Realignment Financial Update

Board Meeting
3/18/2021

SOUNDTRANSIT

Why we are here

No action requested today; information only

- Realignment financial update
- TIFIA update
- Credit ratings impact on financing costs and affordability

Current Financial Projections

- *Current forecasts render the program unaffordable without realignment.*

- *Total expenditures (Capital and Operations) exceed available funds by $11.5B through 2041.*

Economic and financial update

What has changed since the last revenue forecast

- Vaccine is now assumed to be widespread in mid-2021
- Additional stimulus funding anticipated in 2021.
- 2020 tax revenues performed at 6% under budget.

April – Financial plan and affordability gap update.

Current TIFIA status

- ***$3.3B in existing TIFIA loans***
  - East Link
  - Master Credit Agreement(MCA): Northgate, Federal Way, Lynnwood, OMFE
- ***Current applications***
  - Refinance of all existing loans
  - $521M additional TIFIA for Downtown Redmond Link Extension

*Potential TIFIA benefits projected lower as rates move higher**

- ***Projected benefits lowered from $500M-$1B to $100-200M***
  - Refinance existing loans would lower affordability gap by approximately $60M.

  - Addition of Downtown Redmond Extension would lower affordability gap by approximately $100M.

Rate based on March 4 Treasury rate of 2.25% + 50bps

Realignment Actions imperative to ensure high credit ratings

- Sound Transit is one of the highest rated transit agencies in the country. High credit rating ensures low borrowing cost.
- Program flexibility and past record of Board's realignment decisions during the great recession is a key credit strength.

"The agency's approaches for managing the recession's impacts have included maintaining an aggressive focus on controlling costs, putting some projects on hold, and earlier decisions to include prudent financial contingencies in project cost estimates"

-2012 Credit rating report post great recession realignment

Credit deterioration will further increase the affordability gap

Negative change in credit ratings, due to lack of actions to balance the financial plan, could result in

- Higher costs ($1-3 billion increase in debt service)
- Liquidity challenges (difficulty in accessing needed funds)
- Wider affordability gap and lead to more and longer tax collection from the taxpayers.

Thank you.

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