Transportation District Fund

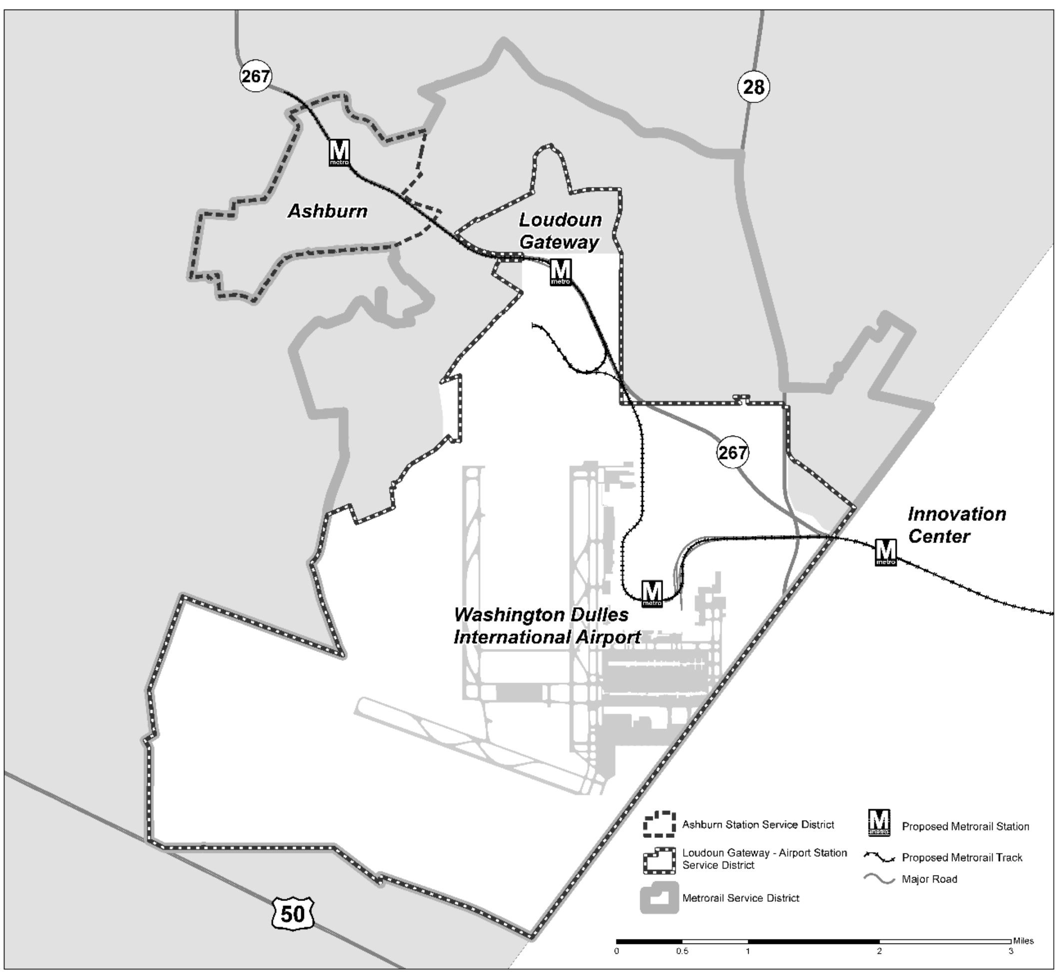
The Transportation District Fund was created in FY 2013 for the purpose of accurately identifying transportation and transit-related revenues and expenditures. This fund includes real property tax revenue collected from the Special Tax Districts created to support the Dulles Corridor Metrorail Project, a transfer from the General Fund equivalent to $0.02 of the real property tax rate, local gasoline tax revenue, and revenue resulting from the enactment of HB 2313 by the Virginia General Assembly in 2013.

Metrorail Service Special Tax Districts

In December 2012, the Board established three special tax districts in concert with Phase II of the Dulles Corridor Metrorail Project: the Metrorail Service District, Loudoun Gateway – Airport Station Service District, and the Ashburn Station Service District (illustrated in the following map). Supplemental real property taxes are assessed on parcels within the boundaries of the three special tax districts at an effective rate not to exceed $0.20 per $100 of assessed value exclusive of all other applicable taxes and are collected by the Treasurer in the same manner the Countywide real property tax is administered.

Metrorail Service District

Ashburn Station and Loudoun Gateway - Airport Station Service District



Loudoun County Office of Mapping and Geographic Information

Map Number 2017-474

The **Metrorail Service District** was established to provide public transportation systems serving each of the Station Service Districts. These districts allow for revenue to be utilized for the County's share of the cost of constructing any related facilities and structures including: parking facilities; rail lines and a rail yard; vehicular and pedestrian access; electrical facilities and equipment; studies, assessments, and analysis of environmental and other impacts; local, state, and federal government approvals; environmental preservation and mitigation; acquisition of real property or easements; relocation of roadways; and engineering and legal costs related to the Metrorail project. Additionally, the Metrorail Service District provides funding that pays debt service on the federal TIFIA loan (detailed below) and any other debt issued by the County for the construction of the Metrorail Project extension into the County.

Located within the Metrorail Service Tax District are the **Loudoun Gateway – Airport Station Service District** and the **Ashburn Station Service District**. The Tax Districts will provide revenue continuing beyond the term of the larger Metrorail Service Tax District to fund ongoing payments to the Washington Metropolitan Area Transit Authority (WMATA) to provide Metrorail transit service to each station. The Tax Year 2020 real property tax rate for the Metrorail Service District is $0.20 per $100 of assessed value. The individual station districts have not yet been activated.

Transportation Infrastructure Finance and Innovation Act (TIFIA)

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) is a federal credit assistance program administered by the United States Department of Transportation (USDOT) for eligible surface transportation projects of regional or national significance. Loudoun County submitted an application for TIFIA credit assistance in the form of a secured loan in the amount of $195,072,507, plus deferred interest. On December 9, 2014, USDOT and Loudoun County closed on the loan.

MWAA estimates the total construction cost of the Dulles Corridor Metrorail Project will be $5.8 billion. Per the Memorandum of Agreement executed in December 2011, Loudoun County is responsible for 4.8 percent of the total project cost which is now estimated at $273 million. The County will fund its share of construction-related costs using the $195 million TIFIA loan, $56 million of lease appropriation-backed debt through the Loudoun County Economic Development Authority, and tax revenue generated from the Metrorail Service Tax District.

Beginning in FY 2021, Loudoun County will begin paying its portion of WMATA capital contributions for the Metrorail system. Based on WMATA's FY 2021 Proposed Capital Improvement Program (CIP), the County's FY 2021 capital contribution is estimated to be $3 million. These funds are included in the County's FY 2021 – FY 2026 Proposed CIP. Beginning in FY 2022, contributions are expected to increase and the CIP includes funding for this increase to a level of $22.4 million. While the ordinance establishing the Metrorail Service District allows the use of the revenues generated by the district for ongoing costs to WMATA, per the TIFIA loan agreement, the debt service on the TIFIA loan and any additional borrowing for the construction of the project have priority in drawing on those revenues until the debt is paid off, which is estimated to be in 2042. The FY 2021 Proposed Budget includes $6,433,940 to make interest payments on the TIFIA loan and bond anticipation notes (BANs) issued in 2018 for Metrorail construction. Per the terms of the TIFIA loan agreement, principal payments are deferred until FY 2023. The BANs were issued as four-year, interest only notes maturing in 2022, when long-term bonds will be issued to pay them off. Deferred principal payments allow additional time for the Metrorail Service District to generate revenue to offset these and other costs.

HB 2313 Statutory Requirements and Local and Regional Revenues

During the 2013 Virginia General Assembly legislative session, HB 2313 was enacted.[1] It established three revenue sources dedicated to transportation and transit for Northern Virginia and designated the Northern Virginia Transportation Authority (NVTA) as the organization responsible for managing these revenue sources.

[1] Chapter 766, 2013 Acts of Assembly

Transportation District Fund

HB 2313 included an incremental increase of 0.7 percent to the State Sales Tax; an increase of 2 percent to the Transient Occupancy Tax; and an additional $0.15 congestion relief fee to the Grantor's Tax within the nine jurisdictions comprising the Northern Virginia Planning District. These revenues together made up the "local" 30%, or NVTA 30%, provided to each Northern Virginia locality. In 2018, the General Assembly funding altered this funding. Beginning July 1, 2018, the grantor's tax and the regional transient occupancy tax (TOT) was diverted to WMATA for use in funding Metrorail capital expenses.[1] These revenues comprised approximately 20 percent of the regional tax revenue collected in Loudoun. As a result of this change, these revenues are no longer available to fund NVTA-sponsored transportation projects and localities[2] will not have access to the 30-percent local share of these funds. Effective July 1, 2019, truck registration fees were increased as part of the Interstate 81 Corridor Improvement Fund and Program with a portion of these fees is distributed to NVTA. These fees, along with the remaining 0.7 percent sales tax will be the sole source of revenue for both local and regional NVTA allocations. The NVTA 30% revenue can only be spent on urban or secondary road construction, capital improvements that reduce congestion, other projects that have been approved in the regional transportation plan, or for public transportation.

The remaining "regional" 70 percent (or NVTA 70%) of the proportional State Sales Tax revenue collected in each jurisdiction is retained by the NVTA for regional transportation projects that are included within the TransAction regional transportation plan or mass transit capital projects that increase capacity. Regional transportation projects are prioritized and adopted by the NVTA Board annually with a philosophy that over time each jurisdiction will receive its equivalent proportional share of revenues. NVTA updated the TransAction plan in 2017 to establish a Six-Year Program (SYP) to competitively prioritize NVTA 70% funding for transportation projects in the FY 2018 – FY 2023 period. In June 2018, NVTA approved funding for eight of the nine Loudoun County projects submitted. The total amount awarded to the County for the SYP was $304,947,000; the full amount of the award for each project will be appropriated in the fiscal year in which the Standard Project Agreement between the County and VDOT will be executed.

HB 2313 also requires that the County maintain a level of funding dedicated for transportation and transit equivalent to the average amount of expenditures for transportation and transit as established for the three fiscal year period from FY 2011 to FY 2013, or approximately $15.6 million; and that the dedicated revenue is separate from the anticipated HB 2313 revenues. In addition to the requirement of maintaining funding levels, the County is also required to enact a Commercial & Industrial (C&I) Property Tax at $0.125 per $100 valuation or dedicate an equivalent level of funding for transportation and transit purposes in order to receive the 30 percent share of HB 2313 revenue. It is estimated that a C&I tax levied in the County would yield approximately $24.09 million in FY 2021.

The Board of Supervisors has taken no action to levy such a tax, and consequently the FY 2021 Proposed Budget includes appropriations for transportation and transit purposes which satisfy the C&I tax equivalent requirement. The C&I equivalent for FY 2021 includes an amount equivalent to $0.02 of the real property tax rate, or $18,637,573 and $10,215,876 of cash proffer funding. In accordance with the requirements of the statute, this funding is shown within the Transportation District Fund.

Local Gasoline Tax Revenue and Uses

Loudoun County began the collection of a 2 percent local gasoline tax in January 1989. Initially, gasoline tax funds were administered through the Loudoun County Transportation District Commission (LCTDC). In January 1990, the Board of

[1] Resulting from the enactment of HB 1539 by the Virginia General Assembly in 2018.

[2] Towns that have a population over 3,500 within are to be provided the proportional share of the NVTA 30% revenue collected within the town limits. The towns of Leesburg and Purcellville are currently eligible for these funds. Per HB 2313, these revenue sources must be deposited into a separate, special revenue fund for which the Transportation District Fund serves.

Supervisors dissolved the LCTDC and elected to join the Northern Virginia Transportation Commission (NVTC), where local gasoline tax collections are received and administered in a separate account on behalf of the County.

Beginning in FY 2018, some County operations and transfers to towns previously funded with gasoline tax revenues were transitioned to local tax funding. In FY 2019, gasoline tax revenue transfers to the towns of Leesburg and Purcellville ceased and are no longer in effect in order to dedicate gasoline tax revenue to Metrorail capital and operating costs. As required, the County's FY 2021 Proposed Budget programmed funding to fund the Metrorail start-up operating costs totaling $12,000,000 using available local gasoline tax revenues. The County also plans to begin paying its annual operating payment to WMATA beginning in FY 2021.

It is still expected that, over the long term, local gasoline tax revenue will likely not be sufficient to fully fund the County's obligations to WMATA. Additional sources of revenue will need to be identified to meet these requirements. Current gas tax revenue projections reflect an annual gap of $3.5 to $4.0 million between gas tax revenue and the County's anticipated operating obligation to WMATA. Existing reserves, in combination with annual gas tax revenue are anticipated to be sufficient to cover these costs for at least four years, potentially longer.

Transportation District Fund

Revenues, Expenditures, and Changes to Fund Balance (Reserves)

	FY 2020 Adopted	FY 2021 Proposed	FY 2022 Projected
Estimated Beginning Fund Balance	**$42,945,631**[1]	**$47,270,582**	**$53,808,222**
Revenues			
Metrorail Special Tax Districts	11,538,000	13,508,700	14,288,700
Local Gasoline Tax – Use of Current Year Revenue	6,515,767	8,359,000	8,452,000
Local Gasoline Tax – Use of Prior Year Revenue	0	4,243,896	3,558,090
NVTA Local 30%	15,755,000	14,074,203	16,560,000
NVTA Regional 70%	157,035,000	54,000,000	0
Transfer from the General Fund	17,395,000	18,637,573	19,246,854
Transfer from the Public Facilities Fund	7,242,629	9,339,773	2,297,001
Total – Revenues	**$215,481,386**	**$122,163,145**	**$64,402,645**
Transfers & Expenditures			
Local Gasoline Tax	**$6,515,757**	**$12,602,896**	**$12,010,090**
Administrative – NVTC	11,907	10,090	10,090
Transfer to the Capital Projects Fund	4,358,000	0	0
Payment to WMATA	1,000,000	12,000,000	12,000,000
Transfer to the Metro Parking Garages Fund	1,145,850	592,806	0
NVTA	**$172,790,000**	**$68,074,203**	**$16,560,000**
NVTA Administrative Fees	400,000	478,000	502,000
Local (30%) - Transfer to the Capital Fund	15,355,000	13,596,203	16,058,000
Regional (70%) - Transfer to the Capital Fund	157,035,000	54,000,000	0
Metrorail Construction Debt Service	**$7,213,049**	**$6,971,060**	**$6,979,068**
Transfer to the Debt Service Fund	7,213,049	6,971,060	6,979,068
Local Tax Funding and Cash Proffers	**$24,637,629**	**$28,853,449**	**$21,543,855**
Local Tax Funding Transfer to Capital Projects Fund	17,395,000	18,637,573	19,246,854
Cash Proffers Transfer to the Capital Projects Fund	7,242,629	9,339,773	2,297,001
Total – Transfers & Expenditures	**$211,156,435**	**$115,625,505**	**$57,093,014**
Estimated Impact to Fund Balance	**$4,324,951**	**$6,537,640**	**$7,309,632**
Projected Ending Fund Balance	**$47,270,582**	**$53,808,222**	**$61,117,854**

[1] Source: FY 2019 Comprehensive Annual Financial Report; an additional amount of $11,167,238 of prior year unappropriated local gasoline tax revenue (held by NVTC) was available for appropriation.