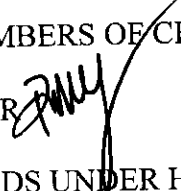


City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 12, 2013
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: RASHAD M. YOUNG, CITY MANAGER 
SUBJECT: TRANSPORTATION MATCHING FUNDS UNDER HB 2313

The new transportation funding legislation (HB 2313) that is now on the Governor's desk (likely to be sent back to the General Assembly for technical and potentially some policy amendments) establishes a set of new regional taxes for Northern Virginia (as well as Hampton Roads) to fund transportation, and allows 30% of those new regional transportation taxes to be allocated to each locality (which would equate to \$5.6 million annually for Alexandria) where those taxes were generated, if the locality has adopted the 12.5 cent add-on commercial and industrial real estate tax for transportation purposes.

HB 2313 also allows a locality to substitute "*other sources of money*"¹ for the 12.5 cent add-on tax, if that substitute is "*equivalent to the revenue that the locality would receive*"² if it imposed the 12.5 cent add-on tax. For Alexandria, this would mean that the "*other sources of revenue*" would need to total approximately \$11.2 million which is what the 12.5 cent add-on tax would generate if adopted by the City.

Staff has reviewed the FY 2014 proposed operating budget and capital improvement program and concluded that the 12.5 cent equivalent test of \$11.2 million can be easily met under the City Manager's proposed base budget which reflects a 2.5 cent increase in the real estate tax rate. No further real estate tax rate increase will be necessary to draw down the \$5.6 million which represents the 30% share of the new regional transportation related tax revenues.

The elements which help meet and to far exceed this equivalency test are:

- Transportation Improvement Program (TIP) funding of 2.2 cents of the existing real estate tax: \$7.54 million
- Potomac Yard Metrorail Station funding comprised of Potomac Yard real estate tax base growth as well as the 20-cent Tier I special tax district revenues: \$1.98 million

¹ §58.1-3221.3

² Ibid

- WMATA capital contribution funding of: \$6.78 million
- WMATA operating subsidy funding of: \$8.03 million
- DASH operating subsidy of: \$9.1 million (net of TIP funding)
- Other locally funded transportation capital projects

Options for use of the \$5.6 million in 30% regional transportation funds are under review, and will be subject to a future budget memo to be issued prior to the Council CIP work session. The pending State law requires that these revenues *"be used for additional urban or secondary road construction; for other capital improvements that reduce congestion; for other transportation improvements which have been approved by the most recent long range transportation plan adopted by the Authority; or for public transportation purposes"*³

In order to make it crystal clear that the City has met the test for the 30% allocation, staff recommends that the existing Council resolution on the 2.2 cent transportation reserve be updated at budget adoption to include the Potomac Yard Metrorail Station tax revenue set-asides, as well as by amending the 2.2 cents upward to about 2.7 cents which can be done without raising the proposed real estate tax rate any further beyond my recommended 2.5 cent increase. This will not require any reallocation of recommended resources within the City's FY 2014 proposed budget. Having a resolution which affirmatively identifies the transportation revenues will create an incontrovertible statement that the alternative 12.5 cent commercial and industrial tax threshold has been met.

It should be noted that:

- (1) While the balance of the new Northern Virginia Transportation Authority (NVTA) regional tax monies are required to be spent on projects of regional significance, the law also requires that over time that projects need to benefit each jurisdiction in proportion to the funds raised in that jurisdiction. This means that the 70% tax revenue share of the new regional transportation tax funds raised in the City which amounts to \$13.1 million per year for Alexandria will eventually need to be spent on City or City-related projects. When that occurs is to be determined by NVTA; and
- (2) During the first year of these new taxes, depending on the timing of remittance by the State to NVTA and then to the NVTA localities, the dollar amounts cited above may be less than a full 12 months of revenues.

All of the statements in this memorandum are based on the existing HB 2313 wording which is subject to change as part of the Governor and General Assembly amendment process. In addition, staff has made some assumptions about interpretation of the law which will eventually need a common regional interpretation.

³ §15.2-4838.1(B)

cc: Mark Jinks, Deputy City Manager
Bernard Caton, Legislative Director
Rich Baier, Director, Transportation & Environmental Services
Laura Triggs, Chief Financial Officer
Nelsie Smith, Director, Office of Management & Budget