



SOUNDTRANSIT



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

***2012 Financial Plan
(June 2012)***

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

2012 FINANCIAL PLAN (June 2012)

EXECUTIVE SUMMARY

The Financial Plan for the Central Puget Sound Regional Transit Authority (Sound Transit) constitutes the agency's long-range strategic plan updated annually to validate and confirm the adequacy of funding available to construct, operate and maintain transit programs approved by voters in 1996 (*Sound Move*) and 2008 (*ST2*). The 2012 Financial Plan reflects the estimated impact of the current economic recession on projected agency revenues and expenditures.

Due to the recession, agency revenues are estimated to be \$3.97 billion, or 25 percent, below the 15-year financial forecast included in the 2008 voter-approved plan. As a result, it is no longer possible to complete all ST2 programs by 2023, as was originally planned.

In 2010, the Board of Directors comprehensively reviewed the agency's capital and operating plans in light of this projected revenue shortfall. This review resulted in a *realigned* capital expansion program in which funding for specific programs has been either curtailed or delayed to affordable levels. At this time the Board also directed Staff to evaluate a wide-range of potential program alternatives with particular focus on the South Corridor. From this effort Staff determined that sufficient funding was available to reinstate the S200th to Kent Des Moines road segment of light rail and to provide initial planning and design of light rail through to the Federal Way Transit Center. This revised *Program Realignment* is fully reflected in the Agency's 2012 Financial Plan.

Sound Transit's Financial Plan is based on a number of underlying policies that were initially adopted 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 benefits received are commensurate with tax revenues contributed. At the agency level, the policies provide for the funding of adequate operating reserves, maintenance of sufficient debt service coverage ratio, and provision for system-wide funds necessary to ensure the ongoing performance of the agency's mission.

The Sources and Uses table on page 2 summarizes the results of the financial forecasts from 2009 through 2023, which generally represents the original estimated construction period needed to complete the full scope of voter-approved transit programs. The 2012 Financial Plan maintains all financial policies and controls, meets or exceeds minimum debt service coverage targets, and provides for adequate reserves and cash balances to meet all anticipated financial obligations.

Sources of Funds

Sound Transit Tax Revenues: Sound Transit is primarily funded by means of three local taxes: (1) Sales and use tax of 0.9% (0.4% from *Sound Move*, and 0.5% from *ST2*), (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 \$11.8 billion during the period 2009-2023, which is down \$3.97 billion 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 Full Funding Grand Agreement (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, including interest earnings, total \$1.3 billion in the 2012 Financial Plan (2009-2023). Approximately 18% of fare revenues are forecast to come from Sounder commuter rail, 39% from Regional Express bus, and 43% from Link light rail.

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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.

Sound Transit's bonds are secured by tax revenues and as such are subject to the following statutory limits: Without voter approval maximum outstanding debt cannot exceed 1½% of the aggregate assessed value of taxable real estate located within the Regional Transit Authority (RTA) district; with 60% voter approval, that maximum can be increased to 5.0%. The Sound Transit Board recognizes that its future bondholders will hold first claim against taxes pledged as repayment for outstanding bonds.



Financial Plan - Sources & Uses Summary

2009 through 2023

(YOE Dollars in Millions)

Sources of Funds	Snohomish	North King	South King	East King	Pierce	System Wide	Total
Sound Transit Tax Revenues	1,496	3,363	1,853	2,923	2,131	-	11,766
Grant Revenue - Federal / Local	96	1,597	175	339	153	0	2,360
Bonds	487	2,703	1,083	2,257	171	-	6,701
Fares & Other Revenues	92	434	189	413	120	9	1,257
Interest Earnings	-	-	-	-	-	155	155
Total Sources	2,171	8,098	3,300	5,932	2,575	165	22,240

Financial Plan - Sources & Uses Summary

(YOE Dollars in Millions)

Uses of Funds	Snohomish	North King	South King	East King	Pierce	System Wide	Total
Capital Expenditures							
Sounder Commuter Rail	68	-	47	0	899	-	1,014
Regional Express Bus	61	-	35	278	40	-	413
Link Light Rail	1,114	4,731	1,247	3,789	98	-	10,979
Service Delivery	41	7	36	94	83	1	262
Agency Admin	-	-	-	-	-	42	42
System-wide Activities	8	(5)	15	68	5	157	249
<i>Total Capital</i>	<i>1,292</i>	<i>4,733</i>	<i>1,379</i>	<i>4,229</i>	<i>1,125</i>	<i>200</i>	<i>12,958</i>
O & M Expenditures							
Sounder Commuter Rail	173	0	309	0	401	-	883
ST Express Bus	258	0	183	864	419	-	1,724
Link Light Rail	15	936	310	41	70	-	1,372
System-wide Activities	39	122	38	132	26	781	1,139
<i>Total O&M</i>	<i>485</i>	<i>1,059</i>	<i>841</i>	<i>1,037</i>	<i>916</i>	<i>781</i>	<i>5,118</i>
Debt Service	190	1,514	652	523	208	-	3,089
Bond Reserve Deposits	9	265	81	77	33	-	466
O&M Reserve Contributions	7	13	13	16	13	-	61
Capital Reserve Contributions	88	275	223	133	212	-	932
System-wide Activities	99	220	121	191	141	(772)	-
Change in Cash	1	18	(10)	(275)	(73)	(45)	(384)
Total Uses	2,171	8,098	3,300	5,932	2,575	165	22,240

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Uses of Funds

Sounder Commuter Rail Capital Program: The Sounder capital program will complete the D Street to M Street and M Street to Lakewood track and signal improvements by year end 2012. Service will be 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 weekdays to 17. Access to and parking at several stations will also be improved along the Seattle to Lakewood alignment.

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 South 200th Street, with initial funding for preliminary engineering through to 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 operating costs include all service improvements under the Sound Move program (e.g., Sounder extension to Lakewood, Link light rail from UW to Sea-Tac) as well as those costs associated with expanding existing and adding 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 (ST3), agency administration and other expenditures that are essential to oversight and maintenance of a regional transit system consistent with that approved by voters.

Debt Service: The Financial Plan anticipates the issuance of 30-year bonds as needed to provide the financial capacity required to complete all voter-approved transit programs. Debt service reflects all costs associated with issuing bonds for the 2009 through 2023 time period. Debt service will continue beyond 2023 until all bonds are 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/refurbishment reserve.

Financial Policies

The Financial Plan is based on the following principles, which are documented in the agency's financial policies and included in Appendix "B" to the plan. The financial policies provide the framework for responsibly completing all high capacity transit programs and are the tools used by the Sound Transit Board to respond to future economic conditions.

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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 “Notes” in Appendix “A”.

Financial Management: To effectively manage voter-approved revenues and to efficiently manage the transit system, Sound Transit maintains policies governing debt and investment management, risk management, capital replacement, fares, operating expenses, and grants management. The key financial policies are as follows:

- Require an agency wide minimum net debt service coverage ratio of 1.5x or greater in any year (or below subarea limits as established by the board);
- Maintain a two-month operating 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;
- 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.

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. The board has the authority to fund ongoing costs through a continuation of the local taxes authorized by the voters. However, the board pledges that, after the voter-approved plan is completed, subsequent phase capital programs that continue local taxes at rates above those necessary to build, operate and maintain the system, and retire outstanding 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, and after all debt whose retirement will not otherwise impair or affect the Agency’s ability to collect tax revenue is retired, the Sound Transit Board will implement a plan to roll back taxes to a level sufficient to fund system operations and maintenance, fare integration, capital replacement and ongoing system-wide costs and reserves.

Risk Analysis. The Sound Transit Financial Plan is based upon a number of assumptions and projections of key variables such as cost inflation, revenue growth, interest rates and availability of federal funds. Although adequate reserves and contingencies have been included in the financial plan, forecasts are inherently vulnerable to unforeseen future events such as economic downturns or unusually high periods of inflation. In the event of a slower economic recovery or “double-dip” recession beyond that already factored in to the financial plan, a further realignment of the ST2 program roll out would most likely be necessary.

2012 FINANCIAL PLAN

INTRODUCTION

This report contains the 2012 Financial Plan for the Central Puget Sound Regional Transit Authority (Sound Transit). The enclosed 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

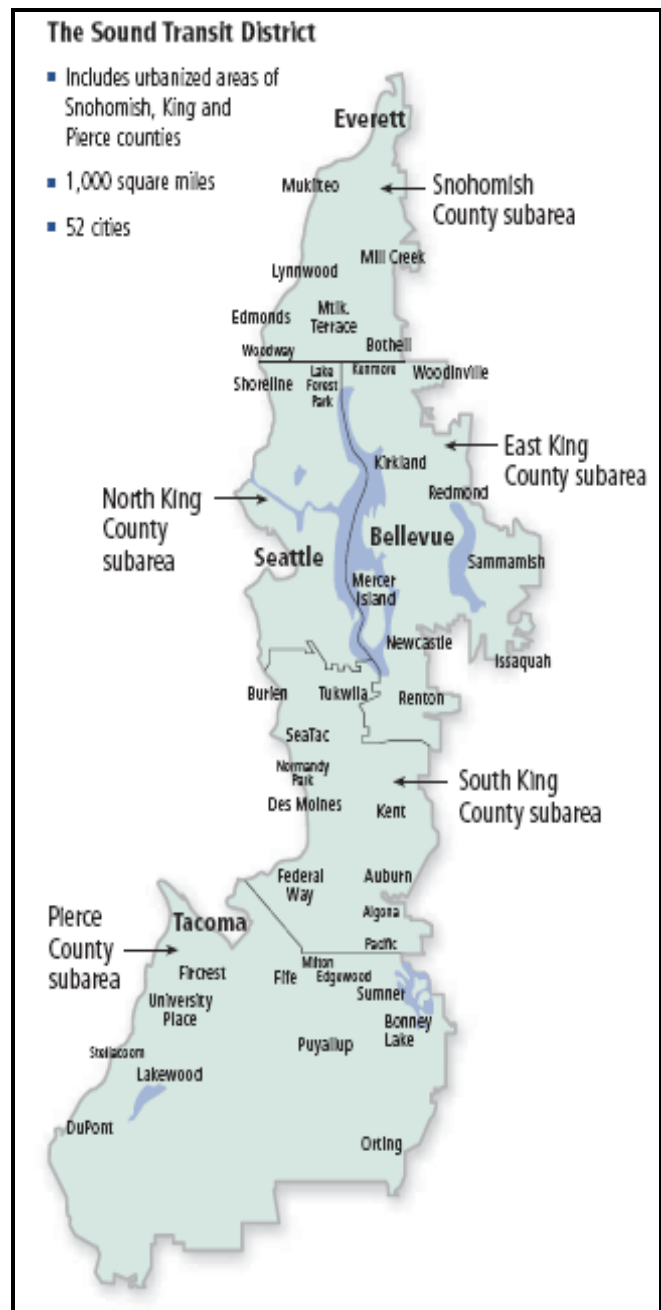
Sound Transit, the Central Puget Sound Regional Transit Authority, was created in 1993 pursuant to State enabling legislation (RCW 81.112). It is a special-purpose metropolitan municipal corporation, responsible for the construction and operation of high-capacity public transportation systems within its district. The Sound Transit district comprises five subareas within the contiguous urbanized areas of Snohomish, King, and Pierce counties (see Figure 1 below). The district is home to approximately 2.7 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* – that extends from 1997 through 2016. The plan incorporates elements of commuter rail, express bus, and light rail, into a comprehensive high capacity transit system. Funding to complete this transit system 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. 74 miles of commuter rail service providing 9 round-trip train trips daily between downtown Seattle and Tacoma and 4 round-trip trains daily between Seattle and Everett serving approximately two million annual passenger trips;
2. 24 express bus routes with a fleet of 261 buses serving about 13.7 million annual passenger trips;

Figure 1 - Sound Transit Taxing District



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3. A 1.6-mile light rail line in Tacoma serving approximately 900,000 annual passenger trips;
4. Associated stations, park-and-ride lots and transit access ramps.
5. In addition, Sound Transit began revenue service on 13.4 miles (double-track) of Link light rail line from downtown Seattle to Tukwila in July 2009 and through to SeaTac Airport in December 2009. The agency is also in the process of constructing another 3.2 miles of light rail alignment from downtown Seattle to the University of Washington which is expected to open in 2016 at which time passenger trips are expected to exceed 11 million annually.

Voter Approved Service Expansions

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 36 miles of light rail extending from the University of Washington through Northgate and on to Lynnwood, to Redmond's Overlake Transit Center to the east, and to the south from Sea-Tac International Airport to South 200th Street, with initial funding for preliminary engineering through to the Federal Way Transit Center. The plan also increases Seattle to Lakewood Sounder commuter rail service by adding four new daily round trips.

Governance

Sound Transit's eighteen-member board consists of the Secretary of Transportation for the State of Washington and seventeen local city and county elected 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 provide linkages to other governmental entities affecting the delivery and coordination of transportation services – the Washington State Department of Transportation (WSDOT), local transit systems, and the largest city within each member county. As noted above, the WSDOT Secretary automatically serves on the Sound Transit Board. 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 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 railcars and locomotives are maintained under a contract with Amtrak.

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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).

Financial Policies and Controls

The *ST2 Plan* approved by voters 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 2.0, not to fall below 1.5 any year
- Maintain a two-month operation 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.

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 the agency administration, integrated fare program, innovative technologies and planning for future capital investments that will be placed before the region's voters.

Financial Oversight

Sound Transit implements several actions to ensure financial integrity.

Annual Financial Statement and Independent Auditor's Report. At the close of the fiscal year on December 31, management produces financial statements which are reviewed by independent auditors who prepare a report which includes: Balance sheet, statement of revenues and expenses, findings (notes to the financial statements) and formal opinion. This report is presented to the Board of Directors.

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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 Committee: 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. The FFGA projects include the Link light rail system from SeaTac 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 make certain the 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 times per year on findings and recommendations for improvements to ensure the success of agency plans and investments.

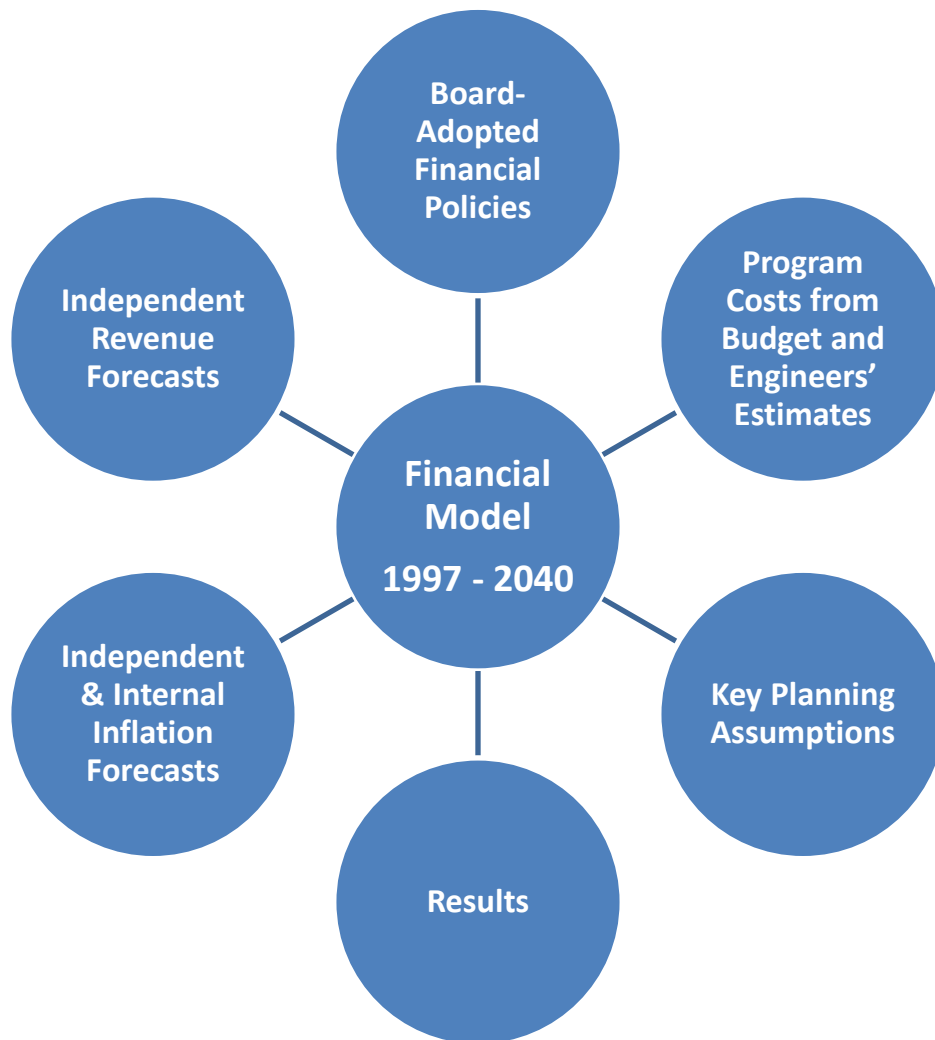
Annual Report on Subarea Equity: One of the key commitments of *Sound Move* and now *ST2* is to insure that Sound Transit delivers a fair share of investments to each of the five geographic areas commensurate with their contributions of tax-based revenues to the Authority. To insure that this concept 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 Citizens’ Oversight Panel and the 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 1997-2040. The Plan presents the agency's operating statements, sources and uses statements, debt amortization and capital replacement funding schedules for the period 1997-2040. The 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 Forecasting Model. This model incorporates all financial policies, assumptions, revenue forecasts and program cost estimates needed to calculate cash flow, bond issues and key performance indicators (e.g., cash balances and debt service coverage ratios). The diagram below illustrates the concept of the model.

Key Elements of Financial Plan



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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 \$2.50 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 a regional transit district. The car rental tax can be implemented by board action, if voters have approved the levy of a motor vehicle excise tax. A 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 a MVET of 0.3% were approved for Sound Transit's use in a November 1996 referendum. Subsequent to the 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.

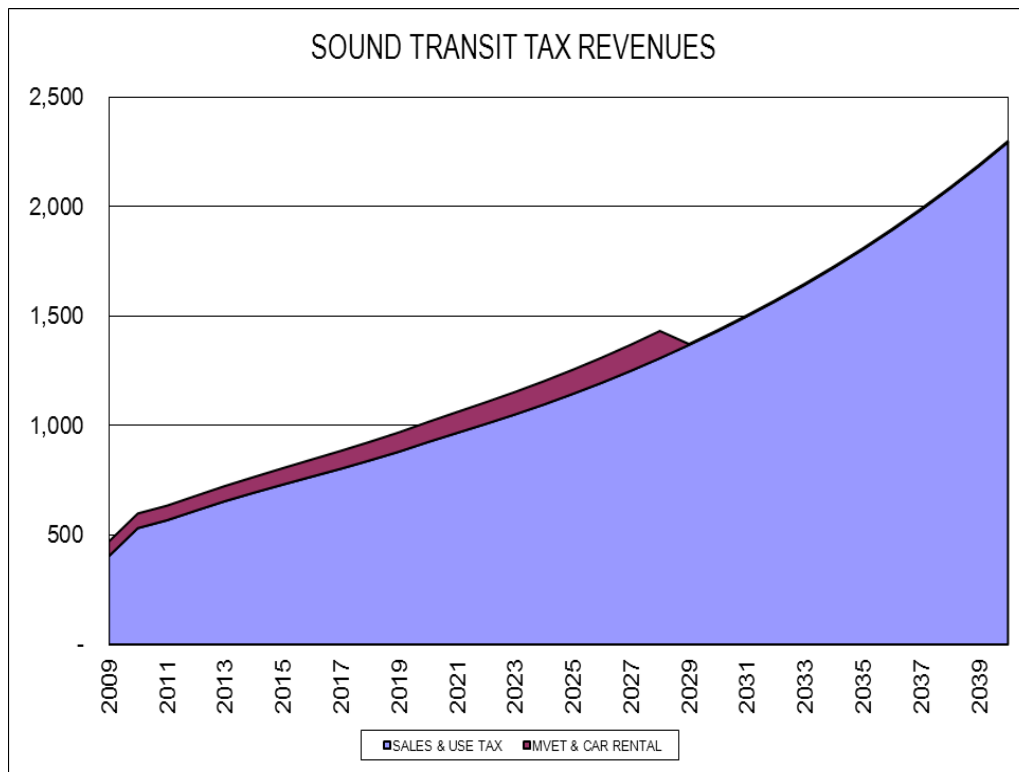
Neither the sales and use tax nor the rental car tax has a sunset provision; however, the Sound Transit MVET collections will expire at the end of 2028. Once the capital portion of all voter approved programs are completed, the board will roll back tax rates to a level sufficient to generate the funds necessary to retire outstanding bonds, fund asset replacement, and to 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 its jurisdictional boundary does not correspond to any 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 Dick Conway and Associates. The tax base forecasts are based 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. 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 4.5% for sales tax and 2.9% for MVET tax bases over the period 2009 to 2023.

The countywide tax base forecasts are then allocated to the Sound Transit subareas based on 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 2009 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 Revenues



Ridership and Fare Revenues

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.).

The Sound Transit travel demand forecasting model (ST Model) is used to develop all long-range ridership forecasts. 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)

	2011	2012	2020	2030
Sounder Commuter Rail	2.6	2.6	4.2	5.2
ST Express Bus	13.7	13.8	14.5	11.9
Link Light Rail*	7.8	8.4	27.9	83.9
Total	24.1	24.8	46.6	101.0

* 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. The agency does not collect fares for Tacoma Link. 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 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 as need to maintain board-adopted fare recovery ratios:

Assumptions regarding revenue allocation from transferring passengers are based on the fare integration agreement reached in 1999 between Sound Transit, Community Transit, Everett Transit, King County Metro and Pierce Transit.

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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)

	2011	2012	2020	2030
Souder Commuter Rail	\$8.3	\$8.1	\$14.7	\$22.3
ST Express Bus	\$25.7	\$23.5	\$29.1	\$27.7
Link Light Rail*	\$12.0	\$13.2	\$37.7	\$104.8
Total	\$46.0	\$44.8	\$81.5	\$154.8

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) 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.

Grant funding assumptions by source are shown in Table 3 below.

Table 3
Sound Transit Grant Funding Assumption 2009 - 2023

Funding Category	2009-2023	Secured through 2011	Anticipated Funding
Section 5309 New Starts U Link FFGA	\$ 813,000,000	\$ 405,286,000	\$ 407,714,000
Section 5309 New Starts North Corridor FFGA	600,000,000	-	600,000,000
FTA Section 5307	346,288,000	39,424,443	306,863,557
FTA Section 5309 Fixed Guideway	269,000,000	75,502,274	193,497,726
Congestion Mitigation/Air Quality (CMAQ)	100,000,000	17,651,278	82,348,722
FTA Section 5309 Small Starts	50,000,000		50,000,000
State / WSDOT Regional Mobility	60,000,000	18,936,768	41,063,232
Other Competitive (STP, FRA, Clean Fuels, JARC, etc)	50,000,000	11,054,129	38,945,871
FTA Section 5309 Bus Discretionary	45,000,000	13,015,000	31,985,000
FRA High Speed Rail (through WSDOT)	42,900,000	42,900,000	
Totals	\$2,376,188,000	\$ 623,769,892	\$ 1,752,418,108

2012 FINANCIAL PLAN

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.

Interest Earnings

The Financial Plan assumes that Sound Transit will earn a 2.5% rate of return on its cash balances through the planning period (2040). In accordance with Sound Transit financial policies, all interest earnings are credited to the agency's General Fund to 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 and Sounder projects. Such revenues are not included in the Financial Plan until agreements with other jurisdictions are signed.

Inflation Forecasting

Sound Transit uses three indices to inflate costs over time in its cost estimates and long-range financial plan. The Consumer Price Index (CPI-U Seattle) is applied to capital costs other than construction and property acquisition. The CPI forecast and tax revenue base forecasts are developed by Dick Conway and Associates. The Construction Cost Index (CCI, formerly BCI – Building Cost Index) is applied to construction-related elements of the program. A Seattle-area forecast of this cost index is prepared for Sound Transit by Parsons Brinkerhoff 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 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, and Standard & Poor's – AAA.

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 — 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.

2012 FINANCIAL PLAN

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 will be set at an average coverage ratio of 2.0 for net revenues over annual debt service 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 RTA will establish the appropriate debt service coverage ratio to incorporate into its bond covenants.

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 45% in 2021; two years before 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 sales tax rollback, after 2024)
- Sales Tax Average Annual Growth: 4.5% 2009 - 2023
- MVET Tax Rate: 0.3% 1997 – 2028 (tax ends in 2029)
- MVET Tax Average Annual Growth: 3.0% 2009 - 2023
- Rental Car Tax Rate: 0.8%
- Rental Car Average Annual Growth Rate: 1.0%
- Average fare prices to increase generally with inflation
- Sound Transit to receive \$2.38 billion in federal grant revenues 2009 - 2023
- CPI Average Annual Cost Inflation: 2.1% 2009 - 2023
- CCI Average Annual Cost Inflation: 3.6% 2009 - 2023
- ROWI Average Annual Cost Inflation: 2.9% (including contingency) 2009 - 2023
- Interest Rate earned on General Fund and Reserve Fund balances: 2.5%

2012 FINANCIAL PLAN

- Bond Interest Rate: 5.75%
- Bond Term: 30 years
- Interest Only Payment Period on Bonds: 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

SERVICE AND OPERATING PLAN

Service Implementation Plan

Sound Transit services 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 are managed by the Operations department. The description below includes all services approved by voters under both the Sound Move and ST2 ballot propositions.

ST Express Bus

ST Express commenced operations in 1997, when Sound Transit assumed financial responsibility for the Seattle-Tacoma Express that had previously been funded by Pierce Transit. In September 1999, service was implemented on ten new ST Express routes followed by another major service expansion in September 2000.

ST Express Bus is currently operating 261 buses on 24 bus routes, which serve riders in King, Pierce, and Snohomish counties. Current service provides approximately 680,000 vehicle hours annually and carries about 13.7 million boarding passengers in 2011. The ST2 Plan calls for improving service frequency, expanding hours of operation and adding trips to reduce overloads. The plan projects ST Express service to increase to remain fairly constant from 2012 through 2023. Then, as the new light rail corridor expansions become operational, redundant ST Express service will be reduced or phased out entirely. This process will leave about 486,000 platform hours of service annually after the ST2 light rail expansion is complete in 2024.

Operation and maintenance of ST Express bus service is provided via contracts with Community Transit (Snohomish County), King County Metro Transit and Pierce Transit.

Sound Transit will continue to participate with Washington State Department of Transportation (WSDOT) in developing High Occupancy Vehicle (HOV) projects as part of the SR 520 Bridge Replacement project and in 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.

2012 FINANCIAL PLAN

Sounder Commuter Rail

Sounder began revenue operations in September 2000 between Seattle and Tacoma and currently runs nine weekday round-trips in this segment, two of which are a reverse commute which serve commuters living in Seattle who work in the Tacoma area. The Everett-to-Seattle segment began operating in the fall of 2003 with just one weekday round-trip run. Today the North is served by four weekday round-trips. A third Sounder segment of 8.7 miles between Lakewood and Tacoma is scheduled to begin operations in 2012. In 2008 Sounder ridership was about 2.6 million boarding passengers per year (10,000 passengers per weekday) and is projected to exceed 8.0 million passengers per year by 2012.

The 75-mile Sounder service is being operated via a contract with BNSF. Sounder's fleet consists of 11 locomotives, 18 cab cars and 40 coaches. These vehicles are being maintained via a contract with Amtrak.

Service expansions approved by voters in November 2008 build on earlier investments by increasing the capacity of the highly utilized Seattle to Lakewood service with up to four new round trips (8 new trains) and extended train lengths and station platforms. Annual vehicle miles are programmed to increase from 203,000 in 2008 to 378,000 in 2024 the year after all system expansions are completed.

Tacoma Link Light Rail

Tacoma Link began operations in the fall of 2003 on a 1.6-mile light rail passenger system that runs through the heart of downtown Tacoma. Current ridership is about 2,900 boarding passengers per day, or 0.9 million per year. This service is free to the public. Its chief function is to serve as a circulator connecting the Tacoma Central Business District and the Tacoma Dome multi-modal station. The ST2 Plan includes a 1.8-mile extension of this alignment scheduled for completion in 2015.

Central Link Light Rail

Central Link light rail began revenue service in July 2009, with service operating between Westlake Station and South 154th Street in Tukwila. The Agency extended service farther south to Sea-Tac Airport in December 2009. Two-car trains depart approximately every 7 to 8 minutes during peak periods and every 10 to 15 minutes during midday and evening hours. The 15.6 mile ride between Sea-Tac Airport and downtown Seattle will take about 30 minutes. Single-car trains operate after 8:00 pm weekdays and on Sundays, except when demand due to special events in Seattle makes additional capacity necessary. University Link represents the final segment of Central Link to be constructed under the Sound Move proposal approved by voters in 1996. University Link will connect downtown Seattle to the University of Washington via a 3.1 mile long tunnel. Service is planned to begin in late 2016.

ST2 Light Rail Extensions

Light Rail North

Light rail service will be extended 4.3 miles from the UW Station under the UW campus to underground stations located at NE 45th Street and NE 65th Street continuing north to an elevated station adjacent to the Northgate transit center. Planning efforts are ongoing for the North Corridor Transit project which will connect Northgate to Lynnwood. Service from the UW to Northgate is expected to begin in 2020, with service to Lynnwood following in 2023.

2012 FINANCIAL PLAN

Light Rail East

The East Link project will expand light rail service eastward across the I-90 floating bridge connecting downtown Seattle to Bellevue and the Overlake Transit Center. East Link revenue service is planned to begin in 2023.

Light Rail South

Light rail will be extended south from the existing Sea-Tac Airport Station to new Stations and Park-and-Ride facilities located at South 200th Street in 2016, and Kent/Des Moines in 2023. Although not part of the original scope Sound Transit may exercise options to extend the scope of preliminary engineering south of Kent/Des Moines to South 272nd Street or the Federal Way Transit Center. Additional funding has been provided to conduct alternatives analysis, preliminary engineering and right-of-way acquisition for future extension of light rail from Federal Way to Tacoma.

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 expansion plans. O&M cost estimates for each mode are based on a cost build-up models for each function (e.g. vehicle operations, vehicle maintenance, 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.

2012 FINANCIAL PLAN

CAPITAL PLAN

Sound Transit's capital plan consists of new construction, capital replacement, and other new projects included in the current voter approved system plan. Sound Transit updates the capital program annually as part of the Agency's budgeting process.

Sounder Commuter Rail

Sounder service will extend 75 miles from Everett, in Snohomish County, to the City of Lakewood in Pierce County. Implementation of facilities and services is divided into three segments: (1) Tacoma to Seattle; (2) Everett to Seattle; and (3) Lakewood to Tacoma.

The Tacoma-Seattle segment is operating with seven stations (including Downtown Seattle), of which one is still temporary. The Everett-Seattle segment has four stations (including Downtown Seattle).

The Sound Move capital program for Sounder is scheduled to be completed by 2012. The largest remaining capital programs include Track and Signal improvements from D Street to M Street to provide separation between the track and Pacific Avenue, and Track and Signal improvements from M Street to Lakewood which will extend Sounder service to Lakewood by 2012. The Sound Move plan also includes construction of a permanent station at Edmonds and Tukwila.

Acquisition of track easements have been completed that will increase capacity of the popular Tacoma-Seattle service by adding four round-trip runs daily. Additional locomotives and passenger cars will be acquired to support this expansion of service. 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 community connection 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 local transit services.

High occupancy vehicle (HOV) access projects are being 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. The improvements will expand and permanently improve the existing HOV network.

Sound Transit is participating with other agencies on several projects including Rainier Avenue arterial improvements, Newcastle Transit Center and SR 522 HOV Enhancements (Bothell). These projects are scheduled for completion by 2012. Additional projects approved by voters in November 2008 include a joint ST/WSDOT project for new HOV lanes and bus routes as part of the SR 520 Bridge Replacement Project, as well as Sound Transit's share of HOV projects underway on I-90 across Lake Washington.

Tacoma Link

Tacoma Link is a locally-funded project. This is a 1.6-mile at-grade light rail line, with six stations, including the Tacoma Dome multimodal station, and the newly added Commerce Street/11th Street Station. Tacoma Link began service in August 2003.

2012 FINANCIAL PLAN

Link Light Rail

Three light rail alignments were funded by voters in 1996: 1) Initial Segment Central Link (13.4 miles), 2) Airport Link (1.7 miles) and 3) University Link (3.2 miles). In addition, preliminary engineering and initial planning for an alignment extension to Northgate was also funded at that time. The Initial Segment began revenue service in July 2009. Airport Link, connecting the Tukwila Light Rail station to SeaTac Airport opened in December 2009. University Link will connect downtown with the University of Washington when completed in 2016.

Future expansions approved by voters in November 2008 will add approximately 36 miles of double track alignment by extending north from the University of Washington through Northgate on to Lynnwood, south from Sea-Tac Airport to the vicinity of the Kent Des Moines Road area near Federal Way, and east from Seattle through Bellevue to the Overlake Transit Center area of Redmond.

When all expansion programs are completed, light rail trains will arrive every 6 minutes at 19 newly constructed stations for up to 20 hours each day. Service to Northgate is expected to open by 2020, with service to Lynnwood online by 2023.

Service to downtown Bellevue and Overlake Transit Center are scheduled to open in early 2023.

In the south, service is planned to reach South 200th Street by 2016, and Kent Des Moines Road by 2023. In 2012 the Board of Directors voted to provide limited funding for preliminary engineering and design for an extension of Light Rail to the Federal Way Transit Center.

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 Proposition #1 approved in November 2008.

System-Wide Activities

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

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

Debt Service

The Financial Plan assumes that in the years following the 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 sufficiency tests are met. In order to further roll back the 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.

2012 FINANCIAL PLAN

Asset Management

The Sound Transit Financial Plan provides for replacement of certain operating assets through the use of a sinking fund. Contributions to this fund began in 2009. An annual contribution to the fund is calculated for each class of asset and its replacement cycle. There may be several replacement cycles per class. The annual contribution is a fixed annual payment for each unique combination of asset class and replacement cycle. These payments, plus accumulated interest earnings, are calculated to exactly equal the (inflation-adjusted) replacement cost of the asset at a specified future date.

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 2.5% annually. The 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. A twelve-year replacement cycle for buses is the industry standard. The replacement cycles for commuter rail (Sounder) and light rail (Link) equipment were adopted from "Methodology for Projecting Rail Transit Rehabilitation and Replacement Capital Financing Needs," by Robert L. Peskin, published in Transportation Research Record 1165, Transportation Research Board, 1988. Portions of the assets in a group are replaced on fixed cycles. It is notable that less than 100% of rail capital asset cost is subject to replacement. This reflects the permanent nature of some heavy civil structures such as tunnels. The replacement cost estimates are refined as more detailed component costs become available.

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.

This forecast includes all of the assumptions and contingencies as detailed throughout this presentation and at present meets the 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 ability to complete all voter approved projects on time is at risk. 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.

2012 FINANCIAL PLAN

Key Risk Areas

Federal Funding: Sound Transit has received \$500 million under the Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) for the Initial Segment Light Rail 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 19-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 relies on an independent forecast of its local tax bases. The tax revenue forecasts assume a recovery in 2011 of 4.9% growth followed by 5.7% growth in 2012 and 2013. The forecast does not anticipate another recession through the end of the construction in 2023. However, long-term economic forecasts are inherently uncertain and actual economic growth in the region could still 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 revised 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 current levels 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.

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 2.5% range through 2030. Sound Transit is currently experiencing a favorable “bidding climate” favorably impacting project construction costs. However, higher energy prices due to a variety of natural, political and economic events could cause future “spikes” of unexpected inflation in the cost of construction materials.

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. These forecasts project that inflation will ease with the current recession, rebound as growth returns in the 2011 – 2012 time period then settles back to historically mild levels thereafter. 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 could rise beyond what is provided in the current forecast. See Appendix D for forecasts of cost inflation.

Operating and Maintenance Costs: Projections of O&M costs included in the Financial Plan are derived from three detailed “cost buildup” models, one for each mode: Commuter Rail, Light Rail and Regional Express bus service. Each model estimates the cost of all inputs such as personnel, equipment, materials and other resources needed to provide projected service levels.

It is recognized that O&M costs are affected by many factors, including partnership operating agreements and changes in operating efficiency. Additionally, 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 are currently included in the Financial Plan, reducing financial capacity and flexibility.

2012 FINANCIAL PLAN

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 reflects conservative bonding and debt coverage assumptions, 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 to offset cost increases or revenue short falls.

Changes to financial policies and financial planning assumptions: The agency's financial policies and financial planning assumptions, such as debt service coverage, O&M and capital replacement reserves are conservative in nature, and could be altered within prudent financial parameters to make additional resources available

Construction schedule extended: Delaying the project 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.

Seek additional resources: The Sound Transit Board is authorized to increase the Car Rental Tax up to 2.17%. This increase could generate as much as \$5 million in additional annual revenues. It is not likely that any significant additional federal or state revenues will become available and any local tax increases (other than the Rental Car Tax) would require voter approval.

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 and Revenue Growth Forecasts**



Financial Plan - Sources & Uses Summary

2009 through 2023

(YOE Dollars in Millions)

Sources of Funds	Snohomish	North King	South King	East King	Pierce	System Wide	Total
Sound Transit Tax Revenues	1,491	3,368	1,855	2,931	2,121	-	11,766
Grant Revenue - Federal / Local	96	1,597	175	339	153	0	2,360
Bonds	495	2,806	965	2,254	182	-	6,701
Fares & Other Revenues	92	434	189	413	120	9	1,257
Interest Earnings	-	-	-	-	-	155	155
Total Sources	2,174	8,206	3,184	5,936	2,576	165	22,240

Financial Plan - Sources & Uses Summary

(YOE Dollars in Millions)

Uses of Funds	Snohomish	North King	South King	East King	Pierce	System Wide	Total
Capital Expenditures							
Souder Commuter Rail	68	-	47	0	899		1,014
Regional Express Bus	61	-	35	278	40		413
Link Light Rail	1,114	4,790	1,188	3,789	98		10,979
Service Delivery	41	7	36	94	83	1	262
Agency Admin	-	-	-	-	-	42	42
System-wide Activities	8	(5)	15	68	5	157	249
<i>Total Capital</i>	<i>1,292</i>	<i>4,791</i>	<i>1,321</i>	<i>4,229</i>	<i>1,125</i>	<i>200</i>	<i>12,958</i>
O & M Expenditures							
Souder Commuter Rail	173	0	309	0	401		883
ST Express Bus	258	0	183	864	419		1,724
Link Light Rail	15	936	310	41	70		1,372
System-wide Activities	39	122	38	132	26	781	1,139
<i>Total O&M</i>	<i>485</i>	<i>1,059</i>	<i>841</i>	<i>1,037</i>	<i>916</i>	<i>781</i>	<i>5,118</i>
Debt Service	192	1,555	607	521	214	-	3,089
Bond Reserve Deposits	9	280	63	76	37	-	466
O&M Reserve Contributions	7	13	13	16	13	-	61
Capital Reserve Contributions	88	275	223	133	212	-	932
System-wide Activities	99	220	121	191	141	(772)	-
Change in Cash	2	12	(5)	(267)	(81)	(45)	(384)
Total Uses	2,174	8,206	3,184	5,936	2,576	165	22,240



Operating Statement

2012 Financial Plan

(YOE Dollars in Thousands)

Operating Statement

2013 Financial Plan

(YOE Dollars in Thousands)

	1997- 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES											
ST District Taxes											
Sales & Use Tax	1,336,157.12	219,020.19	239,784.90	259,164.10	277,423.60	273,285.55	393,909.28	500,618.58	525,430.56	539,839.78	583,557.21
Motor Vehicle Excise Tax (MVET)	350,928.75	64,714.22	66,308.29	70,202.60	72,011.05	70,926.65	64,644.72	66,475.85	65,428.95	69,887.68	71,734.79
Rental Car Tax	15,200.06	2,165.67	2,244.84	2,427.10	2,527.10	2,554.40	2,784.21	2,469.46	2,490.03	2,522.51	2,586.81
TOTAL TAX REVENUES	1,702,285.92	285,900.07	308,338.02	331,793.80	351,961.75	346,766.60	461,338.22	569,563.89	593,349.54	612,249.97	657,878.80
Fares & Other Operating Revenue											
Commuter Rail	5,196.94	2,263.01	3,002.19	5,122.00	6,622.73	7,832.16	7,780.42	7,134.46	8,336.09	8,131.71	9,450.00
Link Light Rail	-	-	-	-	-	-	2,371.97	9,608.74	12,038.58	13,251.67	13,485.00
Regional Express Bus	32,747.62	10,942.52	13,033.58	13,023.00	15,406.02	17,824.52	18,895.83	20,845.81	25,741.92	23,426.60	23,380.00
TOTAL FARES & OTHER REVENUE	37,944.56	13,205.53	16,035.76	18,145.00	22,028.75	25,656.68	29,048.22	37,589.01	46,116.59	44,809.98	46,315.00
INTEREST EARNINGS	175,720.00	10,625.78	26,090.41	37,265.01	24,952.19	23,444.69	12,359.76	14,121.92	20,874.79	8,162.00	10,472.26
TOTAL OPERATING REVENUES	1,915,950.49	309,731.39	350,464.19	387,203.81	398,942.70	395,867.97	502,746.19	621,274.82	660,340.92	665,221.95	714,666.06
OPERATING EXPENSES											
Operating & Maintenance Costs											
Commuter Rail	39,696.42	16,782.36	22,376.67	24,125.18	25,849.40	32,792.28	37,787.12	33,285.10	32,567.38	44,991.71	52,641.81
Link Like Rail	2,757.16	7,235.48	6,538.99	7,031.48	16,421.38	9,374.39	30,684.31	68,595.78	61,471.55	62,932.90	64,778.56
Regional Express Bus	161,799.41	40,933.68	59,070.32	64,777.90	78,956.02	81,861.96	85,144.47	96,326.24	95,818.63	105,883.46	110,205.43
System-wide	79,264.63	27,655.06	29,925.41	30,119.10	19,044.85	36,434.19	21,439.21	23,801.90	23,558.84	40,829.63	41,163.14
TOTAL OPERATING EXPENSES	283,518	92,607	117,911	126,054	140,272	160,463	175,055	222,009	213,416	254,638	268,789
NET OPERATING INCOME	1,632,433	217,125	232,553	261,150	258,671	235,405	327,691	399,266	446,925	410,584	445,877
DEBT SERVICE											
Principal & Interest	80,098.00	17,163.89	29,226.54	41,929.31	41,930.01	75,940.94	108,725.53	78,712.20	89,148.62	89,035.02	89,033.40
NET INCOME	1,552,335	199,961	203,326	219,221	216,741	159,464	218,966	320,554	357,776	321,549	356,844
DISTRIBUTION OF NET INCOME											
O&M Reserve Contributions	20,110.92	1,384.68	1,384.68	1,384.68	1,384.68	2,243.46	7,878.78	1,364.68	8,998.73	10,629.35	2,694.13
Capital Reserve Contributions Including Interest Earnings	-	-	-	105.00	22,964.00	22,244.94	24,689.54	24,879.54	51,504.39	57,937.73	73,077.05
Operating Contributions to the General Fund	1,532,223.95	198,576.24	201,941.58	217,731.15	192,392.36	134,975.83	186,397.23	294,309.38	297,272.78	252,982.13	281,072.53



Operating Statement

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(YOE Dollars in Thousands)

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES											
ST District Taxes											
Sales & Use Tax	619,039.16	658,812.97	698,119.89	737,800.29	775,254.43	812,267.64	849,924.06	892,304.22	933,953.79	976,182.22	1,020,000.72
Motor Vehicle Excise Tax (MVET)	74,296.28	77,460.16	80,673.72	83,962.35	87,168.86	90,334.70	93,472.79	96,799.41	100,323.62	103,804.68	107,386.33
Rental Car Tax	2,652.74	2,720.36	2,789.70	2,860.81	2,933.73	3,008.50	3,085.19	3,163.83	3,244.47	3,327.17	3,411.98
TOTAL TAX REVENUES	695,988.18	738,993.49	781,583.32	824,623.45	865,357.01	905,610.84	946,482.04	992,267.46	1,037,521.87	1,083,314.06	1,130,799.03
Fares & Other Operating Revenue											
Commuter Rail	10,560.00	11,375.00	12,350.00	13,591.50	13,947.86	14,313.04	14,687.25	15,070.70	16,104.12	17,172.85	17,897.10
Link Light Rail	15,300.00	15,810.00	19,550.00	26,680.00	34,695.00	36,990.00	37,734.38	48,926.34	64,099.38	74,473.00	90,272.93
Regional Express Bus	26,312.00	26,864.00	27,416.00	27,784.00	26,722.32	27,914.40	29,153.96	29,817.41	29,833.48	28,900.15	28,478.73
TOTAL FARES & OTHER REVENUE	52,172.00	54,049.00	59,316.00	68,055.50	75,365.18	79,217.44	81,575.59	93,814.45	110,036.99	120,546.00	136,648.76
INTEREST EARNINGS	3,542.49	4,118.34	5,189.26	6,293.84	7,607.60	9,010.38	10,674.12	12,644.18	14,563.38	15,428.03	15,682.90
TOTAL OPERATING REVENUES	751,702.67	797,160.84	846,088.57	898,972.79	948,329.79	993,838.67	1,038,731.75	1,098,726.10	1,162,122.24	1,219,288.09	1,283,130.69
OPERATING EXPENSES											
Operating & Maintenance Costs											
Commuter Rail	55,882.97	58,659.67	62,445.67	65,733.42	67,593.25	69,290.41	73,547.01	75,857.34	77,987.28	75,128.77	77,290.97
Link Like Rail	66,907.54	71,395.45	86,199.11	97,115.31	96,477.82	98,682.08	102,550.62	126,319.39	139,546.94	198,573.71	192,233.09
Regional Express Bus	113,131.42	115,891.12	120,909.67	123,360.92	127,381.96	130,555.70	125,901.27	129,214.35	132,748.44	111,123.74	108,453.84
System-wide	42,986.46	64,331.73	66,494.47	70,459.73	63,794.06	66,481.93	65,222.82	80,355.26	58,453.22	51,943.19	46,569.94
TOTAL OPERATING EXPENSES	278,908	310,278	336,049	356,669	355,247	365,010	367,222	411,746	408,736	436,769	424,548
NET OPERATING INCOME	472,794	486,883	510,040	542,303	593,083	628,829	671,510	686,980	753,386	782,519	858,583
DEBT SERVICE											
Principal & Interest	87,538.00	108,560.29	137,046.41	170,690.99	207,410.50	268,317.27	327,657.14	395,457.66	451,279.47	480,014.71	494,971.50
NET INCOME	385,256	378,323	372,993	371,612	385,672	360,511	343,853	291,522	302,107	302,504	363,611
DISTRIBUTION OF NET INCOME											
O&M Reserve Contributions	1,845.98	5,602.91	4,642.62	3,739.16	152.51	1,590.59	290.22	7,375.35	-	4,433.99	-
Capital Reserve Contributions Including Interest Earnings	73,249.40	77,422.32	95,258.41	98,376.31	113,951.00	114,132.51	127,209.03	128,488.73	135,599.36	152,248.49	216,857.61
Operating Contributions to the General Fund	310,160.91	295,297.35	273,092.20	269,496.94	271,568.69	244,788.18	216,353.62	155,658.02	166,507.53	145,821.49	146,753.73



Operating Statement
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(YOE Dollars in Thousands)

(YOE Dol

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
REVENUES											
ST District Taxes											
Sales & Use Tax	1,066,135.70	1,114,541.15	1,164,225.41	1,216,008.38	1,272,492.53	1,330,425.90	1,391,030.16	1,455,176.26	1,522,490.78	1,592,864.74	1,666,846.89
Motor Vehicle Excise Tax (MVET)	111,032.89	114,988.80	119,165.36	123,644.70	-	-	-	-	-	-	-
Rental Car Tax	3,498.94	3,588.13	3,679.59	3,773.38	3,869.56	3,968.19	4,069.33	4,173.06	4,279.42	4,388.50	4,500.36
TOTAL TAX REVENUES	1,180,667.53	1,233,118.07	1,287,070.36	1,343,426.45	1,276,362.09	1,334,394.09	1,395,099.49	1,459,349.31	1,526,770.20	1,597,253.24	1,671,347.25
Fares & Other Operating Revenue											
Commuter Rail	18,255.04	18,620.14	19,396.64	20,196.75	21,231.32	22,299.19	23,081.80	23,891.88	24,245.48	24,604.32	24,968.46
Link Light Rail	92,798.23	97,221.16	98,645.39	99,765.46	101,258.52	104,773.55	106,351.46	107,950.70	109,576.89	111,227.11	115,159.75
Regional Express Bus	27,275.75	25,915.26	25,775.90	26,904.19	27,370.33	27,714.52	28,180.66	29,500.65	29,975.15	30,455.12	30,935.09
TOTAL FARES & OTHER REVENUE	138,329.02	141,756.56	143,817.93	146,866.40	149,860.17	154,787.26	157,613.92	161,343.23	163,797.51	166,286.54	171,063.31
INTEREST EARNINGS	22,801.84	31,496.37	40,288.50	50,210.65	61,563.65	71,201.20	82,562.07	95,778.19	110,443.74	126,798.84	145,136.01
TOTAL OPERATING REVENUES	1,341,798.39	1,406,371.01	1,471,176.79	1,540,503.50	1,487,785.91	1,560,382.55	1,635,275.49	1,716,470.73	1,801,011.46	1,890,338.63	1,987,546.57
OPERATING EXPENSES											
Operating & Maintenance Costs											
Commuter Rail	79,164.37	81,134.82	83,225.17	85,289.16	85,897.40	87,874.30	90,097.54	92,413.51	94,834.80	97,234.61	99,730.58
Link Like Rail	196,713.85	199,298.27	202,697.54	208,826.90	212,925.33	216,913.82	224,658.51	229,445.09	234,143.05	241,361.26	247,618.17
Regional Express Bus	111,112.19	115,321.51	118,237.58	121,207.11	124,273.78	127,427.43	130,678.83	134,023.30	137,464.89	141,008.93	144,652.53
System-wide	45,247.59	44,034.01	45,476.77	46,967.37	48,526.29	50,130.14	51,789.09	53,510.74	55,293.37	57,137.27	59,047.71
TOTAL OPERATING EXPENSES	432,238	439,789	449,637	462,291	471,623	482,346	497,224	509,393	521,736	536,742	551,049
NET OPERATING INCOME	909,560	966,582	1,021,540	1,078,213	1,016,163	1,078,037	1,138,052	1,207,078	1,279,275	1,353,597	1,436,498
DEBT SERVICE											
Principal & Interest	506,626.34	520,653.67	530,815.70	530,813.83	530,814.01	530,813.94	530,812.55	530,816.08	530,814.76	530,812.73	530,817.58
NET INCOME	402,934	445,929	490,724	547,399	485,349	547,223	607,239	676,262	748,461	822,784	905,680
DISTRIBUTION OF NET INCOME											
O&M Reserve Contributions	1,281.69	1,258.43	1,641.41	2,108.92	1,555.38	1,787.15	2,479.72	2,028.11	2,057.24	2,500.99	2,384.49
Capital Reserve Contributions Including Interest Earnings	235,646.28	254,197.06	285,875.57	294,929.46	329,350.24	332,388.29	348,141.54	370,254.99	406,918.69	414,028.35	436,443.58
Operating Contributions to the General Fund	166,006.08	190,473.23	203,207.06	250,360.75	154,443.48	213,047.50	256,617.70	303,978.91	339,484.66	406,254.48	466,851.93



Operating Statement
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(YOE Dollars in Thousands)

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	2036	2037	2038	2039	2040
REVENUES					
ST District Taxes					
Sales & Use Tax	1,748,493.43	1,832,945.30	1,919,975.82	2,010,964.92	2,106,603.01
Motor Vehicle Excise Tax (MVET)	-	-	-	-	-
Rental Car Tax	4,615.07	4,732.71	4,853.34	4,977.05	5,103.91
TOTAL TAX REVENUES	1,753,108.50	1,837,678.00	1,924,829.16	2,015,941.97	2,111,706.91
Fares & Other Operating Revenue					
Commuter Rail	25,844.75	26,227.25	26,615.42	27,009.33	27,957.25
Link Light Rail	116,893.11	118,652.09	120,437.07	122,248.45	126,568.34
Regional Express Bus	32,357.53	32,851.91	33,346.30	33,840.70	35,365.15
TOTAL FARES & OTHER REVENUE	175,095.39	177,731.25	180,398.79	183,098.47	189,890.74
INTEREST EARNINGS	165,846.83	188,332.69	213,691.22	240,982.48	271,329.81
TOTAL OPERATING REVENUES	2,094,050.73	2,203,741.94	2,318,919.17	2,440,022.92	2,572,927.46
OPERATING EXPENSES					
Operating & Maintenance Costs					
Commuter Rail	102,390.70	105,004.67	107,739.65	110,625.18	113,510.20
Link Like Rail	253,081.65	261,795.02	267,896.12	273,650.44	281,940.63
Regional Express Bus	148,398.81	152,260.91	156,254.23	160,361.85	164,572.34
System-wide	61,056.30	63,127.81	65,261.80	67,469.91	69,758.66
TOTAL OPERATING EXPENSES	564,927	582,188	597,152	612,107	629,782
NET OPERATING INCOME	1,529,123	1,621,554	1,721,767	1,827,916	1,943,146
DEBT SERVICE					
Principal & Interest	530,814.83	530,814.19	530,814.93	530,815.71	530,816.74
NET INCOME	998,308	1,090,739	1,190,952	1,297,100	1,412,329
DISTRIBUTION OF NET INCOME					
O&M Reserve Contributions	2,313.08	2,876.83	2,493.90	2,492.60	2,945.74
Capital Reserve Contributions Including Interest Earnings	471,774.59	486,950.86	526,347.58	550,917.07	573,455.95
Operating Contributions to the General Fund	524,220.77	600,911.65	662,110.97	743,690.16	835,927.20



SOURCES & USES

2012 Financial Plan

(YOE Dollars in Thousands)

	1997 - 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SOURCES											
Tax Revenue	1,702,285.92	285,900.07	308,338.02	331,793.80	351,961.75	346,766.60	461,338.22	569,563.89	593,349.54	612,249.97	657,878.80
Fare Revenue	37,944.56	13,205.53	16,035.76	18,145.00	22,028.75	25,656.68	29,048.22	37,589.01	46,116.59	44,809.98	46,315.00
Other Sources Revenue	82,649.20	7,483.80	12,530.24	29,701.90	6,208.59	5,217.39	5,351.87	2,436.85	4,950.06	10,999.58	10,973.11
Capital Grant Drawdowns	77,137.01	50,130.61	102,543.29	101,420.76	79,610.17	103,355.17	100,534.02	104,656.85	118,062.47	102,821.91	196,009.00
FTA Formula Fund Drawdowns	85,582.58	14,391.61	33,762.34	31,650.00	33,108.68	60,502.49	68,093.59	59,094.49	56,202.74	51,156.96	106,658.30
Bond Proceeds (less issuance cost)	347,693.00	-	399,967.84	-	463,908.34	-	399,283.38	-	-	-	3,688.31
Interest Earned	175,720.00	10,625.78	26,090.41	37,265.01	24,952.19	23,444.69	12,359.76	14,121.92	20,874.79	8,162.00	10,472.26
TOTAL SOURCES	2,509,012	381,737	899,268	549,976	981,778	564,943	1,076,009	787,463	839,556	830,200	1,031,995
USES											
Commuter Rail Capital Costs	706,781.26	104,195.07	35,642.08	51,929.63	61,901.50	57,237.50	63,745.36	90,809.72	94,309.71	182,048.19	107,022.02
Light Rail Capital Costs	383,246.38	220,971.59	486,898.96	463,747.04	513,653.98	378,290.73	229,995.57	363,915.98	421,844.05	473,750.59	657,883.35
Regional Express Capital Costs	225,536.73	74,301.53	78,617.87	80,610.55	77,832.08	37,813.40	22,006.04	27,581.97	39,286.00	24,126.42	29,617.99
Service Delivery Capital Costs	-	59.42	101,801.23	1,211.95	4,544.72	22,482.11	6,690.26	46,771.65	32,607.12	68,239.05	37,308.55
Agency Admin Capital Costs	-	-	-	-	-	-	-	-	3,701.03	5,937.48	4,336.08
Systemwide Capital Costs	25,911.59	14,009.97	9,038.96	(6,034.94)	2,075.92	3,538.21	10,385.56	4,529.65	5,317.92	(20,199.02)	28,735.55
TOTAL CAPITAL PROGRAM	1,341,475.96	413,537.57	711,999.11	591,464.23	660,008.19	499,361.95	332,822.80	533,608.98	597,065.83	733,902.70	864,903.55
Total O&M + NC Costs	283,517.61	92,606.57	117,911.39	126,053.66	140,271.64	160,462.80	177,491.77	222,009.02	213,468.63	277,244.74	293,409.52
Scheduled Debt Service	80,098.00	17,163.89	29,226.54	41,929.31	41,930.01	75,940.94	108,725.53	78,712.20	89,148.62	89,035.02	89,033.40
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	-	-	9,386.26	-	-	-	267.00
O&M Reserve Contributions	20,110.92	1,384.68	1,384.68	1,384.68	1,384.68	2,243.46	7,878.78	1,364.68	8,998.73	10,629.35	2,694.13
Capital Reserve Contributions	-	-	-	105.00	22,964.00	22,244.94	24,689.54	24,689.54	45,862.39	49,886.41	61,839.16
Increase (decrease) in cash	783,809.78	(142,955.31)	38,746.18	(210,960.42)	115,219.95	(195,311.08)	415,014.37	(72,921.40)	(114,988.02)	(330,497.82)	(280,151.97)
TOTAL USES	2,509,012.28	381,737.41	899,267.91	549,976.46	981,778.48	564,943.02	1,076,009.04	787,463.01	839,556.18	830,200.40	1,031,994.79
Bond Reserve Fund Balance END	-	-	-	-	-	67,583.49	76,969.75	76,969.75	76,969.75	76,969.75	77,236.76
O&M Reserve Fund Balance END	20,110.92	21,495.60	22,880.29	24,264.97	25,649.65	27,893.12	35,771.89	37,136.57	46,135.30	56,764.65	59,458.78
Capital Reserve Balance END	-	-	-	105.00	23,069.00	45,313.94	70,003.48	94,883.02	146,387.68	204,325.42	277,402.47
General Fund Balance END	783,809.78	640,854.48	679,600.66	468,640.24	583,860.19	388,549.12	803,563.48	730,642.09	615,653.72	285,155.89	5,003.92
Total Fund Balance END	803,920.70	662,350.08	702,480.95	493,010.21	632,578.85	529,339.66	986,308.61	939,631.43	885,146.45	623,215.71	419,101.93



SOURCES & USES

2012 Financial Plan

(YOE Dollars in Thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
SOURCES											
Tax Revenue	695,988.18	738,993.49	781,583.32	824,623.45	865,357.01	905,610.84	946,482.04	992,267.46	1,037,521.87	1,083,314.06	1,130,799.03
Fare Revenue	52,172.00	54,049.00	59,316.00	68,055.50	75,365.18	79,217.44	81,575.59	93,814.45	110,036.99	120,546.00	136,648.76
Other Sources Revenue	11,354.70	11,743.91	12,140.57	782.30	60,656.84	62,079.01	63,521.12	782.30	782.30	782.30	22,681.07
Capital Grant Drawdowns	110,000.00	115,000.00	81,314.00	6,400.00	80,000.00	85,000.00	90,000.00	100,000.00	100,000.00	90,000.00	40,000.00
FTA Formula Fund Drawdowns	39,023.86	46,230.49	37,312.36	57,944.05	50,452.66	62,124.18	52,515.44	63,935.68	56,458.14	73,481.89	54,991.83
Bond Proceeds (less issuance cost)	292,704.88	514,314.69	546,235.63	674,265.00	773,019.94	897,336.31	1,084,551.50	958,546.50	477,767.31	79,587.56	-
Interest Earned	3,542.49	4,118.34	5,189.26	6,293.84	7,607.60	9,010.38	10,674.12	12,644.18	14,563.38	15,428.03	15,682.90
TOTAL SOURCES	1,204,786	1,484,450	1,523,091	1,638,364	1,912,459	2,100,378	2,329,320	2,221,991	1,797,130	1,463,140	1,400,804
USES											
Commuter Rail Capital Costs	46,194.85	35,130.29	14,375.45	7,484.73	8,686.61	36,050.80	42,410.72	82,203.93	108,403.83	94,747.14	25,991.20
Light Rail Capital Costs	592,985.49	748,529.47	758,375.69	907,173.22	1,108,098.01	1,243,650.64	1,381,035.84	1,129,111.96	666,516.08	296,269.16	27,515.88
Regional Express Capital Costs	53,278.34	111,523.00	65,560.04	29,853.51	9,900.00	-	-	-	-	-	-
Service Delivery Capital Costs	19,335.98	5,212.95	44,875.00	1,179.53	-	-	-	-	-	-	-
Agency Admin Capital Costs	3,345.41	4,655.03	3,304.93	3,308.26	2,525.00	2,525.00	2,725.00	2,025.00	2,025.00	1,543.47	-
Systemwide Capital Costs	16,596.08	31,763.17	17,697.45	8,136.94	50,662.06	10,761.57	15,624.60	16,825.00	20,808.67	31,064.71	2,795.78
TOTAL CAPITAL PROGRAM	731,736.16	936,813.90	904,188.56	957,136.18	1,179,871.68	1,292,988.01	1,441,796.16	1,230,165.89	797,753.57	423,624.48	56,302.85
Total O&M + NC Costs	304,485.37	338,102.84	365,958.58	388,393.56	389,308.62	398,852.14	400,593.48	444,845.60	438,713.32	465,317.25	424,547.84
Scheduled Debt Service	87,538.00	108,560.29	137,046.41	170,690.99	207,410.50	268,317.27	327,657.14	395,457.66	451,279.47	480,014.71	494,971.50
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	21,189.38	37,232.07	39,542.88	48,811.13	55,960.16	64,959.63	78,512.44	69,390.73	34,586.35	5,761.47	-
O&M Reserve Contributions	1,845.98	5,602.91	4,642.62	3,739.16	152.51	1,590.59	290.22	7,375.35	-	4,433.99	-
Capital Reserve Contributions	57,992.27	58,136.47	71,714.33	69,593.02	79,757.01	73,671.21	80,470.45	74,753.65	74,797.40	83,988.56	140,224.02
Increase (decrease) in cash	(1.04)	1.45	(2.26)	0.08	(1.26)	(0.68)	(0.09)	1.70	(0.12)	(0.62)	284,757.37
TOTAL USES	1,204,786.11	1,484,449.93	1,523,091.12	1,638,364.13	1,912,459.22	2,100,378.17	2,329,319.81	2,221,990.58	1,797,129.99	1,463,139.85	1,400,803.59
Bond Reserve Fund Balance END	98,426.14	135,658.21	175,201.09	224,012.22	279,972.38	344,932.01	423,444.44	492,835.17	527,421.52	533,182.99	533,182.99
O&M Reserve Fund Balance END	61,304.76	66,907.67	71,550.29	75,289.45	75,441.96	77,032.55	77,322.77	84,698.13	84,698.13	89,132.11	89,132.11
Capital Reserve Balance END	350,651.87	428,074.20	523,332.60	621,708.92	735,659.92	849,792.43	977,001.46	1,105,490.19	1,241,089.55	1,393,338.04	1,610,195.65
General Fund Balance END	5,002.88	5,004.33	5,002.07	5,002.15	5,000.88	5,000.20	5,000.12	5,001.82	5,001.70	5,001.08	289,758.45
Total Fund Balance END	515,385.65	635,644.40	775,086.05	926,012.74	1,096,075.15	1,276,757.19	1,482,768.80	1,688,025.31	1,858,210.90	2,020,654.22	2,522,269.21



SOURCES & USES

2012 Financial Plan

(YOE Dollars in Thousands)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
SOURCES											
Tax Revenue	1,180,667.53	1,233,118.07	1,287,070.36	1,343,426.45	1,276,362.09	1,334,394.09	1,395,099.49	1,459,349.31	1,526,770.20	1,597,253.24	1,671,347.25
Fare Revenue	138,329.02	141,756.56	143,817.93	146,866.40	149,860.17	154,787.26	157,613.92	161,343.23	163,797.51	166,286.54	171,063.31
Other Sources Revenue	23,468.11	782.30	782.30	782.30	782.30	782.30	782.30	782.30	782.30	782.30	782.30
Capital Grant Drawdowns	-	-	-	-	-	-	-	-	-	-	-
FTA Formula Fund Drawdowns	71,314.39	60,555.08	78,715.19	72,664.08	84,356.15	76,401.50	88,131.29	80,117.95	91,869.13	81,627.82	93,394.10
Bond Proceeds (less issuance cost)	-	-	-	-	-	-	-	-	-	-	-
Interest Earned	22,801.84	31,496.37	40,288.50	50,210.65	61,563.65	71,201.20	82,562.07	95,778.19	110,443.74	126,798.84	145,136.01
TOTAL SOURCES	1,436,581	1,467,708	1,550,674	1,613,950	1,572,924	1,637,566	1,724,189	1,797,371	1,893,663	1,972,749	2,081,723

USES											
Commuter Rail Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Light Rail Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Regional Express Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Service Delivery Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Agency Admin Capital Costs	-	-	-	-	-	-	-	-	-	-	-
Systemwide Capital Costs	2,849.65	2,905.14	2,962.29	3,021.16	3,081.80	3,144.25	3,208.58	3,274.84	3,343.08	3,413.37	3,485.77

TOTAL CAPITAL PROGRAM	2,849.65	2,905.14	2,962.29	3,021.16	3,081.80	3,144.25	3,208.58	3,274.84	3,343.08	3,413.37	3,485.77
Total O&M + NC Costs	432,238.00	439,788.61	449,637.05	462,290.54	471,622.81	482,345.68	497,223.98	509,392.64	521,736.11	536,742.07	551,048.99
Scheduled Debt Service	506,626.34	520,653.67	530,815.70	530,813.83	530,814.01	530,813.94	530,812.55	530,816.08	530,814.76	530,812.73	530,817.58
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	-	-	-	-	-	-	-
O&M Reserve Contributions	1,281.69	1,258.43	1,641.41	2,108.92	1,555.38	1,787.15	2,479.72	2,028.11	2,057.24	2,500.99	2,384.49
Capital Reserve Contributions	147,085.52	152,675.76	170,373.43	163,704.16	181,903.81	166,827.60	164,299.50	167,265.17	183,564.84	168,293.98	167,937.64
Increase (decrease) in cash	346,499.69	350,426.78	395,244.41	452,011.27	383,946.56	452,647.73	526,164.75	584,594.15	652,146.86	730,985.60	826,048.50
TOTAL USES	1,436,580.88	1,467,708.39	1,550,674.28	1,613,949.88	1,572,924.37	1,637,566.35	1,724,189.08	1,797,370.98	1,893,662.89	1,972,748.75	2,081,722.97

Bond Reserve Fund Balance END	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99
O&M Reserve Fund Balance END	90,413.81	91,672.24	93,313.65	95,422.56	96,977.94	98,765.09	101,244.80	103,272.91	105,330.16	107,831.15	110,215.64
Capital Reserve Balance END	1,845,841.93	2,100,038.99	2,385,914.56	2,680,844.03	3,010,194.26	3,342,582.55	3,690,724.09	4,060,979.08	4,467,897.78	4,881,926.13	5,318,369.71
General Fund Balance END	636,258.14	986,684.92	1,381,929.32	1,833,940.60	2,217,887.15	2,670,534.88	3,196,699.63	3,781,293.78	4,433,440.63	5,164,426.24	5,990,474.73
Total Fund Balance END	3,105,696.87	3,711,579.14	4,394,340.53	5,143,390.18	5,858,242.35	6,645,065.51	7,521,851.52	8,478,728.77	9,539,851.56	10,687,366.51	11,952,243.07



SOURCES & USES

2012 Financial Plan

(YOE Dollars in Thousands)

	2036	2037	2038	2039	2040
SOURCES					
Tax Revenue	1,753,108.50	1,837,678.00	1,924,829.16	2,015,941.97	2,111,706.91
Fare Revenue	175,095.39	177,731.25	180,398.79	183,098.47	189,890.74
Other Sources Revenue	782.30	782.30	782.30	782.30	782.30
Capital Grant Drawdowns	-	-	-	-	-
FTA Formula Fund Drawdowns	83,168.04	94,949.72	84,739.22	96,536.61	86,341.97
Bond Proceeds (less issuance cost)	-	-	-	-	-
Interest Earned	165,846.83	188,332.69	213,691.22	240,982.48	271,329.81
TOTAL SOURCES	2,178,001	2,299,474	2,404,441	2,537,342	2,660,052

USES					
Commuter Rail Capital Costs	-	-	-	-	-
Light Rail Capital Costs	-	-	-	-	-
Regional Express Capital Costs	-	-	-	-	-
Service Delivery Capital Costs	-	-	-	-	-
Agency Admin Capital Costs	-	-	-	-	-
Systemwide Capital Costs	3,560.35	3,637.16	3,716.27	3,797.76	3,881.69
TOTAL CAPITAL PROGRAM	3,560.35	3,637.16	3,716.27	3,797.76	3,881.69

Total O&M + NC Costs	564,927.46	582,188.41	597,151.80	612,107.38	629,781.83
Scheduled Debt Service	530,814.83	530,814.19	530,814.93	530,815.71	530,816.74
Early Principal Redemption	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	-
O&M Reserve Contributions	2,313.08	2,876.83	2,493.90	2,492.60	2,945.74
Capital Reserve Contributions	179,264.26	168,492.93	181,107.34	176,727.72	168,966.16
Increase (decrease) in cash	897,121.10	1,011,464.45	1,089,156.44	1,211,400.66	1,323,659.57
TOTAL USES	2,178,001.06	2,299,473.96	2,404,440.69	2,537,341.83	2,660,051.74

Bond Reserve Fund Balance END	533,182.99	533,182.99	533,182.99	533,182.99	533,182.99
O&M Reserve Fund Balance END	112,528.72	115,405.54	117,899.44	120,392.04	123,337.78
Capital Reserve Balance END	5,790,144.30	6,277,095.16	6,803,442.74	7,354,359.81	7,927,815.75
General Fund Balance END	6,887,595.83	7,899,060.28	8,988,216.72	10,199,617.38	11,523,276.95
Total Fund Balance END	13,323,451.83	14,824,743.98	16,442,741.90	18,207,552.22	20,107,613.48



Cost Inflation Factors

2012 Financial Plan

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
COST INDICES														
SEATTLE CPI-U														
<i>(used for O&M, Other Capital)</i>														
CPI-U Index Conway August 2010	226.1	227.4	231.5	236.4	241.9	247.5	253.6	259.6	265.9	272.3	278.8	285.4	292.4	299.6
CPI-U Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI-U Index w / contingency	226.1	227.4	231.5	236.4	241.9	247.5	253.6	259.6	265.9	272.3	278.8	285.4	292.4	299.6
CPI-U Annual Growth Factor	1.0056	1.0058	1.0178	1.0214	1.0231	1.0233	1.0245	1.0239	1.0242	1.0241	1.0238	1.0235	1.0246	1.0246
CPI-U Annual % Change	0.56%	0.58%	1.78%	2.14%	2.31%	2.33%	2.45%	2.39%	2.42%	2.41%	2.38%	2.35%	2.46%	2.46%
CPI-U Escalation Factor (from year 2007 dollars)	1.0492	1.0553	1.0741	1.0970	1.1224	1.1485	1.1766	1.2047	1.2339	1.2637	1.2937	1.3241	1.3567	1.3901
SEATTLE BCI/CCI														
<i>(used for Construction)</i>														
CCI Index (Parsons Brinkerhoff August 2010)	4,860.0	4,984.5	5,160.8	5,377.7	5,618.5	5,833.7	6,061.5	6,302.9	6,556.9	6,815.6	7,076.3	7,352.9	7,639.4	7,937.3
CCI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCI Index w / contingency	4,860.0	4,984.5	5,160.8	5,377.7	5,618.5	5,833.7	6,061.5	6,302.9	6,556.9	6,815.6	7,076.3	7,352.9	7,639.4	7,937.3
CCI Annual Growth Factor	1.0079	1.0256	1.0354	1.0420	1.0448	1.0383	1.0391	1.0398	1.0403	1.0395	1.0382	1.0391	1.0390	1.0390
CCI Annual % Change	0.79%	2.56%	3.54%	4.20%	4.48%	3.83%	3.91%	3.98%	4.03%	3.95%	3.82%	3.91%	3.90%	3.90%
CCI Escalation Factor (from year 2007 dollars)	1.0675	1.0949	1.1336	1.1813	1.2342	1.2814	1.3315	1.3845	1.4403	1.4971	1.5544	1.6151	1.6781	1.7435
ST ROWI														
<i>(used for ROW)</i>														
ROWI Index (Internal Estimate)	161.0	161.9	164.8	168.1	173.4	178.9	184.7	190.5	196.6	202.8	209.1	214.6	221.0	227.6
ROWI Annual Growth Factor Contingency	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROWI Index w / contingency	161.0	161.9	164.8	168.9	175.1	181.5	188.3	195.2	202.4	209.8	217.4	224.2	231.9	240.0
ROWI Annual Growth Factor	0.8636	1.0058	1.0178	1.0250	1.0368	1.0363	1.0376	1.0364	1.0369	1.0368	1.0362	1.0313	1.0344	1.0351
ROWI Annual % Change	-14%	0.58%	1.78%	2.50%	3.68%	3.63%	3.76%	3.64%	3.69%	3.68%	3.62%	3.13%	3.44%	3.51%
ROWI Escalation Factor (from year 2007 dollars)	0.8945	0.8997	0.9157	0.9386	0.9732	1.0085	1.0465	1.0846	1.1246	1.1660	1.2082	1.2460	1.2888	1.3340



Cost Inflation Factors

2012 Financial Plan

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
COST INDICES													
SEATTLE CPI-U													
<i>(used for O&M, Other Capital)</i>													
CPI-U Index Conway August 2010	306.9	314.4	322.0	329.8	337.8	346.0	354.5	363.1	372.4	382.0	391.8	401.8	412.0
CPI-U Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI-U Index w / contingency	306.9	314.4	322.0	329.8	337.8	346.0	354.5	363.1	372.4	382.0	391.8	401.8	412.0
CPI-U Annual Growth Factor	1.0245	1.0243	1.0242	1.0242	1.0243	1.0244	1.0244	1.0245	1.0256	1.0256	1.0256	1.0256	1.0255
CPI-U Annual % Change	2.45%	2.43%	2.42%	2.42%	2.43%	2.44%	2.44%	2.45%	2.56%	2.56%	2.56%	2.56%	2.55%
CPI-U Escalation Factor (from year 2007 dollars)	1.4242	1.4588	1.4941	1.5303	1.5675	1.6057	1.6449	1.6851	1.7282	1.7725	1.8178	1.8644	1.9120
SEATTLE BCI/CCI													
<i>(used for Construction)</i>													
CCI Index (Parsons Brinkerhoff August 2010)	8,246.8	8,568.6	8,903.1	9,250.8	9,612.2	9,987.8	10,378.4	10,784.3	11,206.3	11,645.0	12,101.0	12,575.0	13,067.8
CCI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
CCI Index w / contingency	8,246.8	8,568.6	8,903.1	9,250.8	9,612.2	9,987.8	10,378.4	10,784.3	11,206.3	11,645.0	12,101.0	12,575.0	13,067.8
CCI Annual Growth Factor	1.0390	1.0390	1.0390	1.0391	1.0391	1.0391	1.0391	1.0391	1.0391	1.0391	1.0392	1.0392	1.0392
CCI Annual % Change	3.90%	3.90%	3.90%	3.91%	3.91%	3.91%	3.91%	3.91%	3.91%	3.91%	3.92%	3.92%	3.92%
CCI Escalation Factor (from year 2007 dollars)	1.8115	1.8822	1.9556	2.0320	2.1114	2.1939	2.2797	2.3689	2.4616	2.5579	2.6581	2.7622	2.8705
ST ROWI													
<i>(used for ROW)</i>													
ROWI Index (Internal Estimate)	234.6	241.9	249.4	257.1	265.4	274.0	282.9	292.0	301.6	311.5	321.1	331.0	341.1
ROWI Annual Growth Factor Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROWI Index w / contingency	248.6	257.6	266.9	276.4	286.8	297.5	308.6	320.2	333.9	348.1	362.3	377.1	392.4
ROWI Annual Growth Factor	1.0358	1.0360	1.0359	1.0359	1.0374	1.0374	1.0374	1.0374	1.0429	1.0426	1.0408	1.0408	1.0406
ROWI Annual % Change	3.58%	3.60%	3.59%	3.59%	3.74%	3.74%	3.74%	3.74%	3.79%	3.76%	3.58%	3.58%	3.56%
ROWI Escalation Factor (from year 2007 dollars)	1.3818	1.4315	1.4830	1.5363	1.5937	1.6533	1.7151	1.7793	1.8556	1.9347	2.0137	2.0957	2.1809



Cost Inflation Factors

2012 Financial Plan

	2036	2037	2038	2039	2040
COST INDICES					
SEATTLE CPI-U					
<i>(used for O&M, Other Capital)</i>					
CPI-U Index Conway August 2010	422.5	433.3	444.5	455.9	467.6
CPI-U Annual Growth Factor Contingency	-	-	-	-	-
CPI-U Index w / contingency	422.5	433.3	444.5	455.9	467.6
CPI-U Annual Growth Factor	1.0255	1.0255	1.0257	1.0258	1.0257
CPI-U Annual % Change	2.55%	2.55%	2.57%	2.58%	2.57%
CPI-U Escalation Factor (from year 2007 dollars)	1.9607	2.0107	2.0624	2.1155	2.1699
SEATTLE BCI/CCI					
<i>(used for Construction)</i>					
CCI Index (Parsons Brinkerhoff August 2010)	13,580.2	14,112.8	14,666.5	15,242.1	15,840.5
CCI Annual Growth Factor Contingency	-	-	-	-	-
CCI Index w / contingency	13,580.2	14,112.8	14,666.5	15,242.1	15,840.5
CCI Annual Growth Factor	1.0392	1.0392	1.0392	1.0392	1.0393
CCI Annual % Change	3.92%	3.92%	3.92%	3.92%	3.93%
CCI Escalation Factor (from year 2007 dollars)	2.9830	3.1000	3.2216	3.3481	3.4795
ST ROWI					
<i>(used for ROW)</i>					
ROWI Index (Internal Estimate)	351.5	362.2	373.2	384.6	396.3
ROWI Annual Growth Factor Contingency	0.0	0.0	0.0	0.0	0.0
ROWI Index w / contingency	408.3	424.8	442.0	459.9	478.5
ROWI Annual Growth Factor	1.0404	1.0404	1.0405	1.0405	1.0403
ROWI Annual % Change	3.54%	3.54%	3.55%	3.55%	3.53%
ROWI Escalation Factor (from year 2007 dollars)	2.2691	2.3608	2.4564	2.5559	2.6590