

# ***2019 Financial Report***

## ***Financial Statements & Subarea Equity Report***

*10/7/20*

# *Why we are here*

Today we are here to provide information regarding

- 2019 Financial Statements (Audited)

- 2019 Subarea Equity Report

Note: As discussed in previous presentations, the financial statements and the Subarea Equity Report use different accounting conventions. The numbers will not tie.

# ***2019 Financial Statements***

# *Key Accounting Items*

## *Audited by Moss Adams*

- No findings
- Clean Audit opinion

## *Significant accounting policies*

- No significant changes in accounting policies
- Adoption of one significant accounting pronouncement (Interest Expense)

NOTE: The 2019 results do not reflect the impacts of the COVID-19 pandemic which are reflected in 2020 results.

# Summary of Results

- **Capital project spending** of \$2.0 billion in 2019 as activity ramped up on East Link, North Link, Lynnwood Link and Federal Way Link as well as the Operations Maintenance Facility East project
- **Operating expenses**, up 8.9% due to increases in purchased transportation and security costs
- **Non-operating revenues**, net of expenses, increased by 2.6%, reflect a strong regional economy which drove increased tax revenues.

# Statement of Net Position

**Assets of \$15.0B;  
Liabilities of \$3.1B**

- Reduced **current assets** at year end due to spending on **capital assets** outpacing tax collections
- Expansion projects drive Capital asset growth
- No bonds issued in 2019
- TIFIA **loan draws** of \$100 million

## Statements of Net Position

(in millions)

|  | 2019              | December 31<br>2018 | 2017              | % Change<br>2019-2018 | 2018-2017    |
|--|-------------------|---------------------|-------------------|-----------------------|--------------|
| <b>Assets</b>  |                   |                     |                   |                       |              |
| Current assets, excluding restricted assets                            | \$ 1,988.4        | \$ 2,178.9          | \$ 1,731.9        | (8.7)%                | 25.8%        |
| Restricted assets  | 108.9             | 97.3                | 94.7              | 12.0                  | 2.8          |
| Capital assets   | 12,231.3          | 10,436.0            | 9,130.1           | 17.2                  | 14.3         |
| Other non-current assets   | 713.7             | 397.8               | 393.6             | 79.4                  | 1.1          |
| <b>Total assets</b>  | <b>15,042.3</b>   | <b>13,110.0</b>     | <b>11,350.3</b>   | <b>14.7</b>           | <b>15.5</b>  |
| <b>Deferred Outflows of Resources</b>                                  | <b>33.0</b>       | <b>33.6</b>         | <b>37.1</b>       | <b>(1.8)</b>          | <b>(9.5)</b> |
| <b>Liabilities</b>   |                   |                     |                   |                       |              |
| Current liabilities, excluding interest payable from restricted assets | 519.1             | 352.7               | 288.2             | 47.2                  | 22.4         |
| Interest payable from restricted assets                                | 27.0              | 24.9                | 23.9              | 8.2                   | 4.2          |
| Long-term debt   | 2,443.7           | 2,398.2             | 2,393.1           | 1.9                   | 0.2          |
| Other long-term liabilities  | 71.1              | 70.4                | 69.2              | 1.0                   | 1.7          |
| <b>Total liabilities</b>   | <b>3,060.9</b>    | <b>2,846.2</b>      | <b>2,774.4</b>    | <b>7.5</b>            | <b>2.6</b>   |
| <b>Net Position</b>  |                   |                     |                   |                       |              |
| Net investment in capital assets                                       | 9,625.5           | 7,831.0             | 6,738.6           | 22.9                  | 16.2         |
| Restricted net position  | 75.3              | 70.5                | 69.3              | 6.9                   | 1.7          |
| Unrestricted net position  | 2,313.6           | 2,395.9             | 1,805.1           | (3.4)                 | 32.7         |
| <b>Total net position</b>  | <b>\$12,014.4</b> | <b>\$ 10,297.4</b>  | <b>\$ 8,613.0</b> | <b>16.7%</b>          | <b>19.6%</b> |

# Capital Assets

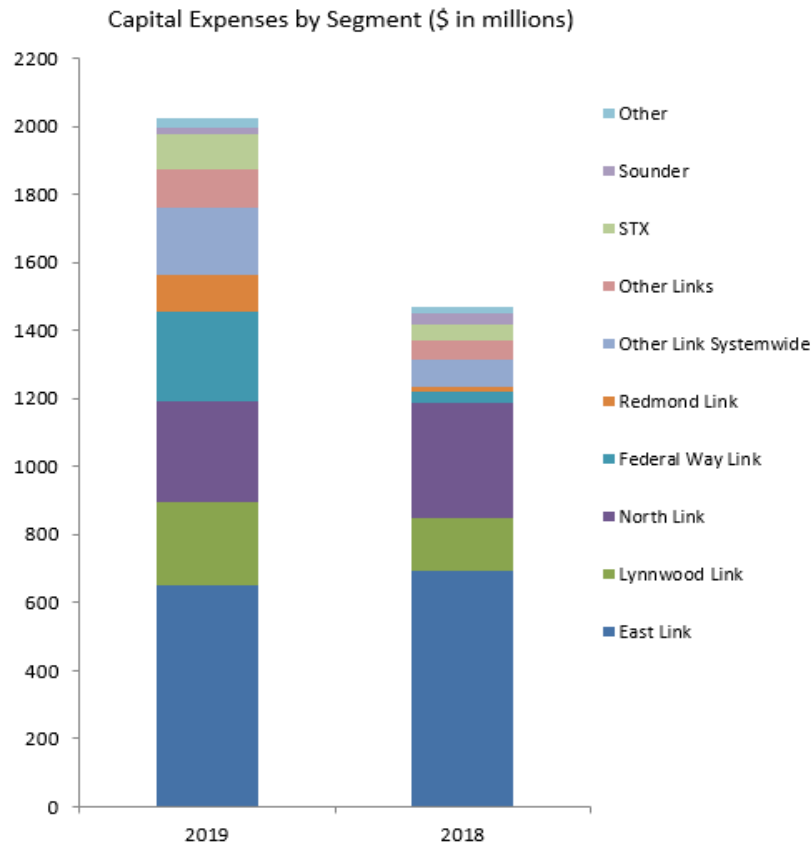
*Growth due to progress on capital projects*

| <b>Capital Assets, net</b>                   |                    |                             |                   |                  |                  |
|--|--------------------|-----------------------------|-------------------|------------------|------------------|
| <i>(in millions)</i>                         |                    |                             |                   |                  |                  |
|  | <b>2019</b>        | <b>December 31<br/>2018</b> | <b>2017</b>       | <b>% Change</b>  |                  |
|  |                    |                             |                   | <b>2019-2018</b> | <b>2018-2017</b> |
| Land   | \$ 913.7           | \$ 836.3                    | \$ 753.2          | 9.2%             | 11.0%            |
| Permanent easements                          | 546.3              | 543.8                       | 541.5             | 0.5              | 0.4              |
| Capital projects in progress                 | 5,839.3            | 3,981.7                     | 3,001.6           | 46.7             | 32.7             |
| <b>Total non-depreciable assets</b>          | <b>7,299.3</b>     | <b>5,361.8</b>              | <b>4,296.3</b>    | <b>36.1</b>      | <b>24.8</b>      |
| Transit facilities, rail and heavy equipment | 3,949.3            | 4,056.9                     | 3,885.9           | (2.6)            | 4.4              |
| Access rights                                | 495.0              | 499.8                       | 481.3             | (1.0)            | 3.8              |
| Revenue vehicles                             | 461.2              | 498.0                       | 446.8             | (7.4)            | 11.5             |
| Other depreciable assets                     | 26.5               | 19.5                        | 19.8              | 35.7             | (1.5)            |
| <b>Total depreciable assets</b>              | <b>4,932.0</b>     | <b>5,074.2</b>              | <b>4,833.8</b>    | <b>(2.8)</b>     | <b>5.0</b>       |
| <b>Total capital assets, net</b>             | <b>\$ 12,231.3</b> | <b>\$ 10,436.0</b>          | <b>\$ 9,130.1</b> | <b>17.2%</b>     | <b>14.3%</b>     |

# Capital Spending

## *Most significant spending in 2019:*

- East Link
- Lynnwood Link
- Northgate Link
- Federal Way Link
- Link Systemwide (vehicles)
- STX: I-90 Two-way Transit and HOV Projects





# Statement of Revenues, Expenses and Changes in Net Position

- **Operating revenues**
  - 1.1% increase in fares
- **Operating Expenses**
  - 8.9% increase

| Changes in Net Position                       |                                |                    |                   |              |              |
|---|--------------------------------|--------------------|-------------------|--------------|--------------|
| (in millions)                                 | For the Year Ended December 31 |                    |                   | % Change     |              |
|   | 2019                           | 2018               | 2017              | 2019-2018    | 2018-2017    |
| <b>Operating revenues</b>                     |                                |                    |                   |              |              |
| Passenger fares                               | \$ 97.1                        | \$ 96.0            | \$ 90.3           | 1.1%         | 6.3%         |
| Other   | 8.1                            | 7.0                | 6.2               | 15.8         | 12.7         |
| <b>Total operating revenues</b>               | <b>105.2</b>                   | <b>103.0</b>       | <b>96.5</b>       | <b>2.1</b>   | <b>6.7</b>   |
| <b>Operating expenses</b>                     |                                |                    |                   |              |              |
| Total operating expenses, before depreciation | 369.2                          | 334.1              | 289.2             | 10.5         | 15.5         |
| Depreciation and amortization                 | 176.4                          | 167.1              | 160.4             | 5.6          | 4.1          |
| <b>Total operating expenses</b>               | <b>545.6</b>                   | <b>501.2</b>       | <b>449.6</b>      | <b>8.9</b>   | <b>11.5</b>  |
| <b>Loss from operations</b>                   | <b>(440.4)</b>                 | <b>(398.2)</b>     | <b>(353.1)</b>    | <b>10.6</b>  | <b>12.8</b>  |
| Non-operating revenues, net of expenses       | 1,897.0                        | 1,848.3            | 1,273.4           | 2.6          | 45.2         |
| <b>Income before capital contributions</b>    | <b>1,456.6</b>                 | <b>1,450.1</b>     | <b>920.3</b>      | <b>0.4</b>   | <b>57.6</b>  |
| Capital contributions                         | 260.4                          | 234.3              | 371.9             | 11.2         | (37.0)       |
| <b>Change in net position</b>                 | <b>1,717.0</b>                 | <b>1,684.4</b>     | <b>1,292.2</b>    | <b>1.9</b>   | <b>30.4</b>  |
| Total net position, beginning                 | 10,297.4                       | 8,613.0            | 7,320.8           | 19.6         | 17.7         |
| <b>Total net position, ending</b>             | <b>\$ 12,014.4</b>             | <b>\$ 10,297.4</b> | <b>\$ 8,613.0</b> | <b>16.7%</b> | <b>19.6%</b> |

# Operating Revenue

- **Fare revenue** up \$1.1M due to ridership growth on Link, ORCA Business Passport program, the introduction of Permit Parking
- Average **fare** per boarding up 1.4%, primarily driven by Business Passport renewal pricing

## Passenger Fare Revenue

(in millions)

|              |                |                |                | % Change    |             |
|--------------|----------------|----------------|----------------|-------------|-------------|
|              | 2019           | 2018           | 2017           | 2019-2018   | 2018-2017   |
| Link         | \$ 43.3        | \$ 41.6        | \$ 38.0        | 4.1%        | 9.5%        |
| ST Express   | 36.4           | 37.7           | 37.3           | (3.4)       | 1.2         |
| Sounder      | 17.4           | 16.7           | 15.0           | 4.0         | 11.3        |
| <b>Total</b> | <b>\$ 97.1</b> | <b>\$ 96.0</b> | <b>\$ 90.3</b> | <b>1.1%</b> | <b>6.3%</b> |

## Ridership

(in millions)

|              |             |             |             | % Change      |             |
|--------------|-------------|-------------|-------------|---------------|-------------|
|              | 2019        | 2018        | 2017        | 2019-2018     | 2018-2017   |
| Link         | 25.7        | 25.4        | 24.0        | 1.3%          | 5.8%        |
| ST Express   | 17.5        | 18.2        | 18.4        | (3.8)         | (1.0)       |
| Sounder      | 4.6         | 4.6         | 4.4         | -             | 4.2         |
| <b>Total</b> | <b>47.8</b> | <b>48.2</b> | <b>46.8</b> | <b>(0.8)%</b> | <b>3.0%</b> |

## Average Fare per Boarding

|   |                |                |                | % Change    |             |
|---|----------------|----------------|----------------|-------------|-------------|
|   | 2019           | 2018           | 2017           | 2019-2018   | 2018-2017   |
| Link                                      | \$ 1.73        | \$ 1.70        | \$ 1.65        | 1.5%        | 2.9%        |
| ST Express                                | 2.08           | 2.07           | 2.03           | 0.4         | 2.2         |
| Sounder                                   | 3.76           | 3.60           | 3.38           | 4.5         | 6.4         |
| <b>Combined average fare per boarding</b> | <b>\$ 2.06</b> | <b>\$ 2.03</b> | <b>\$ 1.97</b> | <b>1.4%</b> | <b>3.0%</b> |

# Operating Expenses

## Increase in O & M

- Higher **purchased transportation costs** across all modes
- Higher costs in **security and maintenance** for facilities, rails and vehicles

| Operations and Maintenance Expenses by Function |                 |                 |                 |              |              |
|---|-----------------|-----------------|-----------------|--------------|--------------|
| (in millions)                                   |                 |                 |                 |              |              |
|   | 2019            | 2018            | 2017            | % Change     |              |
|   |                 |                 |                 | 2019-2018    | 2018-2017    |
| Vehicle operations                              | \$ 194.5        | \$ 179.0        | \$ 160.0        | 8.7%         | 11.8%        |
| Vehicle maintenance                             | 79.3            | 67.8            | 57.4            | 16.9         | 18.2         |
| Non-vehicle maintenance                         | 70.7            | 62.9            | 53.8            | 12.5         | 17.0         |
| <b>Total</b>                                    | <b>\$ 344.5</b> | <b>\$ 309.7</b> | <b>\$ 271.2</b> | <b>11.2%</b> | <b>14.2%</b> |

| Operations and Maintenance Expenses by Mode |                 |                 |                 |              |              |
|---|-----------------|-----------------|-----------------|--------------|--------------|
| (in millions)                               |                 |                 |                 |              |              |
|   | 2019            | 2018            | 2017            | % Change     |              |
|   |                 |                 |                 | 2019-2018    | 2018-2017    |
| Link  | \$ 141.8        | \$ 122.4        | \$ 100.4        | 15.8%        | 21.9%        |
| ST Express                                  | 146.8           | 136.1           | 125.0           | 7.9          | 8.8          |
| Sounder                                     | 55.9            | 51.2            | 45.8            | 9.2          | 11.8         |
| <b>Total</b>                                | <b>\$ 344.5</b> | <b>\$ 309.7</b> | <b>\$ 271.2</b> | <b>11.2%</b> | <b>14.2%</b> |

# Non-operating Revenue and Expenses

- 8.9% increase in Non-Operating Revenue due to a **strong regional economy**
- Non-operating expenses higher by \$97.5M in 2019 due to adoption of GASB Statement No. 89, Accounting for **Interest Cost** Incurred Before the End of A Construction Period

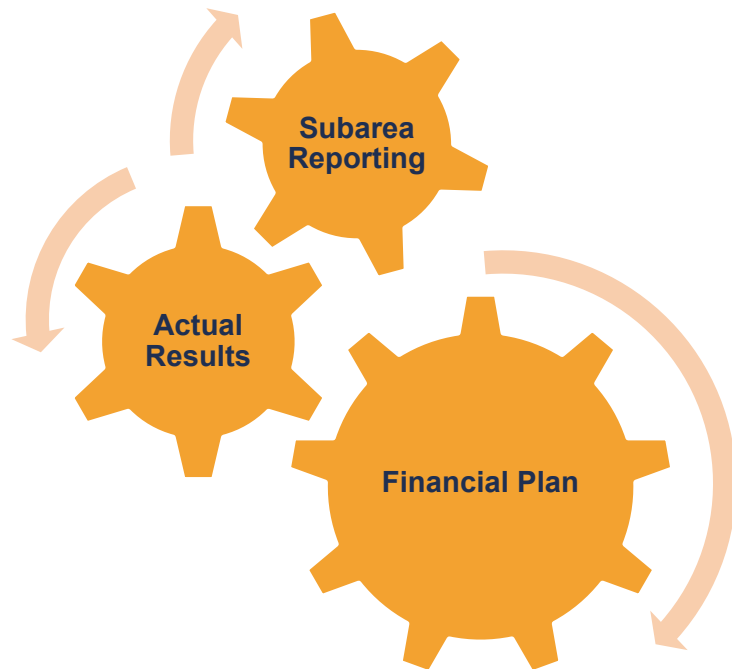
| Non-Operating Revenue / Expenses<br>(in millions) |                   |                   |                   |              |               |
|---|-------------------|-------------------|-------------------|--------------|---------------|
|   | 2019              | 2018              | 2017              | % Change     |               |
|   |                   |                   |                   | 2019-2018    | 2018-2017     |
| <b>Non-operating revenues</b>                     |                   |                   |                   |              |               |
| Sales and use tax                                 | \$ 1,415.7        | \$ 1,337.6        | \$ 1,119.7        | 5.8%         | 19.5%         |
| Motor vehicle excise tax                          | 345.8             | 338.5             | 280.4             | 2.1          | 20.7          |
| Property tax                                      | 150.3             | 146.3             | 140.9             | 2.8          | 3.8           |
| Rental car tax                                    | 3.8               | 3.8               | 3.6               | -            | 5.6           |
| Investment income                                 | 69.1              | 37.8              | 16.9              | 82.9         | 123.7         |
| Other revenues                                    | 66.3              | 20.1              | 18.5              | 228.0        | 8.5           |
| <b>Total</b>                                      | <b>2,051.0</b>    | <b>1,884.1</b>    | <b>1,580.0</b>    | <b>8.9</b>   | <b>19.3</b>   |
| <b>Non-operating expenses</b>                     |                   |                   |                   |              |               |
| Interest expense                                  | 97.5              | -                 | 15.6              | 100.0        | (100.0)       |
| Contributions to other governments                | 33.7              | 24.5              | 279.3             | 37.6         | (91.2)        |
| Contributions to affordable housing               | -                 | 4.1               | -                 | (100.0)      | 100.0         |
| Other expenses                                    | 16.2              | 7.2               | 9.4               | 126.3        | (23.4)        |
| Loss (gain) on disposal of assets                 | 6.6               | -                 | 0.4               | 100.0        | (100.0)       |
| Impairment  | -                 | -                 | 1.9               | -            | (100.0)       |
| <b>Total</b>                                      | <b>154.0</b>      | <b>35.8</b>       | <b>306.6</b>      | <b>330.2</b> | <b>(88.3)</b> |
| <b>Non-operating revenues, net</b>                | <b>\$ 1,897.0</b> | <b>\$ 1,848.3</b> | <b>\$ 1,273.4</b> | <b>2.6%</b>  | <b>45.2%</b>  |

# ***2019 Subarea Equity Report***

# Subarea Equity Reporting

## Financial Policies

- “Sound Transit will **establish a system** that on an annual basis reports subarea revenues and expenditures”
- “Sound Transit will appoint an advisory **citizen oversight committee to monitor** Sound Transit performance under these policies”



# *Independent Accountant Oversight*

## *Items to review and test*

- “Agreed Upon Procedures” were developed in 2010 in consultation with the Citizen Oversight Panel and updated annually as required
- Procedures are performed by independent accountants to verify compilation of the Subarea Equity Report

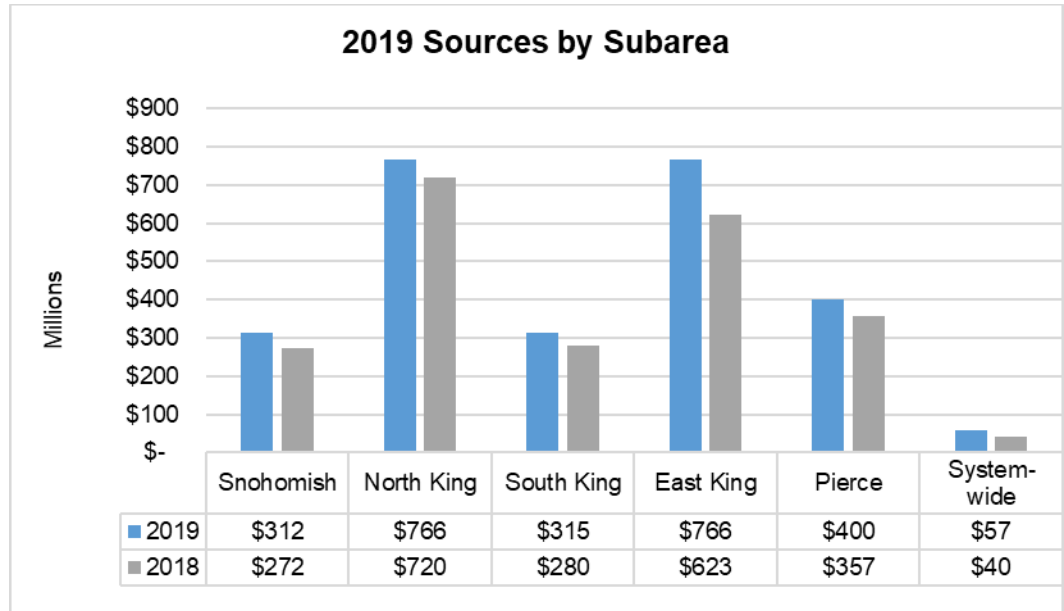
# 2019 Schedule of Sources & Uses of Funds by Subarea

| (in millions)             | Actual Results 2019 |            |            |           |        |            | Total   |
|---------------------------|---------------------|------------|------------|-----------|--------|------------|---------|
|                           | Snohomish           | North King | South King | East King | Pierce | Systemwide |         |
| Sources                   | 311.9               | 766.5      | 314.9      | 766.0     | 400.2  | 56.8       | 2616.2  |
| Capital Uses              | 193.8               | 475.1      | 316.1      | 881.0     | 87.5   | 50.8       | 2004.4  |
| O&M Uses                  | 30.4                | 98.7       | 75.4       | 71.0      | 69.1   | 33.4       | 378.0   |
| Debt Service and Reserves | 15.6                | 55.4       | 24.9       | 39.4      | 23.3   | 180.9      | 339.6   |
| Systemwide Allocation     | 4.5                 | 11.6       | 5.1        | 10.1      | 6.7    | (38.0)     | 0.0     |
| Total Uses                | 244.3               | 640.8      | 421.5      | 1001.5    | 186.6  | 227.2      | 2721.9  |
| Excess Sources / Uses     | 67.6                | 125.6      | (106.7)    | (235.5)   | 213.7  | (170.4)    | (105.7) |
| Ending Position           | 538.1               | 301.5      | 79.5       | (235.5)   | 798.1  | 0.0        | 1481.7  |



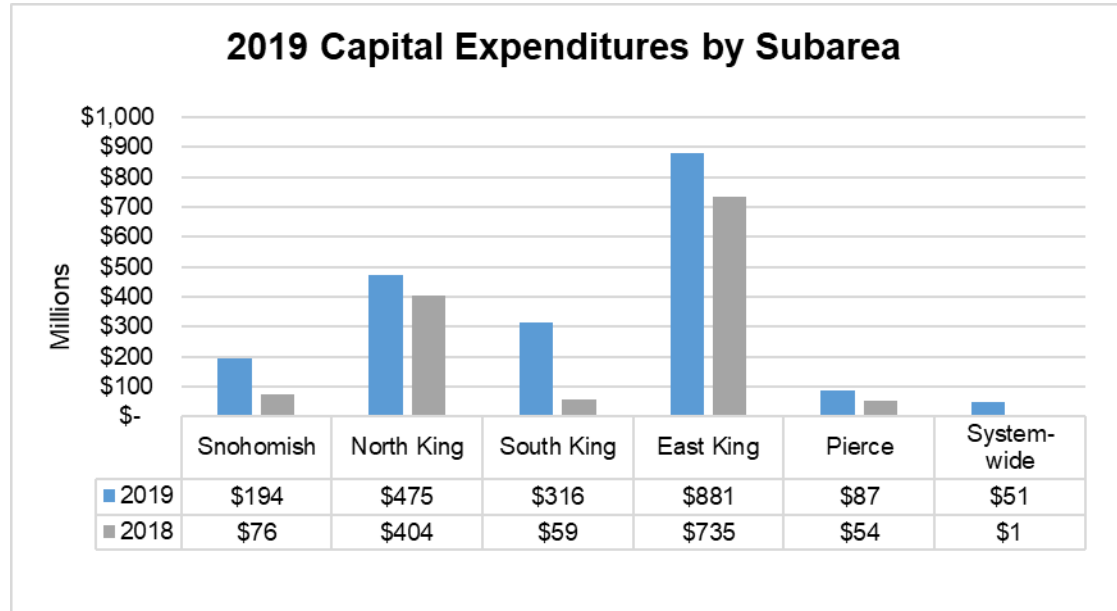
# Sources

- Total sources for 2019 were up \$324 million from 2018, primarily due to increase revenue from taxes and grants
- East King utilized \$170 million of unallocated **bond proceeds** from the 2016 Green Bond issue
- No additional bond proceeds remain unallocated



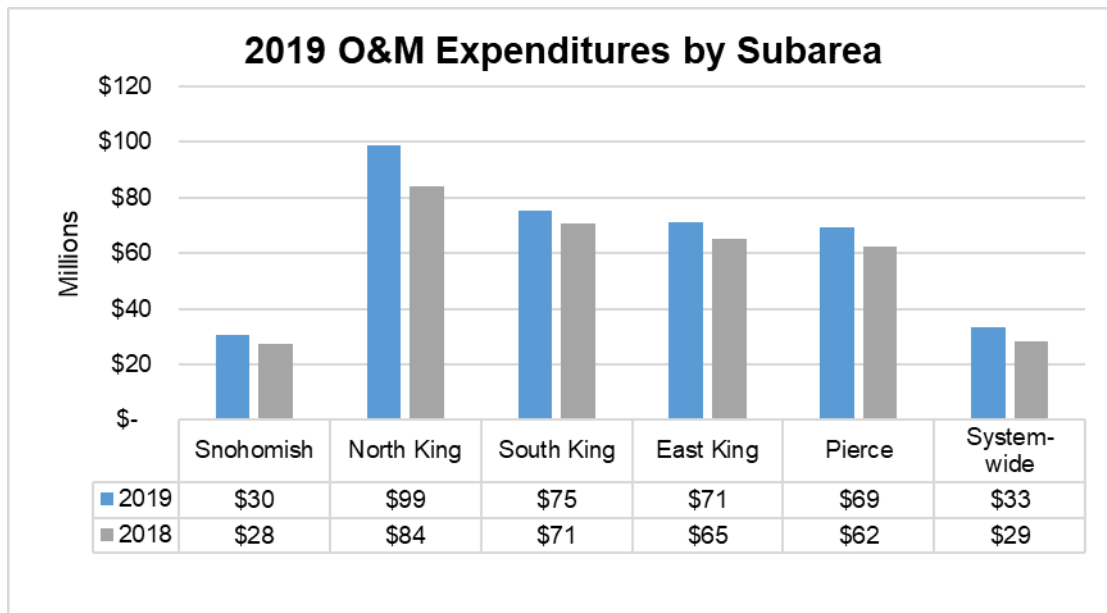
# Capital Uses

- Total capital outlays in 2019 were up 51% from 2018 as activity continues to increase on *East Link, Federal Way Link, Lynnwood Link, OMF-East and the purchase of new LRV Vehicles.*



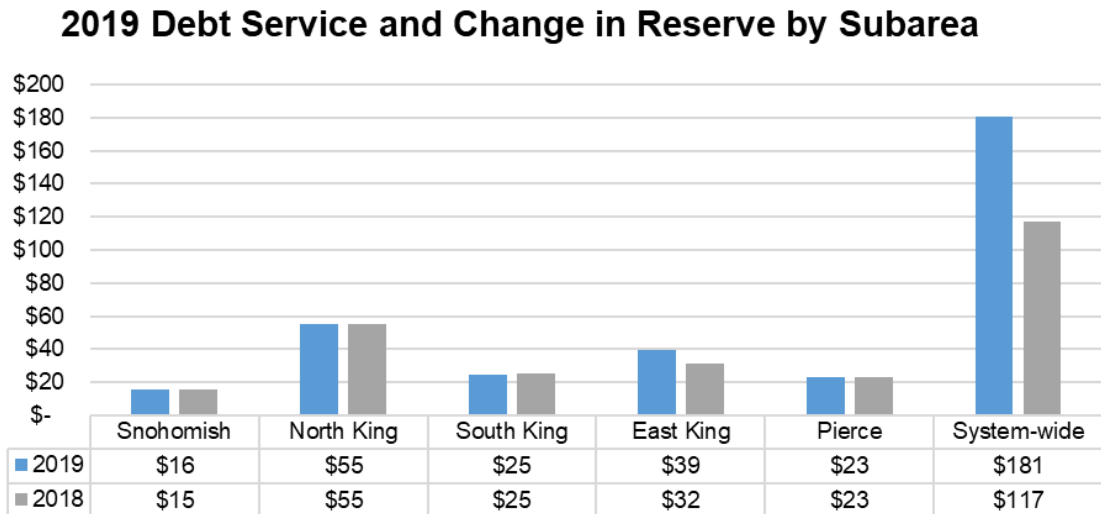
# Operating & Maintenance (O&M) Uses

- O&M increased \$39 million or 12% overall from 2018, including **16% increase in Link** (Service providers such as purchased transportation and security as well as overhead)



# Debt Service and Change in Reserves

- \$137 million **Interest and Principal** payments
- \$170 million in unallocated **bond proceeds** used by East King County



*Thank you.*



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