



Resolution No. R2020-27

Proposed 2021 Budget

| Meeting: | Date: | Type of action: | Staff contact: |
|-----------------------------------|--------------------------|------------------------------------|--|
| Finance and Audit Committee Board | 12/17/2020 12/17/2020 | Recommend to Board Final action | Tracy Butler, Chief Financial Officer Ryan Fisher, Director of FP&A and Budget |

Proposed action

Adopts an annual budget for the period from January 1 through December 31, 2021 and adopts the 2021 Transit Improvement Plan (TIP).

Key features summary

- The Proposed 2021 Budget (including the revision in Attachment B) requests funding authorization of \$3.1 billion. This request is comprised of:
 - \$380.6 million for Transit Operations;
 - \$2.5 billion for Projects; and
 - \$207.6 million for Other (including debt service).
- The Proposed 2021 TIP totals \$21.5 billion in authorized project allocations.
- The Proposed 2021 Budget would be funded by an estimated \$3.0 billion in revenues and other financing sources and an estimated \$129.0 million in unrestricted cash.
- The Proposed 2021 Budget and Proposed 2021 TIP, with the revision, are fully affordable within the agency's current financial projections.

Background

The Sound Transit Board adopts the Sound Transit annual budget, which contains the agency's budget for revenue and financing, administrative expenses, transit operating expenses, projects, and debt service. The Sound Transit Board adopts the TIP, a cumulative total of authorized project allocations for all active projects. Sound Transit's annual budget and TIP are organized by three primary program areas: Transit Operating Budget, Project Budgets, and Other Budgets.

The resolution approves the following revenues and expenditures for 2021:

Revenues – \$3.0 billion of estimated revenues and other financing sources includes:

- \$1,298.9 million from Retail Sales and Use Tax
- \$333.3 million from Motor Vehicle Excise and Rental Car Taxes
- \$161.0 million from Property Tax
- \$376.6 million from federal grants
- \$5.6 million from local and state contributions
- \$54.2 million from passenger fare revenues
- \$14.6 million in interest income
- \$12.5 million in miscellaneous revenues
- \$700.0 million in TIFIA loan proceeds

Transit Operating Budget – \$380.6 million includes:

- \$138.5 million for ST Express
- \$167.9 million for Link Light Rail
- \$67.7 million for Sounder Commuter Rail
- \$6.5 million for Tacoma Link

Project Budgets – \$2.5 billion for the delivery of projects:

- System Expansion Projects – \$2.3 billion which includes:
 - \$1,972.7 million for Link
 - \$95.8 million for Sounder
 - \$18.4 million for Regional Express
 - \$174.5 million for Stride
 - \$47.4 million for Other (\$44.7 million Proposed 2021 Budget plus \$2.7 million budget revision)
- Non-System Expansion Projects – \$201.0 million which includes:
 - \$35.6 million for Enhancement Projects
 - \$46.1 million for State of Good Repair Projects
 - \$119.4 million for Administrative Projects
- \$(12.3) million in non-system expansion projects charged to Transit Operating

Other Budget – \$207.6 million includes:

- \$161.0 million for Debt Service
- \$30.6 million for Tax Collection & Fees
- \$11.0 million for Operating Contingency
- \$5.0 million for Contributions to Other Governments

Reserves – The resolution also provides for the agency to reserve funds for the following purposes:

- Operations & Maintenance Reserve: balance is projected to be \$91.2 million at the end of 2020. A contribution of \$2.2 million is budgeted for 2021.
- Emergency/Loss Reserve: balance is projected to be \$36.2 million at the end of 2020. A contribution of \$5.5 million is budgeted for 2021.
- Regional Affordable Housing Revolving Loan Fund: balance is projected to be \$8.1 million at the end of 2020. A contribution of \$4.0 million is budgeted for 2021.
- Capital Replacement Reserve: \$300 million; no contribution is budgeted for 2021.

The resolution also authorizes:

- The revision approved by the Executive Committee, and those adopted by the Board as part of this action, shown in Attachment B.
- Changes to the authorized project allocation for existing projects as well as establishment of new projects, with an authorized project allocation net increase of \$189.4 million (Attachment C).
- Affirms the Board Administrator authority to file any administrative forms necessary for the collection of Sound Transit's property tax, as authorized by Resolution No. R2019-30. Any property tax estimates required for property tax collection may not exceed the previous year's collections plus additional revenue arising from new assessments for new construction, property improvements, value increases due to the construction of new renewable electric facilities, and new state property assessments, unless expressly authorized by the Board.

Fiscal information

The Proposed 2021 Budget and Proposed 2021 TIP are fully affordable within the agency's current financial projections.

With the revision in Attachment B, which increases the 2021 funding authorization request by \$2,700,000, the 2021 funding authorization request totals \$3,085,749,944 in total expenses and outlays.

Disadvantaged and small business participation

Participation by small businesses and disadvantaged business enterprises (DBEs)

Not applicable to this action.

Public involvement

The Sound Transit Board reviewed the Proposed 2021 Budget and Proposed 2021 Transit Improvement Plan at public meetings that took place in October and November 2020 and reviewed revisions to both in December. On November 12, 2020, a public hearing was held in order to provide an opportunity for testimony from interested members of the public.

Time constraints

A one-month delay would postpone adoption of the Proposed 2021 Budget and Proposed 2021 Transit Improvement Plan into the 2021 fiscal year and the agency would have no spending authority beginning January 1, 2021. Budget adoption is required prior to the commencement of the fiscal year to provide authorization to expend funds.

Prior Board/Committee actions

Resolution No. R2020-24: Adopted a Budget Policy and superseding Resolution No. R2018-23.

Resolution No. R2018-44: Adopted a grant benefit allocation policy for subarea reporting purposes, granting the agency the flexibility to allocate certain federal grant reimbursements as deemed to be in the best interest of system instead of allocating the reimbursements directly to recipient subareas.

Resolution No. R2016-16: Adopted the Sound Transit 3 Regional Transit System Plan.

Resolution No. R72-1: Superseded Resolution 72, and amended the financial policies to include a strategic property acquisition program as an enumerated purpose of the Regional Fund.

Environmental review – KH 12/11/20

Legal review – MT 12/11/2020



Resolution No. R2020-27

A RESOLUTION of the Board of the of the Board of the Central Puget Sound Regional Transit Authority adopting an annual budget for the period from January 1 through December 31, 2021, and adopting the 2021 Transit Improvement Plan.

WHEREAS, the Central Puget Sound Regional Transit Authority, hereinafter referred to as Sound Transit, has been created for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit District on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the central Puget Sound region; and

WHEREAS, Sound Transit is successfully building and operating the first, second and third phases of the regional transit system plan that were approved by voters in 1996, 2008 and 2016; and

WHEREAS, Sound Transit is meeting a high standard of public accountability through effective monthly progress reports and quarterly financial reporting; and

WHEREAS, the Sound Transit Board adopted financial policies to govern the financing and implementation of the regional transit system and to specify budgetary guidelines for providing subarea equity in accomplishing the same; and

WHEREAS, permitting the designation of reimbursements from Federal Transit Administration's (FTA) Capital Investment Grant program and FTA Formula funding grants not necessary to complete a subarea's projects as system-wide grant funds available to complete the voter-approved system plans is consistent with the financial policies adopted as part of the voter-approved plans and could (1) allow the Board to roll back taxes at the earliest possible date, and (2) permit all projects, including rail segments connecting the subareas, to be completed on schedule based on current financial projections. To the extent the funds legally available to a subarea are sufficient to complete the subarea projects as scheduled, reimbursements from those FTA grants not necessary to meet the subarea's project's baseline cost budget as set by the Board, can be designated a system-wide grant fund so long as the designation does not violate the grant requirements; and

WHEREAS, the chief executive officer submitted a Proposed 2021 Budget and Proposed 2021 Transit Improvement Plan (TIP) for Board consideration; and

WHEREAS, the Proposed 2021 Budget and Proposed 2021 TIP are consistent with and affordable under Sound Transit Financial Policies as adopted by Resolution No. R2016-16 and comply with the Budget Policies as adopted by Resolution No. R2020-24; and

WHEREAS, in 2018 the Sound Transit Board designated the Rider Experience and Operations Committee, Executive Committee, System Expansion Committee, and the Finance and Audit Committee as permanent committees with specific responsibilities, including reviewing proposed annual budgets, and authorized project allocations to date included in the TIP and providing recommendations to the Board; and

WHEREAS a public hearing was held on November 12, 2020, to take public testimony on the Proposed 2021 Budget, TIP, and Property Tax Levy; and

WHEREAS, at its December 3, 2020, meeting, the Rider Experience and Operations Committee approved Motion No. M2020-70 recommending the Proposed 2021 Budget and TIP for Enhancement projects, State of Good Repair projects, and Administrative projects (annual and authorized project allocations to date) and the Proposed 2021 Transit Operating Budget to the Finance and Audit Committee; and

WHEREAS, at its December 10, 2020, meeting, the Executive Committee approved Motion No. M2020-73 recommending the Proposed 2021 Budget and TIP for System Expansion – Other projects (annual and authorized project allocations to date) including a revision to the Finance and Audit Committee; and

WHEREAS, at its December 10, 2020, meeting, the System Expansion Committee approved Motion No. M2020-76 recommending the Proposed 2021 Budget and TIP for System Expansion projects, excluding System Expansion – Other projects (annual and authorized project allocations to date) to the Finance and Audit Committee; and

WHEREAS, a two-thirds affirmative vote of the entire membership of the Sound Transit Board is required to adopt the Proposed 2021 Budget and Proposed 2021 TIP.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that:

Section 1a – Revenues and Other Financing Sources. The Proposed 2021 Budget projects the collection of \$2,956,715,658 in total revenues and financing sources including \$1,298,931,802 for Sales and Use Tax, \$333,277,691 for Motor Vehicle Excise Tax and Rental Car Tax, \$161,000,000 for Property Tax, \$376,610,245 for federal grants, \$5,552,779 for local and state contributions, \$54,185,237 for passenger fare revenues, \$14,611,709 for interest income, \$12,546,195 for miscellaneous revenues, and \$700,000,000 in TIFIA loan proceeds.

Section 1b – Transit Operating Budget. Sound Transit is authorized to incur \$380,607,674 in transit operating expenses.

- \$138,496,468 for ST Express bus expenses;
- \$167,868,499 for Link light rail expenses;
- \$67,723,611 for Sounder commuter rail expenses;
- \$6,519,096 for Tacoma Link light rail expenses;

Section 1c – Project Budget. Sound Transit is authorized to incur a total of \$2,509,873,857 for project outlays, comprised of budgets for the following project types: System Expansion projects \$2,308,823,965 (\$2,306,123,965 Proposed 2021 Budget plus \$2,700,000 budget revision); Enhancement projects \$35,555,488; State of Good Repair projects \$46,078,014; Administrative projects \$119,416,390; and/or such amounts as are contained in revisions to the Proposed 2021 Budget as adopted by the Board. \$(12,313,553) in non-system expansion project costs will be charged to transit operating.

Note: Under Administrative projects (Agency Administration Operating), the chief executive officer is authorized to incur \$2,520,446 for the regionally shared operation and maintenance costs under for the ORCA fare collection system.

Section 1d – Debt Service. Sound Transit is authorized to incur \$106,721,038 in fixed and variable rate interest and fees on debt and \$54,300,000 in principal repayments for a total of \$161,021,038 for debt service on outstanding bonds and loans.

Section 1e – Contributions to Other Governments. Sound Transit is authorized to incur \$5,000,000 in contributions to other governments for the operating and maintenance expenses of First Hill Street car based on an agreement with the City of Seattle.

Section 1f – Tax Collection and Fees. Sound Transit is authorized to incur \$30,560,928 in tax collection and fees.

Section 1g – Operating Contingency. Sound Transit is authorized to incur \$11,000,000 in operating contingency.

Section 1h – Reserves. Sound Transit is authorized to place in reserve the following amounts: \$5,500,000 for Emergency/Loss and \$2,152,534 for Operations and Maintenance, and \$4,000,000 for Regional Affordable Housing Revolving Loan Fund.

Section 2. The Proposed 2021 TIP includes changes in authorized project allocations in the amount of \$189,355,679: \$131,048,518 for existing projects and \$58,307,161 for new projects. The specific projects impacted are referenced in Attachment C – Changes to Authorized Project Allocations in the Proposed 2021 TIP. These changes, together with the revision to the Proposed 2021 TIP equal a new authorized project allocations of \$21,461,151,857.

Section 3. The budget for the period January 1, 2021 to December 31, 2021 as set forth in Attachment A (2021 Financial Plan and Proposed Budget), and the approved revision to the Proposed 2021 Budget and Proposed 2021 TIP in Attachment B, and the changes authorized by the Board's Budget Policy including technical and conforming changes and shifts to annual project budgets between the prior year and upcoming fiscal years, together constitute the Adopted 2021 Budget and Adopted 2021 TIP as adopted by this Resolution.

Section 4. The Adopted 2021 Budget and Adopted 2021 TIP are not an exclusive authorization of expenses or capital outlays, except as specified in Section 1c – ORCA and Section 1d – Debt Service. Authorization of expenditures must comply with Sound Transit's Procurement, Agreements and Delegated Authority Policy, Resolution No. R2018-40.

Section 5. The Board affirms the continuing delegation to the Board Administrator made in Resolution No. R2019-30 execute and file any collection estimate legally required to collect Sound Transit's property tax.

Section 6. The Board further authorizes the chief executive officer to take any actions necessary to implement the policies and determinations of the Board pursuant to this Resolution.

ADOPTED by no less than a two-thirds affirmative vote of the entire membership of the Sound Transit Board at a regular meeting thereof held on December 17, 2020.



Kent Keel
Board Chair

ATTEST:



Kathryn Flores
Board Administrator



Resolution No. R2020-27

Attachment A – Proposed 2021 Budget and Transit Improvement Plan

Link to Proposed 2021 Budget on Soundtransit.org:

[Proposed 2021 Budget and Transit Improvement Plan](#)



Resolution No. R2020-27

Attachment B – Approved Revision to the Proposed 2021 Budget and Transit Improvement Plan

Approved by the Executive Committee on December 10, 2020

E-1 #600076 Innovation and Technology Program – Increase Annual Project Budget to Accommodate Additional Project Scope- Fare Enforcement Pilot

Annual Project Budget Revision: \$2,700,000

Authorized Project Allocation Revision: \$0

Project Type: System Expansion - Other

Funding Source: Long-range Financial Plan

Description: Research, analysis, and implementation of innovative best practices, partnership and technologies to increase ridership, improve service, and enhance efficiency of regional mobility outside of new investments in large capital projects.

Justification: One year fare enforcement pilot program focused on development of a compliance based fare enforcement program moving away from an enforcement based approach. The pilot will include three rounds of engagements focused on informing, consulting and involving the riding public to validate assumptions, refine approaches and test fare engagement techniques. A successful pilot would result in a long term positive and collaborative relationship with our riders and the communities along our alignment. The costs of the pilot include direct temp staffing, administrative costs, marketing and distribution materials, training and equipment costs for staff.

| (in thousands) | 2021 Annual Project Budget | | | Authorized Project Allocation | | |
|-----------------------------|----------------------------|-------------------|-------------------------|-------------------------------|-------------------|-----------------------------|
| | Proposed Annual Budget | Proposed Revision | Revised Proposed Budget | Proposed Project Allocation | Proposed Revision | Revised Proposed Allocation |
| Operations and Maintenance | \$ | \$2,700 | \$2,700 | \$40 | \$2,700 | \$2,740 |
| Agency Administration | 390 | | 390 | 13,285 | | 13,285 |
| Preliminary Engineering | 1,708 | | 1,708 | 93,279 | -2,700 | 90,579 |
| Final Design | | | | | | |
| Third Party | | | | | | |
| ROW Acquisition and Permits | | | | | | |
| Construction | | | | | | |
| Construction Management | | | | | | |
| Vehicles | | | | | | |
| Contingency | | | | | | |
| Total | \$2,098 | \$2,700 | \$4,798 | \$106,604 | \$ | \$106,604 |



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Attachment C – Changes to Authorized Project Allocations in Transit Improvement Plan

Adoption of the Proposed 2021 Transit Improvement Plan will approve the changes to the authorized project allocation for the following projects, including the revision (\$0 net impact) approved by the Executive Committee on December 10, 2020.

| (in thousands) | Total Project Allocation 2020 | Changes to Total Project Allocation | Total Project Allocation 2021 |
|--|-------------------------------|-------------------------------------|-------------------------------|
| Existing Projects with changes | | | |
| 0X002 - Agency Administrative Operating | \$1,317,759 | \$90,694 | \$1,408,454 |
| 500051 -SR 522 NE 145th Bus Rapid Transit | 69,415 | 79,155 | 148,570 |
| 500050 - I 405 Bus Rapid Transit | 226,118 | 42,222 | 268,340 |
| 400113 - North Corridor MOW | 491 | 22,366 | 22,857 |
| 300056 - Sounder South Capacity Expansion | 3,594 | 13,778 | 17,372 |
| 300087 - Edmonds & Mukilteo Station Imp | 2,511 | 1,340 | 3,851 |
| 300035 - Kent Station Access Improvements | 15,611 | 1,236 | 16,847 |
| 300040 - Auburn Station Access Improvements | 11,441 | 1,151 | 12,592 |
| 700793 - Signage Improvements | 1,293 | 563 | 1,856 |
| 600143 - Environmental Remediation | 500 | 500 | 1,000 |
| 700645 - Issaquah and Lakewood CCTV Upgrade | 0 | 423 | 423 |
| 6X668 - ST Art | 161,201 | 320 | 161,521 |
| 600145 - Design Criteria Manual | 200 | 100 | 300 |
| 400044 - Link Operating System Enhancement Upgrades | 0 | 58 | 58 |
| 600025 - Environmental Mitigation, Monitoring & Maint. | 1,471 | 5 | 1,476 |
| 804100 - TOD Property Disposition | 11,949 | (333) | 11,615 |
| 300026 - Sounder Yard Expansion | 20,550 | (2,500) | 18,050 |
| 3X510 - Sounder South Expanded Service | 205,568 | (4,001) | 201,567 |
| 300011 - Positive Train Control | 53,054 | (5,704) | 47,350 |
| 3X236 - Tukwila Station | 45,969 | (6,249) | 39,720 |
| 300027 - PT Defiance Bypass | 83,670 | (7,000) | 76,670 |
| 802000 - Administrative Capital | 62,284 | (14,696) | 47,588 |
| 5X387 - I-90 2 Way Transit and HOV Stage 3 | 225,648 | (18,000) | 207,648 |
| 300021 - Tacoma Trestle Track and Signal | 161,017 | (25,825) | 135,192 |
| 4X420 - South 200th Link Extension | 383,241 | (43,600) | 339,641 |
| New Projects | | | |
| 700824 - Admin Facilities | - | 6,208 | 6,208 |
| 864140 - Admin Services | - | 5,819 | 5,819 |
| 864169 - Station Codes | - | 5,300 | 5,300 |
| 400033 - Link At-Grade Study | - | 4,906 | 4,906 |
| 800111 - Fare Paid Zone | - | 3,340 | 3,340 |
| 300038 - Sounder At-Grade Study | - | 1,700 | 1,700 |
| 802003 - Replacement Admin Pool Vehicles | - | 1,663 | 1,663 |
| 600146 - Design & Engineering Stands Update | - | 1,600 | 1,600 |
| 800112 - Link Line Renaming | - | 1,168 | 1,168 |
| 700767 - Administrative Pool Vehicles | - | 1,006 | 1,006 |
| 870115 - HUB Intranet Replacement | - | 410 | 410 |

| Continued (in thousands) | Total Project Allocation 2020 | Changes to Total Project Allocation | Total Project Allocation 2021 |
|--|----------------------------------|--|----------------------------------|
| Reclassified Projects* | | | |
| Existing Projects with Changes | | | |
| 700766 - Operations Enhancement Portfolio Project | 26,831 | 1,197 | 28,028 |
| 700831 - Operations State of Good Repair Portfolio Project | 32,842 | 3,849 | 36,691 |
| New Projects | | | |
| 700766 - Operations Enhancement Portfolio Project | - | 5,723 | 5,723 |
| 700831 - Operations State of Good Repair Portfolio Project | - | 19,465 | 19,465 |
| Total Project Allocation Changes | \$3,124,229 | \$189,356 | \$3,313,585 |

* The Operations Enhancement Portfolio and Operations State of Good Repair Portfolio projects were created in the 2021 Proposed Budget to consolidate Operations-managed non-system expansion projects to increase flexibility in prioritizing and allocating resources. Within the two portfolio projects, sub-projects will be managed and tracked individually, with the ability to transfer budget between sub-projects, still subject to the budget policy.