

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Summary of Sources and Uses of Funds by Subarea

For the 15-Year Period January 1, 2009 through December 31, 2023

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

SOUND TRANSIT AND ITS SERVICE AND CAPITAL PROGRAMS

Central Puget Sound Regional Transit Authority, a public corporation acting under the service name of Sound Transit, is a regional transit authority implementing and providing a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties through commuter rail (Sounder), light rail (Link) and a regional express bus system (ST Express). The implementation of the initial phase of the voter-approved regional mass transit system (*Sound Move*) is scheduled for completion in 2016. The second phase “ST2,” approved in November 2008, authorized a 0.5% Sales and Use Tax increase and expands facilities and service to the region and is scheduled for a 2023 completion.

Sound Transit Service Program

Currently Sound Transit operates the following services:

- 73.4 miles of commuter rail service providing 9 round-trip trains daily between downtown Seattle and Tacoma and 4 round-trip trains daily between Seattle and Everett serving about two million annual passengers;
- 26 regional express bus routes with a fleet of 240 buses serving about 12.9 million annual passengers;
- A 1.8 mile light rail line in Tacoma serving approximately 900 thousand annual passengers;
- Associated stations, park-and-ride lots and transit access ramps; and
- 15.4 miles of Link light rail line from downtown Seattle to SeaTac Airport serving about 2 million annual passengers.

Sound Transit Capital Program

Sound Transit’s capital plan consists of new construction, capital replacement and other new projects included in the current voter approved system plan scheduled for completion between 2012 and 2023. Significant elements of the current plan consist of the:

- Expansion of commuter rail service in the Seattle to Lakewood corridor through the construction of an additional 8.7 miles of track, the purchase of four additional round-trip easements and improvements to existing stations to accommodate longer trains.
- Expansion and service enhancements for regional express bus through the joint construction of additional high-occupancy vehicle (HOV) lanes with the Washington State Department of Transportation (WSDOT) and local agencies to meet increased traffic congestion in key corridors as well the deployment of additional buses and routes.

Sound Transit and Its Service and Capital Programs, continued

- Construction of an additional 36.0 miles of link light rail to extend north from the University of Washington through Northgate to Lynnwood, east from Seattle to Bellevue and south from SeaTac to north Federal Way.
- Expansion of Tacoma light rail service from Tacoma Dome to Tacoma General Hospital.

SUBAREA EQUITY

In accordance with state legislation (RCW 81.112), Sound Transit must provide a balanced regional transit system in which residents of each subarea are to receive capital program and service benefits in relation to the taxes raised in their subarea or for which their subarea will benefit if the benefit is outside of their subarea.

For example, the Snohomish County Subarea is paying for Sounder commuter trains and track improvements in King County because Snohomish County residents directly benefit from the North Corridor service into Seattle and back.

The Finance Plan contains projections for each subarea based on its projected share of local taxes, borrowed funds, federal grants, farebox revenues and related expenditures. A system has been established to report on individual subarea performance as described in the section titled *Statement of Management's Responsibility* (page 9), and Note 2 to the *Summary of Sources and Uses of Funds by Subarea* (page 13).

System-wide elements that improve mobility throughout the region are funded through a percent of local tax revenues contributed by each of the five subareas and interest earnings. For example, system-wide elements include regional fare programs (*Puget Pass* and the *ORCA* smart card), research and development of new transit-related technology and planning and environmental analysis for future capital programs.

Safeguarding of Subarea Equity

To ensure decisions are made that maximize the benefits of each subarea, the Sound Transit Board is comprised of local city and county elected officials per every 145,000 residents. Currently, there are 10 representatives from King County, 4 from Pierce County and 3 from Snohomish County. One board position is held by the Secretary of Transportation, Washington State Department of Transportation.

Changing the subarea equity principle would take two-thirds, or 12 votes, of the 18-member Sound Transit Board. In addition, other strong accountability measures are in place, including an independent Citizen Oversight Panel and regular external audits to ensure the principle of subarea equity is maintained.

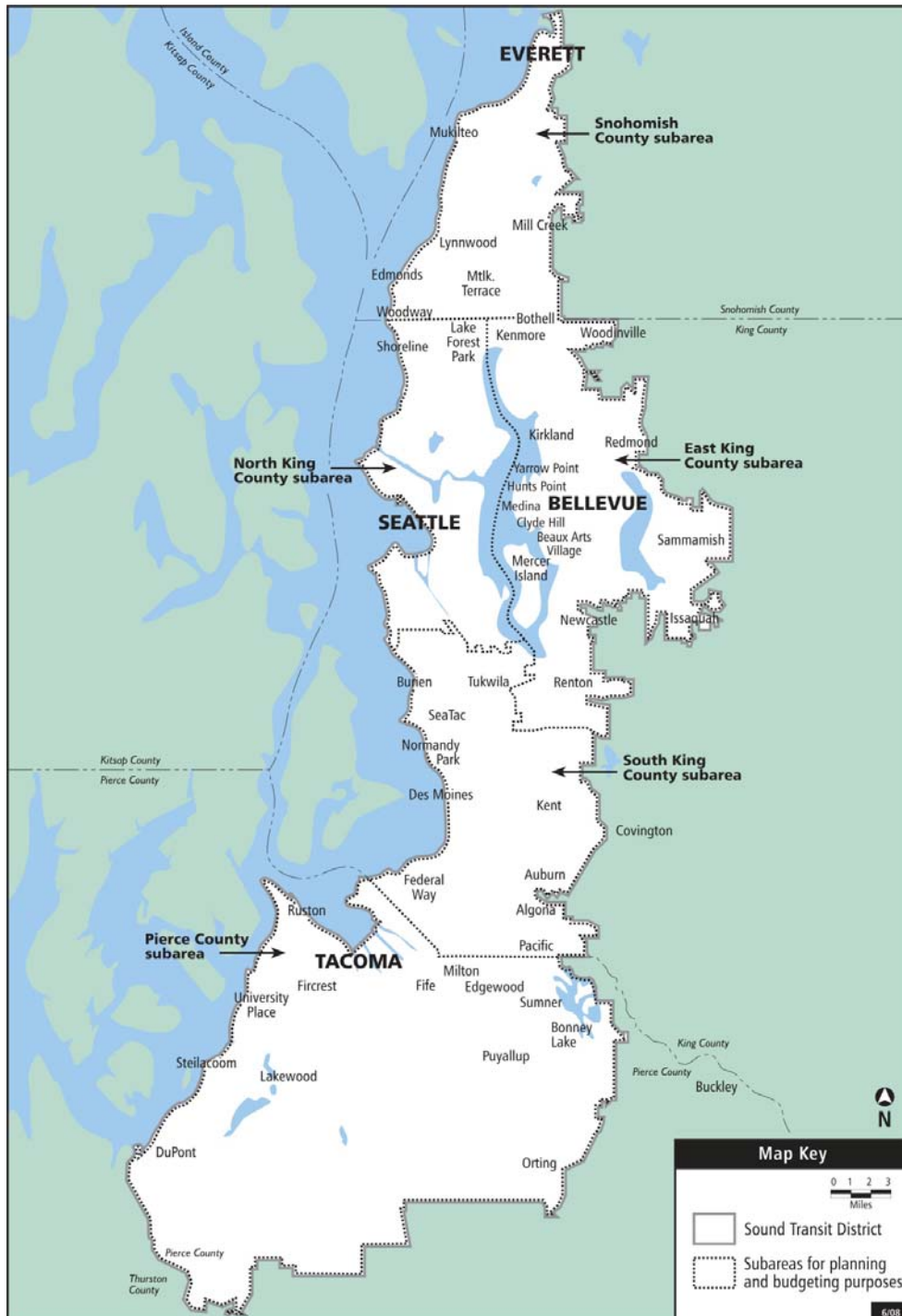
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SOUND TRANSIT DISTRICT MAP

Sound Transit's transportation district comprises five subareas within the contiguous urbanized areas of King, Pierce and Snohomish counties (see Figure 1 below). The district is home to approximately 2.8 million people or 77% of the three-county population.

Figure 1: Sound Transit District and Subareas



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SOUND TRANSIT DISTRICT SUBAREAS

Snohomish County

The Snohomish County subarea includes the cities of Brier, Edmonds, Everett, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo and Woodway. In 2010 the Snohomish County subarea had an estimated population of 419,642 residents, accounting for 58.8% of the Snohomish County population.

North King County

The North King County subarea includes the cities of Seattle, Shoreline and Lake Forest Park. In 2010 the North King subarea had an estimated population of 674,189 residents, accounting for 34.9% of King County's population.

South King County

The South King County subarea includes the cities of Algona, Auburn, Burien, Des Moines, Federal Way, Kent, Normandy Park, Pacific, SeaTac and Tukwila. Since 1990 this has been the fastest growing area of King County. In 2010 the South King subarea had an estimated population of 511,163 residents, accounting for 26.5% of King County's population.

East King County

The East King County subarea includes the cities of Beaux Arts, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Renton, Sammamish, Woodinville and Yarrow Point. In 2010 the East King subarea had an estimated population of 516,483 residents, accounting for 26.7% of King County's population.

The combined three King County subareas account for 88.1% of the total King County population.

Pierce County

The Pierce County subarea includes the cities of Bonney Lake, DuPont, Edgewood, Fife, Fircrest, Lakewood, Milton, Orting, Puyallup, Ruston, Steilacoom, Sumner, Tacoma and University Place. In 2010 the Pierce County subarea had an estimated population of 668,372 residents, accounting for 84% of the Pierce County population.

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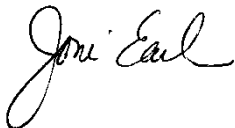
STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Central Puget Sound Regional Transit Authority (Sound Transit) has implemented an accounting and reporting system consistent with the financial policies approved in the ST2 voter approved program. Annually, Sound Transit (the Agency) prepares a Schedule of Sources and Uses of Funds by Subarea (the Schedule), that is based on the Agency's audited financial statements. The Schedule reports actual tax revenues received by subarea and an allocation to each subarea of other sources and uses earned and incurred to date. These results are incorporated into the Agency's Finance Plan, from which the information presented in the 15-year *Summary of Sources and Uses of Funds by Subarea* is prepared.

This system is integrated into the Agency's system of internal control over financial reporting, ensuring the integrity of the information reported and provides management, the Board of Directors (the Board) and the Citizen Oversight Panel required information to monitor progress against Sound Transit's subarea commitments to its voters. The integrity and objectivity of information prepared herein, including the establishment of equity rules consistent with the voter approved plan and direction from its Board, are the responsibility of management.

Annually, the Agency's financial statement auditors perform agreed-upon procedures which look at the allocation of sources and uses of funds presented. These procedures were developed by management and are reviewed by the Citizens Oversight Panel and are approved by the Audit and Reporting Committee of the Sound Transit Board. All results from independent examinations are presented to the Board of Directors.

Based on the methodology developed, the incorporation into the agency's financial reporting system and the results of the agreed upon procedures performed to date, management believes the Summary of Sources and Uses of Funds by Subarea is fairly presented. The auditor's agreed-upon procedure report on current and prior year subarea allocations may be obtained upon request to the Agency.



Joni Earl
Chief Executive Officer



Brian McCartan
Chief Financial Officer



Kelly A. Priestley
Controller

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Summary of Sources and Uses of Funds by Subarea For the 15-Year Period January 1, 2009 through December 31, 2023

<i>(in millions)</i>	Snohomish	North King	South King	East King	Pierce	System-wide	Total
Sources							
Sound Transit tax revenue	\$ 1,458	\$ 3,443	\$ 1,904	\$ 3,051	\$ 1,994	\$ -	\$ 11,850
Grants	129	1,554	229	347	211	-	2,470
Fares and other operating revenue	90	505	195	240	126	1	1,157
Interest earnings	-	-	-	-	-	140	140
System-wide activities	-	-	-	-	-	825	825
Bond proceeds	466	2,570	225	2,473	128	-	5,862
Total Sources	\$ 2,143	\$ 8,072	\$ 2,553	\$ 6,111	\$ 2,459	\$ 966	\$ 22,304
Uses							
Capital							
Sounder commuter rail	\$ 66	-	\$ 122	\$ 1	\$ 824	\$ -	\$ 1,013
ST Express bus	74	-	44	317	58	-	493
Link light rail	1,178	4,649	647	3,527	95	-	10,096
Service delivery	29	2	19	71	62	-	183
System-wide activities	4	10	9	15	3	141	182
Total Capital	1,351	4,661	841	3,931	1,042	141	11,967
Operating and Maintenance							
Sounder commuter rail	135	-	235	-	315	-	685
ST Express bus	293	-	203	959	515	-	1,970
Link light rail	41	992	331	154	76	-	1,594
System-wide activities	37	117	26	97	29	868	1,174
Total Operating and Maintenance	506	1,109	795	1,210	935	868	5,423
Debt Service and Changes in Reserve							
Debt service contribution	193	1,604	420	787	197	-	3,201
Bond reserve contribution	7	249	17	112	20	-	405
Operating and maintenance reserve contribution	7	15	12	17	14	-	65
Capital reserve contribution	72	261	157	79	135	-	704
System-wide activities reserve contribution	102	240	132	213	138	-	825
Change in general reserve	(95)	(67)	179	(238)	(22)	(43)	(286)
Total Changes in Debt Service and Reserve	286	2,302	917	970	482	(43)	4,914
Total Uses	\$ 2,143	\$ 8,072	\$ 2,553	\$ 6,111	\$ 2,459	\$ 966	\$ 22,304

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO SUMMARY OF SOURCES AND USES OF FUNDS BY SUBAREA For the 15-Year Period January 1, 2009 through December 31, 2023

NOTE 1: ORGANIZATION AND REPORTING ENTITY

As provided under the Revised Code of Washington (RCW) Chapter 81.112 applicable to a regional transit authority, the Central Puget Sound Regional Transit Authority, a public corporation acting under the service name of Sound Transit, was established in 1993. Sound Transit was formed to implement a high-capacity transportation system throughout parts of King, Pierce, and Snohomish counties in the State of Washington through the design, construction and implementation of a commuter rail (Sounder), light rail (Link) and regional express bus system (ST Express).

Reporting Entity: Sound Transit is a special purpose government supported primarily through Sales Tax, Motor Vehicle Excise Tax and Rental Car Tax in Sound Transit's operating jurisdiction. In addition, Sound Transit receives capital funding from federal, state and local agencies.

Sound Transit is governed by an 18-member Board, 17 of whom are appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population from the portion of each county that lies within Sound Transit's service area. Representation on the Board includes an elected official representing the largest city in each county and ensures proportional representation from other cities and from unincorporated areas of each county. The final board position is held by the Secretary of Transportation, Washington State Department of Transportation.

NOTE 2: SUBAREA REPORTING BASIS

Sound Transit has implemented an accounting and reporting system consistent with the financial policies approved in the ST2 voter approved program that allows for the annual reporting of subarea revenues and expenditures, from which this Summary of Sources and Uses of Funds by Subarea (Summary) is prepared. Subarea financial information is prepared on a modified cash basis and does not incorporate non-cash items such as gain on sale of fixed assets and depreciation and amortization expense. Adjustments are made within the subarea ledger for differences in reporting basis between generally accepted accounting principles and the modified cash basis.

NOTE 3: SUBAREA DRIVERS AND RULES

Sources and uses directly associated with a particular location are directly credited or charged to the corresponding subarea. Sources and uses benefiting more than one subarea are classified according to pre-established drivers and allocation rules that are expressed as percentages that reflect the Agency's assumptions regarding multiple subarea and project benefit. See Appendix A for the drivers that are used to allocate sources and uses to subareas.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Schedule of Sources and Uses of Funds by Subarea, continued

NOTE 4: SUMMARY OF SIGNIFICANT SOURCES AND USES OF FUNDS

Sound Transit Tax Revenues: Sound Transit is funded primarily by three types of taxes. The tax types and rates are listed below.

Tax	Rate
Sales	0.9%
Motor Vehicle Excise	0.3%
Rental Car	0.8%

Taxes are intended to be used to implement the system and to provide permanent funding for future operations and maintenance, capital replacement and debt service.

Grants: Sound Transit is the recipient of multiple competitively awarded grants from federal agencies. The primary source of federal grants is the Federal Transit Authority, including New Starts program full funding grant agreements (FFGA) and formula funds. State and local sources are generated through direct grants to Sound Transit and through agreements with other jurisdictions to co-fund various capital projects in their areas.

Fares and other operating revenues: Sound Transit collects fares for its services, with the exception of Tacoma Link. Transit riders pay distance based fares that vary by mode. The agency also collects other miscellaneous revenues such as advertising and rental income.

Interest earnings: Interest earnings are generated from cash and investments that are invested in accordance with Sound Transit's asset and liability management policy.

System-wide activities: System-wide activities include funding to support projects that support the regional transit system as a whole such as; research and technology, fares administration, future phase planning, agency administration and other expenditures consistent with the voter approved plan.

Bond proceeds: Sound Transit is authorized to finance a portion of capital program costs limited to 1.5% of the assessed valuation of real property within the transit district, without voter approval and up to 5% of assessed valuation can be issued upon 60% voter approval.

Total sources: Total sources is the sum of tax revenues, grants, fares and other operating revenues, interest earnings, system-wide activities and bond proceeds.

Capital: Sound Transit incurs capital costs to build the voter approved regional transit system. These costs include the administrative, design and engineering, right of way, vehicle, systems and construction costs to build the Link light rail, Sounder commuter rail and ST Express bus programs.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Schedule of Sources and Uses of Funds by Subarea, continued

Operating and maintenance: Operating and maintenance costs consist of charges related to providing service, maintaining revenue vehicles and operating and maintaining transit facilities within Sound Transit's transportation district. System-wide activities consists of costs incurred to support fare administration programs, general and administrative, and other expenses essential for the planning and maintenance of a regional transit system.

Debt service contribution: Costs reflect all amounts associated with the payment of interest and principal on outstanding bonds

Bond reserve contribution: Contributions to the bond reserve are to be used to fund principal payments on outstanding bond related debt. Contributions are based on the amount and terms of outstanding debt.

Operating and maintenance reserve contribution: Two months of operations and maintenance expenses are required to be contributed annually based on two months of the current year's average budgeted operating and maintenance expenses. The reserve contribution is expected to change as changes to the service implementation plan are made.

Capital reserve contribution: Annually, an amount is contributed to a restricted cash and investment fund to provide for future capital replacement. Certain rail assets are considered permanent in nature due to their civil structure such as tunnels.

System-wide activities reserve contribution: Consist of amounts required to fund approved system-wide activities.

Change in general reserve: The general reserve consists of the excess of sources and uses funds revenue that is designated to supplement each subarea's financial activities after making required debt service and reserve contributions. Each subarea contributes to the general reserve in years they have a surplus and draws from the reserve in years where they have a deficit.

Total uses: Total uses is the sum of expenses and outlays related to capital programs, operations and maintenance, debt service and changes in reserves.

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APPENDIX A: SUBAREA DRIVERS

As of December 31, 2010

SOURCES

Description	Driver
Sales Tax	Department of Revenue Location Code
Motor Vehicle Tax	Department of Licensing Zip Code Location
Rental Car Tax	Department of Revenue Location Code
Grants	Project Costs or Board Designation
Passenger Fare	(see next section)
Interest Earnings	Financial Policies
Other Revenue	Location
Bond Proceeds	Financial Plan

PASSENGER FARES

Description	Driver
Sounder Fares	Station Boarding
ST Express Bus Service Fares	Route Boardings / Platform Hours
Central Link Light Rail Fares	Station Boardings

OPERATING USES

Sounder Commuter Rail Services Operating Uses

Description	Driver
BNSF North Line	Track Miles
BNSF South Line	Track Miles
All Other Sounder Operations	Vehicle Miles

ST Express Bus Services Operating Uses

Description	Driver
Bus Operations	Platform Hours

Link Light Rail Services Operating Uses

Description	Driver
Central Link Operations	Track Miles / Boardings
Tacoma Link Operations	Location

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APPENDIX A: SUBAREA DRIVERS, continued

Other Uses

Description	Driver
Art Maintenance	Facility Location
Accessibility Services	Mode / Operations Use Rule
Other Expenses	Location or Board Designation

CAPITAL PROJECT USES

Sounder Projects	Driver
Station Access & Demand Study	ST2 Adopted Financial Plan
Eastside Rail Partnership	Location
Yard and Shop Facility	ST2 Adopted Financial Plan
Positive Train Control, Tacoma-Lakewood	Location
STart Program	Location
Everett to Seattle Track & Signal	Location
Willow Creek Environmental Mitigation	Location
Seattle to Auburn Track & Signal	Location
Auburn to Tacoma Track & Signal	Location
M Street-Lakewood Track & Signal	Location
Permitting / Environmental Mitigation	Location
D Street-M Street Track & Signal	Location
Layover	Vehicle Miles
Everett Station	Location
Mukilteo Station North Platform	Location
Mukilteo Station South Platform	Location
Edmonds Station	Location
Tukwila Station	Location
South Tacoma Station	Location
Lakewood Station	Location
Seattle-Lakewood Expanded Service	ST2 Adopted Financial Plan

Regional Express Bus Projects	Driver
ST Express Bus Base	ST2 Adopted Financial Plan
Burien Transit Center Parking Expansion	Location
STart Program	Location
Ash Way Transit Access / 164 th SW	Location
Federal Way HOV Access / S 317 th	Location
Totem Lake Freeway Station	Location
85 th Corridor, Kirkland	Location
Kirkland Transit Center	Location
Renton HOV Access / N 8 th	Location
Rainier Avenue Arterial Improvements	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX A: SUBAREA DRIVERS, continued

Regional Express Bus Projects, continued	Driver
Strander Boulevard Extension	Location
Eastgate HOV Access / 142 nd Ave SE	Location
Lynnwood Transit Center	Location
Mountlake Terrace Freeway Station	Location
S. Everett Freeway Station / 112 th	Location
Federal Way Transit Center/S. 317 th	Location
Canyon Park Freeway Station	Location
Issaquah Transit Center / SR900	Location
Totem Lake Transit Center	Location
Newcastle Transit Improvements	Location
Mercer Island P&R / N Mercer Way	Location
Bothell Branch Campus Access	Location
Redmond Transit Center / NE 83 rd	Location
Sammamish P&R / 228 th SE	Location
I-90 Two-Way Transit & HOV, stage 1	Location
SR 522 HOV Enhancements / Kenmore	Location
SR 522 HOV Enhancements / Bothell	Location
I-90 Two-Way Transit & HOV, stage 2	Location
I-90 Two-Way Transit & HOV, stage 3	Location

Link Light Rail Projects	Driver
First Hill Link Connector	Location
Tacoma Link Expansion	Location
Link Maintenance & Storage	ST2 Adopted Financial Plan
S T art Program	Location
North Link	Location
North Corridor HCT	ST2 Adopted Financial Plan
University Link	Location
Initial Segment	2009 Sound Move Reported Rules
Central Link Switch Heaters	2009 Sound Move Reported Rules; Vehicle Maintenance
DSTT South Access Security	Location
Airport Link	Location
South Link	Location
South Corridor HCT	Location
East Link	ST2 Adopted Financial Plan

Service Delivery Projects	Driver
Ticket Vending Machines	Number per Location
Passenger Information System / CCTV	Number per Location
Bus Maintenance Facility	Platform Hours
Bus Fleet Replacement	Platform Hours

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX A: SUBAREA DRIVERS, continued

Service Delivery Projects, continued	Driver
Sounder Fleet Program	2009 Sound Move Reported Rules
ST2 Fleet Expansion	ST2 Adopted Financial Plan
Small Works Program	Location
Auburn Bus Loop	Location
King St. Station Platform Light	Location
Homeland Security Enhancements	Location
Talking Signs	Location
Bus Mobile Communications	Platform Hours
Regional Mobility Parking Enhancements	Location
Sound Transit Police Office	Location
Bike Locker Program	Number per Location
Sounder Fleet Program	ST2 Adopted Financial Plan

SYSTEM-WIDE USES

Description	Driver
Agency Administration	Financial Policies
Administrative Capital	Financial Policies
Fare Integration	Financial Policies
Phase II Planning	Financial Policies
Research and Technology	Financial Policies
System Access Program	Financial Policies

DEBT SERVICE USES

Description	Driver
2010 Debt Service	Financial Plan