







2017 DRAFT Financial Plan Sound Transit Board

October 26, 2017



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

Revenue Forecasts

Sales & Use – Dick Conway
MVET – Dick Conway
Rental Car – Budget Division
Property Tax- EcoNW and Financial Planning
Grants – Federal, State & Local – Grants Dept.
Surplus Land Sales – ST Real Estate
Average Fare / Boarding – Fare Division
Other Revenue - Various Sources

Inflation Forecasts

CPI – Dick Conway CCI – Parsons Brinckerhoff (WSP) ROWI – ST Financial Planning

Board-Adopted Financial Policies

Subarea Equity
Fare-box Recovery Ratios
Minimum Net Debt Service Coverage Ratio
Reserves

Financial Planning Model 2017-2060

Bond Proceeds & Debt Service Interest Income Cash balance

> Forecast Results

Capital Program & Operating Costs

Capital Program – Project Controls/ Finance

O&M – ST Operations / Finance

Agency Admin – Budget / All ST Depts.

Capital Replacement / Refurbish – Finance

Key Planning Assumptions

Interest Rates – Financial Planning / Treasury
Bonding Terms – Treasury
Timing of Capital Programs – Project Control
Service Levels – Operations / PEPD
Ridership – RERT (ST Ops / PEPD / Budget)



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

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



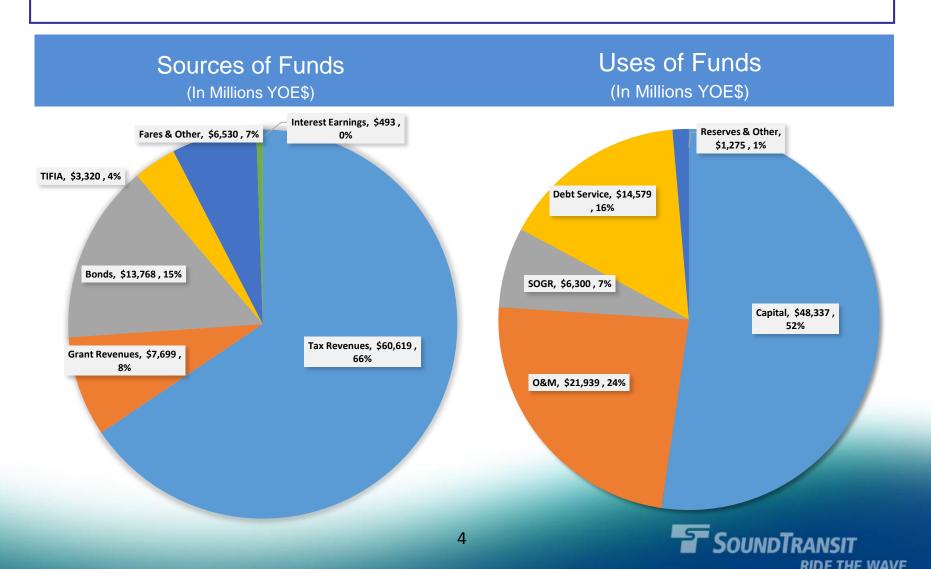
ST3 Plan \$54 billion (2017-2041)

\$92 Billion (2017-2041)



October 2017 DRAFT Financial Plan

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



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 YOE\$ capital costs in Financial Plan to reflect higher inflation 2016-2018

CPI CCI ROW

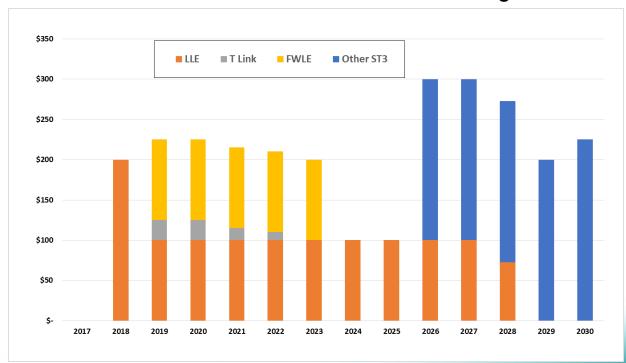
Avg Increase 2017-2018	
2016 Indices	2017 Indices
2.29%	2.52%
4.26%	5.14%
5.95%	11.05%

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

Plan Continues to Assumes Strong Federal Partnership

- \$7.7 Billion federal grant program 2017-2041
 - \$1.2 B Lynnwood

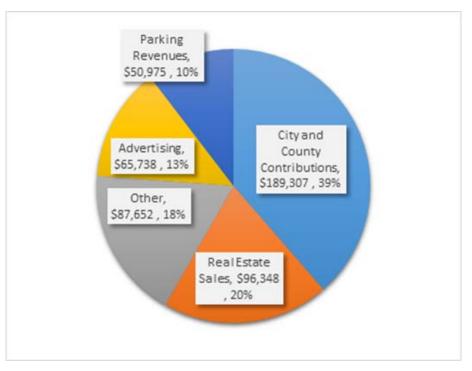
- \$500 M Federal Way
- \$3.8 B other FFGAs
- \$2.2 B other grants



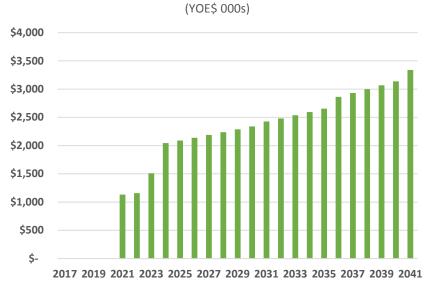
Key Risks: Elimination of Federal New Starts program



Other Revenue - \$488M



Parking revenue of \$50.1M from 2021 - 2041

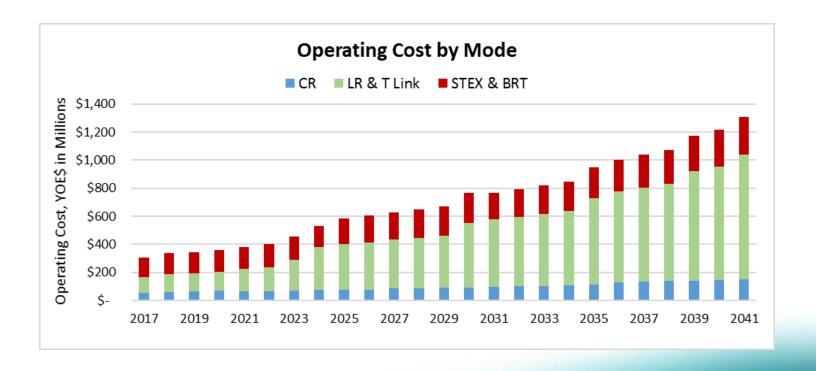


Voter Approved <u>Capital Program</u> is fully funded based on the current forecast

- \$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

SoundTransit

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