

# *Proposed 2025 Budget and Transit Improvement Plan*

*Community Oversight Panel*

*11/13/24*



# ***Why we are here***

## ***Today we are here to provide information***

- Proposed 2025 Budget and Transit Improvement Plan (TIP)
  - Revenues & funding sources
  - Expenditures
  - Service growth
  - TIP
- Budget timeline and next steps

# 2025 budget, TIP, and long-range financial plan

## Budget 2025

*Board Approved*

**Annual Budget** of revenues, sources, and expenditures for 2025.

## Transit Improvement Plan (TIP) to 2030

*Board Approved*

**Authorized Allocation** (lifetime) for all active project costs, including past actuals. (Includes pre-baselined and baselined projects, as well as service delivery projects.)

## Long-Range Financial Plan (2017 – 2046)

*Board Updated*

Includes Sound Move, ST2, and ST3 sources and uses through 2046.

***Proposed 2025 budget and  
Transit Improvement Plan (TIP)***

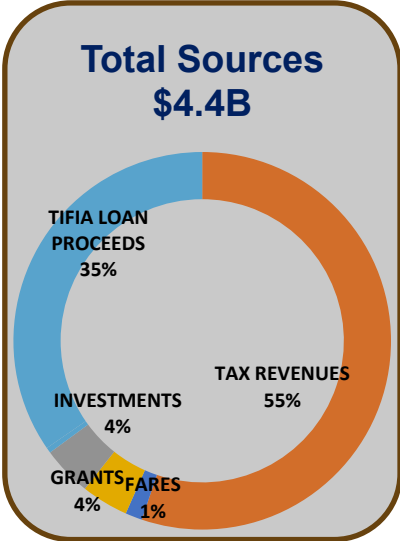
# *Key takeaways*

- Small growth in capital spending – Link decreases as ST2 projects enter service, while projects in planning and Stride ramps up
- Operating costs, including security and fare ambassador program increase in line with increased service
- Focused efforts to identify inefficiencies and reprioritize spending
- Drawdown majority of TIFIA loans to optimize future financing

# *Revenues & funding sources*

# FY 2025 overview – revenues and sources

(In millions)



Total Sources	FY2025 Budget	% change from 2024 forecast
Taxes	\$2,414	4.3%
Fares	\$63	9.9%
Grants	\$177	-20.3%
Investments	\$186	-5.7%
Misc. Rev	\$20	16.6%
TIFIA	\$1,514	1,523%

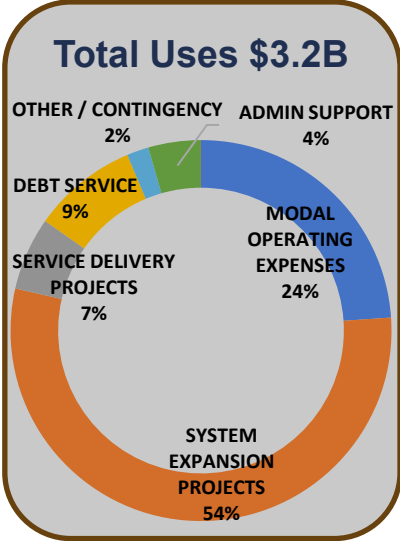
- Tax revenues: Economic growth expected to pick up regionally after slow 2024
- Fares: Full year of Lynnwood and Starter Line; opening of Downtown Redmond and East Link
- Grants: Lower Lynnwood funding due to project opening and reduced costs budgeted for Federal Way in 2025
- TIFIA: East Link, Lynnwood, and Downtown Redmond loan drawdowns

# *Uses of funds*



# FY 2025 overview – uses of funds

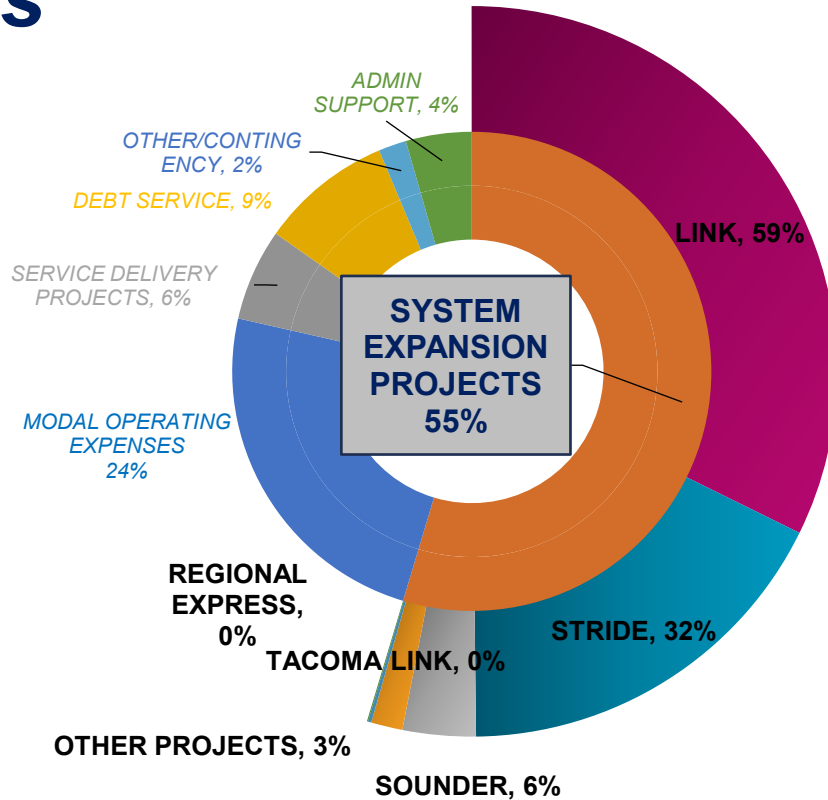
(In millions)



Total Uses	FY2025 Budget	% change from 2024 forecast
Expansion	\$1,736	2%
Modal Ops	\$760	29%
Service Proj.	\$206	71%
Debt Service	\$284	60%
Admin Support	\$141	
Other / Cont.	\$61	13%

- *Expansion Projects: Growth in Stride, Ballard, West Seattle; projects in construction ramp down.*
- *Modal Ops: Full year of Lynnwood, Starter Line; opening of Downtown Redmond, East Link.*
- *Service Projects: Fund agency critical state of good repair, enhancement, and admin projects.*
- *Debt service: Interest begins with drawdown of East Link, Lynnwood, and Downtown Redmond TIFIA loans.*

# System Expansion Projects– 55% of FY2025 uses

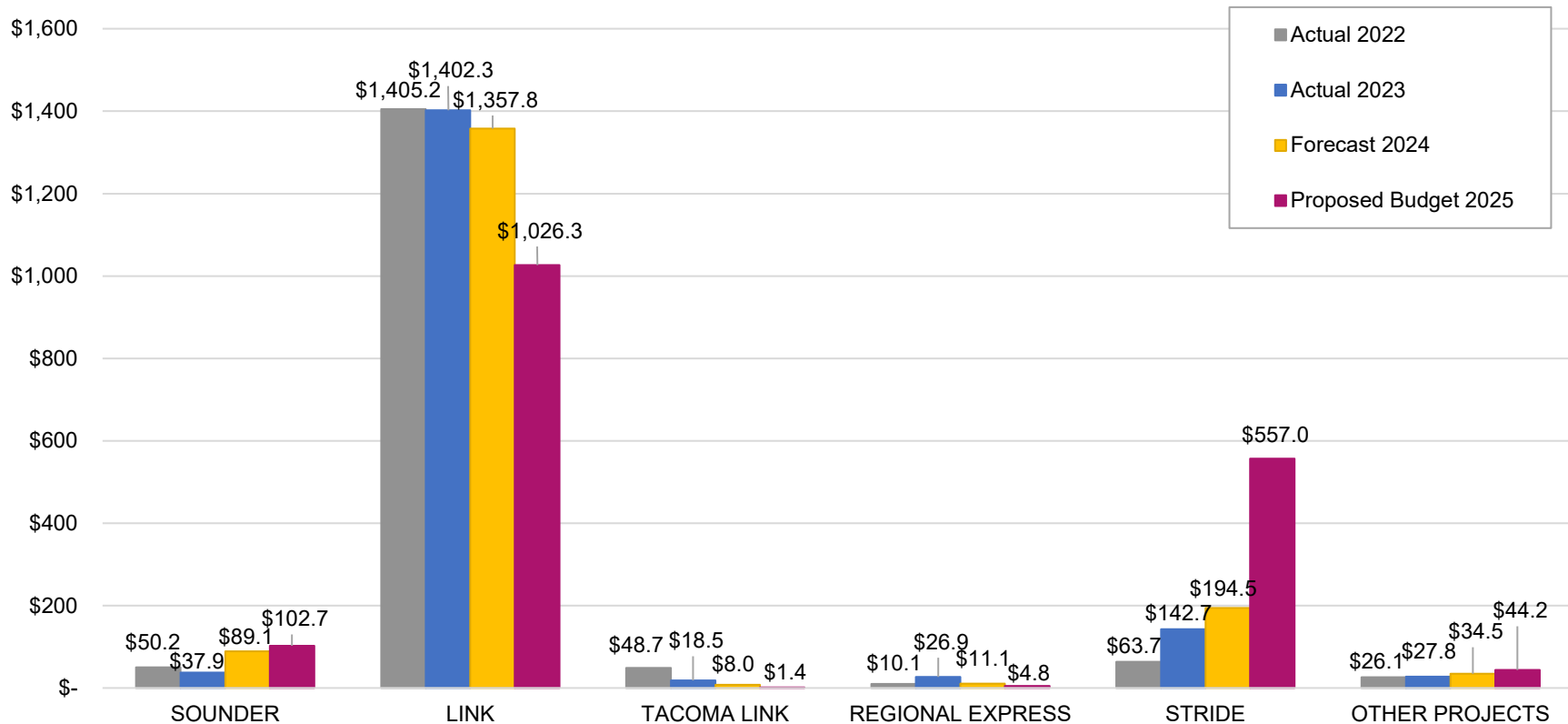


## 2025 System Expansion Costs

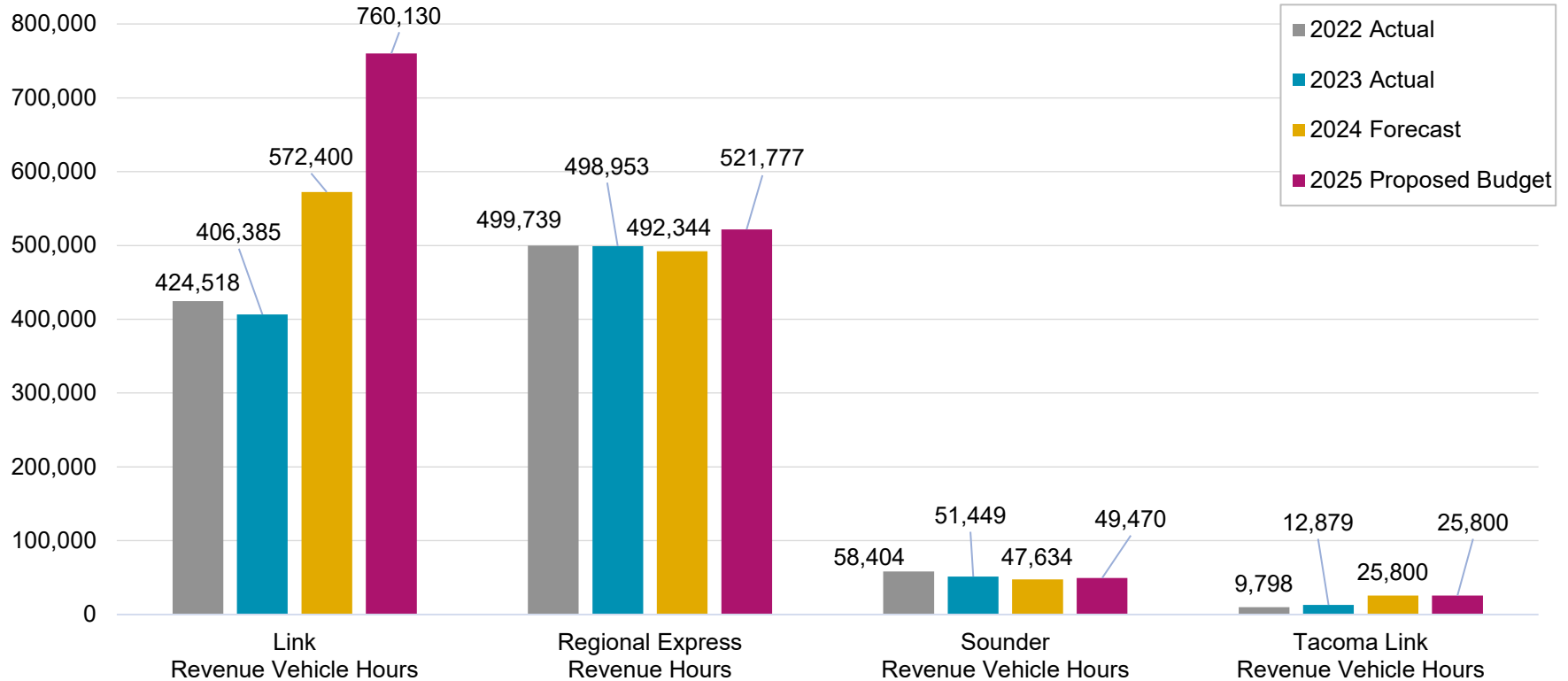
<b>Link</b>	<b>\$1,030M</b>
Ballard Link	\$271M
OMF-South	\$157M
West Seattle Link	\$147M
Federal Way Link	\$104M
Other Link	\$276M
<b>Stride</b>	<b>\$557M</b>
I-405 BRT	\$308M
SR-522 BRT	\$145M
BRT Maintenance Base	\$103M
<b>Sounder</b>	<b>\$103M</b>
Sumner, Kent, and Auburn	\$74M
Other	\$29M
<b>Regional Express</b>	<b>\$5M</b>
<b>Tacoma Link</b>	<b>\$1M</b>
<b>Other (Systemwide)</b>	<b>\$44M</b>

# System expansion – trends (by mode)

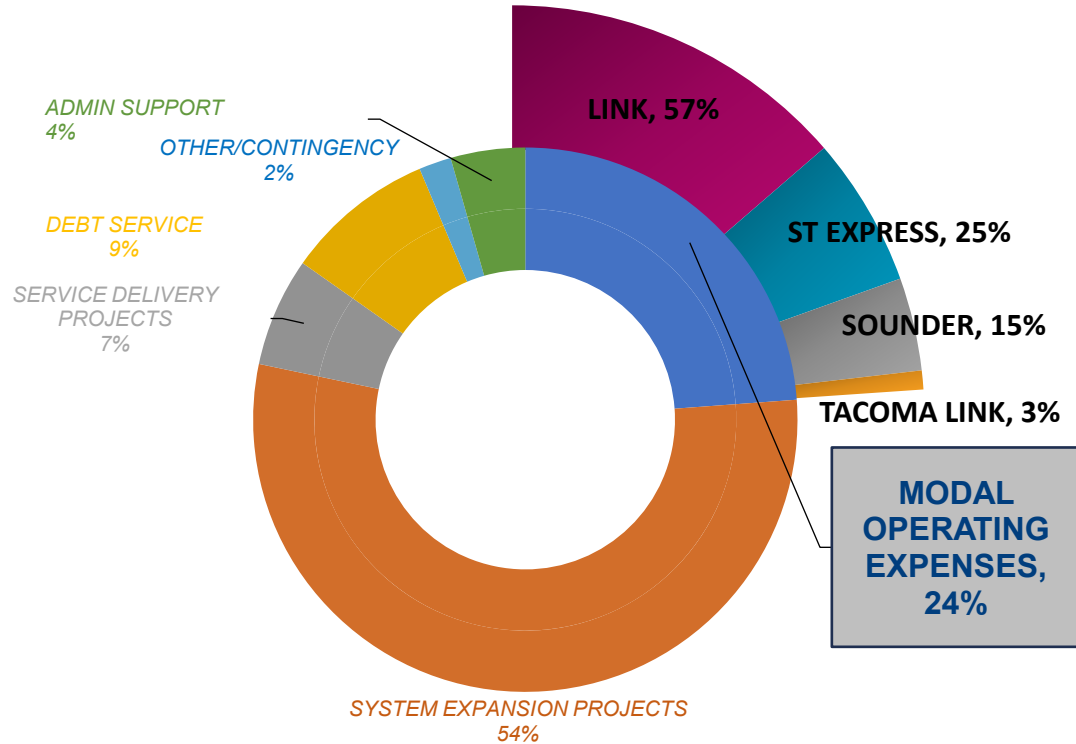
In millions



# Service: revenue hours by mode



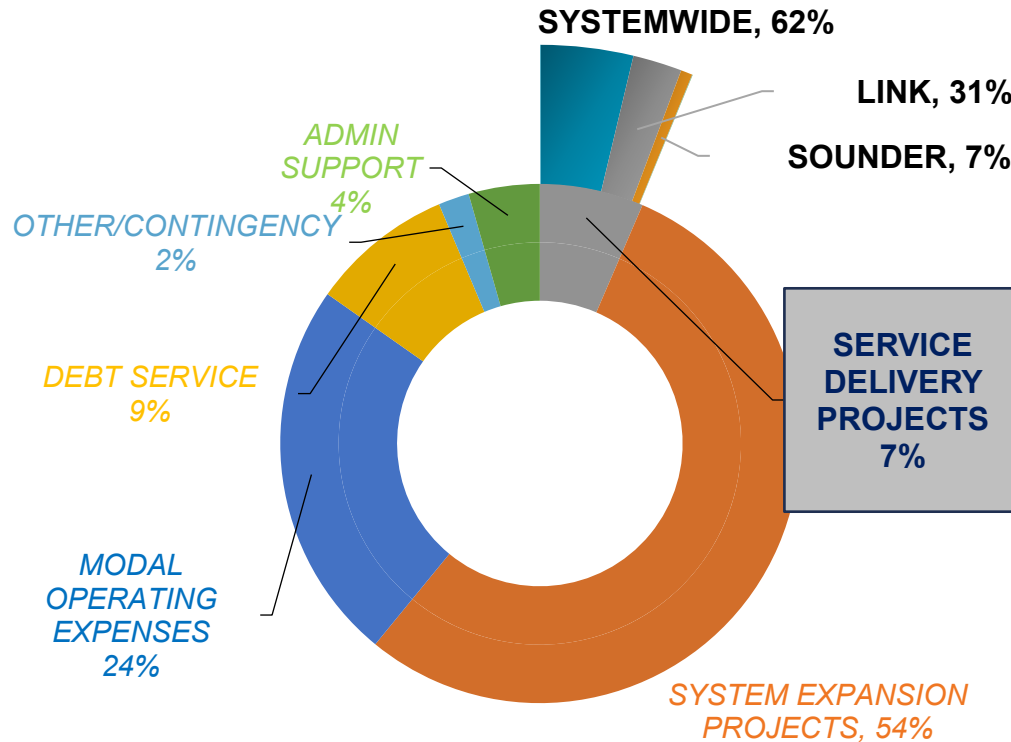
# Modal operating expenses – 24% of FY2025 uses



## 2025 Modal Expenditures

<u>Link</u>	<b>\$434M</b>
Purchased Transportation	\$174M
Salaries, Benefits, & Resourcing	\$48M
Security & Safety	\$72M
Cleaning, Parts, & Maintenance	\$35M
Insurance	\$30M
<u>ST Express</u>	<b>\$187M</b>
Purchased Transportation	\$159M
Salaries, Benefits, & Resourcing	\$6M
Security & Safety	\$6M
Cleaning, Parts, & Maintenance	\$6M
<u>Sounder</u>	<b>\$116M</b>
Purchased Transportation	\$20M
Salaries, Benefits, & Resourcing	\$9M
Security & Safety	\$5M
Cleaning, Parts, & Maintenance	\$39M
Insurance	\$14M
<u>Tacoma Link</u>	<b>\$24M</b>
Salaries, Benefits, & Resourcing	\$12M
Security & Safety	\$2M
Cleaning, Parts, & Maintenance	\$3M

# Service delivery projects – \$206M or 7% of FY2025 uses

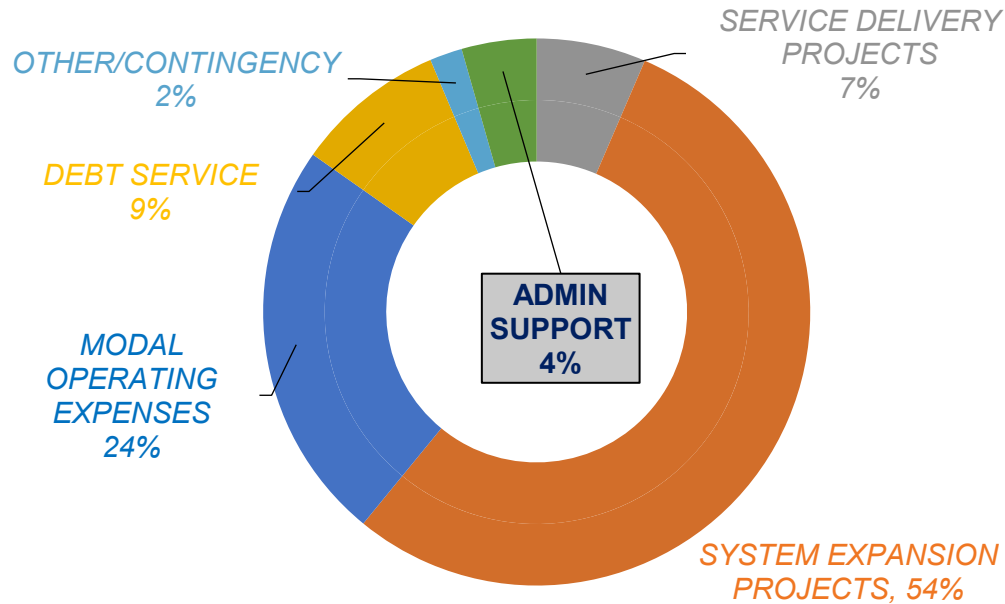


## 2025 SDP Expenditures

<b><u>Systemwide Projects</u></b>	<b><u>\$128M</u></b>
SOGR	\$41M
Enhancements	\$43M
*Administrative	\$43M
<b><u>Link</u></b>	<b><u>\$63M</u></b>
SOGR	\$36M
Enhancement	\$27M
<b><u>Souder</u></b>	<b><u>\$15M</u></b>
SOGR	\$14.5M
Enhancement	\$0.5M

\* Includes revision

# Administrative support – \$141M or 4% of FY2025 uses



- Administrative Support funds administrative costs that are mainly allocated to capital projects
- 2025 budget of \$141M is 0.3% higher than 2024 forecast

***Proposed TIP***



# Changes to Transit Improvement Plan

Transit Improvement Plan Expenditures - 2025 Proposed Budget	
Category	Authorized Allocation (\$M)
2024 Adopted Transit Improvement Plan*	\$25,571
New projects / programs^	\$31
Increases to existing projects / programs	\$318
Decreases from project closures	(\$81)
<b>2025 Proposed Transit Improvement Plan</b>	<b>\$25,840</b>

\*Includes Board actions taken through 10/31/2024.

^ Includes revisions.

- *201 active projects in the 2025 Transit Improvement Plan*
- *Eight new projects added (including PMIS)*
- *Nine project closures*

# *Opportunities and Risks*

## *Focus on cost efficiencies*

- Vacancies removed from staffing plan, resulting in actual savings
- Agency continues efforts to identify opportunities to improve spending led by Project MOST

## *Risks*

- Period of extensive service openings creates more operating budget risk now and in the future
- Link system expansion shifts from ST2 projects in construction to ST3 projects in planning, future capital budgets uncertain

***Budget timeline  
and next steps***

# Timeline

## *October – budget overview and property tax approval*

- **10/10** – Finance & Audit Committee – Proposed 2025 budget and TIP
- **10/15** – Public hearing for proposed 2025 budget and property tax levy
- **10/24** – Board – budget overview and property tax levy approval

## *November – budget recommendation and approval*

- **11/7** – Rider Experience and Operations Committee – recommends to FAC
- **11/7** – Executive Committee – recommends to FAC
- **11/14** – System Expansion Committee – recommends to FAC
- **11/21** – Finance and Audit Committee – recommends to Board
- **11/21** – Board – adoption of the proposed 2025 Budget and TIP

***Fall 2024 Financial Plan  
Projections***

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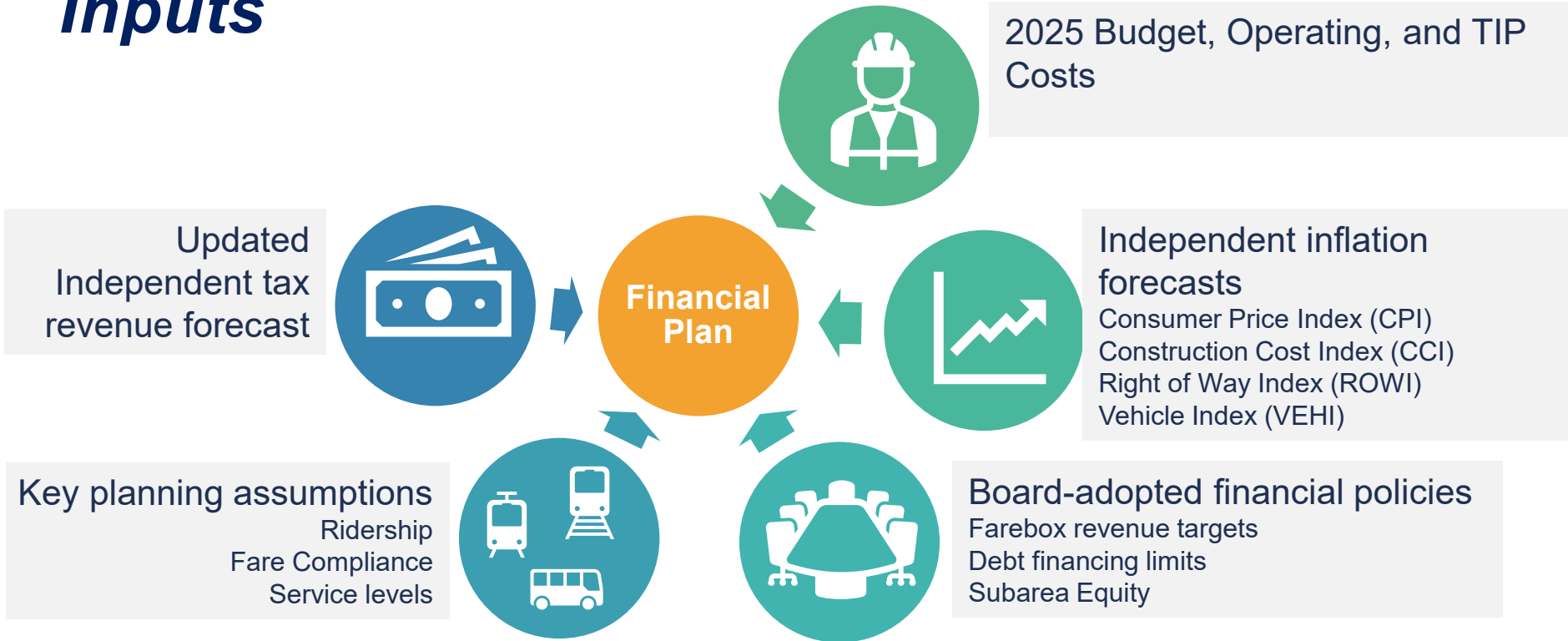
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# Fall 2024 Plan Inputs



# *Financial Plan - Key Takeaways*

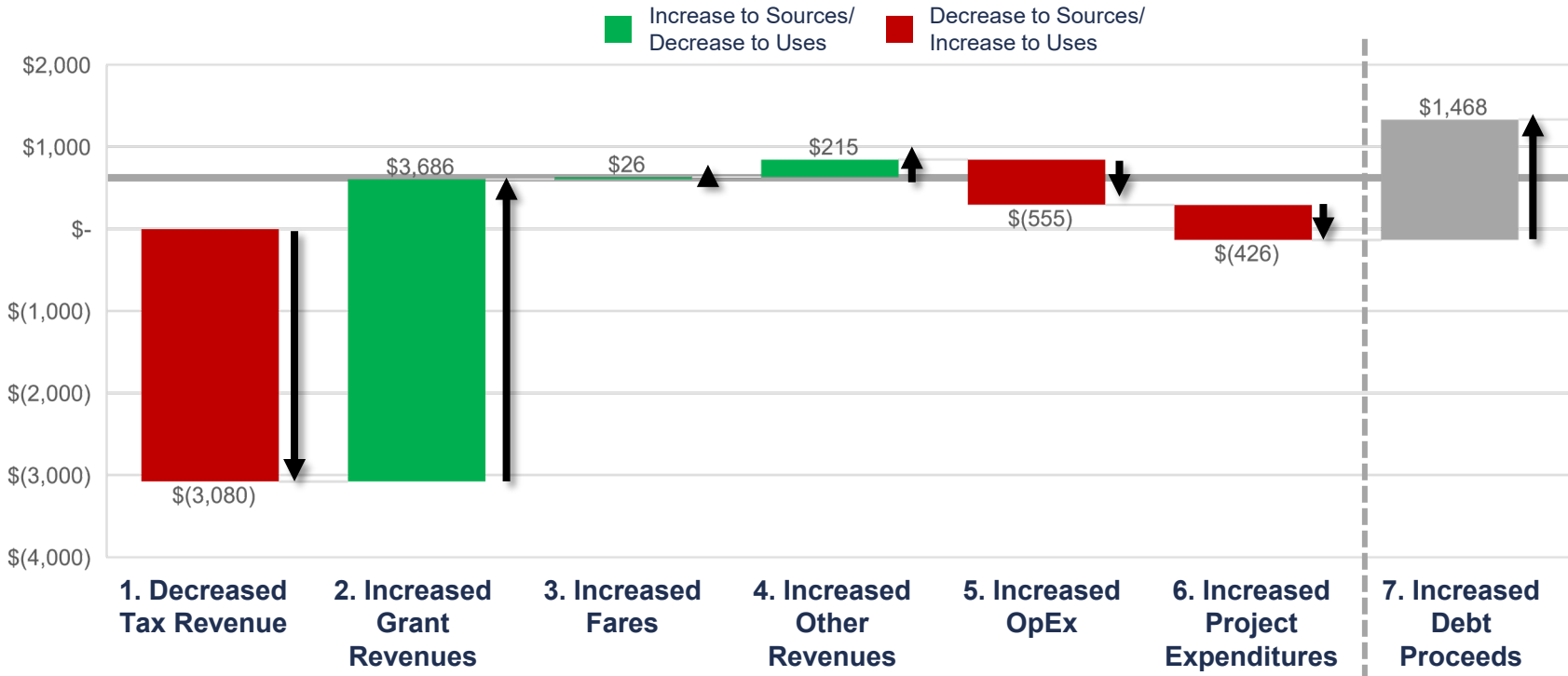
## *Debt capacity and coverage projections have decreased compared to the Fall 2023 Plan*

- The Proposed 2025 Budget and TIP are affordable within the agency's updated financial plan.
- All board financial policies are maintained.
- Higher projected capital and operating costs through 2046 result in increased debt issuance and decreased excess agency financial capacity.
- ***Agency faces affordability challenges. Actions underway to manage costs and address constrained financing.***



# Financial Plan changes in sources and uses

(Changes from Fall 2023, 2017-2046 millions in YOES\$)



# *Tax revenue*

***\$3,080M or 3.3% decrease compared to Fall 2023***

- **\$3,517M** or **5%** decrease in sales tax. Slow-down in regional economy has driven reduction in current tax base, which has depressed entire forecast.
- **+\$452M** or **5%** increase in MVET due to improved vehicle sales forecast, mostly attributed to easing of supply chain constraints.
- **\$23M** or **0.4%** decrease in property tax revenue.
- **+\$8M** or **4%** increase in rental car tax.

# Grant revenue

***\$3.7B or 24% increase compared to Fall 2023***

- Increase ST3 full funding grant agreement assumption **\$2.6B** from \$9B to \$11.6B to match federal transit funding expectations.
- Add **\$600M** Federal Railroad Administration grant assumption for Sounder rail track and signal improvements, a part of the Sounder South Capacity Expansion project.
- Increase of **\$434M** due to updates of FTA formula funding forecast.
- **\$52M** increase across all other grants.

# Fare revenue

## *\$26M or 0.5% increase to fares*

- Small increase to fares per boarding, with slight improvements seen in underlying fare compliance rates.
- *Expect long-term ridership forecast updates that incorporate performance from 2024 Link extension openings.*

# *Operating expenses*

*\$555M or 1.5% increase from Fall 2023*

- Increase purchased transportation costs of **\$527M** to account for latest labor contract.
- Insurance and resourcing projections increased **\$28M** due to higher premiums on Sounder and property insurance, offset by budget savings from reduced FTEs and zero-based budgeting.

# *Project costs in Plan*

## *\$426M or 0.5% increase from Fall 2023*

- **+\$394M** increase from inflation, mostly due to new vehicle cost index added to more accurately capture costs of building LRVs and buses.
- **+\$32M** increase due to updated planning assumptions for service delivery projects.
- ***Costs for OMFS and West Seattle, Ballard, Tacoma Dome, Everett Link Extensions are from earlier planning estimates.***
  - ***Plan not yet updated with updated PE cost range for WSLE.***
  - ***Plan does not yet include East Link amendment due to timing.***

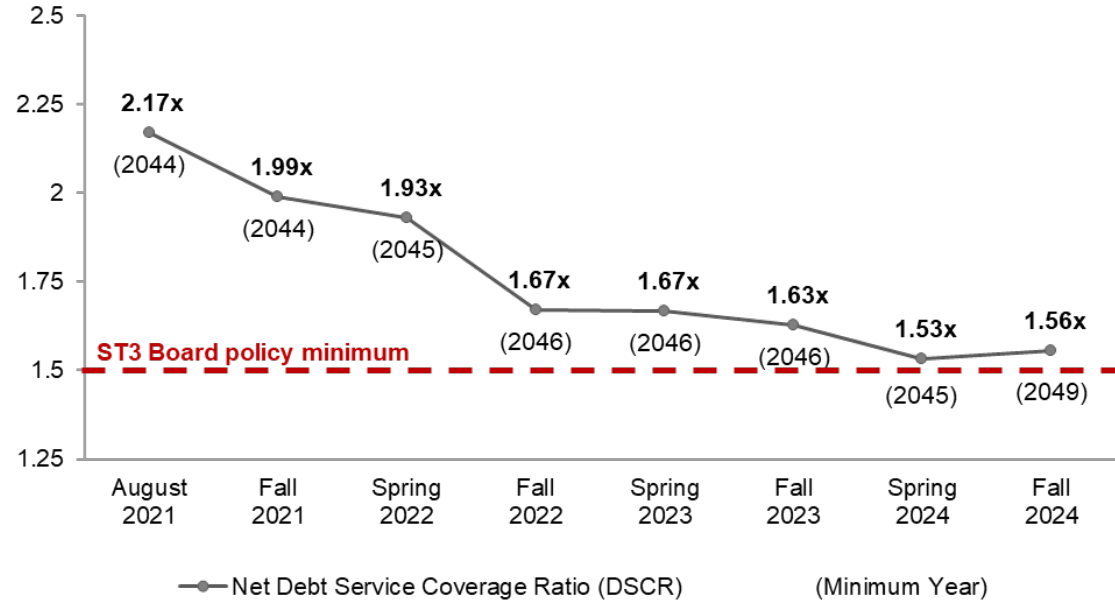
# Net Debt Service Coverage Ratio (DSCR)

Current minimum Net DSCR is 1.56x

**Debt Service Coverage Ratio (DSCR):** the agency's ability to repay debt after paying annual operating costs.

**ST3 Board Financial Policy:** requires an average debt service coverage ratio of 2.0x for net revenues over annual debt service costs, and not to fall below 1.5x in any single year.

**Current unmitigated trajectory:** DSCR projected to decline to **1.56x** in 2049 ("pinch point"), very close to the current agency policy minimum.



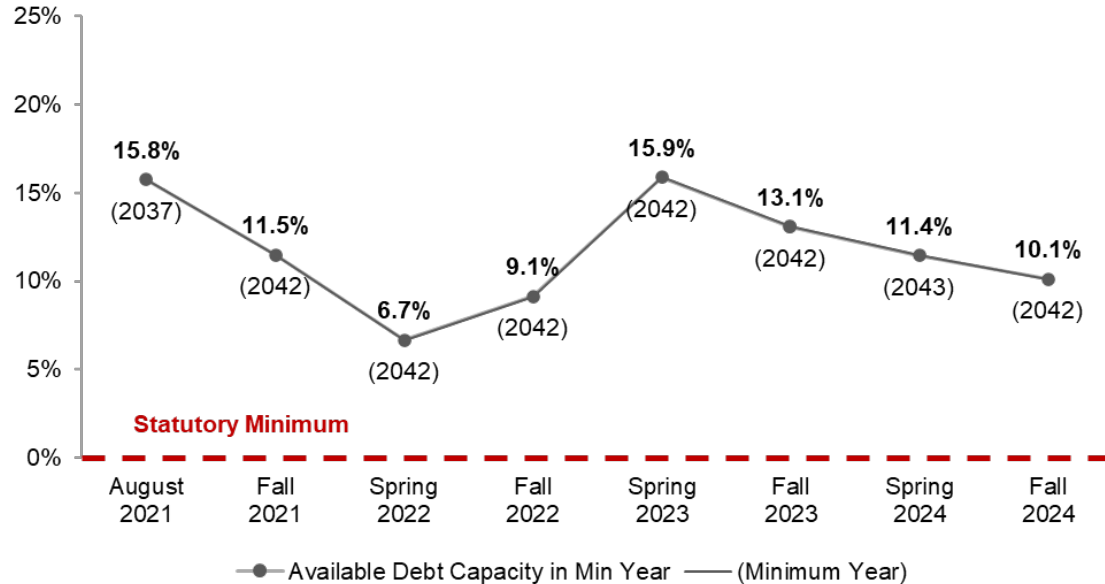
# Legal debt capacity

**Current minimum remaining available debt capacity is 10.1%**

**Legal debt capacity:** the agency's ability to issue new debt.

**Legal limit:** total debt is constrained by state law not to exceed 1.5% of the assessed value of real property in the Sound Transit taxing district.

**Current trajectory:** debt capacity is projected to fall to **10.1%** in 2042 ("pinch point").





*Thank you.*



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