Why we are here

Informational and discussion only, no Board action required

• Discuss possible COVID effects on our capital program.
• Revisit Board precedent from last recession.
• Frame possible agency responses.
We’ve been here before

Sound Transit’s response to the Great Recession after ST2

• 25% initial revenue loss.
• Board held workshops to guide response.
• Board modified system plan to reduce, reschedule, suspend, or cancel select projects.
Sept. 2010 Board workshop

Project realignment priorities

High priorities

• Achieve goals of voter-approved system plan.
• Preserve projects underway or near completion.
• Maintain assets.
Sept. 2010 Board workshop

Project realignment priorities

Lower priorities

- Projects meeting fewer System Plan goals.
- Discretionary programs.
- Maintaining project reserves.
- Projects with undefined scope or uncertain partner commitments.
- Projects or services with low ridership.
ST2 project realignment categories

- **Design & construct** as planned.
- **Continue** with schedule and affordability risk.
- Retain **limited funding** to develop future options.
- **Suspend indefinitely and remove** from finance plan.
- **Delete** project from program entirely.
Uncertain future finances

Data available
- March national retail sales: 8.7% in March
- Unemployment claims: 26 million in last 5 weeks
- ST Ridership loss: 86%
- Federal assistance available: $166 million

Data not yet available
- March and April actual tax receipts.
- Duration of WA State social distancing.
- **Length and depth of recession.**
Program Funding sources (2017-2041: $97.9B)

- Tax revenues fund 67% of the program.
- Debt funds 18%.
- Fares fund 7%.

All above funding sources will be negatively impacted by a recession.
Revenue shortfall as a result of the recession

- As revenue sources shrink as a proportion of the total program, more debt will be issued to make up for some or all of the shortfall.

*Conceptual illustration*
Insufficient funding would require adjustment to the program

- When funding need exceeds available debt capacity, the program becomes unaffordable.

- One of the debt capacity constraints is based on regional property values, which is also likely to decline in a recession.
Recession threatens program affordability

- **Mild scenario: similar to dot com recession (2002)**
- **Severe scenario: similar to great recession (2008)**

![Diagram showing Debt Capacity - Fall 2019 vs Recession Scenarios](image_url)

- Principal Balance as Forecasted in Fall 2019
- Principal Balance as Forecasted with Dot Com Recession
- Principal Balance as Forecasted with Great Recession
- Debt Capacity as Forecasted in Fall 2019
## Revenue and Capacity Impact

2020-2041 (YOE$ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Dot Com Recession</th>
<th>Great Recession</th>
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<tbody>
<tr>
<td><strong>Loss of revenue</strong></td>
<td>-$5.6 Billion</td>
<td>-$11.9 Billion</td>
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<tr>
<td>As % of remaining capital</td>
<td>-11.8%</td>
<td>-25.2%</td>
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<tr>
<td><strong>Loss of debt capacity</strong></td>
<td>-$4.9 Billion</td>
<td>-$14.5 Billion</td>
</tr>
<tr>
<td>As % of remaining capital</td>
<td>-10.5%</td>
<td>-30.8%</td>
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Remaining capital (includes 2020): $47.2 Billion
Board tools to manage affordability

• Extend the time to complete the system.
• Modify project scope.
• Secure new grant funding or funding partners.
• Suspend or delete projects.
• Request a further tax increase from the legislature and voters.
ST Board’s Core Priorities for ST3

- Completing the Link Light Rail Spine
- Ridership
- Connecting the Region's Designated Centers with HCT
- Socio-Economic Equity
- Integration with other transit operators/transportation systems
- Multi-modal access
- Promoting transit supportive land use and TOD
- Advancing ‘logical next steps’ projects beyond the spine; within financial capacity

Elements of good design
CEO’s near-term approach

Maintain Board’s flexibility and readiness for uncertain future

Keep construction going safely

CEOs near-term approach

Maintain Board’s flexibility and readiness for uncertain future

Continue work in planning and final design

• Maintain readiness for variable revenue/grant scenarios.
• Slower, more incremental approach in some instances as longer-term realignment takes shape.
CEO’s near-term approach

Maintain Board’s flexibility and readiness for uncertain future

Hold on moving further projects into final design or construction

• Avoid over-commitment until Board priorities become clearer.

Board discussion schedule

Board, Executive Committee, Finance & Audit Committee

April  Establish context & process
May  Board workshop (History, context)
June  Board workshop (Criteria, options, evaluation)
July  Establish initial project priorities
Fall  Review project priorities via 2021 budget process
Thank you.