

# *Why we are here*

- Financial Plan Affordability Gap Update
- YTD Financial Performance Report

# ***CFO Report***

*Finance and Audit Committee*

*7/15/2021*

***Financial Plan Affordability  
Gap Update***

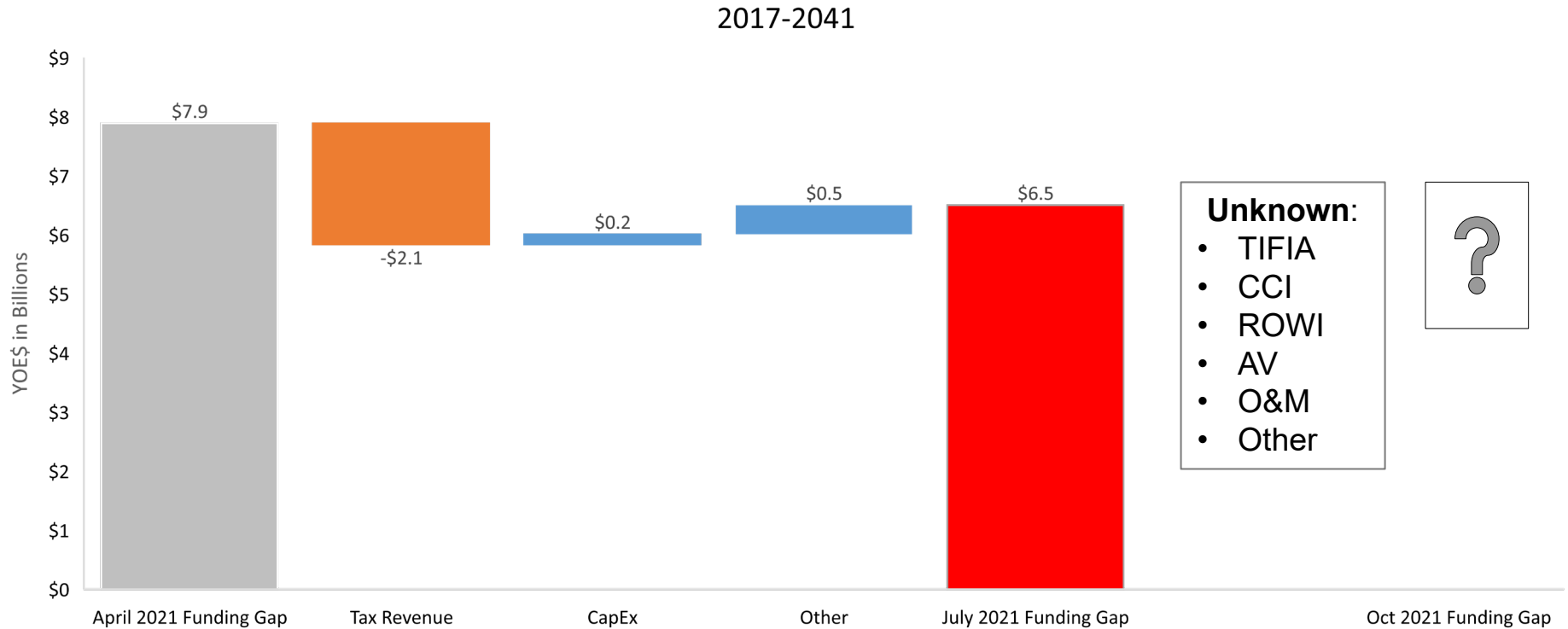
# *Economic update – near term recovery with long term uncertainty*

- *US real GDP increased by 6.4% in 2021 Q1, up from 4.3% in 2020 Q4.*
- *WA unemployment rate in May at 5.3%. Total employment adds in Q2 less than forecast.*
- *Long-term tax revenue forecast highly uncertain*
  - Consumer confidence remains below pre-pandemic levels
  - Federal stimulus packages ending
- *Inflation pressure and uncertainty from Federal Reserve on interest rate movements.*

# *Financial Plan projections through 2041*

- *Updated projections since April 2021*
  - Tax forecast increased by \$2.1B
  - CPI forecast added \$0.4B to capital and operating costs
- *Cost of Construction Index and Right of Way Index available in the fall will likely add to construction cost forecasts.*
- *\$6.5B current affordability gap projected through 2041. Program unaffordable without realignment.*

# Affordability Gap Update – Current vs. April



# ***Major Financial Plan Updates since Pandemic***

- ***Tax Revenue: \$600 million increase***
- ***Fares: \$133 million decrease***
- ***Grant Revenue: \$3.7 billion increase***
  - COVID relief: \$0.9 billion
  - Increase in assumption: \$2.8 billion
- ***Project Cost Estimates: \$11.9 billion increase***
- ***Consumer Price Index: \$429 million cost increase***
- ***Operating and State of Good Repair: \$1 billion increase***
- ***Cost of Construction Index, Right of Way Index and Assessed Valuation and other updates will be available in October 2021***

***May YTD 2021 Financial  
Performance Report***



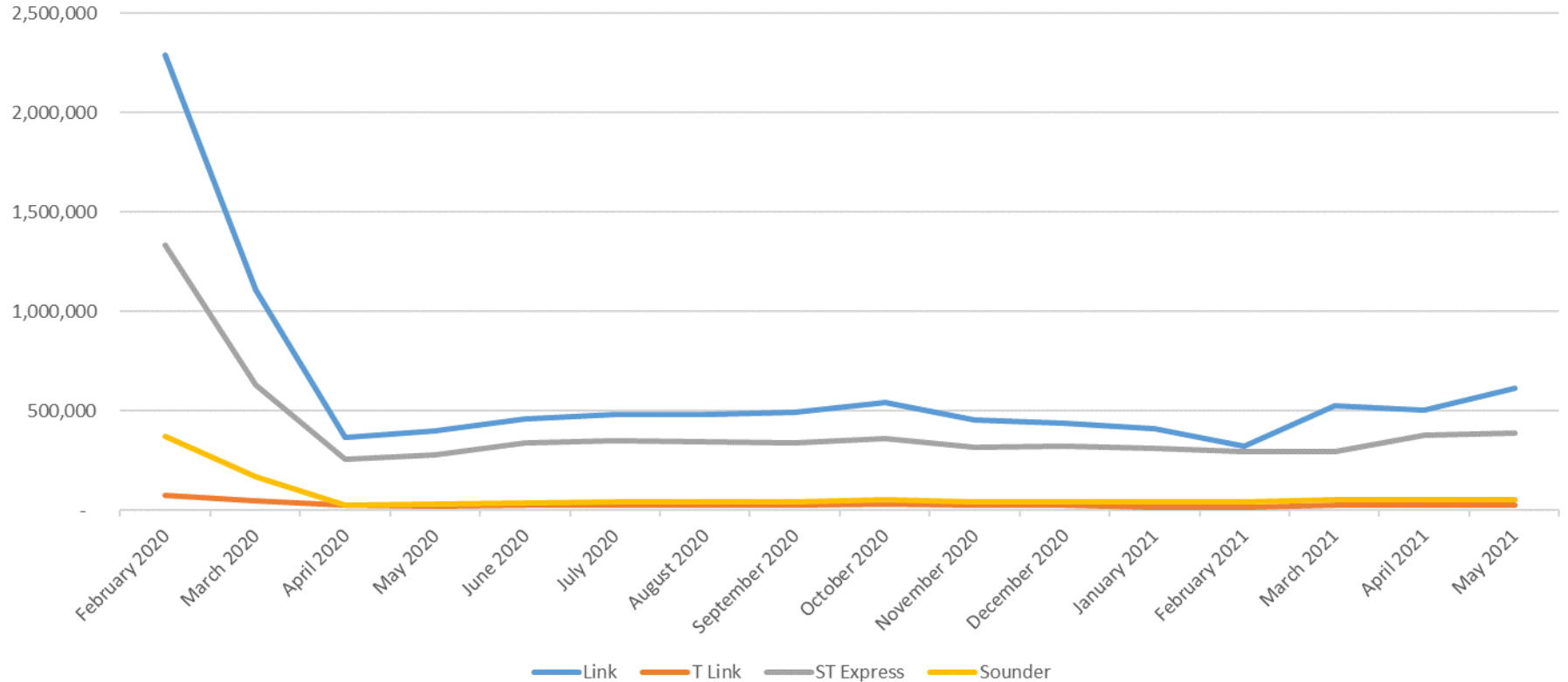
# *YTD Tax Revenue Performance*

- 1. YTD Tax revenues at 14% or \$98M over budget*
- 2. Jan to Mar 2021 actual tax collection up 13% or \$56M over same period 2020*
  - Sales tax up 21%
  - MVET down 5%

# May YTD Ridership Summary

- **Ridership May '21 YTD actuals vs budget: 4.8M total vs 6.4M (25% under budget)**
- **Ridership decline from 2019 to 2021 May YTD**
  - System Total: -76%
  - Link: -78%
  - ST Express (all partners): -77%
  - Sounder: -88%
  - Tacoma Link: -72%

# Ridership Trend Feb '20 - May '21



# May YTD Fare Revenue and Farebox Recovery

May YTD ST fare revenue at 60% of budget. Forecasted 2021 farebox recovery ratio significantly below policy target due to lower ridership and fare compliance struggling to return following fare-free period.

Mode	Policy	2019 Actuals	2021 May YTD
Link	40%	34%	5%
Sounder	23%	31%	4%
STX	20%	25%	6%

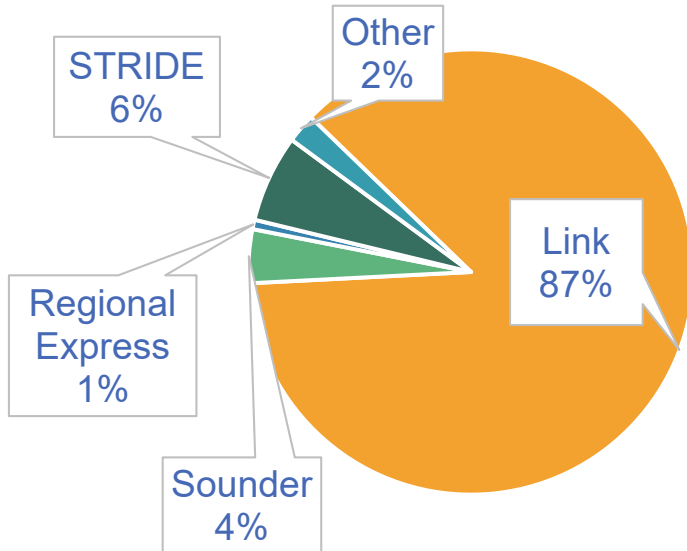
Non Fare Boardings				
Period	STX	Sounder	Link	Total
5/31/2019	13%	1%	14%	12%
5/31/2021	22%	19%	46%	36%

# *May YTD Operating Expense*

- YTD Operating expense at \$156M or \$1.7M (1%) over budget
- Mainly due to timing, YE forecast expected to be at 100% of \$381M budget

# System Expansion Projects

## System Expansion Projects \$2.2B 2022 Budget by Mode



## At 83% or \$138M below YTD budget:

- **Link at 87% or \$95M under YTD budget.** Delay in two right-of-way acquisitions, Midway Landfill credit, and acceptance rate of new LRVs.
- **Sounder at 55% or \$10M under YTD budget.** Pending realignment decisions.
- **Regional Express at 13% or \$2M under YTD budget.** Pacific Ave SR 7 Bus Corridor (PT stream)
- **STRIDE at 43% or \$17M under YTD budget.** Realignment delays and right-of-way acquisitions.

# May YTD Non-System Expansion Projects

**Project spending at \$13M, 54% of YTD budget**

**State of good repair at 56% or \$5.2M below YTD budget**

- Primarily due to delayed work under DSTT Capital Improvements, Vertical Conveyance program, and IT Technology Infrastructure.

**Administrative at 77% or \$0.8M below YTD budget**

- Primarily due to delay in agreement execution supporting Union Station HVAC replacement project.

**Enhancements at 46% or \$4.5M below YTD budget**

- Primarily due to delay from various projects.

*Thank you.*



 [soundtransit.org](https://www.soundtransit.org)



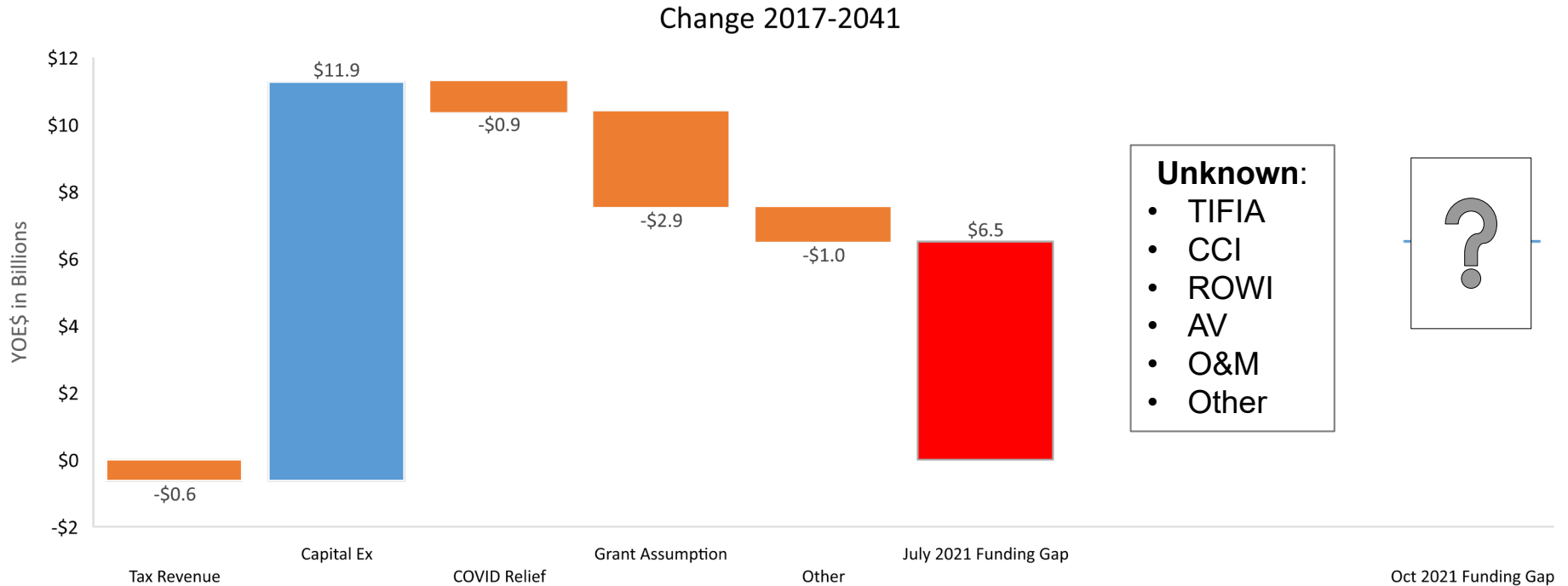


# Chair's proposed realignment scenario

	Tier 1 ≤ 2 years delay	Tier 2 ≤ 6 years delay	Tier 3 ≤ 9 years delay	Tier 4 10+ years delay
System	Bus Base North (2025) OMF South (2029) OMF North (2035)	2 <sup>nd</sup> DSTT (2038)	Souder Maintenance Base (2034)	ST2 Bus Base (2045) Bus-on-Shoulder (2045)
North	Lynnwood-SW Everett NP (2038)	SW Everett-Everett NP (2042)		Edmonds & Mukilteo (2034) Everett Link Parking (2046)
East	405 Stride S. NP (2026) 522 Stride NP (2026)	405 Stride N. NP (2027) S. Kirk.-Issaquah (2045)		522 Stride parking (2034) 405 Stride parking (2034) N Sammamish P&R (2045)
Central	Alaska Jct.-SODO (2032)	SODO-Smith Cove (2038) Smith Cove-Ballard (2040) NE 130 <sup>th</sup> (2037) Graham St. (2037)		RapidRide C/D (2045)
South	Kent, Auburn, Sumner (2025) T-Dome Link NP (2032) Lakewood, S Tacoma (2032) TCC Tacoma Link (2041)	Boeing Access (2037)	Souder platforms & access (2036) Souder trips (2045) DuPont Sndr (2045)	T-Dome Link Parking (2040) SR-162 (2045)

17 *No delay due to finances, only delayed because of slow downs in environmental review during COVID, 3<sup>rd</sup> party negotiations, permitting, right-of-way acquisition, or extended timelines for selecting EIS alternatives and preferred alternatives.*

# \$6.5 Affordability Gap – Current vs. Pre-pandemic



# *CPI Inflation Update*

- ***Seattle CPI***
  - Applied to non-wage related operating costs, non-construction/ROW phases of capital costs.
- ***June Update - Average annual growth 2020-2041 grew to 2.36% from 2.21%***
  - \$5M (YOES) in additional capital and operations expenditures in 2021 and 2022.
  - \$429M additional to plan through 2041 (\$256M impact to affordability gap.)

# Tax revenue projections up by \$2.1 billion

*June 2021 forecast includes 3 additional months of tax receipts, actual March 2021 stimulus funding and updated economic forecast data.*

- \$226M increase (6.2%) in 2021 and 2022.
- \$2.1B increase (4.0%) through 2041.

April 2021 Revenue Forecast vs. June 2021 Revenue Forecast			
in \$ Millions	2021-2022	2021-2041	2021-2041 %
Sales Tax	\$ 219	\$ 1,895	4.2%
MVET	\$ 6	\$ 155	2.2%
<b>Total</b>	<b>\$ 226</b>	<b>\$ 2,050</b>	<b>4.0%</b>

# \$3.3B Outstanding Sound Transit TIFIA Loans

Sound Transit's Master Credit Agreement is the first & only in the US

Project	TIFIA Loan Amount	Current Interest Rate
East Link	\$1.3B	2.38%
TIFIA Master Credit Agreement		
Northgate Link	\$615M	3.13%
OMF-East	\$88M	2.73%
Lynnwood Link	\$658M	3.06%
Federal Way Link	\$629M	2.36%
<b>Total TIFIA Loans</b>	<b>\$3.3B</b>	