

Annual Program Review

Board of Directors

5/26/22



Why we are here

- Overview of first Annual Program Review
- Discuss key takeaways

Notes:

- No Board action needed today.

Realignment Overview

Board-adopted realigned program

Work toward initial Target Schedule with the Affordable Schedule as safety net

- Projects with affordability gaps:
 - West Seattle and Ballard Link Extensions
 - Everett Link Extension
 - Tacoma Community College Extension
 - South Kirkland-Issaquah Link Extension
- Collaborate to tackle funding gaps through project cost savings and seeking additional financial capacity.

Annual Program Review

Board direction

Resolution No. R2021-05:

“[The Annual Program Review] will review shifts in project financial capacity resulting from updated cost, revenue, and debt capacity projections and the readiness of projects to benefit from such shifts.”

Purpose: Provide transparency and an early warning system for Board and staff.

Realignment Implementation Annual Cycle

- Project and cost savings updates
- Monthly dashboard



- Annual Program Review
- Updated Financial Plan
- Project and cost savings updates
- Monthly dashboard
- Cost drivers report



- Next year's budget
- Updated Financial Plan
- Project & cost savings updates
- Monthly dashboard
- Cost drivers report

- Project and cost savings updates
- Monthly dashboard

Analyzing the workload

Strong financial health means balancing system expansion and regional transit operations with agency revenues.



What to expect

Multiple inputs, one report

- Snapshot in time
- Summarized into sections:



External pressures



Project readiness



Financial capacity

Key takeaway

The Sound Transit program remains affordable on the Affordable Schedule.

The Target Schedule remains unaffordable.

External Pressures

External pressures key takeaways

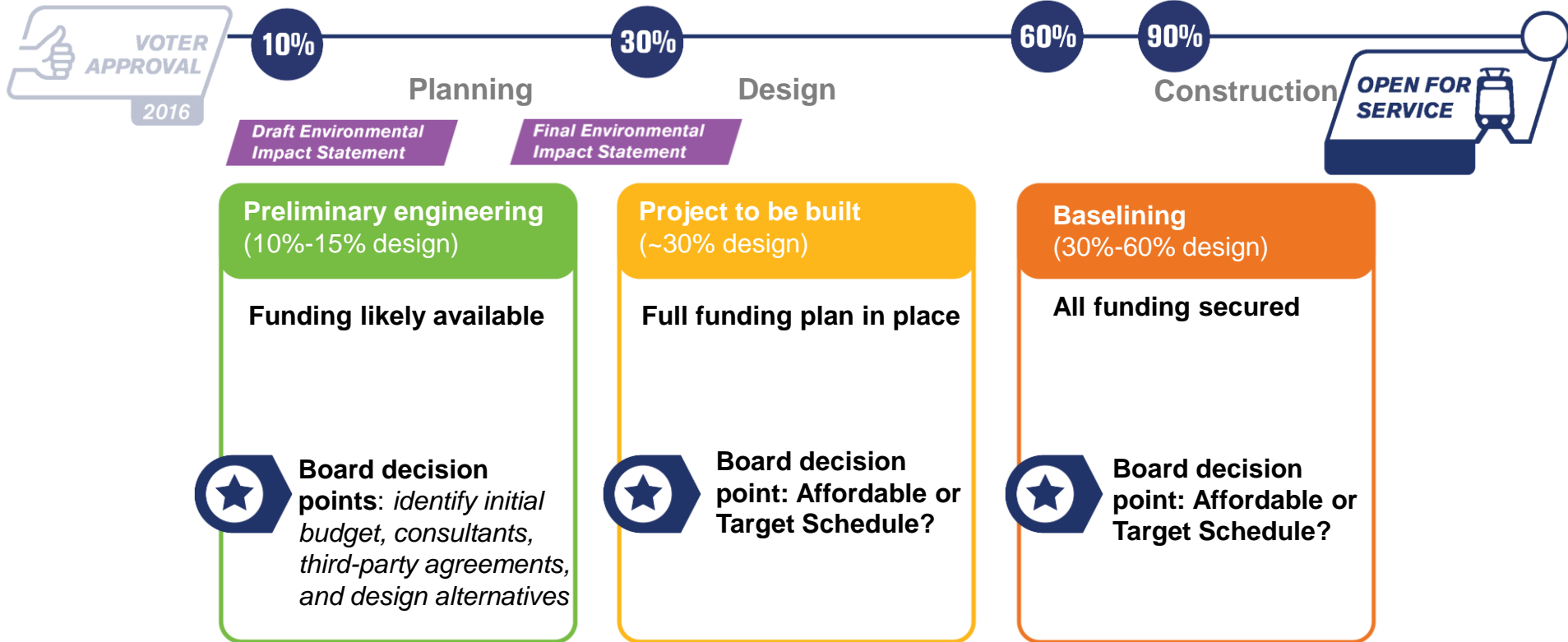
Increasing cost pressures impact the program and overall financial risk.

- Materials and labor costs inflation
- Strained construction industry and supply chain disruptions
- Rising property costs
- Increasing operating costs



Project Readiness

Moving toward project readiness



Project readiness key takeaways

Projects continue to advance on the Affordable Schedule; however, the program is facing increasing cost and schedule risks which may result in increases to cost estimates and baseline budgets and/or delays.

- Working with partner jurisdictions to obtain **agreements and/or permits**
- **Environmental review** process
- **Acquiring property** for right-of-way



Financial Capacity

Financial capacity key takeaways

The Sound Transit program remains affordable on the Affordable Schedule. The Target Schedule remains unaffordable.

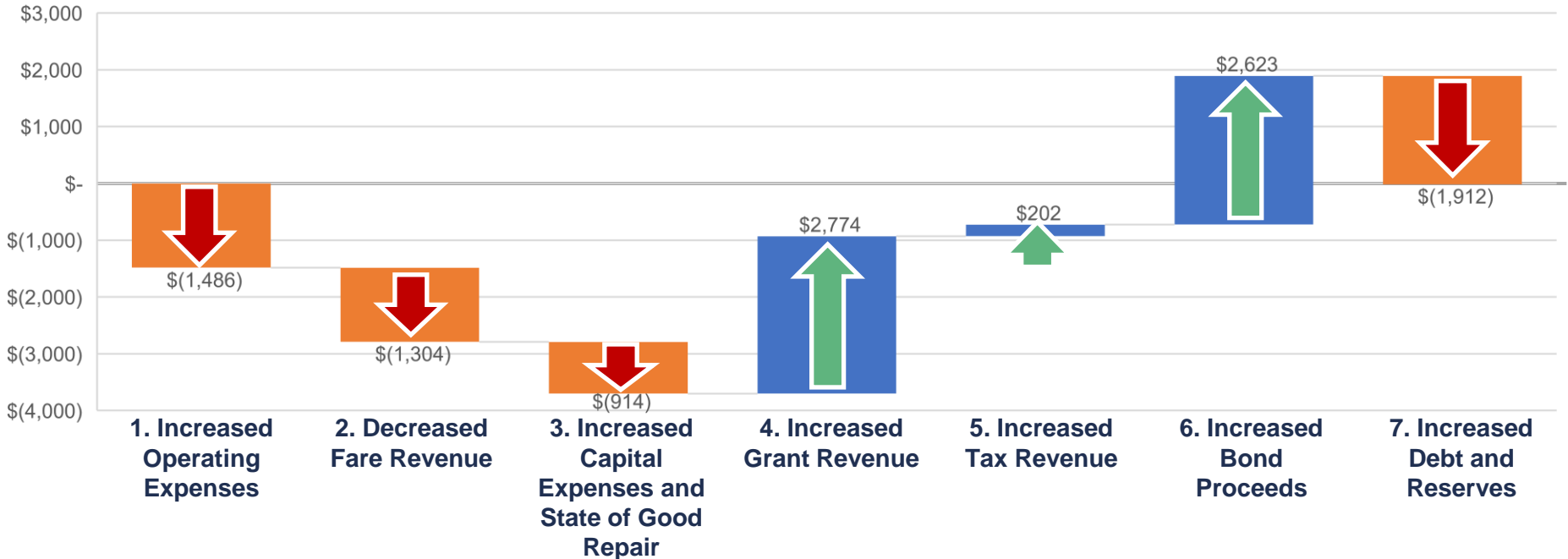
- Total program is more expensive due to inflation, higher operating costs, and lower projected fare revenue.
- The Bipartisan Infrastructure Law provides higher grant funding potential to offset more expensive program and lower revenue.
- Available debt capacity has declined as compared to the Final Realigned Plan.



Major Assumption Changes to Financial Plan since Fall

(2017-2046 millions in YOES)

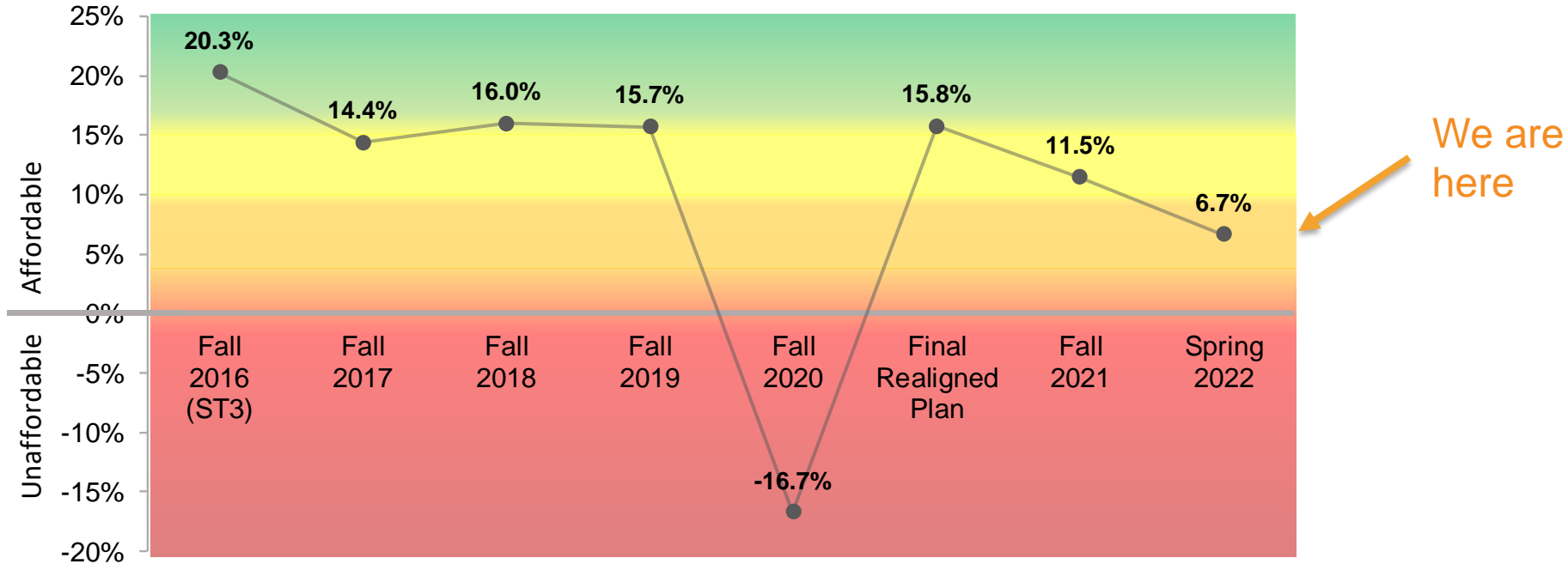
■ Increase ■ Decrease



Available debt capacity lower, risk higher

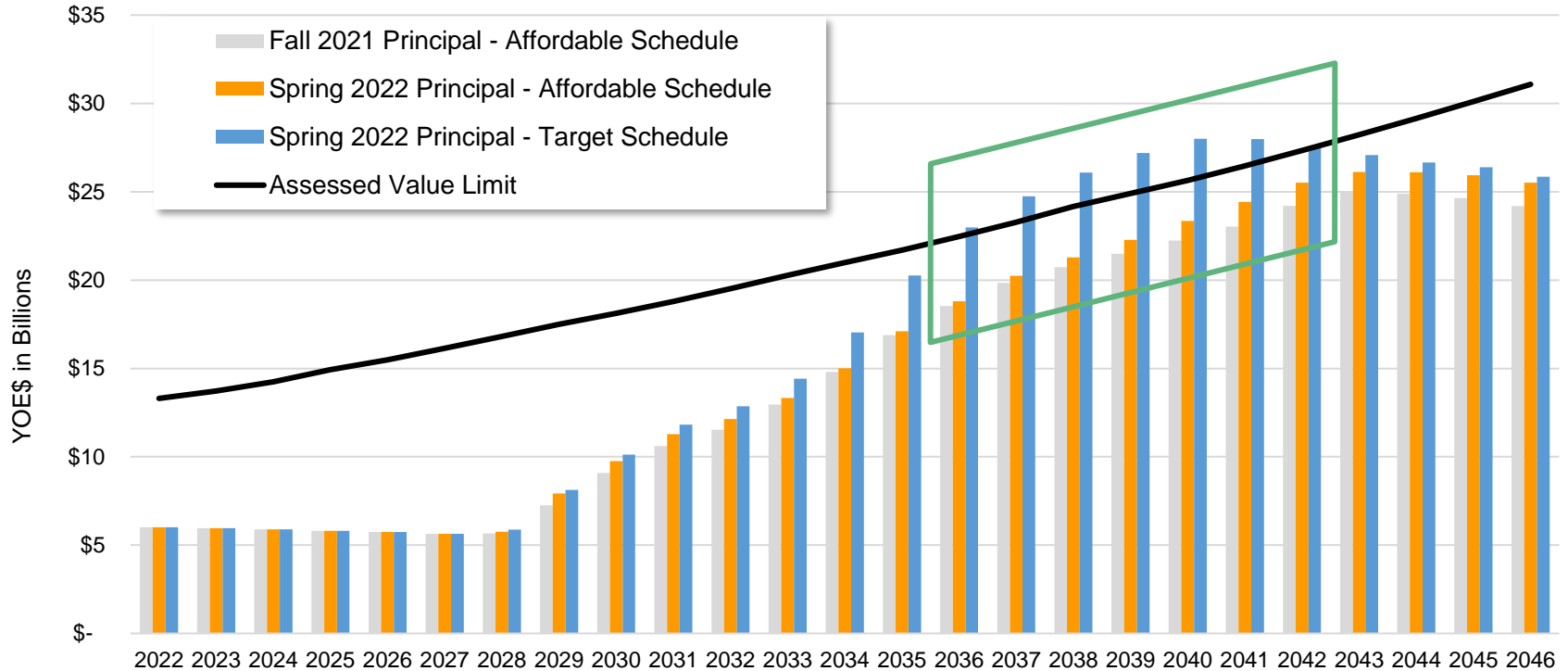
Debt capacity has decreased since final realigned plan

Remaining Debt Capacity in Year of Maximum Constraint



Target Schedule remains unaffordable

Available debt capacity lower for all years compared to Fall 2021



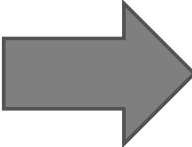
Project Affordability Gap Basis - from Resolution No. R2021-05

- Affordability gaps will “account for agency financial capacity, subarea affordability, and required system facilities.”
- “[Target Schedule] assumes all projects are simultaneously offset.”
- “The Affordable Schedule establishes tiers of projects to prioritize, fund and manage program work”

Project-level Affordability Gaps

Updated for latest inflation and sub-area balances

| Project | Final Realigned Plan (2019\$) | Spring 2022 Update (2022\$) |
|--|-------------------------------|-----------------------------|
| West Seattle and Ballard Link Extensions | \$ 1,800 | \$ 2,200 |
| Everett Link Extension | \$ 600 | \$ 500 |
| Tacoma Community College Link Extension | \$ 20 | \$ 20 |
| South Kirkland-Issaquah Link | \$ 90 | \$ 100 |
| TOTAL AFFORDABILITY GAP | \$ 2,510 | \$ 2,820 |



- Amount apportioned to each project based upon total agency affordability gap
- Projects cannot proceed on the Target Schedule without addressing the total agency affordability gap

Next steps

Strategies to manage cost and schedule impacts include:

- Robust collaboration with local jurisdictions to work through the process
- Monitor and manage project risk registers and explore an agency-wide enterprise risk program
- Updated cost estimates at key project milestones
- Publish Realignment Performance Dashboard
- First biannual Cost Drivers Report to SEC in June
- Board-convened Technical Advisory Group (TAG) will provide recommendations to accelerate projects
- Continuous improvement on Annual Program Review

Thank you.



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