

Program Realignment

Citizen Oversight Panel

May 5, 2021

Financial Plan Update

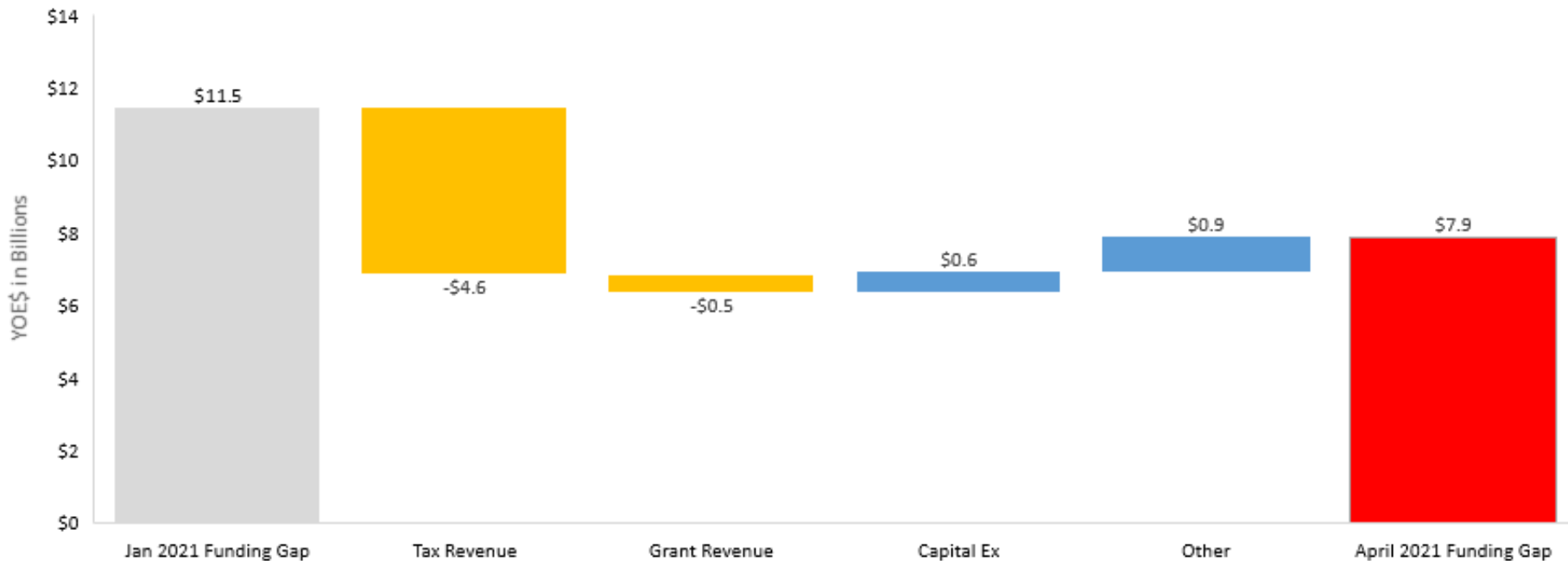
Executive Summary

Program remains unaffordable without realignment, updated affordability gap projected at \$7.9B, down from \$11.5B, mainly due to:

- *\$4.6B increase in projected tax revenue through 2041, uncertainty remains high (long term revenue loss projected at \$1.5B)*
- *\$527M increase in American Rescue grants*
- *\$595M higher projected capital cost mainly due to updated capital cost inflation, project cashflow, and infill stations cost estimates.*

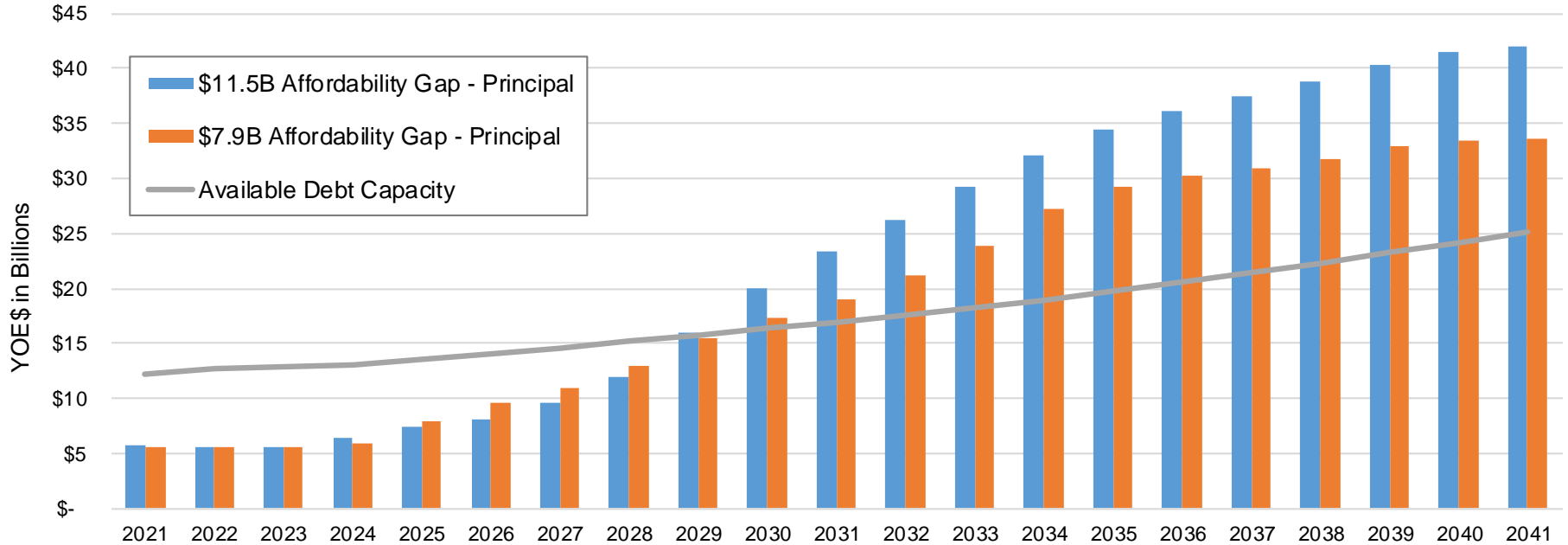
Major Changes in Plan Assumptions

Jan 2021 vs April 2021
Change 2017-2041



Affordability gap narrower; Program Remains Unaffordable

Affordability Gap Comparison
\$11.5B vs \$7.9B



Major change in assumptions and availability of information since last fall led to Improved tax revenue outlook

- Additional Stimulus Funding - Dec 2020 & March 2021 stimulus.***
- Vaccine availability/economic reopening moved forward from mid-2022 to mid-2021.***
- 5 additional months of actual tax collection data since fall 2020 update.***
- Latest national and regional economic indicators.***

\$1.5B projected long term tax revenue loss

- ***Tax revenue loss projection improved by \$4.6B (from Fall 2020 forecast of \$6.1B, to \$1.5B).***
- ***Revenue trend is consistent with what is being forecasted by the State and other local jurisdictions.***
- ***Long term forecast still below pre-COVID levels, uncertainty remains.***

Update on Additional Revenue Pursuit

April 2021 Federal Grant Updates

- **\$527M American Rescue Plan funding**
 - \$275M formula
 - \$253M for Federal Way and Lynnwood Extensions

***State Grant Updates* No new revenue from State**

Inflation and Project Cashflow Update main driver for Capital Cost forecast Changes

\$1.2B increase from updated inflation adjustment

- Construction Cost Index: +\$1.03B
- Consumer Price Index: +\$0.13B

\$716 decrease from project cashflow updates

- 2020 year end spending
- More precise project cashflows

\$154M increase in infill Station cost estimates

NE 130th Street Station (\$64M estimate increase)

Design progression from 30% to 60%, higher estimate mainly due to:

- Cost premium for construction around live rail operations
- Desired choices to improve rider experience

Similar cost pressures anticipated, and assumed on other infill stations:

Graham Street Station (\$12M estimate increase)

Boeing Access Road Station (\$78M estimate increase)

Key Takeaways and Risks

- 1. Affordability gap narrowed from \$11.5 to \$7.9B. Program remains unaffordable without realignment.**
- 2. Long-range financial projections remain uncertain:**
 - Tax revenue forecast fluctuates with economic cycles.**
 - Capital projects not in construction are at very early stage.**
 - Purchased transportation cost growth consistently higher than the rate assumed in the ST2/3 plan. It could add \$1B additional cost to the plan if cost growth not contained.**

Financial Process

Financial plan informs affordability for each decision

Three principle financial tools that inform financial plan:

Annual Budget

Transit Improvement Plan (6+ Years)

*Long-Range Financial Plan
Projections 2017 - 2041*

Annual Budget

BOARD APPROVES

Annual Budget

Transit Improvement Plan (6+ Years)

*Long-Range Financial Plan
Projections 2017 - 2041*

- Detailed, balanced revenue and expenditure budget for 2020

Transit Improvement Plan

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Annual Budget

Transit Improvement Plan (6+ Years)

*Long-Range Financial Plan
Projections 2017 - 2041*

- Detailed phase level spending for active projects for the next 6 years
- Required by law for every transit agency, every year

Long-Range Financial Plan

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Annual Budget

Transit Improvement Plan (6+ Years)

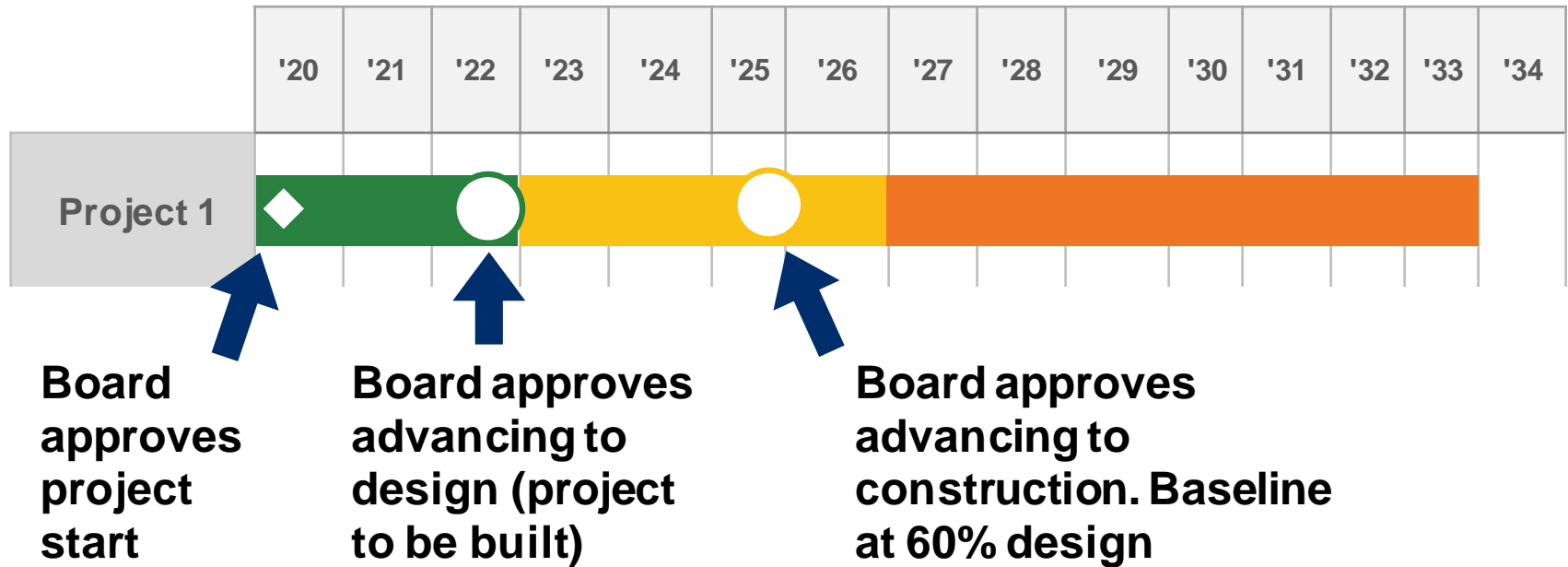
*Long-Range Financial Plan
Projections 2017 - 2041*

- Representative financial forecast of voter-approved SM/ST2/ST3 plan
- Updated with latest Board-approved TIP and annual budget
- Required by FTA
- Used by FTA and Build America Bureau to determine grant and TIFIA loan worthiness, and evaluate bond ratings

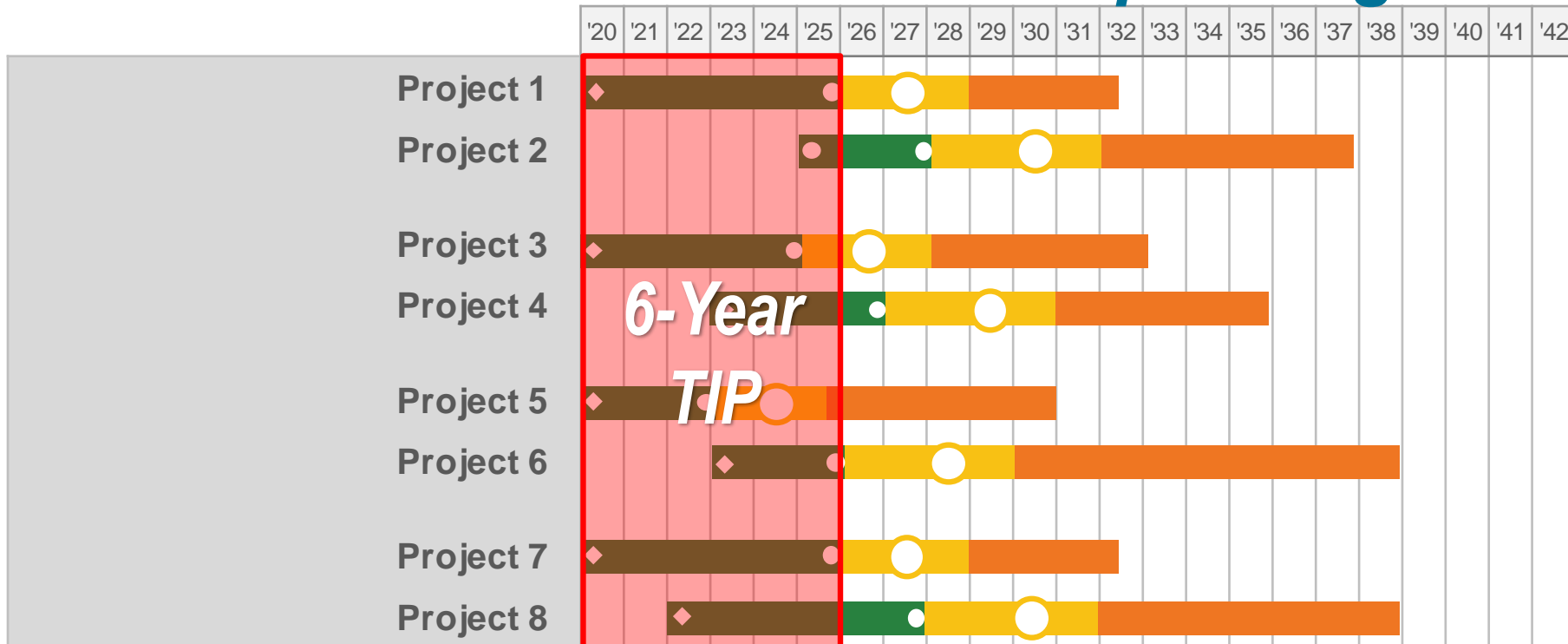
Framework for Decision-Making

Board decision points for projects

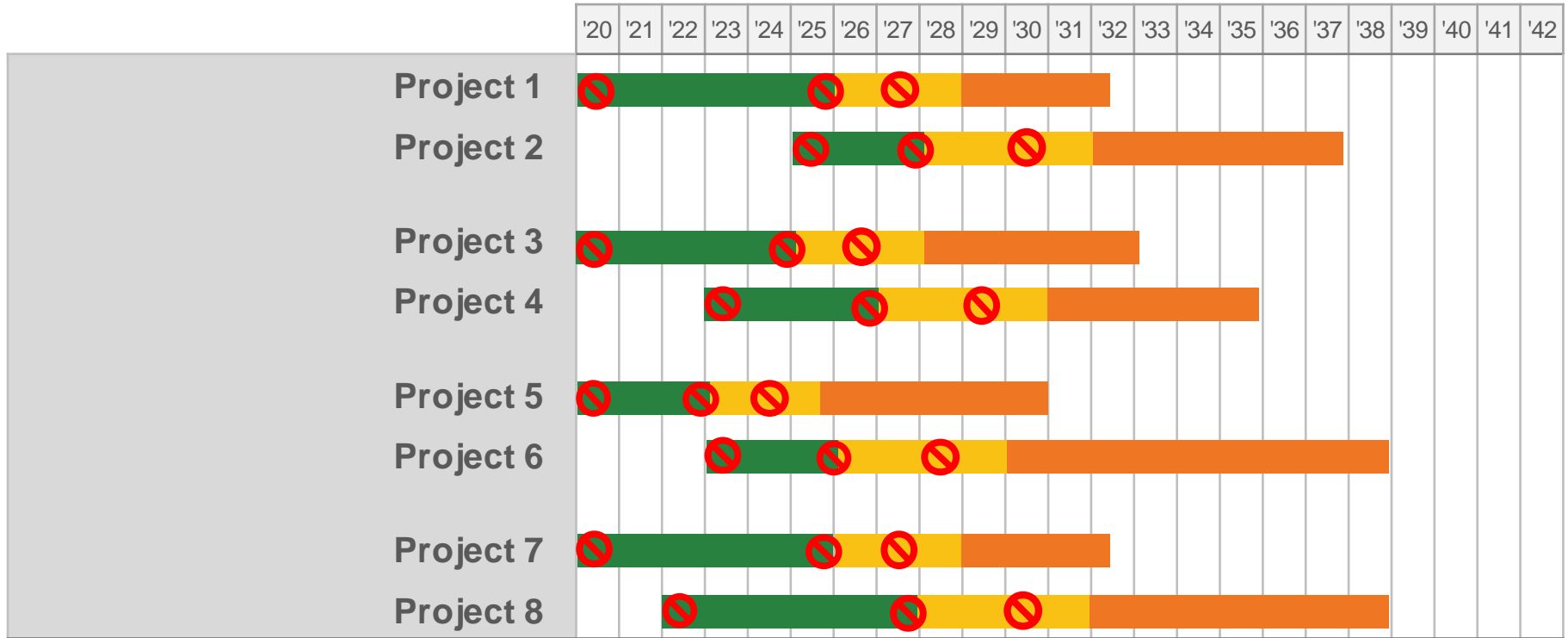
Financial plan informs affordability of each action



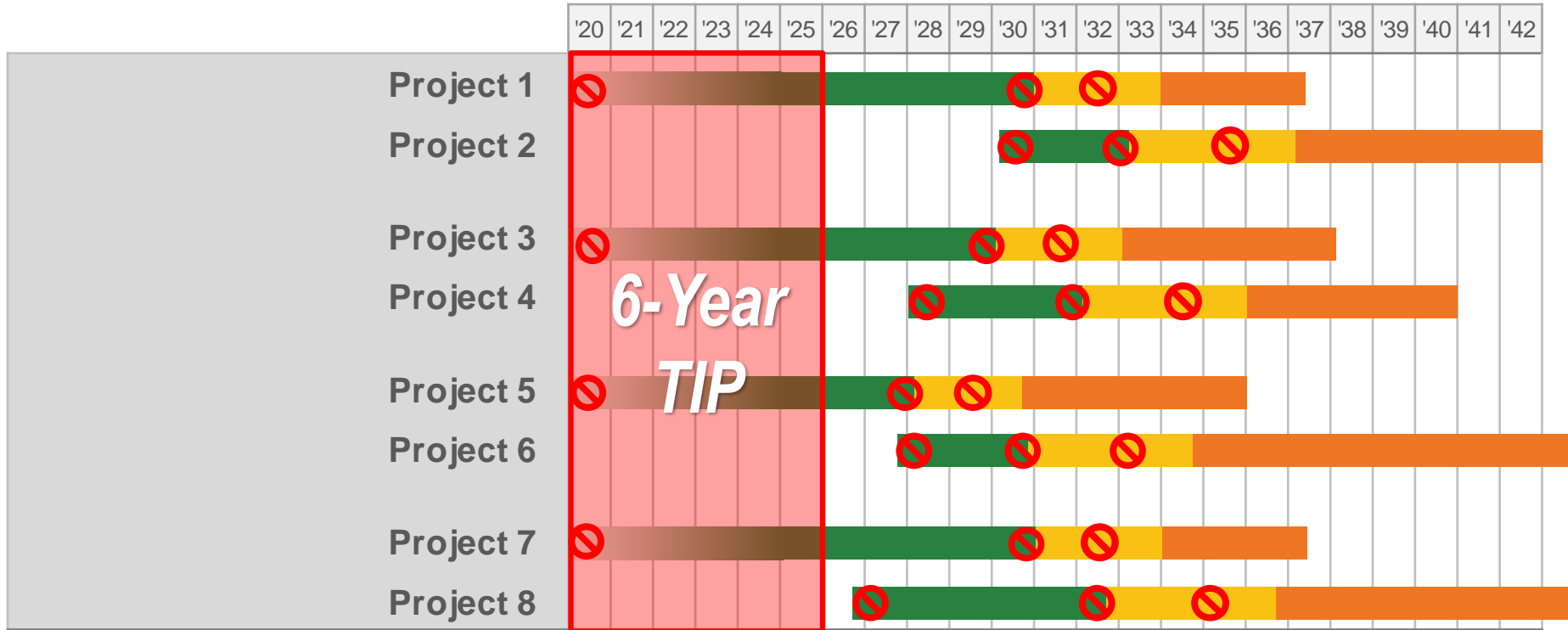
Multiple decision points for multiple projects; TIP includes Board authorized spending



Response to affordability gap: projects paused









Financial plan placeholder: 5 year delay



***Envisioned Realignment
Actions***

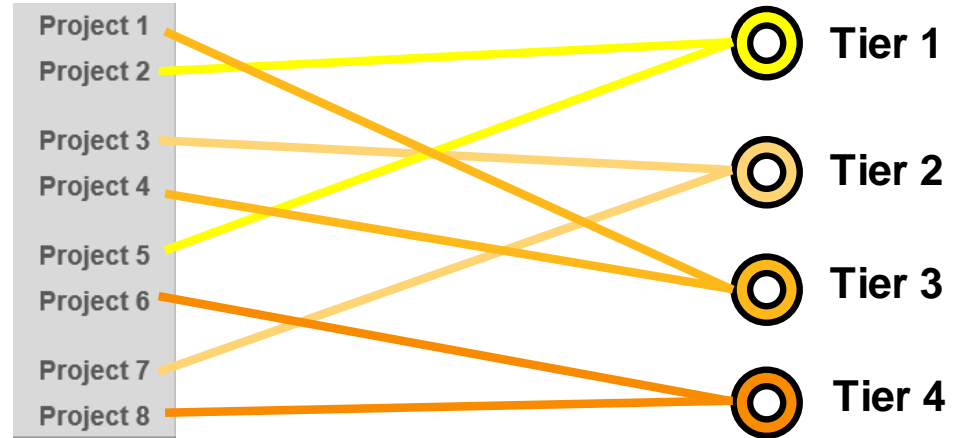
Potential ST3 program realignment tiers

-  **Build** baselined projects.
-  **Tier 1: Develop** for construction.
-  **Tier 2: Plan & Prepare**— 2nd up for construction funding.
-  **Tier 3: Plan** – 3rd up for construction funding.
-  **Tier 4: Keep Ready** – 4th up for construction funding.
-  **Suspend** project.

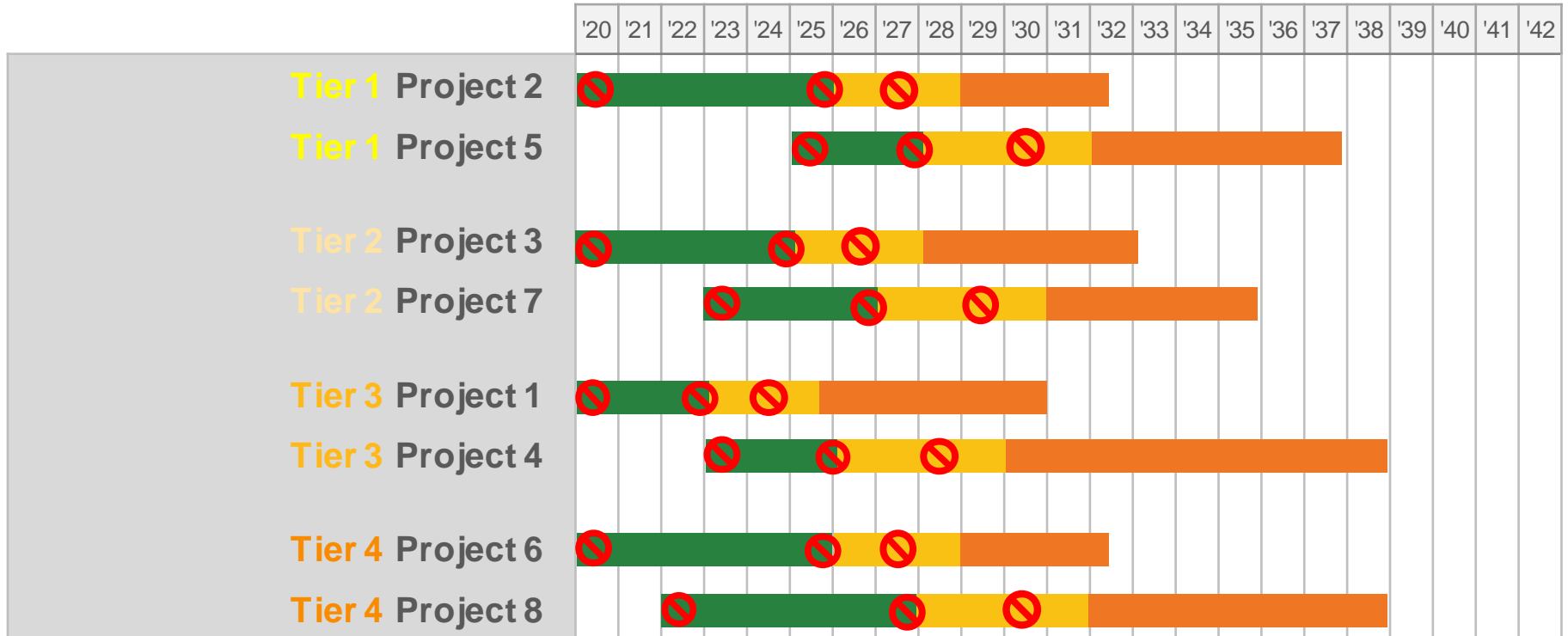
Prioritize projects into tiers

Board groups projects based on criteria & financial capacity

- Tiers allow concurrent progress in all subareas as we monitor financial capacity
- Continue pursue expanded financial capacity
- CFO provides regular updates on ability to deliver each tier

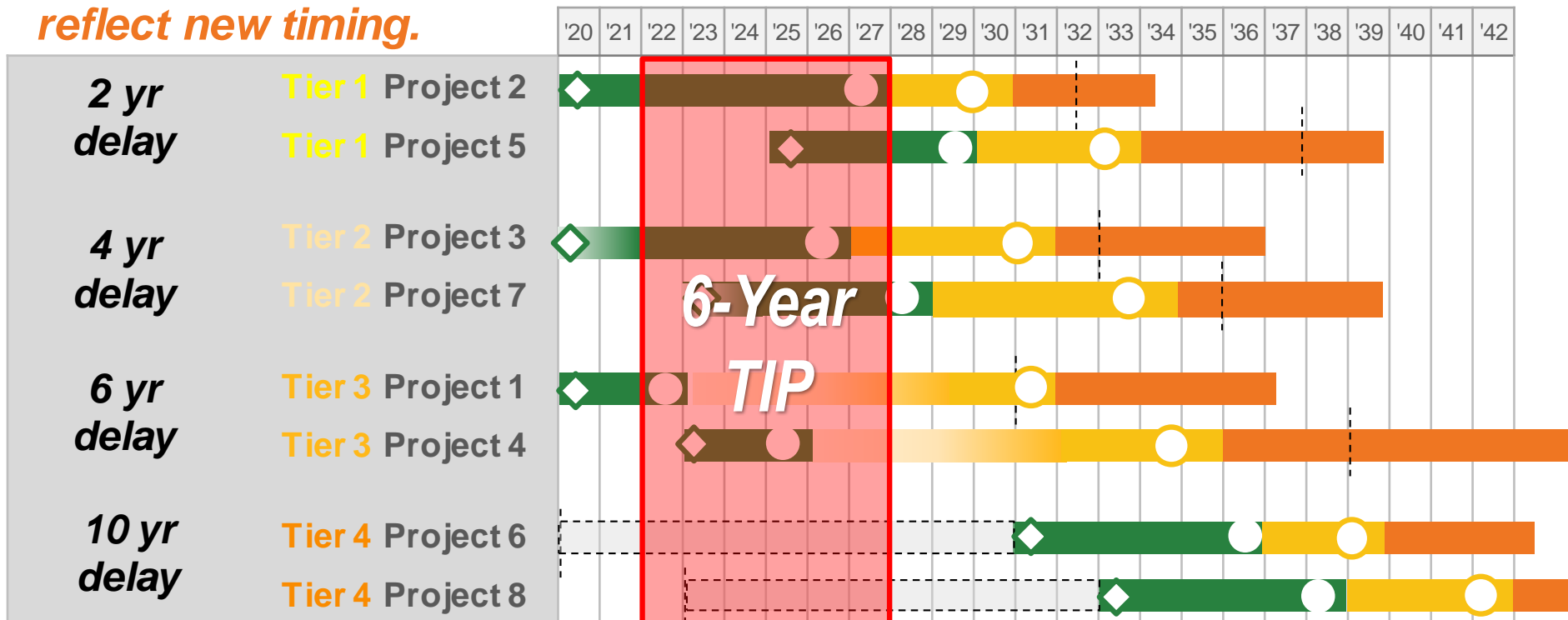


Board adopts framework; projects are tiered...

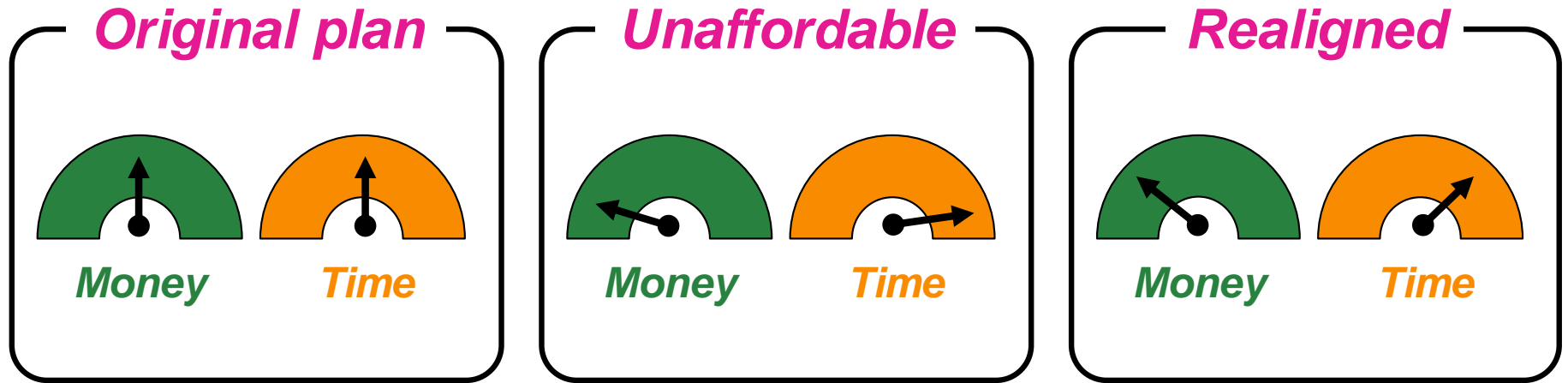


...and then scheduled to be affordable

Projects un-paused; Board actions proceed as before. TIP updated to reflect new timing.



Board adjusts project schedules to become affordable again



New annual program review

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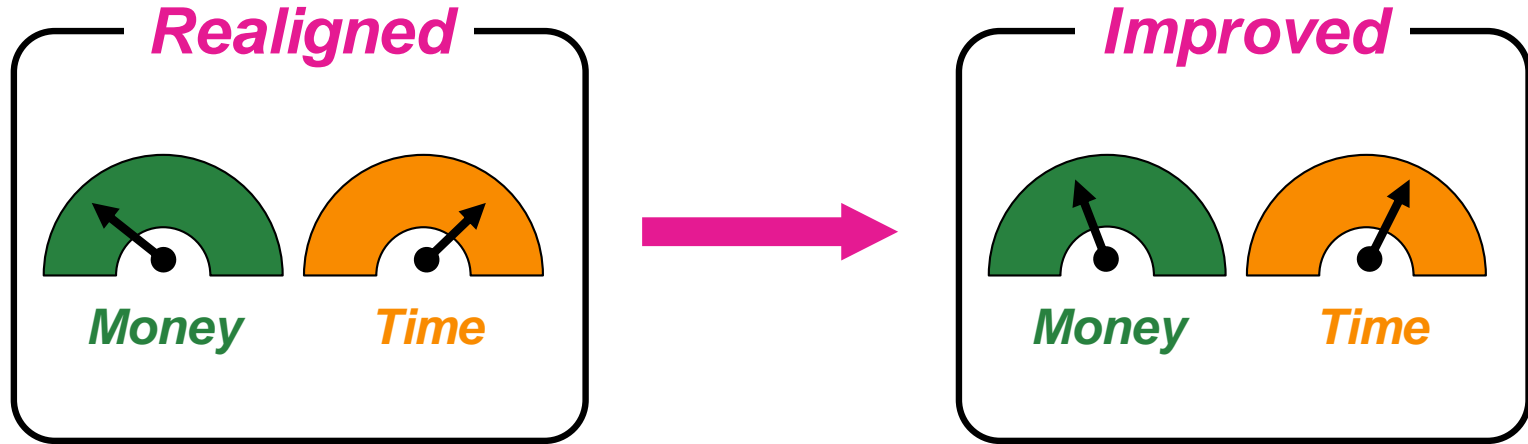
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- **New** annual program review to evaluate shifts in financial capacity and opportunities to advance tiers of projects, prior to budget and TIP preparation

Board retains ability to adjust program as financial capacity changes



Next steps

Anticipated realignment work through July

Ongoing public engagement

May Discuss Board priorities.

June Develop realignment plan(s).

July Consider potential action to adopt realignment plan(s).

Thank you.



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