Addendum to December FAC CFO Report

Executive Summary: October 2023 YTD Financial Performance

October 2023 year-to-date (YTD), total revenues and other financing sources were at $3,364.2M compared to total expenditures of $2,090.9M. For total revenues and other financing sources, this represents being at 151% of budget. For total expenditures, this represents spending 86% of budget.

	Revenues & Other Financing (in thousands)	October 2023 YTD Budget	October 2023 YTD Actuals	Variance ($) (Under)/Over	Actuals as % of Budget
1.	Tax Revenues	$ 1,879,710	$ 1,908,944	$ 29,233	102%
2.	Other Revenues & Financing	$ 341,878	$ 1,455,262	$ 1,113,383	426%
	Total Revenues & Other Financing	**$ 2,221,589**	**$ 3,364,205**	**$ 1,142,617**	**151%**

	Expenditures (in thousands)	October 2023 YTD Budget	October 2023 YTD Actuals	Variance ($) Under/(Over)	Actuals as % of Budget
3.	Transit Operations	$ 410,191	$ 379,182	$ 31,009	92%
4.	System Expansion Projects	$ 1,654,237	$ 1,422,834	$ 231,403	86%
5.	Non-System Expansion Projects	$ 207,460	$ 144,902	$ 62,558	70%
6.	Debt Service	$ 109,880	$ 106,953	$ 2,927	97%
7.	Other Expenses	$ 39,272	$ 37,028	$ 2,244	94%
	Total Expenses	**$ 2,421,040**	**$ 2,090,900**	**$ 330,140**	**86%**

1. Tax Revenues
   Actuals were 2% or $29.2M higher than YTD budget primarily due to steady overall economic growth following the recovery in 2022.

2. Other Revenues & Financing
   Actuals were 326% or $1,113.4M higher than YTD budget primarily due to:
   - TIFIA loan drawdown $994.6M in unbudgeted drawdown completed in August.
   - Investment income $91.2M higher than YTD budget driven by higher-than-expected investment balances and market rates.
   - Federal grants are $27.0M higher than YTD budget primarily due to due to $68.9M higher than budgeted funds for Lynnwood Link Extension (LLE) and $15.7M higher than budgeted funds for Federal Way Link Extension (FWLE). This is offset by fiscal year 2023 FTA funds not being awarded yet, including $25.2M for DRLE, $7.4M for ST Express bus preventive maintenance, $19.7M for rail preventive maintenance, $3.2M lower than budgeted funding for DSTT vertical conveyance work, and $2.6M lower than budgeted funding for NexGen ORCA program. More funds are anticipated to become available by the end of December through already executed agreement amendments.

   Note: actuals exclude the Downtown Seattle Transit Tunnel (DSTT) transition of ownership from King County Metro to Sound Transit.

3. Transit Operating Expenditures
   Overall, actuals were 8% or $31.0M lower than YTD budget.

   Link actuals were 6% or $11.4M lower than YTD budget primarily due to:
   - Agency administration driven by higher vacancies than budgeted.
   - Service contracts across various areas: radio repair needs less than planned, use of ST staff resource for Link Control Center network work, and on-call services utilized less than budgeted levels.

   Sounder actuals were 19% or $13.8M lower than YTD budget primarily due to:
   - Vehicle maintenance with less vehicles than originally assumed in the budget to maintain.
   - Lower actualized fuel rates than budgeted ($3.41 average vs. $5.00 per gallon budgeted).
   - Lower insurance premiums from softening market and entrance of more insurers.

<u>Tacoma Link</u> actuals were 36% or $5.1M lower than YTD budget primarily due to the delay of Hilltop Tacoma Link Extension (HTLE) opening (budgeted for Q1 opening vs. September 2023 actual opening).

<u>Regional Express</u> actuals trending to budget (i.e., 1% or $0.7M lower than YTD budget).

4. System Expansion Project Expenditures
   Overall, actuals were 14% or $231.4M lower than YTD budget. Link system expansion projects account for 51% or $117.2M of this underspending driven by:
   - Lynnwood Link Expansion: $61.9M lower than budget due to utility work taking longer than expected, as well as some work now anticipated in 2024 (including passenger signage, additional environmental mitigation).
   - LRV (Light Rail Vehicle) Fleet Expansion: $37.5M lower than budget due to delays in software readiness and installation and lower than expected manufacturer production rate.

5. Agency Project (excluding System Expansion) Expenditures (there are 111 active projects in this category)
   Overall, actuals were 30% or $62.6M lower than YTD budget driven by:
   - Agency Administrative Operating project: $19.1M lower mainly due to higher than budgeted staff vacancies (13.9% YTD average vacancy rate vs. 8.0% budgeted) resulting in lower salaries and benefits as well as other staff related costs i.e., licenses, hardware, software maintenance, training, etc. *Note: this project is agency general & administrative expenses allocated to capital projects as well as general & administrative expenses that are not charged directly to either capital projects or transit operations.*
   - IT Digital Passenger Info System project: $8.2M lower mainly due to the contractor's quality of work not meeting Sound Transit's expectations.
   - Information Tech Program: $4.9M lower mainly due to procurement delays and internal resource availability.
   - PSO Programmatic Work: $4.4M lower mainly due to project manager availability for projects such as completing requirements manual, updating specs and procedures, and engineering software trials.

6. Debt Service Expenditures
   Actuals trending to budget (i.e., 3% or $2.9M lower than YTD budget). This accounts for the updated budget amendment from earlier in 2023 for the retirement of the variable rate debt.

7. Other Expenditures
   Actuals were 6% or $2.2M lower than YTD budget due to:
   - $1.4M lower operating lease costs due to unutilized contingencies.
   - $0.8M lower sales & tax offset fees which are paid to the WA Department of Revenue based on ST3 construction related costs paid to contractors. There has been less than budgeted spending YTD on applicable costs.