

City of Alexandria, Virginia



MEMORANDUM

DATE: FEBRUARY 28, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #11 : ADD-ON COMMERCIAL REAL ESTATE TAX FOR TRANSPORTATION PURPOSES – ARLINGTON COUNTY AND FAIRFAX COUNTY PROPOSED PLANS

Attached you will find a copy of the Arlington County and Fairfax County plans for spending the add-on commercial real estate tax for transportation. Arlington has proposed a 12.5¢ add-on tax and Fairfax a 12.0¢ add-on tax.

Attachments

Department:

Department of Environmental Services

Recommendation:

Create a Transportation Investment Fund and levy a commercial real estate tax rate of \$0.125 per \$100 of value. This levy would generate \$10.7 million in FY 2008 and \$21.8 million in FY 2009. In late 2007, the County Board created a commercial real estate transportation district pursuant to authority approved by the 2007 General Assembly and signed by the Governor. The district encompasses the entire County and the recommended action would levy the authorized tax on the district. The recommended levy is one-half of the maximum authorized rate of \$0.25 per \$100 of assessed value.

Goal:

To enhance the community's long-term economic and environmental sustainability by enhancing the County's multi-modal transportation system in support of mixed-used development across the County.

Priority Projects

- Details of the transportation investment strategy will be presented in the Capital Improvement Program. Based on the current six-year transportation priorities, the following multi-year projects would receive priority funding:

Tier 1 Priorities:

- Rosslyn Metrorail Station Improvements
- Ballston-MU Metrorail Station Access Improvements
- Columbia Pike Streetcar
- Columbia Pike Street Improvements
- Pentagon City - Hayes Street Corridor Improvements
- Crystal City / Potomac Yard Transitway

Tier 2 Priorities:

- Rosslyn-Ballston Arterial Street Improvements
- Rosslyn Station Area Street Improvements
- Crystal City Clark/Bell and Crystal Drive Arterial Street Improvements
- New Local Transit Connections to Commercial Districts
- Metrorail - Service Enhancements
- Major Non-Metro Transportation Corridor Improvements (e.g. Glebe Road, Lee Hwy.)
- Enhanced Commuter Services
- Wayfinding/Signage

FY 2009 PROPOSED BUDGET STRATEGIC PRIORITIES
TRANSPORTATION INVESTMENT

Funding

The priority projects listed on the prior page are multi-year multi-million dollar investments in the County's transportation infrastructure. This proposal is to establish a dedicated source of ongoing funds at a level that can provide enough resources to complete these large transportation projects on a timely basis.

The six-year project cost for tier 1 and tier 2 priorities is estimated to be in excess of \$420 million. Many of these projects will require a combination of funding sources to completely fund the projects. The NVTA regional funding is anticipated to cover approximately \$120 million, and the local monies required for project completion are estimated to be about \$160 million. Adoption of a real estate tax rate on commercial properties of \$0.125 per \$100 would generate approximately \$145 million over the six-year period.

FY 2009 & FY 2010 Funding Summary	FY 2009	Projected FY 2010
	(\$ millions)	(\$ millions)
Expense:		
Tier I expenses	27.4	33.7
Tier II expenses	12.5	7.8
Program Management	0.7	0.7
Total Expense	\$40.6	\$42.2
Revenue:		
Commercial Real Estate Tax (\$0.125/\$100)	21.8	22.7
NVTA Regional Funding	18.8	19.5
Total Revenue	\$40.6	\$42.2
New FTEs	6.0	

Notes:

- Project details will be presented in Capital Improvement Program.
- Funds may be used as pay-as-you-go or for debt service.
- Project funding will be supplemented by other transportation sources.
- Future staffing levels needed to deliver the capital program beyond FY 2009 will be assessed on an annual basis and will be incorporated in the County's annual budget program.

The numbers displayed in the table above are on a fiscal-year basis. The commercial real estate tax is levied on a calendar-year basis. Adopting a tax rate of \$0.125 per \$100 of assessed value would generate \$10.7 million in FY 2008. These funds have been included in the preliminary six-year planning projection.

FY 2009 Advertised Budget Highlights

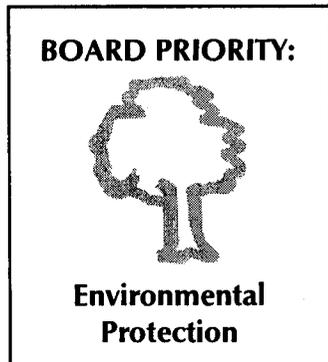
water quality standards that must now be addressed by local governments, requires a more significant, multiyear investment in terms of funding and staff resources.

Projects supported by this funding include: repairs to stormwater infrastructure, measures to improve water quality, such as stream stabilization, rehabilitation and safety upgrades of dams, repair and replacement of underground pipe systems and surface channels, structural flood proofing and Best Management Practices (BMP) site retrofits. This funding also supports development of watershed master plans, increased public outreach efforts and stormwater monitoring activities.

In FY 2009, the Stormwater Planning Division (SPD) and a portion of the Maintenance and Stormwater Management Division (MSMD) within the Department of Public Works and Environmental Services (DPWES) will charge positions and associated costs totaling \$4.4 million to Fund 318, Stormwater Management Program. This represents 34 positions from SPD and partial support of positions in MSMD. Historically, these expenses have been supported by the General Fund; however, based on budget constraints in FY 2009, the General Fund cannot fully support the Stormwater program.

Energy Coordinator \$0.1 million
 \$0.1 million is included to fund a redirected position that will serve as the County's Energy Coordinator in the Office of the County Executive. This position will lead work across a number of County agencies to develop coordinated, cross-agency energy efficiency/conservation and cost-avoidance actions, as well as policies that could be directly linked to enhancing air quality, reducing adverse climate change impacts and cost savings through reduced emissions and cost-avoidance associated with reduced electricity demand. This individual will also serve as a central conduit of information to and from agencies and the community to better understand and leverage energy efficiency and conservation practices employed and lessons learned.

Environmental Projects \$0.6 million
 An amount of \$0.6 million, consistent with FY 2008 funding, is included to provide funding for prioritized initiatives that directly support the Board of Supervisors' Environmental Agenda. The Environmental Excellence 20-year Vision Plan (Environmental Agenda) includes six topic areas: Growth and Land Use; Air Quality and Transportation; Water Quality; Solid Waste; Parks, Trails and Open Space; and Environmental Stewardship. FY 2009 prioritized initiatives include: continued outreach materials for air quality awareness targeted at County employ-



ees, residents, school children and business owners (\$30,000); removal of invasive plants that threaten native plant communities and expansion of Park Authority volunteer and outreach programs (\$150,000); an additional five remote household hazardous waste events (\$75,000); litter campaign and other environmental initiatives (\$66,900); and energy management at eight park facilities (\$278,100). In addition, an amount of \$108,000 has been provided in Fund 119, Contributory Fund to continue partnering with three non-profit agencies to expand tree planting throughout the County.

Support for Non-Revenue Generating Solid Waste Programs \$1.3 million
 The FY 2009 General Fund Transfer of \$1.25 million to Fund 110, Refuse Disposal, fully supports those programs that do not entirely recover costs such as the County's Recycling Program, the Code Enforcement Program, the Household Hazardous Waste (HHW) program, and the Citizen's Disposal Facilities. The FY 2009 General Fund transfer reflects a decrease of 50 percent from the FY 2008 Adopted Budget Plan transfer of \$2.5 million based on limited availability of General Fund monies and the current level of program requirements.

CONNECTING PEOPLE AND PLACES



Transportation Enhancements
 In the FY 2009 Advertised Budget Plan, new funding sources are available to support a major expansion of transportation, including additional personnel, operations, and capital projects. This funding is available on an annual basis, beginning in the second part of FY 2008, as a result of the General Assembly's April 4, 2007 passage of the Governor's substitute for House Bill 3202 (HB 3202). This bill is the first infusion of new transportation dollars in Northern Virginia in more than 20 years. The County will merge the current activities, program, and staff of the County's Department of Transportation with the staff of the Department of Public Works and Environmental Services (DPWES) who currently support planning and design related to roadway improvements. The merging of all staffing functions and programs in support of transportation permits an integrated seamless system for addressing a current and growing list of transportation capital projects and efforts to improve traffic flow, transit and general mobility of Fairfax County residents.

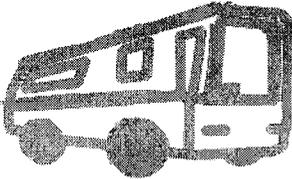
Two significant sources of funding included in the FY 2009 budget are: revenue remitted to the County from the Northern Virginia Transportation Authority (NVTA), and funding from a proposed increase to the County's commercial real estate tax. House Bill 3202 gave the NVTA the authority to implement seven new taxes and fees to support transportation-related projects and services. This revenue will raise over \$300 million per year for Northern Virginia. From these funds, NVTA annually will set-aside \$25 million for VRE operating and capital expenses and \$50 million for Metro capital expenses. It will utilize 60

FY 2009 Advertised Budget Highlights

percent of the balance of raised funds for regional projects, and will return the remaining 40 percent to the jurisdiction where the funds were raised. The FY 2009 Advertised Budget Plan includes a projected \$60.0 million in revenue associated with the 40 percent returned to Fairfax County from this NVT distribution.

HB 3202 also gives local jurisdictions within Northern Virginia the authority to increase the commercial real estate tax, which was previously held to the same value as the residential real estate tax, by as much as 25 cents per \$100 assessed value in support of transportation. The FY 2009 Advertised Budget Plan includes a recommended commercial real estate tax rate increase of 12 cents which will generate a projected \$52.8 million. Of this new revenue, 8 cents will address transportation project increases, approximately 2 cents will address new staffing requirements due to the influx of transportation project funding and approximately 2 cents will fund existing staff resources and related costs associated with transportation planning and implementation projects. A total of 93/93.0 SYE existing County positions, including 75 in the Department of Transportation and 18 in the Office of Capital Facilities will now be supported by these funds.

BOARD PRIORITY:



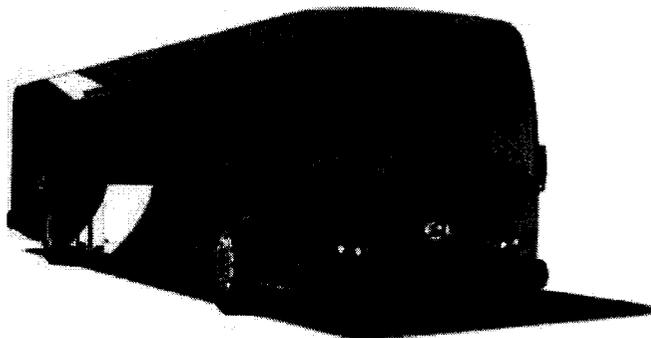
Transportation Improvements

In addition, sufficient funding is available to begin the phase-in of 41/41.0 SYE new positions in support of transportation planning, management, and engineering design. These positions will also address future planned expansions of the FAIRFAX CONNECTOR; proffer and zoning workload increases resulting from transportation studies and improvements to the Tysons area and revitalization areas; and increasingly complex prioritizing, reporting, and invoicing requirements associated with major projects with multiple funding sources.

County Transit Funding – General Fund Transfer \$34.7 million

The total FY 2009 General Fund Transfer for Fund 100, County Transit Systems, is \$34.7 million, the same level as the FY 2008 budget but incorporates increases to fund FY 2009 partial year operations of the new West Ox Bus Operations Center, costs associated with new operational and service contracts for CONNECTOR operations, and additional estimated CONNECTOR fuel costs based on continuing increases in diesel fuel prices as well as a 21 percent increase in the County's subsidy requirement for the Virginia Railway Express (VRE) based on operating system and debt service requirements. In addition to the General Fund Transfer support, \$12,000,000 in newly authorized State Aid support for mass transit will support

FY 2009 projected expenditures. The newly authorized mass transit support results from a provision within HB 3202 that provides for an earmark for mass transit of 2 cents per \$100 of State recordation tax collections.



Metro Funding – General Fund Transfer \$17.5 million

The General Fund Transfer in support of Metro Operations and Construction totals \$17.5 million, a decrease of \$2.8 million or 13.8 percent from the *FY 2008 Revised Budget Plan* level based on savings associated with the Board-approved transfer of the 12s and 20s Metrobus service to the FAIRFAX CONNECTOR, and the application of a higher level of State Aid and Gas Tax revenue in support of Metro. The total Fairfax County requirement for Washington Metropolitan Area Transit Authority (WMATA) Operating Expenses totals \$68.6 million, an increase of 8.6 percent over the *FY 2008 Revised Budget Plan*.

Overall, this funding level supports an operating increase of 10.0 percent over the *FY 2008 Revised Budget Plan* for Metro Operations partially offset by a decrease in payments due to WMATA associated with the current WMATA 12s and 20s Centreville/Chantilly routes. The estimated decrease results from the Board of Supervisor's approval, in February 2006, of the transfer of these non-regional routes to the County in the second half of FY 2009, at which time the service will be provided by FAIRFAX CONNECTOR.

FY 2009 Capital Construction expenditures are focused on the Metro Matters Program, which supports the acquisition of facilities, equipment, rail cars, and buses, as well as provides general infrastructure support to the 106-mile Metrorail system.

Information Technology (IT) Funding – General Fund Transfer \$11.8 million

Total funding of \$22.8 million, which includes a General Fund transfer of \$11.8 million, a transfer from Fund 506, Health Benefits Trust Fund of \$7.0 million, a transfer from Fund 105, Cable Communications, of \$1.8 million, State Technology Fund revenue of \$1.0 million and interest income of \$1.2 million, is provided for initiatives that meet one or multiple priorities established by the Senior Information Technology