Addendum to July 2024 FAC CFO Report

Executive Summary: May 2024 YTD Financial Performance

Note: The Board packet contains the Quarterly Financial Report for Q1 2024, which is made available on soundtransit.org. This addendum is to provide more up-to-date information on this year's financials through May 2024, which coincides with the presentation in the Finance and Audit Committee.

May 2024 year-to-date (YTD), total revenues and other financing sources were at $1.1B compared to total expenditures of $182.9M. For total revenues and other financing sources, this represents being at 100% of YTD budget. For total expenditures, this represents spending 84% of YTD budget.

	Revenues & Other Financing Sources (in thousands)	May2024 YTD Budget	May2024 YTD Actuals	Variance ($) Under/(Over)	Actuals as % of Budget
1	Tax Revenues	$ 941,119	$ 918,020	$ 23,099	98%
2	Other Revenues	$ 145,956	$ 163,811	$ (17,855)	112%
	Total Revenues	**$ 1,087,075**	**$ 1,081,832**	**$ 5,244**	**100%**

	Expenditures (in thousands)	May2024 YTD Budget	May2024 YTD Actuals	Variance ($) Under/(Over)	Actuals as % of Budget
3	Transit Operations	$ 251,094	$ 226,472	$ 24,623	90%
4	System Expansion Projects	$ 741,642	$ 597,896	$ 143,746	81%
5	Service Delivery Projects	$ 73,612	$ 62,880	$ 10,732	85%
6	Debt Service	$ 78,219	$ 76,058	$ 2,161	97%
7	Other Expenses	$ 14,318	$ 12,698	$ 1,620	89%
	Total Expenses	**$ 1,158,886**	**$ 976,004**	**$ 182,882**	**84%**

1. Tax Revenues
   Tax revenues came in $23M or 2% below plan mainly due to sales tax coming in $22M (3%) below forecast with MVET at $1M (1%) below forecast. The $23M total includes $9M of amounts from 2023 year-end adjustments.

2. Other Revenues & Financing
   Actuals were $18M (12%) higher than YTD budget mainly due to higher investment income driven by higher-than-expected investment balances and market interest rates higher for longer than anticipated. Passenger fare revenues were $2K (8%) below budget, driven by slightly lower than expected Link ridership, with the earlier in the year service disruption.

3. Transit Operating Expenditures
   Overall, actuals were $25M (10%) lower than YTD budget.

   <u>Link</u> actuals were $16M (12%) lower than YTD budget primarily due to:
   - $5.4M from lower than budgeted spending on resources for compliance, reporting, and oversight work.
   - $2.9M from timing of various operating projects:
     - Lighting, fire protection system, and bird mitigation design and assessment work in the DSTT pending agreement on statement of work.

    - Lower than budgeted engineering service assistance needed through May. This program provides pre-project development tasks prior to identifying project scope and needs.
- $2.8M from lower insurance premium renewal for “all other peril and earthquake” insurance. While it came in 12% higher than 2023 average, it was expected to come in with a 20-25% increase for 2024. Rail Operations Insurance (ROIP) similarly ended up coming in 5% lower than originally expected for 2024 budget.
- $2.3M from on call contracts largely for facilities maintenance and other maintenance services include cleaning, electrical, landscaping, and pest control.
- $1M from agency administrative functions driven by higher agency average vacancy at 14.6% vs 8% budgeted.

<u>Sounder</u> actuals were $4M (11%) lower than YTD budget primarily due to:

- $2.0M from lower insurance premium renewal for “all other peril and earthquake” insurance. While it came in 12% higher than 2023 average, it was expected to come in with a 20-25% increase for 2024. Rail Operations Insurance (ROIP) similarly ended up coming in 5% lower than originally expected for 2024 budget.
- $1.5M from lower fuel rates than assumed during budget preparation.
- $0.6M from lower than budgeted spending on resources for compliance, reporting, and oversight work.
- $0.3M from on call contracts largely for facilities maintenance and other maintenance services include cleaning, electrical, landscaping, and pest control.

<u>ST Express</u> actuals were $4M (6%) lower than YTD budget mainly due to Purchased Transportation Services.

- $2.3M from purchased transportation services accrued at year end 2023 as the reconciliation with our partners came in slightly lower than expected.
- $0.9M from lower than budgeted spending on resources for compliance, reporting, and oversight work.
- $0.2M from lower insurance premium renewal for “all other peril and earthquake” insurance. While it came in 12% higher than 2023 average, it was expected to come in with a 20-25% increase for 2024. Rail Operations Insurance (ROIP) similarly ended up coming in 5% lower than originally expected for 2024 budget.

<u>Tacoma Link</u> actuals were slightly below budget at $0.5M (6%).

- $0.3M from lower than budgeted spending on resources for compliance, reporting, and oversight work.
- $0.2M from savings from the PA system upgrade operating project with lower than budgeted contract award.

4. System Expansion Project Expenditures

   Overall, actuals were $144M (19%) lower than YTD budget primarily due to:

   - Lynnwood Link Extension – actuals were $52M below YTD budget due to construction spending to occur later than originally budgeted. This includes items that are not necessary for revenue service, such as settlements of commercial issues, punch list items, and local street work. The work necessary for revenue service is hitting milestones as planned.

- Downtown Redmond Link Extension – actuals were $27M lower than YTD budget due to slower progress than planned for design-build contractor. Station and garage work behind schedule due to delay in resolution of quality issues and resource constraints. However, team is working with contractor to identify work to regain schedule and catch up in Q3 for on-time pre-revenue service in Q4.
- Stride – I-405 BRT spending was $25M lower than YTD budget due to slower progress in NE 85th Interchange due to issues with materials procurement and City of Kirkland waterline work. However, spending is expected to catch up in coming months and project is still on track to hit key milestones as scheduled. SR522 spending was $5M lower than YTD budget. This is driven by delays in property acquisition and later vehicle spending than initially budgeted, partially offset by higher progress in construction (Bothell NE 185th Improvement.)

5. Service Delivery Project Expenditures (there are 130 active projects in this category)
   Overall, actuals were $11M (15%) lower than YTD budget primarily due to:
   - (SOGR) DSTT Capital Improvements – actuals were $2.8M lower than YTD budget due to the timing of payment for the north bound track & bond box replacement work (i.e., work is complete and will be paid/accrued in June). CCTV Video Scoping and Fan Guard Installation is delayed due to track access but expected to be completed in the coming month.
   - (ENH) Digital Passenger Info Management System – actuals were $1.2M lower with work being delivered and accepted but reconciling vendor invoices behind. Project expenditures are expected to catch up in the next six months with the additional scope for East Link work. Additionally, the Data Management Program ($0.9M) is experiencing staffing constraints – with recruiting actively in progress.
   - (ADMIN) Administrative projects – variance is driven by higher than budgeted staff vacancies; we are looking at these for our 2025 budget in order to right-size the positions and priorities.

6. Debt Service Expenditures
   Actuals were slightly below budget at $2M lower than year-to-date budget driven by lower management fees.

7. Other Expenditures
   Actuals were $2M (11%) lower than YTD budget mainly due to lower tax collection & fees in line with lower tax revenues and lower than budgeted project spending.