

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

**RESOLUTION NO. 10-06-_____
OFFICIAL COMMISSION MEETING
JUNE 3, 2010**

SECOND: _____

**RE: AUTHORIZATION TO BUDGET AND APPROPRIATE FROM
SPOTSYLVANIA COUNTY'S MOTOR FUELS TAX FUNDS AS MUCH AS
\$2,537,434 FOR ANTICIPATED COUNTY EXPENDITURES IN FY 2011**

WHEREAS, by resolution dated April 20, 2010, the Spotsylvania Board of Supervisors requested that the Potomac and Rappahannock Transportation Commission ("PRTC" or "Commission") budget and appropriate \$2,537,434 of motor fuels tax revenue anticipated to accrue in FY 2011 (July 1, 2010 through June 30, 2011) for specified transportation expenditures in FY 2011; and

WHEREAS, PRTC management has confirmed that the transportation expenditures specified by Spotsylvania County in its April 20, 2010 resolution are allowable uses of motor fuels tax funds; and

WHEREAS, PRTC management previously furnished Spotsylvania County with a projection of the County's FY 2011 motor fuels tax revenue yield, employing PRTC's standard projection methodology (i.e., \$4,317,142), which projection Spotsylvania County has relied on in preparing its request; and

WHEREAS, the \$2,537,434 requested by Spotsylvania County is less than the amount of the projected FY 2011 motor fuels tax revenue yield the County would have available by the end of FY 2011 assuming the projection materializes; and

WHEREAS, actual fuel tax revenue yields are not known until revenues are posted following collections; and

WHEREAS, the Commission's long-standing policy is to budget and appropriate motor fuels tax revenue requested by its member jurisdictions only to the extent that actual unencumbered revenue balances exist.

ITEM 5-B.6

(7 PAGES)

NOW, THEREFORE, BE IT RESOLVED that the Potomac and Rappahannock Transportation Commission does hereby authorize the PRTC Executive Director to periodically budget and appropriate motor fuels tax revenue from the Local Government Investment Pool (LGIP) account containing revenue resulting from fuel sales in Spotsylvania County based on amounts periodically sought by the Spotsylvania County Administrator, subject to the following provisos:

1. In accordance with PRTC's regular practice, budgeted and appropriated sums payable to Spotsylvania County shall always be on a reimbursable basis, beginning on July 1, 2010; and
2. Each time the Spotsylvania County Administrator seeks a portion of the \$2,537,434 on a reimbursable basis, the amount budgeted and appropriated by PRTC for reimbursement to Spotsylvania County shall not be for more than actual fuel tax revenue collected and posted to the County's fuel tax revenue account ; and
3. The total amount budgeted and appropriated during the course of FY 2011 for reimbursement to Spotsylvania County shall not be more than \$2,537,434 without further action by the Spotsylvania Board of Supervisors and PRTC.

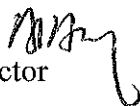


Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

June 3, 2010

TO: Chairman May and Commissioners

FROM: Alfred H. Harf 
Executive Director

RE: Authorization to Budget and Appropriate from Spotsylvania County's Motor
Fuels Tax Funds as much as \$2,537,434 for Anticipated County Expenditures
in FY 2011

Recommendation:

Authorize the budget and appropriation from Spotsylvania County's motor fuels tax funds as much as \$2,537,434 for anticipated County expenditures in FY 2011.

Background:

By resolution dated April 20, 2010, the Spotsylvania Board of Supervisors requested PRTC's approval to budget and appropriate \$2,537,434 of motor fuels tax revenue anticipated to accrue during FY 2011, for a variety of specified, allowable uses (attached). PRTC's consistent practice is to assent to motor fuels tax appropriation requests by its member governments only to the extent that actual, unencumbered motor fuels tax revenue is present in the member government's LGIP account. Because Spotsylvania County became a PRTC member on February 15, 2010 and the collection of motor fuels tax commenced coincident with that date, the County's current motor fuels tax fund balance at present is much less than the amount requested. Nonetheless, it has been understood throughout the course of membership negotiations with Spotsylvania County that the County intended to use motor fuels tax revenue for other qualifying purposes early-on, which is why the County sought and PRTC assented to the deferral of the County's VRE/PRTC payment obligations in FY 2010, FY 2011, and FY 2012 as a provision in the membership agreement.

Thus the County's request was anticipated, and PRTC management has worked with the Spotsylvania County Administrator to fashion an arrangement enabling the County to use motor fuels tax revenue for the purposes proposed, not to exceed the County's actual motor fuels tax revenue receipts. As proposed, each time the Spotsylvania County Administrator seeks a portion of the \$2,537,434 on a reimbursable basis, the amount budgeted and appropriated by PRTC for reimbursement to Spotsylvania County would be for not more than actual fuel tax revenue collected and posted to the County's fuel tax revenue account.

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As the County's resolution details, the requested \$2,537,434 sum is derived by subtracting the FY 2011 VRE/PRTC obligation and a 10% reserve from the FY 2011 fuel tax yield as projected by PRTC (i.e., \$4,317,142). Since a projection of the yield is a projection, not a certainty, the County's resolution naturally prompted the question "should the language of the PRTC resolution be written to allow the first \$2,537,434 of actual collections to be drawn down for the County's use or should there be some sort of set-aside from the start to accumulate fuel tax funds for FY 2011 VRE/PRTC obligation and the 10% reserve over time, such that some County fuel tax funding is surely available for the FY 2011 VRE/PRTC obligation no matter what the magnitude of the actual fuel tax collection?"

I discussed this issue with Spotsylvania Administrator Barnes, suggesting a set-aside, and Mr. Barnes replied that the County favors a PRTC authorization that would enable the County to use the first \$2,537,434 of FY 2011 collections without a set-aside. Mr. Barnes observed that having the constructive use of actual fuel tax receipts for County-specified purposes early-on was and is an important aim, which is why the "VRE/PRTC deferral" provision that is now a part of the PRTC – Spotsylvania membership agreement was sought. Mr. Barnes also observed that the County's request has been carefully measured, inasmuch as it does not propose to spend down all of the anticipated FY 2011 fuel tax revenue -- the \$2,537,434 request accounts for the VRE/PRTC obligation (as well as a 10% reserve) – while acknowledging that it is based on the assumption that the projected fuel tax yield materializes. Finally, Mr. Barnes affirms that the County recognizes its FY 2013 obligation to pay the deferred amounts is present no matter what the actual motor fuels tax yield is, meaning that if the yield is less than the projection, the County could find it necessary to pay this obligation from another funding source.

The resolution accompanying this staff report has been drafted as Spotsylvania County favors. The points made here are intended to insure that the Commission is aware that the County's preferred approach entails a calculated risk of there being insufficient fuel tax revenue yields for the County to rely exclusively on fuel tax revenue for the pay-off of its "deferral" obligation, though the projection of revenue yield clearly signifies that adequate fuel tax revenue would be available for this purpose. Moreover, the risk is one that the County bears, not PRTC, since the FY 2013 payment obligation is an absolute obligation no matter what the fuel tax yield is.

Fiscal Impact:

Not applicable.

Attachment: As stated

County of Spotsylvania

Finance Department
8800 Courthouse Road
P O Box 215
Spotsylvania, VA 22553
(540) 507-7575
Fax (540) 582-6304



April 28, 2010

Mr. Alfred Harf
Executive Director
Potomac and Rappahannock Transportation Commission
14700 Potomac Mills Road
Woodbridge, Virginia 22192

Dr. Mr. Harf:

On April 20, 2010, the Spotsylvania Board of Supervisors adopted its FY 2011 budget and passed the attached resolution acknowledging the planned use of \$2.5 million in fuel tax funds for transportation purposes in FY 2011.

The FY 2011 budget accounts for the \$4.3 million in fuel tax PRTC estimates will be collected in Spotsylvania in FY 2011, and sets aside in reserve \$1.3 million in FY 2011 VRE and PRTC administrative fee payments to be deferred until FY 2013. The majority of the remaining \$3.0 million is planned for expenditure in FY 2011 as expressed in the Board's resolution.

I have appreciated the guidance I've received from Joyce as Spotsylvania works through the VRE and PRTC processes for the first time, and look forward to working with you and her as the County begins its first full year of VRE and PRTC membership in FY 2011.

Sincerely,

Bonnie L. Jewell
Financial Analyst

Enclosures: Spotsylvania County's Resolution No. 2010-59

cc: Joyce Embrey

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4/30/10

County of Spotsylvania

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GARY JACKSON
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County Administrator
C. DOUGLAS BARNES
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ERNEST L. PENNINGTON
P.O. BOX 99
SPOTSYLVANIA, VIRGINIA 22553
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Service, Integrity, Pride

At a meeting of the Spotsylvania County Board of Supervisors held on April 20, 2010, on a motion by Mr. Connors, seconded by Mr. Pitts and passed unanimously, the Board adopted the following resolution:

RESOLUTION NO. 2010-59

A RESOLUTION AUTHORIZING USE OF \$2,537,434 OF FUEL TAX FUNDS IN FY 2011 FOR VARIOUS TRANSPORTATION PURPOSES

WHEREAS, Spotsylvania County ("County") is a member of the Potomac and Rappahannock Transportation District ("District"), a transportation district created pursuant to the Transportation District Act of 1964 (Code of Virginia, §15.2-4500, et seq.) which participates in the operation of a rail commuter mass transportation system (Code of Virginia, §58.1-1720); and

WHEREAS, the Potomac and Rappahannock Transportation Commission ("PRTC") is the governing body of the District; and

WHEREAS, the Commonwealth of Virginia levies a 2.1 percent sales tax on the price charged by a distributor for fuels sold to a retail dealer for retail sale in the District; and

WHEREAS, all taxes paid to the State Tax Commissioner, after subtraction of the direct costs of administration by the Tax Department, are deposited in a special fund held by the District (Code of Virginia §58.1-1724); and

WHEREAS, PRTC estimates that during FY 2011, \$4,317,142 in fuel taxes will be collected from distributors who sell to retail dealers in the County; and

WHEREAS, as part of its annual budget the County will reserve 10 percent of estimated fuel tax revenues (\$431,714 for FY 2011) to guard against fluctuations between estimated and actual revenues; and

WHEREAS, the County is obligated in FY 2013 to provide funds from its fuel tax account for deferred FY 2011 payments in the amount of \$1,207,340 for the Virginia Railway Express (VRE), and \$51,200 for administrative expenses of the PRTC; and

WHEREAS, at the request of the member jurisdiction, revenue available from the fuels tax in excess of the required payments to VRE and PRTC may be expended for any transportation purpose (Code of Virginia, §58.1-1724); and

WHEREAS, the County plans to fund various transportation-related activities through FY 2011, including transportation-related staff positions, FRED transit operations, debt service from previously issued transportation bonds, and the annual allocation to "Rural Additions" projects; and

WHEREAS, the County desires to use a portion of the FY 2011 surplus fuel revenue from its fuel tax account for these purposes, after setting aside a 10 percent reserve and the FY 2011 VRE and PRTC expenses the County is obligated to pay in FY 2013.

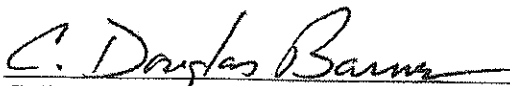
NOW, THEREFORE, BE IT RESOLVED that the Spotsylvania County Board of Supervisors does hereby request PRTC to budget and appropriate the following amounts for transportation expenditures in FY 2011:

Transportation-related positions	\$470,574
FRED bus service	\$421,332
Debt service on previous transportation issues	\$1,620,528
Annual allocation to "Rural Additions" projects	<u>\$25,000</u>
Total	\$2,537,434

BE IT FURTHER RESOLVED that the County Administrator is hereby authorized and directed to submit to PRTC requests for reimbursement of expenses incurred by the County in connection with the expenditures identified above.

(SEAL)

A COPY TESTE:


C. Douglas Barnes
Clerk to the Board of Supervisors