



***Central Puget Sound
Regional Transit Authority***

***2015 Financial Plan
(June 2015)***

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EXECUTIVE SUMMARY

The Central Puget Sound Regional Transit Authority's *Financial Plan* represents Sound Transit's long-range strategic plan updated annually to verify and confirm the sufficiency of funding available to construct, operate and maintain transit programs approved by voters in 1996 (*Sound Move*) and 2008 (ST2).

Although the "Great Recession" has ended its impact on the agency continues as long range tax revenues are currently estimated at \$4.5 billion, or 28.5 percent, below the 15-year financial forecast included in the 2008 voter-approved plan. Due to this decline in forecast revenue, it is no longer possible to complete all ST2 programs by 2023, as was originally contemplated in the plan approved by voters.

The Board of Directors has comprehensively reviewed the agency's capital and operating plans in light of the projected revenue shortfall. This review resulted in a revised capital expansion program in which funding for certain programs has been delayed, reduced or suspended. This *Program Realignment* is fully reflected in the Agency's 2015 Financial Plan.

In January 2015 Sound Transit executed a \$1.3 billion federal loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA). This is the largest single TIFIA loan to a transit agency in the country and the second largest TIFIA loan overall, and at the lowest rate - 2.38 percent - in the 25-year history of the program.

The low-interest loan, which offers more favorable terms than traditional bonds, will increase Sound Transit's financial capacity by an estimated \$200 - \$300 million. The impact of this favorable financing agreement is reflected in the 2015 FINAL Financial Plan.

Financial Policies

Sound Transit's *Financial Plan* is based on several underlying policies adopted initially as part of *Sound Move* and subsequently amended by the Board of Directors in July, 2008. These policies preserve the principle of subarea equity, whereby expenditures benefiting a given subarea are commensurate with tax revenues contributed by that subarea.

Distributing Revenues Equitably: Subarea equity is defined as utilizing local tax revenues for transportation programs and services that benefit the residents and businesses of a subarea generally in proportion to the level of revenues contributed by that subarea. Subareas may fund projects outside their geographic boundary only when the project benefits the residents and businesses of the funding subarea. For more detailed revenue and expenditure information, see Appendix A.

Financial Management: Sound Transit maintains policies governing debt, investment management, risk management, state-of-good repair/replacement, fares, and operating expenses to ensure effective utilization and deployment of voter-approved tax revenues.

Key financial policies are as follows:

- Minimum agency wide net debt service coverage ratio of 1.5 or greater in any year;
- Maintain a two-month operating and maintenance cost reserve for each subarea;
- Limit the amount of debt financing within each subarea to each subarea's ability to repay debt after covering operating costs;

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- Manage the agency's debt capacity on a consolidated basis; Allow the use of short-term debt to bridge the gap between the timing of expenditures and the receipt of revenues, and
- Target Fare box recovery rates as follows: Light Rail – 40.0%; Commuter Rail – 23.0%, and Regional Express Bus – 20.0%

Public Accountability: Sound Transit has engaged independent auditors and appointed a citizen oversight committee to monitor performance in carrying out its public commitments. In addition, Federal Transit Administration agents are assigned to oversee financial and project management functions and conduct process reviews of planning, design, and implementation of major capital projects to ensure compliance with all federal guidelines.

Voter Approval Requirement: The Sound Transit Board recognizes that the taxes approved by voters are intended to implement a regional transit system and to provide permanent funding for its future operations, maintenance, capital replacement, and debt service. Although the board has the authority to fund ongoing costs through a continuation of the local taxes authorized by the voters, the board pledges that, after the voter-approved plan is completed, subsequent capital expansion programs requiring continued local taxes at rates above those necessary to operate, and maintain the system and retire related debt will require approval by a vote of the citizens within the Sound Transit District.

Sales Tax Rollback: Upon completion of all voter approved transit projects, the Sound Transit Board will initiate steps to roll back the rate of sales and use tax collected. First, an accelerated payoff schedule will be established for any outstanding bonds whose retirement will not otherwise impair or affect the ability to collect tax revenue. Once all debt is retired, Sound Transit will implement a tax rollback to a level necessary to pay for system operations and maintenance, fare integration, capital replacement and ongoing system-wide costs and reserves.

Risk Analysis: The Financial Plan is based on a number of assumptions and projections of key variables such as cost inflation, revenue growth, interest rates and availability of federal funds. Although adequate contingency factors have been included in all these key variables, the financial forecasts are still vulnerable to periods of economic recession, and/or "spikes" in the cost of labor or construction materials. Although the 2015 *Financial Plan* reflects adequate cash flow, cash reserves and debt coverage to meet all financial obligations, a stall in the economic recovery not currently reflected in the financial plan would most likely require further downsizing of or delay in the roll out of the ST2 program.

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INTRODUCTION

This report contains the *2015 Financial Plan* for the Central Puget Sound Regional Transit Authority (Sound Transit) and reflects the agency's plan to fulfill its mission to implement affordable high-capacity transit programs approved by voters in 1996 and 2008. The plan assumes completion of all affordable capital projects by year end 2023 and provides sufficient funding to ensure continued operation and maintenance of the transit system thereafter.

Description of Sound Transit

Sound Transit, the Central Puget Sound Regional Transit Authority, was created in 1993 pursuant to State enabling legislation (RCW 81.112). It is a special-purpose metropolitan municipal corporation, responsible for the construction and operation of high-capacity public transportation systems within its district. The Sound Transit district comprises five subareas within the contiguous urbanized areas of Snohomish, King, and Pierce counties (see Figure 1 on Page 5). The district is home to approximately 2.8 million people or 80% of the three-county population.

Existing Sound Transit Service

In November 1996 voters approved a Regional Transit System Plan – *Sound Move* which incorporates elements of commuter rail, light rail, and express bus service into a comprehensive high-capacity regional transit system. Funding to complete *Sound Move* was secured in 1996 when voters approved the following new taxes: 0.4% Sales & Use Tax; 0.3% Motor Vehicle Excise Tax, and 0.8% tax on Rental Car fees. To date, the Transit Authority has implemented the following services:

1. 83 miles of commuter rail service providing 9 daily round-trips in the south between downtown Seattle and Tacoma - of which five continue farther south to Lakewood. And to the north, four daily round-trips between Seattle and Everett serving approximately two million annual passenger trips.
2. 26 express bus routes with a fleet of 280 buses operating approximately 700,000 hours.
3. A 1.6-mile light rail line in Tacoma serving approximately one million annual passenger trips.
4. Associated stations, transit centers, park-and-ride lots and transit access ramps.
5. Beginning in 2009 Sound Transit began light rail service on 15.8 miles of double track from downtown Seattle to Sea-Tac Airport. The agency is also in the process of constructing another 3.1 miles of light rail alignment from downtown Seattle to the University of Washington which is expected to open in the 1st Quarter of 2016.

Voter Approved Service Expansion

In November 2008 voters approved an extensive program of transportation projects to be implemented over the 15-year time period from 2009-2023. This plan when fully implemented will add 34 miles of light rail extending north from the University of Washington through Northgate and on to Lynnwood; to the east from downtown Seattle through Mercer Island and Bellevue to Redmond's Overlake Transit Center, and to the south from SeaTac Airport through the Kent Des Moines Road area on to Highline Community College and Redondo/Star Lake. The ST2 plan increases the Seattle to Lakewood Sounder commuter rail service by adding four new daily round trips. The plan also includes expansion of regional express bus routes expanding service by 10 to 30 percent in key corridors.

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Governance

Sound Transit is governed by an eighteen-member board consisting of the Secretary of Transportation for the State of Washington and seventeen locally elected city and county officials who are appointed by the legislative authority of each of the member counties, based on nominations from the respective county executives. Each county has one representative per 164,000 residents within the Sound Transit district. Currently, there are 10 representatives from King County, 4 from Pierce County, and 3 from Snohomish County.

The board structure defined in RCW 81.112 was designed to establish linkages between Sound Transit and other governmental entities that will foster efficient coordination and delivery of transportation services. As noted above, the WSDOT Secretary automatically serves on the Sound Transit Board and of the county appointees, one must be an elected official from the county's largest city, and at least half the appointees shall also be members of the legislative authority of a local transit system.

Major actions of the board require a two-thirds majority. These actions are defined by State law to include at least the following: System plan adoption and amendment, system phasing decisions, authorization of annexations, modification of board composition, and employment of the Chief Executive Officer.

Relationship to Local Transit Systems

Sound Transit is an independent regional transit authority. Four other transit agencies operate public transit services within the Sound Transit district: King County Metro, Pierce Transit, Community Transit, and Everett Transit. Sound Transit's Regional Express Bus services are operated by King County Metro, Pierce Transit and Community Transit under joint operating agreements. In addition, Sound Transit has contracted with King County Metro to operate the Initial Segment of the Link light rail system. The Sounder commuter rail service is operated through a contract with Burlington Northern Santa Fe (BNSF). Sounder commuter rail cars and locomotives are maintained under a contract with Amtrak.

Financial Structure

Sound Transit financial statements are maintained in accordance with methods prescribed by the Washington State Auditor under authority of RCW Chapter 43.90. Sound Transit uses Budgeting, Accounting, and Reporting Systems for proprietary type districts in the State of Washington as well as Generally Accepted Accounting Principles established by the Government Accounting Standards Board. Propriety funds are accounted for using the accrual basis of accounting. Therefore, revenues are recognized when earned, expenses are recognized when incurred. Fixed assets are capitalized when purchased, and long-term liabilities are accounted for as incurred. Funds are accounted for on a cost of service or capital gains measurement focus. This means all assets and all liabilities (whether current or non-current) associated with Sound Transit's activities are included on its balance sheets. Note, however, that the Finance Plan is maintained on a cash basis in accordance with federal guidelines (see *Finance Plan Assumptions and Methodology* section below).

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Financial Policies and Controls

The *ST2 Plan* approved by the Board of Directors preserves the financial policies and controls set forth in the voter-approved *Sound Move* transportation and financing plans. Chief among these is a commitment to subarea equity. State law requires high-capacity transit system plans to include an equity element that identifies: (i) revenues anticipated to be generated by corridor and by county; (ii) the phasing of construction and operation of facilities and services in each corridor; and (iii) the degree to which the revenues generated within each county will benefit the residents of that county.

The financial policies state that equity will be defined as “utilizing local tax revenues and related debt for projects and services which benefit the subareas generally in proportion to the level of revenues each subarea generates.” The Sound Transit district is divided into five subareas – Snohomish, North King, South King, East King, and Pierce (See Figure 1 below). In adopting the plan, the Sound Transit Board agreed that the facilities, projects, and services identified in the original voter-approved plan represent a reasonable definition of equity for purposes of satisfying both public policy concerns and statutory requirements.

Following are the key financial policies adopted with the Financial Plan:

- Require an average net debt service coverage ratio of 1.5 times or greater in any year of the financial plan.
- Maintain a two-month operating and maintenance cost reserve for each Subarea.
- Manage the agency’s debt capacity on a consolidated basis; and
- Allow the use of short-term debt to bridge the gap between the timing of expenditures and the receipt of revenues.

Figure 1 – Sound Transit Taxing Districts

System-wide expenditures that benefit all subareas are funded by an equal percentage of local tax revenues contributed by each of the five Subareas plus interest earnings. These elements include agency administration, the integrated fare program, innovative technologies and planning for future capital investments that may be placed before the region’s voters.



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Financial Oversight

Annual Financial Statement and Independent Auditor's Report: At the close of the fiscal year on December 31, an independent auditor's report is prepared including balance sheet, statements of revenues and expenses, findings (notes to the financial statements) and formal opinion. This report is presented to the Board of Directors.

Annual Single Audit Report As a recipient of federal funding, Sound Transit is required to engage an independent auditor to review compliance with U.S. Office of Management and Budget Circular A-133. This directive specifies accounting procedures and internal controls to insure that federal funds are managed in compliance with federal laws and regulations. This report is presented to the Board of Directors.

FTA Triennial Review: At a minimum of three-year intervals, the Federal Transit Administration (FTA) conducts a review to ascertain Sound Transit compliance with 23 functional requirements of agencies receiving federal funds. These include activities such as procurement, fare policy, drug free workplace, financial control and disadvantaged business enterprise.

Project Management Oversight Consultant: For major construction projects under a Full Funding Grant Agreement (FFGA), FTA contracts with an independent firm to monitor engineering design, cost estimates and construction/procurement practices. FFGA projects include the Link light rail system from SeaTac Airport to the University of Washington.

Financial Management Oversight (FMO): Is provided by a financial expert under contract to FTA. This specialist reviews financial plans to verify that all assumptions and calculations are reasonable and in accordance with FTA Guidance for Transit Financial Plans. The FMO consultant also requires that Sound Transit conduct "stress tests" to validate that the agency has sufficient capacity to meet all financial obligations even in the event that costs are higher or revenues lower than assumed in the Financial Plan.

Citizen Oversight Panel: This is a volunteer body appointed by the Sound Transit Board to oversee and monitor implementation of *Sound Move* and *ST2*. The panel monitors performance of Sound Transit and reports to the Board two or more times per year on findings and recommendations for improvements to ensure the success of agency plans and investments.

Annual Report on Subarea Equity: One of the key commitments of *Sound Move* and now *ST2* is to assure that Sound Transit delivers a fair share of investments to each of the five geographic subareas commensurate with their contributions of tax-based revenues to the Authority. To insure that this concept is maintained, Sound Transit engages an independent auditor to review the subarea reports for compliance with agreed-upon procedures for allocation of resources among the subareas. The findings of this report are presented to the Citizen Oversight Panel and the Sound Transit board of directors.

FINANCIAL PLAN ASSUMPTIONS AND METHODOLOGY

The long-term *Financial Plan* is produced in accordance with the Federal Transit Administration’s (FTA) “Guidance for Transit Financial Plans.” The plan is maintained on a cash basis. It states and projects all agency sources and uses of funds for the period 1997-2060 with special focus on 2009 – 2023 which is the ST2 start to completion time period. The *Financial Plan* presents the agency’s operating statements, sources and uses statements, debt amortization and capital replacement funding schedules for the period 1997-2060. The *Financial Plan* incorporates the agency’s most current proposed or board-adopted operating budget and long-term capital and operating plans for ST Express bus, Sounder commuter rail and Link light rail as included in both the Sound Move and ST2 voter-approved programs.

At the heart of the *Financial Plan* is the Financial Planning Model. This model incorporates all financial policies, assumptions, revenue forecasts and program cost estimates needed to calculate cash flow, debt financing and key performance indicators (e.g., cash balances and debt service coverage ratios) over the long-range planning horizon. The diagram below illustrates the concept of the model.

Key Elements of Financial Plan



Funding Sources

Local Taxes

The State enabling legislation defines the taxes that may be levied by a regional transit authority. These include: (1) Retail sales and use tax of up to 0.9%; (2) Motor vehicle excise tax (MVET) of up to 0.8%; (3) Employer tax of up to \$2.00 per employee per month; and (4) Sales and use tax of up to 2.172% on taxable retail car rentals. The first three taxes may be levied based on a simple majority vote within the regional transit district. The car rental tax may be implemented by board action only if voters have approved the levy of a motor vehicle excise tax. The regional transit authority can pledge the revenues from any of these taxes to the repayment of bonds issued for high-capacity transit purposes. Once approved by voters, the taxes may be implemented by a vote of the board and may continue in perpetuity at the board's discretion.

A sales and use tax of 0.4% and an MVET of 0.3% were approved for Sound Transit's use in a November 1996 referendum. Subsequent to this referendum, the board also authorized a rental car tax of 0.8%. Approval of these taxes was in connection with the *Sound Move* Ten-Year Regional Transit Plan, adopted by the Sound Transit Board in May 1996. In November 2008, voters approved increasing the sales tax rate to 0.9% to provide funding for the Phase 2 (ST2) plan.

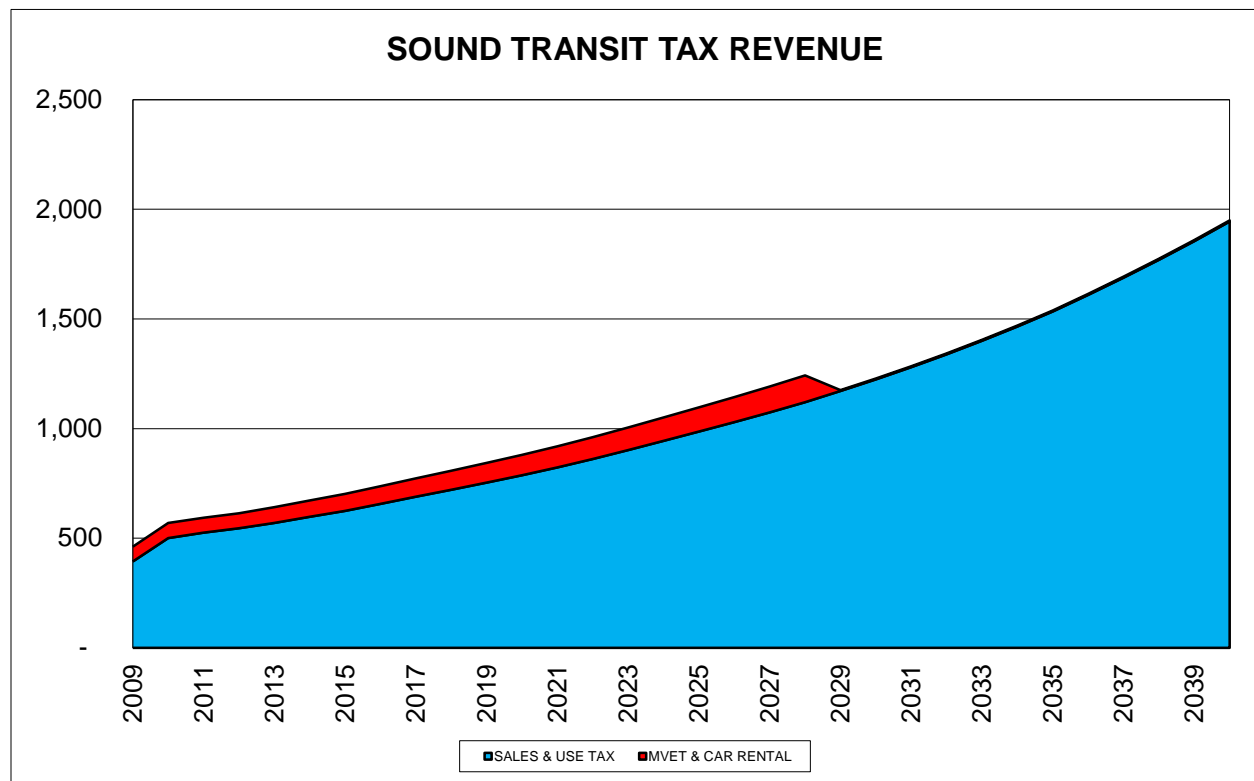
Neither the sales and use tax nor the rental car tax has a sunset provision; however, the Sound Transit MVET collections will expire at the end of 2028. Once the capital portion of all voter approved programs is complete, and all related outstanding bonds have been retired, the board will roll back tax rates to a level sufficient to generate the funds necessary to fund asset replacement, and to perpetually operate and maintain the facilities and services implemented as part of the current system plan approved by voters.

Forecasting tax revenues for the Sound Transit district presents unique challenges, as the Agency's jurisdictional boundary does not correspond to any other economic reporting entity. The district includes incorporated and unincorporated areas in three counties – King, Pierce and Snohomish. Sound Transit receives forecasts of sales and motor vehicle excise tax revenue bases at the county level from a local consulting economist. The tax base forecasts are grounded on economic and population projections from the Puget Sound Economic Forecasting Model, a regional econometric model of King, Pierce, Snohomish and Kitsap counties. The variables used to predict taxable retail sales include Puget Sound personal income, housing permits and the unemployment rate, among other variables. The motor vehicle excise tax base is forecast based on predictions of motor vehicles by type, driving-age population and the unemployment rate, as well as the expected average value of motor vehicles. These forecasts project an average annual growth rate of approximately 3.99% for sales tax and 2.69% for MVET tax bases over the period 2009 to 2023.

Countywide tax base forecasts provided by a consulting economist are then allocated to each of the five Sound Transit subareas based on actual historical data from the State Department of Revenue and the State Department of Licensing.

Figure 2 on the next page and Appendix B present annual tax revenue forecasts through 2040. The steep rise from 2008 to 2010 reflects the change in Sound Transit sales tax rate from 0.4% to 0.9%, effective April 1, 2009.

Figure 2 – Sound Transit Tax Revenue



Ridership and Fare Revenue

Fare revenues are a product of transit ridership and fare prices. Ridership in turn, is a result of transit service provided, as well as a number of other factors. In the near term, ridership can be estimated based on past trends and the amount of transit service to be provided (e.g. routes, service frequency, parking capacity at park-and-ride facilities, etc.).

For long-range ridership forecasts, including light rail, the Sound Transit travel demand forecasting model (ST Model) is used. In the ST Model, transit ridership forecasts are based on observed origins and destinations of transit riders, observed transit line volumes, and a realistic simulation of observed transit service characteristics. The ST Model is executed in three stages. In Stage 1, regional changes in demographics (households and employment) are taken into account. In Stage 2, changes in transit and highway travel times, which reflect congestion levels, and cost factors such as parking costs, transit fares, and household income are taken into consideration. In Stage 3, incremental changes to the transit network such as addition of light rail services offered are incorporated, and a forecast of zone to zone transit trips is prepared for the region. Each light rail alternative ridership forecast is paired with a comparable baseline ridership forecast so the effects of incremental changes in the transit network can be clearly measured.

Table 1
Sound Transit Ridership
(Millions of boarding passenger trips)

	2013	2014	2020	2030
Sounder Commuter Rail	3.0	3.4	3.6	6.3
ST Express Bus	16.6	17.7	17.7	15.5
Link Light Rail*	9.7	10.9	24.0	84.1
<i>Total</i>	29.3	32.0	45.3	105.9

* Excludes Tacoma-Link

The *Financial Plan* assumes the Agency continues to collect fare revenues from Sound Transit operations — ST Express bus, Link light rail and Sounder commuter rail. Fare revenue forecasts are based on ridership forecasts and assumptions regarding fare levels and price elasticity. The future fare structure assumes the following characteristics:

- Fares will be structured with a base fare plus an increment based on the distance (zone) traveled, similar to the fare structure approved by the board of directors for Sounder and Link light rail.
- Sound Transit regional express bus fares will compare to bus fares of other transit agencies serving the three counties, including zone fares;
- There will be no charge for bus-rail transfers;
- There will be discounts offered to seniors and youth; and
- Monthly passes and employer passes will be sold at a discount.

In addition, fares are assumed to generally increase with inflation over time, or are increased as need to maintain board-adopted fare recovery ratios.

Allocation of regional fare revenue to Sound Transit from collections through the ORCA card system are based on an inter-local agreement reached between Sound Transit, Community Transit, Everett Transit, King County Metro, Pierce Transit, Everett Transit, Kitsap Transit, and Washington State Ferries.

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Table 2 below shows the fare revenue forecast for selected years. Appendix B shows the agency-wide fare revenue forecast from 2009 - 2040.

Table 2
Sound Transit Fare Revenues
((\$millions))

	2013	2014	2020	2030
Souder Commuter Rail	\$9.5	\$10.5	\$11.3	\$20.2
ST Express Bus	\$32.6	\$33.8	\$34.2	\$31.8
Link Light Rail*	\$14.8	\$15.9	\$40.8	\$109.3
<i>Total</i>	\$56.9	\$60.2	\$86.3	\$161.3

* Excludes Tacoma-Link

Grants

Federal funding is generally secured through conventional Federal Transit Administration (FTA), Federal Highway Administration (FHWA) and Federal Railroad Administration programs currently authorized under the Safe, Accountable, Flexible, and Efficient Transportation Efficiency Act: A Legacy for Users (SAFETEA-LU), MAP-1, and future authorizations. Funding will be secured through both congressional appropriations and regional/national grant competitions. Funding awards are still provisional, subject to annual Congressional budget appropriations.

Table 3
Sound Transit Grant Funding Assumptions 2009 – 2023

Funding Sources	Total Grants 2009-2023	Grant drawdowns 2009-2014	Anticipated Funding
Section 5309 New Start-Souder	\$ 1,362,154	\$ 1,362,154	\$ -
Section 5309 New Start-Initial Segment	\$ 47,789,264	\$ 47,789,264	\$ -
Section 5309 New Start-U Link	\$ 813,000,000	\$ 540,935,815	\$ 272,064,185
Section 5309-Small Start	\$ 75,000,000	\$ -	\$ 75,000,000
Section 5309 New Start-Lynnwood	\$ 600,000,000	\$ -	\$ 600,000,000
FTA Formula Funding (Section 5307, 5309 FG, 5337 and 5339)	\$ 643,541,657	\$ 244,436,561	\$ 399,105,096
CMAQ	\$ 75,864,829	\$ 37,096,975	\$ 38,767,854
WSDOT Regional Mobility	\$ 37,683,514	\$ 28,826,113	\$ 8,857,401
FRA	\$ 35,046,164	\$ 32,192,308	\$ 2,853,856
TIGER	\$ 34,000,000	\$ 10,000,000	\$ 24,000,000
Section 5309 Bus	\$ 24,701,674	\$ 24,701,674	\$ -
Other Competitive Funding Sources	\$ 23,523,249	\$ 23,523,249	\$ (0)
Total	\$ 2,411,512,505	\$ 990,864,114	\$ 1,420,648,391

Note that above amounts are on a *grant awards* basis, and may be slightly larger than similar amounts shown in Sources & Uses tables on a *grant drawdown* (cash) basis due to the anticipated delays in actually receiving grant funds, which are on a reimbursement basis.

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Interest Earnings

The *Financial Plan* assumes that Sound Transit will earn a 2.5% rate of return on General Fund cash balances throughout the planning horizon (2040). In accordance with Sound Transit financial policies, all interest earnings are credited to at the Agency level offset expenditures for system-wide programs.

State and Local Assistance

State and local financial assistance includes funds that are either granted directly to Sound Transit or are provided as a credit against taxes or fees that would otherwise be levied on construction activities by other units of government. The agency has commitments from other jurisdictions for providing funds for ST Express, Light Rail, and Sounder projects. Such revenues are not included in the Financial Plan until agreements with other jurisdictions are signed.

Inflation Forecasting

Three inflation forecasts are used at Sound Transit to inflate costs over time in the long-range *Financial Plan*. The Consumer Price Index (CPI-U Seattle) is applied to Operating & Maintenance expenses, and “soft” capital costs, excluding construction & land acquisitions. The CPI forecast and tax revenue base forecasts are developed by a local consulting economist. The Construction Cost Index is applied to construction-related elements of the capital program. A Seattle-area forecast of the CCI index is prepared for Sound Transit by an outside consultant based on projected changes to the price of a “shopping cart” of goods related to construction. A right-of-way index (ROWI) forecast is applied to property acquisition costs.

Debt Financing

The Financial Plan assumes Sound Transit's long-term debt will primarily be in the form of 30-year bonds. The agency's current bond ratings are as follows: Moody's – Aa1 and Aa2 for Senior and Parity bonds, respectively, and Standard & Poor's – AAA, all bonds. In addition to 30 year bonds the agency has executed a \$1.3 billion federal loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA) at an interest rate of 2.38%.

Debt Financing Capacity

Although Sound Transit does not levy property taxes, its debt limit pursuant to State law, like that for all municipalities in the State of Washington, is based on the assessed valuation of real property located within the regional transit authority district. There are two types of bond limits — one for non-voted debt, and the other for voted debt.

Sound Transit may issue total outstanding debt in an amount up to 1.5% of assessed valuation within its district without special voter authorization.

Upon the approval of 60% of the electorate, Sound Transit could issue bonds in amounts up to 5.0% of assessed valuation.

Bonding Assumptions

The financial policies adopted by the Sound Transit Board encourage a conservative use of debt:

For long-term planning purposes, the Sound Transit agency debt service coverage ratio policy is set at an average coverage ratio for net revenue over annual debt services costs, not to fall below 1.5 in any single year. However, as voter-approved plans are implemented, prudent changes to coverage ratios may be made by the Board as appropriate. Prior to bond issuance the agency will establish the appropriate debt service coverage ratio to incorporate into its bond covenants.

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Debt service coverage ratio is the amount of revenues available after funding operating expenses divided by debt service costs.

The Financial Plan assumes 1.25% issuance costs and 7.15% of outstanding principal set-aside for bond reserves. The plan further assumes that future bonds will be issued at an average interest rate of 5.75% and that most bonds will be structured with a 30-year term, with principal payments deferred for five years. Bonds may have a non-level principal amortization structure.

Debt-to-Equity Ratio

Title 81.104.130 of the Revised Code of Washington states that agencies providing high capacity transportation service shall determine optimal *debt-to-equity* ratios. The term “debt-to-equity ratio” is most commonly applied to publicly traded companies whereby “equity” is determined to mean *stockholders equity*. For Sound Transit, the ratio can be interpreted as follows:

- *Debt* refers to total debt issued (bonds).
- *Equity* refers to the amount of capital expenditures made (“taxpayer’s equity”).

Under these definitions, the debt-to-equity ratio would be the cumulative amount of debt incurred (dollar amount of bonds issued) divided by the amount of capital investments (dollar amount expended on capital programs). In effect, it is the proportion of capital assets funded from bond issues.

The agency debt-to-equity ratio reaches a maximum of 47% in 2024, at the completion of the ST2 capital plan, and then declines thereafter.

Summary of Financial Assumptions

- Sales Tax Rate: 0.4% 1997 - 2009; 0.9% 2009 + (subject to potential sales tax rollback, after 2024)
- Sales Tax Average Annual Growth: 4.0% 2009 - 2023
- MVET Tax Rate: 0.3% 1997 – 2028 (tax ends in 2029)
- MVET Tax Average Annual Growth: 2.7% 2009 - 2023
- Rental Car Tax Rate: 0.8%
- Rental Car Average Annual Growth Rate: 1.1%
- Average fare prices increase at a rate generally increase with inflation
- Sound Transit to receive \$2.4 billion in federal grant revenues 2009 - 2023
- CPI Average Annual Cost Inflation: 2.0% (including contingency) 2009 - 2023
- CCI Average Annual Cost Inflation: 3.2% (including contingency) 2009 - 2023
- ROWI Average Annual Cost Inflation: 3.6% (including contingency) 2009 - 2023
- Interest Rate earned on General Fund and Reserve Fund balances: 2.5%
- Bond Interest Rate: 5.75%
- Bond Term: 30 years
- Interest Only Payment Period on Bonds: First 5 years
- All-in Issuance Costs: 1.25% of Par Value
- Principal Set-Aside for Bond Reserves: 7.15%
- O&M Reserves equal to two months’ O&M costs

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SERVICE AND OPERATING PLAN

Service Implementation Plan

Sound Transit services currently consist of four modal elements: (1) ST Express Bus; (2) Sounder Commuter Rail; (3) Tacoma Link Light Rail; and (4) Central Link Light Rail. These elements have been consolidated under the Operations Department. The summary below includes all services approved by voters under both the *Sound Move* and *ST2* ballot propositions.

ST Express Bus

Through its partner agencies – King County Metro, Pierce Transit and Community Transit, Sound Transit currently operates 280 buses on 26 routes with a total of approximately 700,000 annual vehicle hours. ST Express bus ridership in 2014 was almost 17.7 million, compared to 16.6 million in 2013. ST Express buses currently carry almost 61,000 passengers each weekday.

The ST Express capital program is focused on providing two types of transportation improvements: community connection facilities and HOV improvements. Community connection facilities include transit centers, park-and-ride lots and transit access improvements. These community connection facilities improve access to the regional transit system and connections to local transit services. The HOV improvements are designed to allow quick and reliable express bus service throughout Sound Transit's service area. The HOV access projects were implemented through a partnership between Sound Transit and WSDOT. Sound Transit has constructed special access ramps to make it easier for transit and vanpools to use HOV lanes at some of the region's most congested freeway intersections. These improvements are intended to expand and improve the existing HOV network within the District. Sound Transit expects to increase ST Express bus service in the highest-need corridors by improving service frequency, expanding hours of operation and adding trips to relieve overloads.

Sound Transit will continue to participate with Washington State Department of Transportation (WSDOT) in developing High Occupancy Vehicle (HOV) projects as part of the I-90 corridor across Lake Washington. In addition, Sound Transit will continue to improve passenger amenities such as providing more accessible low-floor buses and developing real-time next bus arrival information at stations.

Sounder Commuter Rail

The Sounder Commuter Rail capital program has delivered 82.5 miles of peak-period train service primarily using existing BNSF railroad tracks between Everett, Seattle, Tacoma and Lakewood. The Sounder Commuter Rail system uses conventional railroad locomotives and passenger coaches. The goal of the Sounder Commuter Rail is to increase the passenger-moving capacity of the regional transportation system while not impeding the flow of freight.

The Sounder Commuter Rail system includes 13 stations on two lines that span three counties. The North Line runs from Seattle to Everett; the South Line runs from Seattle to Lakewood. Sounder Commuter Rail service between Tacoma and Seattle began in 2000 with two round trips on weekdays and weekend event service. Service has gradually been expanded to ten round trips between Tacoma and Seattle and four round trips (with two additional trips provided by Amtrak) between Everett and Seattle on weekdays, as well as event service on weekends. Sounder service between Tacoma and Lakewood began in October, 2012.

Sound Transit also expects to construct an expanded Sounder station in Tukwila and access improvements for Sounder Commuter Rail and bus riders at seven stations. Sounder Commuter Rail ridership in 2014 was 3.4 million, compared to 3.0 million in 2013. Sounder trains currently carry approximately 12,700 passengers each weekday.

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Tacoma Link Light Rail

Tacoma Link Light Rail connects downtown Tacoma with a regional transit center at the Tacoma Dome Station, where riders can transfer to Sounder Commuter Rail, ST Express regional buses and local Pierce Transit buses. Tacoma Link began service in August 2003. Ridership in 2014 was approximately 960,000. Tacoma Link Light Rail trains currently carry more than 3,200 passengers each weekday.

Central Link and University Link

The System Plan initially envisioned a 21-mile light rail system running from the University District in Seattle, through downtown Seattle, to just south of the Airport in the city of SeaTac. Sound Transit is building these projects in phases. Phase one is the 14-mile "initial segment" with 12 stations running from downtown Seattle to Tukwila. Sound Transit received a \$500 million "Full Funding Grant" from the FTA to pay a portion of the costs of the Seattle to Airport segment. Service on the Seattle to Tukwila segment began in July 2009.

The second phase, Tukwila to the Airport, opened in December 2009. Link Light Rail ridership in 2014 was nearly 11 million, compared to approximately 9.7 million in 2013. Link Light Rail currently carries approximately 32,900 passengers each weekday.

The last phase of the original System Plan is University Link, a three-mile light rail extension that includes a tunnel east from the Downtown Seattle Transit Tunnel, crossing under Interstate 5 and proceeding east and then north to the Capitol Hill Station serving the First Hill/Capitol Hill urban center. The tunnel route then crosses under the ship canal to an interim terminus at the University of Washington station at Husky Stadium, serving the University of Washington campus and the surrounding neighborhoods. The University Link project will receive up to \$813 million in grants from the FTA, which is expected to fund approximately 40% of the \$1.9 billion cost of building the line. Construction began in March 2009, and operations are expected to begin in 2016.

Sound Transit 2 includes 36 new miles of light rail service and includes extension of service from the University of Washington north to Northgate and then to Lynnwood, with seven stations. Service to Northgate is expected to begin in 2021, with service to Lynnwood beginning in 2023.

Light rail service from downtown Seattle across Interstate 90 to Bellevue and downtown Redmond ("East Link") is planned, with service to Bellevue and Overlake in Redmond by 2023. East Link expects to serve 50,000 daily riders by 2030.

Service from SeaTac Airport to S200th Street ("Angle Lake") has been accelerated, and is expected to open by 2016 with service to the Kent Des Moines Road area by 2023. Sound Transit expects 4,500 daily boardings on this South Link extension.

Operating and Maintenance Costs

Operating and maintenance (O&M) costs are projected by transit mode (bus, commuter rail and light rail) as part of the annual budget process taking into account all scheduled service expansions. For ST Express and Sounder, O&M costs forecasts are based on experience in contracting with the local service providers. For light rail, the O&M cost estimates are based on a cost build-up model for each function (e.g., vehicle operations, vehicle maintenance, and facilities maintenance) including the cost of administration and support services. The O&M costs for the three modes of service are presented in Appendix B.

System-wide activities represent programs that are funded by interest earnings in the general fund and levies on subarea tax revenues, the latter is not to exceed 10 percent per year. These include administration costs that are not allocated to the lines of business, regional fare integration costs, phase 3 planning and research and technology programs.

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CAPITAL PLAN

Sound Transit's capital program includes projects for system expansion, system enhancement, rehabilitation & replacement and administration. Sound Transit updates the capital program annually as part of its comprehensive budget process.

Sounder Commuter Rail

The *Sound Move* capital program for Sounder was completed in 2012 when revenue service from Tacoma to Lakewood began on October 8th of this year.

The ST2 plan approved by voters in November 2008 includes programs that will increase the capacity of the highly utilized Tacoma-Lakewood service by adding four round-trip trains daily and potentially extending train lengths up to eight cars. Additional locomotives and passenger cars will be acquired to support this capacity and service expansion. Station access will be improved at Mukilteo, Auburn, Sumner, Puyallup, Tacoma, South Tacoma and Lakewood. There will be track and structure upgrades from Tacoma Dome to Reservation Junction. Funds are also included to construct and operate a commuter rail operations and maintenance facility.

ST Express Bus

The ST Express capital improvement program has delivered a variety of facilities including transit centers, park-and-ride lots, flyer stops and transit access improvements. These facilities improve access to the regional transit system as well as provide connections to other local transit services.

High occupancy vehicle (HOV) access projects have been implemented through a partnership between Sound Transit and WSDOT. These special access ramps make it easier for transit and carpools to use HOV lanes at some of the region's most congested freeway intersections.

Tacoma Link

Tacoma Link is a 1.6-mile at-grade light rail line with five stations, including the Tacoma Dome multimodal station. Tacoma Link began service in August 2003. Conceptual design, preliminary engineering and environmental review are currently underway to evaluate potential extension of the Tacoma Link system. This evaluation is expected to be completed by the fourth quarter of 2015.

Link Light Rail

The following light rail alignments were funded by voters in 1996: the Initial Segment of Central Link (13.9 miles), Airport Link (1.7 miles), South 200th (1.6 miles), and University Link (3.1 miles). In addition, preliminary engineering and initial planning for extending the alignment to Northgate were also funded at that time. The Initial Segment began revenue service in July 2009. The Airport Link extension connecting the Tukwila station to SeaTac Airport opened in December 2009. The University Link segment connecting downtown to the University of Washington will be completed in 2016.

Future expansion approved by voters in November 2008 will add approximately 36 miles of light rail alignment to the system by extending north from the University of Washington through Northgate on to Lynnwood, south from Sea-Tac Airport to the vicinity of Highline Community College and 272nd Street, and east from Seattle through Bellevue to the Overlake Transit Center area of Redmond.

When all expansion programs are completed, light rail trains will service transit riders at 19 newly constructed stations for up to 20 hours each day. Service to Northgate is expected to open by 2021, with service to Lynnwood online by 2023.

Service to downtown Bellevue and the Overlake Transit Center is scheduled to begin in 2023.

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In the south, service is planned to reach the Angle Lake area by 2016, and Kent Des Moines Road by 2023. Additional extensions to South 272nd Street or the Federal Way Transit Center are under review for future development.

Funding for planning, environmental documentation, preliminary engineering and right-of-way preservation of future light rail extensions to Tacoma in the south corridor and Redmond in the east corridor was provided in the ST2 program approved in November 2008.

System-Wide Activities

Sound Transit's capital and operating programs include funding for projects that are regional in scope, including: (1) Research and Technology Fund; (2) Fare Integration; (3) Phase 3 Planning; and (4) Agency Administration capital and operating projects.

The Financial Plan also includes provision for general fund reserves, bond reserves, bond issuance costs, and a project cost contingency reserve. Sound Transit maintains O&M reserves equal to two months operating costs. Cash is managed so that a minimum \$5 million operating balance is maintained in the General Fund at all times.

Debt Service

The Financial Plan assumes that in the years following completion of all voter-approved projects Sound Transit may reduce the sales tax rate to a level of not less than 0.8% so long as the resulting revenue is sufficient to meet all ongoing financial requirements. In order to further roll back this tax, the RTA district can begin a program of accelerating debt service payments in compliance with the sales tax rollback policy. Accelerated debt service payments will substantially reduce total long-term interest payments.

Asset Management

The Sound Transit Financial Plan provides for the replacement of key operating assets through the use of a sinking fund. Contributions to this fund began in 2009. Annual contributions to fund future asset replacement or mid-life maintenance activity is calculated for each class of asset based on; original cost, in-service date, estimated asset life, in addition to other financial factors. The annual contribution is a fixed annual payment for each unique combination of asset class and replacement cycle.

The annual payment calculation assumes that 77% of replacement costs will be funded by Sound Transit revenues, with the remaining 23% funded from federal and local grants. The interest earnings rate is currently set to 3.5% annually. Compounding of interest earnings allows annual payments to the sinking fund to be less than the annual straight-line depreciation cost of an asset.

The replacement date for assets follows generally-accepted principles for the useful life of transit facilities and equipment. For buses the industry standard is a 12-year replacement cycle, for Sounder and Light Rail vehicles, the cycles are from "Methodology for Projecting Rail Transit Rehabilitation and Replacement Capital Financing Needs," by Robert L. Peskin, published in Transportation Research Record 1165.

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FINANCIAL MODELING RESULTS

The summary results of the Sound Transit Financial Planning Model are found in Appendix “A” and represent the combined *Sound Move* and *ST2* propositions approved by voters in 1996 and 2008 respectively.

The 2015 FINAL Financial Plan reflects all of the assumptions and contingencies as detailed throughout this presentation and at present meets all criteria stated in the Financial Policies and Controls section.

KEY FINANCIAL ISSUES

Financial Risks

Stress tests are regularly conducted on the Financial Plan in order to assess the extent to which the Agency’s plans are susceptible to not being fully met due to external risk factors. Completion of a series of these tests has confirmed that at the agency level Sound Transit has sufficient financial flexibility to withstand significant adverse financial shocks. However, on a stand-alone basis, individual Subareas are more susceptible to negative financial developments than the agency as a whole.

Key Risk Areas

Federal Funding: Sound Transit has received \$500 million under a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) for the Initial Segment project. In January 2009, FTA approved a FFGA for \$813 million for the University Link extension project. The ST2 program assumes another \$600 million of FTA discretionary funding for project(s) comprising the 34-mile Link extensions. Although this amount represents a much lower proportional share of federal participation for the future light rail system than FTA has provided for the initial 20 mile system, Sound Transit cannot be absolutely certain of any FTA discretionary funding in the future. And while the FTA has an excellent record of meeting its total obligations under its FFGAs, there is a risk that annual appropriation levels will not meet the schedule outlined in the FFGA. A delay in the receipt of federal funds will make it necessary for the agency to issue more bonds, thereby increasing debt service payments and ultimately reducing the debt service coverage ratio.

Local Tax Revenue Growth: Sound Transit primarily relies on an independent forecast of its local tax basis. The tax revenue forecast projects continued improvement through 2017 then stabilizing thereafter. The forecast included in the Financial Plan does not anticipate another recession through the end of the ST2 program construction phase in 2023. However, long-term economic forecasts are inherently uncertain and actual economic growth in the region could be lower than the current forecast, especially if the region experiences a period of “stagflation” (high inflation with stagnant economic growth). If revenue growth were to fall below the current forecast, the agency’s revenue collections as well as its long-term bonding capacity would be reduced. A significant reduction in local tax revenues would have a negative impact on the agency’s financial condition. See Appendix D for forecasts of tax revenues.

Interest Rates: The financial model assumes that the agency can, on average, borrow at 5.75% interest on its long-term bonds. If interest rates were to rise above this level for a prolonged period of time, the cost to borrow and service debt could increase to the point that the agency’s capacity to borrow additional funds would be negatively impacted. Although current interest rates are relatively low, various factors may cause interest rates to rise in the mid to long term.

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Inflation: The Puget Sound region has experienced relatively mild price increases for general goods and services. The CPI-U is currently very low and is projected to remain in the 2.0% to 2.6% range through 2030.

The Financial Plan incorporates long-term; consumer price, construction cost, and real estate cost inflation forecasts provided by independent consultants or developed internally using data from external sources. The current forecast projects long term inflation will reflect historically moderate levels if inflation were to rise significantly beyond this forecast, or if Sound Transit's construction schedules were to be delayed, the agency's capital and operating costs would also rise beyond the current forecast. Historically, retail sales and use tax, the agency's primary revenue source, has risen with general price levels partially mitigating this risk. See Appendix D for forecasts of cost inflation.

Operating and Maintenance Costs

The Financial Plan utilizes O&M cost build-up models to project costs for Sounder, Link Light Rail, Tacoma Link and ST Express bus services. These models calculate the annual cost associated with providing projected service levels based on the amount of inputs: staffing, equipment, and materials, needed to provide service at those projected levels. The parameters for these models are developed from experience of both Sound Transit and other transit agencies operating similar services. It is recognized that O&M costs are affected by many factors, including partnership operating agreements and changes in operating efficiency. Fuel and power costs are subject to change depending on regional and even international market conditions. Adverse changes in these other factors may lead to higher O&M costs than projected in the Financial Plan, reducing financial capacity and flexibility.

Sensitivity Analysis/Stress Tests

A series of sensitivity analysis or "stress tests" were conducted to assess the extent to which the agency's ability to fulfill its voter approved mission is at risk due to the impact of external factors on the Financial Plan.

The five stress tests conducted are as follows:

Sales Tax Growth Rate: This test quantifies the extent to which the agency's estimated sales tax revenues could decline before the net debt service coverage ratio (DSCR) falls to a minimally sustainable level of 1.15x. At the agency level, sales tax would need to decline approximately \$980 million or 8.7% (2015 – 2023) versus the current financial plan before net DSCR falls to 1.15x.

Bond Interest Rates: How much could interest rates paid on all agency bonds issued after 2014 increase before net DSCR drops to 1.15x? Interest rates would need to increase to 280 basis points to 8.55%, up from 5.75%, before net DSCR declines to 1.15x.

Capital Cost Inflation: How much additional capital spending could the agency absorb beyond current planning estimates before net DSCR drops to 1.15x? The agency could sustain up to \$2.4 billion in additional project costs before the net DSCR declines to 1.15x.

Grant Revenues: How much would Grant revenues need to fall before the agency net DSCR fell to the 1.15x level? All of the expected Grant revenue of approximately \$1.4 billion from 2015 – 2023 could be lost, and the net DSCR would still be above 1.15x.

Inflation: How much would the Consumer Price, Construction Cost, and Right-of-Way Indices need to increase in order to degrade agency DSCR to 1.15x. All three indices would need to increase by

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approximately 335 basis points or more than double over the 2015 – 2023 time-period before net DSCR declines to 1.15x.

Mitigation of Cost Increases or Funding Shortfall

In the event of cost increases or funding shortfalls, there are several mitigation strategies that could be implemented:

Apply savings from bonding: The Financial Plan uses conservative assumptions regarding bonding and debt coverage, which are appropriate for long-range planning. However, as the agency implements the capital program, it may be possible to apply savings from debt service costs as the projects begin their construction phases.

Changes to financial policies and financial planning assumptions: The agency's financial policies and financial planning assumptions, such as debt service coverage and capital replacement, could be altered within prudent financial parameters to make additional resources available.

Construction schedule extended: Delaying the schedule could generate additional resources. In most years, tax revenues increase faster than cost inflation. Another benefit in extending the construction schedule is the postponement of operating costs and debt service costs.

Control O&M costs: If growth of O&M costs increase significantly above inflation, Sound Transit could find alternate providers for services or reduce the level of service on routes/runs that have high costs and/or low ridership efficiencies.

Sources of Funds

Sound Transit Tax Revenues: Sound Transit is primarily funded by three local taxes: (1) Sales and use tax of 0.9% (increased by 0.5% by Proposition 1 effective April 1, 2009), (2) Motor vehicle excise tax (MVET) of 0.3%, and (3) Rental car tax of 0.8%. Sound Transit's combined tax revenues are projected to total \$11.1 billion during the period 2009-2023, which is down \$4.6 billion or 29% versus the forecast included as part of Proposition 1 approved by the voters in November 2008.

Federal Grant Support: In addition to local tax revenues, the agency expects to receive approximately \$2.4 billion in grant funding over the 2009 through 2023 time period. Of this amount, \$1.4 billion is from two discretionary grants provided by the Federal Transit Administration (FTA). One represents an existing \$813 million FFGA for the University Link light rail segment, and the other is an assumed \$600 million FFGA for the Northgate to Lynnwood light rail segment. The balance of Grant revenues is expected to come primarily from FTA formula grants and other competitive grant programs.

Operating Revenues: Fares and Other Revenues, which include interest earnings, total \$1.3 billion in the 2014 Financial Plan (2009-2023). Approximately 15% of fare revenues are forecast to come from Sounder commuter rail, 41% from Regional express bus, and 44% from Link light rail.

Bonding: Transit infrastructure is inherently long-lived; therefore, it is appropriate to finance some portion of their construction costs over a period consistent with a long useful life. The Financial Plan assumes Sound Transit will issue long-term debt in the form of 30-year bonds.

Uses of Funds

Sounder Commuter Rail Capital Program: The Sounder capital program completed the D Street to M Street extension in 2012. Service was extended by 8.7 miles to Lakewood, and additional track easements, locomotives and passenger cars will be added to increase the number of round-trip trains on

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weekdays to 17. Access to and parking at several stations will also be improved along the Seattle to Lakewood and Seattle to Everett alignments.

Express Bus Capital Program: ST Express Bus projects include park-and-ride lots, high occupancy vehicle (HOV) lanes/access, transit centers and vehicles. The plan also provides for additional bus routes and funding for the design of an operating and maintenance facility.

Link Light Rail Capital Program: Approximately 36 additional miles of voter approved light rail will be added to the 19 miles (Sea-Tac to UW) already in service or under construction. To the north light rail will extend from the University of Washington through Northgate with a terminus in Lynnwood, to the south from Sea-Tac International Airport to Kent Des Moines Road, with preliminary funding for design through to South 272nd Street or the Federal Way Transit Center, and to the east from Seattle through Bellevue to the Overlake Transit Center area of Redmond. Light rail trains will provide service to 19 new stations up to 20 hours a day with a frequency of every 6 minutes during peak commuting periods.

Transit Operations: Transit operations costs include service improvements under the Sound Move program (e.g., Sounder extension to Lakewood, Link light rail from UW to Sea-Tac) as well as expanding existing and additional new services approved by the voters in November, 2008. Note that Operating and Maintenance costs related to new service will not be incurred until the new service becomes operational.

System-wide Activities: The Financial Plan includes funding to support projects that impact the system at large such as research and technology, fares administration, future phase planning, agency administration and other expenditures that are essential to planning for and maintenance of a regional transit system consistent with that approved by voters.

Debt Service: The Financial Plan anticipates future issuances of 30-year bonds to provide sufficient financial capacity needed to complete all voter-approved transit programs. Debt service reflects all costs associated with issuing and retiring debt for the 2009 through 2023 time period. Debt service will continue beyond 2023 until all debt is fully retired. Sound Transit financial policies include provision for accelerated retirement of bonds once a capital program is completed.

Contribution to Reserves: The Financial Plan provides funding for the following three financial reserves: (1) Bond reserves, (2) Two-months' operations & maintenance reserve, and (3) Capital replacement / mid-life maintenance reserve.

APPENDICES

- A. Sound Transit Sources and Uses Summary (2009 through 2023)**
- B. Sound Transit Operating Statement**
- C. Sound Transit Sources and Uses Statement**
- D. Sound Transit Cost Indices**

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

2015 FINANCIAL PLAN (June 2015)

Appendix A



Financial Plan - Sources & Uses Summary*

2009 through 2023

(YOE Dollars in Millions)

		North	South	East		System	
	Snohomish	King	King	King	Pierce	Wide	Total
Sources of Funds							
Sound Transit Tax Revenues	1,405	3,335	1,701	2,811	2,026	-	11,278
Grant Revenue - Federal / Local	129	1,577	184	304	217	1	2,412
Bond Proceeds	440	2,222	822	1,917	328	-	5,729
TIFIA Proceeds	106	399	200	585	40	-	1,330
Fares & Other Revenues	100	448	193	449	304	6	1,499
Interest Earnings	-	-	-	-	-	167	167
Total Sources	2,180	7,980	3,099	6,067	2,914	174	22,415
Uses of Funds							
Capital Expenditures							
Sounder Commuter Rail	74	-	58	-	1,141	-	1,273
Regional Express Bus	52	-	36	368	50	-	506
Link Light Rail	1,070	5,061	1,135	3,800	163	-	11,228
Service Delivery	48	14	54	108	89	1	313
Agency Admin	-	-	-	-	-	40	40
System-wide Activities	8	32	21	26	3	92	183
Total Capital	1,252	5,107	1,303	4,301	1,446	133	13,543
O & M Expenditures							
Sounder Commuter Rail	146	-	275	-	349	-	770
ST Express Bus	278	-	191	912	439	-	1,820
Link Light Rail	12	939	325	29	94	-	1,399
System-wide Activities	35	79	25	111	19	606	874
Total O&M	470	1,018	816	1,052	901	606	4,863
Debt Service	189	1,305	561	502	197	-	2,754
TIFIA Debt Service	-	-	-	-	-	-	-
Bond Reserve Deposits	19	185	68	74	22	-	368
O&M Reserve Contributions	7	13	12	15	13	-	60
Capital Reserve Contributions	160	139	254	234	357	32	1,176
System-wide Activities	69	164	82	137	100	(552)	-
Change in Cash	14	50	2	(248)	(123)	(45)	(349)
Total Uses	2,180	7,980	3,099	6,067	2,914	174	22,415

Appendix B



Operating Statement
2015 Financial Plan

(YOE Dollars in Thousands)

	1997- 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES													
ST District Taxes													
Sales & Use Tax	1,336,157	219,020	239,785	259,164	277,424	273,286	393,909	500,619	525,431	545,454	586,387	632,175	646,756
Motor Vehicle Excise Tax (MVET)	350,929	64,714	66,308	70,203	72,011	70,927	64,645	66,476	65,429	66,249	68,576	73,581	75,397
Rental Car Tax	15,200	2,166	2,245	2,427	2,527	2,554	2,784	2,469	2,490	1,979	2,759	3,050	2,867
TOTAL TAX REVENUES	1,702,286	285,900	308,338	331,794	351,962	346,767	461,338	569,564	593,350	613,681	657,721	708,806	725,021
Fares & Other Operating Revenue													
Commuter Rail	5,197	2,263	3,002	5,122	6,623	7,832	7,780	7,134	8,336	9,481	9,484	10,465	9,610
Link Light Rail	-	-	-	-	-	-	2,372	9,609	12,039	14,013	14,846	15,876	16,188
Regional Express Bus	32,748	10,943	13,034	13,023	15,406	17,825	18,896	20,846	25,742	30,652	32,614	33,839	32,680
TOTAL FARES & OTHER REVENUE	37,945	13,206	16,036	18,145	22,029	25,657	29,048	37,589	46,117	54,145	56,944	60,180	58,478
INTEREST EARNINGS	175,720	10,626	26,090	37,265	24,952	23,445	12,360	14,122	20,875	(3,054)	7,974	4,361	12,425
TOTAL OPERATING REVENUES	1,915,950	309,731	350,464	387,204	398,943	395,868	502,746	621,275	660,341	664,773	722,640	773,347	795,924
OPERATING EXPENSES													
Operating & Maintenance Costs													
Commuter Rail	39,696	16,782	22,377	24,125	25,849	32,792	37,787	33,285	32,566	33,571	37,013	38,899	50,520
Link Like Rail	2,757	7,235	6,539	7,031	16,421	9,374	30,684	68,596	60,098	56,415	55,132	60,465	74,223
Regional Express Bus	161,799	40,934	59,070	64,778	78,956	81,862	85,144	96,326	96,596	101,483	104,091	108,129	124,893
System-wide	79,265	27,655	29,925	30,119	19,045	36,434	21,439	23,802	23,559	25,422	28,557	37,039	42,802
TOTAL OPERATING EXPENSES	283,518	92,607	117,911	126,054	140,272	160,463	175,055	222,009	212,819	216,891	224,793	244,532	292,437
NET OPERATING INCOME	1,632,433	217,125	232,553	261,150	258,671	235,405	327,691	399,266	447,522	447,881	497,846	528,815	503,486
DEBT SERVICE													
Principal & Interest	80,098	17,164	29,227	41,929	41,930	75,941	83,007	78,819	89,149	81,199	99,181	98,913	98,433
NET INCOME	1,552,335	199,961	203,326	219,221	216,741	159,464	244,684	320,447	358,373	366,682	398,666	429,901	405,054
DISTRIBUTION OF NET INCOME													
O&M Reserve Contributions	20,111	1,385	1,385	1,385	1,385	2,243	7,879	1,365	8,999	(2,180)	11,805	(4,664)	12,246
Capital Reserve Contributions Including Interest Earni	-	-	-	-	22,601	21,904	24,273	24,463	51,504	62,870	45,291	59,272	57,292
Operating Contributions to the General Fund	1,532,224	198,576	201,942	217,836	192,755	135,316	212,533	294,620	297,870	305,991	341,570	375,293	335,516

Appendix B



Operating Statement
2015 Financial Plan

(YOE Dollars in Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
REVENUES													
ST District Taxes													
Sales & Use Tax	674,710	703,215	731,968	760,326	789,069	820,190	853,777	889,125	928,183	969,662	1,012,818	1,057,581	1,104,555
Motor Vehicle Excise Tax (MVET)	77,437	79,835	82,693	85,695	88,691	91,976	95,368	98,898	102,567	106,366	110,416	114,642	119,122
Rental Car Tax	2,940	3,015	3,092	3,171	3,251	3,334	3,419	3,506	3,596	3,687	3,781	3,878	3,977
TOTAL TAX REVENUES	755,087	786,065	817,753	849,192	881,011	915,501	952,564	991,530	1,034,346	1,079,715	1,127,015	1,176,100	1,227,654
Fares & Other Operating Revenue													
Commuter Rail	9,920	9,920	10,230	10,540	11,340	11,970	12,600	13,760	14,400	15,360	16,320	17,280	18,240
Link Light Rail	16,675	26,100	29,000	31,900	40,800	46,200	68,340	84,490	97,440	97,500	99,000	100,500	106,080
Regional Express Bus	33,060	32,490	33,060	33,630	34,161	34,354	34,547	26,970	23,788	26,250	29,445	29,640	31,365
TOTAL FARES & OTHER REVENUE	59,655	68,510	72,290	76,070	86,301	92,524	115,487	125,220	135,628	139,110	144,765	147,420	155,685
INTEREST EARNINGS	5,767	7,622	9,453	11,738	13,765	15,141	16,799	17,899	19,300	19,929	24,698	30,052	35,896
TOTAL OPERATING REVENUES	820,510	862,197	899,496	937,000	981,077	1,023,166	1,084,850	1,134,649	1,189,274	1,238,754	1,296,479	1,353,572	1,419,235
OPERATING EXPENSES													
Operating & Maintenance Costs													
Commuter Rail	54,324	58,018	60,547	62,085	64,580	67,134	69,301	70,429	63,864	65,488	67,146	68,899	70,607
Link Like Rail	88,878	95,426	98,232	101,085	109,777	140,102	155,612	204,500	226,231	236,120	242,873	250,804	257,642
Regional Express Bus	132,640	133,492	138,358	142,833	141,311	147,049	153,207	114,189	117,462	120,868	124,385	127,904	131,545
System-wide	51,462	56,572	51,680	53,337	46,300	46,525	47,991	49,221	49,301	50,563	55,723	57,206	58,721
TOTAL OPERATING EXPENSES	327,303	343,507	348,817	359,339	361,968	400,810	426,111	438,339	456,858	473,040	490,127	504,813	518,514
NET OPERATING INCOME	493,206	518,690	550,679	577,660	619,109	622,356	658,738	696,310	732,416	765,714	806,351	848,759	900,721
DEBT SERVICE													
Principal & Interest	111,547	150,552	191,546	244,452	290,823	337,652	387,792	421,261	466,463	477,331	482,630	487,816	488,715
NET INCOME	381,659	368,138	359,133	333,208	328,286	284,704	270,946	275,049	265,953	288,383	323,721	360,944	412,006
DISTRIBUTION OF NET INCOME													
O&M Reserve Contributions	6,066	2,984	1,189	1,967	481	6,317	3,917	1,581	-	2,697	2,848	2,448	2,284
Capital Reserve Contributions Including Interest Earni	64,887	86,558	100,705	131,949	139,505	159,189	167,793	179,703	201,290	215,718	246,758	265,775	288,295
Operating Contributions to the General Fund	311,267	279,388	258,031	200,085	189,092	120,287	101,414	96,438	67,534	73,037	77,382	96,186	125,090

Appendix B



Operating Statement
2015 Financial Plan

(YOE Dollars in Thousands)

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
REVENUES												
ST District Taxes												
Sales & Use Tax	1,156,841	1,210,532	1,267,152	1,326,549	1,389,415	1,454,785	1,523,683	1,594,021	1,670,776	1,748,962	1,829,572	1,913,531
Motor Vehicle Excise Tax (MVET)	-	-	-	-	-	-	-	-	-	-	-	-
Rental Car Tax	4,078	4,182	4,289	4,398	4,510	4,625	4,743	4,864	4,988	5,115	5,245	5,379
TOTAL TAX REVENUES	1,160,919	1,214,714	1,271,441	1,330,947	1,393,925	1,459,410	1,528,426	1,598,884	1,675,763	1,754,077	1,834,817	1,918,910
Fares & Other Operating Revenue												
Commuter Rail	19,200	20,160	21,120	22,400	23,360	24,640	25,920	26,560	26,880	27,520	28,160	28,480
Link Light Rail	107,640	109,330	111,020	112,710	114,400	125,020	126,980	128,800	140,100	142,200	144,450	146,550
Regional Express Bus	31,570	31,775	33,755	33,970	35,298	35,520	37,030	37,260	38,305	38,540	39,010	40,422
TOTAL FARES & OTHER REVENUE	158,410	161,265	165,895	169,080	173,058	185,180	189,930	192,620	205,285	208,260	211,620	215,452
INTEREST EARNINGS	42,795	47,760	53,650	60,807	69,139	79,000	90,291	103,426	117,788	134,484	152,602	172,953
TOTAL OPERATING REVENUES	1,362,124	1,423,740	1,490,986	1,560,835	1,636,122	1,723,590	1,808,647	1,894,931	1,998,837	2,096,821	2,199,039	2,307,315
OPERATING EXPENSES												
Operating & Maintenance Costs												
Commuter Rail	72,384	74,276	76,141	78,093	80,176	82,228	84,358	86,650	88,881	91,189	93,654	96,091
Link Like Rail	265,582	273,913	282,826	288,128	297,384	307,252	315,980	326,489	335,730	343,977	352,124	363,556
Regional Express Bus	135,244	139,059	143,050	147,132	151,390	155,762	160,318	164,985	169,840	174,842	180,012	185,387
System-wide	58,924	60,489	62,103	63,772	65,499	67,284	69,124	71,020	72,985	75,023	77,115	79,265
TOTAL OPERATING EXPENSES	532,134	547,736	564,120	577,125	594,449	612,525	629,781	649,145	667,437	685,030	702,905	724,300
NET OPERATING INCOME	829,990	876,003	926,866	983,710	1,041,673	1,111,066	1,178,866	1,245,786	1,331,400	1,411,791	1,496,133	1,583,016
DEBT SERVICE												
Principal & Interest	492,062	492,064	492,065	492,065	492,062	492,067	492,063	492,065	492,064	492,067	492,065	492,065
NET INCOME	337,928	383,940	434,802	491,645	549,611	618,999	686,803	753,721	839,336	919,724	1,004,068	1,090,951
DISTRIBUTION OF NET INCOME												
O&M Reserve Contributions	2,270	2,600	2,731	2,167	2,887	3,013	2,876	3,227	3,049	2,932	2,979	3,566
Capital Reserve Contributions Including Interest Earni	298,028	308,463	330,073	336,234	349,966	361,729	376,444	394,636	408,033	431,787	447,531	454,969
Operating Contributions to the General Fund	41,491	76,935	106,354	157,798	201,609	259,405	312,927	361,402	433,798	490,648	559,201	638,158

Appendix C



SOURCES & USES
2015 Financial Plan

(YOE Dollars in Thousands)

	1997 - 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SOURCES														
Tax Revenue	1,702,286	285,900	308,338	331,794	351,962	346,767	461,338	569,564	593,350	613,681	657,721	708,806	725,021	755,087
Fare Revenue	37,945	13,206	16,036	18,145	22,029	25,657	29,048	37,589	46,117	54,145	56,944	60,180	58,478	60,215
Other Sources Revenue	82,649	7,484	12,530	29,702	6,209	5,217	5,352	2,437	4,950	3,671	5,975	6,553	11,526	55,207
Capital Grant Drawdowns	154,691	53,539	101,372	97,828	79,125	103,257	100,534	104,658	118,062	89,154	81,656	90,201	50,000	66,206
FTA Formula Fund Drawdowns	123,640	14,112	36,198	33,114	31,125	60,681	65,272	56,940	55,250	42,265	67,462	105,328	81,948	80,483
Bond Proceeds (less issuance cost)	347,693	-	399,968	-	463,908	-	399,283	-	-	-	-	-	327,040	648,017
TIFIA Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Earned	175,720	10,626	26,090	37,265	24,952	23,445	12,360	14,122	20,875	(3,054)	7,974	4,361	12,425	5,767
TOTAL SOURCES	2,624,624	384,866	900,533	547,847	979,310	565,023	1,073,188	785,309	838,604	799,862	877,732	975,428	1,266,438	1,670,983
USES														
Commuter Rail Capital Costs	706,781	104,195	35,642	51,930	61,901	57,238	63,745	90,810	94,310	105,554	92,149	55,747	114,784	141,339
Light Rail Capital Costs	383,246	220,972	486,899	465,471	513,647	377,227	236,604	340,613	421,481	361,414	479,036	640,132	744,072	739,385
Regional Express Capital Costs	225,537	74,302	78,618	82,334	77,825	36,750	22,006	26,929	38,923	7,368	13,978	9,540	164,106	159,453
Service Delivery Capital Costs	-	59	101,801	1,212	4,545	22,482	6,690	46,772	32,606	40,806	2,570	31,079	34,193	39,102
Agency Admin Capital Costs	-	-	-	-	-	-	-	-	-	3,877	3,031	2,425	3,600	3,602
Systemwide Capital Costs	25,912	14,010	9,039	(6,035)	2,076	3,538	10,386	4,530	8,977	299	958	2,364	23,383	15,958
TOTAL CAPITAL PROGRAM	1,341,476	413,538	711,999	594,911	659,995	497,235	339,431	509,653	596,298	519,317	591,722	741,287	1,084,138	1,098,838
Total O&M + NC Costs	283,518	92,607	117,911	126,054	140,272	160,463	177,492	222,009	212,871	216,908	224,982	244,706	318,185	354,579
Scheduled Debt Service	80,098	17,164	29,227	41,929	41,930	75,941	83,007	78,819	89,149	81,199	99,181	98,913	98,433	111,547
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	92,133	-	9,386	-	-	(26,355)	(972)	-	23,675	46,911
O&M Reserve Contributions	20,111	1,385	1,385	1,385	1,385	2,243	7,879	1,365	8,999	(2,180)	11,805	(4,664)	12,246	6,066
Capital Reserve Contributions	-	-	-	-	22,601	21,904	24,273	24,273	45,862	61,227	45,290	59,272	46,365	53,044
Increase (decrease) in cash	899,422	(139,827)	40,011	(216,431)	20,995	(192,763)	431,720	(50,809)	(114,575)	(50,254)	(94,275)	(164,086)	(316,604)	(2)
TOTAL USES	2,624,624	384,866	900,533	547,847	979,310	565,023	1,073,188	785,309	838,604	799,862	877,732	975,428	1,266,438	1,670,983
Bond Reserve Fund Balance END	-	-	-	-	92,133	92,133	101,519	101,519	101,519	75,164	74,192	74,192	97,867	144,778
O&M Reserve Fund Balance END	20,111	21,496	22,880	24,265	25,650	27,893	35,772	37,137	46,135	43,955	55,760	51,096	63,343	69,408
Capital Reserve Balance END	-	-	-	-	22,601	44,505	68,778	93,241	144,745	207,615	252,906	312,178	338,361	377,680
General Fund Balance END	899,422	759,595	799,606	583,175	604,170	393,304	825,024	774,215	659,640	609,386	485,693	321,607	5,003	5,001
Total Fund Balance END	919,533	781,091	822,486	607,440	744,553	557,836	1,031,094	1,006,112	952,040	936,121	868,551	759,073	504,574	596,867

Appendix C



SOURCES & USES

2015 Financial Plan

(YOE Dollars in Thousands)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
SOURCES													
Tax Revenue	786,065	817,753	849,192	881,011	915,501	952,564	991,530	1,034,346	1,079,715	1,127,015	1,176,100	1,227,654	1,160,919
Fare Revenue	69,302	73,082	76,862	87,093	93,613	117,665	127,893	138,499	142,179	148,032	150,885	159,348	162,271
Other Sources Revenue	135,462	85,138	74,349	53,793	1,444	1,477	3,822	1,545	1,580	24,532	1,654	15,552	1,719
Capital Grant Drawdowns	95,000	115,000	115,000	144,837	144,837	90,000	40,000	-	-	-	-	-	-
FTA Formula Fund Drawdowns	56,753	51,453	60,224	51,015	60,536	55,458	75,982	54,992	71,314	60,555	78,715	72,664	84,356
Bond Proceeds (less issuance cost)	681,533	885,551	772,941	536,415	566,786	380,183	531,275	-	-	-	-	-	-
TIFIA Proceeds	-	-	234,591	482,578	369,628	131,513	111,689	-	-	-	-	-	-
Interest Earned	7,622	9,453	11,738	13,765	15,141	16,799	17,899	19,300	19,929	24,698	30,052	35,896	42,795
TOTAL SOURCES	1,831,737	2,037,429	2,194,897	2,250,508	2,167,485	1,745,659	1,900,090	1,248,682	1,314,717	1,384,833	1,437,406	1,511,115	1,452,060
USES													
Commuter Rail Capital Costs	63,937	46,700	64,578	40,468	72,181	97,132	129,342	24,357	-	-	-	-	-
Light Rail Capital Costs	996,803	1,183,645	1,307,352	1,348,430	1,117,006	625,198	687,028	111,023	-	-	-	-	-
Regional Express Capital Costs	45,976	17,927	-	-	-	-	-	-	-	-	-	-	-
Service Delivery Capital Costs	9,570	53,111	3,926	10,080	903	903	903	-	-	-	-	-	-
Agency Admin Capital Costs	3,448	3,247	3,148	3,110	3,694	2,820	4,299	-	-	-	-	-	-
Systemwide Capital Costs	63,307	11,653	6,057	4,488	21,633	5,138	3,450	-	-	-	-	-	-
TOTAL CAPITAL PROGRAM	1,183,040	1,316,283	1,385,061	1,406,577	1,215,417	731,192	825,022	135,381	-	-	-	-	-
Total O&M + NC Costs	372,482	379,615	391,417	394,302	432,206	455,709	465,194	456,858	473,040	490,127	504,813	518,514	532,134
Scheduled Debt Service	150,552	191,546	244,452	290,823	337,652	387,792	421,261	466,463	477,331	482,630	487,816	469,801	454,440
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	49,337	64,106	55,954	38,832	41,031	27,522	38,460	-	-	-	-	-	-
O&M Reserve Contributions	2,984	1,189	1,967	481	6,317	3,917	1,581	-	2,697	2,848	2,448	2,284	2,270
Capital Reserve Contributions	73,339	84,689	116,049	119,493	134,862	139,527	148,570	164,851	174,642	199,056	211,999	228,851	230,149
Increase (decrease) in cash	2	1	(3)	1	(0)	1	2	25,130	187,008	210,172	230,331	272,751	195,445
TOTAL USES	1,831,737	2,037,429	2,194,897	2,250,508	2,167,485	1,745,659	1,900,090	1,248,682	1,314,717	1,384,833	1,437,406	1,511,115	1,452,060
Bond Reserve Fund Balance END	194,115	258,222	314,176	353,008	394,039	421,561	460,021	460,021	460,021	460,021	460,021	460,021	460,021
O&M Reserve Fund Balance END	72,392	73,581	75,548	76,029	82,346	86,263	87,844	87,844	90,541	93,389	95,837	98,120	100,390
Capital Reserve Balance END	457,613	454,297	571,787	695,043	807,624	889,512	1,041,134	1,173,603	1,362,927	1,536,456	1,698,406	1,939,415	2,195,840
General Fund Balance END	5,003	5,004	5,001	5,002	5,002	5,002	5,004	30,134	217,142	427,314	657,645	930,396	1,125,841
Total Fund Balance END	729,123	791,104	966,512	1,129,082	1,289,011	1,402,338	1,594,003	1,751,601	2,130,630	2,517,180	2,911,908	3,427,952	3,882,092

Appendix C



SOURCES & USES

2015 Financial Plan

(YOE Dollars in Thousands)

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
SOURCES											
Tax Revenue	1,214,714	1,271,441	1,330,947	1,393,925	1,459,410	1,528,426	1,598,884	1,675,763	1,754,077	1,834,817	1,918,910
Fare Revenue	165,324	170,251	173,634	177,909	190,328	195,375	198,164	210,829	213,903	217,263	221,194
Other Sources Revenue	1,758	1,798	1,840	1,882	1,925	1,970	2,015	2,061	2,109	2,157	2,207
Capital Grant Drawdowns	-	-	-	-	-	-	-	-	-	-	-
FTA Formula Fund Drawdowns	76,401	88,131	80,118	91,869	81,628	93,394	83,168	94,950	84,739	96,537	86,342
Bond Proceeds (less issuance cost)	-	-	-	-	-	-	-	-	-	-	-
TIFIA Proceeds	-	-	-	-	-	-	-	-	-	-	-
Interest Earned	47,760	53,650	60,807	69,139	79,000	90,291	103,426	117,788	134,484	152,602	172,953
TOTAL SOURCES	1,505,958	1,585,272	1,647,347	1,734,724	1,812,291	1,909,456	1,985,658	2,101,392	2,189,312	2,303,376	2,401,606
USES											
Commuter Rail Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Light Rail Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Regional Express Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Service Delivery Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Agency Admin Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Systemwide Capital Costs	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL PROGRAM	-	-	-	-	-	-	-	-	-	-	-
Total O&M + NC Costs	547,736	564,120	577,125	594,449	612,525	629,781	649,145	667,437	685,030	702,905	724,300
Scheduled Debt Service	444,502	444,741	444,979	445,214	445,457	445,691	445,931	446,168	446,409	446,645	394,735
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	-	-	-	-	-	-	-
O&M Reserve Contributions	2,600	2,731	2,167	2,887	3,013	2,876	3,227	3,049	2,932	2,979	3,566
Capital Reserve Contributions	231,608	243,887	245,778	254,909	257,261	263,353	271,264	275,276	288,671	295,542	294,684
Increase (decrease) in cash	231,949	282,470	330,212	390,417	447,426	521,382	569,957	663,567	720,612	809,884	886,992
TOTAL USES	1,505,958	1,585,272	1,647,347	1,734,724	1,812,291	1,909,456	1,985,658	2,101,392	2,189,312	2,303,376	2,401,606
Bond Reserve Fund Balance END	460,021	460,021	460,021	460,021	460,021	460,021	460,021	460,021	460,021	460,021	460,021
O&M Reserve Fund Balance END	102,991	105,721	107,889	110,776	113,789	116,665	119,892	122,941	125,873	128,852	132,418
Capital Reserve Balance END	2,462,468	2,584,460	2,715,898	2,984,807	3,231,174	3,524,897	3,793,066	4,089,017	4,342,558	4,579,580	4,924,986
General Fund Balance END	1,357,790	1,640,261	1,970,472	2,360,889	2,808,315	3,329,697	3,899,654	4,563,221	5,283,832	6,093,717	6,980,709
Total Fund Balance END	4,383,269	4,790,462	5,254,280	5,916,492	6,613,298	7,431,280	8,272,633	9,235,199	10,212,284	11,262,169	12,498,134

Appendix D



Cost Inflation Factors
2015 Financial Plan

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
COST INDICES																			
SEATTLE CPI-U																			
<i>(used for O&M, Other Capital)</i>																			
CPI-U Index Conway August 2012	226.1	226.8	232.7	238.6	241.6	245.4	251.3	257.6	264.1	271.0	277.7	284.7	291.8	299.2	306.7	314.5	322.8	331.4	
CPI-U Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CPI-U Index w / contingency	226.1	226.8	232.7	238.6	241.6	245.4	251.3	257.6	264.1	271.0	277.7	284.7	291.8	299.2	306.7	314.5	322.8	331.4	
CPI-U Annual Growth Factor	1.0056	1.0030	1.0261	1.0252	1.0126	1.0159	1.0238	1.0252	1.0253	1.0260	1.0249	1.0250	1.0251	1.0252	1.0252	1.0253	1.0265	1.0265	
CPI-U Annual % Change	0.56%	0.30%	2.61%	2.52%	1.26%	1.59%	2.38%	2.52%	2.53%	2.60%	2.49%	2.50%	2.51%	2.52%	2.52%	2.53%	2.65%	2.65%	
CPI-U Escalation Factor (from year 2007 dollars)	1.0492	1.0523	1.0798	1.1070	1.1210	1.1388	1.1659	1.1953	1.2255	1.2574	1.2888	1.3210	1.3542	1.3883	1.4233	1.4594	1.4980	1.5377	
SEATTLE BCI/CCI																			
<i>(used for Construction)</i>																			
CCI Index (Parsons Brinkerhoff August 2012)	4,829.7	4,997.0	5,123.6	5,222.9	5,221.9	5,382.3	5,623.0	5,877.6	6,141.9	6,389.8	6,647.9	6,914.4	7,190.5	7,478.4	7,778.0	8,080.4	8,392.0	8,712.2	
CCI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CCI Index w / contingency	4,829.7	4,997.0	5,123.6	5,222.9	5,221.9	5,382.3	5,623.0	5,877.6	6,141.9	6,389.8	6,647.9	6,914.4	7,190.5	7,478.4	7,778.0	8,080.4	8,392.0	8,712.2	
CCI Annual Growth Factor	1.0084	1.0346	1.0253	1.0194	0.9998	1.0307	1.0447	1.0453	1.0450	1.0404	1.0404	1.0401	1.0399	1.0400	1.0401	1.0389	1.0386	1.0382	
CCI Annual % Change	0.84%	3.46%	2.53%	1.94%	-0.02%	3.07%	4.47%	4.53%	4.50%	4.04%	4.04%	4.01%	3.99%	4.00%	4.01%	3.89%	3.86%	3.82%	
CCI Escalation Factor (from year 2007 dollars)	1.0609	1.0976	1.1254	1.1473	1.1470	1.1823	1.2351	1.2911	1.3491	1.4036	1.4603	1.5188	1.5795	1.6427	1.7085	1.7749	1.8434	1.9137	
ST ROWI																			
<i>(used for ROW)</i>																			
ROWI Index (Internal Estimate)	161.0	161.9	164.8	168.0	184.4	194.8	206.7	216.0	223.5	231.4	239.4	246.4	254.3	262.7	271.8	281.1	290.4	300.0	
ROWI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ROWI Index w / contingency	161.0	161.9	164.8	168.0	184.4	194.8	206.7	216.0	223.5	231.4	239.4	246.4	254.3	262.7	271.8	281.1	290.4	300.0	
ROWI Annual Growth Factor	0.8636	1.0058	1.0178	1.0197	1.0975	1.0566	1.0607	1.0450	1.0351	1.0352	1.0345	1.0293	1.0319	1.0333	1.0346	1.0340	1.0332	1.0330	
ROWI Annual % Change	-14%	0.58%	1.78%	1.97%	9.75%	5.66%	6.07%	4.50%	3.51%	3.52%	3.45%	2.93%	3.19%	3.33%	3.46%	3.40%	3.32%	3.30%	
ROWI Escalation Factor (from year 2007 dollars)	0.8945	0.8997	0.9157	0.9338	1.0248	1.0828	1.1485	1.2002	1.2423	1.2861	1.3304	1.3694	1.4130	1.4601	1.5107	1.5620	1.6138	1.6672	

Appendix D



Cost Inflation Factors 2015 Financial Plan

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
COST INDICES														
SEATTLE CPI-U														
<i>(used for O&M, Other Capital)</i>														
CPI-U Index Conway August 2012	340.1	349.0	358.1	367.4	377.1	387.0	397.3	407.8	418.7	429.8	441.2	452.9	464.9	477.2
CPI-U Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI-U Index w / contingency	340.1	349.0	358.1	367.4	377.1	387.0	397.3	407.8	418.7	429.8	441.2	452.9	464.9	477.2
CPI-U Annual Growth Factor	1.0263	1.0261	1.0261	1.0261	1.0263	1.0264	1.0265	1.0266	1.0266	1.0266	1.0265	1.0264	1.0265	1.0264
CPI-U Annual % Change	2.63%	2.61%	2.61%	2.61%	2.63%	2.64%	2.65%	2.66%	2.66%	2.66%	2.65%	2.64%	2.65%	2.64%
CPI-U Escalation Factor (from year 2007 dollars)	1.5782	1.6194	1.6616	1.7050	1.7498	1.7959	1.8435	1.8924	1.9428	1.9945	2.0474	2.1015	2.1571	2.2141
SEATTLE BCI/CCI														
<i>(used for Construction)</i>														
CCI Index (Parsons Brinkerhoff August 2012)	9,039.9	9,376.7	9,722.6	10,077.8	10,442.9	10,818.1	11,204.0	11,600.9	12,009.3	12,429.7	12,862.6	13,308.4	13,767.8	14,241.2
CCI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCI Index w / contingency	9,039.9	9,376.7	9,722.6	10,077.8	10,442.9	10,818.1	11,204.0	11,600.9	12,009.3	12,429.7	12,862.6	13,308.4	13,767.8	14,241.2
CCI Annual Growth Factor	1.0376	1.0373	1.0369	1.0365	1.0362	1.0359	1.0357	1.0354	1.0352	1.0350	1.0348	1.0347	1.0345	1.0344
CCI Annual % Change	3.76%	3.73%	3.69%	3.65%	3.62%	3.59%	3.57%	3.54%	3.52%	3.50%	3.48%	3.47%	3.45%	3.44%
CCI Escalation Factor (from year 2007 dollars)	1.9857	2.0597	2.1357	2.2137	2.2939	2.3763	2.4611	2.5483	2.6380	2.7303	2.8254	2.9233	3.0242	3.1282
ST ROWI														
<i>(used for ROW)</i>														
ROWI Index (Internal Estimate)	310.4	321.1	332.1	343.4	355.2	368.3	381.4	395.0	409.1	423.7	438.9	454.8	471.2	488.0
ROWI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ROWI Index w / contingency	310.4	321.1	332.1	343.4	355.2	368.3	381.4	395.0	409.1	423.7	438.9	454.8	471.2	488.0
ROWI Annual Growth Factor	1.0346	1.0345	1.0343	1.0341	1.0344	1.0369	1.0354	1.0357	1.0358	1.0358	1.0359	1.0361	1.0360	1.0358
ROWI Annual % Change	3.46%	3.45%	3.43%	3.74%	3.79%	3.76%	3.58%	3.58%	3.56%	3.54%	3.54%	3.55%	3.55%	3.53%
ROWI Escalation Factor (from year 2007 dollars)	1.7248	1.7844	1.8456	1.9086	1.9741	2.0469	2.1193	2.1949	2.2735	2.3549	2.4393	2.5273	2.6184	2.7122