

Fairfax County, Virginia

Metrorail Silver Line Phase 2



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

District Commission

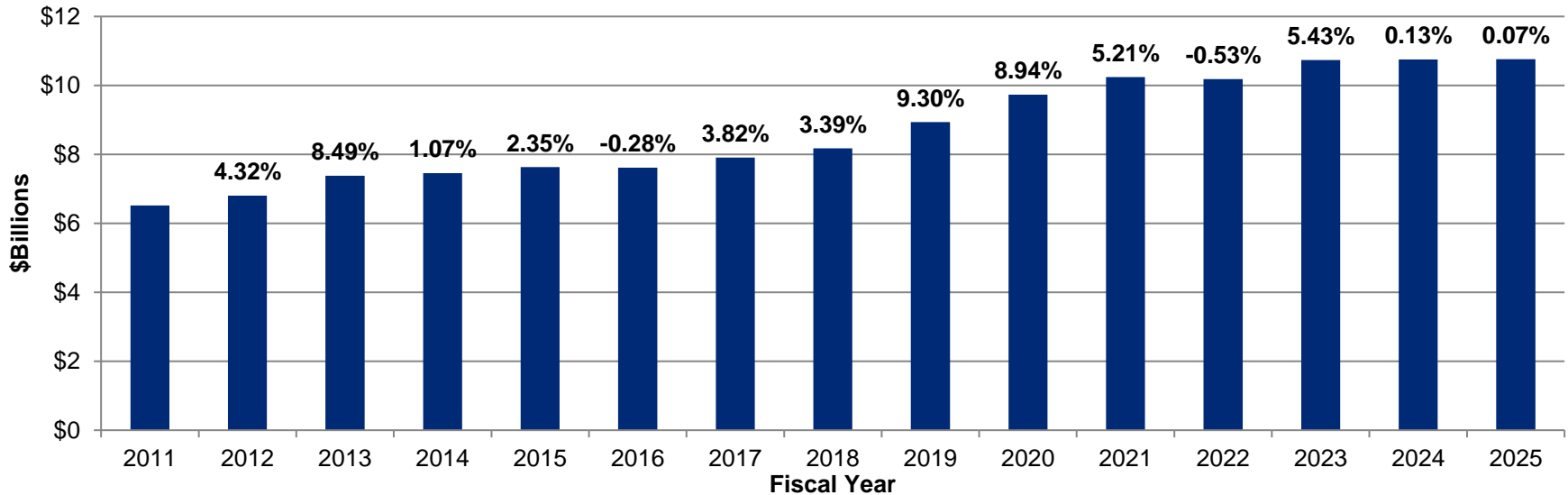
March 12, 2024



Overview

- The Phase 2 Special Improvements Tax was initially levied in FY 2011
- Assessed value has grown 65.0% 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)	2024 (1/1/23)	2025 (1/1/24)
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	\$10.76	\$10.76
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	\$0.18	TBD
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%	0.13%	0.07%

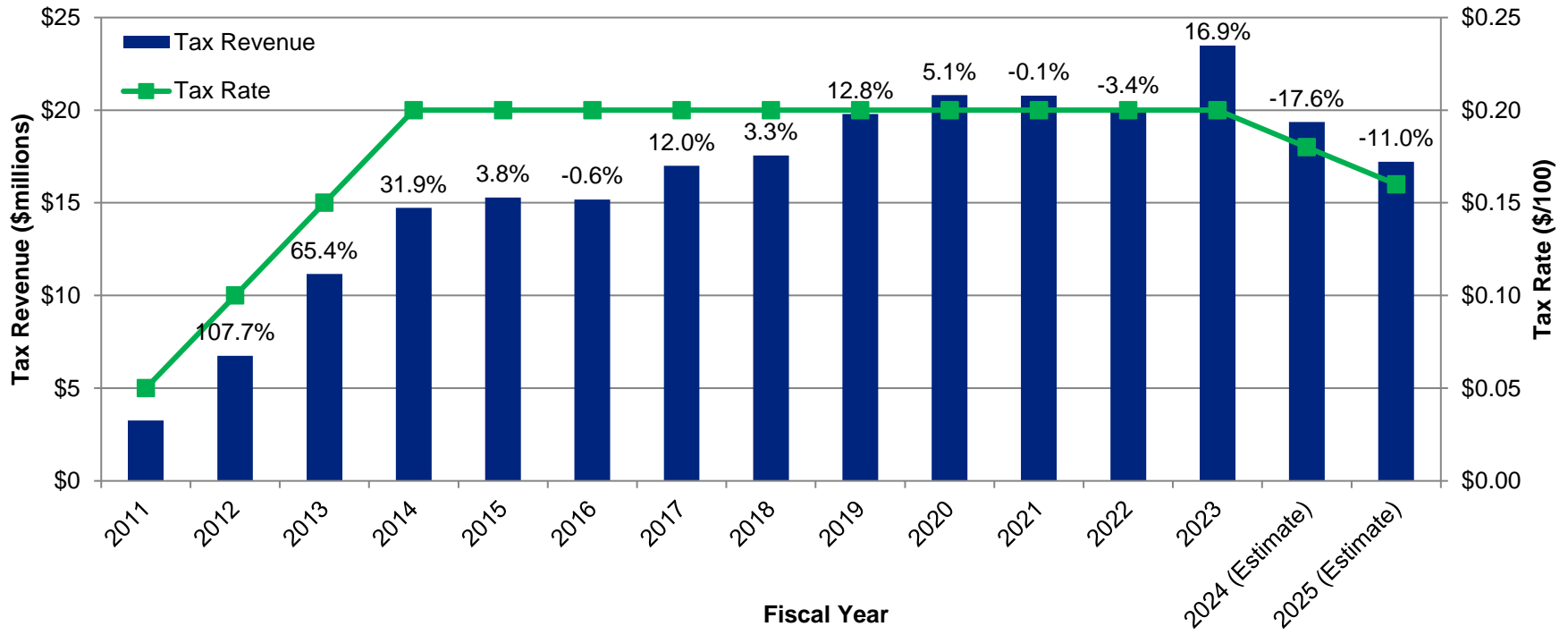
The Phase 2 Tax District was created by the County on December 21, 2009; tax first levied in FY2011



Trend in Phase 2 District Revenues

- Tax district revenue collected since inception through June 30, 2023, totals \$205.8 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 = \$1.08 million in revenue in FY 2025
- Potential for a reduction in the tax rate from 18 cents to 16 cents in FY2025

Annual Phase 2 Tax District Revenues and Tax Rate



Source: Data shown through FY2023 from County ACFRs & includes interest earnings. FY 2024 and FY 2025 estimates are based on tax year assessed values multiplied by applicable tax rate.

Final Silver Line Cash Flows

- As of January 2023, all contributions have been made 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; Reduced to \$177 million after early prepayments in 2022 & 2023
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 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
County and Regional Transportation Projects Fund (C&I Fund)	\$40.2 million	County cash contribution to cover project cost over run identified in Summer 2022 (Non-Tax District funds)
Total	\$567.6 million	



Financing Plan Recap

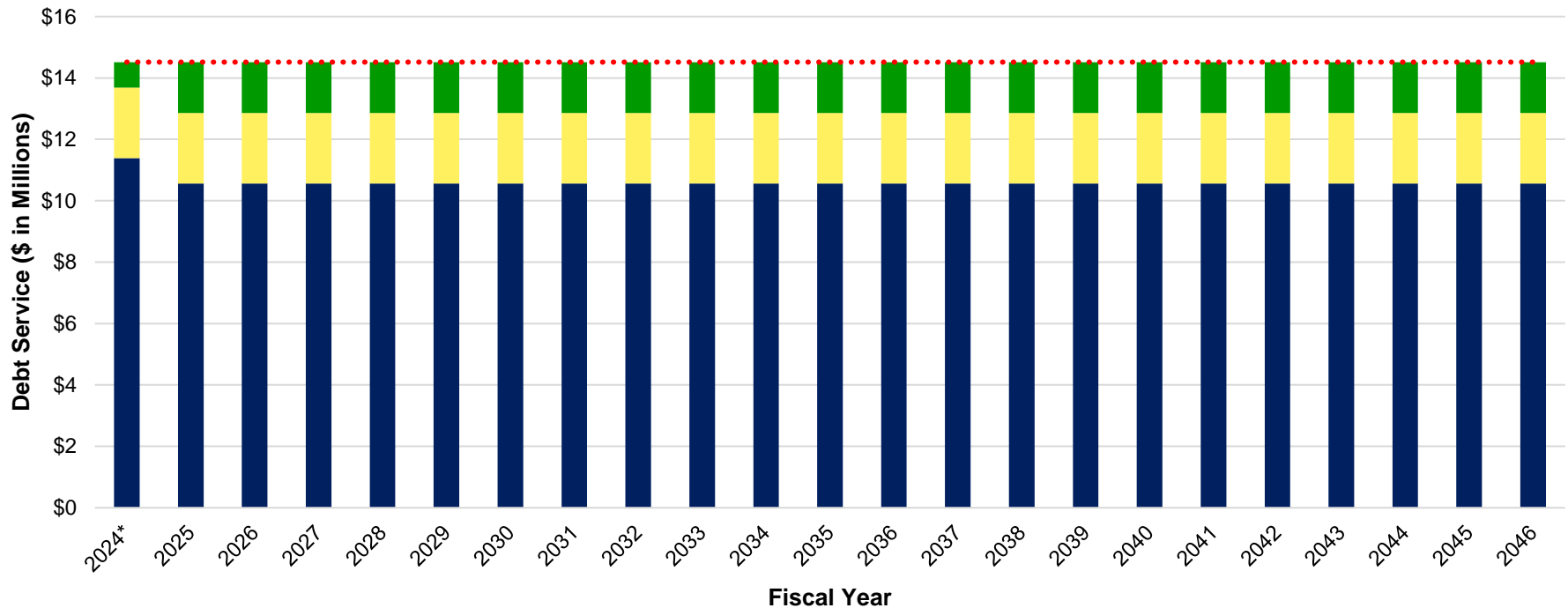
- \$403 million TIFIA Loan closed in December 2014, backed by County moral obligation to refill a DSRF, subject to annual appropriation from the County's General Fund
 - Interest rate locked at 2.73%
 - Final maturity of April 1, 2046
 - Capitalized interest on construction draws accrued through October 1, 2023
- As of February 2024, the County has made two early pre-payments of the TIFIA loan using tax district funds to reduce the loan balance allocable to the District
 - \$38.6 million in November 2022 (FY 2023)
 - \$27.7 million in October 2023 (FY 2024)
- Level semi-annual debt service payments commenced on October 1, 2023 and extend to April 1, 2046
 - Currently, annual debt service on the TIFIA loan allocated to the District is estimated at \$10.6 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 \$10.6 million
- TIFIA Loan is rated AA+/AA+ by FitchRatings and Standard & Poor's



Early Pre-Payments of TIFIA Loan

- On October 2, 2023, the County made its second cash prepayment of \$27.7 million of the TIFIA loan with unrestricted available amounts from Phase II tax district funds
- As of February 2024, the District has a total of \$176.7 million of loan outstanding (Phase II portion)
- By redeeming debt early prior to its maturity date, annual debt service was further reduced by approximately \$1.7 million per year

Annual Debt Service (Fiscal Year)

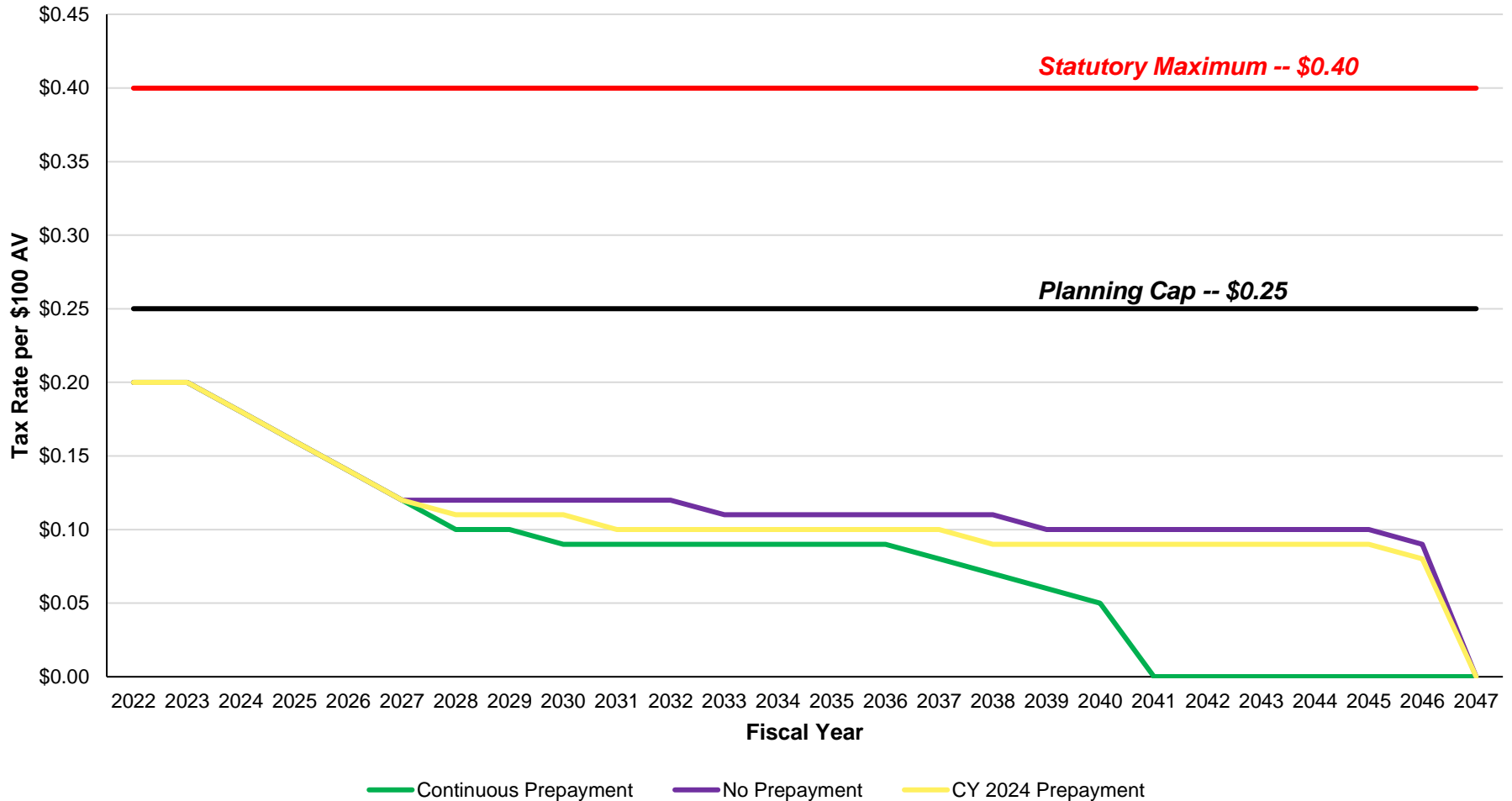


■ Current Debt Service
 ■ Savings from 22 Prepayment
 ■ Savings from 23 Prepayment
 ⋯⋯⋯ Original Debt Service

* Does not account for the reserve fund release which is expected to offset a portion of FY 2024 debt service payable April 1, 2024.

Comparison of Scenarios (1.5% AV Growth)

Silver Line Phase 2 Tax District



Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Continous Prepay	1.70x	1.73x	1.63x	1.50x	1.33x	1.41x	1.33x	1.40x	1.47x	1.56x	1.67x	1.81x	2.02x	2.07x	2.23x	1.95x	2.45x



Assumes at least 1.25x coverage in each fiscal year with tax rate reductions occurring in accordance with adopted policy guidelines.

Phase 2 Tax District Debt Service Coverage Policy

- Financial management policies for the Phase 2 Tax District were formally adopted in March 2022
- Targeted debt service coverage will be 1.25x, calculated as annual revenue divided by maximum annual debt service (MADS)
- Historical debt service coverage will be at or above 1.25x for two prior consecutive audited years before lowering the tax rate
 - FY2022 coverage on MADS = 1.38x
 - FY2023 coverage on MADS = 1.62x
- The tax rate may be lowered by no more than two cents per \$100 of AV in any given year, provided coverage can be maintained at 1.25x in the current year & in the year the tax rate reduction is effective
 - FY2024 estimated coverage on MADS (assuming tax rate of 18 cents) = 1.70x
 - FY2025 estimated coverage on MADS (assuming tax rate of 16 cents) = 1.63x
- When reducing the tax rate, the District will reasonably expect that a forecast of future years' revenue is sufficient to pay annual debt service through final maturity of all debt
- When reducing the tax rate, the District will evaluate a sensitivity analysis of what a future year's assessed value decline would result in 1.00x debt service coverage

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



Phase 2 Tax District Reserve Policy

In 2022, the Commission adopted a reserve policy, which indicated:

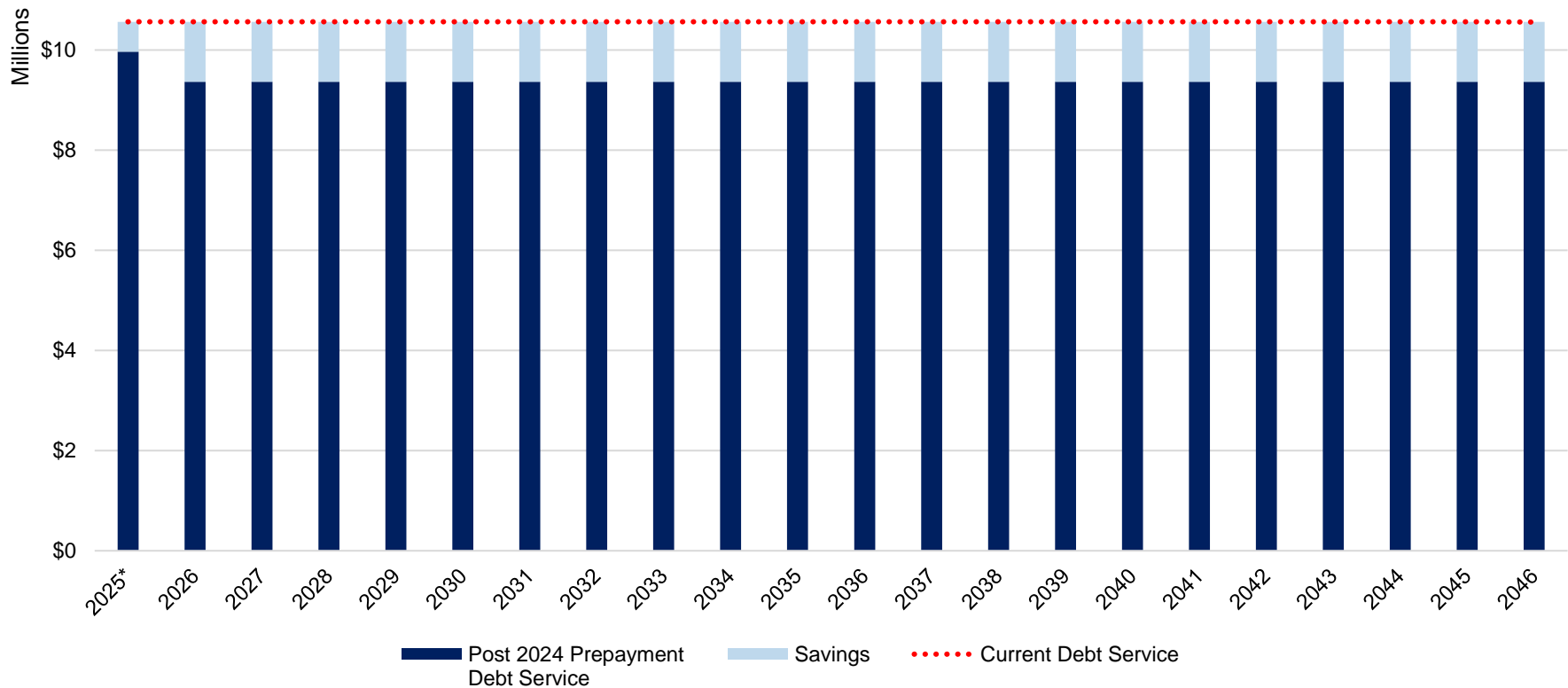
1. The Commission will also consider unrestricted balances in in Fund 40120, Dulles Rail Phase 2 Transportation Improvement District of the County's budget when setting the tax rate
2. The District will maintain all reserves at or above the legally required minimums at all times
3. The District will target the total reserve balances (Unrestricted balance in Fund 40120 plus DSRF balance) to equal approximately 2.0x Maximum Annual Debt Service (currently \$21.1 million for FY 2025)
 - A) Debt Service Reserve Fund secures outstanding debt & is fully funded at Maximum Annual Debt Service (MADS)
 - B) Unrestricted balance in Fund 40120 is fully funded (by policy) at MADS
4. When feasible and economically advantageous, the District will consider using excess funds in the Unrestricted balance in Fund 40120 to accelerate the retirement of debt in advance of its stated maturity



Estimated Early Prepayment of TIFIA Loan (Phase II Portion)

- Assumes an early prepayment of the TIFIA loan of approximately \$19.4 million
- Annual debt service savings are estimated at \$1.2 million per year through FY 2046
- MADS would decline from \$10.6 million to an estimated \$9.4 million

Annual Debt Service (Fiscal Year)



* Does not account for the reserve fund release which is expected to offset a portion of FY 2025 debt service payable April 1, 2025.

Recommendation & Next Steps

- Reduce tax rate by 2 cents from \$0.18/\$100 to \$0.16/\$100 for FY 2025
- Plan for a third early pre-payment of the TIFIA Loan in CY 2024 in an estimated amount of \$19.4 million

Expected Date	Event
February 29, 2024	District Advisory Board meeting
March 12, 2024	District Commission meeting
April 30, 2024	Board of Supervisors FY 2025 Budget Mark-Up
May 7, 2024	Board of Supervisors Adopts FY 2025 Budget

