



March 24 Draft ST3 Plan for Public Comment

Financial Plan

Expert Review Panel

April 12, 2016

 **SOUNDTRANSIT**

❑ *Financing:*

- ❑ *Interest on 30 Year Bonds now 5.3% versus 5.75%*
- ❑ *Assume 2 federal loans (TIFIA/RRIF)*
- ❑ *Minimum Debt Service Coverage – 1.6x down from 1.8x*

❑ *Inflation:*

❑ *Removed contingencies from inflation forecasts*

- ❑ *CPI – 25 basis points*
- ❑ *CCI - 10 basis points*
- ❑ *ROW – 15 basis points*

❑ *Sources of Funds:*

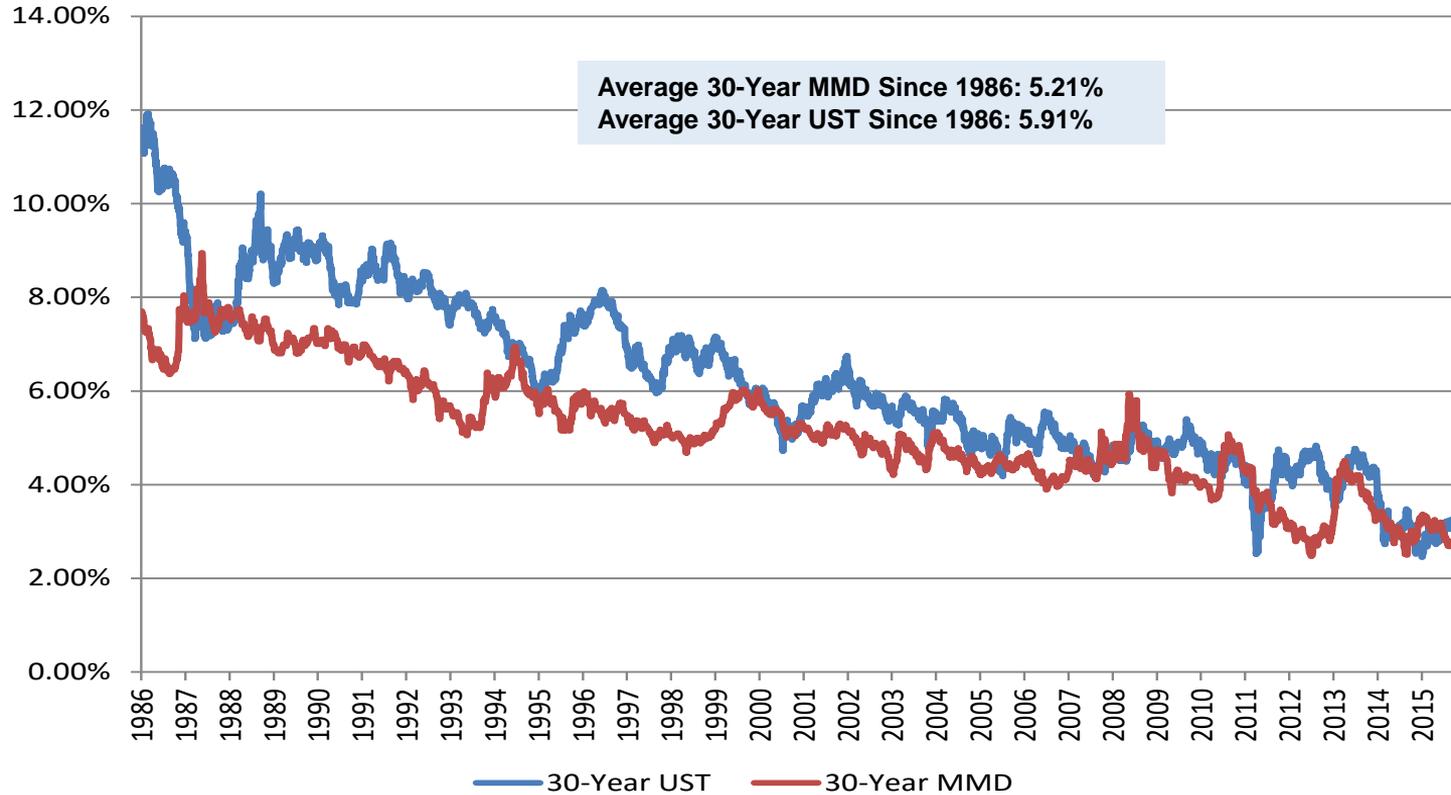
- ❑ *Added \$70 million UW-Link, net savings.*
- ❑ *Added \$1m advertising revenue, and parking revenue of \$6 million / year post 2030.*

- ❑ *Grants:*
 - ❑ *Increased Lynnwood Link assumption to \$1.173 billion*
 - ❑ *Included 2 or 3 New Starts totaling \$4.1 billion*
 - ❑ *Added Formula Funding of \$500 million.*
- ❑ *State-of-Good Repair:*
 - ❑ *Added additional SOGR dollars*
- ❑ *O&M*
 - ❑ *Increased O&M real growth from 0.5% to 1.0%*

Key Financial Planning Assumptions for ST3			
<i>Nominal Dollars</i>			
	Sound Move	2007 ST2 Plan	ST3 Draft Plan
Funding Sources			
Sales Tax and Use Tax	0.4%	0.9%	0.5%
Motor Vehicle Excise Tax (MVET)	0.3%	0.3%	0.8%
Property Tax			\$ 0.25
Parking Revenue			~\$6m annually
Annual Average Revenue Growth			
	15 Year Plan	15 Year Plan	25 Year Plan
Sales Tax and Use Tax	4.8%	4.8%	4.1%
MVET	5.8%	4.5%	3.9%
Bonding			
Level-Loaded Term	30 years	30 years	30 years
Amortization	Wrap	Wrap	Wrap
Interest-Only Term	5yrs/10yrs	5 years	5 years
Interest-Only Premium	-	-	-
Debt Issuance Costs	1.5%	1.5%	1.5%
Gross Debt Services Ratio Policy	NA	NA	NA
Net Debt Services Coverage Ratio Policy	1.3x	1.5x	1.5x
Federal Loans			\$2.0b
Borrowing Range			
Interest Rate	6.00%	5.75%	5.30%
Federal Funds			
% of Capital	21%	7%	11%
Inflation Cost Index			
Consumer Price Index	2.90%	3.30%	2.30%
Building Cost Index	3.90%	3.60%	3.60%
Right of Way Index	3.90%	4.60%	4.00%
ST Inflation Contingency	No	No	No
Other			
Interest earning rate	3.00%	3.00%	3.00%
Capital Replacement	Yes	Yes	Yes
Debt/Equity Ratio			
	30%	49%	22%

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30-Year MMD vs. 30-Year U.S. Treasuries Since 1986



ST3 March 24 Draft Plan For Public Comments (\$M YOY)

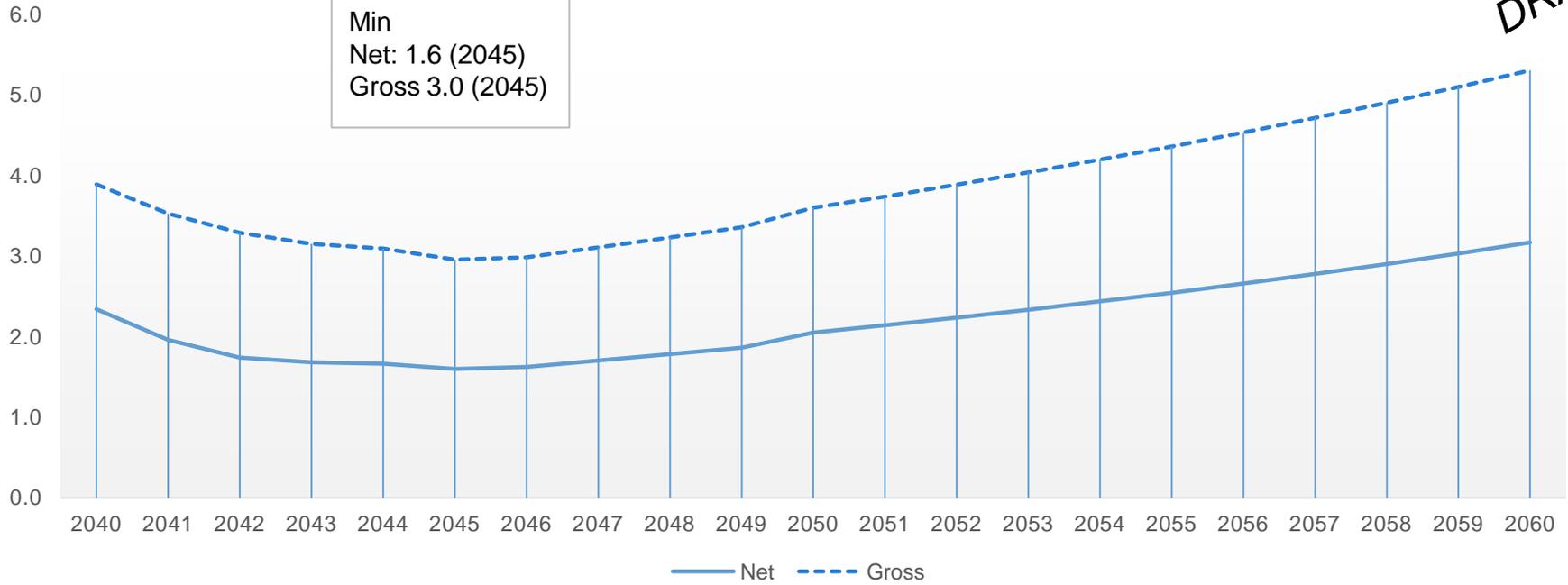
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	2017-2041	Notes
SOURCES		
Tax Revenue	27,602,561	Updated forecast in early May
Fare Revenue	752,750	Based on ST3 Ridership and AFB assumptions
Other Sources Revenue	8,647,328	Primarily surplus of SM and ST2 Taxes
Capital Grant Drawdowns	4,102,053	Assumes 2-3 FFGAs
FTA Formula Fund Drawdowns	501,721	Consistent w/ agency historic rates
Bond Proceeds (less issuance cost)	8,461,670	Net Coverage at 1.6x, Gross at 3.0x
Interest Earned	827,943	-
TOTAL SOURCES	- 50,896,026	-
USES		
Commuter Rail Capital Costs	1,857,182	-
Light Rail Capital Costs	34,308,764	-
Regional Express Capital Costs	299,986	-
Bus Rapid Transit Capital Costs	1,766,838	-
Rapid Street Car Capital Costs	940,013	-
Agency Admin Capital Costs	-	-
System-wide Capital Costs	1,118,763	-
TOTAL CAPITAL PROGRAM	- 40,291,545	-
Total O&M Costs	7,163,281	-
Scheduled Debt Service	1,988,514	-
Early Principal Redemption	-	-
Bond Reserve Deposits	612,554	-
O&M Reserve Contributions	135,275	-
Capital Reserve Contributions	-	Begin at end of ST3 capital program
Increase (decrease) in cash	704,857	Change in net cash position
TOTAL USES	- 50,896,026	-

Coverage

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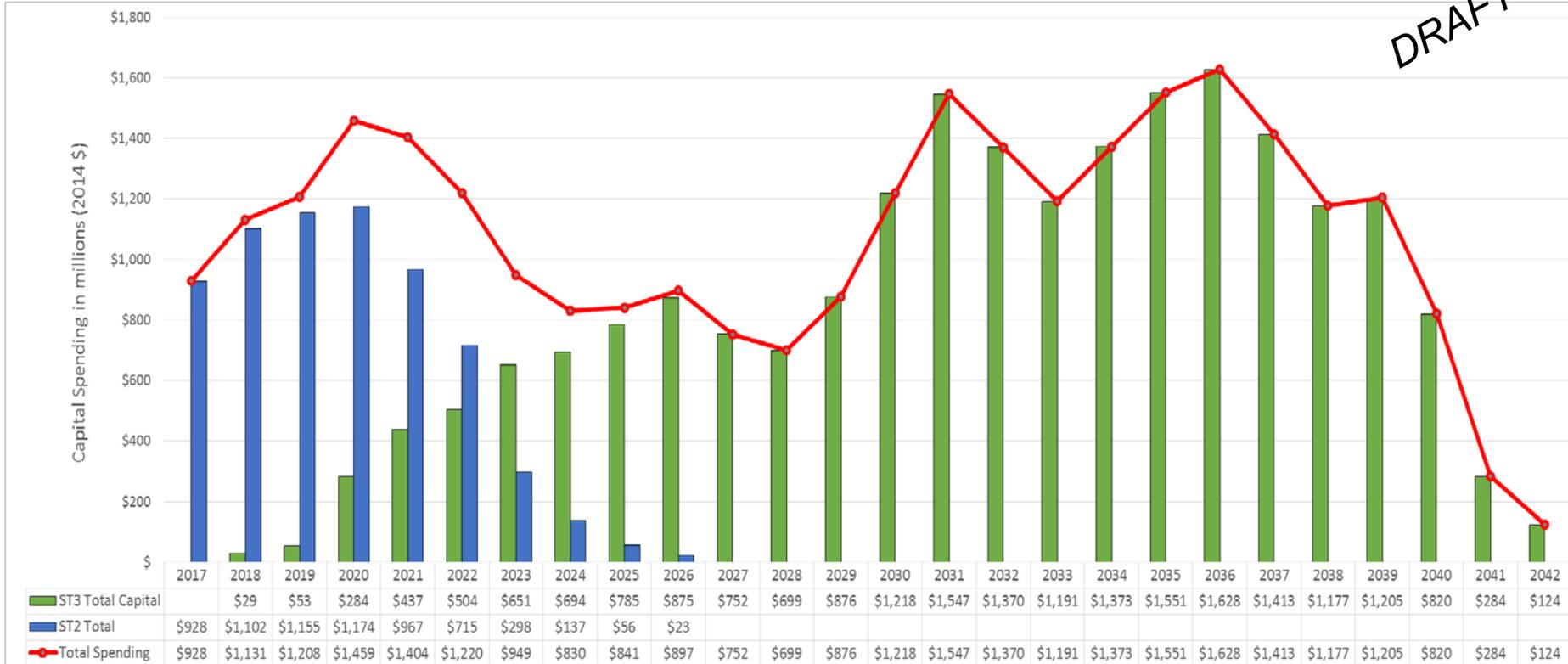
Min
Net: 1.6 (2045)
Gross 3.0 (2045)



- ❑ *Initial Static Stress Tests*
 - *Capital Costs*
 - *Revenue Loss*
 - *Interest rates*
- ❑ *Dynamic Risk Assessment: May*

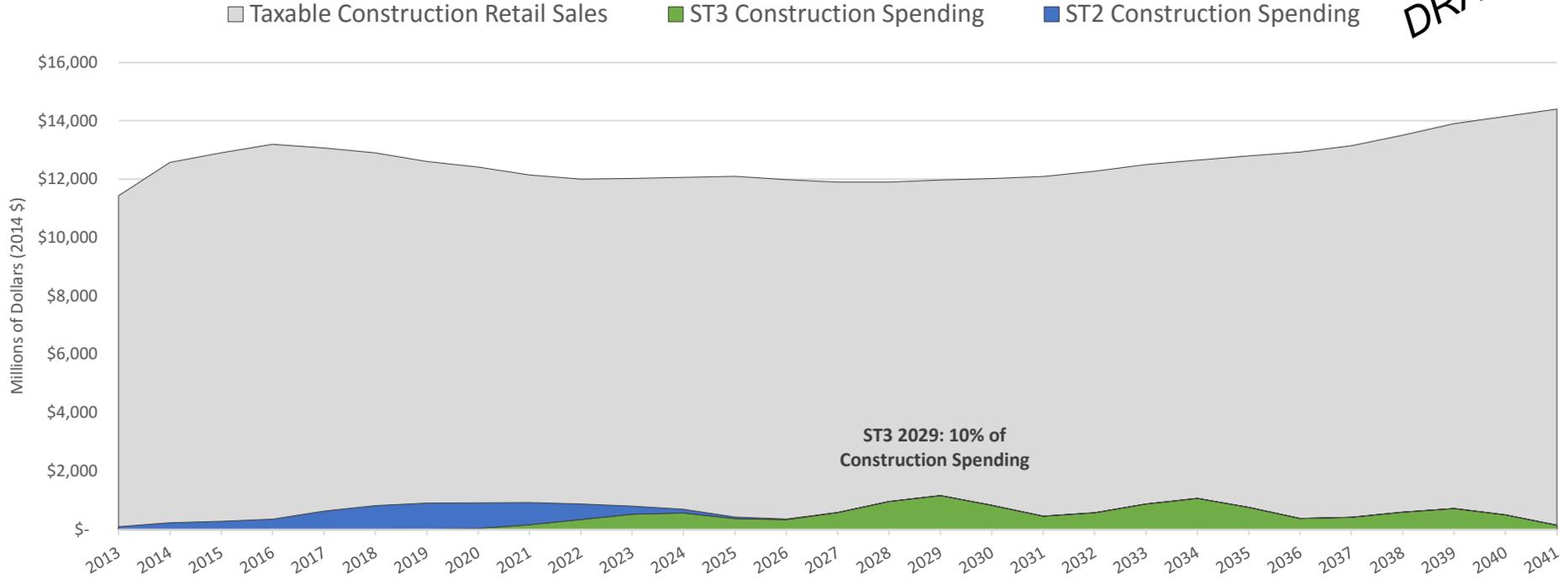
ST2 vs ST3 Total Capital Spending

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ST Construction Spending vs Regional Construction Spending

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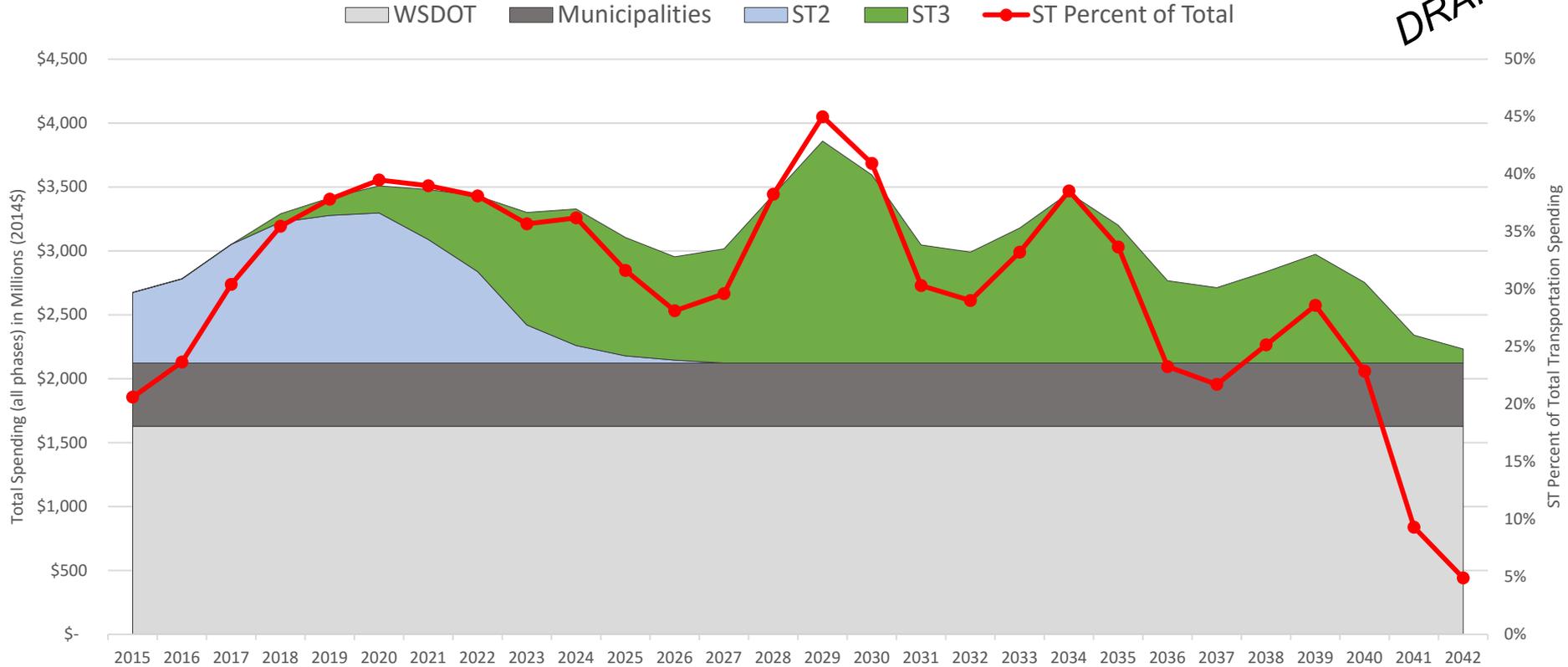
ST3 2029: 10% of Construction Spending

Taxable Construction Retail Sales 2013-2014: Actuals from WA Dept of Revenue for Sound Transit District municipalities.

Taxable Construction Retail Sales 2015-2042: Projected using PSRC growth rate for construction jobs.

ST Spending vs Regional Transportation Spending

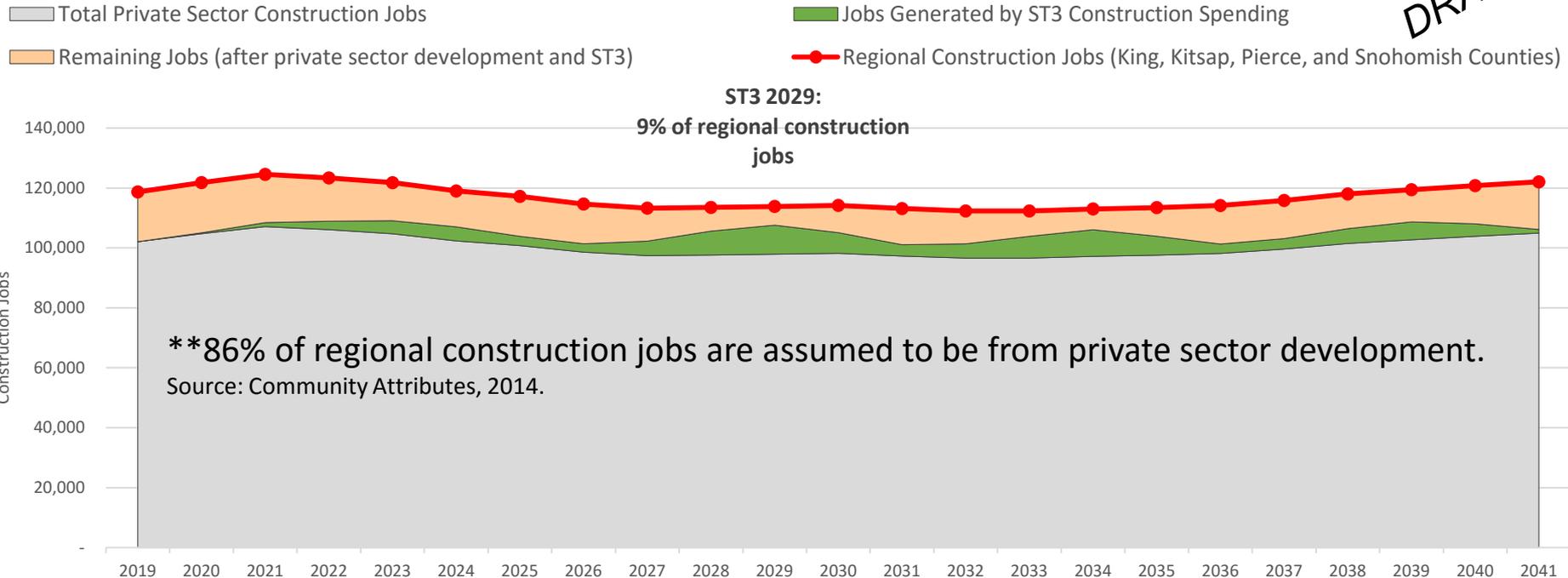
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WSDOT and Municipality Spending: Annual average of planned spending from 2015-2025, extended to 2041. Source: PSCR 2015, The Project List 2015-2025.

ST3 Construction Jobs vs Regional Construction Jobs

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Regional Construction Jobs: Forecast from PSRC. Construction jobs refers to NAICS Code 23: Construction.

Jobs generated by ST3 Construction Spending: Assumes each million in spending results in 8.34 direct jobs. Source: IMPLAN methodology, TriMet.

Private Sector Construction Jobs: City of Seattle Construction Industry Labor Market Assessment, prepared by Community Attributes, 2014.

Next Steps

- ❑ *Financial Policy: Review by board May/June*
- ❑ *Update Financial Plan: June*
- ❑ *Final ERP Review*
- ❑ *board adoption of plan*