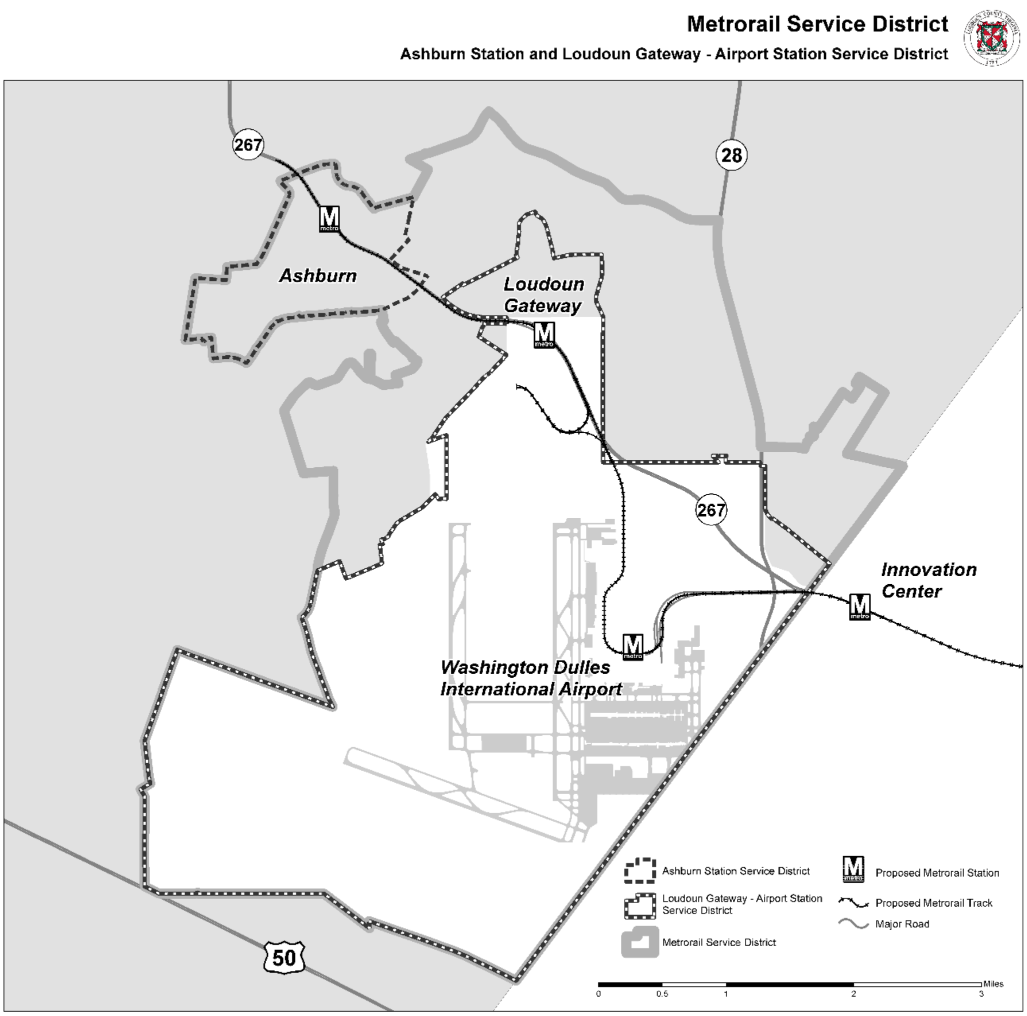
Transportation District Fund

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 of real property tax from the General Fund to fulfill the County's transportation and transit spending expectations (discussed below), local gasoline tax revenue, and revenue resulting from the enactment of HB 2313 in 2013 and subsequent changes in 2018 (HB 1539/SB 856) and 2020 (SB 890) passed by the Virginia General Assembly.

Metrorail Service Special Tax Districts

In December 2012, the Board of Supervisors established three special tax districts in concert with Phase II of the Dulles Corridor Metrorail Project: the Metrorail Service District, the 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.



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. The districts allow for revenue to be utilized for the County's share of the cost of constructing 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 any other debt issued by the County for the construction of the Metrorail Project extension into the County. The Tax Year 2021 real property tax rate for the Metrorail Service District is $0.20 per $100 of assessed value.

Located within the Metrorail Service Tax District are the **Loudoun Gateway – Airport Station Service District** and the **Ashburn Station Service District** which have not yet been activated. These Tax Districts, when activated, 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.

Dulles Corridor Metrorail Project Construction Financing

On July 3, 2012, the Board of Supervisors voted to participate as a funding partner in the second phase of the Dulles Metrorail Project. The Metropolitan Washington Airports Authority (MWAA) estimated the total construction cost of the Dulles Corridor Metrorail Project to be $5.8 billion. Pursuant to a Memorandum of Agreement executed in December 2011 by the United States Department of Transportation (USDOT), MWAA, Fairfax County, and Loudoun County, the County is responsible for 4.8 percent of the total cost of the Dulles Metrorail Project, of which the County share is currently estimated to be $273 million. On December 9, 2014, the County obtained Transportation Infrastructure Finance and Innovation Act (TIFIA) financing of $195,072,507 from USDOT, to partially fund the cost of construction of Phase 2. The County will fulfill its remaining funding obligation from the proceeds of the Loudoun County Economic Development Authority's (EDA) $56,645,000 Metrorail Service District Improvement Revenue Bond Anticipation Notes (BANs), issued on June 21, 2018, and revenues collected from the Metrorail Service District. The TIFIA loan and the BANs were refunded in June 2020 with a portion of the proceeds of the EDA's Series 2020A Public Facility Lease Revenue and Refunding Bonds. The refunding of these obligations terminated the TIFIA loan agreement and associated Trust Agreement, which required all Metrorail Service District revenues to be sent to the Trustee to pay debt service on the TIFIA loan and BANs, and any revenue available above the debt service due would be used to prepay the loan and BANs on a prorated basis. While the debt service associated with the 2020 refunding will be paid from the Metrorail Service District revenues, the County now has the flexibility to use any additional available revenues for other purposes permitted under the ordinance establishing the districts. The FY 2022 Proposed Budget includes $16,027,438 to make principal and interest payments on the refunding bonds.

Beginning in FY 2021, Loudoun County began paying its portion of WMATA capital contributions for the Metrorail system. Based on WMATA's FY 2021 Adopted Budget, the County's FY 2022 capital contribution is estimated to be $5.6 million and is anticipated to increase incrementally each year. These funds are programmed in the County's FY 2022 Proposed Budget (FY 2021 – FY 2026 Amended) CIP.

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.

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

[1] Chapter 766, 2013 Acts of Assembly

the Northern Virginia Planning District. These revenues together made up the "local" 30%, or NVTA 30%, provided to each Northern Virginia locality. 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.

Truck registration fees were increased as part of the Interstate 81 Corridor Improvement Fund which began on July 1, 2019. A portion of the revenues generated by the collection of these fees are distributed to NVTA. In addition, a regional congestion relief fee of $0.10 will be reinstituted on May 1, 2021.[4] Currently, truck registration fees, the reinstituted regional congestion relief fee, and the remaining 0.7 percent sales tax make up the funding for both local and regional NVTA allocations. Additionally, beginning in FY 2021, NVTA will receive a $20 million annual transfer from the Northern Virginia Transportation District (a State Fund) to support both local and regional NVTA allocations.

The General Assembly altered this funding source by enacting legislation that required the grantor's tax (renamed a regional transportation improvement fee) and the regional transient occupancy tax (TOT) revenues to be diverted to WMATA to be used exclusively for payment of Metrorail capital expenses.[1] This change began on July 1, 2018. At that time, the revenues consisted of approximately 20 percent of the regional tax revenue collected in Loudoun. As a result of the legislation, the regional transportation improvement fee and the regional transient occupancy tax revenues are no longer available to fund NVTA sponsored transportation projects, and localities[2] do not have access to the 30-percent local share of these funds. Effective May 1, 2021, the regional transportation improvement fee was reduced to $0.10 and the transient occupancy tax was increased to three percent, these revenues remain dedicated to WMATA capital costs.[3]

The remaining "regional" 70 percent (or NVTA 70%) of the proportional State Sales Tax revenue collected in each jurisdiction is retained by NVTA for regional transportation projects that are included in 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 the 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, and 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 is executed.

HB 2313 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 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 to be eligible 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 $23.3 million in FY 2022. This is a decline from the FY 2021 C&I equivalent and is due to a negative revaluation of commercial and industrial properties during the COVID-19 pandemic. To date, the Board of Supervisors has taken no action to levy a C&I Property Tax.

[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.

[3] Resulting from the enactment of HB 1414 and SB 890 by the Virginia General Assembly in 2020.

The FY 2022 Proposed Budget includes appropriations in the amount of $23,716,000 for transportation and transit purposes which satisfy the C&I tax equivalent requirement. In accordance with the requirements of the statute, this funding is appropriated in the Transportation District Fund before it is transferred to the Capital Projects Fund for use.

Local Gasoline Tax Revenue and Uses

Loudoun County began the collection of a local gasoline tax in January 1989. At that time, funds were administered through the Loudoun County Transportation District Commission (LCTDC). In January 1990, the Board of Supervisors dissolved the LCTDC and elected to join the Northern Virginia Transportation Commission (NVTC). NVTC manages and administers local gasoline tax collections and maintains a separate account for the County's allocations. As of July 1, 2020, the gasoline tax rate was converted from a percent (2.1%) to a cents per gallon model and the rate is now 7.6 cents per gallon ($0.076).

Over the past several years, legislative action has impacted local gasoline tax revenue. For example, in FY 2019, the General Assembly implemented a gas tax floor at a rate that equaled the price of gas in February 2013 to protect localities from declining fuel prices. The additional revenue generated in Northern Virginia was dedicated to the Commuter Rail Operating and Capital Fund (C-ROC) and the State's WMATA Capital Fund. Since the additional revenues were allocated to C-ROC and the WMATA Capital Fund, local gasoline tax revenues retained by counties remained flat between FY 2018 and FY 2019. In FY 2020, reserves for C-ROC and WMATA were $5.6 million and $14.4 million, respectively, and Loudoun's share was approximately $5.9 million. For FY 2021, the withholding for C-ROC remains flat, however the withholding for the WMATA Capital Fund increased $7.8 million to $22.2 million, and Loudoun's share is estimated at $1.8 million. The increase in withholdings for WMATA, along with reduced fuel consumption resulting from the increase of employees teleworking because of the COVID-19 pandemic, resulted in significant revenue declines for FY 2021. While revenues are expected to rebound in FY 2022 as employees return to work and travel resumes, revenue will remain lower than that of FY 2020 because of the increased withholdings.

Beginning in FY 2018, most County operations and transfers to towns previously funded with gasoline tax revenues were discontinued and/or transitioned to local tax funding. In FY 2019, gasoline tax revenue transfers to the Towns of Leesburg and Purcellville ceased, and gasoline tax revenue was dedicated to the County's WMATA operating subsidy obligations. The County's FY 2021 Adopted Budget programmed funding for the Metrorail start-up operating costs totaling $12,000,000 using available local gasoline tax revenues. However, the Metrorail start-up was delayed, and the actual payment made in FY 2021 was $5,138,519. While the FY 2022 WMATA budget has not been adopted it is anticipated that the Metrorail operating payment will be $12,227,315[1], funded by local gasoline tax. Additionally, in FY 2022, $3,267,852 of gasoline tax is budgeted to be transferred to the General Fund to support the Transit Operations budget as services recover from the decline of ridership revenue which was caused by the COVID-19 pandemic.

It is anticipated that over the long-term, local gasoline tax revenue will not be sufficient to fully fund the County's obligations to WMATA. Existing reserves, in combination with annual gasoline tax revenues are projected to be sufficient to cover these costs for at least three years. Additional sources of revenue, such as NVTA 30%, will need to be utilized in combination with local gasoline tax beginning the mid-2020s.

[1] This amount reflects Loudoun's total WMATA operating obligation, estimated at $17,467,593, less the anticipated $5,240,278 credit from the Virginia Department of Rail and Public Transportation (DRPT).

Transportation District Fund

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

	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Projected
Estimated Beginning Fund Balance	**$45,561,056**	**$54,681,032**	**$48,224,107**
Revenues			
Metrorail Special Tax Districts	$13,508,700	$13,931,720	$14,439,435
Local Gasoline Tax – Use of Current Year Revenue	8,359,000	6,040,000	6,600,000
Local Gasoline Tax – Use of Prior Year Revenue	4,243,896	9,464,492	6,003,640
NVTA Local 30%	16,178,539	19,133,400	19,751,400
NVTA Regional 70%	54,000,000	0	0
Transfer from the General Fund	18,637,573	23,716,000	24,014,400
Transfer from the Public Facilities Fund	9,133,573	1,458,348	459,000
Total – Revenues	**$124,061,281**	**$73,743,960**	**$71,267,875**
Transfers & Expenditures			
Local Gasoline Tax	**$12,602,896**	**$15,504,492**	**$12,603,640**
Administrative – NVTC	10,090	9,325	9,325
Payment to WMATA	12,000,000	12,227,315	12,594,315
Transfer to the Metro Parking Garages Fund	592,806	0	0
Transfer to the General Fund for Transit Operations	0	3,267,852	0
NVTA	**$67,596,203**	**$17,498,000**	**$12,406,600**
Local (30%) - Transfer to the Capital Projects Fund	13,596,203	17,498,000	12,406,600
Regional (70%) - Transfer to the Capital Projects Fund	54,000,000	0	0
Metrorail Construction Debt Service	**$6,971,060**	**$22,024,045**	**$22,020,233**
Transfer to the Debt Service Fund	6,971,060	22,024,045	22,020,233
Local Tax Funding and Cash Proffers	**$27,771,146**	**$25,174,348**	**$24,473,400**
Local Tax Funding Transfer to Capital Projects Fund	18,637,573	23,716,000	24,014,400
Cash Proffers Transfer to the Capital Projects Fund	9,133,573	1,458,348	459,000
Total – Transfers & Expenditures	**$114,941,305**	**$80,200,885**	**$71,503,873**
Estimated Impact to Fund Balance	**$9,119,976**	**($6,456,925)**	**($235,998)**
Projected Ending Fund Balance	**$54,681,032**	**$48,224,107**	**$47,988,109**