

# *Fall 2024 Financial Plan Projections*

*Board of Directors  
10/24/24*



# ***Why we are here***

***Today we are here to provide information***

- Updated fall 2024 Financial Plan projections

# 2025 budget, TIP, and long-range financial plan

## Budget 2025

*Board Approved*

**Annual Budget** of revenues, sources, and expenditures for 2025.

## Transit Improvement Plan (TIP) to 2030

*Board Approved*

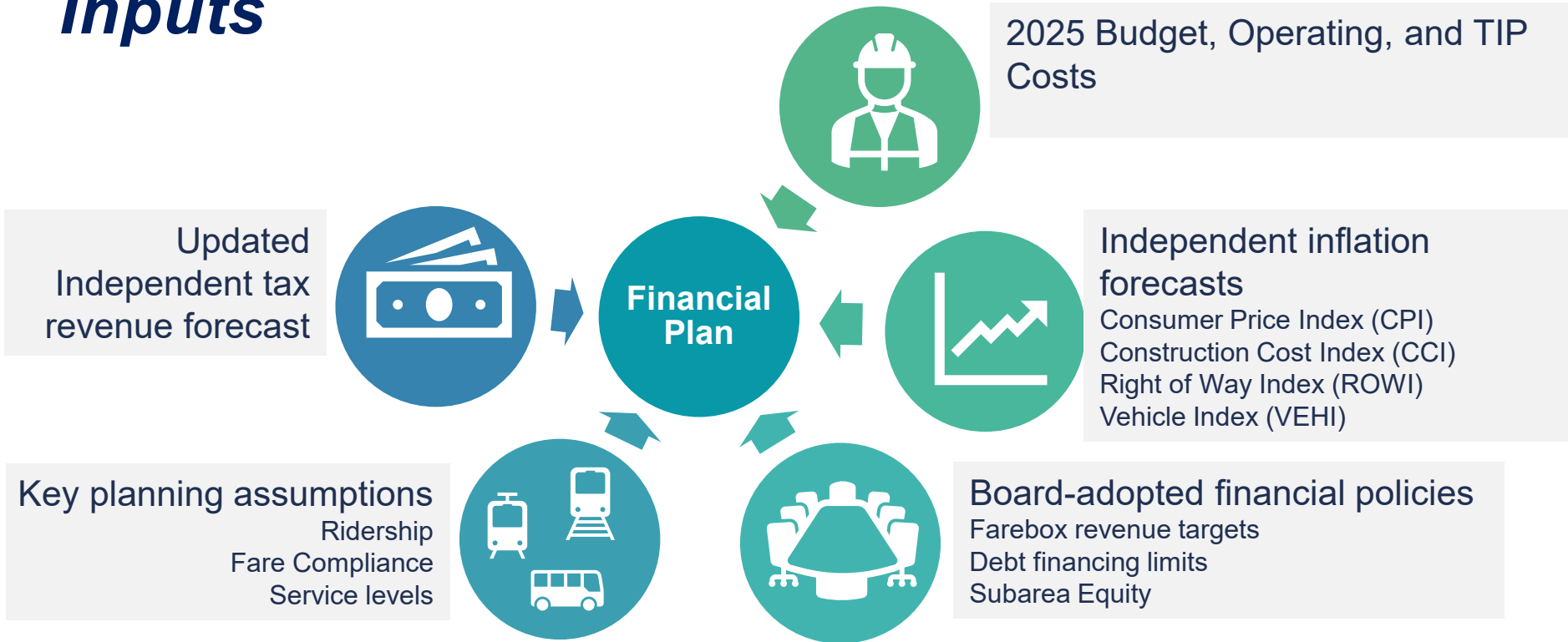
**Authorized Allocation** (lifetime) for all active project costs, including past actuals. (Includes pre-baselined and baselined projects, as well as service delivery projects.)

## Long-Range Financial Plan (2017 – 2046)

*Board Updated*

Includes Sound Move, ST2, and ST3 sources and uses through 2046.

# Fall 2024 Plan Inputs



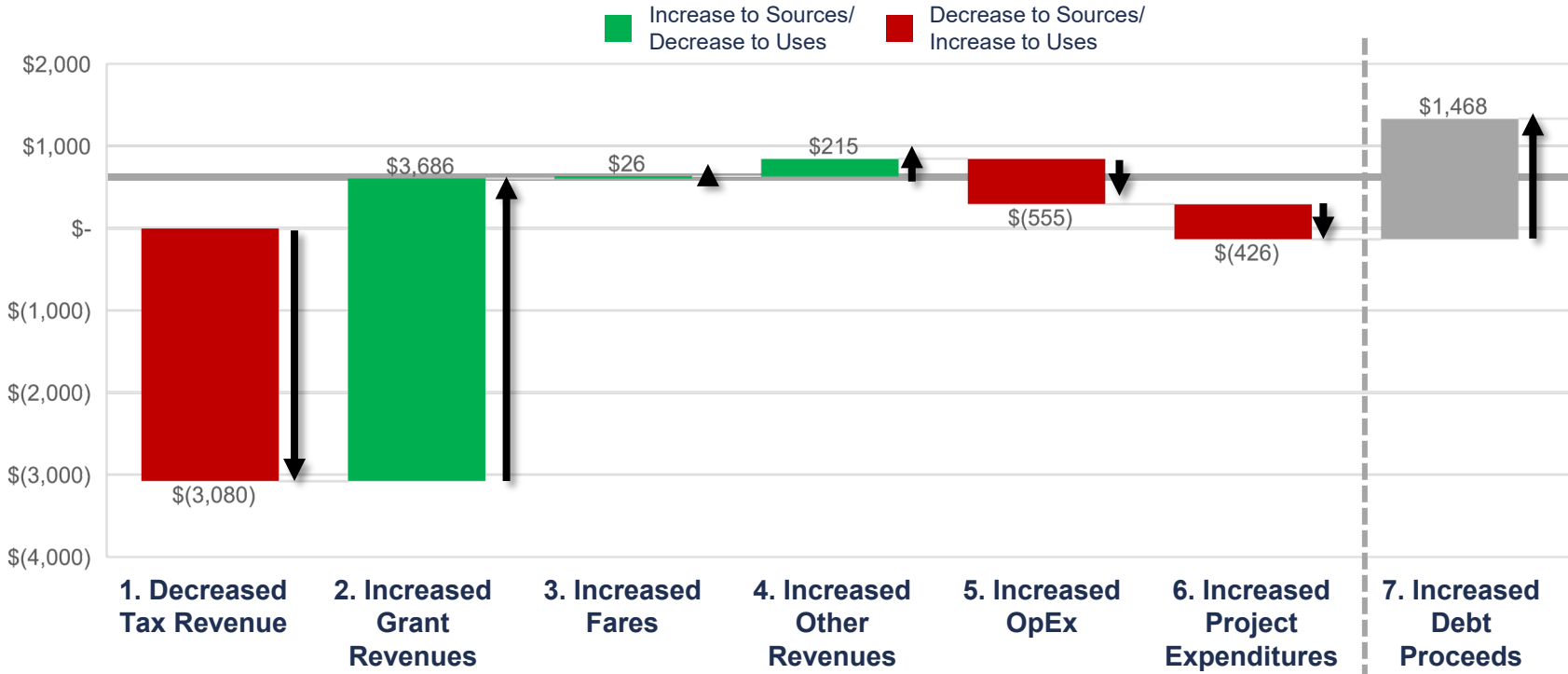
# *Financial Plan - Key Takeaways*

## *Debt capacity and coverage projections have decreased compared to the Fall 2023 Plan*

- The Proposed 2025 Budget and TIP are affordable within the agency's updated financial plan.
- All board financial policies are maintained.
- Higher projected capital and operating costs through 2046 result in increased debt issuance and decreased excess agency financial capacity.
- ***Agency faces affordability challenges. Actions underway to manage costs and address constrained financing.***

# Financial Plan changes in sources and uses

(Changes from Fall 2023, 2017-2046 millions in YOES\$)



# *Tax revenue*

*\$3,080M or 3.3% decrease compared to Fall 2023*

- **\$3,517M** or **5%** decrease in sales tax. Slow-down in regional economy has driven reduction in current tax base, which has depressed entire forecast.
- **+\$452M** or **5%** increase in MVET due to improved vehicle sales forecast, mostly attributed to easing of supply chain constraints.
- **\$23M** or **0.4%** decrease in property tax revenue.
- **+\$8M** or **4%** increase in rental car tax.

# Grant revenue

***\$3.7B or 24% increase compared to Fall 2023***

- Increase ST3 full funding grant agreement assumption **\$2.6B** from \$9B to \$11.6B to match federal transit funding expectations.
- Add **\$600M** Federal Railroad Administration grant assumption for Sounder rail track and signal improvements, a part of the Sounder South Capacity Expansion project.
- Increase of **\$434M** due to updates of FTA formula funding forecast.
- **\$52M** increase across all other grants.



# Fare revenue

## *\$26M or 0.5% increase to fares*

- Small increase to fares per boarding, with slight improvements seen in underlying fare compliance rates.
- *Expect long-term ridership forecast updates that incorporate performance from 2024 Link extension openings.*

# *Operating expenses*

*\$555M or 1.5% increase from Fall 2023*

- Increase purchased transportation costs of **\$527M** to account for latest labor contract.
- Insurance and resourcing projections increased **\$28M** due to higher premiums on Sounder and property insurance, offset by budget savings from reduced FTEs and zero-based budgeting.

# *Project costs in Plan*

***\$426M or 0.5% increase from Fall 2023***

- **+\$394M** increase from inflation, mostly due to new vehicle cost index added to more accurately capture costs of building LRVs and buses.
- **+\$32M** increase due to updated planning assumptions for service delivery projects.
- ***Costs for OMFS and West Seattle, Ballard, Tacoma Dome, Everett Link Extensions are from earlier planning estimates.***
  - ***Plan not yet updated with updated PE cost range for WSLE.***
  - ***Plan does not yet include East Link amendment due to timing.***

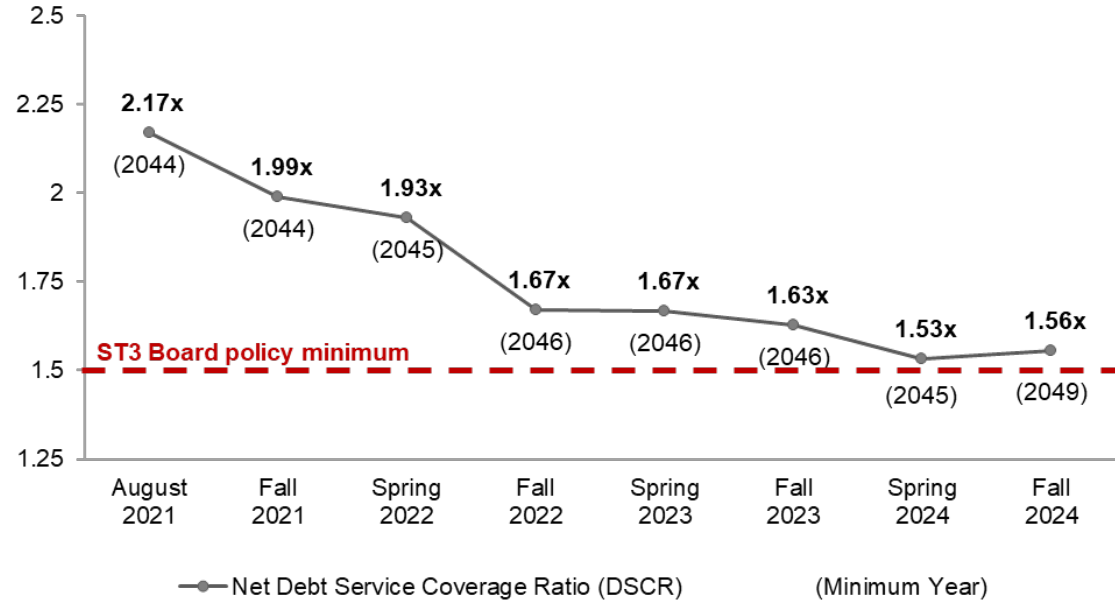
# Net Debt Service Coverage Ratio (DSCR)

Current minimum Net DSCR is 1.56x

**Debt Service Coverage Ratio (DSCR):** the agency's ability to repay debt after paying annual operating costs.

**ST3 Board Financial Policy:** requires an average debt service coverage ratio of 2.0x for net revenues over annual debt service costs, and not to fall below 1.5x in any single year.

**Current unmitigated trajectory:** DSCR projected to decline to **1.56x** in 2049 ("pinch point"), very close to the current agency policy minimum.



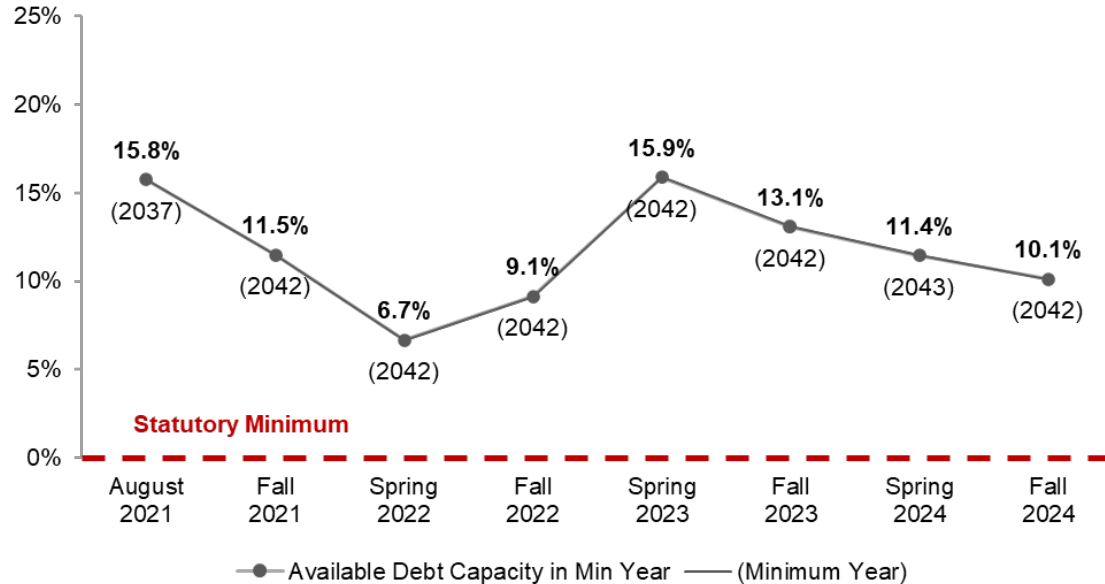
# Legal debt capacity

**Current minimum remaining available debt capacity is 10.1%**

**Legal debt capacity:** the agency's ability to issue new debt.

**Legal limit:** total debt is constrained by state law not to exceed 1.5% of the assessed value of real property in the Sound Transit taxing district.

**Current trajectory:** debt capacity is projected to fall to **10.1%** in 2042 ("pinch point").



*Thank you.*



 [soundtransit.org](https://www.soundtransit.org)

