Long-Range Financial Plan
Projections 2019 Update &
Proposed 2020 Budget

Board of Directors Meeting

10/24/2019

Sound Transit
Why we are here

No action requested today, we are here to provide information

Today we will review:

• Long-range financial plan projections 2019 update
• Proposed 2020 budget
Long-range financial plan and budget

Long-range Financial Plan Projections 2017 - 2041

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

Transit Improvement Plan to 2025

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

Budget 2020

- Annual revenue & financing sources and appropriations for all expenditures
Long-range financial plan projections 2017 - 2041
Key takeaways – long-range financial plan projections

1. Higher capital cost forecast partially offset by stronger tax revenue forecast; remainder funded with additional debt

2. Updated operating budget process slows spending growth

3. Available debt capacity remains largely unchanged from 2018; capacity more constrained during peak period of ST3 delivery
Financial plan projections change from 2018 2017-2041 (YOE$)

2018 Fall Financial Plan Projections: $96.2 Billion

+ 2019 Updates (Net) $1.7B

2019 Fall Financial Plan Projections: $97.9 Billion

Change in sources
- Higher tax revenue forecast $1.0B
- Additional borrowing $0.7B

Change in uses
- Higher projected project costs $1.2B
- Increased debt service $0.3B
- Other $0.2B
Operating projections down slightly from 2018 projections (2017-2041)

Total decrease: $-87M (-0.3%)

- Decrease primarily due to implementing tight, affordability based operating targets: -$325M
- Lower projected Consumer Price Index (CPI): -$223M
- Downtown Seattle Transit Tunnel (DSTT) and vertical conveyance maintenance cost increase: +$256M
- Projected increase in security spending: +$205M
Effects of updating operating budget process: $325M projected budget reduction through 2041
Projected capacity similar to 2018 forecast

Slight increase on assessed value (AV) growth offset by increased borrowing
Key risks and management considerations
Agency remains in strong financial condition, but key risks remain

• Voter approved plan remains affordable based on updated projections
• Operating expenses, state of good repair, and reserves are fully funded
• Agency’s financial condition is consistent with its AAA Rating from two rating agencies
• Key risks remain
Key risks

- Near-term recession (loss of tax revenue and debt capacity)
- Continued cost pressure on capital program
- Continuing cost growth for 3rd party services

One or a combination of these risks would threaten Sound Transit’s ability to deliver the program as planned
Near term recession scenario

Debt Capacity - Fall 2019 vs Scenario with Near Term Recession

- Principal Balance, Fall 2019 Forecast
- Principal Balance Forecast with Near Term Recession
- Debt Capacity, Fall 2019 Forecast
- Debt Capacity Forecast with Near Term Recession

Billions of YOE$
Key management considerations

- Scope discipline for the entire program remains imperative; critical decisions we make today have significant effects on the future
- Contain operating expense growth to ensure program affordability
- Consider expanding funding sources through partnership
- Optimize financing strategy to minimize borrowing costs
Proposed 2020 budget
2020 sources and uses of funds: $3.1B

Sources of Funds (in $M)

- Unrestricted Cash Balance, $590, 19%
- Federal Grants, $333, 11%
- Property Tax, $156, 5%
- MVET, $355, 12%
- Retail Sales And Use Tax, $1,446, 47%
- Other, $84, 3%

Uses of Funds (in $M)

- System Expansion Projects, $2,285, 74%
- Transit Modes, $370, 12%
- Other Projects, $234, 8%
- Debt Service, $144, 5%
- Other, $32, 1%
2020 revenues and funding sources: $2.5B

<table>
<thead>
<tr>
<th>In $Million</th>
<th>2019 Forecast</th>
<th>2020 Proposed</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales tax</td>
<td>1,392</td>
<td>1,446</td>
<td>4%</td>
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<tr>
<td>MVET</td>
<td>340</td>
<td>355</td>
<td>4%</td>
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<tr>
<td>Federal grants</td>
<td>318</td>
<td>333</td>
<td>5%</td>
</tr>
<tr>
<td>Property tax</td>
<td>149</td>
<td>156</td>
<td>4%</td>
</tr>
<tr>
<td>Fares</td>
<td>98</td>
<td>100</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>182</td>
<td>84</td>
<td>(54)%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,480M</strong></td>
<td><strong>$2,474M</strong></td>
<td><strong>(0.2)%</strong></td>
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</tbody>
</table>

*Numbers may not add correctly due to rounding.

- Tax revenues up 4% due to strong local economy
- Sales and use tax = 58% of all funding sources
- Fares up due to Link ridership
- No borrowing planned for 2020
## 2020 projects: $2.5B

<table>
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<tr>
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<th>In $Million</th>
<th>2019 Forecast</th>
<th>2020 Proposed</th>
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</thead>
<tbody>
<tr>
<td>System Expansion</td>
<td></td>
<td>1,987</td>
<td>2,285</td>
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<tr>
<td>Enhancements</td>
<td></td>
<td>24</td>
<td>38</td>
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<tr>
<td>State of Good Repair</td>
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<td>17</td>
<td>76</td>
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<tr>
<td>Administrative</td>
<td></td>
<td>106</td>
<td>127</td>
</tr>
<tr>
<td>Less: Modal Expenses</td>
<td>(4)</td>
<td>(9)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,129M</strong></td>
<td><strong>$2,517M</strong></td>
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</tbody>
</table>

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- East Link and Northgate Link substantial completion
- Link planning and construction
- Everett Link and OMF North project development
- Sounder station access
- DSTT Improvements
- ST Express buses
- Passenger info mgmt system
- Escalators
2020 transit operations: $370M

- Transit Operations budget up 7% over 2019 forecast
- Purchased Transportation up 4.9% or $9.4M
- Personnel and admin. up $7.2M
- Insurance up $3.5M
- Safety and security up $2.6M
- Elevator and escalator maintenance up $1.9M

*Numbers may not add correctly due to rounding.
2020 debt service and other: $177M

- Debt service includes principal payments on bonds, interest, and fees
- Tax collection fees to DOR/DOL and sales tax off-set fees
- Agency contingency for unforeseeable expenses

*Numbers may not add correctly due to rounding.*
Budget timeline
Timeline

October
• 10/3 – Ridership Experience and Operations Committee – Budget Presentation
• 10/10 – System Expansion Committee – Budget Presentation
• 10/24 – Finance and Audit Committee – Budget Presentation
• 10/24 – Board – Budget Presentation
• 10/31 – Citizen Oversight Panel – Budget presentation

November
• 11/14 – Public Hearing – Budget and property taxes
Timeline continued

December

• 12/5 – Rider Experience and Operations Committee – Final budget recommendation
• 12/12 – Executive Committee – Overview of budget and final budget recommendation
• 12/12 – System Expansion Committee – Final budget recommendation
• 12/19 – Finance and Audit Committee – Final budget recommendation
• 12/19 – Board Meeting – 2020 Budget and Transit Improvement Plan approval
Thank you.