Why we are here

- Financial Plan Affordability Gap Update
- YTD Financial Performance Report
Financial Plan Affordability Gap Update
Economic update – near term recovery with long term uncertainty

• **US real GDP increased by 6.4% in 2021 Q1, up from 4.3% in 2020 Q4.**

• **WA unemployment rate in May at 5.3%. Total employment adds in Q2 less than forecast.**

• **Long-term tax revenue forecast highly uncertain**
  • Consumer confidence remains below pre-pandemic levels
  • Federal stimulus packages ending

• **Inflation pressure and uncertainty from Federal Reserve on interest rate movements.**
Financial Plan projections through 2041

• **Updated projections since April 2021**
  • Tax forecast increased by $2.1B
  • CPI forecast added $0.4B to capital and operating costs

• **Cost of Construction Index and Right of Way Index available in the fall will likely add to construction cost forecasts.**

• **$6.5B current affordability gap projected through 2041. Program unaffordable without realignment.**
Affordability Gap Update – Current vs. April

2017-2041

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding Gap (in Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2021</td>
<td>$7.9</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>-$2.1</td>
</tr>
<tr>
<td>CapEx</td>
<td>$0.2</td>
</tr>
<tr>
<td>Other</td>
<td>$0.5</td>
</tr>
<tr>
<td>July 2021</td>
<td>$6.5</td>
</tr>
</tbody>
</table>

Unknown:
- TIFIA
- CCI
- ROWI
- AV
- O&M
- Other
Major Financial Plan Updates since Pandemic

- **Tax Revenue:** $600 million increase
- **Fares:** $133 million decrease
- **Grant Revenue:** $3.7 billion increase
  - COVID relief: $0.9 billion
  - Increase in assumption: $2.8 billion
- **Project Cost Estimates:** $11.9 billion increase
- **Consumer Price Index:** $429 million cost increase
- **Operating and State of Good Repair:** $1 billion increase
- **Cost of Construction Index, Right of Way Index and Assessed Valuation** and other updates will be available in October 2021
May YTD 2021 Financial Performance Report
YTD Tax Revenue Performance

1. YTD Tax revenues at 14% or $98M over budget

2. Jan to Mar 2021 actual tax collection up 13% or $56M over same period 2020
   - Sales tax up 21%
   - MVET down 5%
May YTD Ridership Summary

• *Ridership May ‘21 YTD actuals vs budget: 4.8M total vs 6.4M (25% under budget)*

• *Ridership decline from 2019 to 2021 May YTD*
  
  • System Total: -76%
  • Link: -78%
  • ST Express (all partners): -77%
  • Sounder: -88%
  • Tacoma Link: -72%
Ridership Trend Feb ’20 - May ‘21
May YTD Fare Revenue and Farebox Recovery

May YTD ST fare revenue at 60% of budget. Forecasted 2021 farebox recovery ratio significantly below policy target due to lower ridership and fare compliance struggling to return following fare-free period.

<table>
<thead>
<tr>
<th>Mode</th>
<th>Policy</th>
<th>2019 Actuals</th>
<th>2021 May YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link</td>
<td>40%</td>
<td>34%</td>
<td>5%</td>
</tr>
<tr>
<td>Sounder</td>
<td>23%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>STX</td>
<td>20%</td>
<td>25%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Non Fare Boardings

<table>
<thead>
<tr>
<th>Period</th>
<th>STX</th>
<th>Sounder</th>
<th>Link</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/31/2019</td>
<td>13%</td>
<td>1%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>5/31/2021</td>
<td>22%</td>
<td>19%</td>
<td>46%</td>
<td>36%</td>
</tr>
</tbody>
</table>
May YTD Operating Expense

• YTD Operating expense at $156M or $1.7M (1%) over budget

• Mainly due to timing, YE forecast expected to be at 100% of $381M budget
At 83% or $138M below YTD budget:

- **Link** at 87% or $95M under YTD budget. Delay in two right-of-way acquisitions, Midway Landfill credit, and acceptance rate of new LRVs.
- **Sounder** at 55% or $10M under YTD budget. Pending realignment decisions.
- **Regional Express** at 13% or $2M under YTD budget. Pacific Ave SR 7 Bus Corridor (PT stream)
- **STRIDE** at 43% or $17M under YTD budget. Realignment delays and right-of-way acquisitions.
May YTD Non-System Expansion Projects

**Project spending at $13M, 54% of YTD budget**

State of good repair at 56% or $5.2M below YTD budget

- Primarily due to delayed work under DSTT Capital Improvements, Vertical Conveyance program, and IT Technology Infrastructure.

Administrative at 77% or $0.8M below YTD budget

- Primarily due to delay in agreement execution supporting Union Station HVAC replacement project.

Enhancements at 46% or $4.5M below YTD budget

- Primarily due to delay from various projects.
Thank you.

soundtransit.org
### Chair’s proposed realignment scenario

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
<th>Tier 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 2 years delay</td>
<td>≤ 6 years delay</td>
<td>≤ 9 years delay</td>
<td>10+ years delay</td>
</tr>
<tr>
<td><strong>System</strong></td>
<td>Bus Base North (2025) OMF South (2029) OMF North (2035)</td>
<td>2nd DSTT (2038)</td>
<td>Sounder Maintenance Base (2034)</td>
</tr>
<tr>
<td><strong>North</strong></td>
<td>Lynnwood-SW Everett NP (2038)</td>
<td>SW Everett-Everett NP (2042)</td>
<td>Edmonds &amp; Mukilteo (2034) Everett Link Parking (2046)</td>
</tr>
<tr>
<td><strong>East</strong></td>
<td>405 Stride S. NP (2026) 522 Stride NP (2026)</td>
<td>405 Stride N. NP (2027) S. Kirk.–Issaquah (2045)</td>
<td>522 Stride parking (2034) 405 Stride parking (2034) N Sammamish P&amp;R (2045)</td>
</tr>
<tr>
<td><strong>Central</strong></td>
<td>Alaska Jct.-SODO (2032)</td>
<td>SODO-Smith Cove (2038) Smith Cove-Ballard (2040) NE 130th (2037) Graham St. (2037)</td>
<td>RapidRide C/D (2045)</td>
</tr>
<tr>
<td><strong>South</strong></td>
<td>Kent, Auburn, Sumner (2025) T-Dome Link NP (2032) Lakewood, S Tacoma (2032) TCC Tacoma Link (2041)</td>
<td>Boeing Access (2037)</td>
<td>Sounder platforms &amp; access (2036) Sounder trips (2045) DuPont Sndr (2045)</td>
</tr>
</tbody>
</table>

No delay due to finances, only delayed because of slow downs in environmental review during COVID, 3rd party negotiations, permitting, right-of-way acquisition, or extended timelines for selecting EIS alternatives and preferred alternatives.
$6.5 Affordability Gap – Current vs. Pre-pandemic

Change 2017-2041

- Tax Revenue: $-0.6
- Capital Ex: $11.9
- COVID Relief: $-0.9
- Grant Assumption: $-2.9
- Other: $-1.0
- July 2021 Funding Gap: $6.5

Unknown:
- TIFIA
- CCI
- ROWI
- AV
- O&M
- Other

Oct 2021 Funding Gap
CPI Inflation Update

• **Seattle CPI**
  - Applied to non-wage related operating costs, non-construction/Row phases of capital costs.

• **June Update - Average annual growth 2020-2041 grew to 2.36% from 2.21%**
  - $5M (YOE$) in additional capital and operations expenditures in 2021 and 2022.
  - $429M additional to plan through 2041 ($256M impact to affordability gap.)
Tax revenue projections up by $2.1 billion

June 2021 forecast includes 3 additional months of tax receipts, actual March 2021 stimulus funding and updated economic forecast data.

- $226M increase (6.2%) in 2021 and 2022.
- $2.1B increase (4.0%) through 2041.

<table>
<thead>
<tr>
<th></th>
<th>2021-2022</th>
<th>2021-2041</th>
<th>2021-2041 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$219</td>
<td>$1,895</td>
<td>4.2%</td>
</tr>
<tr>
<td>MVET</td>
<td>$6</td>
<td>$155</td>
<td>2.2%</td>
</tr>
<tr>
<td>Total</td>
<td>$226</td>
<td>$2,050</td>
<td>4.0%</td>
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### $3.3B Outstanding Sound Transit TIFIA Loans

Sound Transit’s Master Credit Agreement is the first & only in the US

<table>
<thead>
<tr>
<th>Project</th>
<th>TIFIA Loan Amount</th>
<th>Current Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Link</td>
<td>$1.3B</td>
<td>2.38%</td>
</tr>
<tr>
<td>TIFIA Master Credit Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northgate Link</td>
<td>$615M</td>
<td>3.13%</td>
</tr>
<tr>
<td>OMF-East</td>
<td>$88M</td>
<td>2.73%</td>
</tr>
<tr>
<td>Lynnwood Link</td>
<td>$658M</td>
<td>3.06%</td>
</tr>
<tr>
<td>Federal Way Link</td>
<td>$629M</td>
<td>2.36%</td>
</tr>
<tr>
<td><strong>Total TIFIA Loans</strong></td>
<td><strong>$3.3B</strong></td>
<td></td>
</tr>
</tbody>
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