

Sound Transit Financing and 3-County Road & Transit Funding

**Presentation to the
Eastside Transportation association
November 19, 2014
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Sound Move LRT “Starter Line”

- 1996 LRT 21-mile “Starter Line” – S. 200th to NE 45th St (U-District)
Per 1999 EIS:
 - Estimated Capital Cost -- **\$2.3 billion YOE**
 - Estimated Completion – 2006 (10 years)
 - Estimated 2020 Boardings – 133,000 per Annual Average Day
- LRT Time and Cost Grossly Underestimated
- Initial Segment + Airport (Westlake Sta to Airport) – 15.6 miles
 - Estimated capital Cost -- **\$2.4 billion YOE**
 - Completed – 2010 (14 years)
 - 2011 Actual Boardings – 23,600 per Annual Average Day
- 2012 Before and After Study – Corridor Transit Linked Trips
 - 2008 Before – 68,500; 2011 After – 75,700
 - New Transit Trips – 7,200 (+10%)
 - New Commuter Transit Trips – 1,900 (Negligible Peak Period Impact)
- Completion of 21-mile “Starter Line”
 - Estimated Capital Cost -- **\$5.3 billion YOE**
 - Estimated Completion – 2020 (24 years)

ST2 (Phase 2) Program

- In 2008 a Phase 2 program and tax increase proposed to voters Before any portion of the 21-mile “Starter Line” was completed
- More Tax Revenue needed to complete Sound Move
- Election Year selected to maximize potential approval of the 0.5% Sales Tax increase – No Sunset year proposed for all Approved ST taxes
- Phase2 would increase LRT System from 21 miles to 51 miles
- But still 32 miles short of the LRT “Core System”:
Tacoma Dome to Everett Station and east to Redmond CBD
- Sound Move and ST2 Finance Plan Merged
Final Outcome of Sound Move will never be known

Current Sound Transit ST1/ST2 Program

1997-2023 Estimates	2008 Est	2014 Est	Change	Comment
SOURCES (YOE \$millions)				Includes 1997-2008
Total Tax Revenue	18,730	14,523	(4,206)	Recession
Total Fare Revenue	1,474	1,179	(295)	Slow startups
FTA Grants	3,108	3,288	179	
Bond Proceeds less Issue Cost	9,036	8,494	(542)	At 1.5 Coverage
Other plus Interest	550	959	409	Early Bond Sales
Total Sources	32,897	28,443	(4,454)	
USES (YOE \$millions)				
Capital Program	21,095	17,416	(3,679)	So. Corridor Cut
Debt Service	4,271	3,228	(1,043)	Bond Wrapping
O&M Costs	6,485	5,881	(605)	Slow Startups
Cap and O&M Reserves	1,544	1,880	336	
Total Uses	33,395	28,405	(4,991)	
Gen Fund Cash Balance	(498)	38	536	

ST1/ST2 Financial Plan

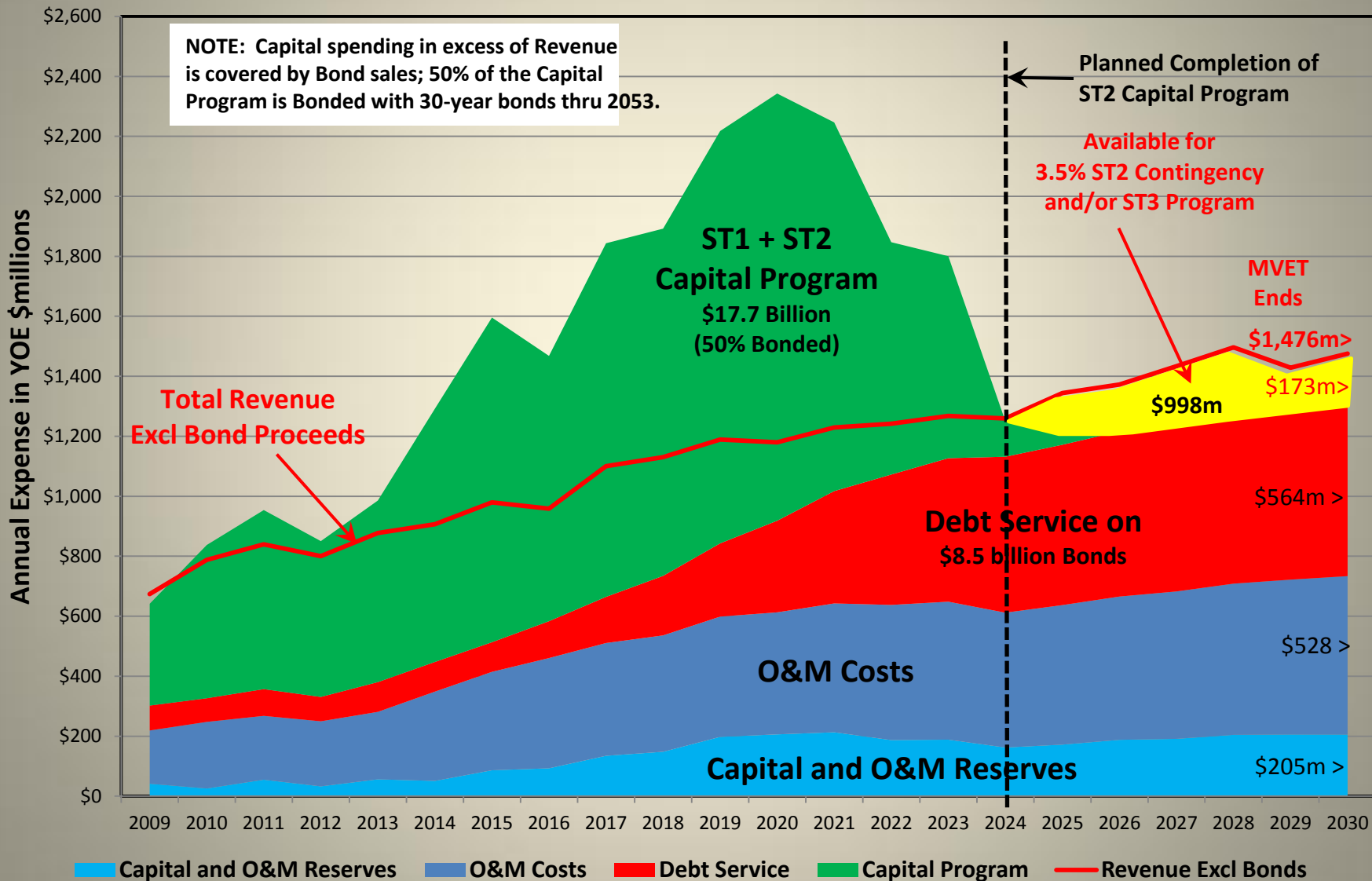
YOE \$millions	1997-2023	1997-2040	1997-2053
SOURCES	<u>Thru Const</u>	<u>Plan Period</u>	<u>Bond Period</u>
Total Tax Revenue	14,523	38,583	74,680
Total Fare Revenue	1,179	3,910	6,850
FTA Grants	3,288	4,667	5,960
Bond Proceeds less Issue Cost	8,494	8,494	8,494
Other plus Interest	959	1,328	1,592
Total Sources	28,443	56,982	97,577
USES			
Capital Program	17,416	17,660	17,748
Debt Service	3,228	12,728	19,748
O&M Costs	5,881	15,445	26,266
Cap and O&M Reserves	1,880	5,299	8,019
Total Uses	28,405	51,132	71,781
Gen Fund Cash Balance	38	5,850	25,796

Sound Transit Phases 1 and 2 Capital Programs

Length (Miles)	Segment	Year Complete	Cap Cost YOE \$Mils
Sound Move (0.4% ST + 0.3% MVET + \$1.2 billion Bonds)			
15.6	Initial Segment+Airport (Westlake to Airport)	2010	2,354
3.2	University Link (Westlake to UW station)	2016	1,756
1.6	Tacoma Link (Tacoma Dome to CBD)	2006	<u>77</u>
20.4	Subtotal LRT System		4,187
	Sounder (Tacoma to Everett)		1,229
	Regional Express (22 Routes and Access)		<u>820</u>
	Sound Move Total Capital Program		6,236
ST2 (Phase 2) (+0.5% Sales Tax + \$7.3 billion Bonds)			
12.5	North Corridor (UW Station to Lynnwood)	2023	3,977
1.6	S. 200th St Ext (Airport to S. 200th Street))	2016	383
	ROW, PE, EIS (S.200th to Tacoma Dome)	2020	163
	Central Link O&M Facility and Vehicles		1,439
14.3	East Link (Seattle to Overlake TC)	2023	3,805
	East Link Maint Facility and Vehicles	2023	644
2.0	Tacoma Link Ext (CBD to Tac Gen Hosp)	2020	153
	LRT Other		<u>482</u>
30.4	Subtotal LRT System		11,046
	Sounder Stations, Parking, etc.		1,084
	Express Bus		530
	Service Delivery, Systemwide		<u>540</u>
	ST2 Total Capital Program		13,200
50.8	Sound Move plus ST2		19,436

ST1&2 Revenue and Expense Estimates

Source: Sound Transit 2014 Financial Plan



ST2 Bonding Issue

- The 2014 Fin Plan shows a need for \$8.5 billion in Bond Sales to complete the ST1/ST2 program by 2023/4
- Maximum Bonding previously controlled by Debt Service “Coverage ratio”
- RCW 81.104.210 limits bond sales for “*High capacity transportation corridor areas*” to 1.5% of the value of taxable property within the area
- McCartan reports that to currently be \$5.5 billion limit
- That leaves a bonding shortfall of \$3.0 billion
- A 60% approval is needed from the area voters to increase the bonding capacity up to 5% of taxable property in the area – up to \$18 billion?
- OR, apply the new ST3 tax increase from 2017 thru 2023 to the ST2 program financing needs
- Reduces ST2 bonding needs to \$4.7 billion thru 2023
- It only requires 50.1% favorable vote to pass a tax increase; versus 60% favorable vote to increase the bonding limit
- I’m sure that ST does not want to do both in 2016

Sound Transit LRT Core System¹ Potential Phase 3

Length (Miles)	Segment	Year Complete	Cap Cost YOE \$Mils
Sound Move (ST1)			
20.4	Total LRT	2016	4,187
	Sounder and Express Bus		<u>2,049</u>
	Total Sound Move		6,236
ST2 (Phase 2)			
30.4	LRT Extensions	2023	11,047
	Sounder and Express Bus		2,153
	Total ST2		13,200
Minimum ST3 to Finish Core System²			
	North Corridor (Lynnwood to Everett)	2035	6,267
	South Corridor (S. 200th to Tacoma Dome)	2035	6,039
	East Corridor (Overlake TC to Red CBD)	2030	<u>1,600</u>
31.6	Total Minimum ST3		13,906
82.4	Total with Completion of LRT Core System³		33,342

¹ The LRT Core System is from Tacoma to Everett and east to the Redmond CBD.

² May have subarea equity issues.

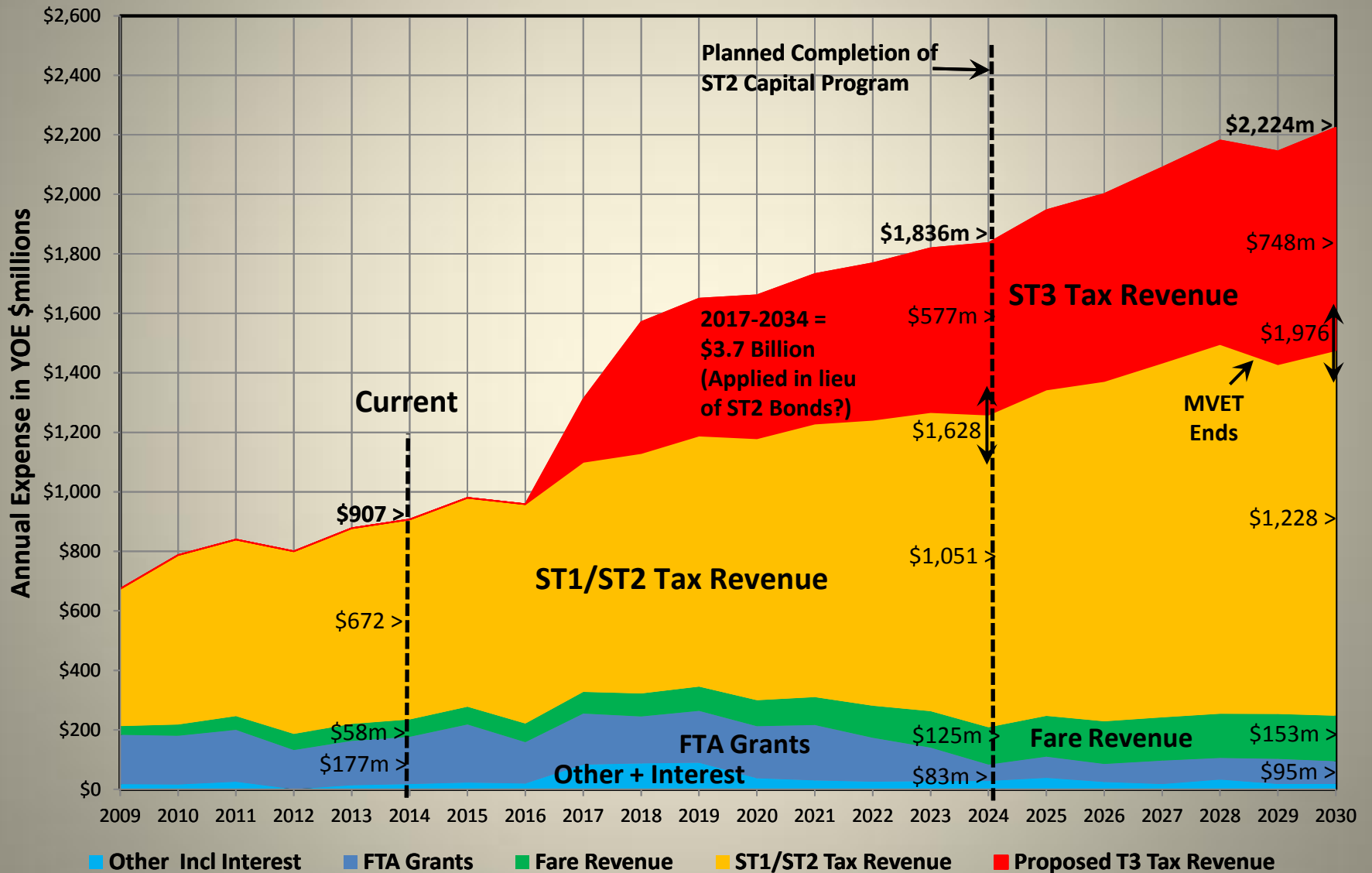
³ Original 1995 proposal for LRT System Phase 1, to be completed by 2010.

ST2/ST3 Funding Needs

- Current Funding only finances the ST1/ST2 Program
- Only about \$1 billion estimated excess revenue from 2023-30
 - Represents a 3.5% contingency for the ST1/ST2 program thru 2030
 - Or, represents a minimal start for an ST3 program
- Brian McCartan proposes an ST3 Tax Increase in 2016
 - Option 1: 0.55% Sales Tax increase (from 0.9% to 1.45%)
 - Option 2: 1.3% MVET increase (current 0.3% expires after 2028)
 - Option 3: Property Tax increase of \$105 per 100k of property value
 - Option 4 and 5: Lesser combinations of two or three above
- Vote in November 2016; revenue starts mid-2017
- Option 1 creates \$3.7 billion of new revenue from 2017 thru 2023
 - Will this be used to reduce ST2 bonding needs?
- The next slide shows additional tax revenue if Option 1 is approved by voters in November 2016

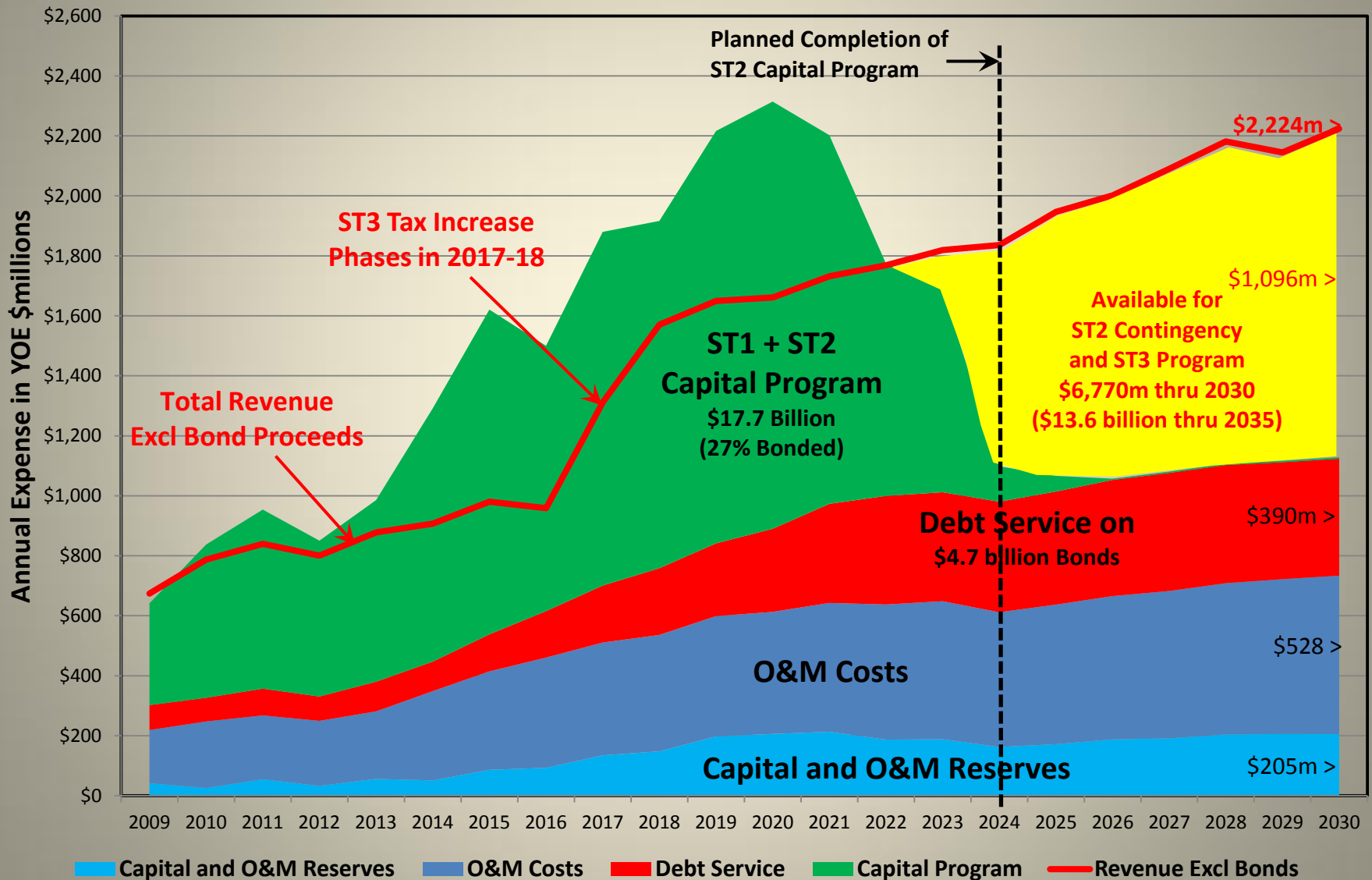
ST1/ST2/ST3 Revenue Excluding Bond Sales

Source: Sound Transit 2014 Financial Plan + 0.55% Sales Tax Increase



ST1/ST2/Prop ST3 Revenue and Expense Estimates

Source: Sound Transit 2014 Financial Plan Modified to Add ST's ST3 Tax Proposal



Subarea Equity

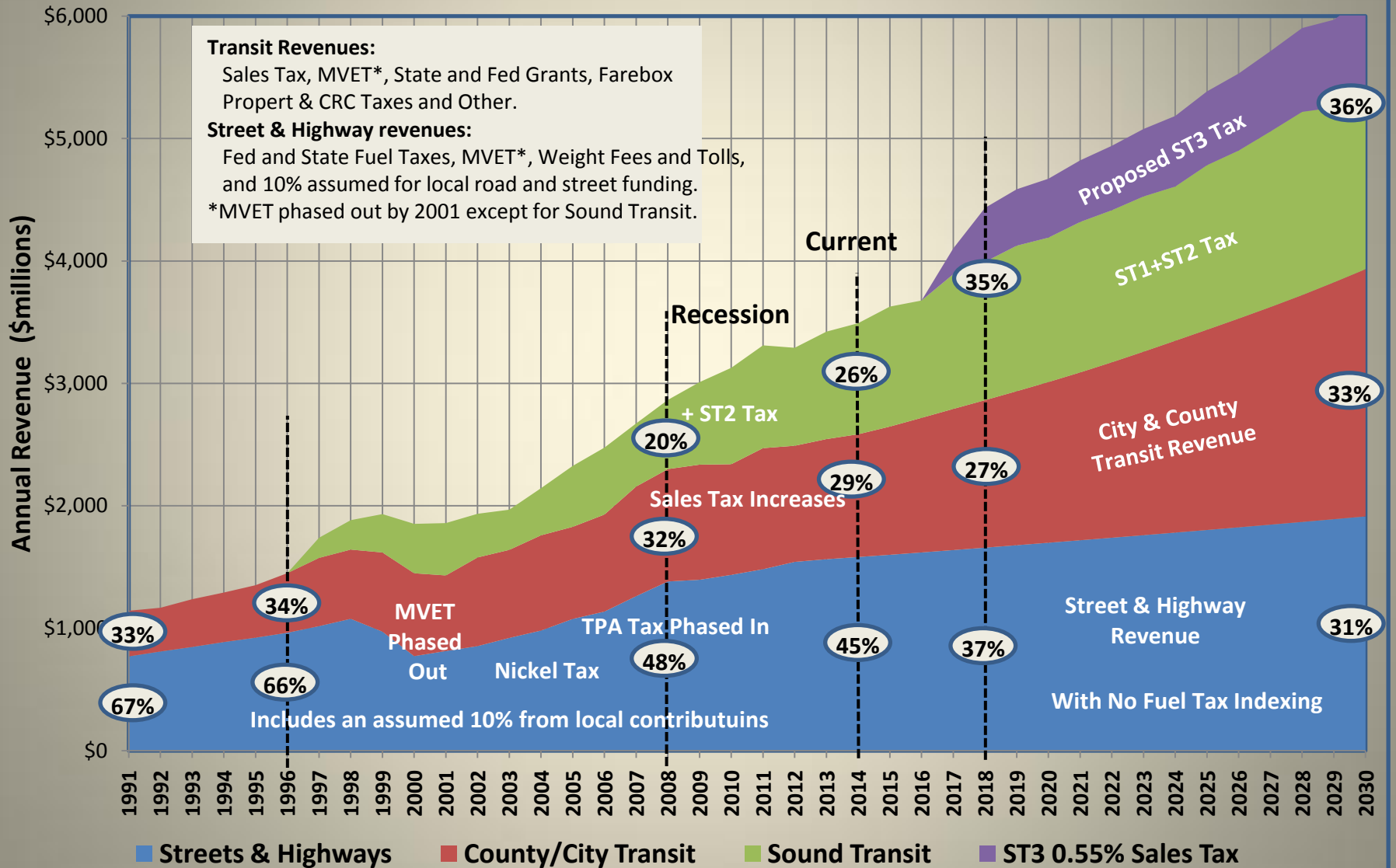
- Capital costs for ST1 and ST2 Projects have already been assigned by Subarea; assume these are sunk commitments
- Subarea equity assumes that all benefit is assigned to the Suburban end of trips. This is transit planning from the 1940s
- Capital and O&M Costs should have been allocated by Station Boardings
 - The trip Origin end benefits from transit trip subsidy
 - The trip Destination end obtains economic benefit
- For Example:
 - Sounder North: North King - 48%, Snohomish - 52%
 - Sounder South: North King - 45%, South King - 30%, Pierce - 25%
 - East King BRT: North King - 45%, East King - 50%, Snohomish - 5%
 - East Link: North King - 51%, East King - 49%
- Need to Revise future O&M Cost allocations
- ST3 Subarea Equity allocations will be interesting
 - The vast majority of remaining LRT Core System lies in the Snohomish, South King and Pierce subareas

Transportation Funding – 3-County Region

- In 1991 transportation funding was 67% for Streets and Highways, and 33% for area transit (then four county/city agencies)
- In 1996 Sound Transit was created with .04% sales tax increase and 0.3% MVET
- In 2000 the MVET was eliminated for all except Sound Transit
 - Its 0.3% MVET continues thru 2028
- From 2005 thru 2008 Road funding was increased by the ‘Nickel’ and ‘TPA’ tax increases; local transit sales tax was increased to 0.9% maximum
- By 2008 transportation funding had declined to 48% for Streets and Highways, and increased to 52% for area transit
- Sound Transit ST2 was approved in Nov 2008 with sales tax increased from 0.4% to the 0.9% maximum allowable
- Today (2014) transportation funding had declined to 45% for Streets and Highways, and increased to 55% for area transit
- **By 2030 with the ST3 tax increase, transportation funding will decline to 31% for Streets and Highways, and increase to 69% for area transit**

Annual Transportation Revenue

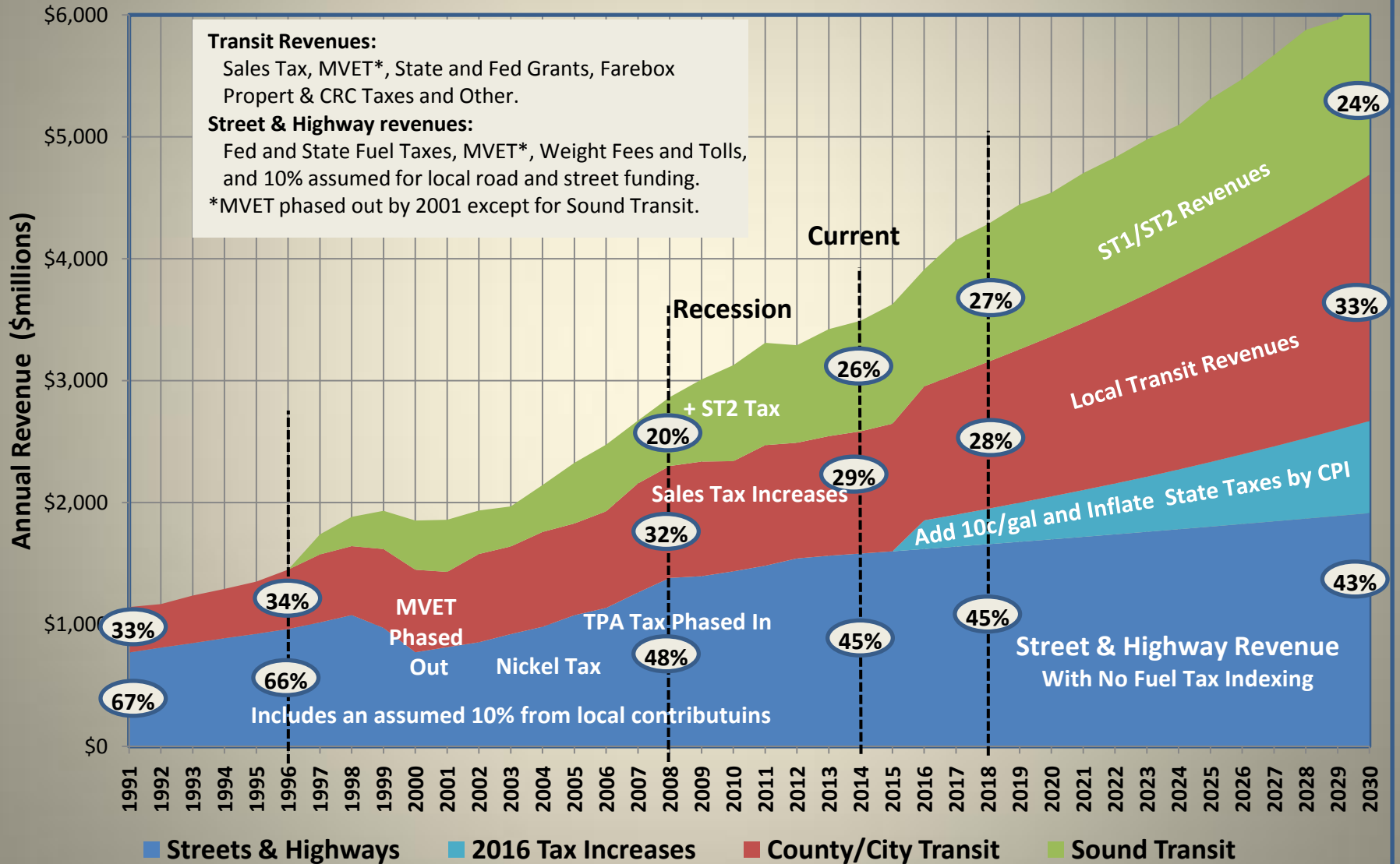
Three-County Central Puget Sound Region



Transportation Funding Conclusions

- The PSRC Transportation 2040 Estimates:
 - 95% of all motorized people movement will be in private cars using roads
 - 100% of all freight movement will be on the road system
 - 100% of all bus transit operations will be on the road system
 - Only 5% of daily people-movement will be on transit
 - Only about 1% of transit riders will be on rail systems
- These are Maclsaac suggestions:
- Legislative action needed to significantly increase road funding
 - Consider another ‘Nickel’ increase for specific state highway projects
 - In addition consider increasing the 23c/gallon fuel tax to 28c/gallon for general road use, split between state and county/cities as currently split
 - Index all road user fees (taxes) by the Seattle CPI
- Legislative non-action to approve any further increases in transit tax limits
 - Maintain current 0.9% sales tax limit for Sound Transit
 - Do not allow MVET nor property tax increases for Sound Transit
 - Maintain current 0.9% sales tax limit for each local transit agency
 - Encourage transit agencies to increase fare shares of operating costs to 65%

Annual Transportation Revenue Alternative Three-County Central Puget Sound Region



Take This Chart to our Legislators

- 10c/gallon State Fuel Tax increase plus indexing is about comparable in revenue to the ST3 Tax Increases being sought by Sound Transit
- If applied to road funding rather than to ST3, it would at least keep road funding from further proportional decline
- Even so, is spending 55% of our transportation dollars on transit funding to serve only 5% of mobility choice a justifiable use of transportation dollars for our 3-county region
- Should the need for more transit funding be accommodated by user fees (fares) up to 65% of O&M Costs?