

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

*Board of Directors Meeting*

10/24/2019



# *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\$)



## Change in sources

- Higher tax revenue forecast \$1.0B
- Additional borrowing \$0.7B

## Change in uses

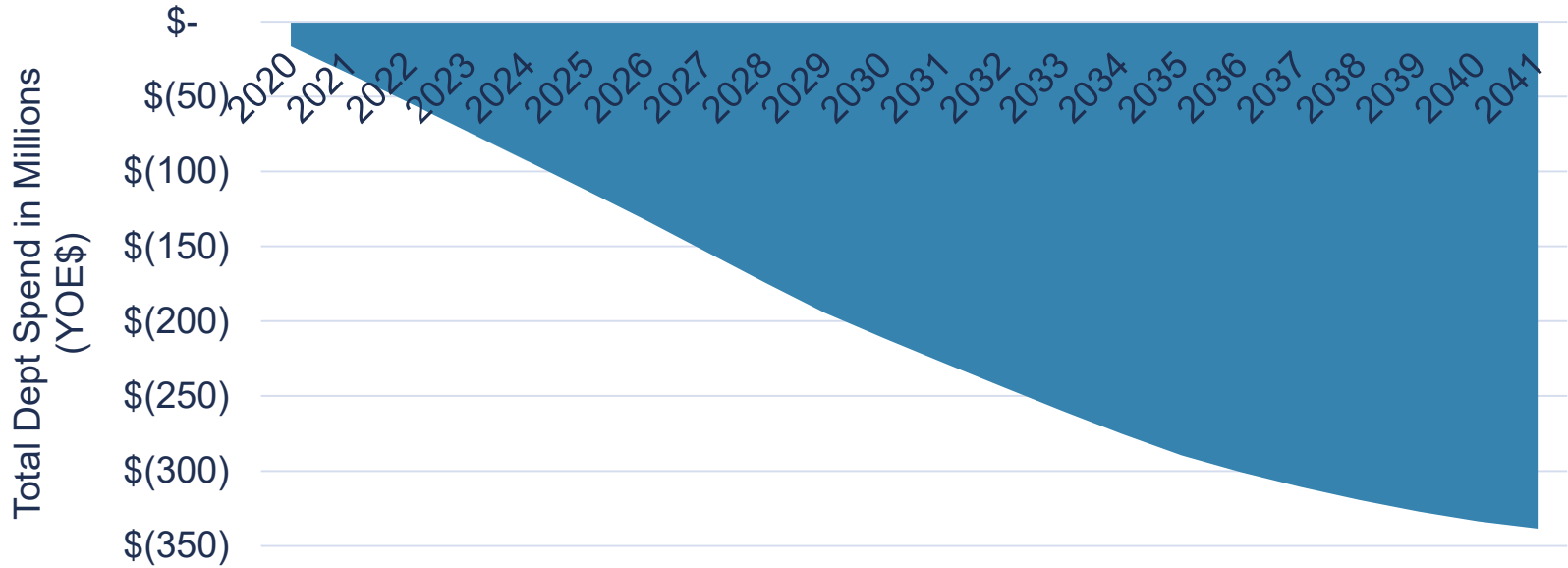
- Higher projected project costs \$1.2B
- Increased debt service \$0.3B
- Other \$0.2B

# *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*

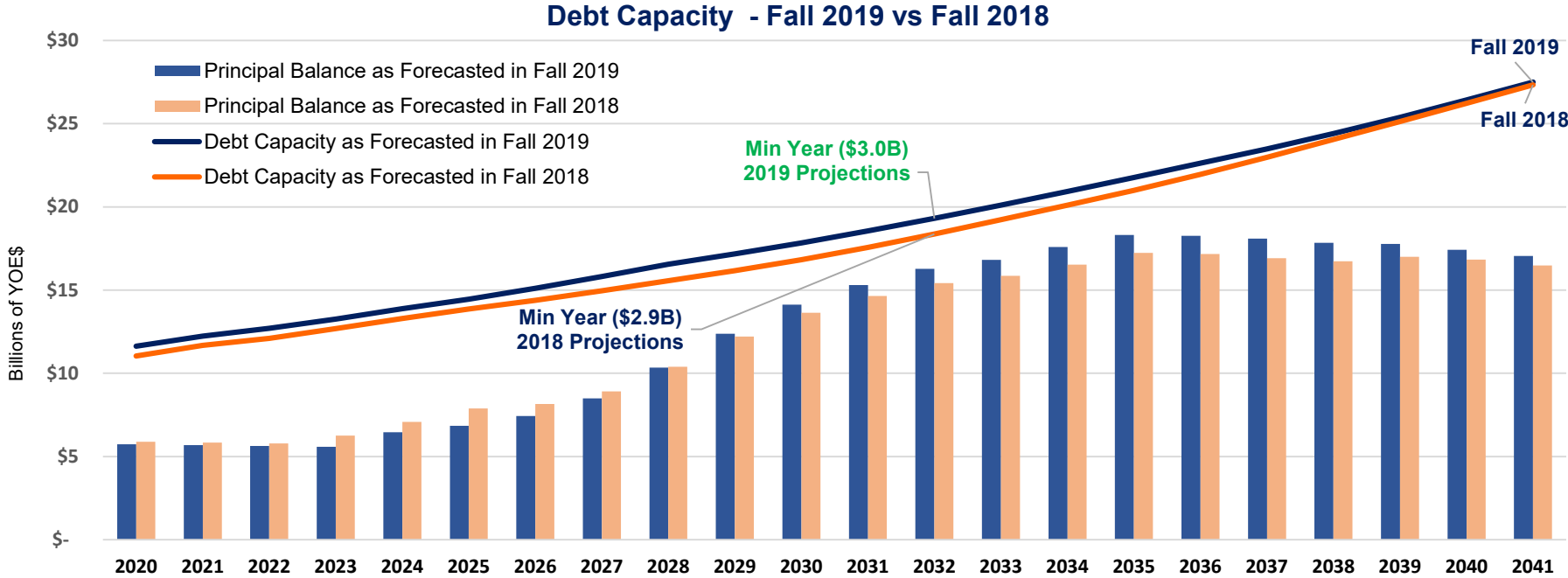
# Effects of updating operating budget process: \$325M projected budget reduction through 2041





# 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

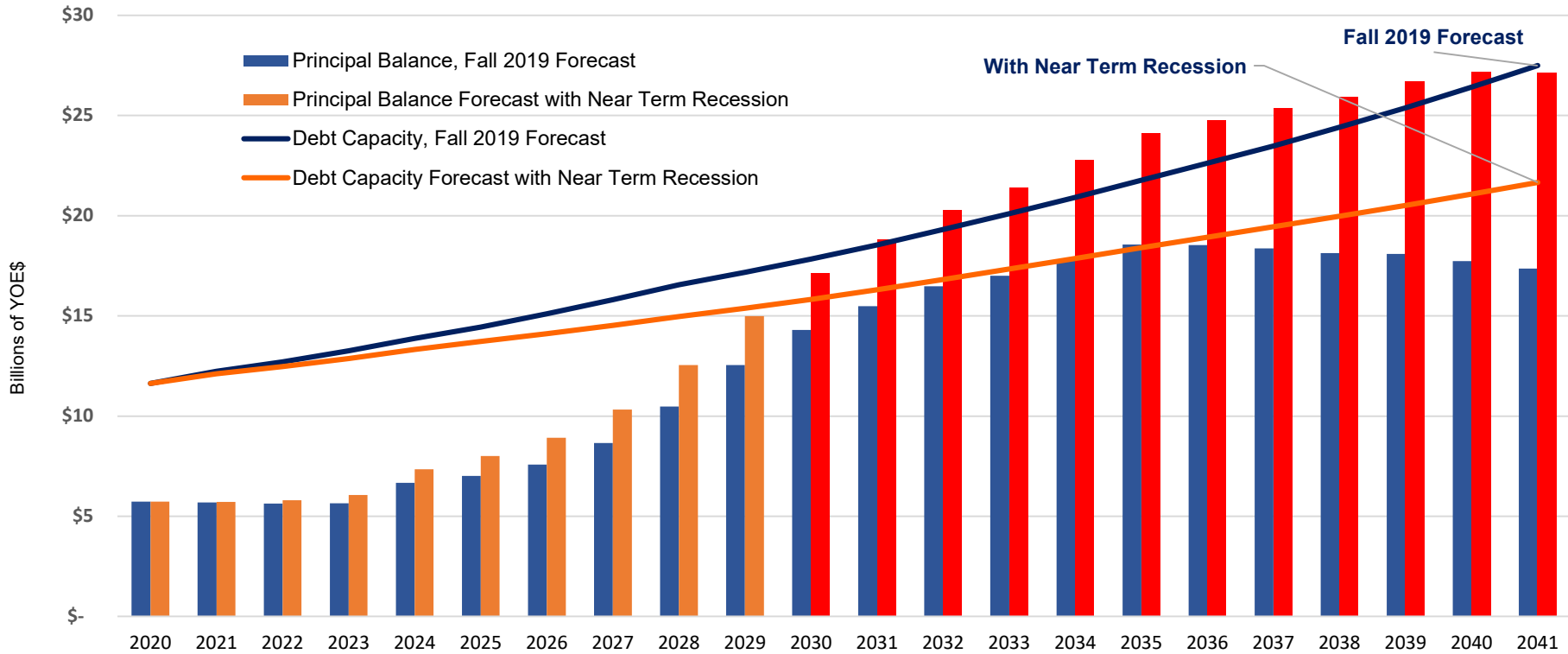
# Key risks

- 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 the these risks would threaten Sound Transit's ability to delivery the program as planned***

# Near term recession scenario

Debt Capacity - Fall 2019 vs Scenario with Near Term Recession



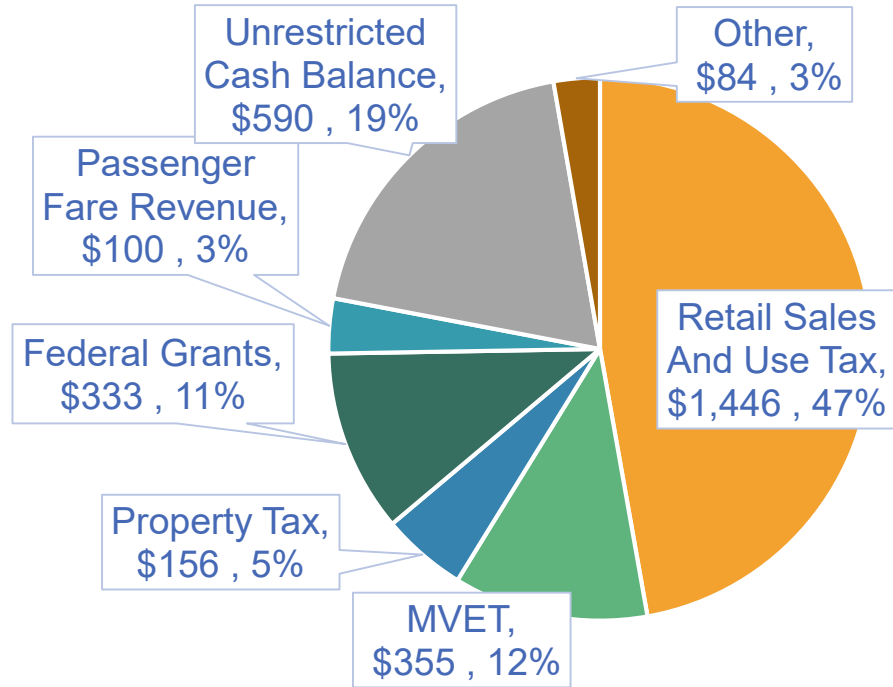
# *Key management considerations*

- 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

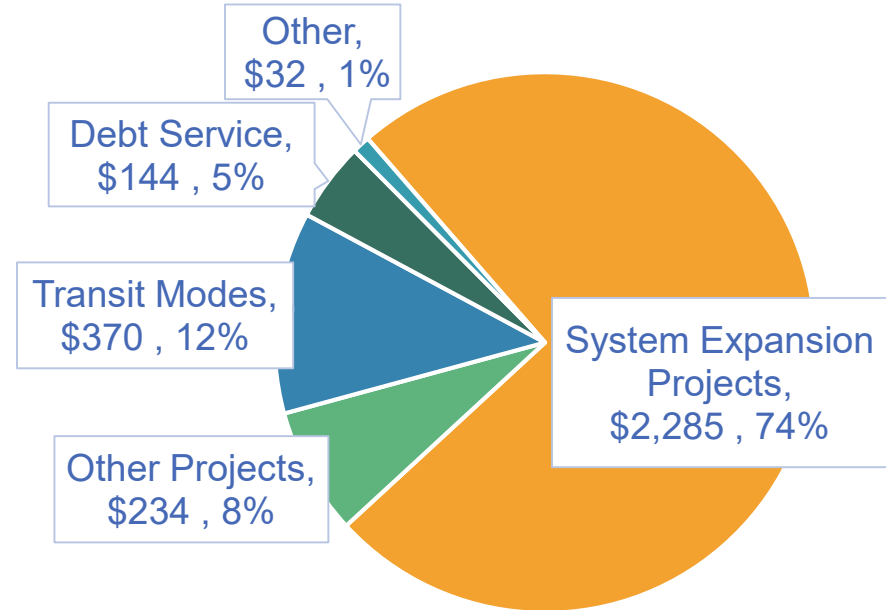
# *Proposed 2020 budget*

# 2020 sources and uses of funds: \$3.1B

## Sources of Funds (in \$M)



## Uses of Funds (in \$M)





# 2020 revenues and funding sources: \$2.5B

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

- 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

\*Numbers may not add correctly due to rounding.

# 2020 projects: \$2.5B

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

- 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

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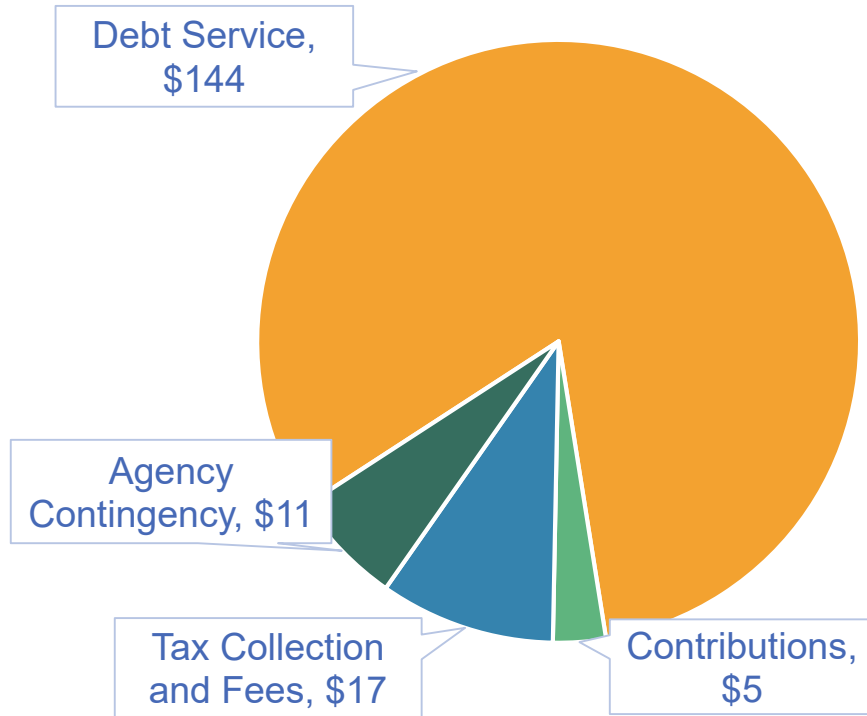
# 2020 transit operations: \$370M

<i>In \$Million</i>	2019 Forecast	2020 Proposed	% Change
Link	138	148	7%
ST Express	144	151	4%
Sounder	56	66	16%
Tacoma Link	5	6	9%
<b>Total</b>	<b>\$345M</b>	<b>\$370M</b>	<b>7%</b>

- 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

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# 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.*



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