





2024 Annual Program Review

Affordability snapshot

Sound Transit faces challenges with long-term affordability of the ST2/ST3 program as shown by the decrease in available debt capacity and net debt coverage ratio projections. The decline is due to decreased sales tax revenue projections and increased operating cost projections. As a result, costs to provide ST3 service levels and cost estimates for expansion projects in planning are at risk. Actions are underway to address constrained financing.

-  **Agency faces affordability challenges.**
-  **Debt capacity and coverage projections have decreased.**
-  **Lower projected sales tax revenue, higher projected operating costs.**
-  **Actions are underway to address constrained financing.**



Debt capacity

Ability to take out loans/bonds

Minimum: 0%
 Fall 2023: 13.1%
 Fall 2024: 10.1%



Net debt coverage


Ability to pay back debt

Minimum: 1.5x
 Fall 2023: 1.63x
 Fall 2024: 1.56x

Traffic light colors

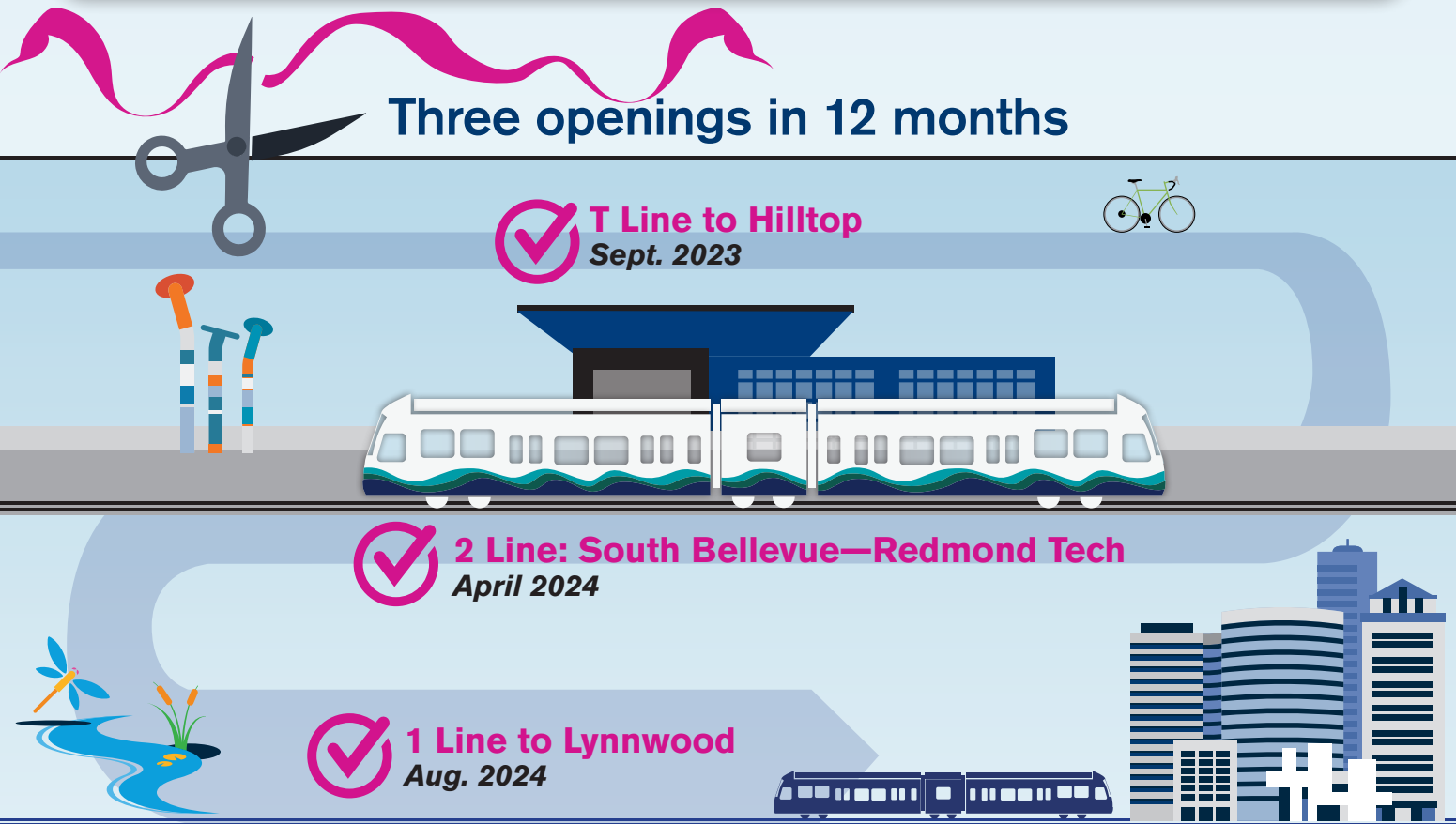
- = Beneficial to program affordability
- = Risk to plan affordability
- = Unaffordable program

Three openings in 12 months

 **T Line to Hilltop**
 Sept. 2023

 **2 Line: South Bellevue—Redmond Tech**
 April 2024

 **1 Line to Lynnwood**
 Aug. 2024



Key takeaways

Current conditions influencing Sound Transit's capital program delivery.

- The construction market continues to experience cost increases nationwide, particularly for megaproject delivery.
- The compounding effects of scope changes and unforeseen field conditions are increasing long-term costs, extending schedules, and affecting service delivery.

- Operating costs are trending higher than predicted in the ST2 and ST3 long-range financial plans due to both inflation and a tight local labor market.
- Macroeconomic factors have slowed economic growth, affecting future revenue forecasts.

Some of the ways we're addressing these challenges:

- Improving internal structure for more efficient decision-making, based on consistent standards.
- Adding experienced leaders with capital mega-project expertise to the ST team.
- Evaluating a range of options to tailor the most cost-effective approach for every ST project, from early planning through construction and delivery, including strategies like:
 - Strengthening policies that prevent scope creep.
 - Exploring different delivery methods and contracting structures.
 - Better estimating and controlling materials costs.
 - Leveraging market risk allocation for construction contracts.
- Increasing construction oversight.
- Implementing construction-industry feedback to make contract changes and close-outs more efficient.
- Exploring creative financing strategies, like different federal grant types and loan options, public-private partnerships, and creative public-public opportunities.
- Deploying a "zero-based budgeting" model for FY 2025 to align limited resources with key priorities.
- Developing a 5-10 year "state of good repair" roadmap to balance preventative maintenance and construction projects.



Regional contributions and benefits

Sound Transit's transformative capital program is making the Central Puget Sound a better place to live for generations to come.

DEVELOPING THE REGION'S WORKFORCE

Between July 2023 and June 2024, **ST's capital projects employed 7,000+ construction workers.** During this timeframe, these workers earned more than \$182 million in wages and more than \$70 million in fringe benefits.

Out of 3.1M total labor hours during this period:

Workers of color performed

42%

Women performed

7.2%

Apprentices performed

15.4%



SUPPORTING SMALL & MINORITY-OWNED BUSINESSES

In 2023, **ST awarded \$50M+ to small firms** who qualify as Disadvantaged Business Enterprises, exceeding our annual DBE contracting goal.



EQUITY IN INFRASTRUCTURE

On Aug. 29, **Sound Transit signed the Equity in Infrastructure Pledge**, joining a national coalition dedicated to building generational wealth and reducing the racial wealth gap.

PRIORITIZING TRANSIT-ORIENTED DEVELOPMENT

3,471

total homes built or in process

2,671

affordable units built or in process

\$2.1B

total public and private investment in projects

14

stations and counting with completed or planned TOD

BUILDING TRANSIT SUSTAINABLY

ST is the only agency in the nation with **two Envision Platinum-certified transit projects.**

LEED: 4 facilities certified

In progress: 30+



Envision™: 2 extension projects certified

In progress: 3



Envision sustainability certification covers entire infrastructure projects and is compatible with building-specific LEED certification.

