FALL 2025 LONG-RANGE FINANCIAL PLAN UPDATE SUMMARY

Key takeaways

Since the Fall 2024 Long-Range Financial Plan projections, the total estimated capital and operating costs to deliver the full ST3 program on the existing schedule have risen significantly. The Fall 2025 LRFP projections estimate the updated total program sources and the total amount of additional cost savings and new funding required to fully afford the ST3 program on the existing schedule. The cost increases shared at the August Sound Transit Board meeting have been updated to account for the latest tax revenue projections, inflation forecasts, latest expenditure timelines, total project cost estimates, and the impact of the 2026 Proposed Budget and Transit Improvement Plan. Due to the need to project sources and uses through the year 2046, the LRFP projections are produced in year of expenditure dollars to more accurately reflect inflationary impacts. Additionally, the LRFP projections use discrete values, but these projections are often communicated in ranges due to their inherent uncertainty.

Key highlights in this latest LRFP projection:

- The Fall 2025 LRFP projections estimate $34.5B in cost savings/new funding to fully fund the ST3 program, including near-term financial enhancements that have increased ST's estimated debt capacity by ~$2B.
- Updated sales tax forecasts reflect a further improvement of $2B (to $4B) versus the status reported in August 2025.
- $149 billion in total spending is still projected to be affordable, including $51 billion in ST3 pre-baselined expansion and extension investments.
- During 2025 and 2026, ST will continue executing on a workplan that informs and provides options for the Board to prioritize specific projects or elements of the ST3 program and define a program that would be projected to be affordable within agency resources.

Current financial status

As the agency continues to execute on the Enterprise Initiative, the long-range financial plan affordability considerations for the future ST3 expansion projects do not mean the agency has the same financial concerns for operating the existing system, completing the Stride bus rapid transit program, or investing in current system reliability and resiliency improvements.

Key takeaways for current financial situation:

- The agency currently has $7.2B in cash project by year-end 2025 in cash project by year-end 2025.
- Financial policies through the Transit Improvement Plan (TIP) period are still maintained as well as our long-range operating assumptions and fully funded state-of-good-repair.
- Our current debt ratings remain very strong at AA+/Aaa/Aa1 for our TIFIA/prior bonds/parity bonds, which have recently been reaffirmed by external agencies.
- Our existing cash optimization strategies continue and we are actively working with our financial advisor and investment bankers to identify additional opportunities to expand future financial capacity and improve financial sustainability beyond the TIP period.
- Even with the considerations for the future ST3 projects with the Enterprise Initiative, the agency still has additional investment capital capabilities of an estimated $51B for the remaining expansion program as noted above.

Fall 2025 update - changes to Long-Range Financial Plan assumptions

The total affordability gap range shared in August was $31 billion to $40 billion. The Fall 2025 Financial Plan update incorporated the latest cost and revenue assumptions resulting in an updated affordability gap of $34.5 billion. Major changes to the August affordability gap range are shown below.

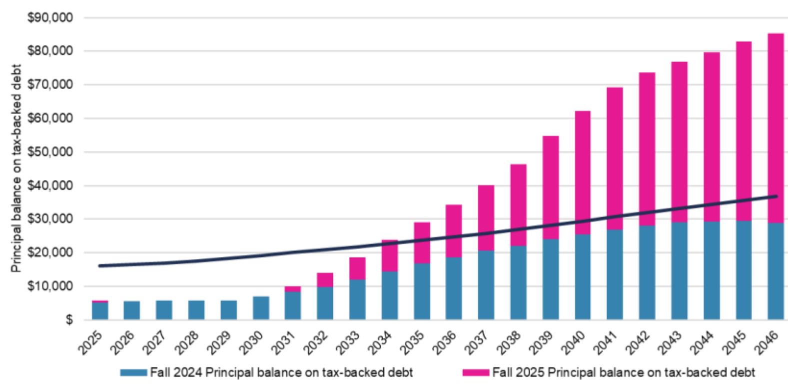
Category	Comparison to August affordability gap range	Notes	Fall '25 impact to affordability gap range
Capital program cost increases, *excluding Series 3 LRVs*	+$28B Fall 2025 update is consistent with the up to $30B range shared in August.	▪ System expansion project costs to build out the full scope of the ST3 plan have increased by $27B. ▪ Inflation forecasts provided by consultants result in an increase of ~$500M due to a higher Construction Cost Index, partially offset by a reduction in the Right of Way Index as property values cool.	▪ $0B impact
Service Delivery cost pressures, *including Series 3 LRVs*	+$5B Fall 2025 update is consistent with the $5B in additional service delivery costs shared in August.	▪ $1B in operating cost increase driven by increased internal resourcing forecasts for staff, consultants, IT applications, and LRV overhauls. ▪ $4B in project cost increases driven by projected resiliency/state of good repair costs and projected cost increases for Series 3 LRVs.	▪ $0B impact
Revenue and Financing challenge	$1B Fall 2025 update for revenue/ financing challenge is a $4B decrease compared to August.	▪ Sales tax forecast has improved financing capacity by $2B. ▪ Financial enhancements improved financing capacity by $2B. ▪ Revenue/financing challenges reduced to ~$1B.	▪ $4B decrease

Affordability

Debt capacity

The Agency's ability to issue new debt is constrained by the statutory legal limit of 1.5% of assessed value in the Sound Transit taxing district.

In the Fall 2025 LRFP projections, due to the increased costs added to the plan, the Agency projects debt needs beyond its legal available debt capacity starting in 2034.

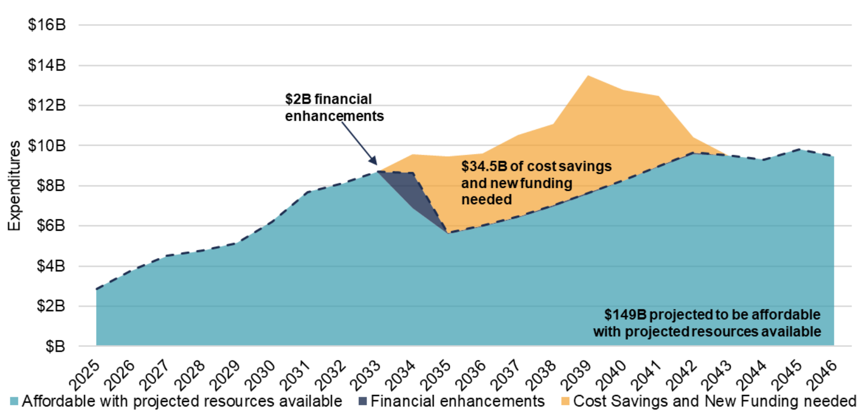


Cost savings or new funding required to return plan to affordability

The Fall 2025 LRFP projections require the need for an additional $34.5 billion in cost savings and new funding to fully fund the ST3 program. This already includes the impact of financial enhancements to mitigate the need. $149 billion in spending is still projected to be affordable, including $51 billion in ST3 pre-baselined expansion and extension investments.

Financial enhancements

Based on reasonable assumptions and vetting with our investment bankers and financial advisors, the Fall 2025 LRFP projections include increased projected financial capacity of a projected $2B from:



- Reduced future long-term borrowing rate from 5.3% to 5.0%
- Increased assumed cash interest earnings by 50 basis points, from 2.0% to 2.5%
- Decreased assumed debt issuance cost from 1.25% to 1.00% of par value
- Assumed $80M of clean fuel standard revenue through 2046
- Removed property tax under-collection assumption