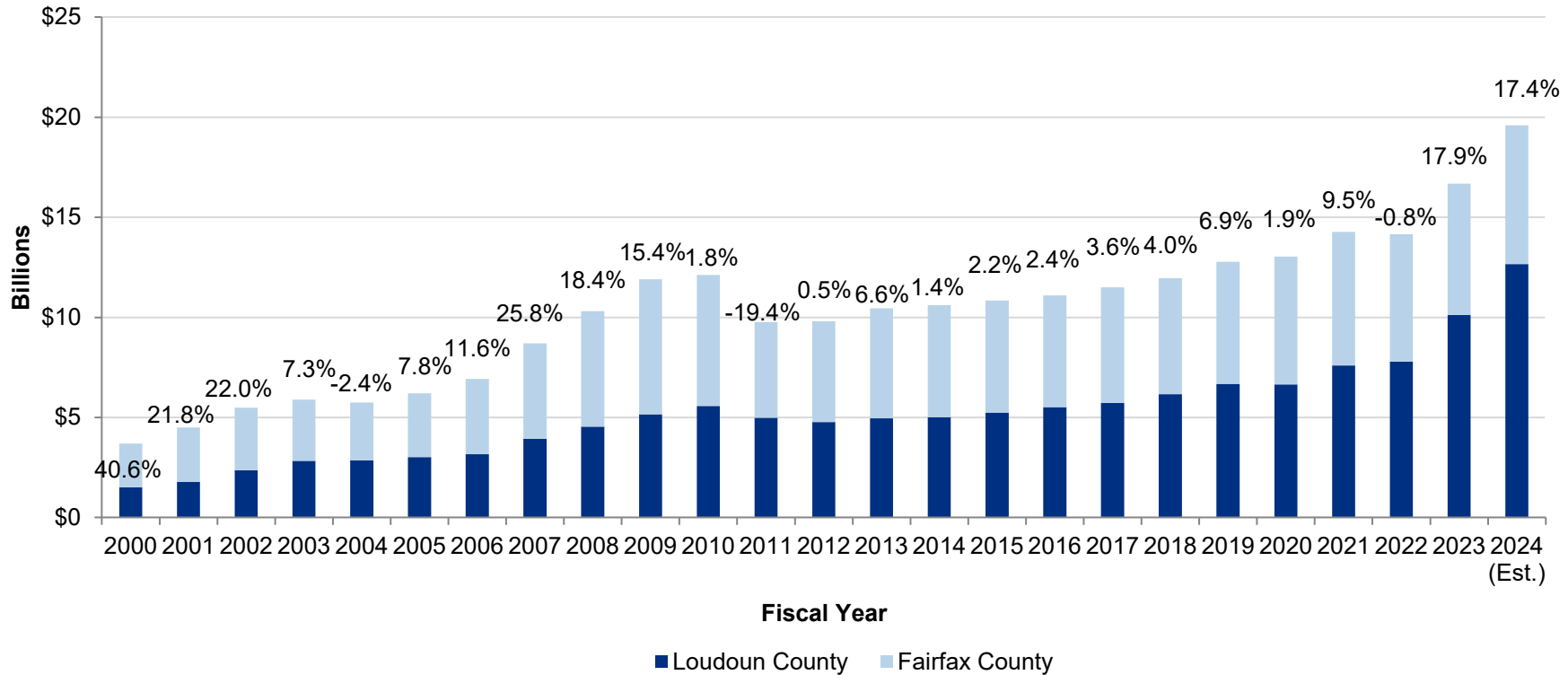
1. Source: Fairfax County Department of Tax Administration, as of January 1, 2023

2. Source: Loudoun County Office of the Commissioner of the Revenue, as of January 1, 2023

3. Loudoun County’s CY 2022 AV includes all revisions through December 31, 2022 and may differ from the February 2022 values provided in the prior year report (\$10,080,982,862).

History of the Tax District

Assessed Value of Taxable Property in the District (\$ Billions)



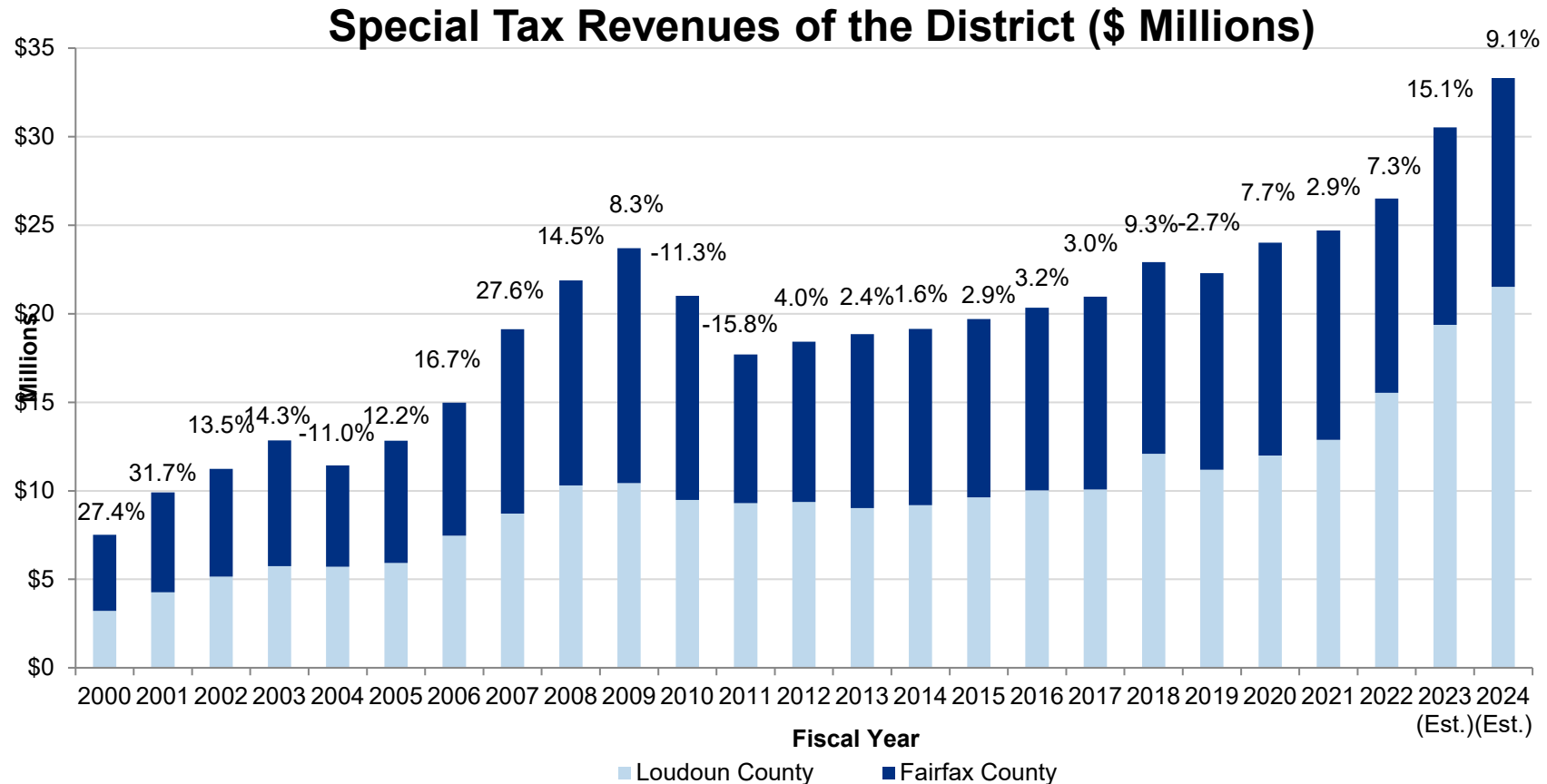
Percentage Year-over-Year Growth

Fiscal Year (Assessment Date)	2015 (1/1/2014)	2016 (1/1/2015)	2017 (1/1/2016)	2018 (1/1/2017)	2019 (1/1/2018)	2020 (1/1/2019)	2021 (1/1/2020)	2022 (1/1/2021)	2023 (1/1/2022)	2024 (1/1/2023)	10-yr Avg	5-yr Avg
Loudoun	4.5%	5.4%	3.7%	7.6%	8.5%	-0.6%	14.4%	2.4%	30.1%	25.1%	10.1%	14.3%
Fairfax	0.2%	-0.5%	3.6%	0.4%	5.2%	4.7%	4.4%	-4.5%	3.0%	5.6%	2.2%	2.6%
Total	2.2%	2.4%	3.6%	4.0%	6.9%	1.9%	9.5%	-0.8%	17.9%	17.4%	6.5%	9.2%
Tax Rate (per \$100 AV)	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.17	\$0.17	\$0.17	TBD	-	-

Note: The District was created on December 21, 1987.

Revenue History

One penny in the District generates \$1.96 million in revenue in FY 2024.



Percentage Year-over-Year Growth

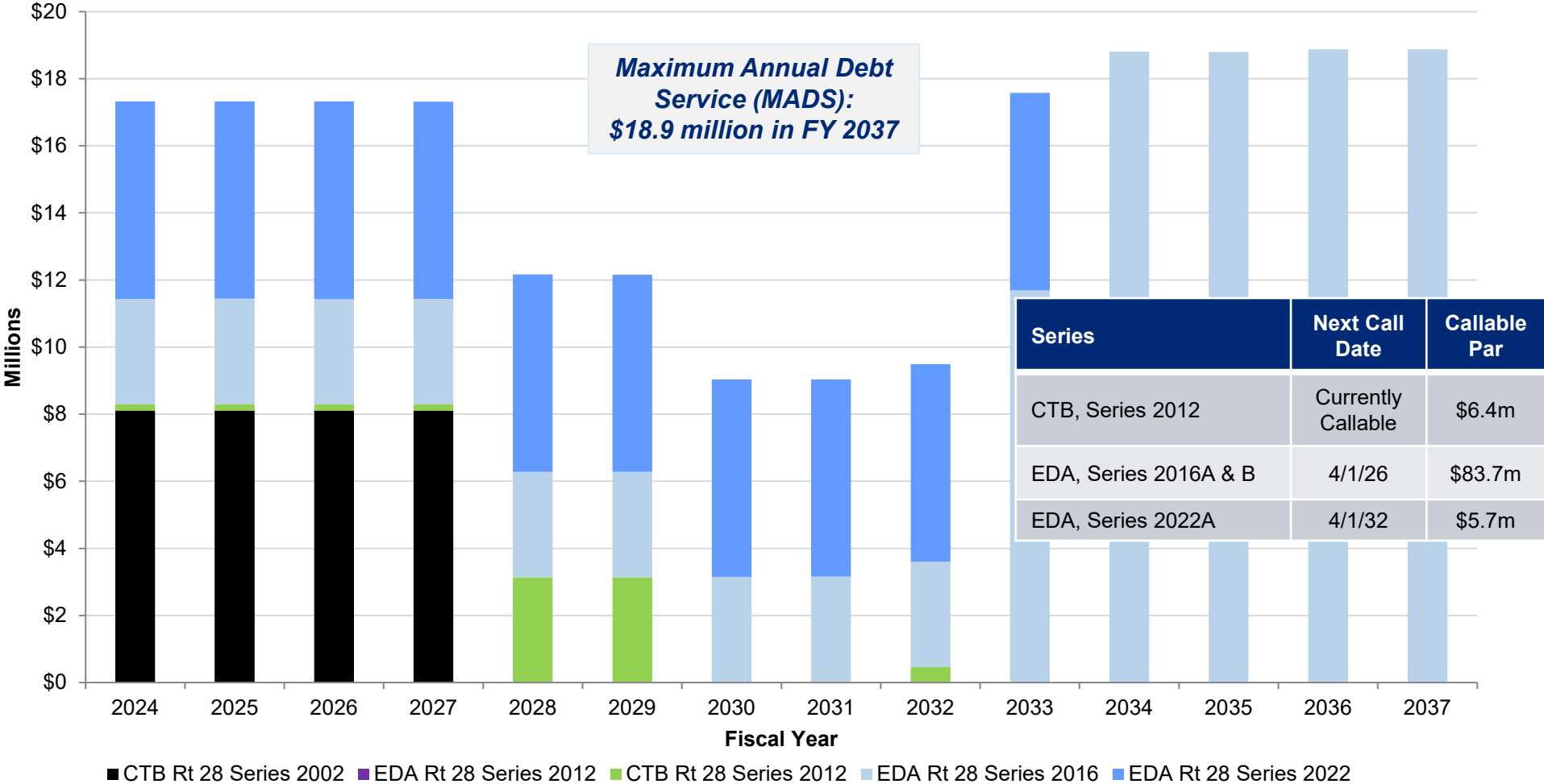
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10-yr Avg	5-yr Avg
Loudoun	4.8%	4.1%	0.5%	20.2%	-7.5%	7.2%	7.4%	20.5%	24.7%	11.1%	9.3%	14.2%
Fairfax	1.2%	2.3%	5.6%	-0.7%	2.7%	8.2%	-1.7%	-7.0%	1.6%	5.6%	1.8%	1.3%
Total	2.9%	3.2%	3.0%	9.3%	-2.7%	7.7%	2.9%	7.3%	15.1%	9.1%	5.8%	8.4%
Tax Rate (per \$100 AV)	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.17	\$0.17	\$0.17	\$0.17 (Est.)	-	-

Note: FY 2023 and FY 2024 revenue estimates are based on the AV amount for such years multiplied by the estimated tax rate (\$0.17) in each year. Prior years data reflect audited financial results reported by the Counties in the Rt.28 financial statements.

Annual Debt Service (as of June 30, 2023)

Bonds carry strong ratings of Aa1/AA+ from Moody's and S&P.

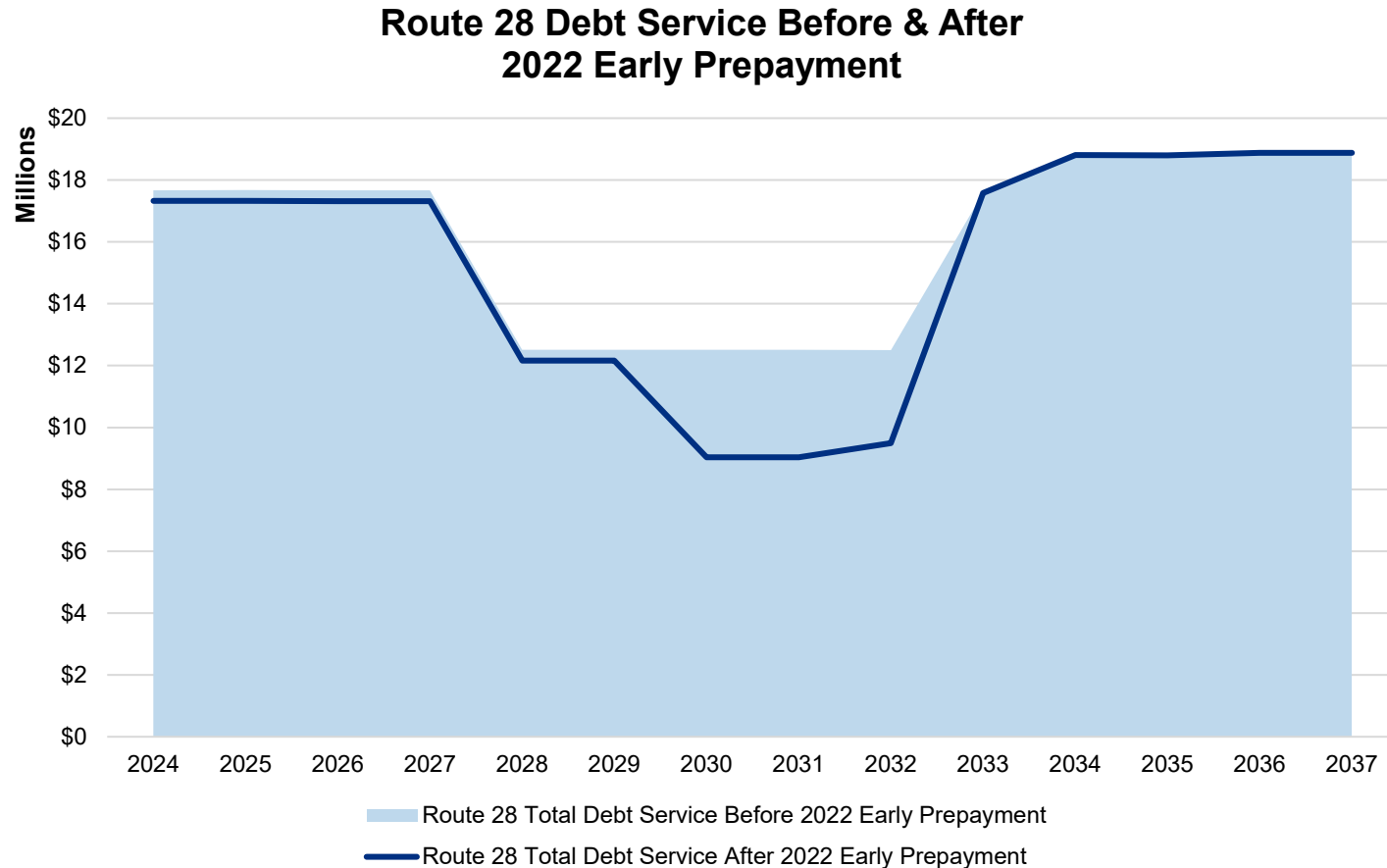
Outstanding Debt Service



Note: Incorporates impact of early cash pre-payment of CTB Bonds, Series 2012 in December 2022

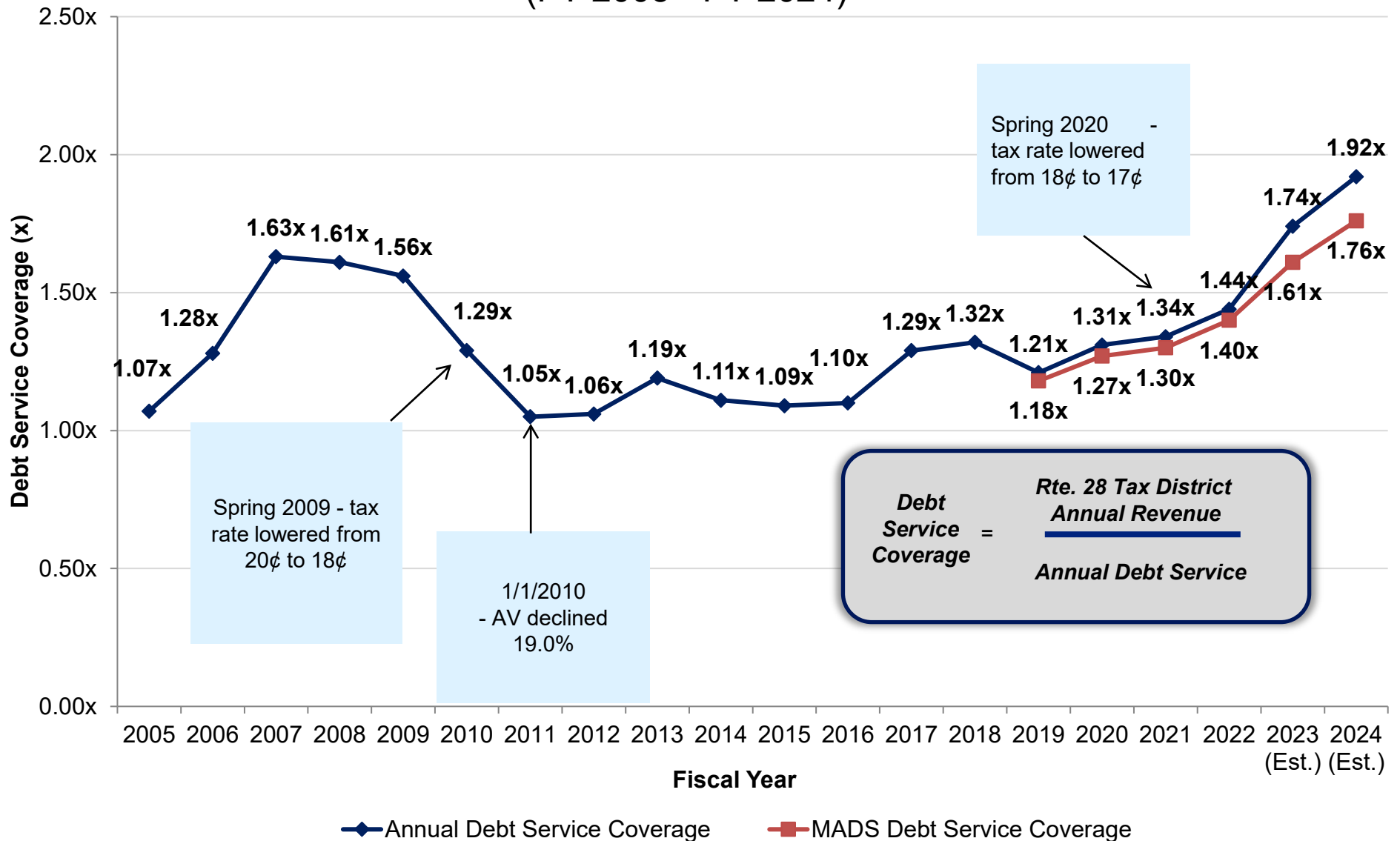
CTB Bonds, Series 2012 – Early Prepayment Summary

- On December 14, 2022, \$9.3 million of the Commonwealth Transportation Board (CTB)'s Transportation Contract Revenue Refunding Bonds, Series 2012 (Route 28 Project) were called and redeemed early with excess Project Completion Fund (PCF) dollars
- The early prepayment generated net present value savings of \$1.1 million (11.8% of par) with annual cash flow savings of \$350k from FY 2024 to FY 2029 and \$3 million from FY 2030 to FY 2032



Debt Service Coverage

Historical Debt Service Coverage (FY 2005 - FY 2024)

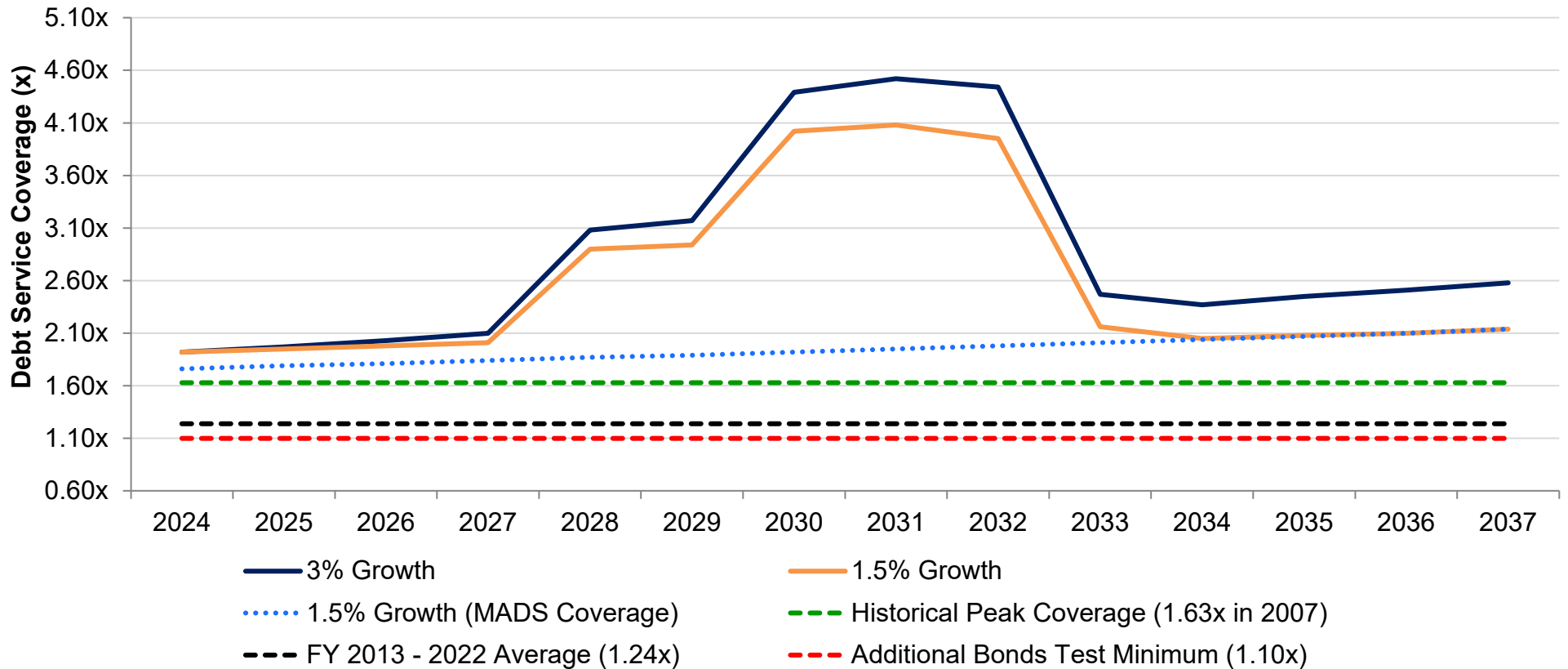


Note: Previous peak debt service coverage in FY 2007 occurred when the tax rate was \$0.20 per \$100 AV. FY 2023 & FY 2024 coverage shown above assumes \$0.17/\$100 tax rate remains same.

Forecasted Debt Service Coverage @ \$0.17 Tax Rate

Strong projected coverage suggests financial margins in the District could support a tax rate reduction.

Debt Service Coverage (FY 2024-2032) (Maintains \$0.17 per \$100 Tax Rate)

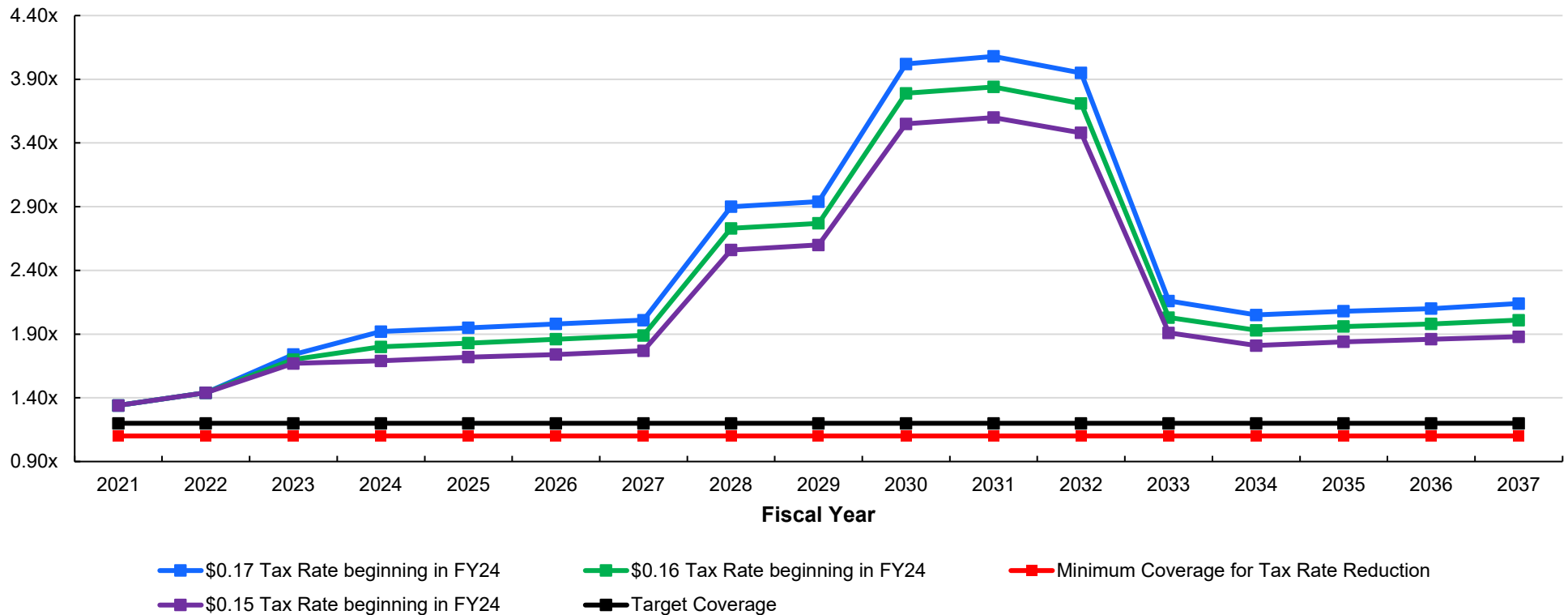


Tax Rate (per \$100 AV)	AV Growth	Max Debt Service Coverage	Min Debt Service Coverage	FY24 Coverage on MADS
\$0.17	3.0%	4.52x (FY 2031)	1.92x (FY 2024)	1.76x
\$0.17	1.5%	4.08x (FY 2031)	1.92x (FY 2024)	1.76x

Tax Rate Sensitivity Analysis

- Tax rate setting addressed in the District Contract Section 401(b) which provides that reductions shall not occur unless two conditions are met
 - Revenue in each of the prior two fiscal years exceeds total debt service by 1.10 times, and
 - “Reasonably anticipated by Commission” that available tax revenue in “each subsequent” fiscal year will be greater than 1.10 times total debt service
- Coverages in FY 2021 (1.34x) and FY 2022 (1.44x) exceed 1.10x, indicating a reduction of the tax rate in FY 2023 would be permissible, assuming 1.5% projected annual AV growth through FY 2037

**Debt Service Coverage
Assumes 1.5% Growth**



Route 28 Reserve Funds

- The District holds various reserves funds, all funded at required levels
- Project Completion Fund (PCF) balances are available to fund projects for the District or pre-pay debt early
 - If tax revenue are insufficient to pay debt service on EDA or CTB debt, PCF is first source to fill shortfall
 - Target a minimum balance of half Maximum Annual Debt Service (or “MADS”)
- Revenue Stabilization Fund maintained at MADS
 - Available to pay EDA debt service if annual tax revenue is insufficient
 - If tapped, refills over time with excess annual tax revenue
- Debt Service Reserve Fund secures outstanding bonds
 - Final source of funds for debt service annual tax revenue is insufficient & other reserves empty
 - If tapped, Counties have covenanted to seek appropriation to refill the fund (50%/50% share)
 - Includes a mix of invested cash (for Series 2016B and Series 2022) and a surety policy (for Series 2016A)

Project Completion Fund (PCF) Estimated Balance

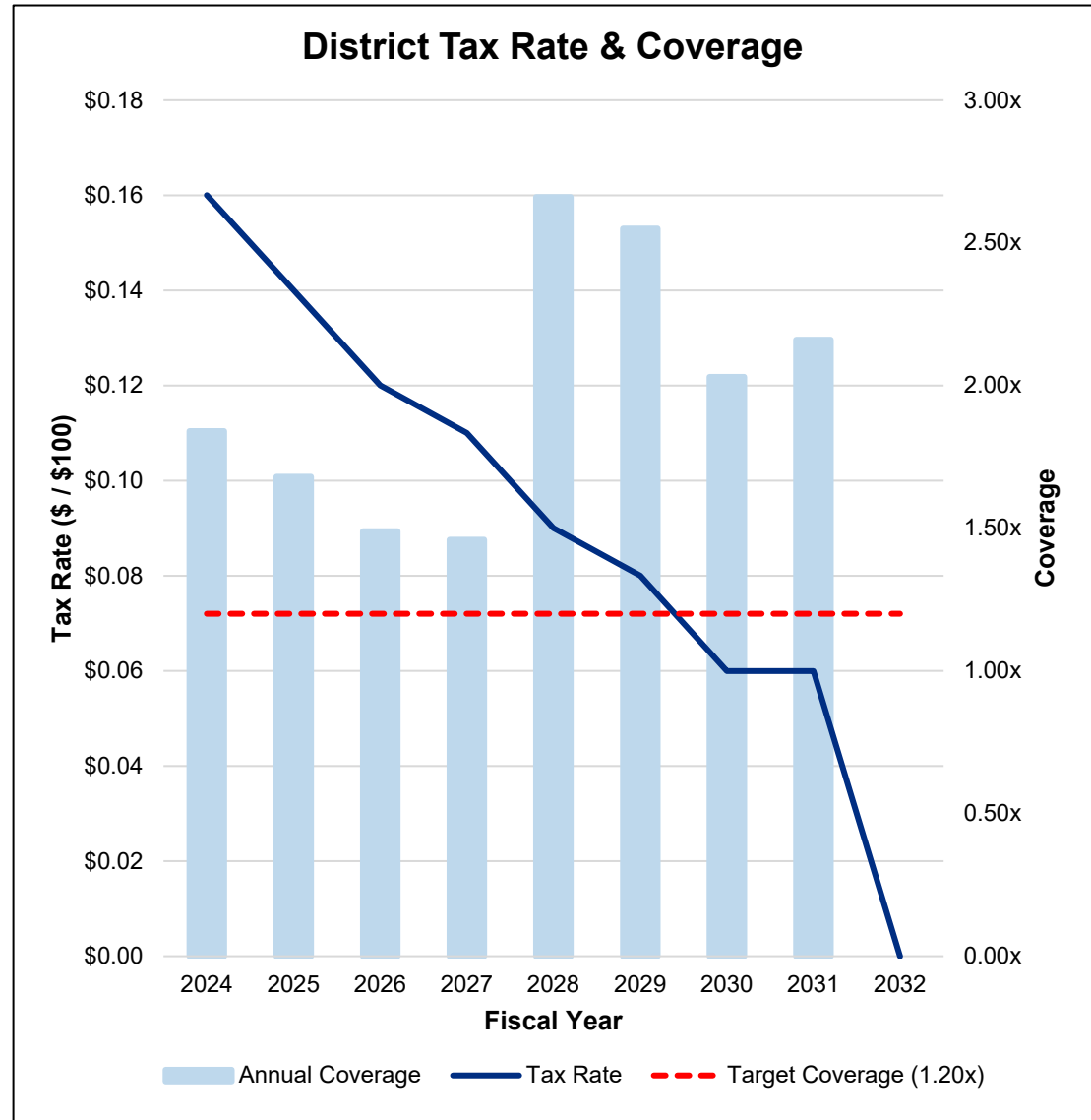
- At the end of FY 2023, it is anticipated the District will have approximately \$10.6 million in available PCF balance, if the tax rate is lowered by 1 cent
- Such amounts can be used to execute another early pre-payment of debt to reduce the District's annual debt service

Forecasted Project Completion Fund Balances	
	Assumes \$0.16 Tax Rate in FY 2024
a. Estimated PCF Balance as of 1/30/2023 ¹	\$9,800,711
b. Add: Estimated Revenues After Debt Service Payments and Account Deposits	\$10,252,052
c. Forecasted PCF Balance as of 6/30/2023	\$20,052,763
d. Less: Recommended Minimum PCF Balance (50% of Maximum Annual Debt Service)	(\$9,439,950)
e. Forecasted "Available" PCF Balance as of 6/30/2023	\$10,612,813
f. Less: 2023 Early Prepayment of Debt	(\$10,606,413)
g. Add: Estimated Revenues After Debt Service Payments and Account Deposits	\$14,016,985
h. Forecasted "Available" PCF Balance as of 6/30/2024	\$14,023,385

1. Estimate provided by U.S. Bank
 2. Assumes 1.5% AV growth in CY 2024 (FY 2025) and \$0.16/\$100 tax rate

Planning for the District's Sunset

- The District can sunset after all debt is fully paid, currently estimated in FY 2037
- Now that all project costs have been met, end of year PCF balances can be used to accelerate debt repayment & sunset the District sooner
- At the end FY 2023, there is projected to be \$10.6 million of PCF cash available for early prepayment of debt
- In future years, plan to lower the tax rate to target a minimum debt service coverage level
- Assuming 1.5% assessed value growth, the District's sunset could be accelerated to FY 2032 from FY 2037



Assumes 1.5% AV growth and \$0.16 tax rate in FY 2024; tax rate declines to maintain at least 1.20x maximum annual debt service coverage in all future years.

Staff Recommendation to the Advisory Board

- Lower tax rate from \$0.17/\$100 to \$0.16/\$100 of assessed value
- Maintain a minimum balance in Project Completion Fund at or above 50% of maximum annual debt service (approximately \$9.4 million)
- Plan to use approximately \$10.6 million of PCF balance (after meeting set aside above) for an early cash pre-payment of outstanding bonds later this calendar year
- In future years, consider a debt service coverage target to guide tax rate decisions as the District moves toward paying off all of its remaining debt early