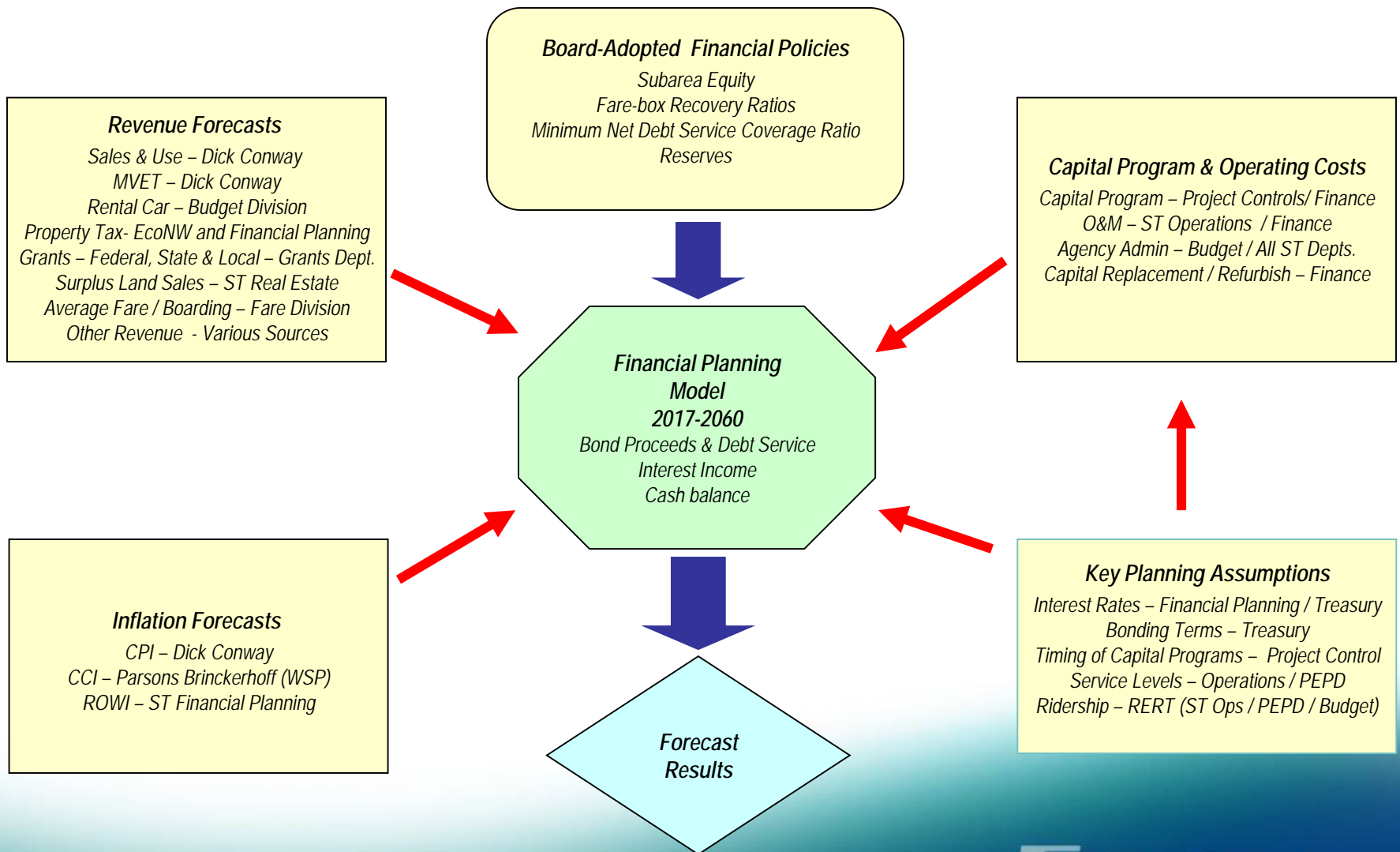




2017 DRAFT Financial Plan ***Sound Transit Board***

October 26, 2017

Financial Plan Forecast Combines Most Recent Revenue & Cost Information from Across Agency



Financial Plan Forecast Now Includes ALL agency Capital & Operating Cost Through 2041

Sound Move & ST2 Plan
~\$38 Billion
(2017-2041)

+

ST3 Plan
\$54 billion
(2017-2041)

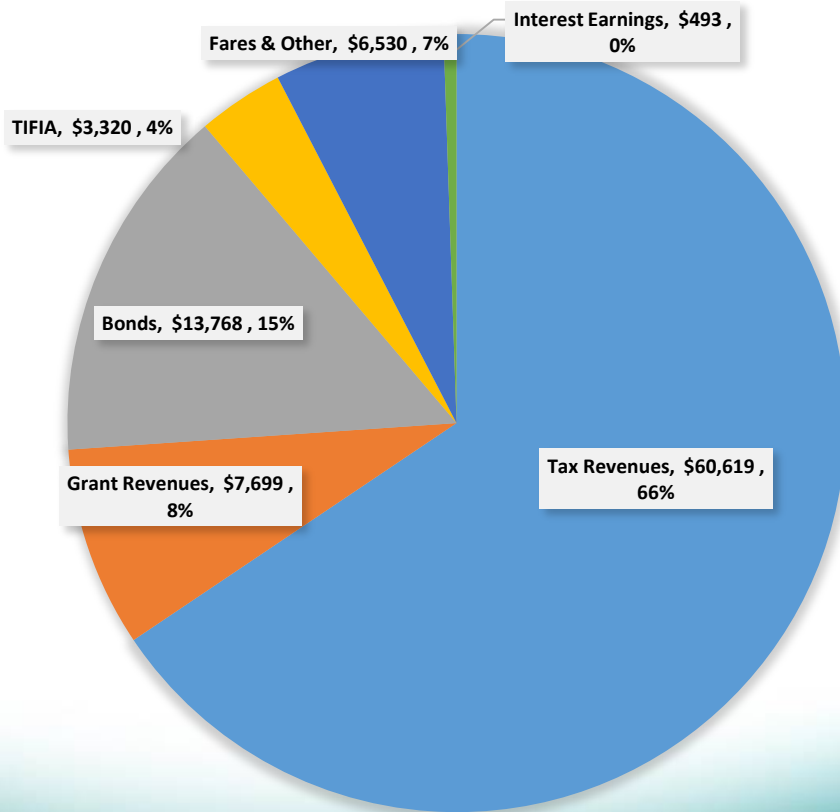
Consolidated Fin Plan
\$92 Billion
(2017-2041)

October 2017 DRAFT Financial Plan

Sources & Uses of Funds - \$92.4 Billion YOE (2017-2041)

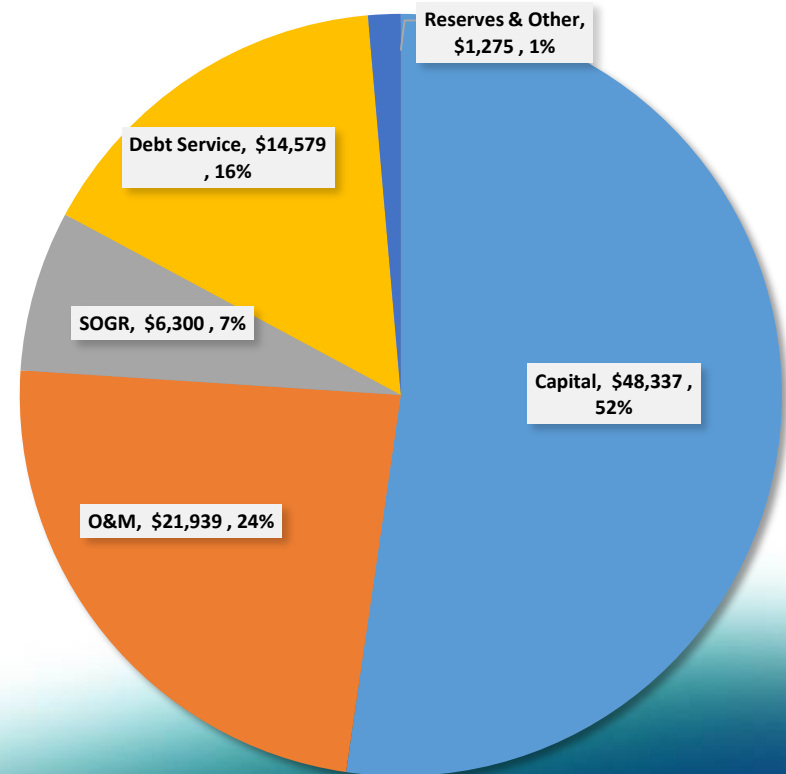
Sources of Funds

(In Millions YOE\$)



Uses of Funds

(In Millions YOE\$)



Key Challenges

- Potential elimination of Full Funding Grant program
 - Lynnwood \$1.7 billion
 - Federal Way \$500 million
 - \$3.3 billion other FFGAs
- Potential legislative action on MVET
 - Fiscal impact of \$2-12 billion
- Maintaining scope discipline on capital projects
 - Financial plan forecast assumes funds for capital projects consistent with scope reviewed/disclosed in voter approved ST2 and ST3 plans.

Local Taxes: Forecast Reflects Strong Near Term Regional Economy

- Sales Tax, MVET, Property, Rental Car taxes
 - \$61 billion 2017-2041
- Forecasts assume strong near term growth, returning to lower average growth trend after 2018
 - 2019-2041: 3.35%
- Key Risk: Near-term recession
- Opportunity: Marketplace Fairness Revenue not yet included in plan
 - awaiting court outcomes

Updated Inflation Forecast Assume Higher Near-term Cost Growth

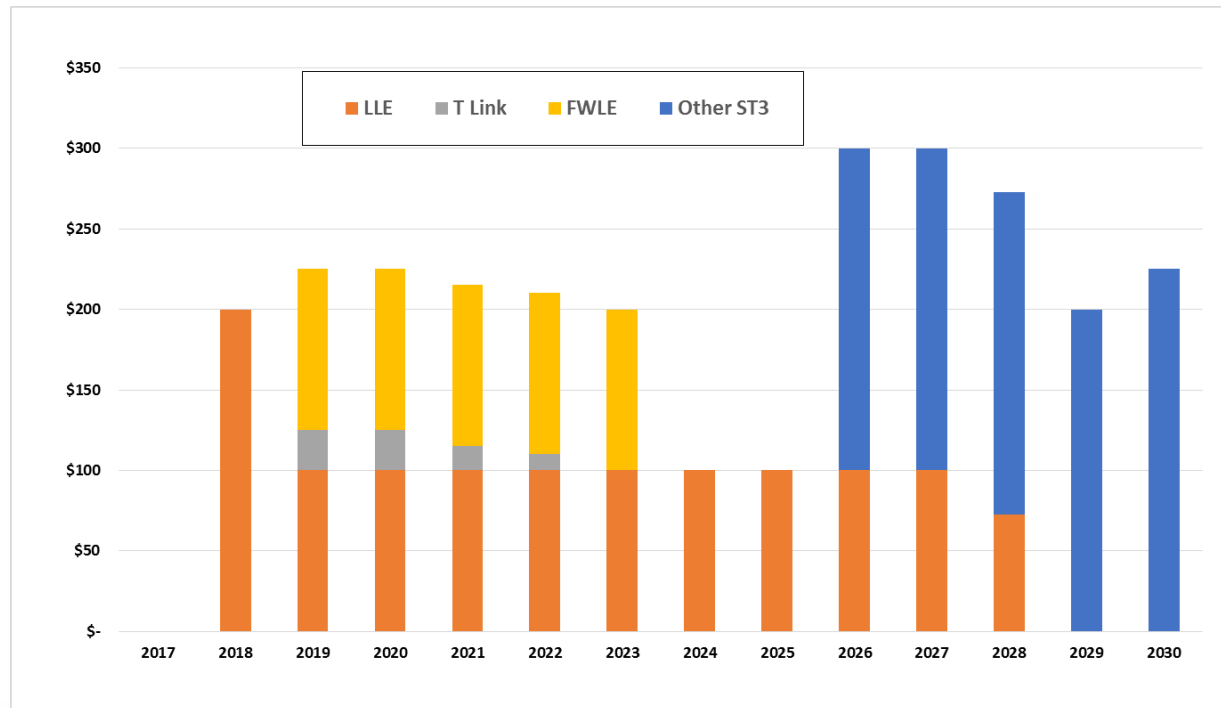
- Vibrant economy = strong tax revenues but also higher project cost
- \$617 million added to YOES\$ capital costs in Financial Plan to reflect higher inflation 2016-2018

		Avg Increase 2017-2018	
		2016 Indices	2017 Indices
CPI		2.29%	2.52%
CCI		4.26%	5.14%
ROW		5.95%	11.05%

		Avg Increase 2019-2040	
		2016 Indices	2017 Indices
		2.28%	2.38%
		3.69%	3.53%
		4.53%	4.71%

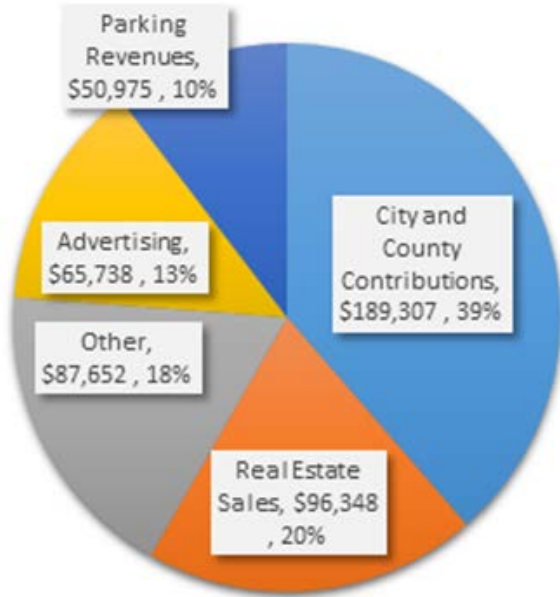
Plan Continues to Assume Strong Federal Partnership

- \$7.7 Billion federal grant program 2017-2041
 - \$1.2 B Lynnwood
 - \$500 M Federal Way
 - \$3.8 B other FFGAs
 - \$2.2 B other grants

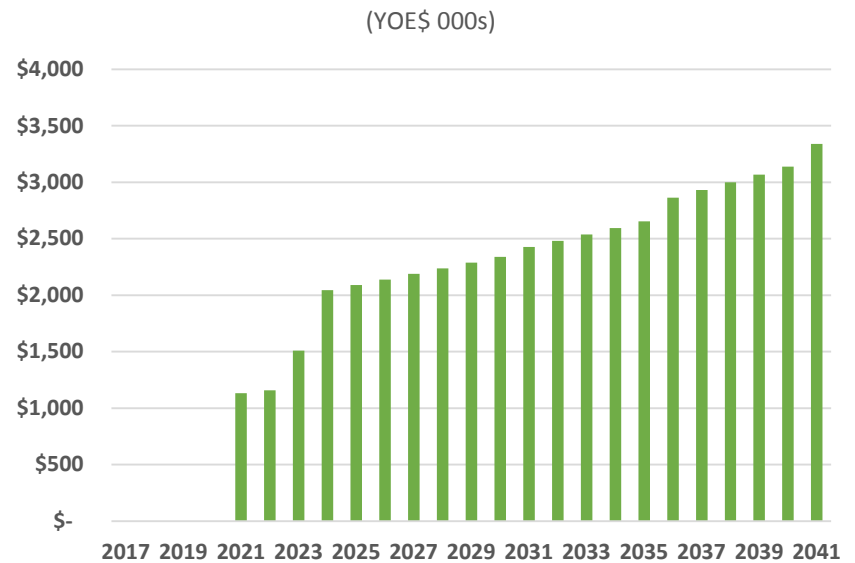


- Key Risks: Elimination of Federal New Starts program

Other Revenue - \$488M



Parking revenue of \$50.1M from 2021 - 2041

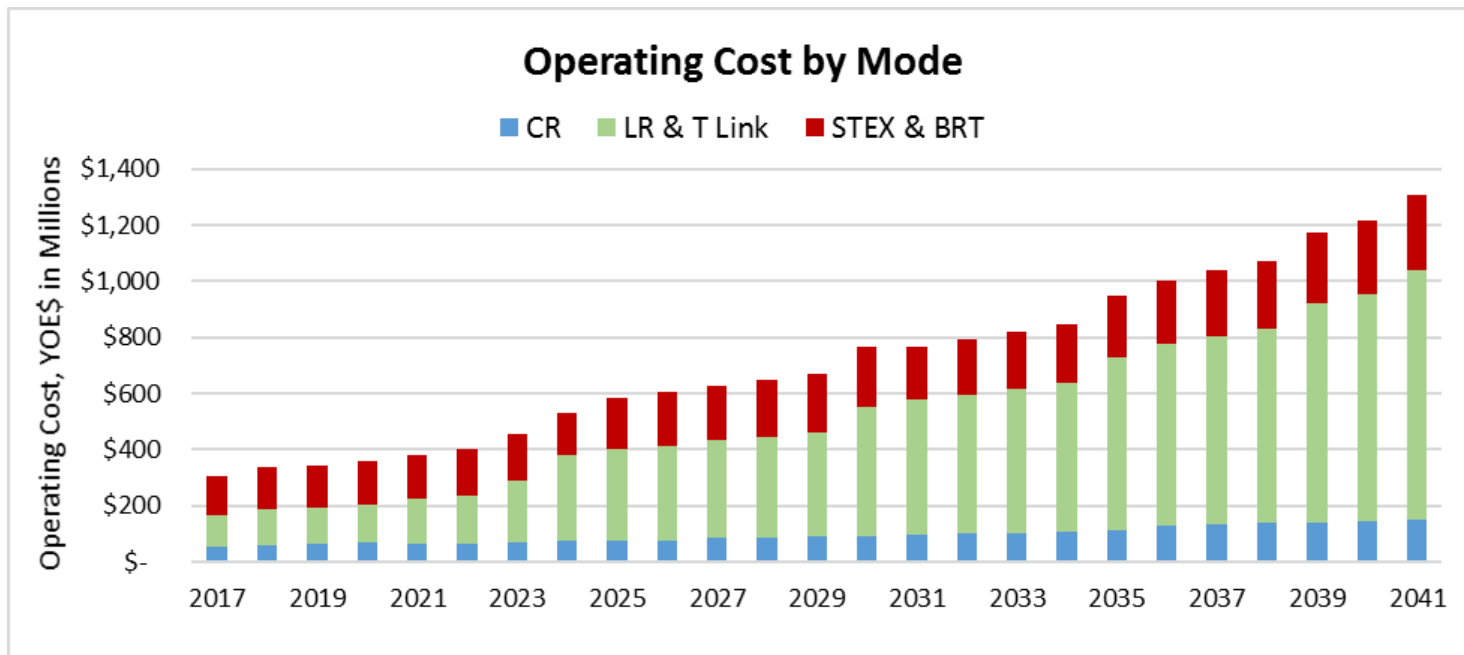


Voter Approved Capital Program is fully funded based on the current forecast

- \$48 billion capital program 2017-2041
 - All Board approved projects fully financed

Forecasted Revenues Fully Fund Robust Operating Growth

- Ridership grows to 190 million by 2041



Bonds* Fund 30% of Capital Program

- \$13.8 billion of bonds* issued 2017-2041
- Assumed interest rates*:
 - 2017-2021 4.0%
 - 2020-2041 5.25%
- Plan includes TIFIA loans for
 - East Link \$1.33 billion at 2.38% ✓
 - Northgate (Master Credit Agreement (MCA) \$615.3 million at 3.13% ✓
 - OMFE (MCA) \$87.7 million at 2.73% ✓
 - Lynnwood (MCA) \$657.9 million at 3.95%
 - Federal Way (MCA) \$629.5 million at 3.95%
- Opportunity:
 - Potential for lower borrowing costs than assumed in Plan
 - RRIF program

* Excludes TIFIA loans

RESULTS: Agency Remains in Strong Financial Condition, Consistent with its AAA/AAA Rating

- Net Coverage: 2.22x vs. 1.5x policy min
- Bond Covenants: 2.22x vs. Parity Bond covenant of 1.5x
- Plan fully funds \$1 billion bond and other reserves
- Plan fully funds \$6 Billion State of Good Repair outlays 2017-2041
- Plan continues to be maintained at subarea level

Dynamic Program Will Require Ongoing Board Balancing of Risks & Priorities

- Financial Policies provide framework for Board management of voter-approved program
- Detailed Financial Plan Discussion with Executive Committee Nov-Dec 2017
- On-going status reports to Board in 2018