



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Robyn E. Shugart, Director of Finance
RE: Request to Allocate Motor Fuels Tax for Various Transportation Projects
DATE: May 24, 2022 for May 24 City Council Meeting

ISSUE

Shall City Council allocate surplus motor fuels taxes for various transportation projects included in the FY 2022 budget?

RECOMMENDATION

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

BACKGROUND

Background for FY 2022 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 included in the FY 2022 adopted budget. The requests include the following:

Uses of Surplus Motor Fuels for Various FY 2022 Projects

Project or Purpose	Amount	Fund	Notes
Downtown Pedestrian Enhancements	\$510,000	Public Works Capital	Local match portion of the project to install brick sidewalks and crosswalk improvements on 11 blocks within the City.
Industrial Rail Spur	\$ 15,500	General	Required repairs per inspection
Paving Program	\$ 300,000	Public Works Capital	Asphalt and concrete repairs
FRED Transit Operations	\$ 131,554	Transit	City share of FRED Transit
Sophia St. Parking Garage Debt Service	\$ 299,009	Parking Garage	Subsidize debt service expenses for Sophia Street Parking Garage
Stafford Regional Airport Maintenance	\$ 21,430	General	Operating Agreement
Total	\$1,277,493		

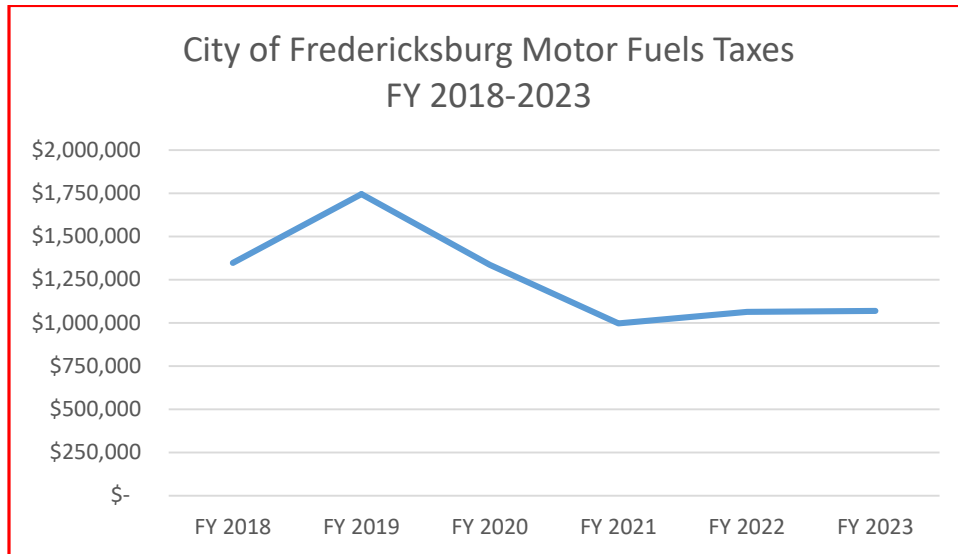
Not included in the above table are the allocations previously approved for the support of the VRE and PRTC for the current Fiscal Year. The City's support for those two functions for FY 2022 is \$95,412 for the VRE, \$34,300 for the PRTC.

The total request for FY 2022 purposes for the surplus motor fuels tax, combining the VRE & PRTC with the attached resolution is \$1,407,205.

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 increase the number of transportation functions supported by the gas tax, to various degrees, including the annual paving program and City matches for the VDOT Revenue Sharing program. There are other, smaller, ongoing uses as well, such as the maintenance of the Battlefield Industrial Park rail spur.

Actual receipts (including adjustments and investment returns) for the past several years, with the current PRTC projection for FY 2022 are as follows:



The current PRTC projection for FY 2022 is \$1,063,300; the projection for FY 2023 is now \$1,068,000. Actual receipts in FY 2021 were \$997,381. Similar to last year, given the volatility of the environment, six-year projections were not provided by PRTC this year.

The City does have a fund balance at the PRTC which can be drawn down as necessary for transportation projects. There is a request for a resolution on the City Council agenda that will release \$ 602,202.13 of previously encumbered funds for future transportation project needs.

The current unencumbered balance and the impact of the two requested resolutions on that balance are as follows:

Unencumbered Motor Fuels Tax Balance – Close of FY 2021	\$	2,148,934.00
Deduct: Uses for FY 2022 (including VRE & PRTC)	\$	1,407,205.00
Add: Revenues for FY 2022 – Projection	\$	1,063,300.00
Add: Release of prior encumbrances	\$	602,202.13
Projection – Close of FY 2022	\$	2,407,231.31

FISCAL IMPACT

The attached resolution will enable the City to draw on its motor fuels tax reserves for FY 2022 as planned in the amount of \$1,277,493. The City will need to carefully plan future operating uses of motor fuels taxes for the next budget cycle given the recent volatility in motor fuels prices and the slow decrease in projected revenue.

Attachment: Resolution Authorizing Use of \$1,277,493 of Motor Fuel Tax Funds for Various Transportation Projects



MOTION:

Date
Regular Meeting
Resolution 22-

SECOND:

RE: Authorizing Use of \$1,277,493.00 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).

In Fiscal Year 2022, the City is obligated to provide funds from its motor fuels tax account in the amounts of \$95,412 for the Virginia Railway Express and \$34,300 for administrative and capital expenses of the PRTC.

As of January 31, 2022 the Total Unencumbered Fund Balance in the City’s motor fuels tax account was approximately \$1.467 million.

The City estimates that during Fiscal Year 2022, the City will collect additional motor fuels tax revenue of approximately \$0.419 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).

The City will engage in various transportation-related activities including but not limited to FRED transit operations, debt service for the Sophia Street Parking Garage, repairs for the Industrial Park Rail Spur, pedestrian crosswalk repairs, and asphalt rehabilitation.

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:

Downtown Pedestrian Enhancement	510,000.00
Stafford Regional Airport Maintenance	21,430.00
Industrial Park Rail Spur	15,500.00
Asphalt Rehabilitation	300,000.00
FRED Transit Operations	131,554.00
Sophia Street Parking Garage Debt Service	299,009.00
<hr/> Total	<hr/> <u>\$ 1,277,493.00</u>

Therefore, the City Manager is hereby 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. 22-__, adopted at a meeting of the City Council held Date, 2021, at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council