

# ***CFO Report***

*Finance and Audit Committee*

*7/16/20*



# *Topics*

- May YTD 2020 Reports: Financial Performance Report and Asset Liability Management Report
- Annual Reports: Green Bonds Report and Fares Report
- Updated Financial Impacts and Forecasts
- Current Financial Planning and Budget Efforts
- Program Realignment Path Forward

***May YTD 2020 Financial  
Performance Report***

## ***May YTD 2020 Tax Revenue Performance***

- 1. YTD Tax revenues accrued at 71% of budget***
- 2. Actual tax collections for the period March to May 2020 down 19% as compared to 2019***
  - Sales tax collections down 21% for March and April
  - MVET collections down 14% for March to May
  - April Rental Car Tax down 82% for March to April
- 3. 2020 tax revenue forecast at \$1.3B, or 72% of budget***

## ***May YTD 2020 Transit Operating***

***Transit operating expense at 97% of YTD budget, Year-end forecast at 94% to 98%***

- Lower Sounder cost mainly due to reduced service levels.
- Lower fuel cost due to falling oil prices and lower service levels.
- Current year payment for STX and Link is fixed regardless of service levels. Actual costs are reconciled in the following year.
- Service reductions do not translate 1 to 1 into cost reductions. Contractual amount is a combination of fixed costs that do not fluctuate with services levels and variable cost.

# *May YTD 2020 Capital Expense*

## *1. Project spending at 94% of YTD budget*

- 80% of System Expansion construction suspended for April and 10% for May due to COVID-19 restrictions

## *2. Year-end forecast at 99% of annual budget*

# *May YTD Ridership Summary*

## *Ridership decline as of May over February ridership*

- System Total: -82.2%
- Link: -82.5%
- ST Express (all partners): -79.6%
- Sounder: -92.1%
- Tacoma Link: -71.2%

# May YTD Fare Revenue and Farebox Recovery

- May YTD ST Fare revenue at 52% of budget due to lower ridership across all modes
- Fare revenue is projected to be 65% under budget for full year 2020
- Forecasted 2020 Farebox recovery ratio significantly below policy target for all modes.

Mode	Policy	2019 Actuals	2020 Forecast
Link	40%	34%	<u>10%</u>
ST Express	20%	25%	<u>9%</u>
Souder	23%	31%	<u>12%</u>



## *Liquidity Position*

*Sound Transit entered the economic downturn with strong liquidity, but with the large decline in revenue, it is anticipated that all cash reserves will be used by mid 2021.*

- Cash balance as of May 31, 2020: \$1.63B
- Cash balance as of December 31, 2020: \$1.01B
- Cash balance as of December 31, 2021: **\$(0.42B)**

***Economic and financial  
impacts of COVID-19***

# *Economic update*

## *What we know*

- National retail sales data for April down 15% as compared to April 2019.
- WA unemployment rate near historical high at 14.8%.
- Significant tax revenue declines in March through May
- Current loss of ridership and fares
- US Coronavirus cases passed three million and continue to surge

# *Economic and financial update*

## *What we do not know*

- Impact on the economy when CARES Act unemployment benefit ends July 31.
- Recession duration and depth.
- What recovery will look like.
- Long term financial impact.

## Revenue loss projections

### Moderate recession scenario

- \$753 million (-22%) in 2020 and 2021.
- \$7.2 billion (-11%) through 2041.

	2020 - 2021	2020 - 2041	2020 - 2041 (%)
Sales Tax	\$ (841,066,103)	\$ (6,222,864,737)	-13%
All Tax and Fare Revenues	\$ (919,163,088)	\$ (7,397,407,359)	-11%
<b>Net Loss After CARES Act</b>	<b>\$ (753,163,088)</b>	<b>\$ (7,231,407,359)</b>	<b>-11%</b>

# Revenue loss projections

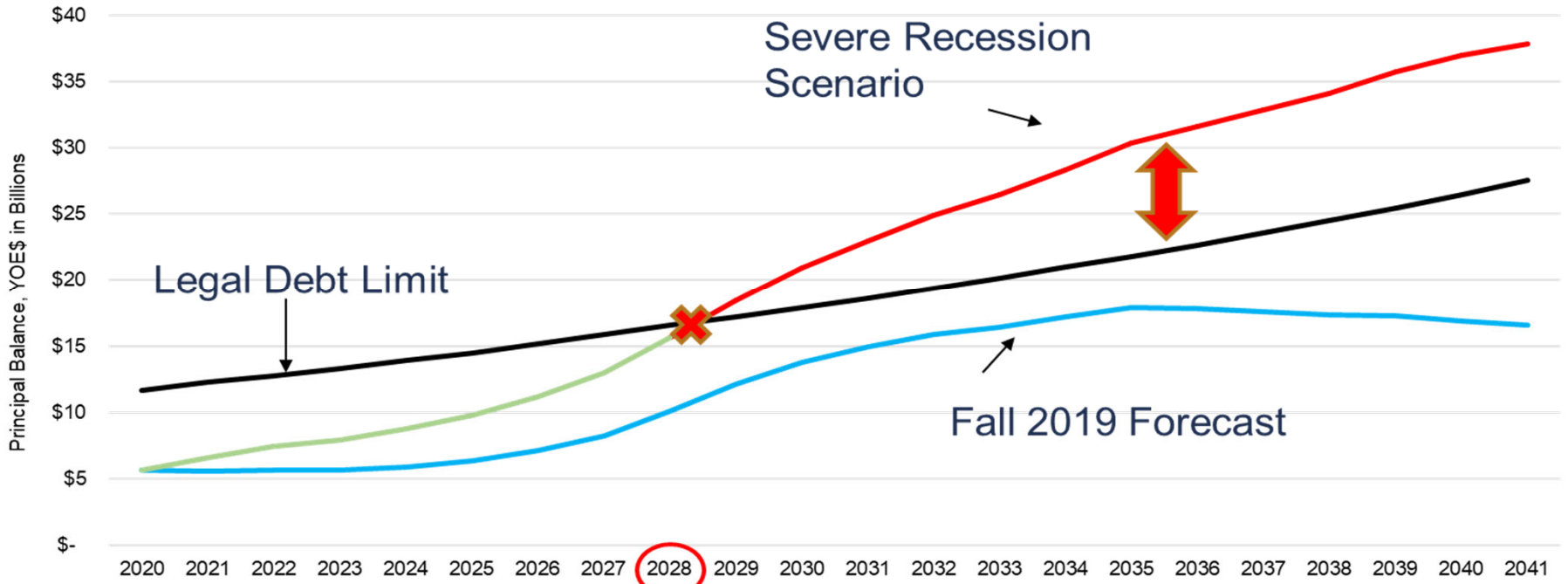
## Severe recession scenario

- \$912 million (-26%) in 2020 and 2021.
- \$11.9 billion (-18%) through 2041.

	2020 - 2021	2020 - 2041	2020 - 2041 (%)
Sales Tax	\$ (1,000,406,173)	\$ (10,893,385,566)	-23%
All Tax and Fare Revenues	\$ (1,078,503,158)	\$ (12,067,928,188)	-18%
<b>Net Loss After CARES Act</b>	<b>\$ (912,503,158)</b>	<b>\$ (11,901,928,188)</b>	<b>-18%</b>

# Statutory debt limits and program affordability

## Fall 2019 projections vs. severe recession scenario



*\*In addition to legal debt capacity, debt capacity constraints also include financial policy and debt covenants.*

## ***Current Financial Planning and Budget Efforts***

- Instead of annual financial plan update pre-COVID, Financial plan is being updated on a monthly basis to capture new data.
- Reductions and discipline on 2020 spending and 2021 budget development.



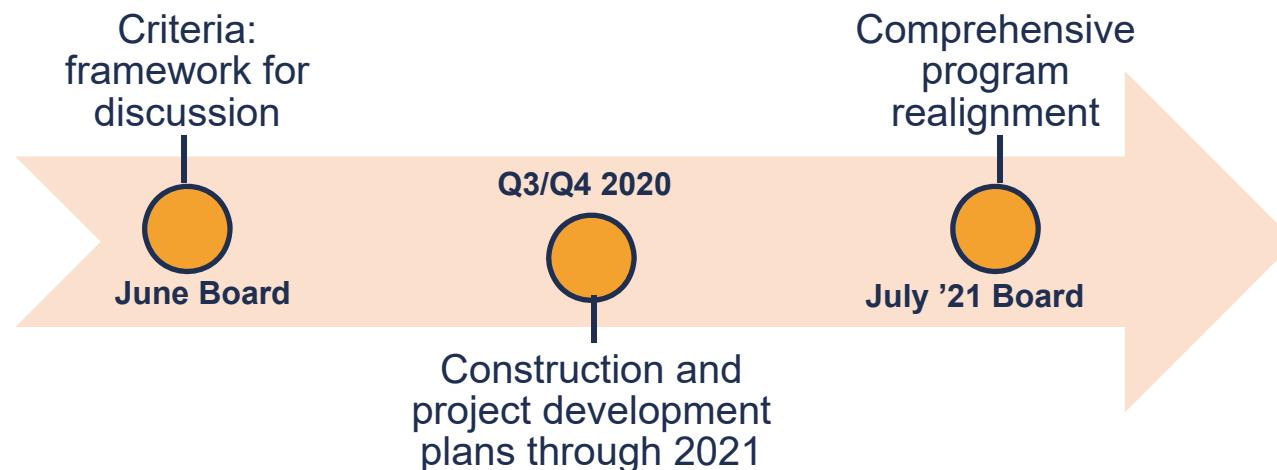
## *Additional Information for October FAC*

- Updated key financial plan assumptions such as federal funding and borrowing rate
- New Construction Cost Index
- New Consumer Price Index
- Updated long term tax revenue forecasts
- May, June, and July tax revenues

## Path forward

*Designed to advance projects to 'shovel ready' state, prepare for 2021 construction actions, and avoid over-commitment pending program realignment in July 2021*

### Ongoing Financial Updates



*Thank you.*



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