Date of Meeting: September 13, 2016

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BOARD OF SUPERVISORS
FINANCE/GOVERNEMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
INFORMATION ITEM

SUBJECT: **Metrorail Financial Update**

ELECTION DISTRICT: Countywide

STAFF CONTACTS: Erin McLellan, Management and Budget
Janet Romanchyk, Finance and Procurement
Joseph Kroboth, Transportation and Capital Infrastructure
John Sandy and Charles Yudd, County Administration

PURPOSE: To provide the Finance/Government Operations and Economic Development Committee (FGOEDC) with an update regarding Loudoun's Silver Line Metrorail obligations and funding, and to establish an annual update to the Committee on this topic.

BACKGROUND: On July 3, 2012, the Board voted to opt-in to the Dulles Corridor Metrorail project now known as the Silver Line. Leading up to this decision, numerous work sessions with the Board and others including the Washington Metropolitan Area Transit Authority (WMATA) staff were conducted. Research regarding economic development and other impacts resulting from the Silver Line coming to Loudoun were presented and discussed along with the creation of financing scenarios to assist with the decision-making process. Given that a number of assumptions regarding the economic outlook, the start date of revenue service for Phase 2, and other changes over the last four years staff has prepared this update to past (2012) assumptions. Staff will continue to analyze economic factors, land development, construction, and other events as part of the ongoing monitoring and annual reporting to the Committee.

Phase 1 Silver Line revenue service began in July 2014 with the last stop at the Wiehle Avenue Station in Reston. For Phase 2, the Silver Line is being constructed from the Wiehle Avenue Station through Dulles Airport, to Loudoun Gateway Station and ending at the Ashburn Station in Loudoun County.

With the decision to opt-in and subsequent decisions since July 2012, the County committed to the following:

1) fund a proportionate share of construction of the Silver Line;
2) build or cause to have constructed three garages to serve two metro stations; and
3) fund annual operating and capital costs as a member of the WMATA Compact.

These annual WMATA Compact payments cover the operating cost for the Metrorail system (excluding bus service), paratransit service, the capital cost of system preservation (rail cars, equipment, etc.) and maintenance of the system.

ISSUES:

Silver Line Extension Construction Project Status

On May 14, 2013, the Metropolitan Washington Airports Authority (MWAA) awarded the design-build fixed-price contract for the Phase 2 Silver Line extension to Capital Rail Constructors (CRC) in return for their completing their scope of work by July 7, 2018; known as the Substantial Completion date. On April 27, 2015, MWAA announced an update to the construction schedule for Phase 2. Modifications integrated into the design phase to address new storm water management regulations instituted by the Commonwealth, plus modifications to enhance the safety and reliability of the Project, collectively resulted in a 13-month contract extension to CRC's Substantial Completion date. August 7, 2019 is the new Substantial Completion date. Following the MWAA's concurrence that CRC achieved Substantial Completion, WMATA and CRC will jointly perform a 90-day Operational Readiness Test. WMATA's General Manager makes the determination that Phase 2 is "operationally ready" based on successful test results. The WMATA Board of Directors officially determines the date when Phase 2 of the Silver Line will begin revenue service. Revenue service is anticipated to begin during the first quarter of 2020.

Loudoun County's Obligation for Construction of the Silver Line Extension and Funding Plan

Loudoun County's construction funding commitment was established at 4.8%, currently $274 million of the total Silver Line Construction (Phase 1 and 2) project. Project total costs are subject to change based on updated information provided by MWAA. The County's plan to fund the $274 million obligation for construction of the Silver Line include the following three sources:

1) Federal TIFIA loan of $195.0 million, and
2) Non-TIFIA debt estimated at $61.0 million, and
3) Metrorail Service Tax District revenues ($18.0 million).

1) TIFIA is a federal loan program through the U.S. Department of Transportation (USDOT). Loudoun secured the loan in the amount of $195 million at an interest rate of 2.87% on December 9, 2014. The loan includes deferred interest payments until FY 2019 and deferred principal payments until FY 2023. The delayed payments on debt service allows for additional time for revenue to be generated in the Metrorail Service Tax District to pay for debt service and other costs.

2) Non-TIFIA debt estimated at $61 million of lease revenue bonds are anticipated to be sold during the Silver Line construction project. This amount has already been appropriated and included in the Capital Improvement Fund and the Debt Service Fund with the original Metrorail project appropriation.

3) Metrorail Service Tax District revenues estimated at $18 million. Metrorail Tax District revenues are anticipated to be available to cash fund a portion of the project construction costs to off-set the amount of debt financing needed. Debt financing needs will be evaluated annually as part of the CIP budgeting process based on MWAA's latest adjustment to project costs and estimated Metrorail Service Tax District revenues.

Commuter Parking Garages

On July 3, 2012, the Board voted to opt-in to the Phase 2 Dulles Corridor Metrorail Project thereby moving forward with the overall Metrorail project, including the parking garages. Included in the November 15, 2011 MOA was a commitment from the County to use its best efforts to secure additional funding sources that will be sufficient to fund the cost of the design and construction of two parking garages at the terminal rail station known as the Route 772 (Ashburn) Metrorail Station and the third at the Route 606 (Loudoun Gateway) Metrorail Station.

To satisfy the MOA commitments, staff recommended, and the Board authorized, the use of the Public-Private Transportation Act (PPTA) of 1995 to seek interest from the private sector to design, construct, maintain and operate the parking garages on the County's behalf. In November 2012, a Solicitation for Conceptual Proposal was issued to design, construct, maintain and operate the three parking garages required by the project.

In December 2014, Loudoun County entered into a Letter of Agreement (LA) with the U. S. Department of Transportation. In numerous sections, the LA stipulates "the parking facilities, which are classified as "Concurrent Non-Project Activities" by the FTA, are not part of the Project and no proceeds from the TIFIA loan or other federal sources will be used to fund any costs for the design, development and/or construction of the Parking Facilities" (reference TIFIA Agreement Sections 3; 1 definitions for "Eligible Project Costs", "Phase 2", "Project"; 4.f; 6; 13.b.xiv; 16.c; 17.j; 42). The Parking Facilities are further defined as, "the three parking structures to be constructed by Loudoun County, located at or adjacent to the new rail stations planned as part of Phase 2 at Route 606 and Route 772 in Loudoun County."

In total, the three garages provide 4,939 commuter parking spaces. The number by garage location is summarized in table 1 below:

Table 1 – Parking Spaces by Commuter Parking Garage Location

Parking Garage Location	Number of Parking Spaces
Route 772 (Ashburn) north	1,434
Route 772 (Ashburn) south	1,540
Route 606 (Loudoun Gateway)	1,965
Total	4,939

In FY 2014, the Board approved a capital improvement program budget which included $130,000,000 in revenue bonds to fund the construction of the parking garages. The capital funding was established as a back-stop measure in the event the County was unsuccessful in negotiating an agreement with a private entity for the parking garage(s).

Following receipt of the proposals from the PPTA solicitation, the Board authorized staff to enter into negotiations with Comstock Partners for the development of the Route 772 (Ashburn) north parking garage and Nexus Properties (Nexus) for the Route 772 (Ashburn) south and Route 606 (Loudoun Gateway) parking garages.

On December 9, 2015, the Board approved (8-0-1, Reid absent) a Comprehensive Agreement with Comstock for the design, construction, maintenance and operations of the Route 772 (Ashburn) North Station. Following execution of the agreement Comstock has progressed with the land use approvals and project development consistent with the schedule and terms defined in the Comprehensive Agreement.

Negotiations with Nexus did not progress in a comparable pace, when compared to the Comstock agreement. Past discussions with Nexus centered around the number of spaces required to be constructed in the two garages under consideration by Nexus and the anticipated demand at the respective garage(s). Staff finally ended discussions with Nexus due to a lack of sufficient program. The agreed delivery date for the parking garages is approaching and the staff recommended and the Board agreed that the self-perform option be utilized in the capital budget.

Post Silver Line Construction Obligations – Joining WMATA Compact

As a member of the WMATA Compact, jurisdictional members make annual operating and capital payments to sustain the regional Metrorail system. Each jurisdiction's share is determined through a formula, with the latest estimate of Loudoun's share being 4.1%. This translates into an estimated annual operating contribution of approximately $11.1 million. Payment for operating costs begin 18 months prior to the start of revenue service of Phase 2 of the Silver Line. This allows WMATA time to hire and train staff prior to the start of revenue service. Additionally, Loudoun will make capital contributions for system-wide preservation projects. Similar to Loudoun County, WMATA prepares a six-year Capital Improvement Program (CIP), pursuant to a Capital Funding Agreement (CFA) among the contributing jurisdictions, with the first year as the basis for the annual capital contributions. The current estimate of Loudoun's share of the annual capital costs is projected at $11.8 million and includes $4.6 million for the annual formula match as well as $7.2 million for Metro 2025 Investments for the 7000 series rail cars. This initial payment is due in FY 2020 when revenue service is projected to begin.

Although Loudoun has decided to opt-out of the local and regional bus services provided by WMATA, and therefore not responsible for any operating or capital contributions to support that service, Loudoun must pay costs associated with the provision of paratransit services. Accessible bus and train service is not a privilege; it is a right under the Americans with Disabilities Act of 1990 (ADA). The Act requires public transit agencies to offer paratransit service anywhere within the Metrorail service area within ¾ mile of any Metrorail Station to qualifying individuals. It is important to note, the ¾ mile distance is measured from the stations and not linearly along the rail line. This means a paratransit customer could request travel assistance from Ashburn, for example, to any location within ¾ mile of any Metrorail Station on the WMATA system. Staff first met with WMATA on paratransit services in June 2014. At this meeting WMATA indicated Loudoun will be responsible for cost sharing of any paratransit trip that originates or terminates within Loudoun County.

Loudoun has two options available in regards to the cost sharing arrangements. First, Loudoun can delegate the responsibility of this service to WMATA and pay the costs associated with the provision of this service. Secondly, to better manage the cost of providing the service, Loudoun could chose to provide the service through one of our operating contracts. In 2014 when staff met with WMATA, their policy for charges to paratransit customers is twice the maximum fare rate, regardless of origin or destination. The revenue received for a trip of this type, does not cover the full cost of the trip. The delta, or uncovered balance is then charged to the local jurisdictions where the trip originates or terminates, as stated. In 2014, WMATA indicated their paratransit operating costs could range between $60 and $90 per hour. As an example, assuming a paratransit trip requires an average of three (3) operating hours to complete and there are an estimated 1,000 trips per year, Loudoun could expect additional charges of $180,000 to $270,000 annually. At this point in time, Loudoun does not have a firm projections of the number of paratransit trips that may occur in any given year.

Upon completion of the Metrorail construction and opening of the system for revenue service, Loudoun will assume certain maintenance costs as well as capital asset preservation program contributions. These costs will be attributable to the station areas and the commuter parking structures constructed by Loudoun County. Staff from DTCI and DGS are collaborating to prepare estimates for these costs. The next report on the Metrorail to the Board will include a summary of those costs. The operating and maintenance costs associated with the Ashburn North Commuter Garage is the responsibility of Comstock Properties in accordance with the Comprehensive Agreement.

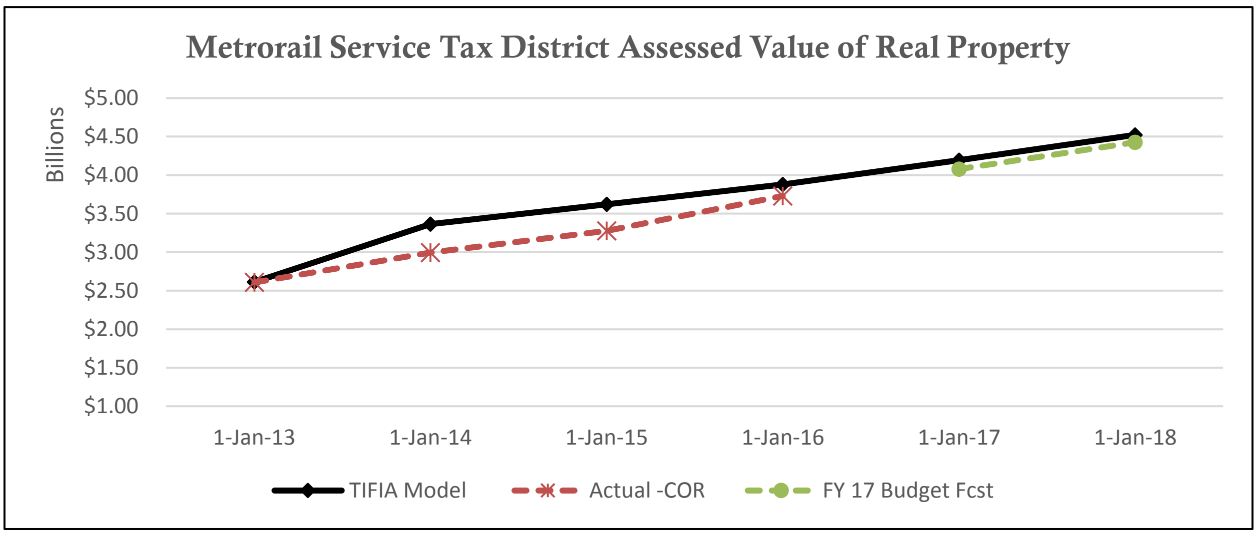
Sources of Funding

Metrorail Service Tax District and Station Tax Districts - The Board established the Metrorail Service Tax District and similar special tax districts for the two Metrorail station areas in December 2012. These tax districts were created in an effort to better align costs for funding Metrorail with the realization of benefits from that system. In addition to the Metrorail Service Tax District, two Station Service Tax Districts (i.e., Route 606 Airport Station Service Tax District and the 772 Station Service Tax District) were created to provide additional real property tax revenue to support transit services and to fund the service to the stations including ongoing operating and capital subsidies to WMATA.

Currently, the large Metrorail Service Tax District, which encompasses both smaller district areas has a levy of $0.20 per $100 of assessed value. The two smaller tax districts, which encompass each station have no levy (i.e., $0.00 per $100 of assessed value) at this juncture. It is important to note that the two smaller tax districts may be used as a funding source to assist with future operating and capital costs associated with WMATA.

The delayed revenue service date for Phase 2 along with the sluggish growth in the regional economy in 2012 to 2014 (coincident with major reductions in federal spending) has likely slowed the pace of regional development including in the areas adjacent to the Silver Line stations. The April 2012 fiscal impact study estimated that Metrorail would increase real property development in Loudoun through 2040 from 6% to 9% depending on the type of development (no increase in industrial development was anticipated). These increases related both to increasing the amount of development allowed within the County (in the case of the additional multi-family development allowed in the vicinity of the Ashburn station under the approved rezonings) and additional demand for development within the County (in the case of office space). It also assumed that development would cluster around the Metro stations and that real property values in those areas would exhibit up to a 15% premium compared to similar property elsewhere in the County.

Between 2013 and 2016, the assessed value of real property in the Metrorail Service Tax District has increased by more than 40% (versus 20% for the entire County over the same period). Despite delayed Silver Line completion and subdued regional economic growth, the chart below shows that the value of Metrorail District real property on January 1, 2016 is only about 4% below the 2016 value assumed in the final modeling for the County's TIFIA loan. Moreover, for the first three full fiscal years of the Metrorail Service District tax levy, the revenue, including penalties and interest, is slightly above the amount projected in the original TIFIA model.[1]



Local Gasoline Tax – Starting in FY 2019 Loudoun's Local Gasoline Tax revenues will be diverted from supporting transit service and other programs to pay for ongoing Metrorail operating and capital costs. Due mostly to the volatile nature of oil prices, gas tax revenues are extremely difficult to predict, and forecasts are subject to substantial revision as market conditions change.

[1] FY 2013 revenue represented only one levy in the spring of 2013 since the tax became effective on 1/1/2013. Moreover, the FY 2013 revenue for SCC-assessed public service property in the District could not be levied in FY 2013 since the SCC had not yet provided valuations for these properties. Thus, for public service properties, the FY 2014 revenue included the spring 2013 levy as well as both FY 2014 levies.

Prior to the unexpected drop in petroleum prices in mid-2014, annual gas tax revenue was in the $11 million to $12 million range. The current projection for FY 2019 is $7.8 million, which assumes that petroleum prices will slowly recover from their recent low levels. Unless petroleum prices increase much more dramatically than expected, Gas Tax revenue will likely not be sufficient to provide the level of funding for operating contributions to WMATA as previously modeled.

General Fund growth due to Metro development – At the time that the initial analysis was completed on potential funding for Metrorail and prior to the Board's decision to "opt-in" to the system, it was anticipated that over the long-term there would likely be periods in which both Local Gasoline Tax and potential Metrorail tax district revenues might be insufficient to cover Loudoun's share of ongoing costs. This is due to the dynamic and varied patterns of expected real property tax growth. For example, real property revenue growth for each station area and for the entire special tax district area is not anticipated to grow at the same rate each and every year for the long-term projection model.

Over time and specifically due to the nature and approvals of real property development, actual increases in real property revenues should not be expected to match the generalized forecasts used to predict long-term levels. In years when large levels of new construction development are constructed, real property revenue will increase more dramatically than in periods when construction is less. Therefore, revenue projections will undoubtedly see higher yield in some years. The original model utilized for the TIFIA loan focused on a long-term projection horizon with more flattened growth curves.

During periods when revenues are not sufficient to cover costs, it was reported that some support from the General Fund, or another funding source would be required. As originally anticipated, the County's financial model forecasts that General Fund, or other funding support is required beginning in FY 2019 when WMATA operating and capital contributions start, in addition to the FY 2024 through 2028 period for debt service related to the Metrorail construction project.

The fiscal impact study of development related to Metrorail estimated the net or surplus of the additional tax revenues minus additional operating expenditures countywide. The estimated value of this surplus to be realized over time in the General Fund was included in the revenue forecasts provided to the Board as a basis for considering whether to "opt-in" to Metrorail. This fiscal surplus was dependent upon estimates, or assumptions regarding the impact of Metrorail on a number of factors, including the following:

- the County's share of future regional employment growth and associated commercial development;
- the concentration of development near Metro stations;
- the increased value of real property located near Metro stations; and
- an increase in multi-family development given the higher residential densities allowed by existing rezonings in the vicinity of the Ashburn station.

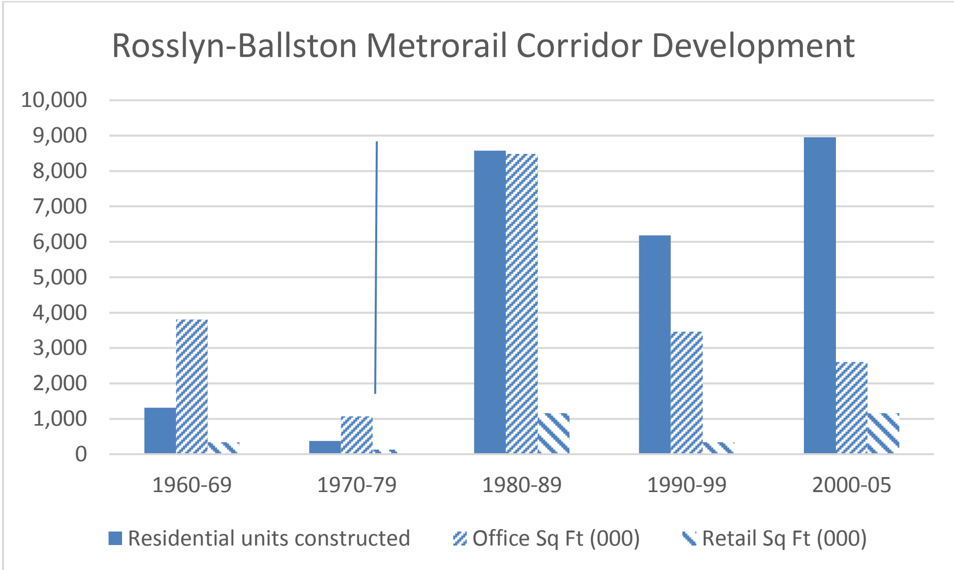
The estimated fiscal surplus was predicated on the assumed impact of the above factors compared to without the Silver Line extension into Loudoun. With the Board's July 2012 decision to opt in, the actual values of many of these variables will be observed and, they can be compared to the values assumed in the "with-Metrorail" scenario of the fiscal impact study. However, it will never be possible to know for certain what these values would have been in the alternative, "no-Metrorail" scenario, or to objectively measure an actual fiscal surplus. Moreover, the data series listed above can exhibit significant deviations from the longer term trend values assumed in the fiscal impact study, so several years' worth of data may be needed to assess whether development is following the "with-Metrorail" scenario or is systematically deviating from it. Staff's first priority is to establish procedures for tracking and forecasting real property development in the Metrorail Service District. In addition, staff has worked to develop some measures for characterizing revenue growth in the general fund and fiscal impacts with the Metrorail Service Tax District. Below are some measures which staff will be tracking to monitor the financial impacts of the Metrorail development on the County.

Measure	**Type of Value**
Metrorail Tax District revenue	Actual
Growth in Metrorail Tax District revenue since 2012	Actual
Rate of commercial real property revenue growth in District vs. Countywide	Actual
Metro real estate "premium"	Actual

As indicated above, the assessed value of real property in the Metrorail Service District is close to the values assumed in the final modelling used to obtain the TIFIA loan. Those assessed values were based in part on the fiscal impact study assumptions regarding the pace of future development of the undeveloped properties located within a half-mile radius of the stations or just beyond[2]. Staff is establishing procedures to track development within these areas as part of the effort to monitor and forecast development within the entire Metrorail Service District. This effort will indicate whether development in proximity to the stations is proceeding as originally expected.

However, it is important to maintain a long-term view of development related to rail. It is apparent that development will not follow a clear trend line, rather it will likely be more cyclical with periods of high growth and periods of slower growth. The chart below based on data provided in the April 2012 fiscal impact analysis shows that most of the development in the Rosslyn-Ballston Metrorail corridor occurred after the Metrorail stations opened in 1977-79. The measures shown above will assist in identifying if current trends at any given time warrant concern over the long-term outlook.

[2] The Metrorail Service District did not exist at the time of the fiscal impact analysis, and it encompasses a larger geographic area than the station areas that were the subject of that analysis.



**Note: the vertical line which appears in the chart above in the 1970 – 1979 time period indicates actual fiscal construction of metro stations.*

Future Debt Issuance – In order to pay for the County's ongoing capital obligation as a member of the WMATA compact (not the Phase 2 capital construction), supplemental funding is required. For purposes of maintaining a placeholder, $12 million in debt financing was added to the Capital Improvement Fund for in FY 2019 – FY 2020, and $13 million in FY 2021– FY 2022. Staff is currently evaluating, as part of the FY 2018 budget development process, the best financial method for funding this contribution which will determine whether, or not debt financing should be the recommended option.

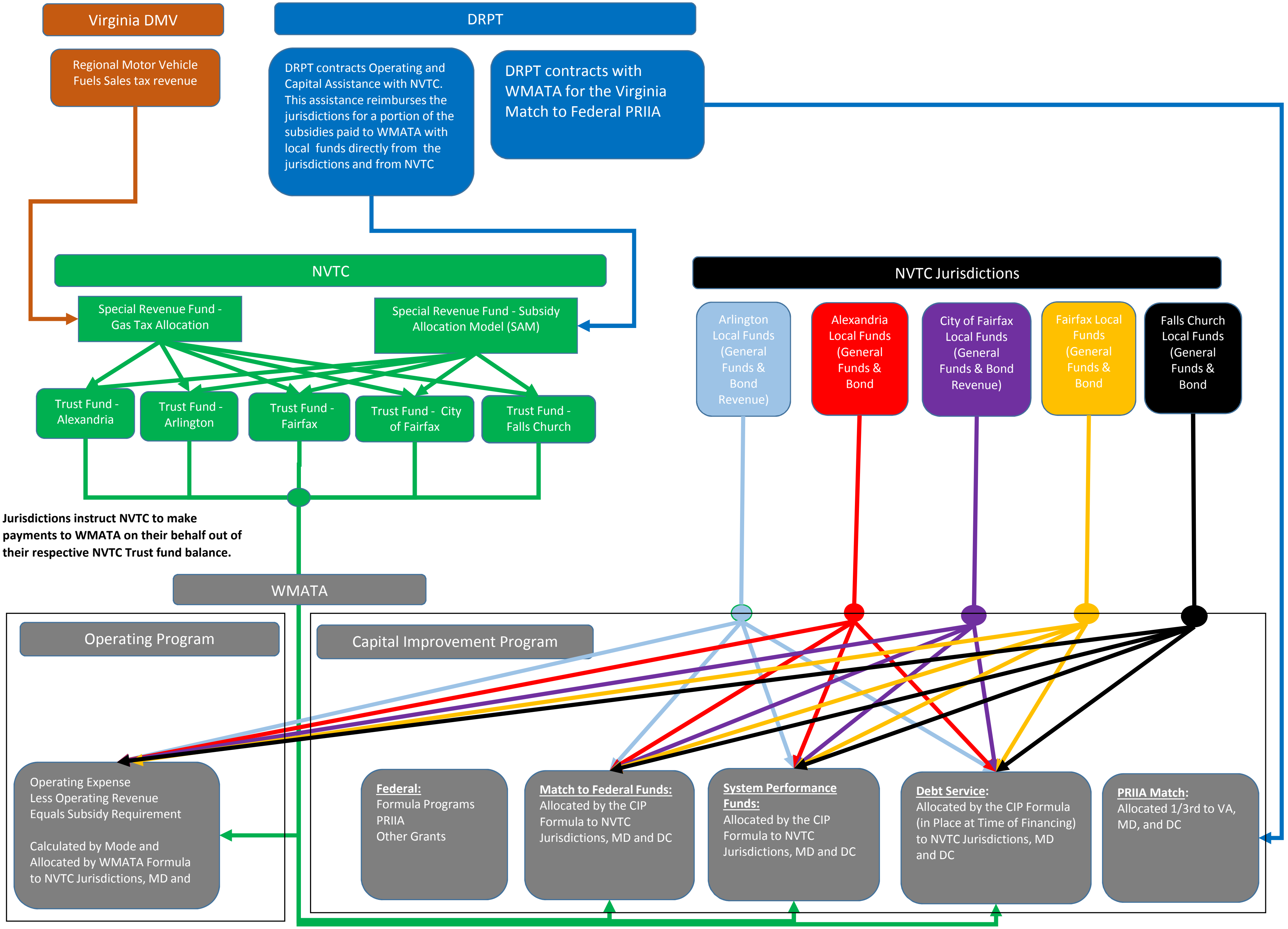
FISCAL IMPACT: The Metro system has experienced service disruptions and maintenance issues which will reportedly require additional future resources to address, the magnitude and source(s) of which are not known at this time. In addition, the revenue service of the Silver Line Phase 2 extension has been delayed from 2018 to 2020. The later in-service date also delays Loudoun's annual contributions to Metrorail operations; has resulted in a slower drawdown of TIFIA funds; and allows more time for Loudoun to accrue revenue from the special real property tax in the Metrorail Service Tax District.

To date, the Board of Supervisors has endeavored to minimize the cost of the Silver Line extension and to place responsibility for its cost on those who will benefit most from it. Project cost reductions were achieved by removing the Project Labor Agreement from the original proposal and by substituting a surface station for an underground station at Dulles Airport. As mentioned above, the special tax districts will help to ensure that Metro-related costs are borne by the beneficiaries of that system. Likewise, the County has pursued the creation of public-private partnerships to develop and operate the parking garages associated with the Silver Line. As the County updates its projections of the Silver Line's fiscal implications, staff will return to the Committee for a discussion at least once each year.

ATTACHMENTS:

1. How WMATA is Funded in Virginia – provided by NVTC
2. March 11, 2016 Transportation/Land Use Committee Item 04 Dulles Metrorail Phase 2 Update

HOW WMATA IS FUNDED IN VIRGINIA



ATTACHMENT 1

September 6, 2016

Date of Meeting: <u>March 11, 2016</u>

4

BOARD OF SUPERVISORS
TRANSPORTATION/LAND USE COMMITTEE
INFORMATION ITEM

SUBJECT: **Dulles Corridor Metrorail Phase 2 Update**

ELECTION DISTRICT: Countywide

STAFF CONTACTS: Joseph Kroboth, Transportation & Capital Infrastructure
Erin McLellan, Management & Budget
Janet Romanchyk, Finance & Procurement
John Sandy, Kenny Young, & Charles Yudd, County Administration

PURPOSE: The Chair of the Transportation and Land Use Committee (TLUC) has requested staff to provide a general overview and status update on the Metrorail Phase 2 Silver Line project.

BACKGROUND: In 2007, the Metropolitan Washington Airports Authority (MWAA), Fairfax County and Loudoun County entered into a Funding Agreement (the "Funding Agreement") (Attachment 1) for the extension of Metrorail to Route 772 (Ashburn Station) in Loudoun County. MWAA is constructing the project in two phases. The first phase to Wiehle Avenue in Reston has been completed and opened for service in July 2014. In Phase 2, the service line will be constructed from Wiehle Avenue, through Dulles Airport, to the Ashburn Station in Loudoun County.

2011 MOA – On November 15, 2011 the Board approved entering into a Memorandum of Agreement (MOA) between the United States Department of Transportation, the Commonwealth of Virginia, Loudoun and Fairfax Counties, the MWAA and the Washington Metropolitan Area Transit Authority (WMATA), which describes the terms and conditions agreed to by each of the parties for financing Phase 2 of the Dulles Corridor Metrorail Project.

Decision to Opt-In – On July 3, 2012 the Board elected to Opt-In to the Dulles Corridor Metrorail project.

Cooperative Agreement – In anticipation of Phase 2 construction, MWAA requested that Loudoun County enter into a "Cooperative Agreement" (Attachment 2) addressing matters other than project funding. The subjects covered by the agreement include project coordination, design review, regulatory processes, property acquisition, and insurance. In Phase 1, MWAA and Fairfax County entered into a Cooperative Agreement, and that document provided a template for the agreement between Loudoun and MWAA. This is a routine agreement for a joint project of this type that assists in clarifying and assigning appropriate roles amongst the project partners.

MWAA is responsible for the day-to-day management of the project and facilitates the participation of Loudoun in project reviews and meetings. Requests for changes to the project from private landowners must come through the County. Additional costs related to such changes, including review costs, must be paid by Loudoun or the private landowner. Throughout the project, MWAA will give notice of its construction activities and will coordinate with Loudoun to minimize the impact of construction noise and to develop traffic management plans. The parties provide each other with updated project schedules on an ongoing basis. For additional information pertaining to the Metrorail project and schedule see www.loudoun.gov/dullesrail.

Phase 2 service to the Loudoun Gateway and Ashburn Station is expected to begin in 2020. Staff is anticipating that the Board will need to make decisions related to the Phase 2 Metrorail Silver Line project. The following information is provided to serve as a foundation for issues coming to the Board this year.

FINANCING THE METRORAIL SILVERLINE PROJECT:

Loudoun County's funding commitment was established at 4.8 percent of the total project. The original funding plan included pledging the growth in the County's BPOL revenue and local gasoline tax to cover debt service payments for the County's share of the construction costs.

Prior to deciding to participate as a 'Funding Partner," the Board of Supervisors (Board) conducted its due diligence by performing a series of cost-benefit analyses. This due diligence included a series of nine public work sessions dedicated to developing a plan of finance specifically for the Project. The Board retained Robert Charles Lesser & Company to update an April 2011 Market and Fiscal Impact Analysis of Phase 2, which produced conservative growth forecasts through calendar year 2035.

The Board also relied on the expertise of its financial advisors, Davenport & Company, LLC, to create financing strategies of long-term appropriation-backed debt that would cover the cost of construction of the Project. The conclusion of this analysis was that the combination of local gas tax receipts, special tax district collections, and a very conservative estimate of the impact of station-related development on general real property tax receipts would be sufficient to cover the annual cost of the County's participation in the project (both operating and debt service costs) without impacting the average homeowner tax bill.

In keeping with the Board of Supervisor's fiscal policy, the Board reviewed various funding scenarios using a series of guiding concepts/principals including:

- Maintaining Loudoun's regional competitiveness;
- Acknowledging that the Project is a public good but with clear beneficiaries;
- Investigating countywide commercial & industrial tax;

- Finding similarities to Fairfax and Arlington Counties;
- Investigating a tax district; and
- Structuring debt to match up with projected revenues.

The Board relied on a series of assumptions produced during its course of review of analytical studies and cost estimates provided from organizations such as MWAA and WMATA. These assumptions included:

- Growth & Revenue Projections;
- Inflation Rates by the Department of Management and Budget and others;
- Annual Operating Expenses from WMATA;
- Annual Capital Expenses from WMATA;
- Construction Costs from MWAA;
- Level Debt Service Structure by Davenport & Company
- Defined Rail Benefit Area by Board of Supervisors; and
- Gas Tax Revenues and its long range availability

With these assumptions, a baseline scenario was created, using gas tax and the net positive fiscal impact of Metro. This scenario demonstrated that for a period of time, prior to 2034, there would be a "gap" where revenues did not exceed expenditures. The Board sought ways to cover the gap in funding by looking at alternative revenue sources, including a potential Commercial & Industrial Property tax within a two mile radius from each Metrorail Service station.

In mid-June, 2012, the Board reviewed a proposal to create a rail district overlaid with two smaller station development districts. In keeping with the guiding principles, the proposed district was drawn in a manner that for the most part excludes existing residential properties near the stations.

At the July 3, 2012 Business Meeting, the Board voted to proceed with its funding participation for Phase 2 of the Metrorail Silver Line Extension Project. The November 15, 2011 MOA, referenced Loudoun County's responsibility to fund 4.8 percent of the total cost of construction for the Project as set forth in the Funding Agreement. At that time, MWAA estimated the total cost to construct the Dulles Corridor Metrorail Project to be $5.7 billion. Loudoun's share of 4.8 percent was estimated to be $273.0 million. The County's final funding model included four funding sources to pay for Project construction costs described below. This model will be updated annually based on MWAA's Financial Plan Annual Update due by March 31 each year. The most recent monthly progress report, prepared by MWAA on February 26, 2016 for project costs through January 2016, shows an adjusted cost of $275 million for Loudoun, an increase of $2.0 million over the 2011 estimate.

SOURCES OF REVENUE:

Metrorail Service Tax District and Station Service Tax Districts: Three (3) Special Tax Districts were established by Local Ordinance at the Board's December 5, 2012 Business Meeting for the purpose of providing a means to fund public transportation systems serving the district. The primary purpose of the Metrorail Service Tax District is to pay debt service for the County's Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, other debt issued by the County, and to provide revenue to cash fund a portion of the County's 4.8 percent contribution for the Dulles Corridor Metrorail Project (approximately $18.0 million); and thereby reducing the amount of additional debt issuance. Other purposes identified in the ordinance include: the cost of constructing any related facilities and structures including parking facilities; a rail yard; vehicular and pedestrian access; electrical facilities and equipment; and other supporting equipment and infrastructure. The ordinance allows for an effective tax rate not to exceed $0.20 per $100 of assessed value exclusive of all other applicable taxes.

In addition to the Metrorail Service Tax District, two Station Service Districts (Route 606 Airport Station Service District and 772 Station Service District) were created to provide additional real property tax revenue to support transit services and to fund the service to the stations including ongoing operating and capital subsidies to WMATA. Currently, these districts have no levy but could be utilized to assist with future operating and capital costs associated with WMATA, or to further "buy" down the real property tax rate of the larger Metrorail Service Tax District ($0.20).

TIFIA Loan (Attachment 3): TIFIA is a federal loan program through the U.S. Department of Transportation (USDOT). On February 21, 2014, USDOT formally invited Loudoun County, Fairfax County, and the MWAA to apply for TIFIA credit assistance for each entity's individual capital contribution towards the Dulles Corridor Metrorail Project. Loudoun County secured the loan in the amount of $195.0 million at an interest rate of 2.87 percent on December 9, 2014. The advantages of a TIFIA loan include deferred interest payments (beginning in FY 2019) and deferred principal payment (beginning in FY 2023). The delayed debt service payment allows for additional time for revenue to be generated in the Metrorail Service District to pay for debt service and other costs.

Future Debt Issuance: Additional Lease Revenue bonds are anticipated to be sold during the construction period. This has been already appropriated and included in the Capital Improvement Fund and the Debt Service Fund as part of prior year budgets and is reflected in the County's Funding Model to supplement the other funding sources to pay for the County's 4.8 percent obligation. The amount of additional Non-TIFIA debt is expected to be approximately $60.0 million.

Robert Charles Lessor Company Projected Net Growth (RCLCO Net) Accruing to General Fund: As a result of the county's transition to Metrorail and as part of the their analyses, the Robert Charles Lessor Company predicted in 2012 that the County could expect certain growth in real property taxable base through a combination of appreciation to existing real property and new construction real property in areas approximate to the Loudoun Metrorail stations. This presence, or "Metrorail effect" produces additional real property tax revenue less costs for services, or "net" than what would have been ordinarily anticipated without Metrorail. These additional revenues accruing to the General Fund based upon this appreciation and new construction resulting from the presence of Metrorail may be called upon to help offset any "gaps," or revenue loss (projected less actual) from the other sources relied upon for Metrorail construction and even WMATA operating and capital costs.

Currently, the County's obligation to pay Project construction costs of approximately $273 million is through a combination of the Metrorail Service District funds ($18.0 million), the federal TIFIA loan of ($195.0 million), and non-TIFIA debt estimated at $60.0 million. As mentioned previously, updates to these costs will be reflected as part of MWAA's Financial Plan Annual Update, which is expected by March 31. The monthly progress reports to date reflect a $2 million change, or adjustment. If this marginal increase holds "true" in the Financial Plan Annual Update, of "official" estimate then the cost would increase to $275 million.

Other ongoing costs expected to be paid using Special Tax District Revenues and other revenues. Below lists additional costs related to indebtedness including TIFIA and include:

<u>Ancillary Costs</u>:

<u>Debt Service Costs</u>: Metrorail Special Tax District Revenues are anticipated to cover the cost of debt service, including principal and interest, for the TIFIA loan and other debt issued related to the construction of the project.

<u>Debt Issuance Costs:</u> Metrorail Special District Tax Revenues may be used to pay for costs related to the issuance of debt including underwriter fees, bond counsel, financial advisor fees, and other issuance costs.

<u>Revenue Stabilization Fund:</u> Per the County's agreement with USDOT, the County is required to fund a stabilization fund equal to the maximum annual debt service of debt issued. A stabilization fund is a reserve held by a Trustee in the event the County is unable to make a debt service payment. The County's funding model uses Metrorail Special Tax District Revenue to fund this expense (approximately $16.1 million).

<u>Other Costs:</u> Metrorail Special Tax District Revenues are permitted to be used to pay other costs such as annual trustee fees, bond counsel fees and financial advisory fees not associated with a bond sale.

ITEMS THAT WILL REQUIRE BOARD ACTION:

Financial Obligations upon Joining WMATA Compact

As a jurisdiction subject to the Compact, Loudoun is responsible to contribute to both operating and capital costs of the rail system. These costs are ongoing costs and different from the Metrorail Silver Line Extension Project. It is important to note that Loudoun elected not to utilize the WMATA Metro bus system during discussions leading up to the July 3, 2012 decision to proceed with its funding participation of Metrorail Silver Line Extension Project. Loudoun is modifying our existing transit system to address Loudoun needs.

Operating Costs: Loudoun will be responsible for a portion of the local subsidy which all members pay to cover the operating expenses of the Metrorail system. Each jurisdiction's share is determined through a formula.

It is important to note that the latest estimate of Loudoun's share is 4.1 percent resulting in an estimated annual operating contribution of approximately $11.1 million.

Capital Contribution: In addition to annual operating costs, Loudoun will make capital contributions for system-wide preservation projects. Similar to Loudoun County, WMATA prepares a six-year plan, CIP, pursuant to a Capital Funding Agreement (CFA) among the contributing jurisdictions, with the first year as the basis for the annual capital contributions.

It is important to note that the current estimate of Loudoun's share of the annual capital costs is projected at $11.8 million and includes $4.6 for the annual formula match as well as $7.2 for Metro 2025 Investments for the 7000 series rail cars. This initial payment is likely due in FY 2020 depending upon when revenue service begins.

FUNDING SOURCES FOR THE ONGOING COSTS OF METRORAIL:

Local Gasoline Tax Funds: Starting in FY 2019 Loudoun's Local Gasoline Tax revenues will be diverted to pay for ongoing operating and capital costs, which the County must begin paying 18 months prior to the start of revenue service for stations within the County.

Metrorail Service Tax District and Station Districts: In addition, as referenced previously, the Board established the Metrorail Service Tax District and two station service districts to help cover the costs of Metrorail. The Metrorail Service Tax District is intended to pay for Loudoun's share of construction costs of Phase 2 and related debt service. The two smaller station service districts can be used by the Board to contribute towards the County's annual payments to WMATA (capital and operating) in the future.

Beginning in FY 2015 and continuing to the opening of Metrorail, the County's local gasoline tax revenue is projected to average $3.1 million lower than was estimated during the FY 2016 budget process. Gas Tax will likely not be sufficient to provide the level of funding for operational and capital contributions to WMATA as previously modeled.

RCLCO Net Accruing Growth to General Fund: At the time that initial analysis was completed on potential funding for Metrorail, prior to the Board's decision to opt-in to the system, it was anticipated that over the long-term there would potentially be periods in which Local Gasoline Tax and potential tax district revenues may not be sufficient to cover Loudoun's share of ongoing costs; during these periods some support from the General Fund is anticipated. The County's current financial model anticipates using approximately $5.4 million of General Fund support between fiscal years 2024 through 2028.

The Robert Charles Lesser & Company report, *Market and Fiscal Impact Analysis of the Phase 2 Metrorail Extension to Loudoun County*, produced in April 2012, identified the impact of additional development due to metro. This additional impact that would otherwise not be realized by the County if the County had opted out of Metrorail was referred to as "RCLCO Net" or "RCLCO Growth." The additional positive fiscal impact to the County of development related to Metrorail represented the net of revenues minus expenditures countywide. This additional revenue will be realized over time in the General Fund and was included in the revenue forecasts provided to the Board as a basis for considering whether to opt-in to Metrorail.

Going forward there is no way to continually update the model used by RCLCO to calculate the potential net fiscal impact of the decision to opt-in to Metrorail; once the opt-in decision was made, the County's future development changed. Comparing Loudoun with Metrorail and Loudoun without Metrorail is no longer possible. However, staff is currently working to develop some general ways of measuring overall net fiscal impact and potentially a "rule of thumb" that could be used to judge if the County is experiencing any unanticipated revenue effects of development as it is occurring a little differently at this point than expected.

COMMUTER PARKING GARAGES:

Included in the November 15, 2011 MOA was a commitment from the County to use its best efforts to secure additional funding sources that will be sufficient to fund the cost of the design and construction of two parking garages at the terminal rail station known as the Route 772 (Ashburn) Metrorail Station and the third at the Route 606 (Loudoun Gateway) Metrorail Station.

On July 3, 2012, the Board voted to opt-in to the Phase 2 Dulles Corridor Metrorail Project thereby moving forward with the overall Metrorail project, including the parking garages. At the same time, and as agreed to in the MOA, the Board was required to explore the development of the three parking garages.

To satisfy the MOA commitments, staff recommended, and the Board authorized, the use of the Public-Private Transportation Act (PPTA) of 1995 to seek interest from the private sector to design, construct, maintain and operate the parking garages on the County's behalf. In November 2012, a Solicitation for Conceptual Proposal was issued to design, construct, maintain and operate the three parking garages required by the project.

In December 2014, Loudoun County entered into a Letter Agreement (LA) with the U. S. Department of Transportation (Attachment 4). In numerous sections, the LA stipulates “the parking facilities, which are classified as ”Concurrent Non-Project Activities” by the FTA, are not part of the Project and no proceeds from the TIFIA loan or other federal sources will be used to fund any costs for the design, development and/or construction of the Parking Facilities” (reference TIFIA Agreement Sections 3; 1 definitions for “Eligible Project Costs”, “Phase 2”, “Project”; 4.f; 6; 13.b.xiv; 16.c; 17.j; 42). The Parking Facilities are further defined as, “the three parking structures to be constructed by Loudoun County, located at or adjacent to the new rail stations planned as part of Phase 2 at Route 606 and Route 772 in Loudoun County.”

In total, the three garages provide 4,939 commuter parking spaces. The number by garage location is summarized in table 1 below:

Table 1 – Parking Spaces by Commuter Parking Garage Location

Parking Garage Location	Number of Parking Spaces
Route 772 (Ashburn) north	1,434
Route 772 (Ashburn) south	1,540
Route 606 (Loudoun Gateway)	1,965
Total	4,939

In FY 2014, the Board approved a capital improvement program budget which included $130,000,000 in revenue bonds to fund the construction of the parking garages. The capital funding was established as a back-stop measure in the event the County was unsuccessful in negotiating an agreement with a private entity for the parking garage(s).

Following receipt of the proposals from the PPTA solicitation, the Board authorized staff to enter into negotiations with Comstock Partners for the development of the Route 772 (Ashburn) north parking garage and Nexus Properties (Nexus) for the Route 772 (Ashburn) south and Route 606 (Loudoun Gateway) parking garages.

On December 9, 2015, the Board approved (8-0-1, Reid absent) a Comprehensive Agreement with Comstock for the design, construction, maintenance and operations of the Route 772 (Ashburn) North Station. Following execution of the agreement Comstock has progressed with the land use approvals and project development consistent with the schedule and terms defined in the Comprehensive Agreement.

Negotiations with Nexus are not progressing in a comparable pace, when compared to the Comstock agreement. Current discussions with Nexus center around the number of spaces required to be constructed in the two garages under consideration by Nexus and the anticipated demand at the respective garage(s). Staff continues to have discussions with Nexus to resolve the concerns. However, the agreed delivery date for the parking garages is approaching and the County Staff may need to recommend to the Board the self-perform option contemplated in the capital budget. Staff anticipates the need for Board direction on this matter by July 2016.

TRANSIT DEVELOPMENT PLAN:

The Virginia Department of Rail and Public Transportation (DRPT) requires transit agencies in the Commonwealth to complete a Comprehensive Transit Development Plan (TDP) update every six years and provide updates to the plan annually in order to qualify for state funding assistance. The current Loudoun County TDP was developed in 2011, based on the policies, concepts and public participation used to develop Chapter 3 of the Countywide Transportation Plan (CTP).

Since the 2011 TDP was adopted, there have been four annual updates to the plan submitted to DRPT. Staff from the Department of Transportation and Capital Infrastructure (DTCI) is currently working with a consultant to complete the six-year comprehensive update to the TDP. The Plan update will span the years FY 2017-FY 2023. During this timeframe, the Phase 2 Dulles Corridor Metrorail service is projected to begin operation in the County, which will significantly impact the provision of transit service and transportation within the County.

The TDP will include proposed transit related policy statements, an operational plan for service delivery and a proposed budget for the delivery plan.

Prior to a recommendation to the Board for adoption, an extensive public outreach process will occur. The anticipated schedule to bring this plan to the Board for adoption is June/July 2016.

In order to preserve the County's eligibility for this assistance, the TDP must be updated annually and a comprehensive update must be completed every six years. The TDP is a comprehensive six-year- action plan for the provision of transit service. It serves as a guide for the County's Transit and Commuter Service program and is designed to improve the efficiency and effectiveness of the program by identifying the required resources for modifying and enhancing the services provided to the public. It provides recommendations for transit services and includes operational and capital costs for the recommended services.

FISCAL IMPACT: There is no fiscal impact associated with this item.

ATTACHMENTS:

1. Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor, Signed July 12, 2007
2. Cooperative Agreement Between the Metropolitan Washington Airports Authority and Loudoun County Virginia, Signed July 9, 2013
3. TIFIA Loan Agreement, Dated December 9, 2014
4. Parking Facilities Letter Agreement