

# *Subarea Equity*

## *Community Oversight Panel*

*June 14, 2023*

# *Why we are here*

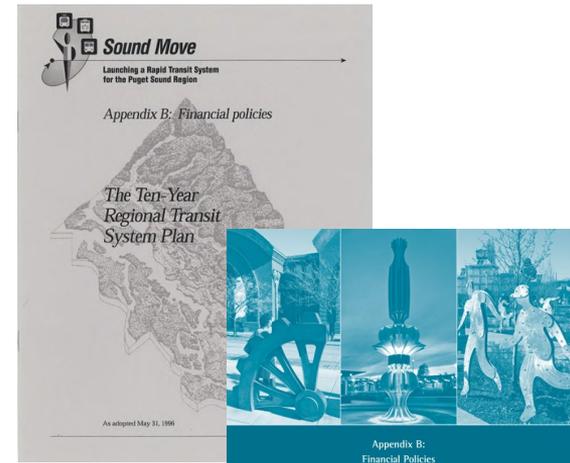
- Overview of subarea equity
- 2022 Subarea Equity Report results (available online)

# *Overview of subarea equity*

# Defining subarea equity

## Principle embedded in state legislation and voter-approved plans:

- “utilizing local tax revenues for projects and services that provide transportation benefits to the [subareas] generally in proportion to the level of revenues each subarea generates.”
- Subareas may fund projects or services outside their subarea or system-wide elements when they substantially benefit their residents and businesses.



Sound Transit District

Subarea boundaries



# Sound Transit District

## Includes five geographic subareas for planning and budget purposes:

- Snohomish County
- East King County
- North King County
- South King County
- Pierce County

# *Monitoring subarea equity*

“Sound Transit will **establish a system** that on an annual basis reports subarea revenues and expenditures”

## *Subarea Equity Report*

- Annual report
- Agreed Upon Procedures performed by independent accounting firm

## *Long-Range Financial Plan*

- Updated twice-per-year
- Provides projections of revenues & expenditures per subarea through 2046

# *Subarea expenditures*

- “based on facilities and services to be provided, their projected costs and project contingencies, associated operating costs, debt service, reserves for debt service, operations and maintenance and capital replacement.”
  - The Board will allocate system-wide expenditures to ensure safe and efficient maintenance and operation of system-wide facilities and services after due consideration to subarea benefits and priorities.
  - Projects and services are evaluated annually as part of the budget and Transit Improvement Plan (TIP) update process.

# *Common drivers to allocate expenditures*

- **Asset location**
- **Track miles**
- **Service Miles or Hours**
- **System-Wide Benefit**

# ***2022 Subarea Equity Report Results***

# ***Basis of Presentation***

## ***Subarea reports are prepared consistent with the Financial Plan***

- Modified cash basis
  - Tax revenues on a cash basis
  - Excludes non-cash items such as depreciation and amortization
  - Bond principal and interest expense on a cash basis
  - Reconciliation to financial statements presented in Appendix A
- Reported by Subarea using drivers and rules
  - Subarea drivers and rules described in Note 3 and Appendix B

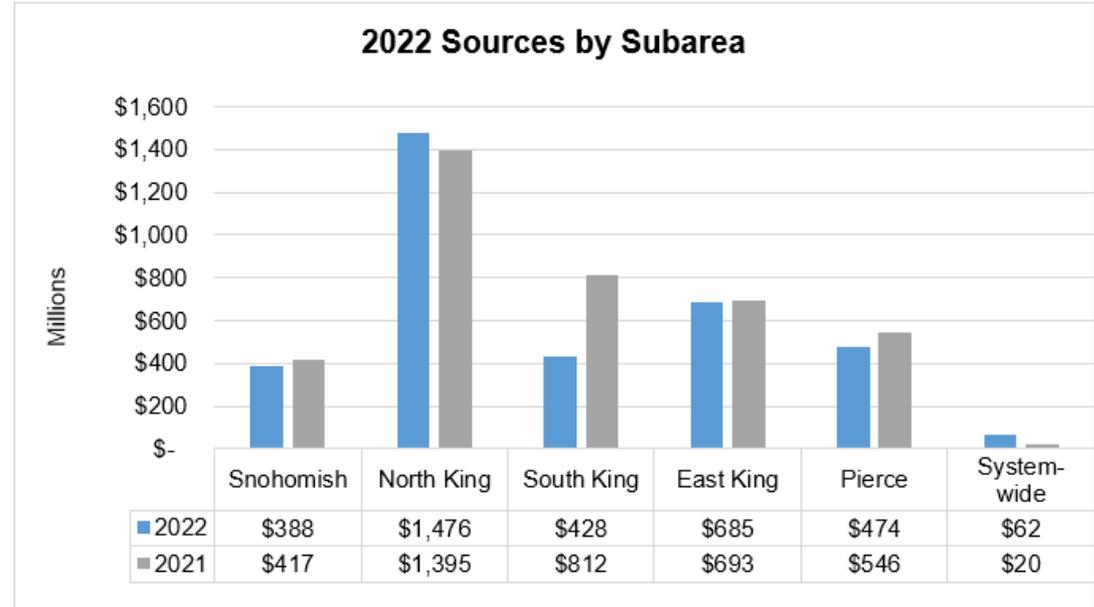
# *Subarea reporting procedure*

## *Independent accountant oversight*

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

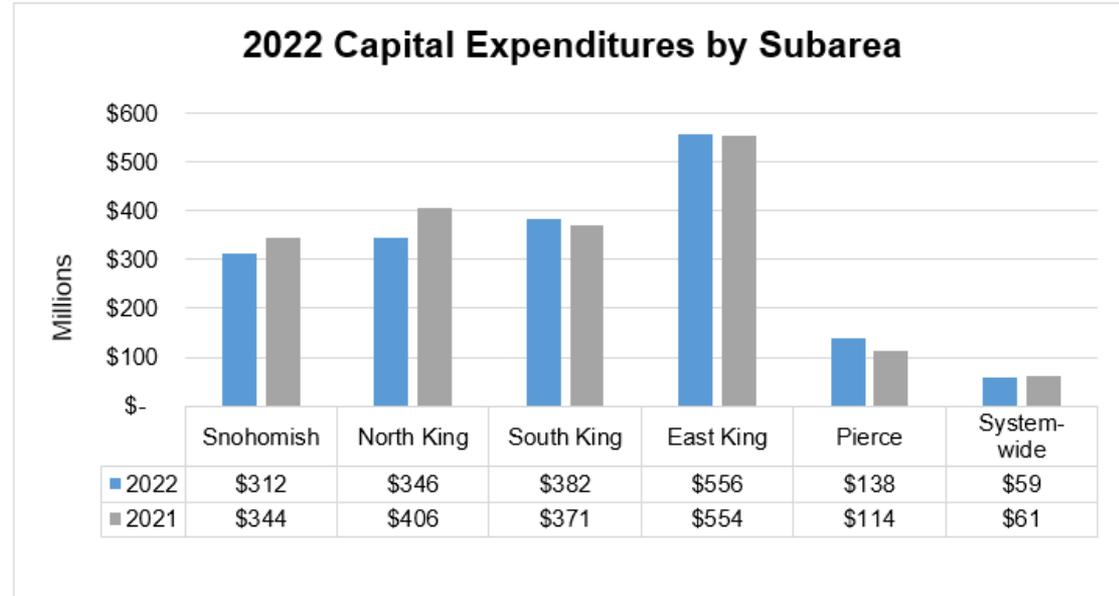
# Sources

- Total sources for 2022 were down \$371 million from 2021, primarily due to bond restructuring in 2021.
- In 2022, North King utilized \$615 million of TIFIA loan under the Northgate Link agreement.



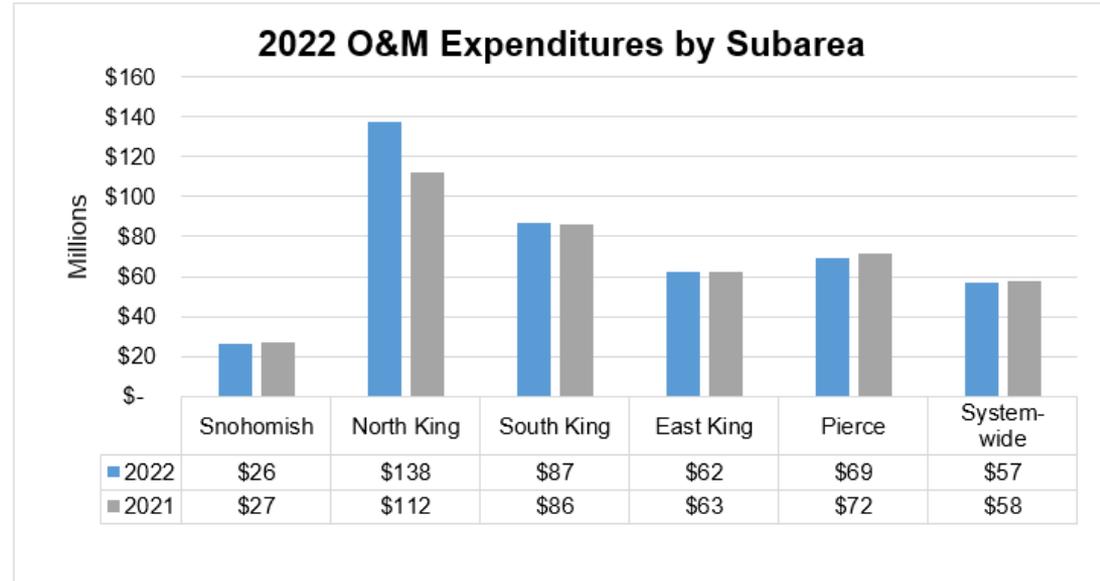
# Capital Uses

- Total capital outlays in 2022 were down 3% from 2021 resulting from construction activities beginning to slow for some projects; in addition to Northgate Link and OMF East projects coming to competition.



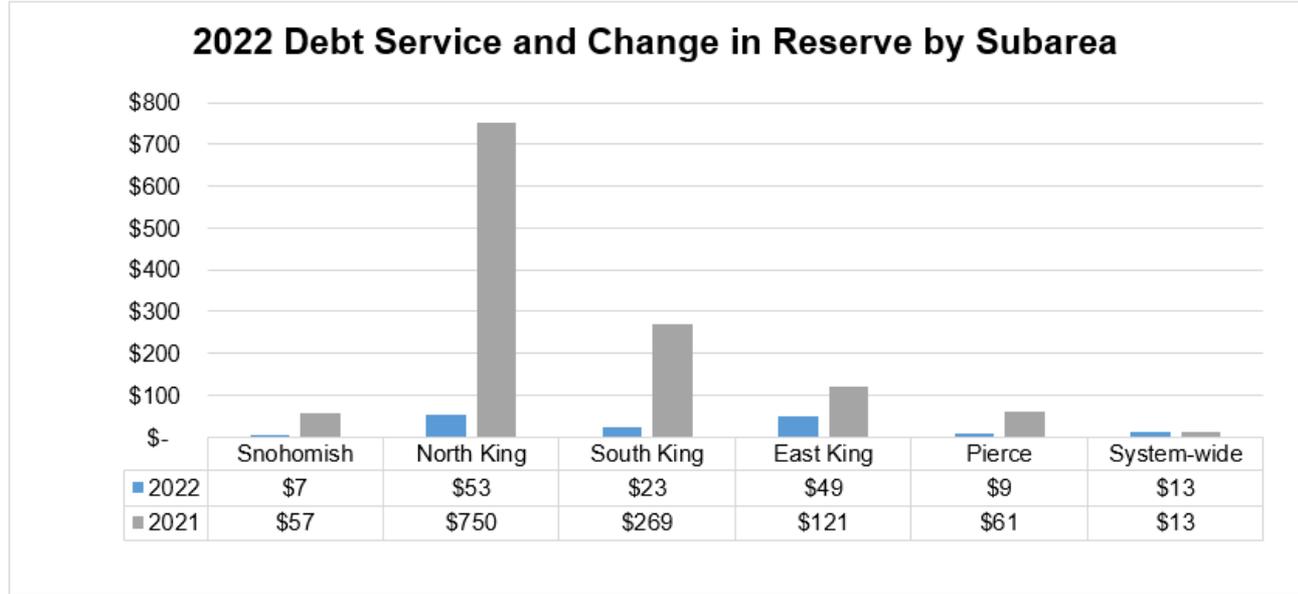
# Operating & Maintenance (O&M) Uses

- O&M increased \$22 million or 5% overall from 2021, including **17% increase in Link** due to full year of operation of the Northgate Link extension, which began service in late 2021



# Debt Service and Change in Reserves

- \$147 million *Interest and Principal* payments
- 1.9% decrease in total Debt Service and Change in Reserves excluding 2021 debt restructuring



# 2022 Schedule of Sources & Uses of Funds by Subarea

(in millions)	Actual Results 2022						
	Snohomish	North King	South King	East King	Pierce	Systemwide	Total
Sources	388.4	1475.8	428.4	684.6	474.0	62.5	3513.7
Capital Uses	312.2	345.7	381.9	556.3	137.7	59.4	1793.3
O&M Uses	26.5	137.8	87.0	62.2	69.1	56.8	439.5
Debt Service and Reserves	6.8	52.6	23.1	49.2	8.6	13.0	153.3
Systemwide Allocation	8.1	19.4	8.6	18.3	12.3	(66.7)	0.0
<b>Total Uses</b>	<b>353.6</b>	<b>555.5</b>	<b>500.7</b>	<b>686.1</b>	<b>227.8</b>	<b>62.5</b>	<b>2386.2</b>
Excess Sources / Uses	34.8	920.3	(72.3)	(1.5)	246.2	0.0	1127.5
<b>Ending Position</b>	<b>527.9</b>	<b>1431.4</b>	<b>39.9</b>	<b>(715.1)</b>	<b>1525.1</b>	<b>0.0</b>	<b>2809.2</b>

*Thank you & Questions?*



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