



SOUNDTRANSIT



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

***2014 FINAL Financial Plan
(June 2014)***

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

2014 FINAL FINANCIAL PLAN (June 2014)

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EXECUTIVE SUMMARY

The Central Puget Sound Regional Transit Authority's Financial Plan represents Sound Transit's long-range strategic plan updated annually to 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).

Although the "Great Recession" has ended its impact on agency revenues continues as long range tax revenues are now estimated to be \$4.6 billion, or 29 percent, below the 15-year financial forecast included in the 2008 voter-approved plan. Due to this decline in forecast revenue, it is no longer possible to complete all ST2 programs by 2023, as was originally contemplated in the plan approved by voters.

The Board of Directors has comprehensively reviewed the agency's capital and operating plans in light of the projected revenue shortfall. This review resulted in a revised capital expansion program in which funding for certain programs has been delayed, reduced or suspended. This *Program Realignment* is fully reflected in the agency's 2014 Financial Plan.

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

Policies are also in place at the agency level, which ensure adequate operating reserves, maintenance of sufficient debt service coverage ratio, and provision for system-wide funds necessary to safeguard the ongoing performance of the agency's mission.

Financial Policies

The Financial Plan is based on the following principles, which are documented in the agency's financial policies. These 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.

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

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

Key financial policies are as follows:

- Minimum agencywide net debt service coverage ratio of 1.5 or greater in any year;
- Maintain a two-month operating and maintenance cost reserve for each subarea;
- Limit the amount of debt financing within each subarea to each subarea's ability to repay debt after covering operating costs;
- Manage the agency's debt capacity on a consolidated basis;
- Allow the use of short-term debt to bridge the gap between the timing of expenditures and the receipt of revenues; and
- Target farebox recovery rates as follows: Light Rail – 40.0%; Commuter Rail – 23.0%, and Regional Express Bus – 20.0%.

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

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

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

Risk Analysis. The Financial Plan is based on a number of assumptions and projections of key variables such as cost inflation, revenue growth, interest rates and availability of federal funds. Although adequate contingency factors have been included in all these key variables, the financial forecasts are still vulnerable to periods of economic recession, and/or "spikes" in the cost of labor or construction materials. Although the 2014 Financial Plan reflects adequate cash flow, cash reserves and debt coverage to meet all financial obligations, a slower economic recovery beyond that already factored in to the Financial Plan would most likely require further downsizing or delay to the roll out of the ST2 program.

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INTRODUCTION

This report contains the 2014 Financial Plan for the Central Puget Sound Regional Transit Authority (Sound Transit) and reflects the agency's plan to fulfill its mission to implement affordable high-capacity transit programs approved by voters in 1996 and 2008. The plan assumes completion of all affordable capital projects by year-end 2023 and provides sufficient funding to ensure continued operation and maintenance of the transit system thereafter.

Description of Sound Transit

Sound Transit, the Central Puget Sound Regional Transit Authority, was created in 1993 pursuant to State enabling legislation (RCW 81.112). It is a special-purpose metropolitan municipal corporation, responsible for the construction and operation of high-capacity public transportation systems within its district. The Sound Transit district comprises five subareas within the contiguous urbanized areas of Snohomish, King, and Pierce counties (see Figure 1 on Page 5). The district is home to approximately 2.7 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, light rail, and express bus service 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. 84 miles of commuter rail service providing 9 daily round-trips in the south between downtown Seattle and Tacoma - of which five continue farther south to Lakewood. And to the north, four daily round-trips between Seattle and Everett serving approximately two million annual passenger trips.
2. 24 express bus routes with a fleet of 280 buses operating approximately 700,000 hours.
3. A 1.6-mile light rail line in Tacoma serving approximately one million annual passenger trips.
4. Associated stations, transit centers, park-and-ride lots and transit access ramps.
5. Beginning in 2009 Sound Transit began light rail service on 15.8 miles of double track from downtown Seattle to Sea-Tac Airport. The agency is also in the process of constructing another 3.1 miles of light rail alignment from downtown Seattle to the University of Washington which is expected to open in the first quarter of 2016.

Voter Approved Service Expansion

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

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Governance

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

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

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

Relationship to Local Transit Systems

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

Financial Structure

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

Financial Policies and Controls

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

The financial policies state that equity will be defined as "utilizing local tax revenues and related debt for projects and services which benefit the subareas generally in proportion to the level of revenues each subarea generates." The Sound Transit district is divided into five subareas – Snohomish, North King,

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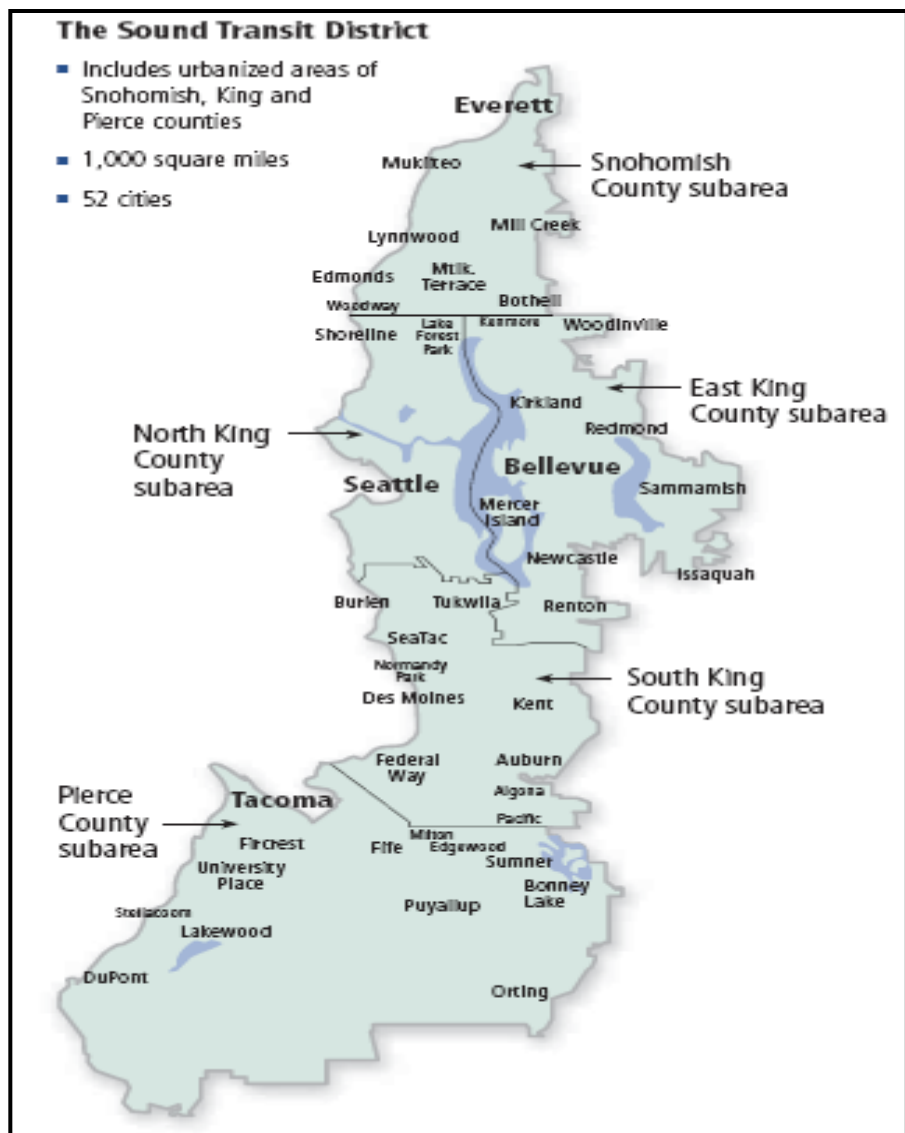
South King, East King, and Pierce (See Figure 1 below). In adopting the plan, the Sound Transit Board agreed that the facilities, projects, and services identified in the original voter-approved plan represent a reasonable definition of equity for purposes of satisfying both public policy concerns and statutory requirements.

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

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

Figure 1 – Sound Transit Taxing Districts

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



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Financial Oversight

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

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

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

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

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

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

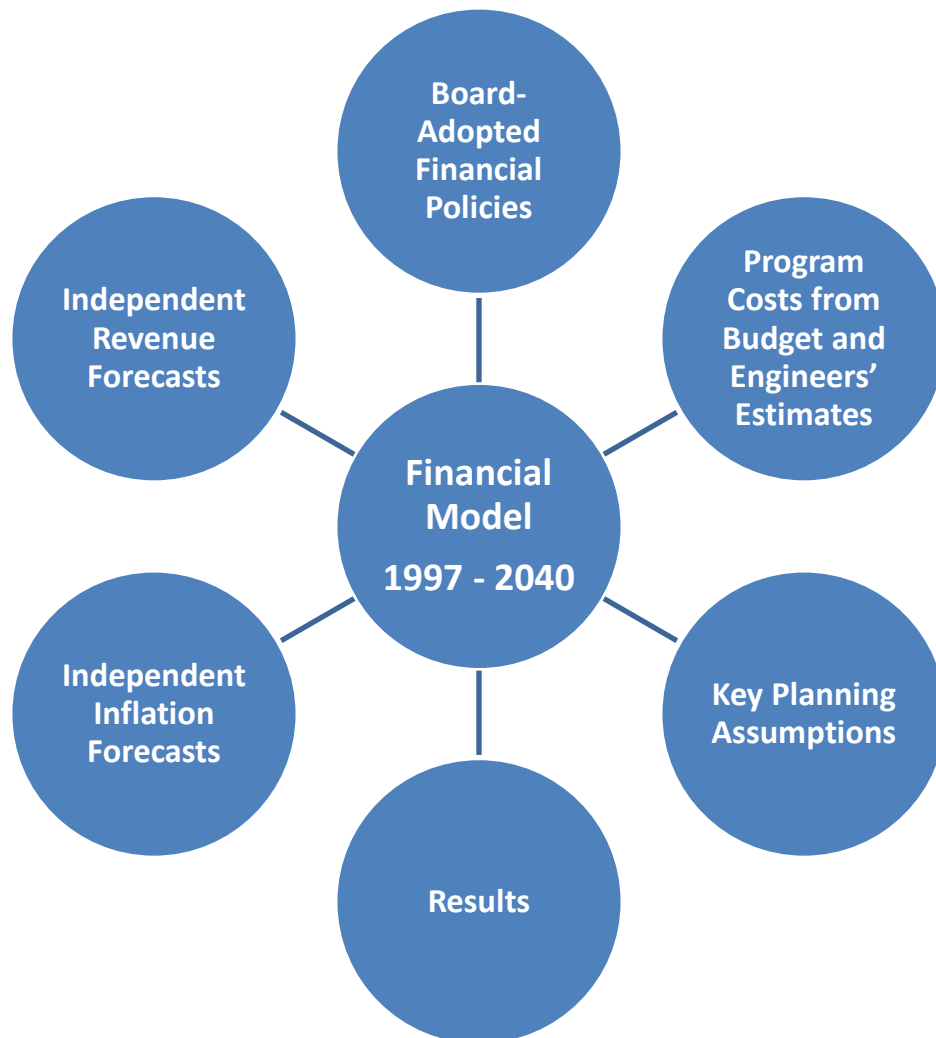
Annual Report on Subarea Equity: One of the key commitments of *Sound Move* and now *ST2* is to assure that Sound Transit delivers a fair share of investments to each of the five geographic subareas commensurate with their contributions of tax-based revenues to the Authority. To insure that this concept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

FINANCIAL PLAN ASSUMPTIONS AND METHODOLOGY

The long-term Financial Plan is produced in accordance with the Federal Transit Administration's (FTA) *Guidance for Transit Financial Plans*. The plan is maintained on a cash basis. It states and projects all agency sources and uses of funds for the period 1997-2040 with special focus on 2009 – 2023 which is the ST2 start to completion time period. The Financial Plan presents the agency's operating statements, sources and uses statements, debt amortization and capital replacement funding schedules for the period 1997-2040. The Financial Plan incorporates the agency's most current proposed or board-adopted operating budget and long-term capital and operating plans for ST Express bus, Sounder commuter rail and Link light rail as included in both the Sound Move and ST2 voter-approved programs.

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

Key Elements of Financial Plan



Funding Sources

Local Taxes

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

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

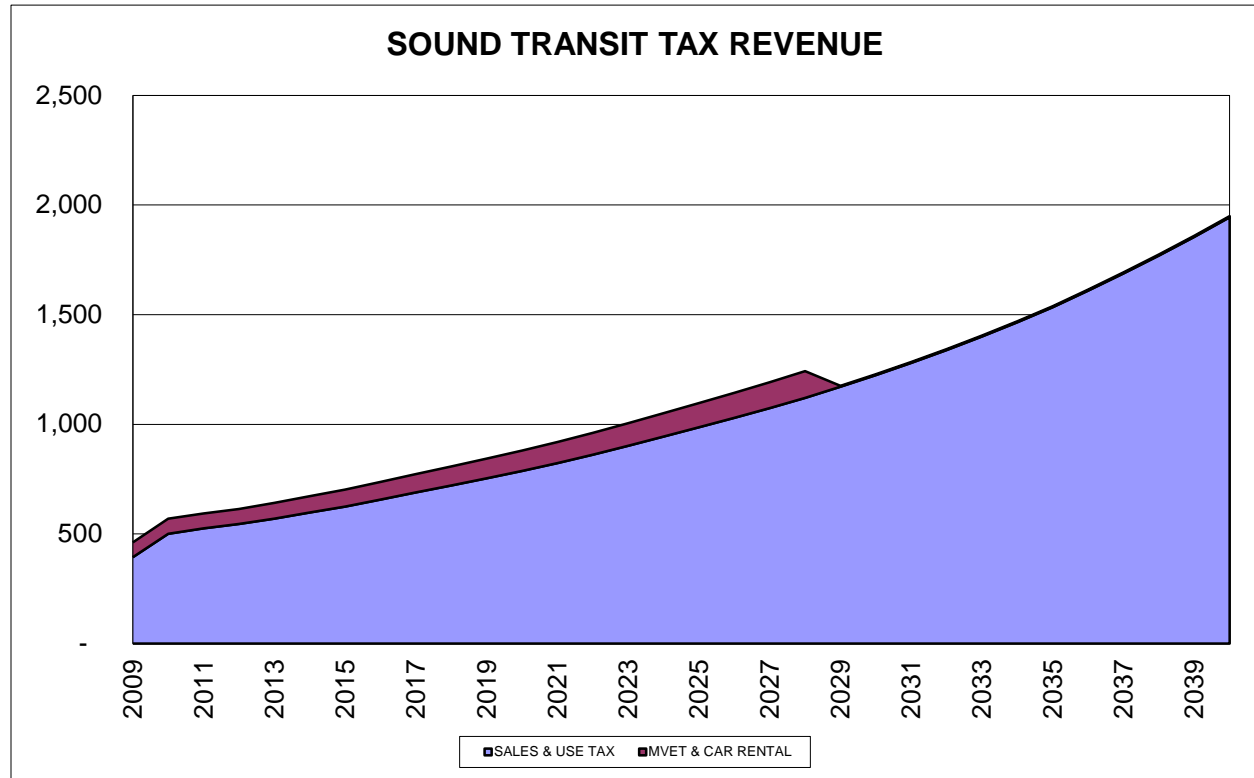
Neither the sales and use tax nor the rental car tax has a sunset provision; however, the Sound Transit MVET collections will expire at the end of 2028. Once the capital portion of all voter approved programs is complete, the board will roll back tax rates to a level sufficient to generate the funds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

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

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

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

Figure 2 – Sound Transit Tax Revenue



Ridership and Fare Revenue

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

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

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

	2012	2013	2020	2030
Sounder Commuter Rail	2.8	3.0	3.6	5.1
ST Express Bus	15.3	16.6	17.7	14.4
Link Light Rail*	8.7	9.7	24.0	83.9
<i>Total</i>	26.8	29.3	45.3	103.4

* Excludes Tacoma-Link

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

- Fares will be structured with a base fare plus an increment based on the distance (zone) traveled, similar to the fare structure approved by the board of directors for Sounder and Link light rail.
- Sound Transit 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 increased as needed to maintain board-adopted fare recovery ratios.

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

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

Table 2
Sound Transit Fare Revenues
(\$millions)

	2012	2013	2020	2030
Souder Commuter Rail	\$9.5	\$9.5	\$11.3	\$17.3
ST Express Bus	\$30.6	\$32.6	\$34.2	\$29.5
Link Light Rail*	\$14.0	\$14.8	\$40.8	\$104.9
<i>Total</i>	\$54.1	\$56.9	\$86.3	\$151.7

* Excludes Tacoma-Link

Grants

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

Table 3
Sound Transit Grant Funding Assumptions 2009 – 2023

Funding Category	2009 - 2023	Secured Through 2013	Anticipated Funding
Section 5309 New Start - University Link	\$ 813,000,000	\$ 613,326,037	\$ 199,673,963
FTA Formula Funding	640,212,340	231,959,034	408,253,306
Section 5309 New Start - Lynnwood Link	600,000,000	-	600,000,000
Regional CMAQ and STP	96,734,667	51,734,667	45,000,000
State / WSDOT Regional Mobility	59,600,758	39,600,758	20,000,000
FTA Section 5309 Small Starts	50,000,000	-	50,000,000
FRA High Speed Rail (through WSDOT)	41,460,939	41,460,939	-
Other (FTA Section 5312, 5339, 5308, TIGGER, etc)	40,763,643	40,763,643	-
TIGER	34,000,000	34,000,000	-
FTA Section 5309 Bus Discretionary	26,430,000	26,430,000	-
Total	\$ 2,402,202,347	\$ 1,079,275,078	\$ 1,322,927,269

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

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Interest Earnings

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

State and Local Assistance

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

Inflation Forecasting

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

Debt Financing

The Financial Plan assumes Sound Transit’s long-term debt will be in the form of 30-year bonds. The agency’s current bond ratings are as follows: Moody’s – Aa1 and Aa2 for Senior and Parity bonds, respectively, and Standard & Poor’s – AAA, all bonds.

Debt Financing Capacity

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

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

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

Bonding Assumptions

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

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

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

Debt-to-Equity Ratio

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

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

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

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

Summary of Financial Assumptions

- Sales Tax Rate: 0.4% 1997 - 2009; 0.9% 2009 + (subject to potential sales tax rollback, after 2024)
- Sales Tax Average Annual Growth: 4.0% 2009 - 2023
- MVET Tax Rate: 0.3% 1997 – 2028 (tax ends in 2029)
- MVET Tax Average Annual Growth: 2.7% 2009 - 2023
- Rental Car Tax Rate: 0.8%
- Rental Car Average Annual Growth Rate: 1.1%
- Average fare prices increase at a rate generally below inflation
- Sound Transit to receive \$2.4 billion in federal grant revenues 2009 - 2023
- CPI Average Annual Cost Inflation: 2.0% (including contingency) 2009 - 2023
- CCI Average Annual Cost Inflation: 3.1% (including contingency) 2009 - 2023
- ROWI Average Annual Cost Inflation: 3.3% (including contingency) 2009 - 2023
- Interest Rate earned on General Fund and Reserve Fund balances: 2.5%
- Bond Interest Rate: 5.75%
- Bond Term: 30 years
- Interest Only Payment Period on Bonds: First 5 years
- All-in Issuance Costs: 1.25% of Par Value
- Principal Set-Aside for Bond Reserves: 7.15%
- O&M Reserves equal to two months’ O&M costs

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SERVICE AND OPERATING PLAN

Service Implementation Plan

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

ST Express Bus

ST Express began 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 280 buses on 24 bus routes, which serve riders in King, Pierce, and Snohomish counties. Current service provides about 700,000 vehicle hours annually and carries about 15.3 million boarding passengers. 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 maintain approximately 700,000 annual vehicle hours and then gradually decline to approximately 500,000 hours as bus service is replaced with light rail corridor expansions that become operational in 2021 and 2023.

Operation and maintenance of ST Express bus service is provided via contracts with Community Transit, King County Metro 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 I-90 corridor across Lake Washington. In addition, Sound Transit will continue to improve passenger amenities such as providing more accessible low-floor buses and developing real-time next bus arrival information at stations.

Sounder Commuter Rail

Sounder began revenue service in September 2000 between Seattle and Tacoma, and currently runs nine weekday round-trips in this segment, two of which are reverse commute trips which serve commuters from Seattle who work in the Tacoma area. An extension of this service to Lakewood Station began operations in October 2012 with five daily round trips between Lakewood and Seattle. 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. In 2013 Sounder ridership was about 3.0 million boarding passengers per year (11, 850 passengers per weekday).

The 84-mile Sounder service is operated via a contract with BNSF. Sounder's fleet consists of 14 locomotives, 18 cab cars and 40 coaches. Nine additional cab cars are currently on order with expected delivery in 2016. All commuter vehicles are 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 additional round trips to be added progressively beginning in 2013.

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 4,000 boarding passengers per day, or 1 million per year. Tacoma Link's chief function is to serve as a circulator connecting the Tacoma

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Central Business District and the Tacoma Dome multi-modal station. The ST2 Plan provides funding for extensions to this service.

Central Link and University Link

Central Link is a 15.6 mile light rail alignment comprising the 13.9 mile Initial Segment between downtown Seattle and Tukwila which began revenue service in July 2009, and Airport Link, a 1.7-mile extension to Sea-Tac International Airport which opened in December 2009. Central Link delivers about 72 thousand annual train hours with headways at seven and one-half minutes during peak hours. The 3.1-mile University Link segment is planned to begin revenue service from downtown Seattle to the University of Washington and to South 200th Street / Angle Lake in 2016.

System Expansion – Link Light Rail

The ST2 plan approved by voters in November 2008 programs an additional 36 miles of new light rail by expanding Light Rail north from the University of Washington to Northgate and Lynnwood, south from South 200th/Angle Lake to Highline Community College and 272nd Street, and east from Seattle through Bellevue to the Overlake Transit Center. Due to the impact of the “Great Recession,” the Light rail segment from Highline Community College to 272nd was suspended under the 2010 Program Realignment and is currently not funded in the long-term Financial Plan.

Once the above system expansions are fully implemented annual Light Rail ridership is projected to exceed 75 million boarding passengers.

Operating and Maintenance Costs

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

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

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CAPITAL PLAN

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

Sounder Commuter Rail

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

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

ST Express Bus

The ST Express capital improvement program has delivered a variety of 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 other local transit services.

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

Tacoma Link

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

Link Light Rail

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

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

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

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

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

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

System-Wide Activities

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

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

Debt Service

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

Asset Management

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

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

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

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FINANCIAL MODELING RESULTS

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

The 2014 DRAFT Financial Plan reflects all of the assumptions and contingencies as detailed throughout this presentation and at present meets all criteria stated in the Financial Policies and Controls section.

KEY FINANCIAL ISSUES

Financial Risks

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

Key Risk Areas

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

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

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

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Inflation: The Puget Sound region has experienced relatively mild price increases for general goods and services. The CPI-U is currently very low and is projected to remain in the 2.0% to 2.5% range through 2030. Sound Transit is currently experiencing a favorable “bidding climate” for 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. The current forecast projects inflation will ease with the current recession rebound as growth returns in the 2013 to 2015 time period then settle 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 would also rise beyond the current forecast. Historically, retail sales and use tax, the agency's primary revenue source, has risen with general price levels partially mitigating this risk. See Appendix D for forecasts of cost inflation.

Operating and Maintenance Costs

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

Sensitivity Analysis / Stress Tests

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

The five stress tests conducted are as follows:

Sales Tax Growth Rate: This test quantifies the extent to which the agency's estimated sales tax revenues could decline before the net debt service coverage ratio (DSCR) falls to a minimally sustainable level of 1.15x. At the agency level, sales tax would need to decline approximately \$800 million or 7.0% versus the current Financial Plan before net DSCR falls to 1.15x.

Bond Interest Rates: How much could interest rates paid on all agency bonds issued after 2009 increase before net DSCR drops to 1.15x? Interest rates would need to increase to 175 basis points to 7.5%, up from 5.75%, before net DSCR declines to 1.15x.

Capital Cost Inflation: How much additional capital spending could the agency absorb beyond current planning estimates before net DSCR drops to 1.15x? The agency could sustain up to \$1.7 billion in additional project costs before the net DSCR declines to 1.15x.

Grant Revenues: How much would grant revenues need to fall before the agency net DSCR fell to the 1.15x level? Grant revenue of approximately \$2.4 billion from 2009 to 2023 would need to decline 56% or \$1.43 billion before net DSCR fell below the minimally sustainable level of 1.15x.

Inflation: How much would CPI and CCI need to increase by in order to reduce agency DSCR to 1.15x? Consumer Price Index would need to average 3.9% from 2013 through 2023 versus the currently

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assumed 2.0%. Inflation on construction costs would need to average 14.4% for the same time period versus 3.1% currently assumed in the Financial Plan before net DSCR drops to 1.15x.

Mitigation of Cost Increases or Funding Shortfall

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

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

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

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

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

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Sources of Funds

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

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

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

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

Uses of Funds

Sounder Commuter Rail Capital Program: The Sounder capital program completed the D Street to M Street extension in 2012. Service was extended by 8.7 miles to Lakewood, and additional track easements, locomotives and passenger cars will be added to increase the number of round-trip trains on 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 Kent Des Moines Road, with preliminary funding for design through to South 272nd Street or the Federal Way Transit Center, and to the east from Seattle through Bellevue to the Overlake Transit Center area of Redmond. Light rail trains will provide service to 19 new stations up to 20 hours a day with a frequency of every 6 minutes during peak commuting periods.

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

System-wide Activities: The Financial Plan includes funding to support projects that impact the system at large such as research and technology, fares administration, future phase planning, agency

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administration and other expenditures that are essential to planning for and maintenance of a regional transit system consistent with that approved by voters.

Debt Service: The Financial Plan anticipates 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 and maintenance reserves, and (3) Capital replacement/mid-life maintenance reserves.

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**

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

2014 FINANCIAL PLAN (June 2014)



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	1,406	3,314	1,695	2,758	2,023	-	11,196
Grant Revenue - Federal / Local	111	1,578	196	307	209	1	2,403
Bond Proceeds	550	2,734	1,067	2,622	309	-	7,283
TIFIA Proceeds	-	-	-	-	-	-	-
Fares & Other Revenues	97	443	186	453	191	5	1,375
Interest Earnings	-	-	-	-	-	188	188
Total Sources	2,164	8,070	3,144	6,141	2,733	194	22,445

Financial Plan - Sources & Uses Summary

(YOE Dollars in Millions)

Uses of Funds	Snohomish	North King	South King	East King	Pierce	System Wide	FINAL
Capital Expenditures							
Sounder Commuter Rail	78	-	48	0	957		1,084
Regional Express Bus	56	-	39	382	53		530
Link Light Rail	1,044	4,956	1,145	3,738	164		11,047
Service Delivery	44	11	45	102	104	1	307
Agency Admin	-	0	-	-	-	39	39
System-wide Activities	8	29	21	36	4	94	192
Total Capital	1,230	4,996	1,297	4,258	1,283	134	13,198
O & M Expenditures							
Sounder Commuter Rail	148	-	274	-	353		775
ST Express Bus	278	-	193	927	440		1,838
Link Light Rail	11	980	315	27	88		1,420
System-wide Activities	35	90	29	115	21	638	927
Total O&M	471	1,070	811	1,069	901	638	4,960
Debt Service	190	1,411	609	566	166	-	2,941
TIFIA Debt Service	-	-	-	-	-	-	-
Bond Reserve Deposits	24	233	90	114	20	-	480
O&M Reserve Contributions	7	15	14	17	14	-	67
Capital Reserve Contributions	152	149	247	218	362	-	1,127
System-wide Activities	68	159	80	130	97	(534)	-
Change in Cash	21	38	(3)	(232)	(110)	(43)	(329)
Total Uses	2,164	8,070	3,144	6,141	2,733	194	22,445



Operating Statement
2014 FINAL Financial Plan

(YOE Dollars in Thousands)

	1997- 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES															
ST District Taxes															
Sales & Use Tax	1,336,157	219,020	239,785	259,164	277,424	273,286	393,909	500,619	525,431	545,454	586,387	597,763	624,651	656,680	689,409
Motor Vehicle Excise Tax (MVET)	350,929	64,714	66,308	70,203	72,011	70,927	64,645	66,476	65,429	66,249	68,576	71,691	74,775	77,612	80,617
Rental Car Tax	15,200	2,166	2,245	2,427	2,527	2,554	2,784	2,469	2,490	1,979	2,759	2,694	2,763	2,833	2,905
TOTAL TAX REVENUES	1,702,286	285,900	308,338	331,794	351,962	346,767	461,338	569,564	593,350	613,681	657,721	672,148	702,189	737,125	772,931
Fares & Other Operating Revenue															
Commuter Rail	5,197	2,263	3,002	5,122	6,623	7,832	7,780	7,134	8,336	9,481	9,484	9,450	9,765	10,080	10,080
Link Light Rail	-	-	-	-	-	-	2,372	9,609	12,039	14,013	14,846	15,400	15,862	17,825	28,620
Regional Express Bus	32,748	10,943	13,034	13,023	15,406	17,825	18,896	20,846	25,742	30,652	32,614	33,174	33,368	33,756	33,174
TOTAL FARES & OTHER REVENUE	37,945	13,206	16,036	18,145	22,029	25,657	29,048	37,589	46,117	54,145	56,944	58,024	58,995	61,661	71,874
INTEREST EARNINGS	175,720	10,626	26,090	37,265	24,952	23,445	12,360	14,122	20,875	(3,054)	7,974	16,664	7,466	6,598	8,119
TOTAL OPERATING REVENUES	1,915,950	309,731	350,464	387,204	398,943	395,868	502,746	621,275	660,341	664,773	722,640	746,837	768,650	805,384	852,924
OPERATING EXPENSES															
Operating & Maintenance Costs															
Commuter Rail	39,696	16,782	22,377	24,125	25,849	32,792	37,787	33,285	32,566	33,571	37,013	47,873	49,436	53,656	57,811
Link Like Rail	2,757	7,235	6,539	7,031	16,421	9,374	30,684	68,596	60,098	56,415	55,132	74,232	82,014	97,812	101,046
Regional Express Bus	161,799	40,934	59,070	64,778	78,956	81,862	85,144	96,326	96,596	101,483	104,091	120,942	125,484	130,338	133,780
System-wide	79,265	27,655	29,925	30,119	19,045	36,434	21,439	23,802	23,559	25,422	28,557	29,303	46,434	59,022	54,804
TOTAL OPERATING EXPENSES	283,518	92,607	117,911	126,054	140,272	160,463	175,055	222,009	212,819	216,891	224,793	272,350	303,368	340,827	347,441
NET OPERATING INCOME	1,632,433	217,125	232,553	261,150	258,671	235,405	327,691	399,266	447,522	447,881	497,846	474,486	465,282	464,557	505,483
DEBT SERVICE															
Principal & Interest	80,098	17,164	29,227	41,929	41,930	75,941	83,007	78,819	89,149	81,199	99,181	98,911	98,685	122,894	153,838
NET INCOME	1,552,335	199,961	203,326	219,221	216,741	159,464	244,684	320,447	358,373	366,682	398,666	375,576	366,596	341,663	351,645
DISTRIBUTION OF NET INCOME															
O&M Reserve Contributions	20,111	1,385	1,385	1,385	1,385	2,243	7,879	1,365	8,999	(2,180)	11,805	12,113	5,089	6,562	1,408
Capital Reserve Contributions Including Interest Earnings	-	-	-	-	22,601	21,904	24,273	24,463	51,504	62,870	45,291	47,677	51,917	58,559	90,312
Operating Contributions to the General Fund	1,532,224	198,576	201,942	217,836	192,755	135,316	212,533	294,620	297,872	305,991	341,570	315,937	310,119	277,404	260,779



Operating Statement
2014 FINAL Financial Plan

(YOE Dollars in Thousands)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
REVENUES														
ST District Taxes														
Sales & Use Tax	720,971	753,652	787,211	822,951	861,327	902,016	944,032	986,492	1,029,426	1,073,807	1,120,311	1,171,453	1,224,285	1,280,026
Motor Vehicle Excise Tax (MVET)	83,722	86,772	89,767	92,946	96,217	99,608	103,135	106,692	110,381	114,208	118,274	-	-	-
Rental Car Tax	2,979	3,055	3,133	3,213	3,295	3,379	3,465	3,553	3,644	3,737	3,832	3,930	4,030	4,133
TOTAL TAX REVENUES	807,673	843,480	880,111	919,110	960,839	1,005,004	1,050,633	1,096,738	1,143,452	1,191,751	1,242,417	1,175,383	1,228,315	1,284,159
Fares & Other Operating Revenue														
Commuter Rail	10,395	10,710	11,340	11,970	12,600	13,440	14,080	15,014	15,648	15,981	16,313	16,979	17,319	17,659
Link Light Rail	32,200	35,420	40,800	46,375	59,500	83,297	88,200	96,665	99,286	100,741	101,885	103,410	104,901	106,481
Regional Express Bus	33,756	34,338	34,161	34,354	34,547	24,645	22,032	24,325	27,300	27,495	29,110	29,315	29,520	31,175
TOTAL FARES & OTHER REVENUE	76,351	80,468	86,301	92,699	106,647	121,382	124,312	136,004	142,234	144,217	147,308	149,704	151,740	155,315
INTEREST EARNINGS	10,051	12,052	14,735	17,717	20,427	22,083	23,485	23,896	27,171	31,316	36,396	42,458	46,631	51,788
TOTAL OPERATING REVENUES	894,074	936,000	981,148	1,029,525	1,087,913	1,148,468	1,198,429	1,256,639	1,312,856	1,367,284	1,426,121	1,367,545	1,426,686	1,491,262
OPERATING EXPENSES														
Operating & Maintenance Costs														
Commuter Rail	60,347	61,781	64,294	66,302	68,291	70,861	63,809	65,351	66,910	68,548	70,128	71,765	73,504	75,203
Link Like Rail	102,830	105,607	109,665	133,526	146,321	195,884	214,486	223,787	229,717	236,787	242,716	247,970	252,784	260,504
Regional Express Bus	138,777	143,965	149,544	146,718	152,972	111,591	114,761	118,206	121,765	125,313	128,991	132,720	136,564	140,592
System-wide	55,560	57,846	51,292	51,841	53,615	55,055	56,444	57,866	59,320	60,801	62,317	63,894	65,511	67,180
TOTAL OPERATING EXPENSES	357,514	369,199	374,795	398,386	421,199	433,392	449,500	465,211	477,711	491,449	504,151	516,349	528,363	543,480
NET OPERATING INCOME	536,560	566,801	606,353	631,139	666,714	715,077	748,930	791,428	835,145	875,835	921,970	851,196	898,323	947,782
DEBT SERVICE														
Principal & Interest														
	198,414	244,142	305,420	374,558	434,738	478,436	519,960	534,594	550,389	561,815	564,028	564,127	564,130	564,129
NET INCOME	338,146	322,659	300,933	256,581	231,976	236,641	228,970	256,834	284,756	314,021	357,943	287,069	334,193	383,653
DISTRIBUTION OF NET INCOME														
O&M Reserve Contributions	2,001	2,175	975	3,776	3,504	1,577	-	2,618	2,083	2,290	2,117	2,033	2,002	2,519
Capital Reserve Contributions Including Interest Earnings	104,640	135,106	139,102	157,985	166,672	179,259	198,336	208,067	230,985	239,635	257,924	266,695	274,391	293,561
Operating Contributions to the General Fund	232,367	186,248	161,751	95,760	62,748	56,763	31,602	47,127	52,676	73,094	98,909	19,359	58,828	88,611



Operating Statement
2014 FINAL Financial Plan

(YOE Dollars in Thousands)

	2032	2033	2034	2035	2036	2037	2038	2039	2040
REVENUES									
ST District Taxes									
Sales & Use Tax	1,338,518	1,400,403	1,465,389	1,533,944	1,609,612	1,688,111	1,769,551	1,854,641	1,944,201
Motor Vehicle Excise Tax (MVET)	-	-	-	-	-	-	-	-	-
Rental Car Tax	4,238	4,346	4,457	4,570	4,687	4,806	4,929	5,054	5,183
TOTAL TAX REVENUES	1,342,755	1,404,749	1,469,846	1,538,514	1,614,299	1,692,917	1,774,480	1,859,695	1,949,384
Fares & Other Operating Revenue									
Commuter Rail	18,358	18,704	19,051	19,397	20,138	20,492	20,845	21,198	21,983
Link Light Rail	108,083	109,710	111,363	113,039	114,740	125,785	127,676	129,597	131,545
Regional Express Bus	31,390	32,634	32,856	34,270	34,500	35,485	35,720	35,955	37,276
TOTAL FARES & OTHER REVENUE	157,831	161,048	163,269	166,706	169,378	181,762	184,241	186,751	190,804
INTEREST EARNINGS	58,204	66,048	75,533	86,318	99,069	113,359	130,240	148,907	170,245
TOTAL OPERATING REVENUES	1,558,790	1,631,846	1,708,648	1,791,538	1,882,746	1,988,038	2,088,962	2,195,353	2,310,434
OPERATING EXPENSES									
Operating & Maintenance Costs									
Commuter Rail	76,977	78,868	80,716	82,632	84,697	86,706	88,797	91,035	93,237
Link Like Rail	264,489	272,255	280,890	288,184	297,211	305,002	311,986	318,470	326,930
Regional Express Bus	144,703	148,997	153,396	157,990	162,687	167,584	172,627	177,840	183,273
System-wide	68,899	70,672	72,501	74,390	76,373	78,416	80,523	82,700	84,946
TOTAL OPERATING EXPENSES	555,067	570,791	587,503	603,195	620,967	637,708	653,933	670,046	688,386
NET OPERATING INCOME	1,003,722	1,061,055	1,121,144	1,188,343	1,261,779	1,350,330	1,435,028	1,525,307	1,622,048
DEBT SERVICE									
Principal & Interest	564,127	564,130	564,125	564,125	564,130	564,129	564,126	564,129	564,127
NET INCOME	439,595	496,925	557,020	624,218	697,649	786,201	870,903	961,178	1,057,921
DISTRIBUTION OF NET INCOME									
O&M Reserve Contributions	1,931	2,621	2,785	2,615	2,962	2,790	2,704	2,685	3,057
Capital Reserve Contributions Including Interest Earnings	287,292	294,113	299,534	306,381	316,152	319,640	330,246	331,118	331,985
Operating Contributions to the General Fund	151,420	201,250	255,770	316,301	379,626	464,873	539,066	628,498	724,014



SOURCES & USES
2014 FINAL Financial Plan

(YOE Dollars in Thousands)

	1997 - 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SOURCES															
Tax Revenue	1,702,286	285,900	308,338	331,794	351,962	346,767	461,338	569,564	593,351	613,681	657,721	672,148	702,189	737,125	772,931
Fare Revenue	37,945	13,206	16,036	18,145	22,029	25,657	29,048	37,589	46,117	54,145	56,944	58,175	59,524	62,523	72,727
Other Sources Revenue	82,649	7,484	12,530	29,702	6,209	5,217	5,352	2,437	4,950	3,671	5,975	1,227	15,546	13,171	75,049
Capital Grant Drawdowns	154,691	53,539	101,372	97,828	79,125	103,258	100,488	104,657	118,062	89,154	81,656	26,188	118,095	102,502	114,547
FTA Formula Fund Drawdowns	123,640	14,112	33,263	32,114	31,125	60,683	65,406	59,094	56,203	42,545	67,457	132,687	76,273	36,488	57,164
Bond Proceeds (less issuance cost)	347,693	-	399,968	-	463,908	-	399,283	-	-	-	-	-	521,988	509,580	743,054
TIFIA Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Earned	175,720	10,626	26,090	37,265	24,952	23,445	12,360	14,122	20,875	(3,054)	7,974	16,664	7,466	6,598	8,119
TOTAL SOURCES	2,624,624	384,866	897,598	546,847	979,310	565,026	1,073,275	787,463	839,558	800,141	877,727	907,090	1,501,080	1,467,986	1,843,593
USES															
Commuter Rail Capital Costs	706,781	104,195	35,642	51,930	61,901	57,238	63,745	90,810	94,310	105,554	92,149	55,816	77,040	30,560	17,421
Light Rail Capital Costs	383,246	220,972	486,899	463,747	513,654	378,291	236,604	341,266	421,844	361,165	486,299	639,578	772,992	692,776	1,040,941
Regional Express Capital Costs	225,537	74,302	78,618	80,611	77,832	37,813	22,006	27,582	39,286	7,887	20,472	58,556	158,188	128,700	56,987
Service Delivery Capital Costs	-	59	101,801	1,212	4,545	22,482	6,690	46,772	32,606	40,806	2,570	57,049	48,262	9,002	8,765
Agency Admin Capital Costs	-	-	-	-	-	-	-	-	-	3,877	3,031	3,984	4,345	3,828	3,626
Systemwide Capital Costs	25,912	14,010	9,039	(6,035)	2,076	3,538	10,386	4,530	8,977	299	958	29,504	21,797	19,706	51,366
TOTAL CAPITAL PROGRAM	1,341,476	413,538	711,999	591,464	660,008	499,362	339,431	510,959	597,023	519,588	605,479	844,487	1,082,623	884,571	1,179,106
Total O&M + NC Costs	283,518	92,607	117,911	126,054	140,272	160,463	177,492	222,009	212,871	216,908	224,982	297,662	328,198	367,570	376,015
Scheduled Debt Service	80,098	17,164	29,227	41,929	41,930	75,941	83,007	78,819	89,149	81,199	99,181	98,911	98,685	122,894	153,838
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	92,133	-	9,386	-	-	(26,355)	(972)	-	37,788	36,889	53,791
O&M Reserve Contributions	20,111	1,385	1,385	1,385	1,385	2,243	7,879	1,365	8,999	(2,180)	11,805	12,113	5,089	6,562	1,408
Capital Reserve Contributions	-	-	-	-	22,601	21,904	24,273	24,273	45,862	61,227	45,290	38,826	43,430	49,499	79,436
Increase (decrease) in cash	899,422	(139,827)	37,076	(213,984)	20,982	(194,888)	431,808	(49,961)	(114,346)	(50,246)	(108,038)	(384,909)	(94,733)	2	(0)
TOTAL USES	2,624,624	384,866	897,598	546,847	979,310	565,026	1,073,275	787,463	839,558	800,141	877,727	907,090	1,501,080	1,467,986	1,843,593
Bond Reserve Fund Balance END	-	-	-	-	92,133	92,133	101,519	101,519	101,519	75,164	74,192	74,192	111,979	148,869	202,659
O&M Reserve Fund Balance END	20,111	21,496	22,880	24,265	25,650	27,893	35,772	37,137	46,135	43,955	55,760	67,874	72,963	79,525	80,932
Capital Reserve Balance END	-	-	-	-	22,601	44,505	68,778	93,241	144,745	207,615	252,906	242,488	258,873	310,747	394,461
General Fund Balance END	899,422	759,595	796,671	582,687	603,668	375,425	807,233	757,272	642,926	592,680	484,642	99,733	5,000	5,002	5,001
Total Fund Balance END	919,533	781,091	819,551	606,952	744,052	539,957	1,013,302	989,168	935,325	919,415	867,500	484,287	448,815	544,142	683,054



SOURCES & USES
2014 FINAL Financial Plan

(YOE Dollars in Thousands)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
SOURCES														
Tax Revenue	807,673	843,480	880,111	919,110	960,839	1,005,004	1,050,633	1,096,738	1,143,452	1,191,751	1,242,417	1,175,383	1,228,315	1,284,159
Fare Revenue	77,213	81,338	87,196	93,639	107,595	122,340	125,280	136,983	143,222	145,215	148,316	150,722	152,768	156,352
Other Sources Revenue	77,342	77,557	22,687	12,460	5,535	5,887	12,123	22,410	8,631	1,662	16,669	1,740	1,780	1,820
Capital Grant Drawdowns	106,188	111,188	121,188	121,188	90,000	40,000	-	-	-	-	-	-	-	-
FTA Formula Fund Drawdowns	51,538	63,210	53,601	65,021	57,544	73,482	54,992	71,314	60,555	78,715	72,664	84,356	76,401	88,131
Bond Proceeds (less issuance cost)	762,276	1,028,955	1,163,250	1,017,382	605,125	531,675	-	-	-	-	-	-	-	-
TIFIA Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Earned	10,051	12,052	14,735	17,717	20,427	22,083	23,485	23,896	27,171	31,316	36,396	42,458	46,631	51,788
TOTAL SOURCES	1,892,281	2,217,779	2,342,768	2,246,515	1,847,066	1,800,470	1,266,512	1,351,341	1,383,031	1,448,660	1,516,462	1,454,659	1,505,895	1,582,251
USES														
Commuter Rail Capital Costs	32,447	56,267	43,485	77,191	109,983	136,767	26,666	-	-	-	-	-	-	-
Light Rail Capital Costs	1,049,054	1,291,538	1,377,016	1,146,208	657,065	532,422	89,265	50,000	-	-	-	-	-	-
Regional Express Capital Costs	10,403	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Delivery Capital Costs	47,374	4,368	593	1,288	310	203	-	-	-	-	-	-	-	-
Agency Admin Capital Costs	3,285	3,005	2,975	2,718	2,432	2,092	2,362	2,362	4,168	4,263	4,361	4,461	4,565	4,672
Systemwide Capital Costs	15,263	19,682	363	1,876	4,912	2,085	-	-	-	-	-	-	-	-
TOTAL CAPITAL PROGRAM	1,157,827	1,374,859	1,424,432	1,229,281	774,702	673,569	118,293	52,362	4,168	4,263	4,361	4,461	4,565	4,672
Total O&M + NC Costs	388,021	401,071	406,920	429,577	450,600	460,064	449,500	465,211	477,711	491,449	504,151	516,349	528,363	543,480
Scheduled Debt Service	198,414	244,142	305,420	374,558	434,738	478,436	519,960	534,594	550,389	561,815	564,028	564,127	564,130	564,129
Early Principal Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	55,182	74,488	84,210	73,650	43,806	38,489	-	-	-	-	-	-	-	-
O&M Reserve Contributions	2,001	2,175	975	3,776	3,504	1,577	-	2,618	2,083	2,290	2,117	2,033	2,002	2,519
Capital Reserve Contributions	90,834	121,047	120,811	135,671	139,716	148,336	162,297	169,247	185,790	188,857	202,281	203,601	203,365	214,354
Increase (decrease) in cash	2	(3)	0	1	(0)	(0)	16,463	127,309	162,890	199,986	239,525	164,087	203,469	253,098
TOTAL USES	1,892,281	2,217,779	2,342,768	2,246,515	1,847,066	1,800,470	1,266,512	1,351,341	1,383,031	1,448,660	1,516,462	1,454,659	1,505,895	1,582,251
Bond Reserve Fund Balance END	257,842	332,330	416,539	490,189	533,995	572,484	572,484	572,484	572,484	572,484	572,484	572,484	572,484	572,484
O&M Reserve Fund Balance END	82,933	85,108	86,083	89,859	93,363	94,941	94,941	97,559	99,643	101,932	104,049	106,082	108,085	110,604
Capital Reserve Balance END	401,693	522,585	637,536	770,173	883,538	1,029,690	1,109,151	1,291,293	1,450,794	1,589,802	1,802,697	2,029,301	2,263,049	2,356,003
General Fund Balance END	5,003	5,001	5,001	5,002	5,002	5,001	21,464	148,773	311,663	511,649	751,174	915,261	1,118,730	1,371,828
Total Fund Balance END	747,471	945,024	1,145,159	1,355,223	1,515,898	1,702,116	1,798,039	2,110,109	2,434,583	2,775,868	3,230,404	3,623,128	4,062,348	4,410,919



SOURCES & USES
2014 FINAL Financial Plan

(YOE Dollars in Thousands)

	2032	2033	2034	2035	2036	2037	2038	2039	2040
SOURCES									
Tax Revenue	1,342,755	1,404,749	1,469,846	1,538,514	1,614,299	1,692,917	1,774,480	1,859,695	1,949,384
Fare Revenue	158,878	162,107	164,339	167,786	170,469	182,864	185,354	187,874	191,938
Other Sources Revenue	1,862	1,905	1,949	1,994	2,040	2,087	2,135	2,184	2,234
Capital Grant Drawdowns	-	-	-	-	-	-	-	-	-
FTA Formula Fund Drawdowns	80,118	91,869	81,628	93,394	83,168	94,950	84,739	96,537	86,342
Bond Proceeds (less issuance cost)	-	-	-	-	-	-	-	-	-
TIFIA Proceeds	-	-	-	-	-	-	-	-	-
Interest Earned	58,204	66,048	75,533	86,318	99,069	113,359	130,240	148,907	170,245
TOTAL SOURCES	1,641,817	1,726,679	1,793,294	1,888,006	1,969,045	2,086,176	2,176,948	2,295,197	2,400,144
USES									
Commuter Rail Capital Costs	-	-	-	-	-	-	-	-	-
Light Rail Capital Costs	-	-	-	-	-	-	-	-	-
Regional Express Capital Costs	-	-	-	-	-	-	-	-	-
Service Delivery Capital Costs	-	-	-	-	-	-	-	-	-
Agency Admin Capital Costs	4,780	4,892	5,005	5,122	5,241	5,363	5,488	5,616	5,746
Systemwide Capital Costs	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL PROGRAM	4,780	4,892	5,005	5,122	5,241	5,363	5,488	5,616	5,746
Total O&M + NC Costs	555,067	570,791	587,503	603,195	620,967	637,708	653,933	670,046	688,386
Scheduled Debt Service	564,127	564,130	564,125	564,125	564,130	564,129	564,126	564,129	564,127
Early Principal Redemption	-	-	-	-	-	-	-	-	-
Bond Reserve Deposits	-	-	-	-	-	-	-	-	-
O&M Reserve Contributions	1,931	2,621	2,785	2,615	2,962	2,790	2,704	2,685	3,057
Capital Reserve Contributions	204,831	208,542	206,359	206,568	208,316	204,814	207,830	202,938	199,094
Increase (decrease) in cash	311,080	375,704	427,516	506,381	567,429	671,372	742,867	849,783	939,734
TOTAL USES	1,641,817	1,726,679	1,793,294	1,888,006	1,969,045	2,086,176	2,176,948	2,295,197	2,400,144
Bond Reserve Fund Balance END	572,484	572,484	572,484	572,484	572,484	572,484	572,484	572,484	572,484
O&M Reserve Fund Balance END	112,535	115,156	117,941	120,557	123,519	126,309	129,013	131,698	134,755
Capital Reserve Balance END	2,444,895	2,662,136	2,851,805	3,081,039	3,280,755	3,497,587	3,662,293	3,796,881	4,029,363
General Fund Balance END	1,682,908	2,058,611	2,486,127	2,992,508	3,559,937	4,231,309	4,974,176	5,823,959	6,763,693
Total Fund Balance END	4,812,822	5,408,387	6,028,357	6,766,587	7,536,694	8,427,689	9,337,966	10,325,022	11,500,295



Cost Inflation Factors
2014 FINAL Financial Plan

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
COST INDICES																
SEATTLE CPI-U																
<i>(used for O&M, Other Capital)</i>																
CPI-U Index Conway August 2012	226.1	226.8	232.7	238.6	241.4	246.6	252.8	259.1	265.3	271.6	278.1	284.6	291.1	297.7	304.4	311.8
CPI-U Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI-U Index w / contingency	226.1	226.8	232.7	238.6	241.4	246.6	252.8	259.1	265.3	271.6	278.1	284.6	291.1	297.7	304.4	311.8
CPI-U Annual Growth Factor	1.0056	1.0030	1.0261	1.0252	1.0118	1.0218	1.0248	1.0250	1.0241	1.0238	1.0237	1.0237	1.0226	1.0226	1.0228	1.0241
CPI-U Annual % Change	0.56%	0.30%	2.61%	2.52%	1.18%	2.18%	2.48%	2.50%	2.41%	2.38%	2.37%	2.37%	2.26%	2.26%	2.28%	2.41%
CPI-U Escalation Factor (from year 2007 dollars)	1.0492	1.0523	1.0798	1.1070	1.1201	1.1445	1.1729	1.2022	1.2311	1.2604	1.2903	1.3208	1.3506	1.3812	1.4127	1.4467
SEATTLE BCI/CCI																
<i>(used for Construction)</i>																
CCI Index (Parsons Brinkerhoff August 2012)	4,829.7	4,997.0	5,123.6	5,222.9	5,339.9	5,522.2	5,747.5	5,982.4	6,200.9	6,423.1	6,649.3	6,881.4	7,118.2	7,364.2	7,607.2	7,855.0
CCI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCI Index w / contingency	4,829.7	4,997.0	5,123.6	5,222.9	5,339.9	5,522.2	5,747.5	5,982.4	6,200.9	6,423.1	6,649.3	6,881.4	7,118.2	7,364.2	7,607.2	7,855.0
CCI Annual Growth Factor	1.0084	1.0346	1.0253	1.0194	1.0224	1.0342	1.0408	1.0409	1.0365	1.0358	1.0352	1.0349	1.0344	1.0346	1.0330	1.0326
CCI Annual % Change	0.84%	3.46%	2.53%	1.94%	2.24%	3.42%	4.08%	4.09%	3.65%	3.58%	3.52%	3.49%	3.44%	3.46%	3.30%	3.26%
CCI Escalation Factor (from year 2007 dollars)	1.0609	1.0976	1.1254	1.1473	1.1729	1.2130	1.2625	1.3141	1.3621	1.4109	1.4606	1.5116	1.5636	1.6176	1.6710	1.7254
ST ROWI																
<i>(used for ROW)</i>																
ROWI Index (Internal Estimate)	161.0	161.9	164.8	168.0	181.3	190.3	198.9	207.8	215.1	222.7	230.4	237.1	244.7	252.8	261.6	270.5
ROWI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ROWI Index w / contingency	161.0	161.9	164.8	168.0	181.3	190.3	198.9	207.8	215.1	222.7	230.4	237.1	244.7	252.8	261.6	270.5
ROWI Annual Growth Factor	0.8636	1.0058	1.0178	1.0197	1.0788	1.0500	1.0450	1.0450	1.0351	1.0352	1.0345	1.0293	1.0319	1.0333	1.0346	1.0340
ROWI Annual % Change	-14%	0.58%	1.78%	1.97%	7.88%	5.00%	4.50%	4.50%	3.51%	3.52%	3.45%	2.93%	3.19%	3.33%	3.46%	3.40%
ROWI Escalation Factor (from year 2007 dollars)	0.8945	0.8997	0.9157	0.9338	1.0073	1.0577	1.1053	1.1550	1.1956	1.2377	1.2804	1.3179	1.3599	1.4052	1.4538	1.5033



Cost Inflation Factors
2014 FINAL Financial Plan

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
COST INDICES															
SEATTLE CPI-U															
<i>(used for O&M, Other Capital)</i>															
CPI-U Index Conway August 2012	319.3	327.0	334.7	342.6	350.6	358.8	367.3	375.9	384.9	394.0	403.5	413.1	423.1	433.4	443.9
CPI-U Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI-U Index w / contingency	319.3	327.0	334.7	342.6	350.6	358.8	367.3	375.9	384.9	394.0	403.5	413.1	423.1	433.4	443.9
CPI-U Annual Growth Factor	1.0241	1.0240	1.0237	1.0235	1.0234	1.0234	1.0235	1.0236	1.0238	1.0239	1.0239	1.0240	1.0241	1.0243	1.0244
CPI-U Annual % Change	2.41%	2.40%	2.37%	2.35%	2.34%	2.34%	2.35%	2.36%	2.38%	2.39%	2.39%	2.40%	2.41%	2.43%	2.44%
CPI-U Escalation Factor (from year 2007 dollars)	1.4817	1.5172	1.5532	1.5897	1.6269	1.6650	1.7042	1.7444	1.7859	1.8285	1.8722	1.9171	1.9633	2.0110	2.0600
SEATTLE BCI/CCI															
<i>(used for Construction)</i>															
CCI Index (Parsons Brinkerhoff August 2012)	8,106.1	8,358.5	8,614.2	8,872.8	9,134.0	9,398.4	9,665.9	9,936.7	10,210.8	10,488.4	10,769.6	11,054.5	11,343.3	11,636.2	11,933.2
CCI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCI Index w / contingency	8,106.1	8,358.5	8,614.2	8,872.8	9,134.0	9,398.4	9,665.9	9,936.7	10,210.8	10,488.4	10,769.6	11,054.5	11,343.3	11,636.2	11,933.2
CCI Annual Growth Factor	1.0320	1.0311	1.0306	1.0300	1.0294	1.0289	1.0285	1.0280	1.0276	1.0272	1.0268	1.0265	1.0261	1.0258	1.0255
CCI Annual % Change	3.20%	3.11%	3.06%	3.00%	2.94%	2.89%	2.85%	2.80%	2.76%	2.72%	2.68%	2.65%	2.61%	2.58%	2.55%
CCI Escalation Factor (from year 2007 dollars)	1.7806	1.8360	1.8922	1.9490	2.0064	2.0645	2.1232	2.1827	2.2429	2.3039	2.3656	2.4282	2.4917	2.5560	2.6212
ST ROWI															
<i>(used for ROW)</i>															
ROWI Index (Internal Estimate)	279.5	288.7	298.7	309.0	319.6	330.5	341.9	354.5	367.0	380.1	393.7	407.8	422.4	437.7	453.4
ROWI Annual Growth Factor Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ROWI Index w / contingency	279.5	288.7	298.7	309.0	319.6	330.5	341.9	354.5	367.0	380.1	393.7	407.8	422.4	437.7	453.4
ROWI Annual Growth Factor	1.0332	1.0330	1.0346	1.0345	1.0343	1.0341	1.0344	1.0369	1.0354	1.0357	1.0358	1.0358	1.0359	1.0361	1.0360
ROWI Annual % Change	3.32%	3.30%	3.46%	3.45%	3.43%	3.74%	3.79%	3.76%	3.58%	3.58%	3.56%	3.54%	3.54%	3.55%	3.55%
ROWI Escalation Factor (from year 2007 dollars)	1.5531	1.6044	1.6599	1.7172	1.7762	1.8367	1.8998	1.9699	2.0396	2.1124	2.1880	2.2663	2.3475	2.4322	2.5199



Cost Inflation Factors

2014 FINAL Financial Plan

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COST INDICES

SEATTLE CPI-U

(used for O&M, Other Capital)

CPI-U Index Conway August 2012	454.8
CPI-U Annual Growth Factor Contingency	-
CPI-U Index w / contingency	454.8
CPI-U Annual Growth Factor	1.0244
CPI-U Annual % Change	2.44%
CPI-U Escalation Factor (from year 2007 dollars)	2.1102

SEATTLE BCI/CCI

(used for Construction)

CCI Index (Parsons Brinkerhoff August 2012)	12,234.5
CCI Annual Growth Factor Contingency	-
CCI Index w / contingency	12,234.5
CCI Annual Growth Factor	1.0253
CCI Annual % Change	2.53%
CCI Escalation Factor (from year 2007 dollars)	2.6874

ST ROWI

(used for ROW)

ROWI Index (Internal Estimate)	469.7
ROWI Annual Growth Factor Contingency	-
ROWI Index w / contingency	469.7
ROWI Annual Growth Factor	1.0358
ROWI Annual % Change	3.53%
ROWI Escalation Factor (from year 2007 dollars)	2.6102