

Fairfax County, Virginia

Metrorail Silver Line Phase 2



**Presentation
to
Phase 2 Dulles Rail
Transportation
Improvement District
District Commission**

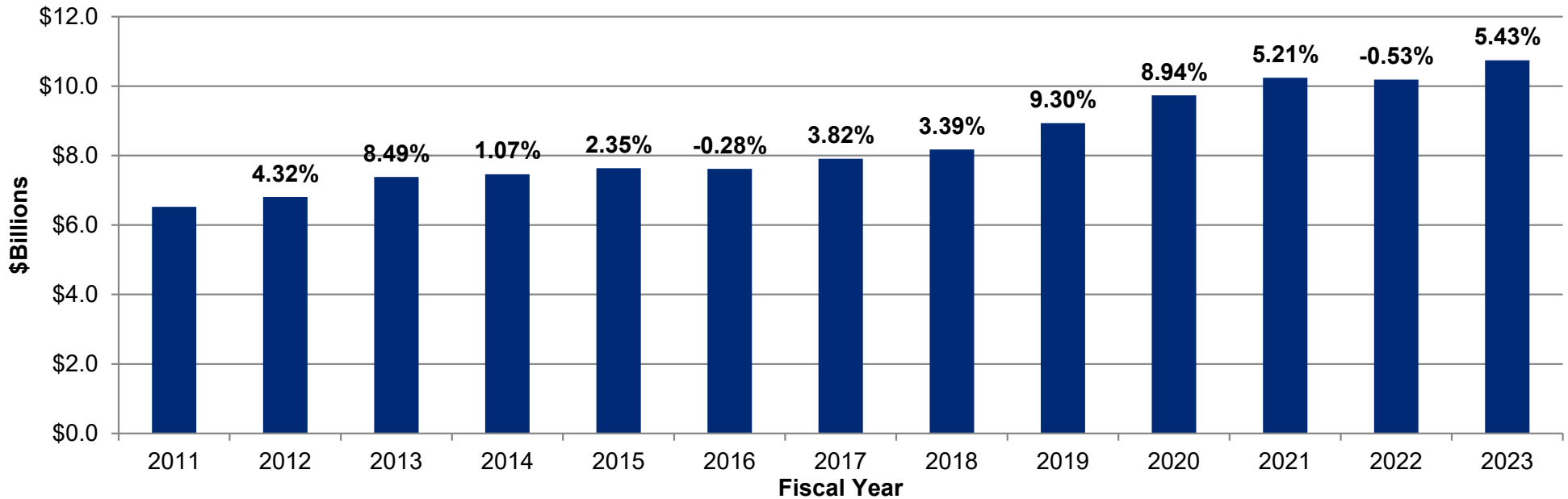
March 29, 2022



Overview

- The Phase 2 Special Improvements Tax was initially levied in FY 2011
- Assessed value has grown 64.7% since inception

Phase II Tax District Assessed Value



Fiscal Year (Valuation Date)	2011 (1/1/10)	2012 (1/1/11)	2013 (1/1/12)	2014 (1/1/13)	2015 (1/1/14)	2016 (1/1/15)	2017 (1/1/16)	2018 (1/1/17)	2019 (1/1/18)	2020 (1/1/19)	2021 (1/1/20)	2022 (1/1/21)	2023 (1/1/22)
Assessed Value (Billions)	\$6.52	\$6.81	\$7.38	\$7.46	\$7.64	\$7.62	\$7.91	\$8.18	\$8.94	\$9.74	\$10.24	\$10.19	\$10.74
District Tax Rate (per \$100 AV)	\$0.05	\$0.10	\$0.15	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
AV Growth	-	4.32%	8.49%	1.07%	2.35%	-0.28%	3.82%	3.39%	9.30%	8.94%	5.21%	-0.53%	5.43%

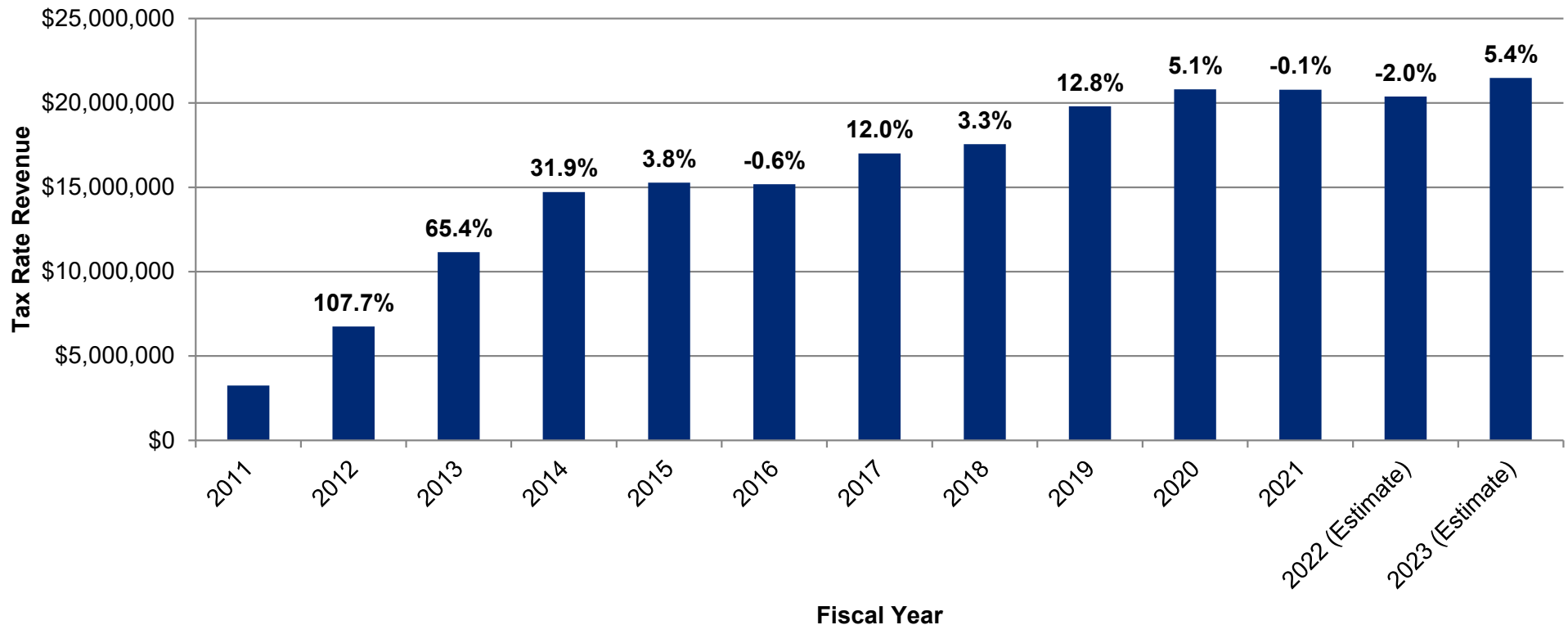


The Phase 2 Tax District was created by the County on December 21, 2009; tax first levied in FY2011

Trend in Phase 2 District Revenues

- Tax district revenue collected since inception through June 30, 2021 totals \$162.3 million, including interest income
- Taxes in the District are collected concurrently with all other County real property taxes on a single bill in two installments due July 28 and December 5
- One Penny = \$1.07 million in revenue in FY 2023

Annual Phase 2 Tax District Revenues and Tax Rate



Source: Data shown through FY2021 from County ACFRs & includes interest earnings. FY 2022 and FY 2023 estimates are based on tax year assessed values multiplied by applicable tax rate.

Remaining Silver Line Cash Flow

- The County's remaining financing needs for the Silver Line totals \$527.3 million
- As of January 2022, \$112.6 million of Tax District cash has been used to pay MWAA invoices, fulfilling the total amount due

Source	Amount	Comments
County & Regional Transportation Projects Fund (C&I Revenues) – TIFIA Loan	\$187.7 million	Internal allocation of 47% of the \$403 million TIFIA loan, fully drawn & allocated as of June, 2017
Phase 2 Tax District – TIFIA Loan	\$215.6 million	Internal allocation of 53% of the \$403 million TIFIA loan repayment, with full amount drawn through April 2019
Phase 2 Tax District – Non-TIFIA Sources	\$112.6 million	Remaining balance of \$330 million Phase 2 Tax District Requirement after TIFIA loan; from Phase 2 tax district revenue, fully drawn in January 2022
CMAQ Grant	\$1.7 million	In July 2018, Fairfax County and MWAA received Congestion Mitigation and Air Quality Improvement (CMAQ) grant
Northern Virginia Transportation Authority (NVTA) Regional Revenue (70% portion)	\$9.7 million	NVTA has approved funds for the Innovation Station component of the Phase 2 construction totaling \$69 million; a portion is allocable to Fairfax's share of total project costs; 100% of funds have been drawn to date
Total	\$527.3 million	



Financing Plan Update

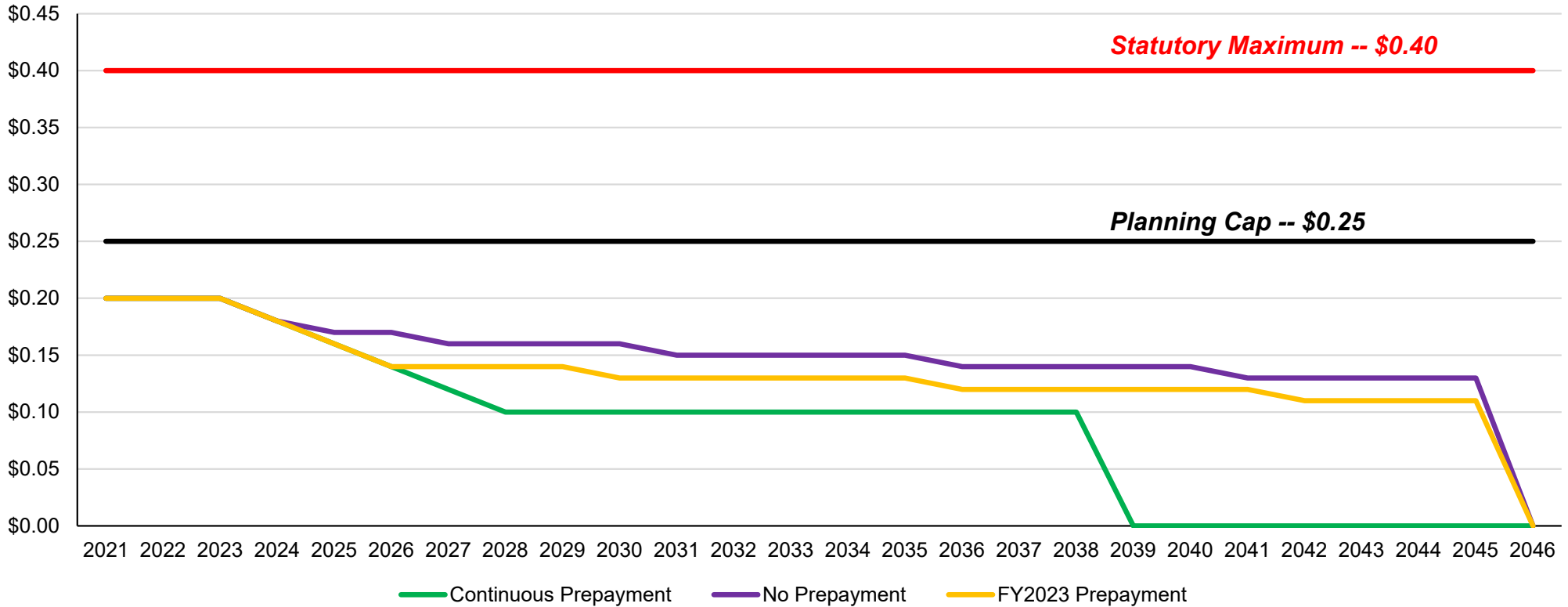
- Per the terms of the Phase 2 Petition, the Tax District will fund Phase 2 Silver Line capital project expenditures in the amount of \$330 million, plus required reserves and financing costs
 - \$215.6 million from the TIFIA loan
 - \$112.6 million will be funded from Phase 2 Tax District cash on hand
 - No additional borrowing contemplated
- \$403 million TIFIA Loan closed in December 2014, backed by County moral obligation to refill a DSRF, subject to annual appropriation from the County's General Fund
 - Interest rate locked at 2.73%
 - Final maturity of April 1, 2046
 - Capitalized interest on construction draws will accrue through April 1, 2023
- Through April 2019, the entire TIFIA loan has been drawn with \$215.6 million of the loan allocated to the Tax District
- Level semi-annual debt service payments will be due starting on October 1, 2023 through April 1, 2046
 - Assuming no early prepayments, annual debt service on the TIFIA loan allocated to the District is estimated at \$14.5 million
 - Prepayment in full or in part in amounts greater than \$1 million is permitted without penalty, at any time
- A debt service reserve fund is fully funded at its requirement equal to maximum annual debt service (MADS) of \$14.5 million
- TIFIA Loan is rated AA+/AA+ by FitchRatings and Standard & Poor's



Comparison of Scenarios (1.5% AV Growth)

Scenario forecasts were derived to achieve at least 1.25x coverage in each fiscal year with tax rate reductions occurring in accordance with draft policy guidelines discussed in 2020 and 2021.

Silver Line Phase 2 Tax District



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Continuous Prepay	1.65x	1.74x	1.59x	1.76x	1.65x	1.51x	1.33x	1.39x	1.46x	1.55x	1.66x	1.81x	2.02x	2.34x	2.89x	4.09x	8.64x



Phase 2 Tax District Debt & Financial Policy

- Draft financial management policies for the Phase 2 Tax District was initially discussed with the Advisory Board & District Commission in March 2020 and in March 2021
- At this time, County staff recommends adoption of Phase 2 Tax District Debt & Financial Policy prior to initial debt service payments due on TIFIA loan (October 1, 2023/FY2024)
- Proposed policy covers same scope as Phase 1 Tax District adopted policy, but tailored to reflect differences between the two districts' plans of finance
 - Minimum debt service coverage threshold = 1.25 times (125%)
 - Minimum reserve levels = 2.0 times maximum annual debt service (MADS) or \$29 million, to be held in debt service reserve and residual fund
- Subject to provisions specified in the Petition & Board of Supervisors authority, tax rate reduction of up to 2 cents per year, provided coverage can be maintained at or above 1.25x

$$\text{Debt Service Coverage} = \frac{\text{Annual Tax District Revenue}}{\text{Annual Debt Service}}$$



Estimated Early Prepayment of TIFIA Loan

- Currently estimate an early prepayment of the TIFIA loan of approximately \$36.5 million
- Annual debt service savings are estimated at \$2.1 million per year through FY2046
- MADS would decline from \$14.5 million to an estimated \$12.3 million
- Requires confirmation with counsel of prepayment provisions in the TIFIA Loan Agreement & agreement with TIFIA office



Recommendation & Next Steps

- Maintain the existing tax rate at \$0.20/\$100 AV in FY 2023, per terms of the Petition
- Adopt District debt & financial management policy
- Begin process to prepay TIFIA loan with amounts available in the Residual Fund (estimated at \$36.5 million) at the end of FY2022 over minimum reserve policy
- Evaluate options for refinancing the TIFIA loan, given current market conditions

Expected Date	Event
3/10/2022	District Advisory Board meeting
3/29/2022	District Commission meeting
4/26/2022	Board of Supervisors FY 2023 Budget Mark-Up
5/10/2022	Board of Supervisors Adopts FY 2023 Budget

