

MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Request to Allocate Motor Fuels Tax for Various Transportation Projects
DATE: June 1, 2020 (for the June 9, 2020 Council Meeting)

ISSUE

Shall City Council allocate surplus motor fuels taxes for various transportation projects included in the FY 2020 budget?

RECOMMENDATION

Staff recommends adoption of the attached resolution, which requires one reading.

BACKGROUND

Background for FY 2020 Resolution Request

The City of Fredericksburg, as a member of the Virginia Railway Express (VRE) and the Potomac and Rappahannock Transportation Commission (PRTC), receives a 2.1 percent tax on wholesale motor fuels sold within the City. The primary purpose of the tax is to ensure that resources are available to support the Virginia Railway Express, and for support of the Potomac and Rappahannock Transportation Commission. If there are funds received by the City in excess of the required support, then the City is allowed to spend those resources on other transportation needs.

For the City to access the surplus transportation funds, the City Council must adopt and transmit a resolution to the Potomac and Rappahannock Transportation Commission (“PRTC”) that outlines the projects and requests that resources be set aside for reimbursement. As the projects go forward and payments to contractors are made, the City then submits reimbursements to the PRTC staff to draw the funds.

The attached resolution requests allocations used for various projects and are included in the FY 2020 adopted budget. These requests have been altered slightly from the original budget for a couple of projects, and the notes in the table provides those details. The requests include the following:

Uses of Surplus Motor Fuels for Various FY 2020 Projects

Project or Purpose	Amount	Fund	Notes
Stafford Regional Airport	\$21,000	General	Operating agreement, included in FY 2020 budget
Industrial Park Rail Spur	\$-	General	Annual maintenance on the rail spur in the Battlefield Industrial Park will be deferred until FY 2021
Dixon & Charles Street Pedestrian Improvements	\$35,000	General	Amendment to FY 2020 Budget
Paving Rehabilitation	\$370,000	Public Works Capital Fund	FY 2020 Original Capital Budget
FRED Transit Operations	\$480,000	Transit	City share of FRED operations
Sophia Street Parking Garage Improvements	\$210,000	Parking	FY 2020 Capital Improvements related to replacement of gate system and re-sealing work
Sophia St. Parking Garage Debt Service	\$300,000	Parking	Subsidize debt service expenses for Sophia Street Parking Garage. Original plan for \$250,000 – however, parking fees are down significantly. Staff recommends increasing the allocation of gas tax to pay more of this expense.
Total	\$1,416,000		

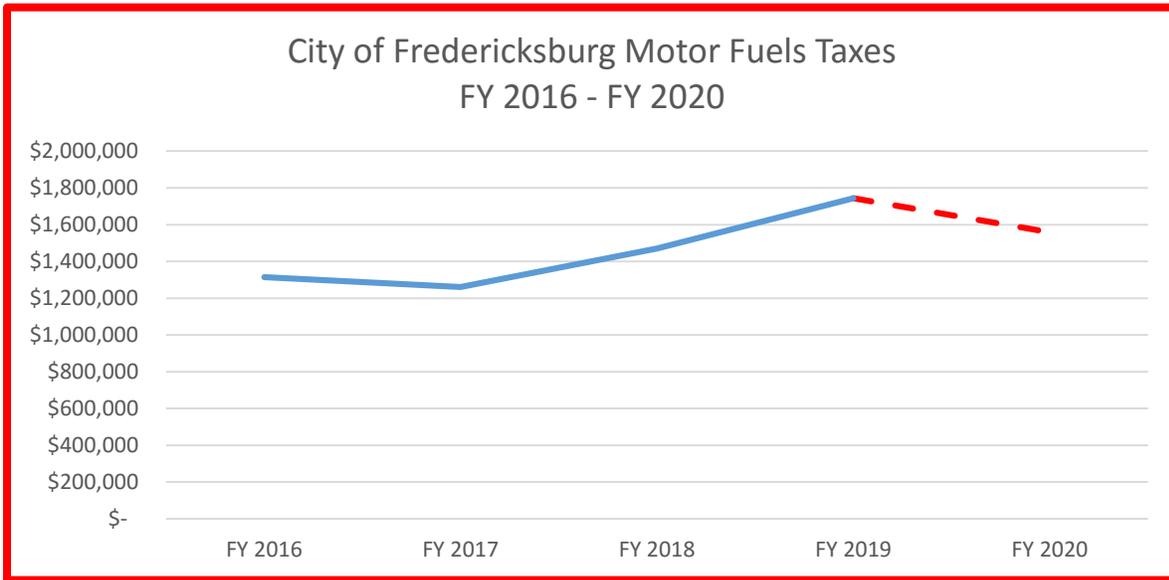
Not included in the above table are the allocations previously approved for the support of the VRE and PRTC for Fiscal Year 2020. The City’s support for those two functions for FY 2020 is \$321,028 for the VRE and \$40,300 for the PRTC.

The total request for FY 2020 purposes for the surplus motor fuels tax, combining the VRE & PRTC with the attached resolution is **\$1,777,328.**

General Update – Motor Fuels Tax

Historically speaking, the receipts for the motor fuels tax have fluctuated with the price of motor fuels. The City generally builds the budget around three major uses of the motor fuels tax: the VRE and PRTC support; the City’s share of FRED Transit Operations; and debt service for the Sophia Street Parking Garage. In recent years, the City has been able to support the annual paving program to various degrees as well.

Actual receipts for the past several years, with the current PRTC projection for FY 2020 are as follows:



PRTC has revised the expected revenue from the motor fuels tax in FY 2020 as a result of the pandemic. The current PRTC projection for FY 2020 is \$1,558,400; this has been revised downward significantly from the original projection in FY 2020 of \$1,791,000.

Actual receipts in FY 2019 were \$1,743,228. This was an increase from the receipts of FY 2018, which totaled \$1,470,367.

The City does have a fund balance at the PRTC which can be drawn down as necessary for transportation projects.

Unencumbered Motor Fuels Tax Balance – Close of FY 2019	\$ 1,022,077
Add: Revenues for FY 2020 – Projection	\$ 1,558,400
Subtotal	\$ 2,580,477
Deduct: Uses for FY 2020 (including VRE & PRTC)	\$ 1,777,328
Projection – Close of FY 2019	\$ 803,149

FISCAL IMPACT

The attached resolution will enable the City to draw on its motor fuels tax reserves for FY 2020 in the amount of \$1,416,000.

Attachment: Resolution Authorizing Use of \$1,416,000 of Motor Fuel Tax Funds for Various Transportation Projects



June 09, 2020
Regular Meeting
Resolution 20-__

MOTION:

SECOND:

RE: Authorizing Use of \$1,416,000 of Motor Fuels Tax Funds for Various Transportation Projects

ACTION: APPROVED; Ayes: 0; Nays: 0

The City of Fredericksburg (“the City”) is a member of the Potomac and Rappahannock Transportation District (“the District”), a transportation district created pursuant to the Transportation District Act of 1964 (Code of Virginia §33.2-1900 et seq.).

The Potomac and Rappahannock Transportation Commission (“PRTC”) is the governing body of the District.

The Commonwealth of Virginia levies a tax of 2.1 percent of the sales price charged to a distributor for fuels sold to a retail dealer for retail sale in the District, which participates in the operation of a rail commuter mass transportation system (Code of Virginia §58.1-2295).

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 §58.1-2299.20).

In Fiscal Year 2020, the City is obligated to provide funds from its motor fuels tax account in the amounts of \$321,028 for the Virginia Railway Express and \$40,300 for administrative and capital expenses of the PRTC.

As of June 30, 2019, the Total Unencumbered Fund Balance in the City’s motor fuels tax account was approximately \$1.022 million.

The City estimates that during Fiscal Year 2020, the City will collect additional motor fuels tax revenue of approximately \$1.56 million.

At the request of the member jurisdiction, surplus revenue from the motor fuels tax may be expended for any transportation purpose (Code of Virginia §58.1-2299.20).

The City will engage in various transportation-related activities including but not limited to Stafford Regional Airport operational support, pedestrian signal improvements, FRED transit operations, Sophia Street Parking Garage debt service and improvements, and asphalt pavement rehabilitation in the City.

The City desires to use a portion of the surplus revenue from its motor fuels tax account for these purposes.

Therefore, the City Council of the City of Fredericksburg, Virginia, hereby resolves to request that the PRTC budget and appropriate the following amounts for these projects:

Stafford Regional Airport Operations	\$	21,000
Dixon Street and Charles Street Pedestrian Improvements		35,000
FRED Transit Operations		480,000
Asphalt Rehabilitation Program		370,000
Sophia Street Parking Garage Improvements		210,000
Sophia Street Parking Garage Debt Service	\$	<u>300,000</u>
Total	\$	<u>1,416,000</u>

The City Manager is authorized and directed to submit to PRTC requests for reimbursement of expenses incurred by the City in connection with these projects.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 1x- adopted at a meeting of the City Council held Date, 201x, at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council