# *Fall 2026 Long-range Financial Plan Update*

*Executive Committee*

*11/5/2026*

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# *Why we are here*

## *Review Fall 2026 Long Range Finance Plan*

- Share key takeaways and Finance Plan affordability metrics
- Review changes in projected revenues and expenditures
- Next steps in coordination with the Adaptive Management Plan

# 2027 Budget, TIP, and Long-Range Finance Plan

**Budget 2027** *Board Approved* **$3.9 billion**

**Annual Budget** of revenues, sources, and expenditures for 2027.

**Transit Improvement Plan (TIP) to 2032** *Board Approved* **$26.0 billion**

**Authorized Allocation** (lifetime) for all active project costs, including past actuals. (Includes pre-baselined and baselined projects, as well as service delivery projects.)

**Long-Range Finance Plan (2017 – 2052)** *Board Updated*

Includes Sound Move, ST2, and ST3 sources and uses through 2052.

# *Review of Finance Plan Projections*

# Key Takeaways

➢ **Finance Plan remains affordable, but outstanding risks remain due to operating cost growth, economic volatility, and federal uncertainty**

- Budget and TIP conform to Finance Plan
- Short-term sales tax increase due to expanded services subject to tax
- Project cost estimates and capital replacement and lifecycle maintenance plan consistent with May System Plan
- Increased operating costs reflects higher costs to operate modes and emergent agency priorities

# Affordability Metrics

➢ **Fall 2026 LRFP is "medium risk", the same as May System plan**

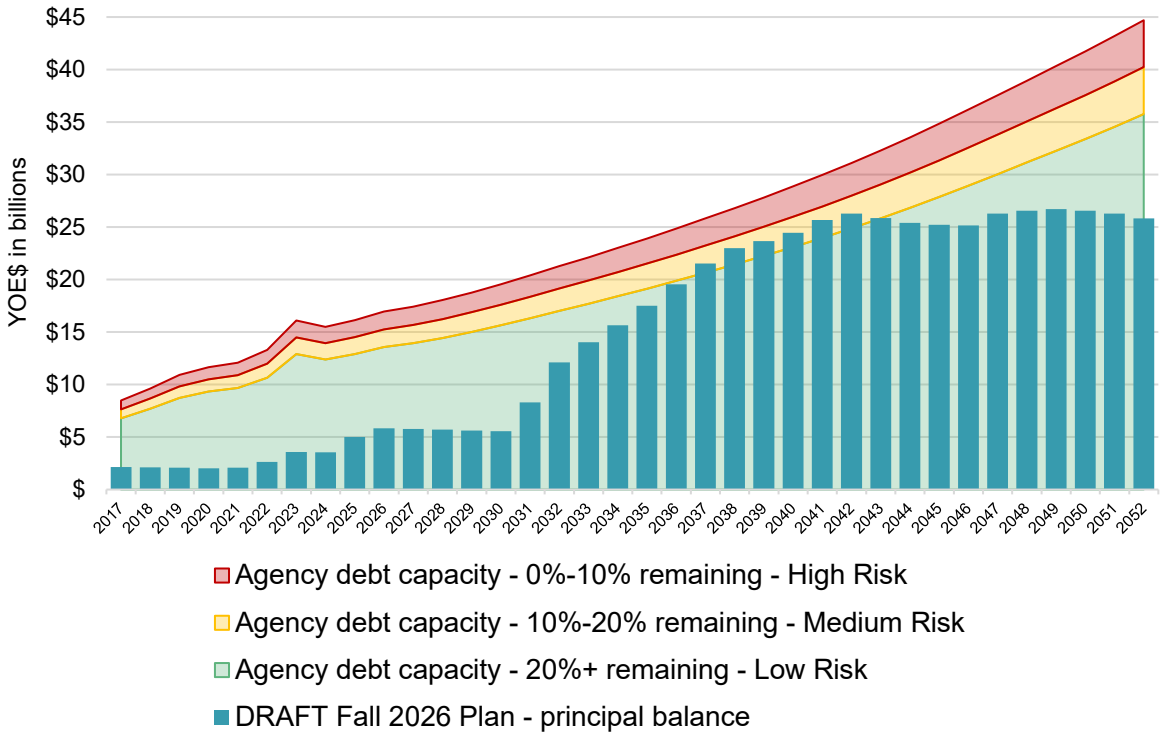
| | Definition | Low Risk | Medium Risk | High risk | Unaffordable | Fall 2026 LRFP | |
|---|---|---|---|---|---|---|---|
| **Remaining available legal debt capacity** | Ability to issue debt | >20% | 10-20% | <10% | <=0% | **15.0%** | |
| **Net debt service coverage** | Ability to pay back debt | >1.8x | 1.8x-1.65x | 1.65-1.5x | <1.5x | **1.74x** | |

- Risk categories assess how likely the agency is to drop out of compliance with metric.
- Risk boundaries may be updated as policies, parameters, or outstanding risks change (for example, staff recommendation to adjust net DSCR policy).
- Future state – programmatic risk assessment to support thresholds.



Note: Bounds are approximate and may fluctuate based on outstanding risk

# Debt Capacity & Coverage




## Plan remains medium-risk

- Minimum remaining available legal debt capacity is 15.0%
- Minimum net debt coverage is 1.74x (agency policy of 1.5x or above)
- Outstanding risks and opportunities remain, which are important to holistic view of affordability

# *Revenues: $600M (0.4%) increase through 2052*

## *Macroeconomic trends:*

- +$500M due to tax revenues, driven by expanded scope of sales tax and inflation
- +$400M higher other revenues, driven by clean fuel standard revenue and interest earnings
- -$300M due to lower fares, driven by lower observed compliance and higher share of youth ridership

**Short term increase (2027-2029) of sales tax has high benefit due to delayed debt issuance.**

# *Projects: $100M (0.1%) increase through 2052*

## *Project cost assumptions:*

- Service delivery project forecast consistent with lifecycle maintenance and capital replacement plan
- System expansion cost estimates align to May System Plan.

## *Macroeconomic trends:*

- Fuel cost is driving higher short-term CPI

# O&M: $1,000M (1.9%) increase through 2052

***Enhanced passenger experience costs:***

- +$500 million increase for enhanced passenger experience costs driven by growing Link system needs and rider initiatives

***Additional maintenance costs:***

- +$500 million for additional costs from partner vehicle maintenance contract negotiations, right-of-way upkeep, and inflation

# Conclusion and Next Steps

**Long-Range Finance Plan remains balanced through 2052, consistent with May update to the System Plan**

Next steps: the Adaptive Management Plan will provide a structure to enable proactive risk management and decision-making

- Spring 2027 Finance Plan update of macro-economic factors, which will be used to align expectations for 2028 Budget & TIP
- Development of risk assessment to support escalation thresholds and governance standards
- Project delivery framework to support improved understanding of when updated project costs will be incorporated into the Finance Plan

*Thank you.*

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