

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Summary of Sources and Uses of Funds by Subarea

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

Updated for Actual Results through 2012

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Sound Transit and Its Service and Capital Programs

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

Sound Transit Service Program

Currently Sound Transit operates the following services:

- 81.92 miles of commuter rail service providing 9 round-trip trains daily between downtown Seattle and Lakewood and 4 round-trip trains daily between Seattle and Everett serving 2.8 million annual passengers;
- 26 regional express bus routes with a fleet of 293 buses serving 16.0 million annual passengers;
- 15.4 miles of Link light rail line from downtown Seattle to SeaTac Airport serving 8.7 million annual passengers;
- A 1.8 mile light rail line in Tacoma serving 1 million annual passengers; and
- Associated stations, park-and-ride lots and transit access ramps.

Sound Transit Capital Program

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

- The purchase of four additional round-trip easements and improvements to existing stations to accommodate longer trains, track and structure upgrades from Tacoma Dome to Reservation Junction, and construction of a commuter rail operations and maintenance facility.
- Expansion and service enhancements for regional express bus by 10% to 30% in key corridors, joint construction of high-occupancy vehicle (HOV) lanes with the Washington State Department of Transportation (WSDOT), and construction of a bus maintenance facility.

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Sound Transit and Its Service and Capital Programs

- Construction of an additional 34.0 miles of link light rail to extend north from the University of Washington through Northgate to Lynnwood, east from Seattle to Bellevue and south from SeaTac to north Federal Way.
- Expansion of Tacoma light rail service from Tacoma Dome to Tacoma General Hospital.

SUBAREA EQUITY

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

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

The Finance Plan contains projections for each subarea based on its projected share of local taxes, borrowed funds, federal grants, farebox revenues and related expenditures. A system has been established to report on individual subarea performance as described in the section titled *Statement of Management's Responsibility* (page 7), and Note 2 to the *Summary of Sources and Uses of Funds by Subarea* (page 11).

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

Maintaining Subarea Equity

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

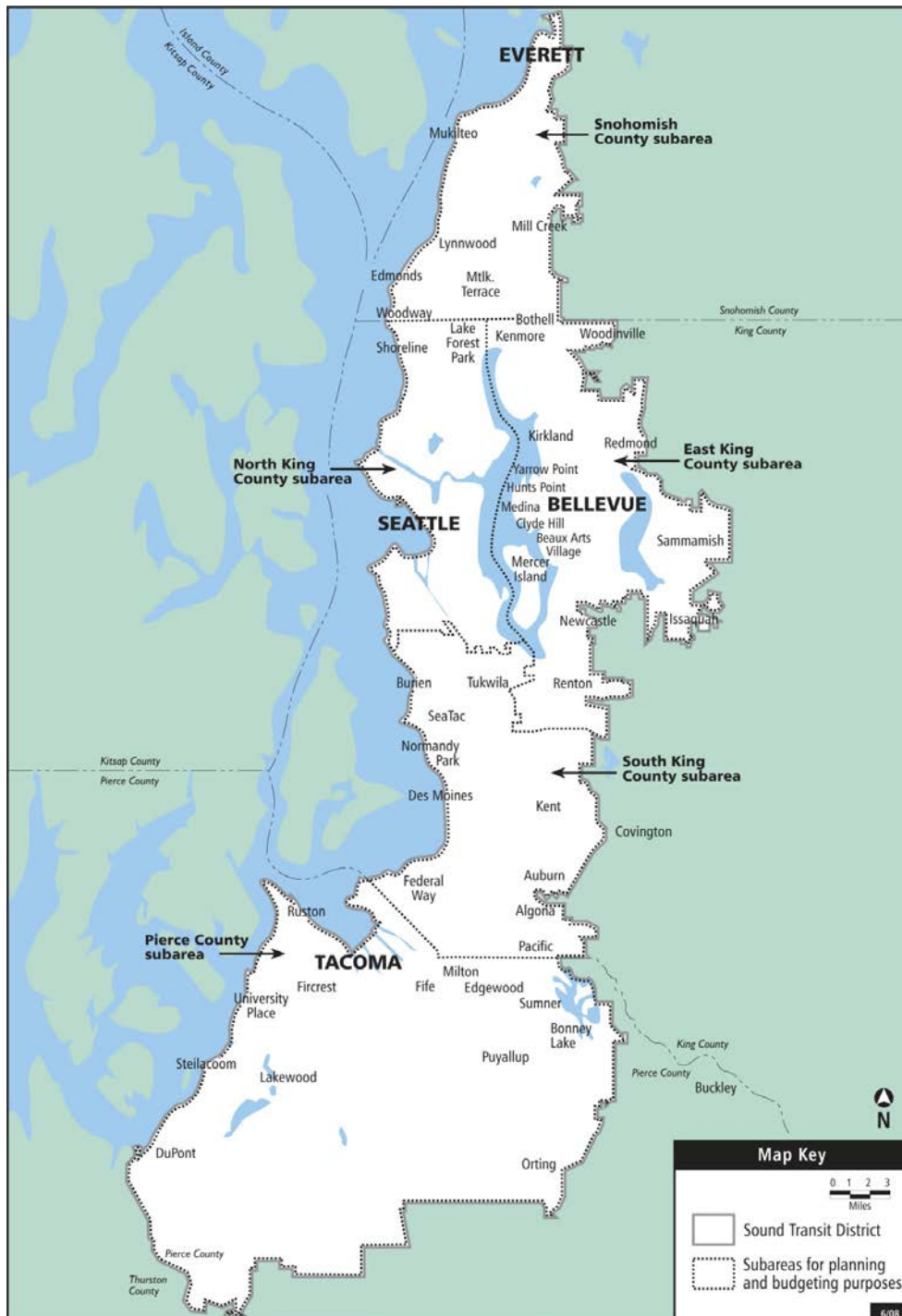
Changing the subarea equity principle would take two-thirds, or 12 votes, of the 18-member Sound Transit Board. In addition, other strong accountability measures are in place, including an independent Citizen Oversight Panel and regular external audits to monitor the administration of subarea equity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

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SOUND TRANSIT DISTRICT MAP

Sound Transit's transportation district comprises five subareas within the contiguous urbanized areas of King, Pierce and Snohomish counties (see Figure 1 below). The district is home to approximately 2.8 million people or 79.7% of the three-county population.

Figure 1: Sound Transit District and Subareas



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SOUND TRANSIT DISTRICT SUBAREAS

Snohomish County

The Snohomish County subarea includes the cities of Brier, Edmonds, Everett, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo and Woodway. In 2012 the Snohomish County subarea had an estimated population of 419,394 residents, accounting for 58.0% of the Snohomish County population.

North King County

The North King County subarea includes the cities of Seattle, Shoreline and Lake Forest Park. In 2012 the North King subarea had an estimated population of 680,054 residents, accounting for 34.7% of King County's population.

South King County

The South King County subarea includes the cities of Algona, Auburn, Burien, Des Moines, Federal Way, Kent, Normandy Park, Pacific, SeaTac and Tukwila. In 2012 the South King subarea had an estimated population of 502,656 residents, accounting for 25.7% of King County's population.

East King County

The East King County subarea includes the cities of Beaux Arts, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Renton, Sammamish, Woodinville and Yarrow Point. In 2012 the East King subarea had an estimated population of 509,116 residents, accounting for 26.0% of King County's population.

The combined three King County subareas account for 86.4% of the total King County population.

Pierce County

The Pierce County subarea includes the cities of Bonney Lake, DuPont, Edgewood, Fife, Fircrest, Lakewood, Milton, Orting, Puyallup, Ruston, Steilacoom, Sumner, Tacoma and University Place. In 2012 the Pierce County subarea had an estimated population of 670,520 residents, accounting for 83.0% of the Pierce County population.

Population Source: Washington State OFM small area estimates.
Methodology: RTA population estimated using percentage of land area

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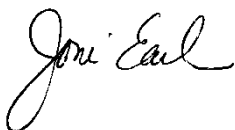
STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

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

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

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



Joni Earl
Chief Executive Officer



Brian McCartan
Chief Financial Officer



Kelly A. Priestley
Controller

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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

(in millions)

	Snohomish	North King	South King	East King	Pierce	System- wide	Total
Sources							
Sound Transit tax revenue	\$ 1,375	\$ 3,311	\$ 1,646	\$ 2,797	\$ 1,963	\$ -	\$ 11,092
Grants	111	1,576	200	293	196	1	2,377
Fares and other operating revenue	92	460	192	426	177	4	1,351
Interest earnings	-	-	-	-	-	177	177
System-wide activities	-	-	-	-	-	551	551
Bond proceeds	588	3,118	1,086	2,499	211	-	7,502
Total Sources	\$ 2,166	\$ 8,465	\$ 3,124	\$ 6,015	\$ 2,547	\$ 733	\$ 23,050
Uses							
Capital							
Sounder commuter rail	\$ 77	\$ -	\$ 49	\$ -	\$ 908	\$ -	\$ 1,034
ST Express bus	59	-	39	298	53	-	449
Link light rail	1,089	5,097	1,146	3,772	155	-	11,259
Service delivery	37	8	32	93	87	1	258
System-wide activities	6	27	19	36	4	148	240
Total Capital	1,268	5,132	1,285	4,199	1,207	149	13,240
Operating and Maintenance							
Sounder commuter rail	149	-	270	-	351	-	770
ST Express bus	266	-	188	907	424	-	1,785
Link light rail	11	993	320	28	71	-	1,423
System-wide activities	38	112	35	128	25	626	964
Total Operating and Maintenance	464	1,105	813	1,063	871	626	4,942
Debt Service and Changes in Reserve							
Debt service contribution	206	1,546	619	581	236	-	3,188
Bond reserve contribution	25	249	90	100	33	-	497
Operating and maintenance reserve contribution	6	12	11	14	12	-	55
Capital reserve contribution	103	249	225	155	215	-	947
System-wide activities reserve contribution	69	165	81	138	98	-	551
Change in general reserve	25	7	-	(235)	(125)	(42)	(370)
Total Debt Service and Changes in Reserve	434	2,228	1,026	753	469	(42)	4,868
Total Uses	\$ 2,166	\$ 8,465	\$ 3,124	\$ 6,015	\$ 2,547	\$ 733	\$ 23,050

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CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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

NOTE 1: ORGANIZATION AND REPORTING ENTITY

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

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

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

NOTE 2: SUBAREA REPORTING BASIS

Sound Transit has implemented an accounting and reporting system consistent with the financial policies approved in the ST2 voter approved program that allows for the annual reporting of subarea revenues and expenditures, from which this Summary of Sources and Uses of Funds by Subarea (Summary) is prepared. Subarea financial information is prepared on a modified cash basis and does not incorporate non-cash items such as gain on sale of fixed assets and depreciation and amortization expense. Adjustments are made within the subarea ledger for differences in reporting basis between generally accepted accounting principles and the modified cash basis. The Summary is prepared from the 2013 finance plan.

NOTE 3: SUBAREA DRIVERS AND RULES

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

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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

NOTE 4: SUMMARY OF SIGNIFICANT SOURCES AND USES OF FUNDS

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

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

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

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

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

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

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

Bond proceeds: Sound Transit's bonds are subject to the following statutory limits: without voter approval the maximum outstanding debt cannot exceed 1.5% of the aggregate assessed value of taxable real estate located within the Sound Transit district; with 60% voter approval the maximum outstanding debt can be increased to 5.0%.

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

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

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

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

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

Debt service contribution: All amounts associated with the payment of interest and principal on outstanding bonds.

Bond reserve contribution: Sound Transit is required to maintain a debt service reserve as defined in the bond resolution for each bond issue in order to meet debt service requirements. The required bond reserve balance changes as the amount of outstanding debt changes.

Operating and maintenance reserve contribution: Two months of operations and maintenance expenses are required to be maintained in the reserve. The systemwide portion of the contribution is allocated to each subarea in accordance with financial plan policies.

Capital reserve contribution: Annually, an amount is contributed to an internally restricted cash and investment fund to provide for future capital replacement.

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

Change in general reserve: The general reserve consists of the excess of sources and uses of funds revenue after making required debt service and other reserve contributions. Each subarea contributes to the general reserve in years they have a surplus and draws from the reserve in years where they have a deficit. The general reserve consists of all cash and investments that are not included in the reserves described above.

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

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APPENDIX A: SUBAREA DRIVERS For the Year Ending December 31, 2012

SOURCES

Description	Driver
Bond Proceeds	Financial Plan
Capital Grants	Project Costs or Board Designation
Interest Earnings	Financial Plan
Motor Vehicle Excise Tax	Department of Licensing Zip Code Location
Operating Grants	Operating Use by Mode
Other Revenue	Location / Modal Operating Use Drivers (see Operating Uses section below)
Rental Car Tax	Department of Revenue Location Code / County Level
Sales Tax	Department of Revenue Location Code

Passenger Fares

Description	Driver
Central Link Light Rail Fares	Station Boardings
Souder Commuter Rail Fares	Station Boardings
ST Express Bus Fares	Route Boardings / Platform Hours

OPERATING AND MAINTENANCE USES

Souder Commuter Rail Operating and Maintenance Uses

Description	Driver
BNSF North Line	Track Miles
BNSF South Line	Track Miles
Other Souder Operations	Vehicle Miles

ST Express Bus Operating and Maintenance Uses

Description	Driver
Bus Operations	Platform Hours
DSTT Operations	Location

Link Light Rail Operating and Maintenance Uses

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

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Appendix A: Subarea Drivers, continued

Other Uses

Description	Driver
Art Maintenance	Location
Other Expenses	Location or Board Designation

CAPITAL USES

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

ST Express Bus Capital	Driver
85 th Corridor, Kirkland	Location
Ash Way Transit Access / 164 th SW	Location
Bothell Branch Campus Access	Location
Burien Transit Center Parking Expansion	Location
Canyon Park Freeway Station	Location
Eastgate HOV Access / 142 nd Ave SE	Location
Federal Way HOV Access / S 317 th	Location
Federal Way Transit Center/S. 317 th	Location

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Appendix A: Subarea Drivers, continued

ST Express Bus Capital, continued	Driver
I-90 Two-Way Transit & HOV, stage 1	Location
I-90 Two-Way Transit & HOV, stage 2	Location
I-90 Two-Way Transit & HOV, stage 3	Location
Issaquah Transit Center / SR900	Location
Kirkland Transit Center	Location
Lynnwood Transit Center/ 46 th Ave SE	Location
Mercer Island P&R / N Mercer Way	Location
Mountlake Terrace Freeway Station/ 236 th SW	Location
Newcastle Transit Improvements	Location
Rainier Avenue Arterial Improvements	Location
Redmond Transit Center / NE 83 rd	Location
Renton HOV Access / N 8 th	Location
S. Everett Freeway Station / 112 th	Location
Sammamish P&R / 228 th SE	Location
SR 522 HOV Enhancements / Bothell	Location
SR 522 HOV Enhancements / Kenmore	Location
ST Express Bus Base	ST2 Adopted Financial Plan
ST Express Midday Bus Storage	Service Location
Start Program	Location
Strander Boulevard Extension	Location
Totem Lake Freeway Station/NE 128th	Location
Totem Lake Transit Center	Location

Link Light Rail Capital	Driver
Airport Link-154 th St.-176 th St.	Location
Central Link Switch Heaters	2009 Sound Move Reported Rules; Vehicle Maintenance
DSTT South Access Security	Location
East Link	ST2 Adopted Financial Plan
First Hill Link Connector	Location
Initial Segment	2009 Sound Move Reported Rules
Link Maintenance & Storage	ST2 Adopted Financial Plan
LRV On Board Energy Storage	Location
Noise Abatement	Location
North Corridor HCT	ST2 Adopted Financial Plan
North Link	Location
South Corridor Alternatives Planning	Location
South Corridor HCT-S.200 th - Federal Way TC	Location
South Link-Airport-S. 200th	Location
STart Program	Location
Tacoma Link Alternatives Planning	Location
University Link-Pine St. Stub Tunnel-UW Station	Location

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Appendix A: Subarea Drivers, continued

Service Delivery Capital	Driver
Auburn Bus Loop	Location
Bike Locker Program	Number per Location
Bus Fleet Replacement	Platform Hours
Bus Maintenance Facility	Platform Hours
Bus Mobile Communications Project	Platform Hours
Central Link Card Readers	Boardings/ Track Miles
Central Link HVAC-Instrument House & UPS Room	Boardings/ Track Miles
Central Link OMF UPS Room Improvement	Boardings/ Track Miles
Central Link Overhead Catenary System Tie Switch	Boardings/ Track Miles
Homeland Security Enhancements	Location
HVAC for Traction Power Substatio(TPSS)	Boardings/ Track Miles
King Street Station Platform Light	Location
Network Phones at Link Control Center	Boardings/ Track Miles
Operations Maintenance Facility Laydown Area Improvements	Boardings / Track Miles
Operations Maintenance Facility LRV Wash Bay Doors	Boardings / Track Miles
Passenger Information System / CCTV	Number per Location
Radio Upgrade	Boardings / Track Miles
Regional Mobility Parking Enhancements	Location
Small Works Program	Location
Sound Transit Police Office	Location
Souder Fleet Program	2009 Sound Move Reported Rules
Souder ST2 Fleet Expansion	ST2 Adopted Financial Plan
Souder Vehicle Maintenance Program	Vehicle Miles
ST2 Fleet Expansion	ST2 Adopted Financial Plan
Station Midlife Maintenance	Location
Tacoma Link Auxiliary Power Supply	Location
Tacoma Link LRV Communications Upgrade	Location
Talking Signs	Location
Ticket Vending Machines	Number per Location

SYSTEM-WIDE USES

Description	Driver
Agency Administration	Financial Policies
Agency Projects	Financial Policies
System Access Program	Financial Policies

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Appendix A: Subarea Drivers, continued

DEBT SERVICE USES

Description	Driver
Bond Refunding	Financial Plan
Debt Service	Financial Plan

RESERVE CONTRIBUTIONS / DRAWS

Description	Driver
Bond Reserve	Financial Plan
Capital Replacement	Financial Plan
Operations and Maintenance	Financial Plan