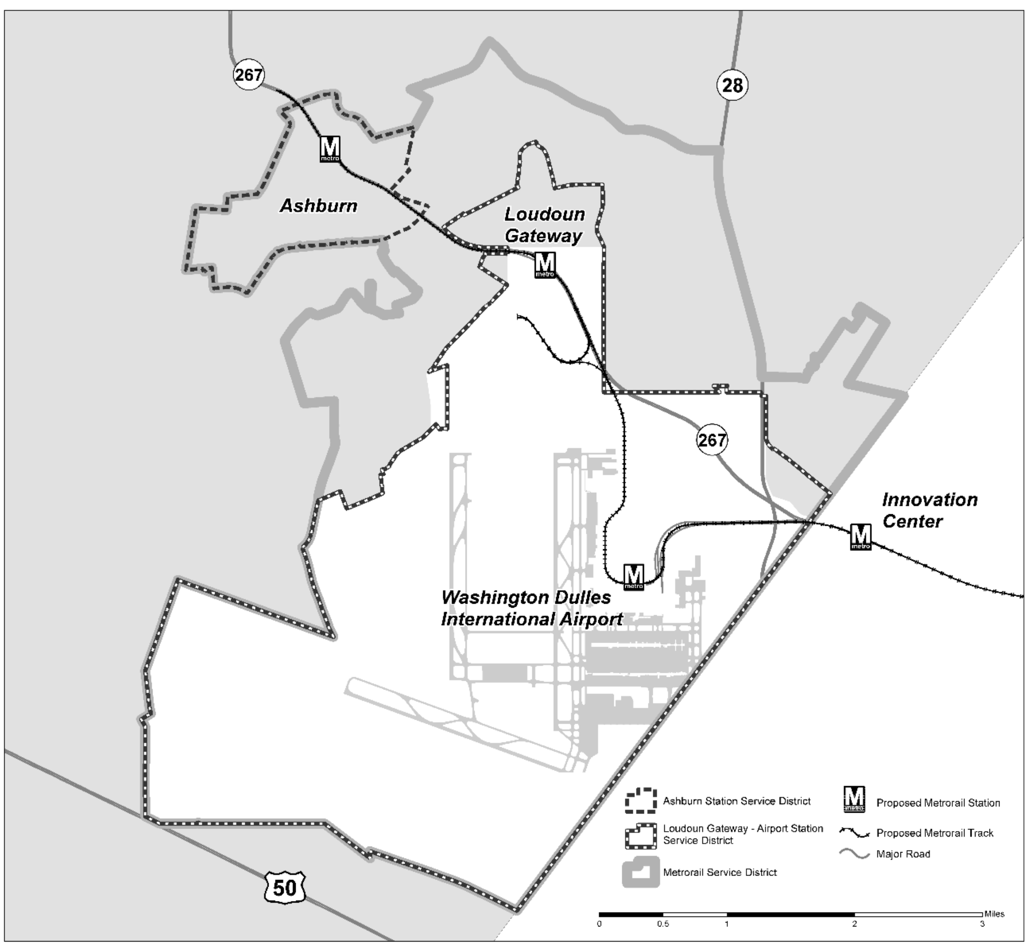
Transportation District Fund

The Transportation District Fund (TDF) 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 in Special Tax Districts established to support Phase II of the Dulles Corridor Metrorail Project, a transfer of local tax funding from the General Fund to fulfill the County's transportation and transit spending expectations (discussed below), local gasoline tax revenue, and revenues derived from provisions of laws enacted by the Virginia General Assembly, including HB 2313 (2013), HB 1539 and SB 856 (2018), and SB 890 (2020).

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.

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. The districts provide revenue which supports 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. There is no change in the tax rate for the District; the proposed Tax Year 2023 real property tax rate remains $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) for Metrorail service.

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 second phase 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 project, or approximately $273 million. On December 9, 2014, the County obtained federal 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 revenues for other purposes permitted under the ordinance establishing the districts. The FY 2023 Adopted Budget included $21,288,568 to make principal and interest payments on the refunding bonds and the FY 2024 Proposed Budget includes $20,775,624 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 2023 Adopted Budget and the opening of Metrorail service in Loudoun in mid FY 2023, the County's FY 2024 capital contribution is estimated to be $5.6 million and is anticipated to increase incrementally each year. The opening of Metrorail service in Loudoun in mid FY 2023 allows Loudoun to begin to receive an annual Northern Virginia Transportation Commission (NVTC) subsidy allocation. This subsidy is applied to Loudoun County's potion of WMATA capital contributions for the Metrorail system. These funds are estimated and programmed in the County's FY 2024 Proposed Budget and CIP.

Transportation District Fund

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 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.

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 the payment of Metrorail capital expenses effective July 1, 2018.[2] 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 do not have access to the 30-percent local share of these funds. [3] 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.

Beginning July 1, 2019, truck registration fees were increased as part of the state's Interstate 81 Corridor Improvement Fund. A portion of fee revenues collected are distributed to the NVTA. In addition, a regional congestion relief fee (a grantor's tax) of $0.10 was reinstituted on May 1, 2021.[4] The reinstitution of the congestion relief fee is in addition to the regional transportation improvement fee, also a grantor's tax, but only the transportation improvement fee continues to be diverted to WMATA. Beginning in FY 2021, NVTA received a $20 million annual transfer from the Northern Virginia Transportation District (a State Fund) to support both local and regional NVTA allocations. Accounting for all of the changes in revenue sources since 2013, the current revenues comprising NVTA funds include: I-81 Interstate Improvement Fees, the reinstituted regional congestion relief fee ($0.10 per $100 of value), 0.7 percent sales and use tax, and the annual transfer from the NVTD.

Of these revenues, 30% is remitted back to jurisdictions on a monthly basis. NVTA keeps the remaining "regional" 70 percent (or NVTA 70%) collected in each jurisdiction for regional transportation projects that are included in the TransAction regional transportation plan or mass transit capital projects that increase capacity. The NVTA Board prioritize and adopt regional transportation projects annually with the philosophy that each jurisdiction will receive its equivalent proportional share of revenues over time. NVTA updated the TransAction plan in 2017 to establish a Six-Year Program (SYP) to prioritize NVTA 70% funding for transportation projects in the FY 2018–FY 2023 period and updated the plan again in 2022 for FY2022-FY 2027[5]. In July 2022, NVTA approved funding for all four Loudoun County projects submitted, totaling $73.75m across the FY 2022-FY 2027 SYIP. The full award for each project will be appropriated in the fiscal year in which a Standard Project Agreement for each project is executed between the County and VDOT.

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[1] Chapter 766, 2013 Acts of Assembly

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

[3] 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.

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

[5] NVTA FY 2022-FY2027 Six Year Program

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. A C&I tax levied in the County would yield approximately $39.7 million in FY 2024. This is an increase from the FY 2023 C&I equivalent, approximately $29.9 million, and reflects record levels of new construction, primarily in the data center market. To date, the Board of Supervisors has taken no action to levy a C&I Property Tax.

The FY 2024 Proposed Budget includes a transfer of local tax funding from the General Fund, cash proffers from the Public Facilities Fund, and current year and prior year Gas Tax funds for the annual WMATA Operating payment in the amount of $59,239,841 for transportation and transit purposes to satisfy the C&I tax equivalent requirement. In accordance with the requirements of the statute, this funding is appropriated in the Transportation District Fund then 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 and the Loudoun County Transportation District Commission (LCTDC) administered the funds. 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 percent) to a cents per gallon model and indexed the rate to inflation. Effective July 1, 2021, the rate is 7.7 cents per gallon for gasoline and alternative fuels and 7.8 cents per gallon for diesel. The FY 2024 revenue estimates anticipate rates of 8.5 cents for gasoline and alternative fuels and 8.56 cents for diesel.

Over the past several years, legislative action has affected 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 is dedicated to two State funds: the Commuter Rail Operating and Capital Fund (C-ROC) and the 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 remained flat, however the withholding for the WMATA Capital Fund increased $7.8 million to $22.2 million, and Loudoun's share is approximately $1.8 million. Staff assumes Loudoun's share of the FY 2024 withholdings is $8.0 million. While revenues declined significantly in FY 2021 because of the pandemic, the most recently monthly data indicates revenues have returned to pre-pandemic levels.

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 planned and set aside gas tax for WMATA payments, but pandemic related credits freed up gas tax and allowed the County to use a portion of that money on transit services within the Department of Transportation and Capital Infrastructure instead. Local gasoline tax in the amount of $3,276,852 was programmed in FY 2022 to provide assistance to transit services due to the pandemic's effects on ridership and the Board's suspension of the Revenue Neutrality Policy through FY 2023.[1] The FY 2023 budget programs $4,228,306 of local gasoline tax revenue to continue support for transit services as recovery continues. If gas tax revenue is not needed, either as a result of higher fare collections of expenditure savings, funds will

[1] October 19, 2021, Business Meeting, Item 4, Extension of Authorization of the County Administrator to Adjust Transit Service Programming and the Suspension of Revenue Neutrality Policy for Commuter Bus Service Through FY 2023

remain in the TDF and dedicated to the County's WMATA operating subsidy obligations. The FY 2024 Proposed Budget CIP does not program any local gasoline tax revenue to support transit services, relying instead on the use of local tax funding until a new post-pandemic normal level of activity is more clear.[1]

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. Additionally, this payment was made exclusively using federal funding and not local gasoline tax revenue. This occurred, because starting in FY 2021, the County was provided "credits" from the Federal Government through WMATA for pandemic related affects. These credits comprise funding from the Coronavirus Aid, Relief and Economic Security Act (CARES), American Rescue Program Act (ARPA), and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). In FY 2021, the County exhausted the WMATA allocated CARES funds of $10,161,451, between both operating and capital subsidies, and a remaining balance of $843,917 from FY 2021 was paid in FY 2022 using ARPA funds. The County's FY 2022 Adopted Budget programmed funding for the Metrorail start-up operating costs totaling $12,227,315 using available local gasoline tax revenues. The FY 2022 Adopted Budget also programmed a revised estimated operating subsidy payment of $6,145,867 based on Metrorail service in Loudoun starting in mid FY 2023. This payment is anticipated to be covered by the balance of federal credits remaining in FY 2022 - $4,253,777 of ARPA funds and $8,273,918 in CRRSAA funds. This means no gasoline tax revenue is anticipated to be necessary for FY 2022 WMATA obligations. For FY 2023, it is anticipated that the Metrorail operating payment will be $10,500,000.[2] The payment will be made using ARPA credits from the Federal Government through WMATA in the amount of $9,121,767 and $1,378,233 of the County's local gasoline tax revenues. In FY 2024, it is estimated that the WMATA operating subsidy will be $16,083,146 less the anticipated $5,629,101 credit from the NVTC Subsidy Allocation Model (SAM), which Loudoun began to receive in mid-FY 2023 with the start of revenue service in the County. Accounting for this, the estimated total payment from the County for FY 2024 is $10,454,045.

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 cover these costs for at least four years. Additional sources of revenue, such as NVTA 30%, will need to be used in combination with local gasoline tax beginning in the mid to late 2020s.

[1] December 13, 2022, Finance/Government Operations and Economic Development Committee (FGOEDC) Meeting, Item 13, FY 2024 Budget Development: Local Tax Funding Support for Transit Services

[2] This amount reflects Loudoun's total estimated WMATA operating subsidy of $15,000,000 less the anticipated $4,500,000 credit from the NVTC Subsidy Allocation Model (SAM), which Loudoun enters upon start of revenue service.

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

	FY 2023 Adopted	FY 2024 Proposed	FY 2025 Projected
Estimated Beginning Fund Balance	**$42,520,824**	**$44,315,449**	**$42,508,526**
Revenues			
Metrorail Special Tax Districts	$15,699,500	$19,732,000	$20,618,500
Local Gasoline Tax – Use of Current Year Revenue	5,616,539	7,673,000	8,193,000
Local Gasoline Tax – Use of Prior Year Revenue	0	2,791,045	4,361,854
NVTA Local 30%	23,322,000	26,251,800	27,742,800
NVTA Regional 70%	0	36,730,000	36,750,000
WMATA Related Credits	9,121,767	0	0
Transfer from the General Fund	34,470,365	25,900,000	26,630,000
Transfer from the Public Facilities Fund	6,566,398	22,875,796	1,294,792
Total – Revenues	**$94,796,569**	**$141,953,641**	**$125,590,946**
Transfers & Expenditures			
Local Gasoline Tax	**$14,738,306**	**$10,464,045**	**$12,554,854**
Administrative – NVTC	10,000	10,000	10,000
Payment to WMATA	10,500,000	10,454,045	12,544,854
Transfer to the General Fund for Transit Operations	4,228,306	0	0
NVTA	**$15,938,307**	**$63,745,099**	**$64,668,000**
Local (30%) – Transfer to the Capital Projects Fund	15,938,307	26,251,800	27,742,800
Local (30%) – Transfer to the Capital Fund of Prior Year Revenue	0	763,299	175,200
Regional (70%) - Transfer to the Capital Projects Fund	0	36,730,000	36,750,000
Metrorail Construction Debt Service	**$21,288,568**	**$20,755,624**	**$20,772,715**
Transfer to the Debt Service Fund	21,288,568	20,775,624	20,772,715
Local Tax Funding and Cash Proffers	**$41,036,763**	**$48,515,796**	**$27,924,792**
Local Tax Funding Transfer to Capital Projects Fund	34,470,365	25,900,000	26,630,000
Cash Proffers Transfer to the Capital Projects Fund	6,566,398	22,875,796	1,294,792
Total – Transfers & Expenditures	**$93,001,944**	**$143,760,563**	**$125,920,361**
Estimated Impact to Fund Balance	**$1,794,625**	**($1,806,923)**	**($329,415)**
Projected Ending Fund Balance	**$44,315,449**	**$42,508,526**	**$42,179,111**