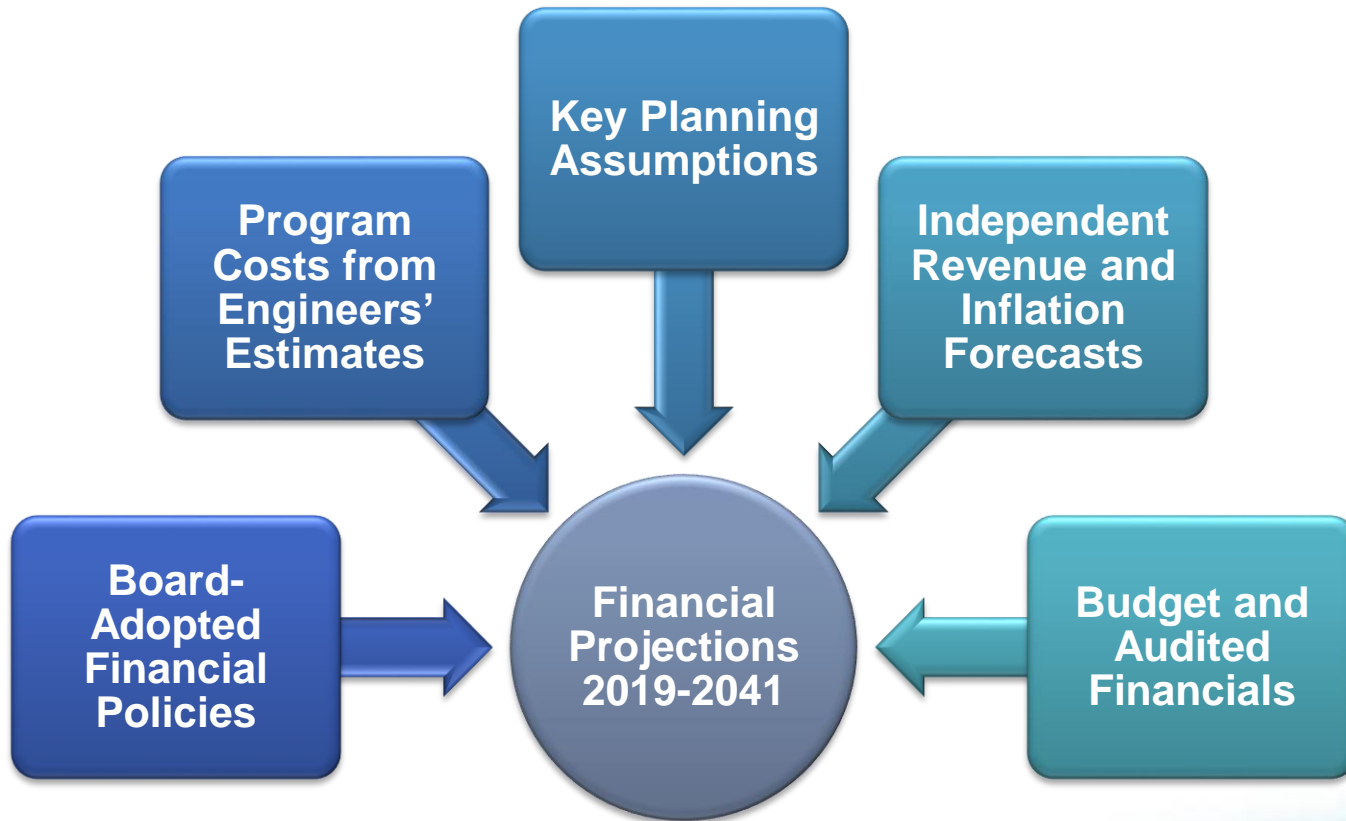




2018 Financial Plan COP Briefing

January 3, 2019

Updated Financial Forecast



Long Term Financial Planning

Long-term Financial Projection to 2041

- 25-year plan including all Sound Move, ST2, and ST3 sources and uses.

Transit Improvement Plan to 2024+

- Board-approved life-to-date and future costs for active projects.

Budget 2019

- The annual appropriation for all revenues and expenditures.

2018 Financial Plan Projections Includes SM, ST2 and ST3 Plans

Plans totals for the period of 2017-2041, YOES\$ in Billions:



Expenditure Type	Change from Fall 2017 2017-2041 in Billions	
Capital	\$	1.70
O&M	\$	2.10
Total	\$	3.80

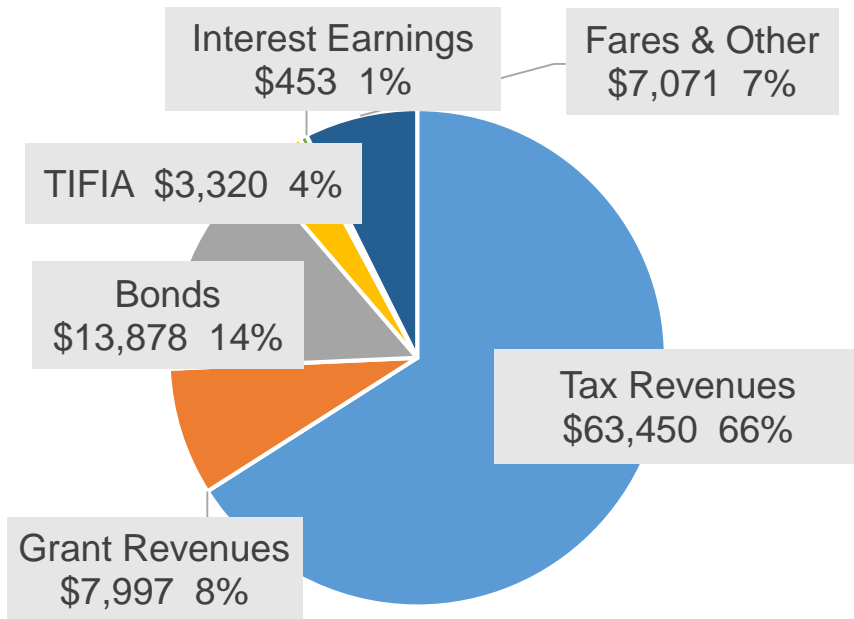
Agency Remains in Strong Financial Standing

- Voter approved plan is affordable based on updated projections.
- Ongoing operating expenses, state of good repair, and reserves are fully funded.
- Agency's financial performance is consistent with its AAA Rating for bond obligations.
 - 3.55x gross debt service coverage ratio vs. 1.5x parity bonds covenant requirement.
 - Slightly increased from 3.26x projected in 2017.

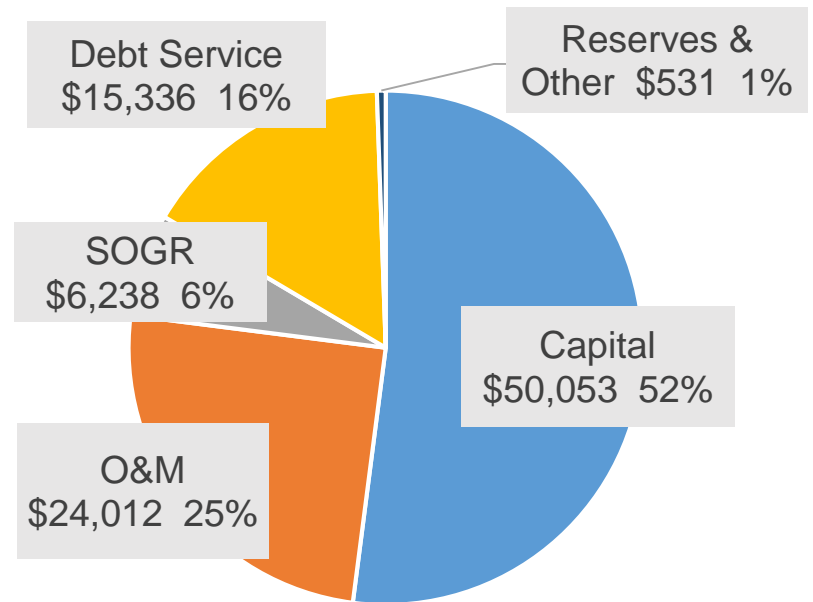
October 2018 Financial Plan

Sources & Uses of Funds - \$96.2 Billion YOE (2017-2041)

Sources of Funds
(In Millions YOE\$)

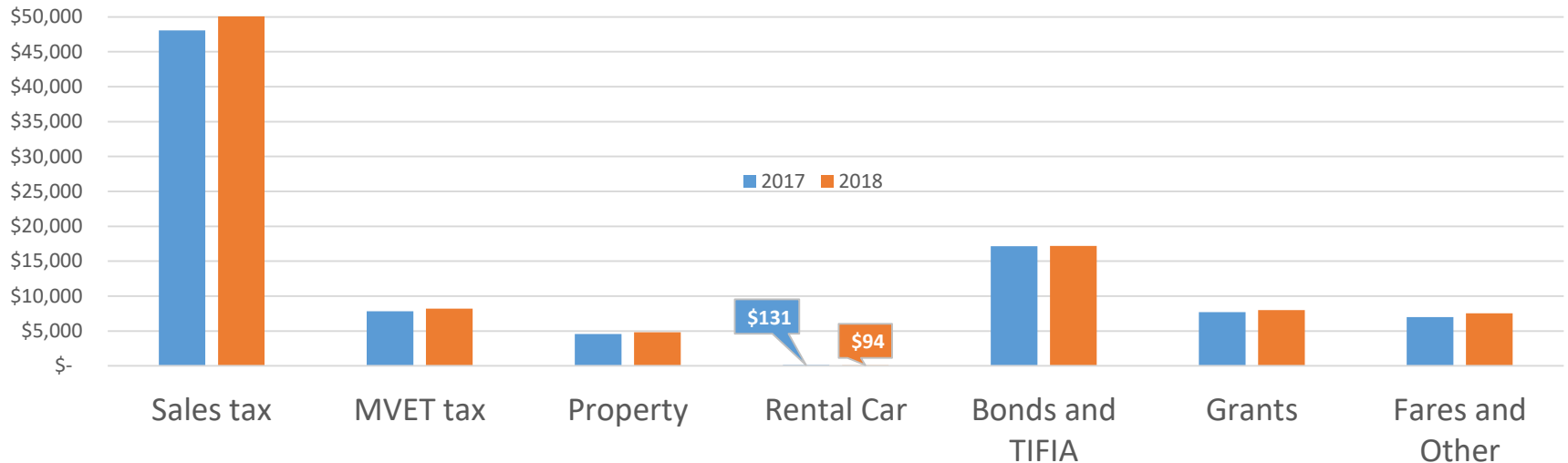


Uses of Funds
(In Millions YOE\$)



Total Projected Sources of Funds

2017-2041 (in millions, YOE\$)



- **Tax revenues: \$2.8B, 4.7% more than 2017 projection due to a strong economy.**
- **Federal grants: The \$298M increase is related to the Federal Way Link cost increase including FTA required contingency. The FFGA funds 25% of the cost and the amount increased proportionately.**
- **Bond proceeds: \$384M, 2.8% more than 2017 projection due to increase in funding needs.**
- **Fare and other revenue: \$529M, 8.8% more than 2017 projection. Fare revenue assumptions are updated in accordance with Board-adopted fare-box recovery ratios.**

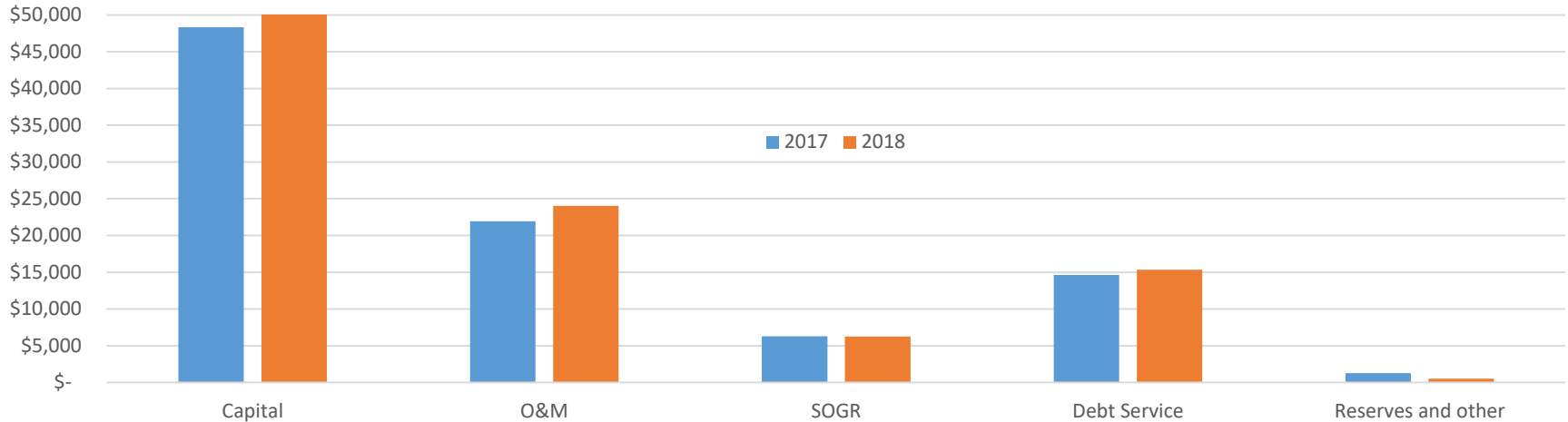
Tax Revenue Forecast: Strong Near Term Regional Economy

- Tax revenues increased \$2.8B (2017-2041) over 2017 projection.
 - Sales Tax over 25 years (2017-2041) : \$2.2B increase over 2017.
 - MVET over 25 years (2017-2041) : \$401M increase over 2017 projections.
 - Property Tax over 25 years (2017-2041) : \$245M increase over 2017 projections.
 - Rental Car Tax over 25 years (2017-2041) : \$37M decrease over 2017 projections due to decline in growth rates, from 12% in 2014 to 1% in 2017.

Average Annual Taxbase Growth 2017-2041		
Revenue Taxbase	2017 Financial Plan	2018 Financial Plan
Sales Taxbase	3.91%	3.97%
MVET Taxbase	3.15%	3.40%
Property Tax AV	4.81%	4.98%
Rental Car Taxbase	3.00%	0.28%

Total Projected Uses of Funds

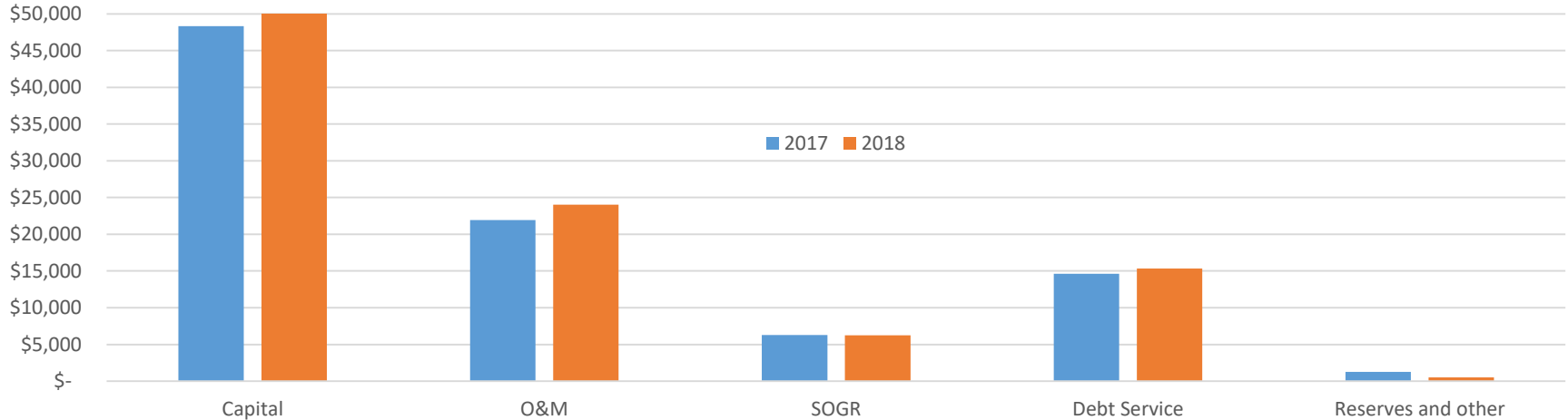
2017-2041 (in millions, YOES)



- **Capital Expenditures: \$1.7B, 3.6% more than 2017 projection.**
 - \$1.1B due to Federal Way and Lynnwood cost increases.
 - \$600M due to inflation increases and expenditure timing on all non-baselined projects.
- **Operating Expenses: \$2.1B, 9.5% more than 2017 projection.**
 - \$1.4B due to Link and Bus purchased transportation services.
 - \$230M due to increases in public safety related costs.

Total Projected Uses of Funds Continued

2017-2041 (in millions, YOES)

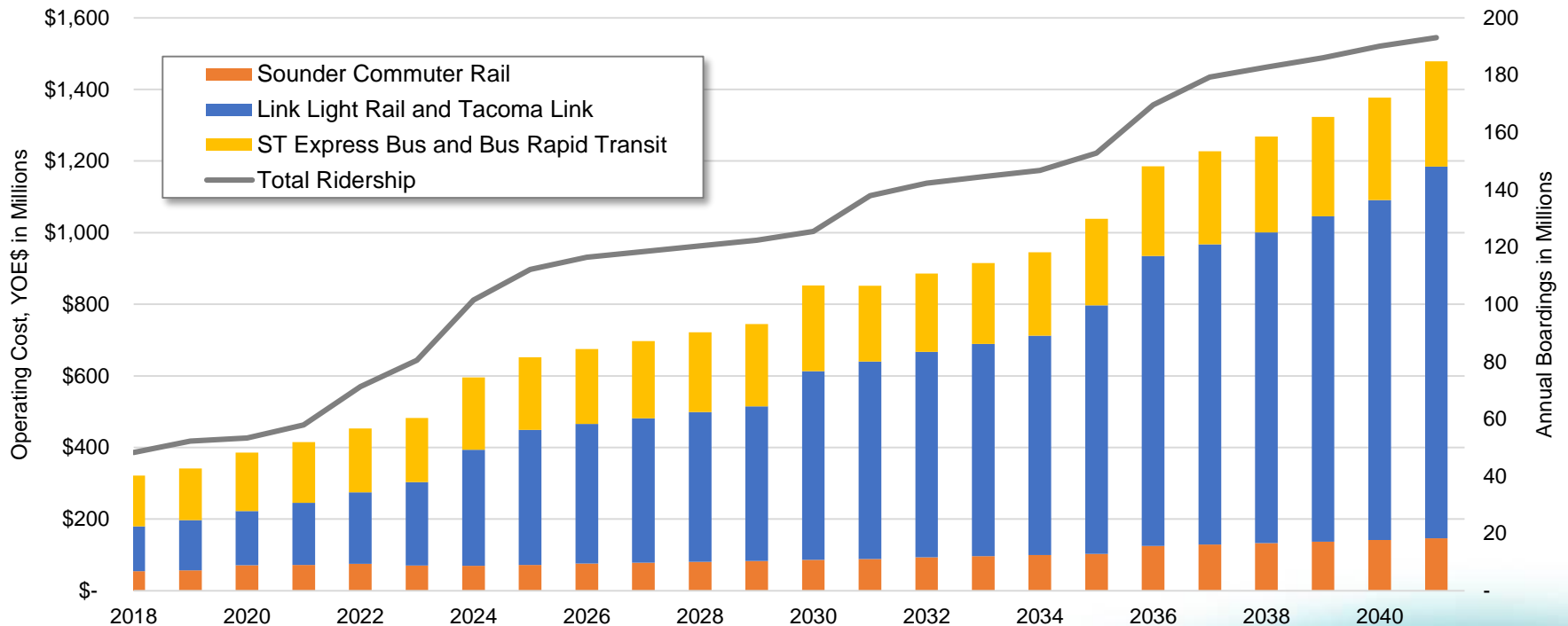


- **Debt Service: \$727M, 6.3% more than 2017 projection due to earlier and additional borrowing.**
- **State of Good Repair: \$62M, 1.0% less than 2017 projection due to reduced overhead cost assumptions as recommended from third party audit.**
- **Reserves: \$57M more than 2017 projection, \$28M due to increase in reserves for additional bond issuance, and \$24M due to increase in O&M reserves per financial policy requirement.**

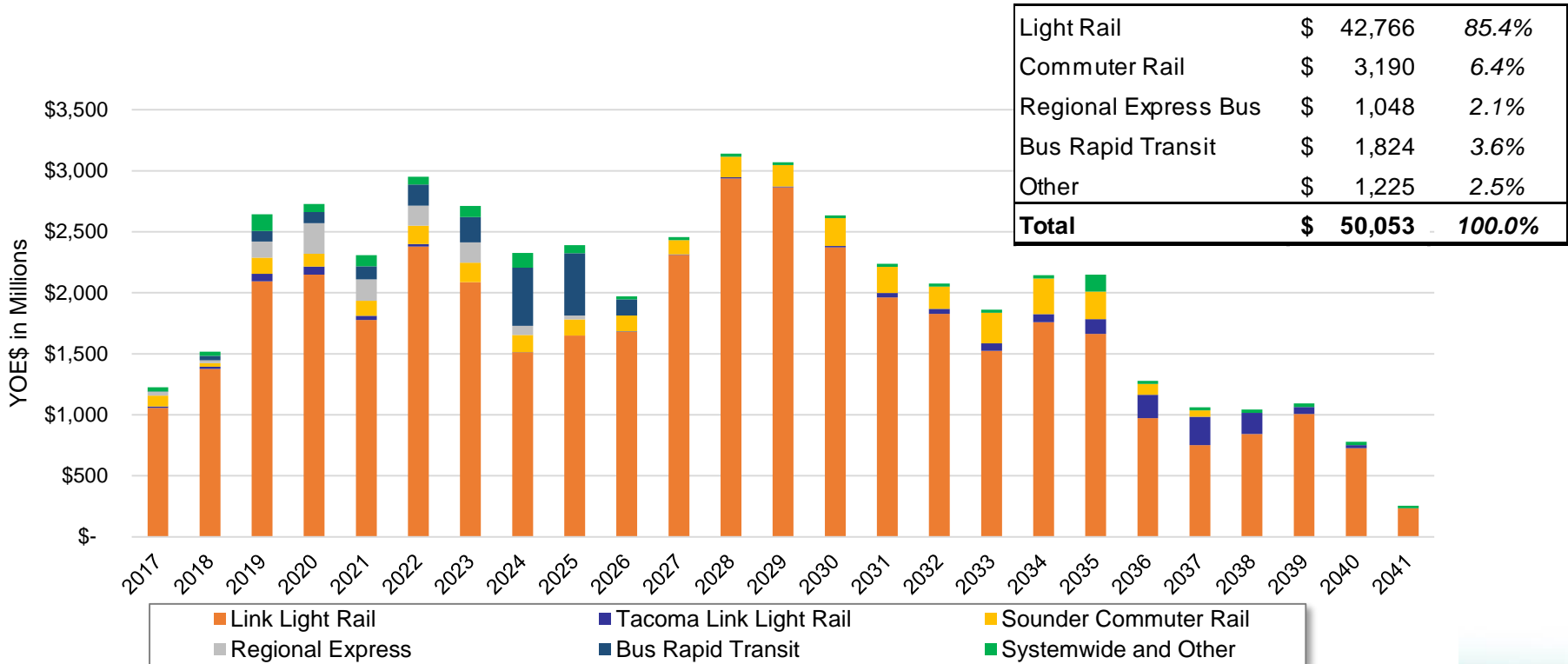
Operating Costs Increase in Conjunction with Increased Ridership

- Ridership projected to grow to 193 million by 2041

Operating Cost and Ridership Projections

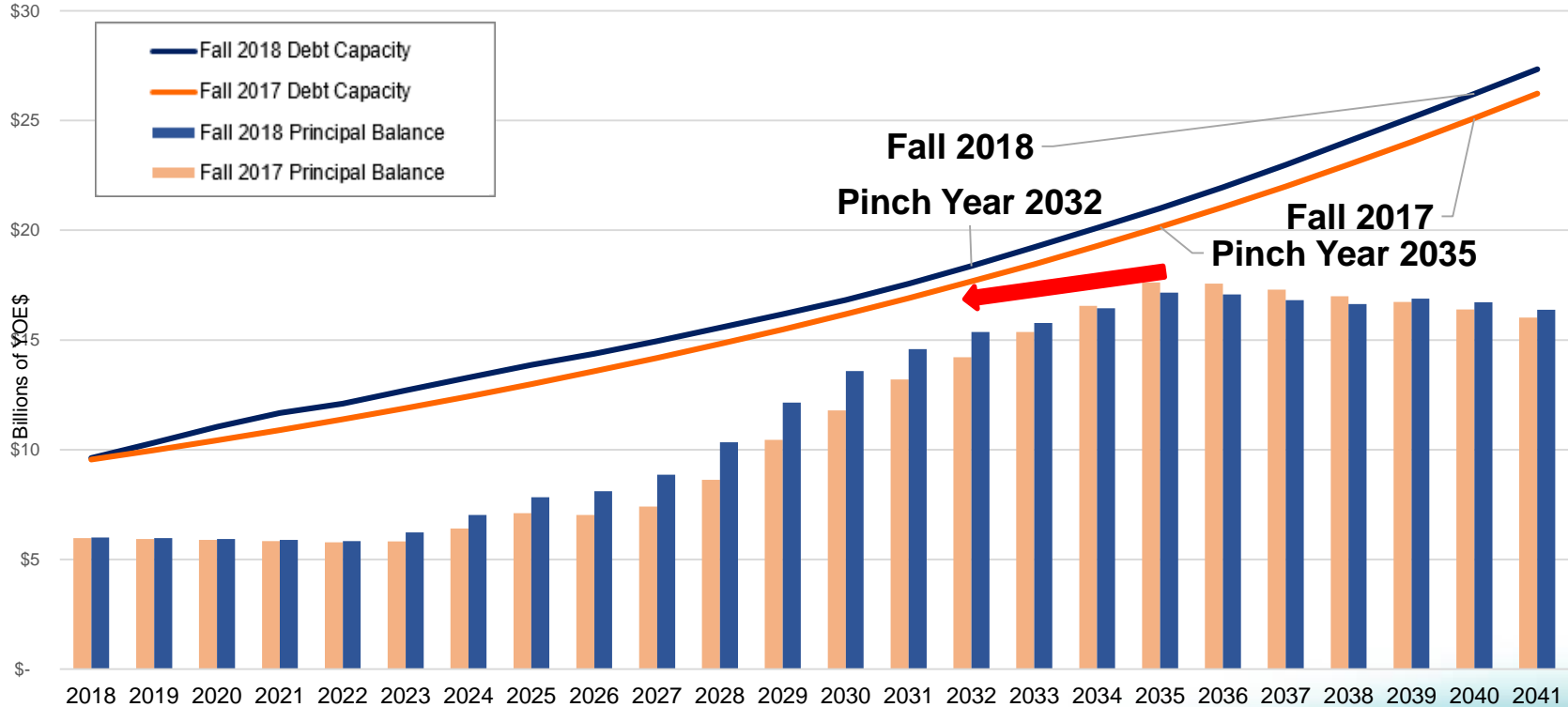


Forecasted Revenues Fully Fund Voter Approved Capital Program



Capacity “Pinch Year” Shifted From 2035 to 2032

- Strong economy and property value increases create additional capacity.
- Higher cost growth creates earlier financial burden.



Key Challenges

- Near term recession (loss of tax revenue and debt capacity)
- Continued inflation impact both the capital and the operating programs.
- Loss of Full Funding Grant (FFGA) program
- Continued threat on MVET revenue

One or a combination of the these scenarios threatens our ability to delivery the program as planned.

Ongoing Risk Monitoring and Board Update

- Financial plan projections are continuously updated to reflect the most current information.
- Stress tests are regularly performed on the long term plan to assess and monitor risk and its impact to the agency.
- New Finance Committee in 2019 will receive regular updates on financial capacity and risk status.