

# *Annual Program Review*

*Community Oversight Panel*

*06/08/2022*



# *Today's objective*

- Overview of first Annual Program Review
- Discuss key takeaways

# *Realignment Overview*

# ***Board-adopted realigned program***

***Work toward initial Target Schedule with the Affordable Schedule as safety net***

- Projects with affordability gaps:
  - West Seattle and Ballard Link Extensions
  - Everett Link Extension
  - Tacoma Community College Extension
  - South Kirkland-Issaquah Link Extension
- Collaborate to tackle funding gaps through project cost savings and seeking additional financial capacity.

# *Annual Program Review*

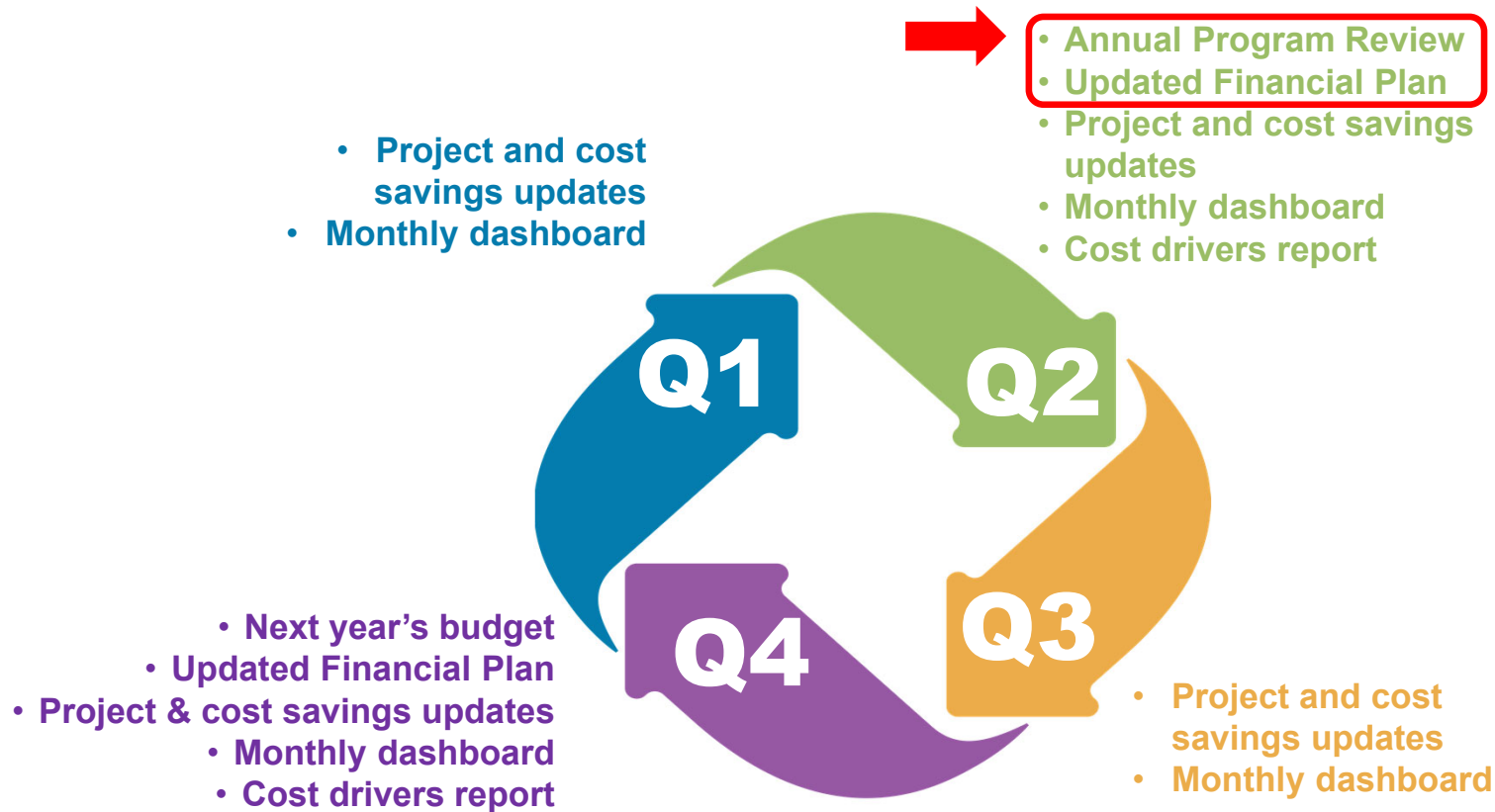
# **Board direction**

## **Resolution 2021-05:**

*“[The Annual Program Review] will review shifts in project financial capacity resulting from updated cost, revenue, and debt capacity projections and the readiness of projects to benefit from such shifts.”*

Purpose: Provide transparency and an early warning system for Board and staff.

# Realignment Implementation Annual Cycle



## *Analyzing the workload*

*Strong financial health means balancing system expansion and regional transit operations with agency revenues.*





# *What to expect*

## *Multiple inputs, one report*

- Snapshot in time
- Summarized into sections:



External pressures



Project readiness



Financial capacity

## ***Key takeaway***

***The Sound Transit program remains affordable on the Affordable Schedule.***

***The Target Schedule remains unaffordable.***

# *External Pressures*

# ***External pressures key takeaways***

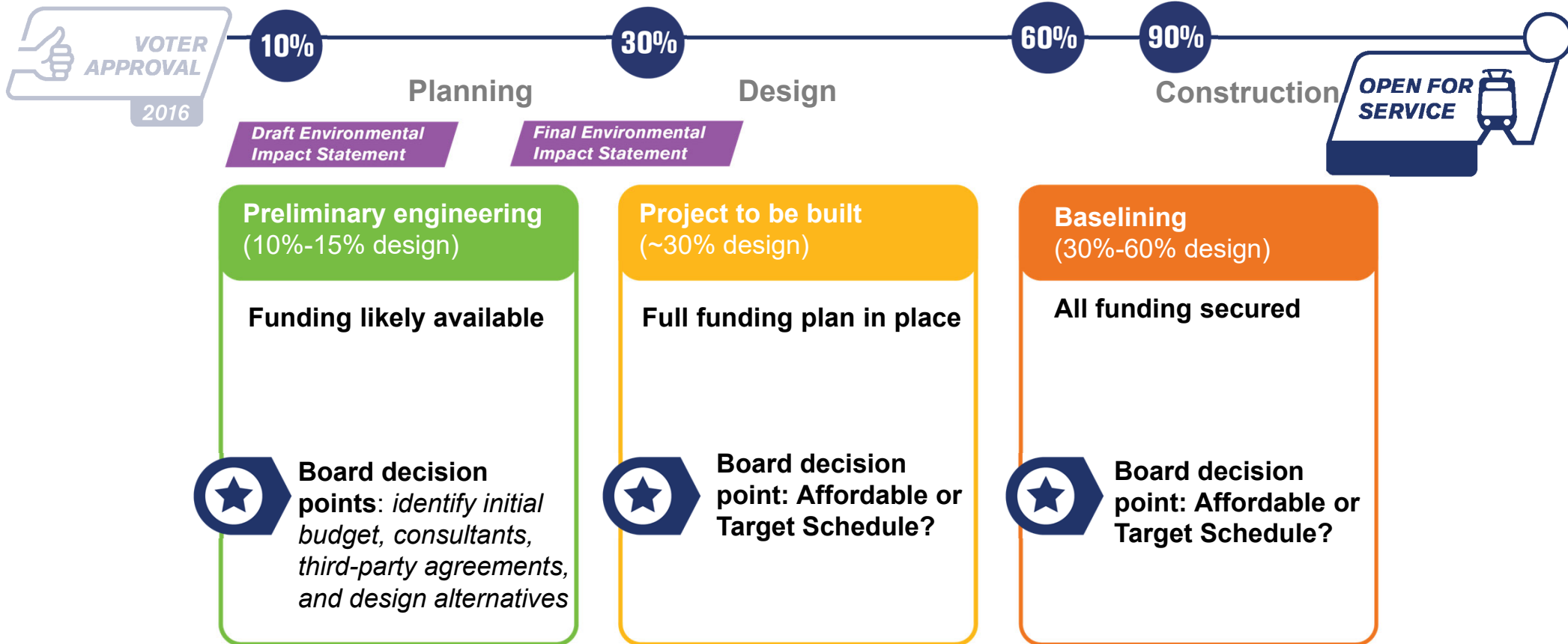
***Increasing cost pressures impact the program and overall financial risk.***

- Materials and labor costs inflation
- Strained construction industry and supply chain disruptions
- Rising property costs
- Increasing operating costs



# *Project Readiness*

# Moving toward project readiness



# *Project readiness key takeaways*

*Projects continue to advance on the Affordable Schedule; however, the program is facing increasing cost and schedule risks which may result in increases to cost estimates and baseline budgets and/or delays.*

- Working with partner jurisdictions to obtain **agreements and/or permits**
- **Environmental review** process
- **Acquiring property** for right-of-way



# *Financial Capacity*



# *Financial capacity key takeaways*

*The Sound Transit program remains affordable on the Affordable Schedule. The Target Schedule remains unaffordable.*

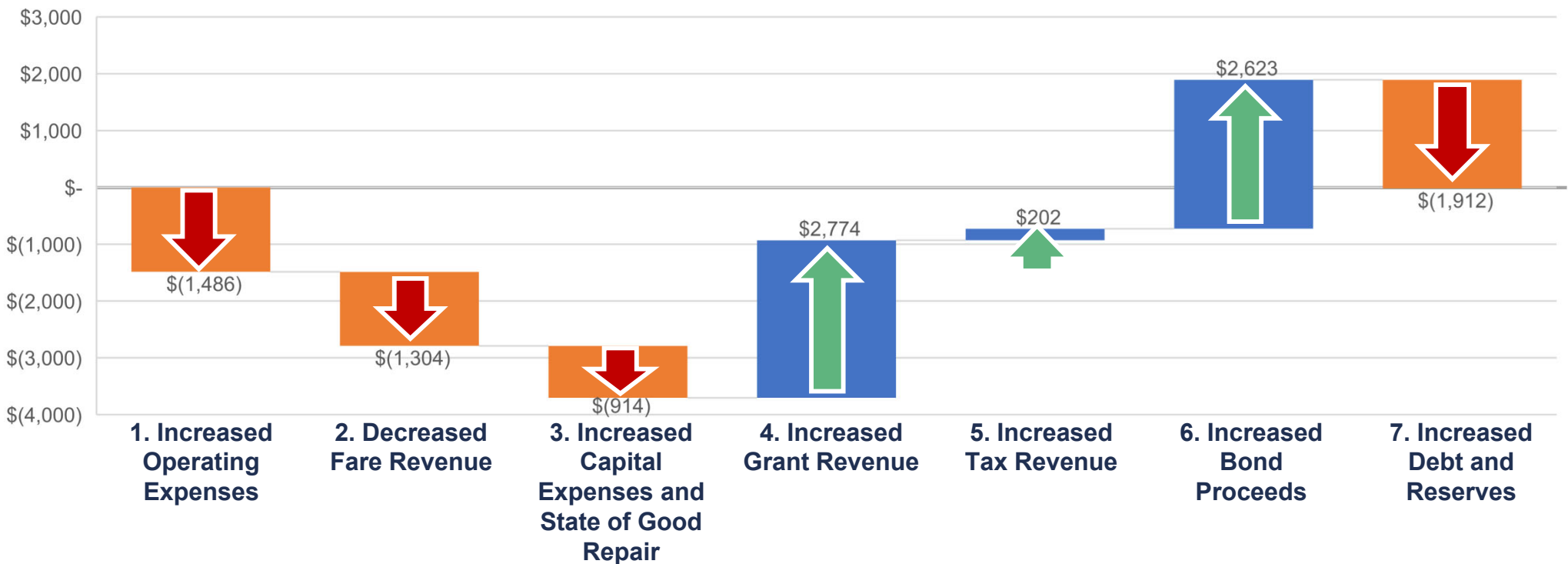
- The total program is more expensive due to inflation, higher operating costs, and lower projected fare revenue.
- The Bipartisan Infrastructure Law provides higher grant funding potential to offset more expensive program and lower revenue.
- Available debt capacity has declined as compared to the Final Realigned Plan.



# Major Assumption Changes to Financial Plan since Fall

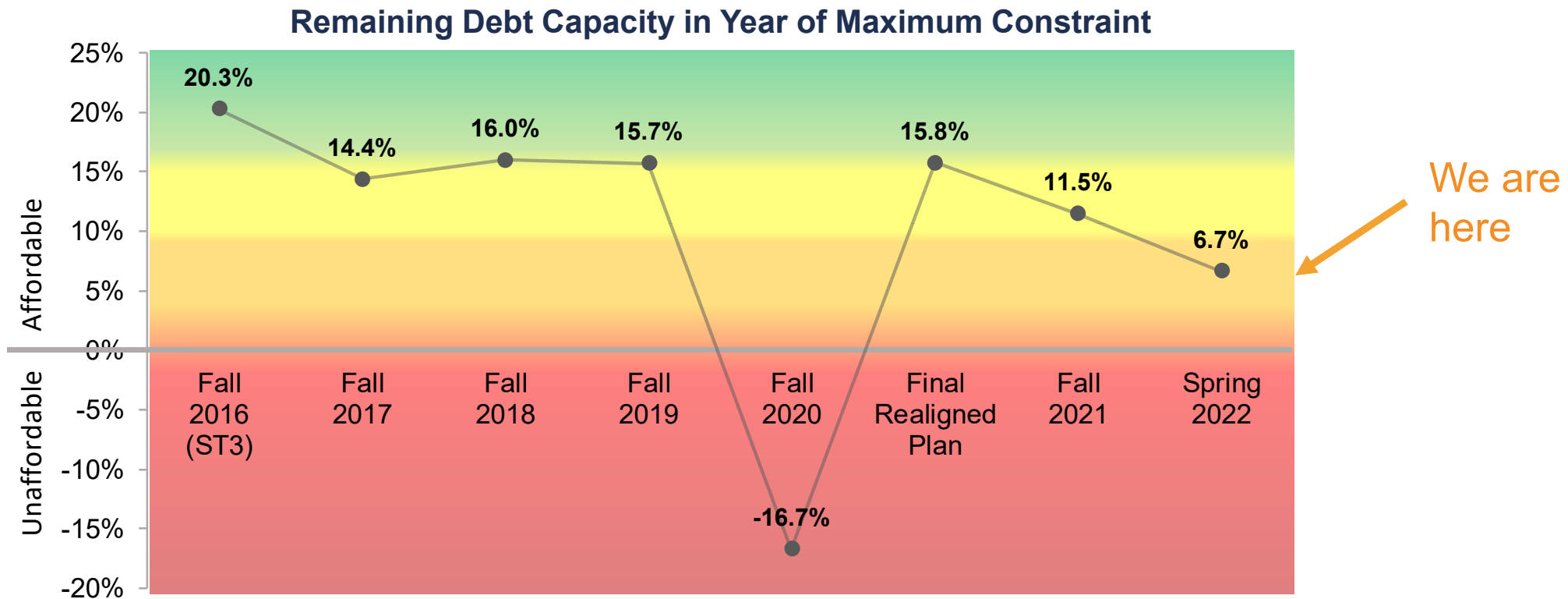
(2017-2046 millions in YOE\$)

■ Increase ■ Decrease



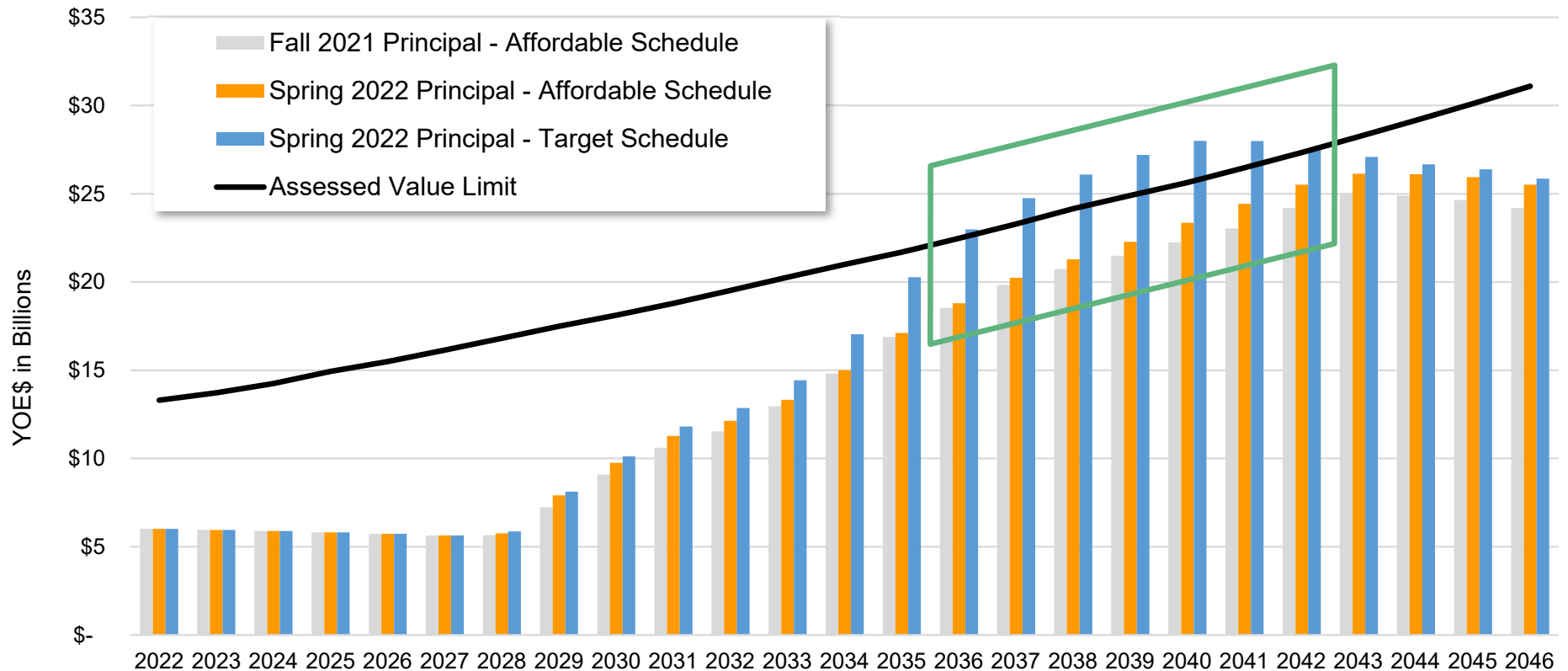
# Available debt capacity lower, risk higher

Debt capacity has decreased since final realigned plan



# Target Schedule remains unaffordable

Available debt capacity lower for all years compared to Fall 2021



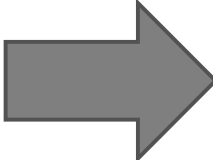
## ***Project Affordability Gap Basis - from Resolution (R2021-05)***

- Affordability gaps will “account for agency financial capacity, subarea affordability, and required system facilities.”
- “[Target Schedule] assumes all projects are simultaneously offset.”
- “The Affordable Schedule establishes tiers of projects to prioritize, fund and manage program work”

# Project-level Affordability Gaps

*Updated for latest inflation and sub-area balances*

| Project                                  | Final Realigned Plan (2019\$) | Spring 2022 Update (2022\$) |
|--|-------------------------------|-----------------------------|
| West Seattle and Ballard Link Extensions | \$ 1,800                      | \$ 2,200                    |
| Everett Link Extension                   | \$ 600                        | \$ 500                      |
| Tacoma Community College Link Extension  | \$ 20                         | \$ 20                       |
| South Kirkland-Issaquah Link             | \$ 90                         | \$ 100                      |
| <b>TOTAL AFFORDABILITY GAP</b>           | <b>\$ 2,510</b>               | <b>\$ 2,820</b>             |



- Amount apportioned to each project based upon total agency affordability gap
- Projects cannot proceed on the Target Schedule without addressing the total agency affordability gap

## **Next steps**

### ***Strategies to manage cost and schedule impacts include:***

- Robust collaboration with local jurisdictions to work through the process
- Monitor and manage project risk registers and explore an agency-wide enterprise risk program
- Updated cost estimates at key project milestones
- Publish Realignment Performance Dashboard
- First biannual Cost Drivers Report to SEC in June
- Board-convened Technical Advisory Group (TAG) will provide recommendations to accelerate projects
- Continuous improvement on Annual Program Review

*Thank you.*



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