Systemwide expansion, systemwide values

2018 SOUND TRANSIT ANNUAL REPORT

SoundTransit

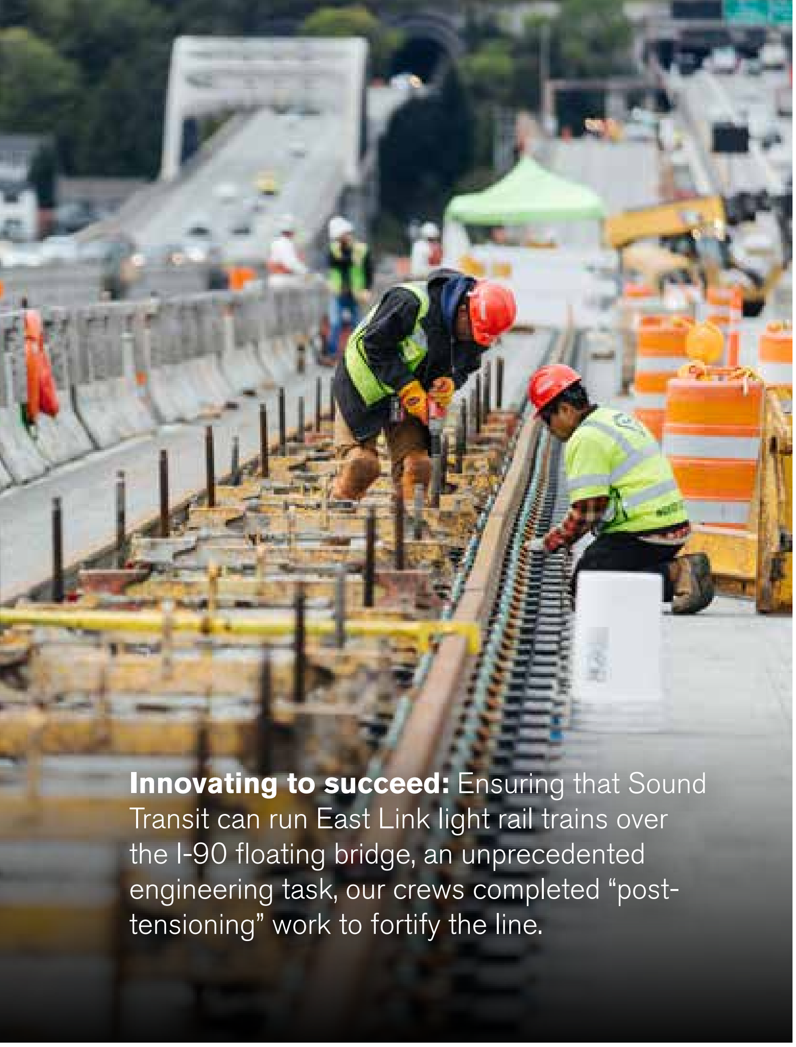
2018: Expansion in action

Ensuring regional expansion: The agency secured a defining $1.17 billion grant from the FTA, ensuring we can begin construction on the Lynnwood Link Extension, our 8.5-mile, five-station expansion north into Snohomish County.

Tunneling under downtown: Five months ahead of schedule, Sound Transit contractor Atkinson Construction completed excavation on a key piece of our East Link Extension, a tunnel beneath Bellevue that will connect our East Main Station to our Downtown Bellevue Station.

Putting values into play: Sound Transit's newly-established Office of Equal Employment Opportunity, Equity & Inclusion launched five employee resource groups and rolled out new training guidelines.

Collaborating with partner agencies: An early ST3 deliverable, our 1.5-mile ST Express and Community Transit Bus on Shoulder Program between Lynnwood and Mountlake Terrace came on line in early November.



Innovating to succeed: Ensuring that Sound Transit can run East Link light rail trains over the I-90 floating bridge, an unprecedented engineering task, our crews completed "post-tensioning" work to fortify the line.

Building community: Our new equitable transit oriented development program to foster affordable housing won national praise as a precedent-setting land use policy.

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INTERACTIVE VERSION AVAILABLE ONLINE AT soundtransit.org/stannualreport2018

Download a PDF version of this printed report at to: soundtransit.org/About-Sound-Transit/Accountability/Financial-documents.

Message from the Board Chair

Commuters at Angle Lake Station

In 2018 Sound Transit completed another busy and successful year. Ridership across our entire system continued to grow, with 48 million boardings overall, a 2.9% increase. Link light rail ridership led the way with 24 million boardings, a 6.1% increase.

Sound Transit's strong numbers are noteworthy in their own right, but two pieces of context amplify these statistics as signs that 2018 was a banner year for the agency.

First, our numbers defy industry trends. Transit ridership, including light rail ridership, is dropping nationwide. According to the American Public Transportation Association, light rail ridership declined 3% nationally, with only nine out of 28 transit systems posting gains.

Second, and more important, Sound Transit achieved its robust ridership numbers while meeting a series of construction and planning milestones under an aggressive system expansion program. These major accomplishments include work to extend light rail to the north, south, east and west. We made the I-90 floating bridge light-rail-ready by reinforcing it with high-strength steel strands; completed the downtown Bellevue tunnel excavation; broke ground on our Operations and Maintenance Facility East; substantially completed Northgate Link tunneling; and broke ground on the Hilltop Link Extension in Tacoma.

In addition to our encouraging ridership numbers and impressive system expansion accomplishments, the Federal Transit Administration approved our Lynnwood Link Extension grant in December, setting us up to begin construction during 2019 on a project that will add approximately 50,000 daily boardings to our system in the next eight years.

The Board itself was also active during this eventful year. Major Board decisions included setting the Federal Way Link and Lynnwood Link Extension budgets and schedules, approving the Equitable Transit Oriented Development Policy, and adopting a service plan for the new, rail-only downtown tunnel.

In the coming years, Sound Transit will continue to serve increasing numbers of riders while simultaneously expanding our system to 116 miles of light rail and 46 miles of bus rapid transit, and increasing Sounder service and access.

John Marchione, Sound Transit Board Chair

Message from the **Chief Executive Officer**

Northgate Station construction

Sound Transit posted another year of impressive ridership gains across our system. Simultaneously, the agency also met a number of key system expansion milestones in 2018, such as breaking ground on Hilltop Link in Tacoma and completing excavation of the Bellevue light rail tunnel. In July we held an unprecedented all-hands staff meeting where we rallied around a new set of common Sound Transit values: Collaboration, Integrity, Quality, Customer Focus, Inclusion & Respect, and Safety. With these guiding principles in place, 2018 set the framework for our work in the years to come. This work includes ramping up our capital program and doubling our ridership in the next few years as we increase Sounder service and open light rail extensions and Stride, our bus rapid transit service.

In keeping with these guiding values, Sound Transit hired its first Chief Customer Experience Officer in 2018. This newly created position is tasked with evaluating and improving the way our customers experience Sound Transit. He is focused both on ensuring better design for our future services while improving the journey for our current passengers. Also in 2018, Sound Transit's Office of Equal Employment Opportunity, Equity, and Inclusion, created in December 2017, launched five employee resource groups and rolled out new employee training opportunities. We serve our communities best when we reflect our communities.

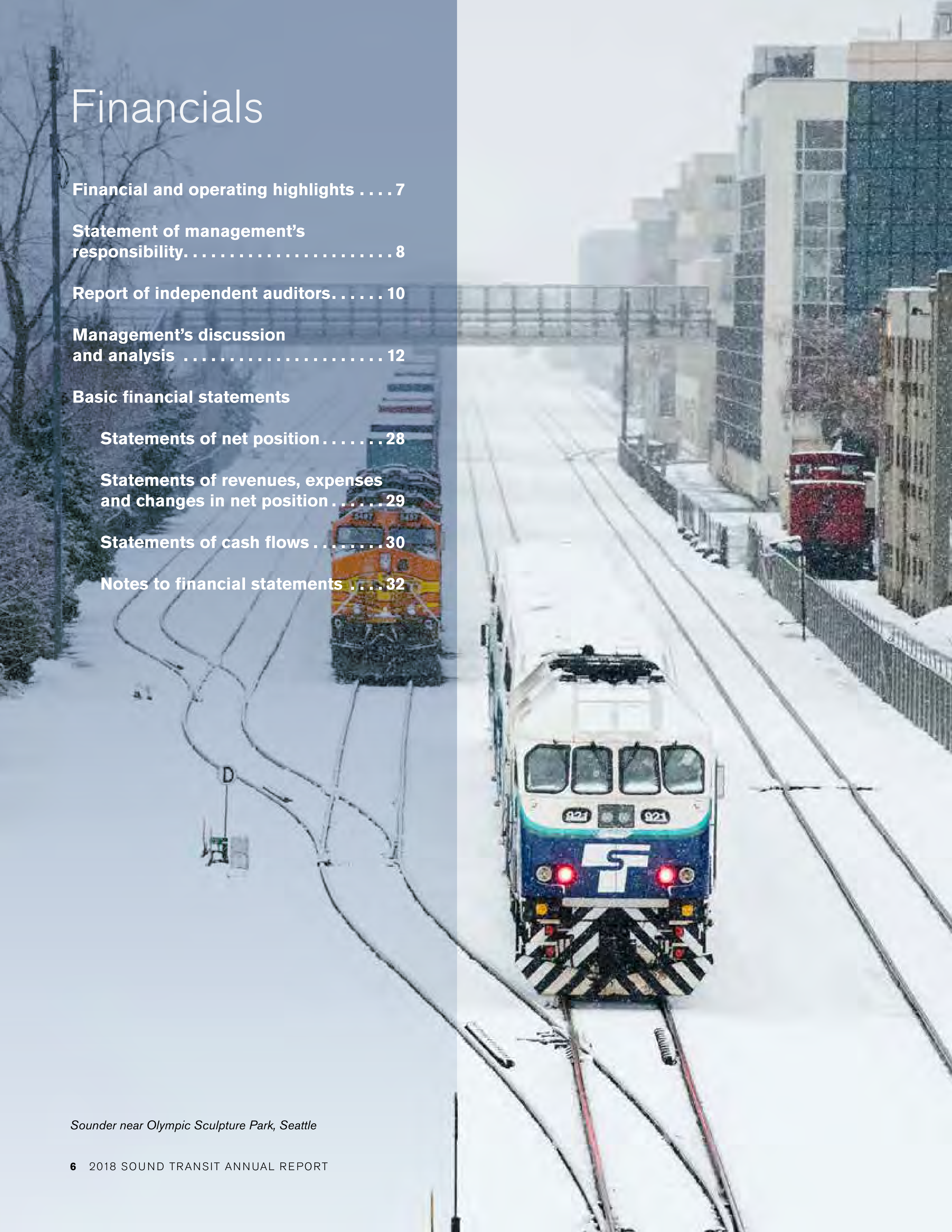
Looking ahead, 2019 will be a year of heavy construction and intense project development work as we continue building the most ambitious transit system expansion plan in the nation. We will be establishing new strategic priorities for the agency while reworking our organizational structure to ensure that we are poised to deliver on our ambitious milestones for the next five years. We will build on 2018's progress toward Sound Transit's mission to connect more people to more places throughout our region.

Peter Rogoff, Sound Transit CEO

Sound Transit Future Service

MAP OF SERVICE EXPANSION

Financials



Sounder near Olympic Sculpture Park, Seattle

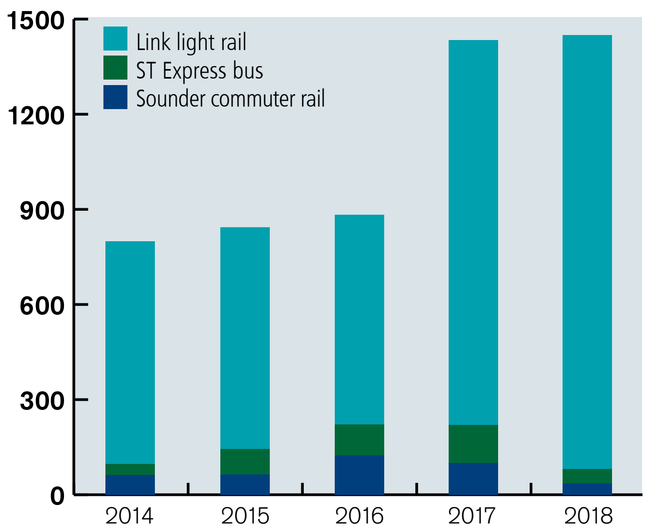
Financial and operating highlights

In 2018 Sound Transit advanced $1.5 billion in voter-approved capital projects such as the Operations Maintenance Facility East and the East Link, Lynnwood Link, and Northgate Link light rail extensions. We also operated and maintained existing facilities and services with a $398.2 million operating subsidy.

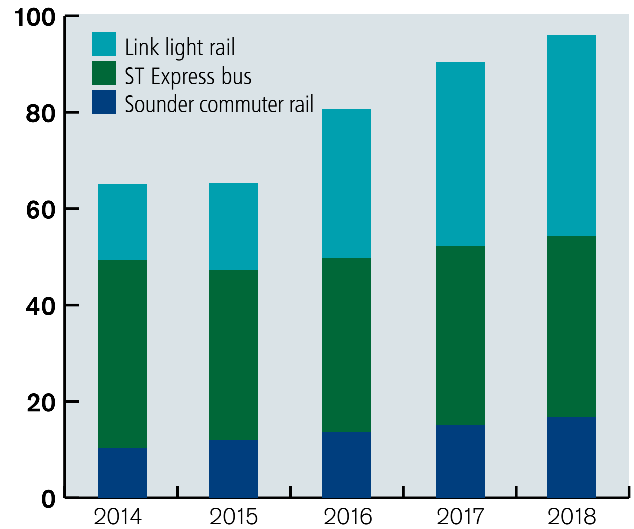
While systemwide ridership grew 3% in 2018 to approximately 48.2 million, and fare revenue increased 6.3% or $5.7 million, Sound Transit's operating expenses simultaneously increased $44.9 million. This 15.5% operating cost increase was driven by the higher costs associated with increased capacity and our transportation partners' services.

The voter-approved sales, use, motor vehicle excise and property taxes were the primary 2018 funding sources for Sound Transit's capital expansion and operating subsidy. These nonoperating revenues, net of expenses, were approximately $1.8 billion.

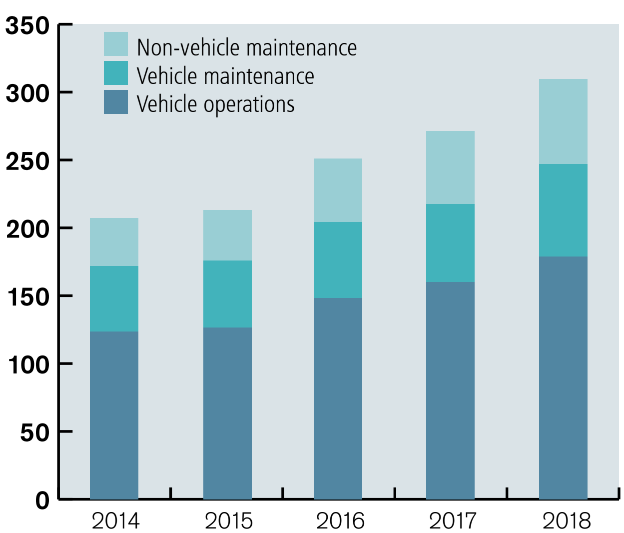
Capital Expense By Line of Business
$ in millions



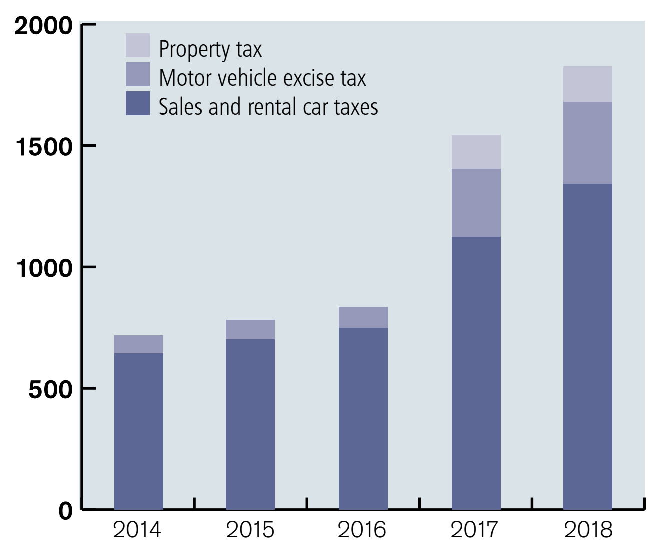
Fare Revenue
$ in millions



Operating and Maintenance Expenses
$ in millions



Tax Revenue Collection History
$ in millions



Statement of Management's Responsibility

The financial statements of the Central Puget Sound Regional Transit Authority (Sound Transit or the agency) have been prepared from its accounting system in accordance with generally accepted accounting principles. The integrity and objectivity of information in Sound Transit's financial statements, including estimates and judgments, are the responsibility of management.

Sound Transit maintains a system of internal accounting controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting, the safeguarding of assets and the prevention and detection of material errors or fraudulent financial reporting. Monitoring of such systems includes management's responsibility to objectively assess the effectiveness of internal accounting controls and recommend improvements therein.

Limitations exist in any system of internal accounting controls in which the cost of the system being implemented should not exceed the benefits derived. Sound Transit believes that the organization's system does provide reasonable assurance that transactions are executed in accordance with management's general or specific authorizations and is adequate to accomplish the stated objectives.

The independent auditors, whose report is included herein, were engaged to express an opinion on our 2018 financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

In an attempt to assure objectivity, the financial information contained in this report is subject to review by the Board of Directors.

Peter M. Rogoff
Chief Executive Officer

Tracy Butler
Chief Financial Officer

Laura Rupert
Director of Accounting

Lynnwood Park and Ride

MOSSADAMS

Report of Independent Auditors

Finance and Audit Committee
Central Puget Sound Regional Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Puget Sound Regional Transit Authority (a public corporation acting under the service name of Sound Transit), which comprise the statement of net position as of December 31, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Puget Sound Regional Transit Authority as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the Central Puget Sound Regional Transit Authority as of December 31, 2017, were audited by other auditors whose report dated May 23, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Seattle, Washington
May 24, 2019

Management's Discussion and Analysis

For the years ended December 31, 2018 and 2017

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of Sound Transit for the years ended December 31, 2018 and 2017. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

Sound Transit is a regional transit authority implementing and operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties including commuter rail (Sounder), light rail (Link), a regional express bus system (ST Express) and a bus rapid transit system (Stride). Sound Transit was established by the legislature in 1993, and authorized to collect taxes to fund, build and operate a comprehensive transit system by voter approved plans in 1996 (Sound Move), 2008 (ST2) and 2016 (ST3).

Sound Move – a 10-year regional transit system plan, which authorized tax collections to fund operations and the first set of regional transit projects was completed in 2016. *ST2* – a 15-year program authorizing additional tax collections to fund additional bus and commuter rail service, as well as 36 miles of new Link light rail service continues to progress. *ST3* – a 25-year program authorizing additional tax collections, and a new property tax to fund 62 new miles of light rail, bus rapid transit, expanded capacity and service on Sounder south line, ST Express bus service and improved access to stations is now underway.

Sound Transit's financial statements reflect a growth in net position of $1.7 billion in 2018, reflecting continued work on the capital expansion program approved in ST2 and ST3 and a full year of ST3 tax revenues authorized by voters and augmented with a strong regional economy. In comparison, 2017 net position grew $1.3 billion, reflecting new ST3 capital program planning, continued build out the agency's ST2 capital program and new funding from voter approved taxes. System expansion continued in all corridors (North, Central, South and East) and across all modes, most significantly light rail in 2018 and 2017. Net loss from operations, also referred to as an operating subsidy, increased 12.8% in 2018, with ridership increasing 3.0%, compared to an increase in operating subsidy of 9.7% in 2017, with ridership increasing 9.2%. The capital program and operating subsidy are funded through sales and use, rental car, motor vehicle excise and a property tax, as well as federal and state grants and other contributions.

Financial Highlights

- Total operating revenues were $103.0 million for 2018, while loss from operations was $398.2 million, an increase of 6.7% and 12.8%, respectively, reflecting increases in Link and Sounder boardings and higher purchased transportation costs primarily associated with ST Express and Link operations.
    - Passenger fare revenues grew by $5.7 million or 6.3%. The increase was primarily fueled by 2018 Business Passport contract renewals and Link light rail expansion, which drove ridership growth of 1.4 million rides.
    - Operating expenses before depreciation increased by $44.9 million or 15.5% primarily due to higher costs associated with services provided by King Country Metro and Pierce Transit for ST Express operations, and the full-year impact of 2017 capacity expansion to Sounder, Link and ST Express to meet increased demand.

- Non-operating revenues, net of expenses, were $1,848.3 million, a 45.2% increase from 2017, primarily due to the full-year impact of the additional ST3 voter approved sales, use and motor vehicle excise tax revenues which also benefited from a strong regional economy during 2018.

- Capital contributions from federal, state and local funding arrangements were $234.3 million, a net decrease from 2017 of $137.6 million or 37.0%, reflecting decreased use of land bank credits with the Washington State Department of Transportation (WSDOT), partially offset by increased grant revenue associated with securing the full funding grant agreement for Lynnwood Link extension project in 2018.

- Capital assets increased 14.3% in 2018 as a result of $1,469.0 million of capital project spending related primarily to the East, Northgate and Lynnwood Link extension projects, as well as the Operations Maintenance Facility East project.

- Total net position at December 31, 2018 was $10.3 billion, an increase of 19.6% from 2017, reflecting the full-year impact of voter-approved tax rate increases, which outpaced capital project spending on the voter-approved capital expansion program.

Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). The 2018 and 2017 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of Sound Transit are included in the Statements of Net Position, and depreciation and amortization of capital assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position.

The financial statements provide both long term and short term information about Sound Transit's overall financial status as well as Sound Transit's net position, segregated by net investment in capital assets, restricted and unrestricted. Net position is the difference between Sound Transit's assets, deferred outflows of resources, liabilities and deferred inflows of resources and, over time, may serve as a useful indicator of Sound Transit's financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

Financial Analysis

Net Position

Sound Transit's total net position at December 31, 2018 was $10.3 billion, an increase of $1.7 billion or 19.6% from 2017. Total assets increased $1.8 billion or 15.5% and total liabilities increased $71.8 million or 2.6%. The increase in total assets reflects continued capital program spending, as well as an increase in current assets, primarily cash, investments and receivables related to tax revenues. See the following table for a summary of Sound Transit's net position:

Statements of Net Position

(in millions)	December 31 2018	2017	2016	% Change 2018-2017	2017-2016
Assets					
Current assets, excluding restricted assets	$ 2,178.9	$ 1,731.9	$ 1,587.4	25.8%	9.1%
Restricted assets	97.3	94.7	89.7	2.8	5.5
Capital assets	10,436.0	9,130.1	8,000.7	14.3	14.1
Other non-current assets	397.8	393.6	395.3	1.1	(0.4)
Total assets	**13,110.0**	**11,350.3**	**10,073.1**	**15.5**	**12.7**
Deferred Outflows of Resources	**33.6**	**37.1**	**41.2**	**(9.5)**	**(9.9)**
Liabilities					
Current liabilities, excluding interest payable from restricted assets	352.7	288.2	263.0	22.4	9.6
Interest payable from restricted assets	24.9	23.9	21.8	4.2	9.7
Long-term debt	2,398.2	2,393.1	2,441.3	0.2	(2.0)
Other long-term liabilities	70.4	69.2	67.4	1.7	2.7
Total liabilities	**2,846.2**	**2,774.4**	**2,793.5**	**2.6**	**(0.7)**
Net Position					
Net investment in capital assets	7,831.0	6,738.6	5,567.4	16.2	21.0
Restricted net position	70.5	69.3	66.0	1.7	5.0
Unrestricted net position	2,395.9	1,805.1	1,687.4	32.7	7.0
Total net position	**$ 10,297.4**	**$ 8,613.0**	**$ 7,320.8**	**19.6%**	**17.7%**

Current assets, excluding restricted assets, increased from the prior year by 25.8% in 2018 and 9.1% in 2017. The increases in 2018 and 2017 relate to higher cash, investments and tax receivables resulting from increased sales and use and motor vehicle excise tax revenues, which benefited from a growing regional economy.

Capital assets increased 14.3% from 2017 and 14.1% between 2017 and 2016 primarily due to project planning and construction spending for the expansion projects. Total capital project spending for 2018 was $1,469.0 million, as compared $1,447.1 million in 2017, reflecting increased construction spending on the East, Northgate and Lynnwood Link extension projects, as well as the Operations Maintenance Facility East project. In 2017 capital spending was 1.5% higher than 2016 reflecting continued construction spending on the East Link extension, the Operations Maintenance Facility East and light rail vehicles for ST2.

Total capital spending for light rail in 2018 was $1,368.4 million or 93.1% of total capital spending ($1,214.9 million or 84.0% in 2017). Capital spending on Sounder and Regional Express projects, as a percentage of total capital spending, was 2.4% and 3.1%, respectively (6.9% and 8.2% in 2017). The 2018 decline is a result of decreased spending on the Point Defiance Bypass, the Sounder Vehicle Maintenance and the I-90 Two-Way Transit and HOV Operations, Stage 3 projects which were near completion in 2018 and 2017.

Transfers out of capital projects in progress were $488.9 million in 2018 and $655.6 million in 2017. In 2018, transfers from capital projects in progress included the Tacoma Trestle Track & Signal, Point Defiance Bypass, Northgate Link Extension Parking Garage, the Sounder Positive Train Control System, land acquisitions associated with various light rail extension projects and contributions to WSDOT for improvements to I-90 Two-Way Transit and HOV Operations, Stage 3 project. In 2017, transfers out from capital projects in progress included access rights acquired through WSDOT for the I-90 center roadway, land acquisitions, Sounder and ST Express revenue service vehicles and additional South 200th and University Link costs. Given the nature of Sound Transit's capital program, transfers out of capital projects in progress can vary significantly from year to year.

Transfers Out of Capital Projects in Progress

(in millions)	For the Year Ended December 31		
	2018	2017	2016
Transferred to property, vehicles and equipment	$ 467.2	$ 376.9	$ 1,786.4
Contributions to other governments	21.7	278.7	6.5
Total	**$ 488.9**	**$ 655.6**	**$ 1,792.9**

Deferred outflows of resources includes the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter. The amortization is comparable between the years presented.

Total liabilities increased 2.6% between 2018 and 2017 primarily due to the increase in current liabilities and were comparable between 2017 and 2016. Current liabilities, excluding interest payable from restricted assets, increased $64.5 million or 22.4% in 2018 and $25.2 million or 9.6% in 2017, both reflective of increased spending on planning, construction and operating costs.

Sound Transit's net position represents the cumulative effect of the excess of revenues over expenses together with the impact of Sound Transit's financing decisions. Net investment in capital assets reflects investment in construction in progress, non-depreciable assets and depreciable assets, net of related debt used in its operations. Restricted net position is comprised of assets net of liabilities restricted by contract or resolution for a specific purpose related to a third party. Unrestricted net position is the remainder of assets net of liabilities not invested in capital nor restricted for a specific purpose.

Net Position

(in millions)	December 31			% Total Net Position		
	2018	2017	2016	2018	2017	2016
Net investment in capital assets	$ 7,831.0	$ 6,738.6	$ 5,567.4	76.0%	78.2%	76.1%
Restricted net position	70.5	69.3	66.0	0.7	0.8	0.9
Unrestricted net position	2,395.9	1,805.1	1,687.4	23.3	21.0	23.0
Total	**$ 10,297.4**	**$ 8,613.0**	**$ 7,320.8**	**100.0%**	**100.0%**	**100.0%**

Net investment in capital assets increased 16.2% from 2017 and 21.0% between 2017 and 2016 as capital program spending continued to increase, net of debt. Restricted net position is comparable between years presented. Unrestricted net position increased 32.7% in 2018 and 7.0% in 2017 reflecting the increase in cash and investments from higher tax revenues in 2018 and 2017.

Changes in Net Position

Changes in net position reflect the excess or deficit of revenues over expenses for a given year. In 2018, revenues exceeded expenses by $1,684.4 million, an increase from the prior year of 30.4%. In 2017 revenues exceeded expenses by $1,292.2 million, a 72.8% increase from 2016. The 2018 and 2017 increases reflect the full-year impact and implementation, respectively, of additional and new taxes approved by the voters as a part of the ST3 ballot initiative, as well as strong regional economic growth. Sound Transit's Statement of Revenue, Expenses and Changes in Net Position is summarized in the table below:

Changes in Net Position

(in millions)	For the Year Ended December 31			% Change	
	2018	2017	2016	2018-2017	2017-2016
Operating revenues					
Passenger fares	$ 96.0	$ 90.3	$ 80.6	6.3%	12.1%
Other	7.0	6.2	5.9	12.7	4.2
Total operating revenues	**103.0**	**96.5**	**86.5**	**6.7**	**11.6**
Operating expenses					
Total operating expenses, before depreciation	334.1	289.2	271.6	15.5	6.5
Depreciation and amortization	167.1	160.4	136.7	4.1	17.3
Total operating expenses	**501.2**	**449.6**	**408.3**	**11.5**	**10.1**
Loss from operations	**(398.2)**	**(353.1)**	**(321.8)**	**12.8**	**9.7**
Non-operating revenues, net of expenses	1,848.3	1,273.4	866.8	45.2	46.9
Income before capital contributions	**1,450.1**	**920.3**	**545.0**	**57.6**	**68.9**
Capital contributions	234.3	371.9	202.7	(37.0)	83.5
Change in net position	**1,684.4**	**1,292.2**	**747.7**	**30.4**	**72.8**
Total net position, beginning	8,613.0	7,320.8	6,573.1	17.7	11.4
Total net position, ending	**$ 10,297.4**	**$ 8,613.0**	**$ 7,320.8**	**19.6%**	**17.7%**

Operating Revenues

Operating revenues are comprised of passenger fares and other revenue related to operations, such as advertising, rental of transit facilities to other transit agencies, and operating contributions from local, state and federal sources.

Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail and Link light rail tickets at ticket vending machines (TVMs), fare box receipts on ST Express and use of One Regional Card for All (ORCA) products on all modes. Fares are charged on each service, except Tacoma Link. Passenger fare revenue increased 6.3% and 12.1% in 2018 and 2017, respectively, primarily due to continued growth in ridership from system expansions such as the opening of the University Link and Angle Lake light rail extensions in March and September 2016, respectively, and the full-year impact of two new round trips added to Sounder south line in September 2017. The continued growth in ridership on Link and Sounder in conjunction with a higher average fare per boarding (AFB) on all modes, contributed to the increases. In 2018 Link contributed 43.3% of total passenger fare revenue, ST Express contributed 39.3%, and Sounder commuter rail contributed 17.4%.

Passenger fare revenue by mode are as follows:

Passenger Fare Revenue

(in millions)				% Change	
	2018	2017	2016	2018-2017	2017-2016
Link	$ 41.6	$ 38.0	$ 30.8	9.5%	23.5%
ST Express	37.7	37.3	36.2	1.2	3.0
Sounder	16.7	15.0	13.6	11.3	10.8
Total	**$ 96.0**	**$ 90.3**	**$ 80.6**	**6.3%**	**12.1%**

Ridership

Sound Transit provided 48.2 million rides in 2018, an increase of 3.0% from 2017 with both years now reflecting a full year impact on Link light rail ridership from the University Link extension and the Angle Lake extension, both of which opened in 2016. The more densely populated Capitol Hill neighborhood continues to attract ridership on Link. Continued economic growth in Sound Transit's service area and increased traffic congestion contributed to increased ridership on the light and heavy rail fixed route modes. Changes in ridership by mode were as follows:

- Link ridership increased 5.8% from 2017 and 20.1% between 2017 and 2016. The growth reflects the continued maturation related to the opening of the University Link extension in March 2016, servicing the high-density area of Capitol Hill and the opening of the Angle Lake extension in September 2016, together with the addition of a parking garage at the Angle Lake station, adding capacity to the southernmost terminus.
- ST Express ridership held steady compared to 2017 and 2016 as congestion and construction continue to impact commutes. Capacity was added in 2017 to address overcrowding, alleviate East Link construction impacts and to connect to the new light rail service from the University of Washington. Some ridership continues to shift to Sounder, a service not impacted by traffic congestion.

- Sounder commuter rail ridership increased 4.2% from 2017 and 3.1% in between 2017 and 2016, reflecting the full-year impact from adding two mid-day round trips in 2017 and one round-trip in 2016 on the South line between Lakewood and Seattle. Job growth in the local economy and increased congestion continue to impact ridership.

A summary of the ridership by year and mode of transportation are as follows:

Ridership

(in millions)				% Change	
	2018	**2017**	**2016**	**2018-2017**	**2017-2016**
Link	25.4	24.0	20.0	5.8%	20.1%
ST Express	18.2	18.4	18.5	(1.0)	(0.5)
Sounder	4.6	4.4	4.3	4.2	3.1
Total	**48.2**	**46.8**	**42.8**	**3.0%**	**9.2%**

Average Fare per Boarding

The combined AFB increased by 3.0% in 2018 due in part to the full year impact of ST Express and Sounder fare changes that went into effect in March 2016. The 2018 AFB reflects an increase in annual ORCA Business Passport contract renewals that are based on 2016 fare changes and growing ridership from expansion.

Average Fare per Boarding

				% Change	
	2018	**2017**	**2016**	**2018-2017**	**2017-2016**
Link	$ 1.70	$ 1.65	$ 1.61	2.9%	2.6%
ST Express	2.07	2.03	1.96	2.2	3.5
Sounder	3.60	3.38	3.15	6.4	7.5
Combined average fare per boarding	**$ 2.03**	**$ 1.97**	**$ 1.92**	**3.0%**	**2.5%**

Other Operating Revenues

Other operating revenues consist of vehicle advertising, insurance recoveries, rental of facilities, operating grants and other miscellaneous revenue.

Tacoma Convention Center Station

Operating Expenses

Operating Expenses

(in millions)				% Change	
	2018	2017	2016	2018-2017	2017-2016
Operating expenses					
Vehicle operations	$ 179.0	$ 160.0	$ 148.4	11.8%	7.8%
Vehicle maintenance	67.8	57.4	55.7	18.2	3.2
Non-vehicle maintenance	62.9	53.8	47.1	17.0	14.1
Agency administration	14.1	10.7	8.2	32.0	30.5
Fare and regional planning	10.3	7.3	12.2	41.9	(40.5)
Depreciation, amortization	167.1	160.4	136.7	4.1	17.3
Total	**$ 501.2**	**$ 449.6**	**$ 408.3**	**11.5%**	**10.1%**

Operating expenses are comprised of operations and maintenance costs, agency administration, fare and regional planning, depreciation and amortization. Major operations and maintenance expense categories consist of services, materials, utilities, insurance, taxes, purchased transportation, allocated overhead from general and agency administration divisions, operating leases, and rentals. Purchased transportation includes amounts paid for the operation of Sound Transit’s express bus service to Community Transit, King County Metro and Pierce Transit, for the operation of Link light rail and associated paratransit services to King County Metro and for the operation of Sounder commuter rail services to BNSF Railway Company (BNSF). Purchased transportation services accounts for 57.0% of operating expenses in 2018 (58.3% in 2017). Services are the next largest expenditure category and include the Sounder vehicle maintenance, contracted to the National Railroad Passenger Corporation (Amtrak), as well as various contracts for facility maintenance, policing services, and security at Sound Transit’s owned and shared facilities. Services were 19.7% in 2018 (20.0% in 2017) of total operating and maintenance expenses.

The following two sections discuss changes in operating expenses, first by function, then by mode.

Operations and Maintenance Expenses by Function

Operations and maintenance expenses by function are classified using National Transit Database (NTD) definitions as prescribed by the Federal Transit Administration into vehicle operations, vehicle maintenance and non-vehicle maintenance and include allocated general administration costs. Vehicle operations expense consists of fuel, costs to dispatch and operate vehicles while in revenue service, including security and fare collection. Vehicle maintenance expense includes costs associated with ensuring the revenue vehicles are operational, fueled, inspected, repaired and remain in state of good repair. Non-vehicle maintenance expense includes costs necessary to ensure buildings, equipment, transit structures and systems are operational.

Operations and maintenance expenses increased $38.5 million or 14.2% in 2018 and $20.0 million or 8.0% in 2017. Both years now reflect the full impact of opening University Link in March 2016 and the Angle Lake extension in September 2016, which included three stations and a parking garage and continue to drive additional costs. ST Express purchased transportation costs increased in both years with increased service and higher operating costs primarily for services operated by Pierce Transit.

See the following table for the operating and maintenance expense impact by function:

Operations and Maintenance Expenses by Function

(in millions)				% Change	
	2018	**2017**	**2016**	**2018-2017**	**2017-2016**
Vehicle operations	$ 179.0	$ 160.0	$ 148.4	11.8%	7.8%
Vehicle maintenance	67.8	57.4	55.7	18.2	3.2
Non-vehicle maintenance	62.9	53.8	47.1	17.0	14.1
Total	**$ 309.7**	**$ 271.2**	**$ 251.2**	**14.2%**	**8.0%**

All functional categories increased in 2018 and 2017 and reflect the full-year impact of 2 additional Sounder round trips added in 2017 and increased maintenance costs associated with providing University Link and Angle Lake services, stations and garage, as well as higher cost for purchased transportation on ST Express. Major impacts by functional category in 2018 are as follows:

- Vehicle operations expenses increased $19.0 million and reflect higher purchased transportation and utility costs as additional operators and traction power are required for the expansion of Link light rail. Expenses also increased to fund additional bus service hours and operating partner rate increases. Public safety costs increased to cover expanded Link service and ridership growth. ST Express provided 802 thousand annual service hours in 2018, 785 thousand annual service hours in 2017 and 765 thousand annual service hours in 2016. Service hour increases provide additional capacity, alleviate overcrowding and mitigate impacts from East Link Extension construction and offset the negative impacts of traffic congestion necessary to maintain the schedule. Sounder service expanded on the south line adding two additional round trips in September 2017. The annualized costs of these additional trips were fully realized in 2018.

- Vehicle maintenance expenses increased $10.4 million or 18.2% in 2018, due to hiring new Link maintenance staff in preparation for the arrival of new light rail vehicles (LRVs) scheduled for delivery in 2019. Additional vehicle maintenance expenses in 2018 included mid-life overhauls on the existing LRV fleet and preparation costs associated with 9 new Sounder cab cars, acquired to support additional Sounder trips added at the end of 2017 to meet increasing demand on the Sounder south line.

- Non-vehicle maintenance expenses increased $9.1 million in 2018 and $6.7 million in 2017, as additional facilities came on line with the opening of the University Link and Angle Lake extensions and the agency assumed a higher share of costs associated with the use of the Downtown Seattle Transit Tunnel to meet increased Link headways. Overall maintenance costs for the tunnel also increased, as well as at the Tacoma Dome Station. Non-vehicle maintenance costs may fluctuate from year to year depending upon major facility repair projects. Significant repair projects in 2018 were associated with Sounder maintenance of way and light rail station maintenance.

Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

Operations and Maintenance Expenses by Mode

(in millions)				% Change	
	2018	2017	2016	2018-2017	2017-2016
Link	$ 122.4	$ 100.4	$ 88.8	21.9%	13.1%
ST Express	136.1	125.0	117.6	8.8	6.4
Sounder	51.2	45.8	44.8	11.9	2.1
Total	**$ 309.7**	**$ 271.2**	**$ 251.2**	**14.2%**	**8.0%**

Link operations and maintenance expenses include both Link and Tacoma Link light rail and increased $22.0 million or 21.9% in 2018 and $11.6 million or 13.1% in 2017. The majority of cost increases in 2018 are related to increased staffing to train and prepare for expansion related activity and to support the mid-life overhaul of 62 LRVs. The 2017 increase reflects the full-year effect of the opening of the University Link extension in March 2016 and the Angle Lake extension in September 2016. Ridership far exceeded initial expectations, requiring an increase in the number of three car trains from two car trains during peak hours.

ST Express operations and maintenance expenses increased $11.1 million or 8.8% in 2018 and $7.4 million or 6.4% in 2017. Increases in both years relate to partner rate increases, particularly at King County Metro and Pierce Transit, and additional platform hours to relieve overcrowding, mitigate construction related obstacles, and maintain the service schedule despite increased traffic.

Sounder operations and maintenance expenses increased $5.4 million or 11.9% in 2018 and $1.0 million or 2.1% in 2017. The increases in 2018 and 2017 are attributed to the impact of additional crews needed to operate two additional round trips added in September 2017, preparation and in service costs associated with nine new cab cars and fuel price increases.

Agency Administration

Agency administration expenses are comprised of costs not allocated to capital projects or operations and include costs attributable to the general cost of government, such as the costs of the Chief Executive Office, Government Relations and Marketing. Agency administration expenses increased $3.4 million or 32.0% in 2018 and $2.6 million or 30.5% in 2017 due to increased staffing and services necessary to plan and support the implementation of the voter approved ST3 plan.

Fare and Regional Planning

Fare and regional planning expense increased $3.0 million or 41.9% in 2018 and decreased $4.9 million or 40.5% in 2017. Increases in 2018 reflect additional costs related to regional fare planning, policy research and development and planning with regional agencies to develop new markets and policies regarding regional and system-wide projects and issues. The sharp decrease in 2017 reflects the passage of the ST3 ballot measure in 2016 and the corresponding completion of the associated planning.

Depreciation and Amortization

Depreciation and amortization comprises non-cash expenses that primarily reflect the reduction in the value of capital assets over time. Depreciation and amortization increased $6.7 million or 4.1% in 2018 ($23.7 million or 17.3% in 2017) primarily reflecting the full year impact of capital assets placed in service in 2017 and 2016. In addition, Tacoma Trestle Track & Signal, Point Defiance Bypass, Northgate Link Extension Parking Garage and Sounder Positive Train Control System were placed in service in 2018 along with new bus and rail vehicles. Capital assets placed in service in 2017 included access rights acquired through the Landbank for the I-90 center roadway, land acquisitions, Sounder and ST Express revenue service vehicles as well as additional South 200th and University Link costs.

Non-Operating Revenues and Expenses

Net non-operating revenues increased $574.9 million or 45.2% in 2018 and $406.6 million or 46.9% in 2017. Tax revenues are the largest component of non-operating revenues and expenses, and they increased significantly in 2018 and 2017 as a result of the implementation of additional ST3 tax revenues and strong regional economic growth. Net non-operating revenues and expenses are summarized as follows:

Non-Operating Revenue / Expenses

(in millions)				% Change	
	2018	2017	2016	2018-2017	2017-2016
Non-operating revenues					
Sales and use tax	$ 1,337.6	$ 1,119.7	$ 749.7	19.5%	49.3%
Motor vehicle excise tax	338.5	280.4	85.5	20.7	227.9
Property tax	146.3	140.9	-	3.8	100.0
Rental car tax	3.8	3.6	3.5	5.6	2.9
Investment income	37.8	16.9	12.6	123.7	33.8
Other revenues	20.1	18.5	29.8	8.5	(37.8)
Total	**1,884.1**	**1,580.0**	**881.1**	**19.3**	**79.3**
Non-operating expenses					
Contributions to other governments	24.5	279.3	4.7	(91.2)	5,814.6
Interest expense	-	15.6	1.7	(100.0)	782.8
Contributions to affordable housing	4.1	-	-	100.0	-
Other expenses	7.2	9.4	9.9	(23.4)	(5.1)
Loss (gain) on disposal of assets	-	0.4	(2.0)	(100.0)	(118.4)
Impairment	-	1.9	-	(100.0)	100.0
Total	**35.8**	**306.6**	**14.3**	**(88.3)**	**2,036.8**
Non-operating revenues, net	**$ 1,848.3**	**$ 1,273.4**	**$ 866.8**	**45.2%**	**46.9%**

Sales and use tax revenues increased by $217.9 million or 19.5% in 2018 and $370.0 million or 49.3% in 2017, reflecting the full year impact of a 0.5% increase in the sales and use tax rate that went into effect April 1, 2017. Excluding the impact of the rate increase, sales and use tax revenues would otherwise have increased 9.7% in 2018 and 4.6% in 2017. Sales and use tax continues to be fueled by strong regional economic growth, particularly in the retail trade, construction, accommodation and food services sectors.

The motor vehicle excise tax (MVET) increased $58.1 million or 20.7% in 2018 and $194.9 million or 227.9% in 2017, reflecting the impact of a 0.8% additional MVET on assessed value that went into effect March, 2017. Excluding the impact of the rate increase, MVET would otherwise have increased 4.4% and 3.5% in 2018 and 2017, respectively. In positive economic conditions, consumers are more likely to replace existing or purchase additional vehicles. As the MVET is computed on the depreciated vehicle value, this results in a higher average collected tax, as newer vehicles tend to have greater taxable values.

A new property tax was authorized by the ST3 ballot measure, resulting in $146.3 million of revenue in 2018 and $140.9 million of revenue in 2017.

Investment income increased in 2018 and 2017 as cash balances increased with growing tax revenues as well as growing interest rates. Investment income includes the impact of market adjustments to fair market value at year-end, reflecting market conditions.

Other revenues are comprised primarily of funds received from federal agencies to support preventative maintenance programs related to light rail and bus operations and in relation to the Build America Bond program and were consistent between 2018 and 2017. The decrease from 2016 was primarily due to reduced preventative maintenance funding.

Contributions to other governments decreased $254.8 million in 2018 and increased $274.6 million in 2017 as a result of substantial completion of Phase 3 of the I-90 Two-Way Transit and HOV Operations project and the subsequent donation of $273.9 million of project improvements to WSDOT in 2017. The agency receives credit from WSDOT under a land bank agreement for funding such highway improvement projects. Sound Transit recognizes land bank credits when they are used to fund the purchase of WSDOT property necessary for transit projects. See also note 12. Contributions to others are dependent upon the timing and scope of project activities. As such, there may be significant fluctuations from year to year depending upon the timing and scope of capital improvement or funding arrangements for other governments.

All incurred interest was capitalized to capital projects in progress in 2018, resulting in zero interest expense for the year. In 2017, all but $15.6 million of interest was capitalized to capital projects in process. Total interest incurred in 2018 was $98.4 million as compared to $97.6 million in 2017, while interest capitalized was $98.4 million in 2018 and $82.0 million in 2017. When University Link and Angle Lake extension projects went into operation in 2016, the portfolio of projects requiring capitalized interest declined and interest incurred in 2017 could not be fully absorbed by capital projects in progress. The portfolio of projects increased in 2018 and all incurred interest was absorbed by capital projects in progress.

Sounder south

Capital Contributions

Capital contributions include federal grant funding and state and local contributions to Sound Transit. Capital contributions decreased in 2018 by $137.6 million or 37.0% and increased by $169.2 million or 83.5% in 2017 as a result of utilization of WSDOT land bank credits for airspace leases. The following table summarizes capital contributions by major category:

Capital Contributions

(in millions)							% Change	
		2018		2017		2016	2018-2017	2017-2016
Federal	$	156.4	$	77.4	$	142.6	102.0%	(45.7)%
State and local governments		77.9		294.5		60.1	(73.5)	390.4
Total	**$**	**234.3**	**$**	**371.9**	**$**	**202.7**	**(37.0)%**	**83.5%**

Federal capital contributions of $156.4 million in 2018 were 102.0% higher than 2017 primarily as a result of $100.8 million in federal contributions related to the Lynnwood Link extension full funding grant agreement (FFGA), executed in late 2018. Contributions in 2017 were $77.4 million or 45.7% lower than 2016 due to the completion of University Link extension and the Tacoma Point Defiance Bypass projects, resulting in lower eligible expenditures in 2017 for federal reimbursement.

Projects receiving federal funding in excess of $5.0 million in 2018 included Lynnwood, Northgate and Tacoma Dome Link extensions and Sounder South Capacity expansion, while in 2017 projects included Tacoma Point Defiance Bypass and D to M street track construction.

State and local government contributions decreased $216.6 million in 2018 and increased $234.4 million in 2017. In 2018, $73.3 million of WSDOT land bank credits were utilized to fund temporary construction easements and airspace leases related to the Lynnwood Link Extension. In 2017, $272.4 million of land bank credits were utilized for improvements, temporary construction easements and airspace leases on the I-90 Center Roadway (see also note 12).

Downtown Bellevue construction site

Capital Assets

As of December 31, 2018, Sound Transit had invested $10.4 billion in capital assets, net of accumulated depreciation and amortization, an increase of $1.3 billion or 14.3% in 2018 and an increase of $1.1 billion, or 14.1% in 2017. Non-depreciable assets increased $1.1 billion or 24.8% in 2018 and increased $934.4 million or 27.8% in 2017, primarily driven by additions to capital projects in progress and related land purchases. Depreciable assets increased $240.4 million or 5.0% in 2018, and $195.0 million or 4.2% in 2017, both years a result of additions primarily to transit facilities, rail and heavy equipment.

A summary of Sound Transit's capital assets are presented in the following table:

Capital Assets, net

(in millions)	December 31			% Change	
	2018	2017	2016	2018-2017	2017-2016
Land	$ 836.3	$ 753.2	$ 631.7	11.0%	19.2%
Permanent easements	543.8	541.5	520.1	0.4	4.1
Capital projects in progress	3,981.7	3,001.6	2,210.1	32.7	35.8
Total non-depreciable assets	**5,361.8**	**4,296.3**	**3,361.9**	**24.8**	**27.8**
Transit facilities, rail and heavy equipment	4,056.9	3,885.9	3,815.0	4.4	1.9
Access rights	499.8	481.3	367.8	3.8	30.9
Revenue vehicles	498.0	446.8	438.3	11.5	1.9
Other depreciable assets	19.5	19.8	17.7	(1.5)	12.6
Total depreciable assets	**5,074.2**	**4,833.8**	**4,638.8**	**5.0**	**4.2**
Total capital assets, net	**$ 10,436.0**	**$ 9,130.1**	**$ 8,000.7**	**14.3%**	**14.1%**

In 2018, spending on capital projects in progress was $1,469.0 million while in 2017 it was $1,447.1 million. Project spending on light rail projects increased 12.6% as planning and construction spending continue on Link light rail extensions including the East, Northgate, Lynnwood, Federal Way, Ballard, Redmond and West Seattle projects, as well as the Operations & Maintenance Facility East. Other significant project spending in 2018 included the Tacoma Trestle Track & Signal, the I-405 Bus Rapid Transit, I-90 Two-Way Transit and HOV Operations, Stage 3 project and fleet replacement programs. In 2017, significant project activity occurred on Northgate Link extension project where all three stations were under construction; temporary construction easements were acquired from WSDOT for East Link extension project and land was acquired for the Lynnwood Link extension.

Capital projects with major spending activity in excess of $5 million in 2018 and 2017 are summarized in the following table:

Year	Link	Sounder	Regional Express / Stride
2018	Ballard Link Extension Downtown Light Rail Tunnel Downtown Redmond Link Extension East Link Extension Federal Way Link Extension Lynnwood Link Extension Northgate Link Extension Operations & Maintenance Facility East Tacoma Dome Link Extension West Seattle Link Extension	Tacoma Trestle Track & Signal	I-405 Bus Rapid Transit I-90 Two-Way Transit and HOV Operations, Stage 3 ST Express Fleet Replacement
2017	Downtown Redmond Link Extension East Link Extension Federal Way Link Extension Lynnwood Link Extension Northgate Link Extension Link Operations & Maintenance Facility - East Light Rail Vehicle Fleet Expansion Tacoma Dome Link Extension	Point Defiance By-Pass Sounder Vehicle Maintenance Tacoma Trestle Track & Signal	I-90 Two-Way Transit and HOV Operations, Stage 3 ST Express Fleet Replacement

See note 6 to the Financial Statements for additional information about Sound Transit's capital assets.

Long-Term Debt

A summary of Sound Transit's long-term debt is presented in the following table:

Long-Term Debt

(in millions)	December 31			% Change	
	2018	2017	2016	2018-2017	2017-2016
Long-term debt					
Bonds payable	$ 2,381.1	$ 2,428.6	$ 2,474.6	(2.0)%	(1.9)%
TIFIA Loans	56.6	-	-	100.0	—
Total long-term debt	**$ 2,437.7**	**$ 2,428.6**	**$ 2,474.6**	**0.4%**	**(1.9)%**

The reduction in bonds payable in 2018 and 2017 reflects regular scheduled principal payments. No additional bonds were issued during 2018 or 2017. Under state law, issuance of bonds payable from any type of taxes is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing additional voter approval. With the approval of 60.0% of the region's voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area. Based on the 2017 assessed valuations for collection of 2018 taxes, Sound Transit's current non-voter approved remaining debt capacity is $6.0 billion and its additional remaining debt capacity subject to voter approval is $31.4 billion.

During the year ended December 31, 2018, $56.6 million was drawn on TIFIA loans, all associated with the Northgate Link Extension project. In December 2018, Sound Transit closed the TIFIA Lynnwood Loan Agreement, its third loan under the TIFIA Master Credit Agreement with the United States Department of Transportation for up to $657.9 million of borrowings with a fixed rate of 3.06%. In June 2017, Sound Transit executed its second loan under the TIFIA Master Credit Agreement for the Operations and Maintenance Facility East project for up to $87.7 million of borrowings, with a fixed rate of 2.73%, to fund a portion of that project's costs. As of December 31, 2018, S&P rated Sound Transit's TIFIA loans as AA+.

See note 8 to the Financial Statements for additional information about Sound Transit's long-term debt.

Economic Conditions

Sound Transit's 2018 tax revenues increased by 18.2% over 2017, with the full-year impact in 2018 of voter-approved ST3 taxes implemented in 2017, and continued strong regional economic growth. Sales and use taxes, which accounted for 73.2% of total tax revenues, increased by 19.5% over prior year and by 9.7% after excluding the impact of the tax rate increase. MVET, which accounted for 18.5% of total tax revenues, increased by 20.7% over 2017 and by 4.4% after excluding the impact of the tax rate increase.

Retail trade remained strong in the region and is the largest industry sector generating 38% of sales and use taxes, followed by the construction sector at 21% and the accommodation and food services sector at 10%. Together, these three industries generated 69% of all sales and use taxes within the Sound Transit district.

Regional employment for 2018 is estimated to have increased by 2.7%, compared to 2.4% in 2017, while the projected unemployment rate decreased to 3.9%, compared to 4.2% in 2017.

Inflation for the region in 2018 of 3.2% is up from 3.0% in 2017. The housing market softened in 2018 with seasonally adjusted Seattle area home prices declining during the last half of 2018. According to the S&P/Case Schiller Home Price Index, Seattle area home prices grew 5.1% in 2018 compared to 4.2% in the composite index for the 20 largest US metropolitan areas. Despite the cooling housing market, construction costs have continued to rise in 2018, with increases of 6.8%, compared to 3.0% in 2017. Sound Transit's land acquisition costs face pressure as well, as assessed values in King County grew by 13.4% in 2018 and 10.6% in 2017. These inflation increases are assumed in Sound Transit's long-range finance plan.

These inflation rates are a risk for Sound Transit. Higher inflation than planned will further increase construction costs and acquisition costs, as well as operating labor costs. Historically, retail sales and use tax, the agency's primary revenue source, has risen with general price levels partially mitigating this risk.

Basic Financial Statements

STATEMENTS OF NET POSITION

(in thousands)	December 31	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	$ 360,221	$ 266,405
Restricted assets (note 3)	66,100	63,782
Investments (note 3)	1,345,021	1,134,799
Taxes and other receivables (note 4)	433,879	289,908
Inventory, land held for disposition and prepaids	39,804	40,822
Total current assets	**2,245,025**	**1,795,716**
Non-current assets		
Restricted assets (note 3)	31,150	30,860
Investments (note 3)	329,872	323,311
Prepaid expenses and deposits	4,093	7,420
Investment held to pay capital lease obligation (note 5)	63,817	62,832
Capital assets, net (note 6)	10,436,004	9,130,085
Total non-current assets	**10,864,936**	**9,554,508**
Total assets	**13,109,961**	**11,350,224**
DEFFERED OUTFLOWS OF RESOURCES		
Unamortized costs on bond refunding	**33,614**	**37,130**
LIABILITIES		
Current liabilities		
Cash overdraft	-	6,603
Accounts payable and accrued liabilities (note 7)	292,328	229,535
Unearned revenue	12,084	10,713
Interest payable from restricted assets	24,920	23,906
Current portion, long-term debt (note 8)	39,520	35,560
Other claims and short-term obligations	8,723	5,822
Total current liabilities	**377,575**	**312,139**
Non-current liabilities		
Long-term debt (note 8)	2,398,224	2,393,064
Capital lease obligations (note 5)	63,817	62,832
Other long-term obligations (note 9)	6,569	6,359
Total non-current liabilities	**2,468,610**	**2,462,255**
Total liabilities	**2,846,185**	**2,774,394**
Commitments and contingencies (notes 5, 8, 9, 11 and 12)		
NET POSITION		
Net investment in capital assets	7,831,011	6,738,590
Restricted (note 10)	70,480	69,324
Unrestricted	2,395,899	1,805,046
Total net position	**$ 10,297,390**	**$ 8,612,960**

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)	December 31	
	2018	2017
Operating revenues		
Passenger fares	$ 96,018	$ 90,339
Other operating revenue	6,969	6,183
Total operating revenues	**102,987**	**96,522**
Operating expenses		
Vehicle operations	178,974	160,031
Vehicle maintenance	67,852	57,427
Non-vehicle maintenance	62,890	53,772
Agency administration	14,095	10,678
Fare and regional planning	10,312	7,269
Depreciation, amortization and accretion	167,055	160,428
Total operating expenses	**501,178**	**449,605**
Loss from operations	**(398,191)**	**(353,083)**
Non-operating revenues (expenses)		
Sales tax	1,337,601	1,119,720
Motor vehicle excise tax	338,538	280,382
Property tax	146,284	140,869
Rental car tax	3,802	3,548
Investment income	37,801	16,897
Other revenues	20,079	18,509
Contributions to other governments	(24,483)	(279,282)
Contributions to affordable housing	(4,121)	-
Other expenses	(7,167)	(9,731)
Interest expense	(6)	(15,640)
Impairment	(14)	(1,919)
Total non-operating revenues, net	**1,848,314**	**1,273,353**
Income before capital contributions	**1,450,123**	**920,270**
Federal capital contributions	156,370	77,424
State and local capital contributions	77,937	294,508
Total capital contributions	**234,307**	**371,932**
Change in net position	**1,684,430**	**1,292,202**
Total net position, beginning of year	**8,612,960**	**7,320,758**
Total net position, end of year	**$ 10,297,390**	**$ 8,612,960**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(in thousands)	December 31 2018	2017
Cash flows from operating activities		
Cash receipts from fares	$ 96,925	$ 90,471
Cash receipts from other operating revenue	7,860	4,791
Payments to employees for wages and benefits	(30,896)	(25,608)
Payments to suppliers	(131,657)	(98,602)
Payments to transportation service providers	(144,823)	(171,054)
Net cash used by operating activities	**(202,591)**	**(200,002)**
Cash flows from non-capital financing activities		
Preventative maintenance grants received	13,331	11,891
Taxes received	1,806,343	1,429,003
Cash overdraft position	(6,603)	6,603
Tax collection fees paid	(6,597)	(5,853)
Net cash provided by non-capital financing activities	**1,806,474**	**1,441,644**
Cash flows from capital and related financing activities		
Capital contributions from grants	33,013	123,009
Proceeds from insurance recoveries and sale of assets	2,457	34
Proceeds from TIFIA loan	56,606	-
Payments for betterments and recoverable costs	(1,616)	(214)
Payments for bond principal	(35,560)	(33,235)
Payments for interest and bond related costs	(99,121)	(97,507)
Payments to employees capitalized to projects	(92,842)	(74,160)
Payments to suppliers for capital activities	(1,102,001)	(1,007,537)
Purchase of property	(85,945)	(124,479)
Refund for insurance premiums, net	-	169
Net cash used by capital and related financing activities	**(1,325,009)**	**(1,213,920)**
Cash flows from investing activities		
Investment income	31,944	19,382
Proceeds from sales or maturities of investments	694,720	662,094
Purchases of investments	(908,627)	(752,274)
Net cash used by investing activities	**(181,963)**	**(70,798)**
Net (decrease) increase in cash and cash equivalents	**96,911**	**(43,076)**
Cash and cash equivalents		
Beginning of year	338,170	381,246
End of year	**$ 435,081**	**$ 338,170**
Cash and cash equivalents (note 3)		
Unrestricted	$ 360,221	$ 266,405
Current restricted	65,594	63,199
Non-current restricted	9,266	8,566
	$ 435,081	**$ 338,170**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS, continued

(in thousands)	December 31	
	2018	2017
Loss from operations	**$ (398,191)**	**$ (353,083)**
Adjustments to reconcile loss from operations to net cash used by operating activities		
Decrease (increase) in bad debt expense	18	(50)
Decrease in tenant improvement credits	(613)	-
Depreciation, amortization and accretion	167,055	160,428
(Decrease) increase Inventory allowance	(28)	787
Non-operating expense	(515)	(723)
Changes in operating assets and liabilities		
Decrease (increase) in other receivables	9,035	(6,429)
Increase in inventory, prepaid and deposits	(3,369)	(2,885)
Increase (decrease) in accounts payable and accrued liabilities	21,246	(748)
Increase in unearned revenue	1,561	1,433
Increase in other current liabilities	1,210	1,268
Net cash used by operating activities	**$ (202,591)**	**$ (200,002)**

(in thousands)	December 31	
	2018	2017
Supplemental disclosures of non-cash operating, investing and financing activities		
Capital assets financed with tenant improvement credits	613	-
Capital contribution from Land Bank	73,210	272,350
Contributions (to) from other governments	(19,483)	(274,282)
Construction in progress in current liabilities	222,122	178,407
Increase (decrease) in fair value of investments	300	(5,091)
Interest expense on capital leases	(4,703)	(4,634)
Interest income from investments held to pay capital leases, net	4,703	4,634
Spare parts previously capitalized	(1,032)	(2,217)
Start-up costs previously capitalized	-	(2,494)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 and use, motor vehicle excise, property and rental car taxes assessed in Sound Transit's operating jurisdiction (the District). In addition, Sound Transit receives capital and operating funding from federal, state and local agencies.

Sound Transit is governed by an eighteen-member board, seventeen 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.

Generally accepted accounting principles (GAAP) require the financial statements of the reporting entity to include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, Sound Transit is considered a primary government and does not have any component unit relationships. Conversely, Sound Transit is not considered a component unit of any primary government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and should be considered an integral part of the financial statements.

Basis of Accounting— The accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of

Sound Transit are included in the Statements of Net Position, and depreciation and amortization of capital assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position.

Operating revenues are recognized in the period earned and consist primarily of passenger fares. Operating expenses are recognized in the period in which they are incurred and consist primarily of purchased transportation services.

Non-operating revenues, primarily tax revenues, are recorded in the period when the underlying transaction occurs on which the tax is imposed and include sales and use tax on goods and services, motor vehicle excise tax, property tax and rental car tax. Non-operating expenses are recognized in the period in which they are incurred and consist primarily of contributions to other governments.

Sales, use and rental car taxes are collected on Sound Transit's behalf by the Washington State Department of Revenue and the motor vehicle excise tax by the Washington State Department of Licensing. Property tax is levied on a calendar year basis and is administered and collected by King, Pierce and Snohomish counties. Taxes are levied within the district at a rate of 1.4% for sales and use, 1.1% for motor vehicle excise and 0.8% on rental cars. In November, 2016 voters approved an increase in the sales and use tax of 0.5%, an additional motor vehicle excise tax of 0.8%, both of which are included in the rates stated above, and a property tax in the amount of $0.23 per $1,000 of assessed property value. Property tax is levied annually, the first levy was authorized for calendar year 2017. The additional motor vehicle tax came into effect March 1, 2017 and the additional sales and use tax came into effect April 1, 2017.

Bond Discounts and Premiums— Bond discounts and premiums are recorded net to long-term debt and amortized using the effective interest rate method over the life of the related debt issuance. Deferred outflows of resources includes the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter.

Capital Assets— Capital assets are stated at cost, except for capital assets contributed to Sound Transit, which are stated at the fair value on the date of contribution. Expenditures and contributions for additions and improvements with a value in excess of $5,000 and a useful life of more than one year are capitalized. Expenditures for maintenance, repairs and minor improvements are charged to operations as incurred. Depreciation and amortization of capital and intangible assets are recorded using the straight-line method applied to each asset over its estimated useful life, except for the amortization associated with leasehold improvements which is recognized over the shorter of the life of the asset and the remaining length of the related lease agreement. Estimated useful lives are shown in the following table:

	Estimated useful life
Access rights	5 – 100 years
Buildings and leasehold improvements	5– 30 years
Furniture, equipment and vehicles	3 – 8 years
Revenue vehicles	12 – 40 years
Software	3 – 5 years
Transit facilities, rail and heavy equipment	6 – 150 years

On an annual basis, Sound Transit evaluates whether events or circumstances have occurred affecting capital assets that are other than temporary in nature and which could result in an impairment of those assets. Impairment is considered to have occurred if there is a large permanent decline in the asset's service utility and the event or circumstance is outside the normal life cycle of the asset. Impairment losses on assets that will no longer be used are measured based on the lower of carrying value or fair value of the affected asset. Impairment losses on assets that will continue to be used are measured using the method that best reflects the diminished service utility.

All costs directly and indirectly attributable to capital projects are capitalized. Construction In Progress (CIP) balances include costs incurred for transportation projects not yet in service and are segregated between assets in which Sound Transit maintains a continuing ownership interest and capital assets that will be transferred to other governments upon completion.

Access rights include costs incurred or rights acquired that allow Sound Transit to operate its services in public and private right of ways. Access rights are amortized over the life of the underlying asset constructed or the term of the contractual agreement granting the related right.

Interest costs on funds borrowed through tax-exempt and taxable debt to finance the construction or acquisition of certain capital assets are capitalized during the period of construction or acquisition and are depreciated over the life of the related assets once placed into service.

Capital Contributions to Other Governments— Pursuant to capital improvement agreements, Sound Transit has provided funding to, or constructed assets for, various governments for transit-related capital improvements. Costs incurred to construct assets for other governments are capitalized and included in CIP until the asset is substantially completed and accepted, at which time the costs are transferred out of CIP and recorded as contributions to other governments.

Cash and Cash Equivalents— Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash and cash equivalents contain externally imposed legal and contractual obligations and are classified as current or non-current in accordance with their requirements.

Compensated Absences— Vacation leave that has been earned but not paid is accrued. Similarly, sick leave is accrued as the benefits are earned, but only to the extent that Sound Transit will compensate the employees through cash payments conditional on the employee's termination, retirement or death. Vacation pay, which may be accumulated up to 50 days, is payable upon termination, retirement or death or in accordance with bi-annual elections within established policy. Sick leave is earned at the rate of 0.046 for each hour worked and is accrued at the rate of 50% up to 120 days for employees hired before January 1, 2004 or 25% up to 240 days for employees hired thereafter. Regardless of hire date, sick leave is paid at 50% of the accumulated leave balance upon termination, retirement or death.

Environmental Remediation Obligations— Environmental remediation activities are reviewed annually to determine whether an obligating event has occurred, as defined by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* when the liability should be accrued, and whether the cost should be expensed or capitalized. Generally such costs are incurred in relation to properties that Sound Transit is preparing for use in operations, or in relation to properties acquired to support the construction of a project and which are subsequently resold. As such, these costs are recorded as incurred and capitalized to the project. Costs that are in excess of the property's fair market value, or that do not meet capitalization criteria under generally accepted accounting principles, are expensed as soon as a reasonable estimate can be obtained.

Indirect Cost Allocation— Indirect costs relate to the overall costs of running the agency and include employee costs, office space, services and information technology costs. These indirect costs are allocated to capital projects, operating activities, agency administration and fare and regional planning using overhead rates that are based primarily on departmental headcount and budgeted expenditures. Overhead rates are designed to allocate all agency overhead costs except for certain executive divisions and marketing costs.

Inventory— Inventory includes spare parts and is recorded at the lower of average purchase cost and net realizable value. Allowances for excess and obsolete parts are provided for spare parts currently identified as excess and obsolete. Allowances are reflected as a charge to operations and are based on management's estimate, which is subject to change. As of December 31, 2018 and 2017, inventory reflects an allowance of $874 thousand and $902 thousand, respectively.

Investment Valuation— Investments are stated at fair value.

Land Held for Disposition— Properties determined to be excess to Sound Transit's use, authorized by the Board for disposition and intended to be disposed of within one year are classified as land held for disposition. Pursuant to RCW 81.112.350, surplus properties are evaluated for suitability as housing as 80% of such properties must be offered for either transfer at no cost, sale, or long-term lease first to qualified entities that agree to develop affordable housing on the property, consistent with local land use and zoning laws. Properties meeting such criteria and subject to an agreement or request for proposal are reclassified to land held for disposition at carrying cost until such time as the disposition closes, at which time a contribution to affordable housing is recorded. Properties not disposed as part of the 80% requirement are valued at the lower of purchase cost and net realizable value.

New Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of A Construction Period*, effective for reporting periods beginning after December 15, 2019, with the option of early adoption. Sound Transit has elected to adopt Statement No. 89 effective January 1, 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of capital assets. During the year ended December 31, 2018, Sound Transit incurred $98.4 million of interest cost related to capital projects.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. The standard requires additional debt related disclosures. Sound Transit has elected to early adopt the provisions as of January 1, 2018, as allowed by the standard.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019. GASB 87 is a significant change in the model for accounting for leases, requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Sound Transit is evaluating the impact of this pronouncement and changes in systems necessary for implementation on January 1, 2020.

Reclassifications— Certain reclassifications have been made to the 2017 Financial Statements to conform to the current year's presentation.

Reserves— Sound Transit's financial policies require the agency to maintain certain internal reserves as follows: an operating expense reserve in the amount of two months average annual spending expenses; a capital replacement reserve supported by a specific investment fund; and an emergency loss fund to cover retention, deductible or excess loss due to an uninsured loss or portion of loss. As these cash and investment reserves are derived from internal restrictions, they are included in unrestricted net position.

Restricted Net Position— Restricted net position consists of cash, cash equivalents and investments that contain externally imposed legal and contractual obligations. Assets comprising restricted net position are used in accordance with their requirements, and where both restricted and unrestricted resources are available for use, restricted resources are used first and then unrestricted resources as they are needed.

Revenue and Expense Classification— Sound Transit distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with Sound Transit's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Tax Abatements—As of December 31, 2018 and 2017, Sound Transit has no direct tax abatement agreements wherein taxes are decreased for a particular payer which contribute to economic development or otherwise benefits the government or its citizens. In 2018 and 2017, Sound Transit collected property tax revenue through Snohomish, King, and Pierce Counties which have direct tax abatement agreements. However, the tax abatements do not result in reduction or loss of revenue to Sound Transit, pursuant to Washington State law, as these taxes are reallocated to other property tax payers.

Undivided Interests— Sound Transit participates in a joint operation (or undivided interest), jointly governed with six other agencies for the provision of a regional fare coordination system (One Regional Card for All, ORCA). Sound Transit reports its undivided interest in assets, liabilities, expenses and revenues of ORCA within its financial statements, as they are specifically identifiable to Sound Transit. ORCA does not meet the definition of a component unit as defined in GASB No. 61 – *The Financial Reporting Entity: Omnibus.*

Use of Estimates— The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED ASSETS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Cash in the Local Government Investment Pool (LGIP) is managed by the Washington State Treasurer's Office. Investments in the King County Investment Pool (KCIP) are managed by the King County Finance Division. The LGIP and the KCIP represent an interest in a group of securities and have no specific security subject to custodial risk.

Sound Transit's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

Cash, cash equivalents, investments and restricted assets consist of the following:

(in thousands)	December 31 2018	December 31 2017
Cash and cash equivalents - current		
Washington State Local Government Investment Pool *	$ 351,414	$ 260,488
FDIC or PDPC insured bank deposits	3,049	271
Cash on hand	5,758	5,646
	360,221	**266,405**
Restricted assets - current		
Cash and cash equivalent		
Health reimbursement trust	-	3,202
Washington State Local Government Investment Pool	65,594	59,997
	65,594	**63,199**
Investment - King County Investment Pool	506	583
	66,100	**63,782**
Investments - current	**1,345,021**	**1,134,799**
Restricted assets - non-current		
Cash and cash equivalents		
Washington State Local Government Investment Pool	1,262	562
Escrow funds	8,004	8,004
	9,266	**8,566**
Investments - Debt service and OCIP reserve	21,777	22,187
Other	107	107
	31,150	**30,860**
Investments - non-current		
Capital replacement	**329,872**	**323,311**
Total cash, cash equivalents, investments and restricted assets	**$ 2,132,364**	**$ 1,819,157**

* The balance includes amounts set aside in satisfaction of Sound Transit's financial policies for an operating expense reserve and an emergency loss fund.

All surplus cash is invested in accordance with Washington State statute and an asset liability management policy approved by Sound Transit's Board. Qualifying investments under this policy include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit, commercial paper, general obligation municipal bonds and repurchase agreements. Sound Transit's policy and monitoring program addresses common deposit and investment risks as described below, with detailed information by investment type presented in the tables that follow. Duration is presented in years.

Sound Transit holds a significant amount of investments that are measured at fair value on a recurring basis, within the following hierarchy:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 – inputs are unobservable inputs for an asset or liability

Unrestricted investments consist of the following:

(in thousands)	2018			2017		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Investments – Undesignated						
Commercial Paper	$ 24,897	$ -	$ 24,897	$ 24,920	$ -	$ 24,920
King County Investment Pool *	109,424	-	-	150,878	-	-
U.S. Agency Securities	488,641	-	488,641	456,364	-	456,364
U.S. Treasury Securities	722,059	722,059	-	502,637	502,637	-
Total Investments - current	**$ 1,345,021**	**$ 722,059**	**$ 513,538**	**$ 1,134,799**	**$ 502,637**	**$ 481,284**
Investments – Capital Replacement						
Municipal Bonds	$ 17,172	$ -	$ 17,172	$ 25,976	$ -	$ 25,976
U.S. Agency Securities	288,780	-	288,780	253,217	-	253,217
U.S. Treasury Securities	23,920	23,920	-	44,118	44,118	-
Total Investments – non-current	**$ 329,872**	**$ 23,920**	**$ 305,952**	**$ 323,311**	**$ 44,118**	**$ 279,193**

* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

Restricted investments consist of the following:

(in thousands)	2018			2017		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Restricted Assets - Current						
King County Investment Pool*:						
Link Risk Fund	$ 506	$ -	$ -	$ 583	$ -	$ -
Total Restricted Assets - Current	**$ 506**	**$ -**	**$ -**	**$ 583**	**$ -**	**$ -**
Restricted Assets - Non-current						
Municipal bonds	$ 19,449	$ -	$ 19,448	$ 19,891	$ -	$ 19,891
U.S. Agency securities	2,328	-	2,328	2,296	-	2,296
Total Restricted Assets - Non-current	**$ 21,777**	**$ -**	**$ 21,776**	**$ 22,187**	**$ -**	**$ 22,187**

* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

U.S Treasury securities are classified as Level 1 and are valued using prices in active markets for identical assets. Commercial paper, U.S. Agency securities, and municipal bonds are classified as Level 2 and are valued using inputs that are observable but not actively using the market approach.

The KCIP is valued using amortized cost basis. The objective of the KCIP investment policy is to invest public funds in a manner which will preserve the safety and liquidity of all investments while obtaining a reasonable rate of return. The redemption period for the KCIP is one to ten days, depending on the dollar amount redeemed.

Interest Rate Risk— Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. For its undesignated and capital replacement funds, Sound Transit matches its investments to cash flow requirements and manages its exposure to fair value losses using the modified duration method, whereby the modified duration of fixed income securities held in its investment portfolios is compared to established benchmarks. Modified duration benchmarks for the undesignated fund was 0.91 and for the capital replacement fund was 2.61. Investments in the KCIP are reported using effective duration. Duration estimates the sensitivity of a bond's price to interest rate changes. For the Debt Service Reserve funds and the Link Risk funds, interest rate risk is managed by using the specific identification method.

Modified duration

(in thousands)	2018			2017		
	Total	Duration	Percent of total	Total	Duration	Percent of total
Investments – Undesignated						
Commercial Paper	$ 24,897	0.16	1.9%	$ 24,920	0.20	2.2%
King County Investment Pool	109,424	0.94	8.1%	150,878	1.02	13.3%
U.S. Agency Securities	488,641	0.79	36.3%	456,364	0.85	40.2%
U.S. Treasury Securities	722,059	0.96	53.7%	502,637	0.82	44.3%
Total Investments - current	**$ 1,345,021**	**0.88**	**100.0%**	**$ 1,134,799**	**0.84**	**100.0%**
Investments – Capital Replacement						
Municipal Bonds	$ 17,172	1.57	5.2%	$ 25,976	1.96	8.0%
U.S. Agency Securities	288,780	2.71	87.5%	253,217	2.91	78.3%
U.S. Treasury Securities	23,920	1.43	7.3%	44,118	1.49	13.7%
Total Investments – non-current	**$ 329,872**	**2.55**	**100.0%**	**$ 323,311**	**2.64**	**100.0%**

Specific indentification

(in thousands)	December 31 2018	December 31 2017	Maturity	Call Date
Restricted Assets - Non-current				
Debt Service Reserve				
Municipal bonds:				
Florida State Public Education BAB	$ 5,053	$ 5,228	6/1/30	6/1/2019*
Georgia State GO Unlimited	9,847	10,000	4/1/26	4/1/2017*
Georgia State GO Unlimited BAB	4,549	4,663	11/1/27	11/24/2009*
	$ 19,449	**$ 19,891**		
OCIP Reserve				
U.S. Agency securities:				
Federal Home Loan Mortgage Corporation	$ 917	$ 902	3/15/23	
Federal National Mortgage Association	1,411	1,394	7/15/22	
	$ 2,328	**$ 2,296**		
	$ 21,777	**$ 22,187**		

** Continuously callable from this date forward*

Concentration of Credit Risk— Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. The investment policy sets forth maximum concentration guidelines. At December 31, 2018 and 2017, Sound Transit portfolios were within these guidelines.

Investment Type Per Investment Policy	Maximum
Treasury securities and investments in the LGIP	100%
Total U.S. Agency securities	75%
Single U.S. Agency and investments in the KCIP	50%
Repurchase agreements, general obligation Bonds, PDPC financial institution sponsored investment accounts	25%
Deposit bank notes	20%
Certificates of deposit, bankers' acceptances, reverse repurchase agreements and A1/P1 commercial paper	10%

Credit Risk— Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2018, all Treasury, U.S. Agency, general obligation bonds, and commercial paper securities are rated in one of the two highest credit rating categories of a nationally recognized statistical rating organization. After a bond has been purchased, if it is downgraded below one of the three highest ratings, a case-by-case review is conducted to determine the reason for the downgrade and to evaluate whether or not to continue to hold the bond. The LGIP and KCIP are unrated.

Custodial Credit Risk— Custodial credit risk is the risk that, in the event of the failure of the counterparty, Sound Transit would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments purchased by Sound Transit are held and registered in Sound Transit's name in the trust or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between Sound Transit and the financial institution.

4. TAXES AND OTHER RECEIVABLES

Taxes and other receivables consist of the following:

(in thousands)	December 31	
	2018	**2017**
Taxes receivable	$ 276,870	$ 257,044
Grants receivable	133,243	5,379
Due from other governments	14,994	22,196
Interest receivable	7,938	4,470
Accounts receivable, net	834	819
	$ 433,879	**$ 289,908**

Amounts due from other governments include amounts due from ORCA for fare revenues and reimbursable administration expenses (see also note 12) and amounts reimbursable under other interlocal agreements for operating expenses or capital contributions for transit facilities and betterments. Payment terms are generally defined in the various agreements with other governments and range from 21 to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified on the invoice, which is generally 30 days.

5. CAPITAL AND OPERATING LEASES

Capital lease obligations at December 31, 2018 and 2017 are $63.8 million and $62.8 million, respectively.

Lease/Leaseback— In May 2001, Sound Transit entered into a transaction to lease 22 rail passenger cab and coach cars and 5 locomotives (the head lease) to an investor and simultaneously sublease the vehicles back from the investor (the sublease). Under these transactions, Sound Transit maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The head lease and sublease have been recorded as capital leases for accounting purposes. The current lease expires on September 17, 2040.

The vehicles had a fair market value of $61.3 million with a book value of $37.7 million at closing. Sound Transit received a prepayment equivalent to the net present value of the head lease obligations totaling $61.3 million. From those proceeds, $50.4 million was deposited with AIG-FP Special Finance Ltd. to partially meet Sound Transit's obligations under the sublease payments. In addition, $5.7 million was deposited with AIG Matched Funding Corp. and invested in securities, issued or guaranteed by the United States government, to meet the remaining obligations under the sublease. The remaining $4.9 million (net of closing costs of $363 thousand) was retained by Sound Transit and recorded as non-operating revenues during the year ended December 31, 2001.

The net present value of the future sublease payments has been recorded as a long-term capital lease obligation. The agreements with AIG-FP Special Finance Ltd. and AIG Matched Funding Corp. have been structured to meet all future obligations under the sublease when due and, as such, the corresponding investment account has been recorded to equal the sublease obligations on the accompanying statements of net position. As of December 31, 2018 and 2017, the fair value of the underlying securities was sufficient to satisfy the current required value as set forth in the related agreements.

The lease documentation established minimum credit levels by AIG for the equity and debt defeasance accounts. At the time these transactions closed, AIG was rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investment Service. However, starting in March 2005, AIG suffered a series of credit rating downgrades and as of December 31, 2018 was rated "BBB+" by Standard & Poor's and "Baa1" by Moody's Investment Service. As of December 31, 2018 and 2017, the defeasance accounts were unrated.

Because of credit rating downgrades under the lease transaction, Sound Transit is required to replace AIG for its undertaking agreements and credit enhancements provision in the transaction and AIG is required to post collateral for the debt defeasance accounts. However, in January 2009, Sound Transit entered into a waiver agreement and temporary waiver of delivery of required items letter with the Owner Participant, Lessor, Lender, and Debt Payment Undertaker waiving any existing default or event of default based on a failure to comply with the ratings downgrade provisions of the Participation Agreement, Loan Agreement, Debt Payment Agreement, and Debt Payment Guarantee until March 1, 2009. Under the Fifth Extension Amendment to the waiver agreement and Fifth Temporary Waiver of Delivery of Required Items letter with the transaction participants, Sound Transit may request successive six-month extensions of the waiver agreements until September 30, 2020, unless extended by agreement of the parties. Sound Transit requested and has been granted an extension of the wavier agreements through September 30, 2019. If the default is not cured and the extension is not granted, the investor could demand a termination payment from Sound Transit of approximately $12.9 million.

Net changes in the sublease are shown in the following table:

(in thousands)	2018	2017
Net sublease, January 1	$ 62,832	$ 61,916
Accrued interest	4,703	4,634
Less payment	(3,718)	(3,718)
Net sublease, December 31	**$ 63,817**	**$ 62,832**

Operating Rentals— Sound Transit has entered into non-cancelable operating leases in excess of one year for the use of the Downtown Seattle Transit Tunnel, ground, office space, parking, land, storage at various locations, and equipment with lease terms expiring between 2019 and 2038, with some leases containing options to renew. Minimum lease payments through 2038 are as follows (in thousands):

	Year ending December 31
2019	$ 15,609
2020	8,456
2021	7,829
2022	7,835
2023	6,660
2024-2028	1,936
2029-2033	1,130
2034-2038	283
	$ 49,738

Total rental expenses for 2018, which include non-cancelable leases as well as other month-to-month rentals, were $19.3 million, of which $1.8 million was capitalized for capital projects in progress. Total rental expenses for 2017, which include non-cancelable leases as well as other month-to-month rentals, were $18.3 million, of which $3.1 million was capitalized for capital projects in progress.

6. CAPITAL ASSETS

Capital assets are summarized as follows:

(in thousands)	2018 Beginning balance	Additions	Disposals / reductions	Transfers	2018 Ending balance
Non-depreciable assets					
Land	$ 753,230	$ -	$ (6,527)	$ 89,628	$ 836,331
Permanent easements	541,489	-	-	2,295	543,784
Capital projects in progress:					
Sound Transit - tangible	2,982,279	1,439,886	(3,791)	(461,807)	3,956,567
Sound Transit - intangible	15,151	13,339	(2,230)	(4,947)	21,313
Other governments - tangible	4,161	15,810	(15,706)	(424)	3,841
Total non-depreciable assets	**4,296,310**	**1,469,035**	**(28,254)**	**(375,255)**	**5,361,836**
Depreciable assets					
Access rights	695,509	28,800	-	2,623	726,932
Buildings and leasehold improvements	33,480	621	-	4,118	38,219
Furniture, equipment and vehicles	16,623	-	(76)	1,315	17,862
Revenue vehicles	710,994	-	(3,047)	83,906	791,853
Software	22,418	-	-	3,747	26,165
Transit facilities, rail and heavy equipment	4,504,871	-	-	282,190	4,787,061
Total depreciable assets	**5,983,895**	**29,421**	**(3,123)**	**377,899**	**6,388,092**
Accumulated depreciation					
Access rights	(214,171)	(12,943)	-	-	(227,114)
Buildings and leasehold improvements	(17,983)	(1,819)	-	-	(19,802)
Furniture, equipment and vehicles	(13,211)	(1,587)	69		(14,729)
Revenue vehicles	(264,250)	(32,644)	3,046	-	(293,848)
Software	(20,730)	(2,767)	-	-	(23,497)
Transit facilities, rail and heavy equipment	(619,775)	(115,159)	-	-	(734,934)
Total accumulated depreciation	**(1,150,120)**	**(166,919)**	**3,115**	**-**	**(1,313,924)**
Total depreciable assets, net	**4,833,775**	**(137,498)**	**(8)**	**377,899**	**5,074,168**
Total capital assets, net	**$ 9,130,085**	**$ 1,331,537**	**$ (28,262)**	**$ 2,644**	**$ 10,436,004**

(in thousands)	2017 Beginning balance	Additions	Disposals / reductions	Transfers	2017 Ending balance
Non-depreciable assets					
Land	$ 631,661	$ 1,580	$ (371)	$ 120,360	$ 753,230
Permanent easements	520,134	-	-	21,355	541,489
Capital projects in progress:					
Sound Transit - tangible	2,013,273	1,330,929	(4,440)	(357,483)	2,982,279
Sound Transit - intangible	29,602	6,896	-	(21,347)	15,151
Other governments - tangible	167,266	109,229	(274,282)	1,948	4,161
Total non-depreciable assets	**3,361,936**	**1,448,634**	**(279,093)**	**(235,167)**	**4,296,310**
Depreciable assets					
Access rights	569,094	126,415	-	-	695,509
Buildings and leasehold improvements	29,137	-	(30)	4,373	33,480
Furniture, equipment and vehicles	15,069	-	(24)	1,578	16,623
Revenue vehicles	672,900	-	-	38,094	710,994
Software	20,994	-	-	1,424	22,418
Transit facilities, rail and heavy equipment	4,329,099	11	(6,832)	182,593	4,504,871
Total depreciable assets	**5,636,293**	**126,426**	**(6,886)**	**228,062**	**5,983,895**
Accumulated depreciation					
Access rights	(201,270)	(12,901)	-	-	(214,171)
Buildings and leasehold improvements	(16,685)	(1,328)	30	-	(17,983)
Furniture, equipment and vehicles	(11,468)	(1,754)	11	-	(13,211)
Revenue vehicles	(234,643)	(29,941)	-	334	(264,250)
Software	(18,281)	(2,449)	-	-	(20,730)
Transit facilities, rail and heavy equipment	(515,139)	(111,903)	6,832	435	(619,775)
Total accumulated depreciation	**(997,486)**	**(160,276)**	**6,873**	**769**	**(1,150,120)**
Total depreciable assets, net	**4,638,807**	**(33,850)**	**(13)**	**228,831**	**4,833,775**
Total capital assets, net	**$ 8,000,743**	**$ 1,414,784**	**$ (279,106)**	**$ (6,336)**	**$ 9,130,085**

During 2018, Sound Transit capitalized $98.4 million of interest costs ($82.0 million in 2017), representing interest costs incurred related to Sound Transit's capital program for the year, net of premium, discounts and deferred amount on debt refunding, on its outstanding bonds (see note 8).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

(in thousands)	2018	2017
Accrued liabilities	$ 185,962	$ 149,374
Due to other governments	55,095	62,884
Accounts payable	34,273	5,172
Accrued salaries, wages and benefits	16,272	11,336
Retainage payable	726	769
	$ 292,328	**$ 229,535**

8. LONG-TERM DEBT

Sound Transit's long-term debt is comprised of three categories: Prior Bonds, Parity Bonds and Second Tier Junior Obligations borrowed pursuant to the Transportation Infrastructure Finance and Innovation Act (TIFIA Loans). All bond issuances and borrowings are considered public debt. Prior Bonds have first claim upon the local option taxes of Sales and Use, Rental Car, and Motor Vehicle Excise tax. Parity Bonds are subordinate to the Prior Bonds and also have claim upon the Sales and Use, Rental Car, and Motor Vehicle tax. TIFIA Loans are subordinate to both Prior Bonds and Parity Bonds and have claim on the Sales and Use, Rental Car, and Motor Vehicle tax, as well. Proceeds from bond issues are used for funding Sound Transit's capital program or refunding prior bond issues. As of December 31, 2018 and 2017, Sound Transit had no direct borrowings.

As of December 31, 2018 and 2017, total outstanding long-term debt is as follows:

(in thousands)	2018	2017
Long-term debt		
Bonds payable		
Prior bonds	$ 487,870	$ 517,990
Parity bonds	1,723,465	1,728,905
Premium	172,698	185,005
Discount	(2,895)	(3,276)
Total bonds payable	**2,381,138**	**2,428,624**
TIFIA Loans	56,606	-
Total debt	**2,437,744**	**2,428,624**
Amounts due within one year	(39,520)	(35,560)
Total long-term debt	**$ 2,398,224**	**$ 2,393,064**

Bonds Payable (Prior and Parity)

(in thousands)	2018 Beginning balance	Additions	Reductions	2018 Ending balance	Amounts due within one year
Bonds payable					
Series 1999	$ 283,190	$ -	$ (7,600)	$ 275,590	$ 21,905
Series 2009P-2T	76,845	-	-	76,845	-
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	157,955	-	(22,520)	135,435	11,170
Series 2012S-1	86,065	-	(2,540)	83,525	6,445
Series 2015S-1	792,840	-	(2,900)	789,940	-
Series 2015S-2A	75,000	-	-	75,000	-
Series 2015S-2B	75,000	-	-	75,000	-
Series 2016S-1	400,000	-	-	400,000	-
	2,246,895	**-**	**(35,560)**	**2,211,335**	**39,520**
Plus unamortized premium	185,005	-	(12,307)	172,698	
Less unamortized discount	(3,276)	-	381	(2,895)	
Total bonds payable	**$ 2,428,624**	**$ -**	**$ (47,486)**	**$ 2,381,138**	**$ 39,520**

(in thousands)	2017 Beginning balance	Additions	Reductions	2017 Ending balance	Amounts due within one year
Bonds payable					
Series 1999	$ 290,410	$ -	$ (7,220)	$ 283,190	$ 7,600
Series 2009P-2T	76,845	-	-	76,845	-
Series 2009S-2T	300,000	-	-	300,000	-
Series 2012P-1	178,095	-	(20,140)	157,955	22,520
Series 2012S-1	91,940	-	(5,875)	86,065	2,540
Series 2015S-1	792,840	-	-	792,840	2,900
Series 2015S-2A	75,000	-	-	75,000	-
Series 2015S-2B	75,000	-	-	75,000	-
Series 2016S-1	400,000	-	-	400,000	-
	2,280,130	**-**	**(33,235)**	**2,246,895**	**35,560**
Plus unamortized premium	198,101	-	(13,096)	185,005	
Less unamortized discount	(3,656)	-	380	(3,276)	
Total bonds payable	**$ 2,474,575**	**$ -**	**$ (45,951)**	**$ 2,428,624**	**$ 35,560**

Excluding unamortized premium and discount, Sound Transit had a total of $2,211.3 million prior and parity bonds outstanding at December 31, 2018, compared to $2,246.9 million at December 31, 2017. A total of $35.6 million and $33.2 million of bonds matured in 2018 and 2017, respectively.

Sound Transit maintains certain minimum deposit accounts pursuant to Sound Transit Board resolutions, the Prior Master Bond Resolution and the Parity Master Bond Resolution, to meet debt service requirements. A Prior Bond Account and a Parity Bond Account are funded with monthly deposits so that the balance will be sufficient to pay the interest, or principal and interest, next coming due on the bonds (see also note 3).

The following tables set forth average coupon and effective rates, rating agency information, principal payment commencement dates, fair value, and minimum deposits currently restricted for debt service related to bonds.

Prior Bonds— Debt service requirements for Prior Bonds are payable in February and August of each year and are secured by local option taxes.

(in millions)		Average rate		Ratings		Principal	Fair value*		Principal and interest restricted	
	Issue date	Coupon	Effective	Moody's	S&P	Payment begins	2018	2017	2018	2017
Series 1999	Dec 1, 1998	4.88	5.03	Aaa	AAA	Feb 1, 2006	$ 297.7	$ 304.7	$ 27.5	$ 13.4
Series 2009P-2T	Sep 29, 2009	5.01	3.31**	Aaa	AAA	Feb 1, 2020	83.8	85.3	1.6	1.6
Series 2012P-1	Aug 22, 2012	4.97	2.62	Aaa	AAA	Feb 1, 2013	146.0	173.7	14.0	25.8

* Estimated using quoted market prices

**Effective rate reduced due to interest subsidy provided by U.S. Government for Build America Bonds

Sound Transit is also required, by covenant, to maintain a common debt service reserve account for all Prior Bonds. The common debt service reserve requirement for these bonds is met by a surety policy in the amount of $31.7 million purchased in 1999, a $7.9 million cash reserve, funded at the time the 2009P bonds were issued, and an $11.5 million cash reserve, funded at the time the 2012P-1 bonds were issued (see also note 3). Sound Transit is required to value, at market, the investments held in debt service reserve accounts annually and to make up any deficiency within six months after the date of the valuation. As of December 31, 2018, and 2017, the market value of the Prior debt service reserve exceeded the required reserve amount. Reserve account proceeds are invested in municipal bonds.

Parity Bonds— Debt service requirements for Parity Bonds are payable in May and November each year and are secured by local option taxes.

(in millions)		Average Rate		Ratings		Principal	Fair value*		Principal and interest restricted	
	Issue date	Coupon	Effective	Moody's	S&P	Payment begins	2018	2017	2018	2017
Series 2009S-2T	Sep 29, 2009	5.49	3.62**	Aa1	AAA	Nov 1, 2029	$ 372.6	$ 383.8	$ 2.7	$ 2.7
Series 2012S-1	Aug 22, 2012	4.91	2.73	Aa1	AAA	Nov 1, 2016	91.3	96.9	7.1	3.2
Series 2015S-1	Sep 10, 2015	4.67	3.89	Aa1	AAA	Nov 1, 2018	876.9	916.8	6.2	9.1
Series 2015S-2A	Sep 10, 2015	Var	Var	Aa1	AAA	Nov 1, 2041	75.0	75.1	0.2	0.1
Series 2015S-2B	Sep 10, 2015	Var	Var	Aa1	AAA	Nov 1, 2041	75.0	75.1	0.2	0.1
Series 2016S-1	Dec 19, 2016	5.00	3.60	Aa1	AAA	Nov 1, 2021	476.2	502.6	3.3	3.3

* Estimated using quoted market prices

** Effective rate reduced due to interest subsidy provided by U.S. Government for Build America Bonds

There are no externally imposed legal or contractual obligations requiring Sound Transit to establish a reserve account for Parity Bonds.

The variable rate Series 2015S-2 parity bonds were issued as index floating rate bonds through May 1, 2018, at which time the issuance became subject to prior optional redemption or conversion to a new index floating rate period or to another interest rate mode. On July 18, 2018, Sound Transit closed the remarketing of the variable rate Series 2015S-2A and Series 2015S-2B parity bonds. The transaction reduced cost of Series 2015S-2A by 0.40%, and cost of Series 2015S-2B by 0.25%. Interest is payable on the first business day of each month at the Securities Industry and Financial Markets Association ("SIMFA") index rate plus a spread of 70 basis points.

Long-term Bond Requirements

Long-term bond requirements are displayed in the table below:

(in thousands) **Year ending December 31**	**Principal**	**Interest ***	**Total**
2019	$ 39,520	$ 106,408	$ 145,928
2020	42,915	104,322	147,237
2021	54,300	102,058	156,358
2022	58,390	99,275	157,665
2023	62,670	96,346	159,016
2024-2028	426,080	424,308	850,388
2029-2033	345,940	335,843	681,783
2034-2038	477,800	239,719	717,519
2039-2043	366,640	122,822	489,462
2044-2048	267,740	46,669	314,409
2049-2053	69,340	4,788	74,128
	$ 2,211,335	**$ 1,682,558**	**$ 3,893,893**

* Does not deduct 35% Build America Bonds subsidy on the interest payments.

The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) program, which authorized state and local governments to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt municipal bonds. Issuers receive a direct federal subsidy payment for a portion of their borrowing costs paid to investors of BABs. The direct federal subsidy, once earned, is considered a non-exchange transaction, separate from the interest payments made, and is recorded in other non-operating revenue when Sound Transit makes its interest payment. Sound Transit received a $6.6 million subsidy in both 2018 and 2017. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

Second Tier Junior Obligations (TIFIA Loans)

TIFIA loans are second tier junior obligations and as such, are subordinate to both the Parity and Prior bonds. The TIFIA loans are governed by two credit agreements, the TIFIA Master Credit Agreement and the East Link Loan Agreement, the details of which are presented below.

In December 2016, Sound Transit entered into a TIFIA Master Credit Agreement with the United States Department of Transportation with a contingent commitment of up to $1.99 billion for a program of four loans for the following projects: Northgate Link Extension, Lynnwood Link Extension, Federal Way Link Extension and Operations and Maintenance Facility East (OMFE). If the individual loan programs are not closed prior to December 22, 2019 and funds drawn within one year of each project's respective substantial completion date, the contingent commitment and available credit, respectively, may be reduced.

Concurrent with the execution of the TIFIA Master Credit Agreement, Sound Transit executed the first loan under the TIFIA Master Credit Agreement for the Northgate Link Extension for a loan of up to $615.3 million with a fixed rate of 3.13% to fund up to 33% of the project costs for the Northgate Link Extension. On January 15, 2018, Sound Transit made its first draw on the TIFIA Northgate Loan for $56.6 million. As of December 31, 2018, the loan has accrued $1.7 million in interest. Principal and interest on the loan is payable semi-annually in May and November of each year commencing May 1, 2022.

On June 22, 2017, Sound Transit entered into the TIFIA OMFE Loan Agreement under the TIFIA Master Credit Agreement for up to $87.7 million with a fixed rate of 2.73% to fund a portion of the OMFE project costs.

On December 19, 2018, Sound Transit closed the TIFIA Lynnwood Loan Agreement under the TIFIA Master Credit Agreement for up to $657.9 million with a fixed rate of 3.06%.

As of December 31, 2018, Sound Transit has not closed on the TIFIA Federal Way Loan which may provide additional credit of up to $629.5 million.

With the execution of the TIFIA Master Credit Agreement, the East Link Loan Agreement was amended and restated to be consistent with the TIFIA Master Credit Agreement; however, it is not included in the scope of the Master Credit Agreement. Under the East Link Loan Sound Transit may borrow up to $1.33 billion. As of December 31, 2018 this loan has not been drawn on.

The following table sets forth TIFIA loan activity and the remaining contingent commitment for the year ended, and as of, December 31, 2018, respectively:

(in thousands)	Year Executed	Credit Line	Interest Rate	Final Maturity	Drawn Amount	Interest	2018 Ending balance
TIFIA loans							
Northgate Link Extension	2016	$ 615,300	3.13%	2056	$ 56,606	$ 1,694	$ 58,300
OMFE	2016	87,700	2.73%	2055	-	-	-
Lynnwood Link Extension	2018	657,900	3.06%	2059	-	-	-
East Link Extension	2015	1,330,000	2.38%	2058	-	-	-
Total TIFIA loans		**$ 2,690,900**			**$ 56,606**	**$ 1,694**	**$ 58,300**
Remaining TIFIA contingent commitment							
Federal Way Link Extension		$ 629,500					

9. OTHER LONG-TERM OBLIGATIONS

Other long-term obligations include provisions for asset retirement obligations, uninsured losses related to Sound Transit's risk management program, employee compensated absences and deferred compensation as follows:

(in thousands)	2018 Beginning balance	Additions, accretion and changes in estimates	Reductions	2018 Ending balance	Amounts due within one year
Asset retirement obligations	$ 3,619	$ 181	$ -	$ 3,800	$ -
Uninsured losses	2,860	2,667	(1,525)	4,002	1,233
Compensated absences	9,131	9,880	(8,589)	10,422	10,422
Total other long-term obligations	**$ 15,610**	**$ 12,728**	**$ (10,114)**	**$ 18,224**	**$ 11,655**

(in thousands)	2017 Beginning balance	Additions, accretion and changes in estimates	Reductions	2017 Ending balance	Amounts due within one year
Asset retirement obligations	$ 3,447	$ 172	$ -	$ 3,619	$ -
Uninsured losses	1,802	1,148	(90)	2,860	784
Compensated absences	8,100	8,044	(7,013)	9,131	8,467
Total other long-term obligations	**$ 13,349**	**$ 9,364**	**$ (7,103)**	**$ 15,610**	**$ 9,251**

Asset Retirement Obligations— In the course of entering into agreements with other governments and rail providers to construct Sound Transit's capital assets used in providing transportation services, certain agreements contain clauses that impose a legal burden on Sound Transit to remove all or a portion of those constructed assets at the termination of those agreements.

Risk Management— In the ordinary course of planning, building and operating its regional transit systems and services, Sound Transit is exposed to various types of risks and exposures of loss including: torts; theft of, damage to and destruction of assets; errors and omissions; job related injuries to persons; natural disasters; and environmental occurrences.

Sound Transit has established a comprehensive risk management and insurance program to mitigate the potential for loss and for the administration of claims through a combination of commercial insurance and coverage under partner agency operating agreements. Sound Transit's agency operations and rail operations insurance policies are written on an occurrence or claims made basis, with a specific deductible or self-insured retention, renewing annually. Agency operation policies renew on May 1st and rail operation policies renew on November 1st. Worker's compensation is insured through the state of Washington.

Major coverages under these programs are as follows:

Program	Major Coverage	Limit / Deductible or *Retention
Agency Operation	Property (Earthquake)	$400M ($150M) / $100K ($2.5M)
	Primary and Excess Liability	$100M / $50K
	Commercial Auto / Excess Liability	$50M / $500 comprehensive or $1K collision
	Pollution / Excess Liability	$50M / $100K *
	Public Officials / Employer Liability	$25M / $250K
	Fiduciary Liability	$10M / $0
Rail Operation	Light Rail / Excess Liability	$100M / $1.5M
	Heavy Rail / Excess Liability	$295M / $2M
	Property – Rolling Stock (Earthquake)	$40M / $50K or $500K derail/($2M)
Bus Operation	Provided through partner agency operating agreements	N/A

For certain of its larger capital projects, Sound Transit utilizes Owner Controlled Insurance Programs (OCIP) to address general liability, builders risk and contractors' pollution liability related to project construction carried out by Sound Transit's third-party contractors, as well as professional liability.

Sound Transit secured an OCIP in December 2012 for the North Link Light rail extension project with coverage provided from December 31, 2012 to December 31, 2021 and six years of completed operations coverage, which will expire December 31, 2027.

As of December 31, 2018, Sound Transit has two OCIPs that are in the completed operations coverage period: the Central Link light rail project, including the Airport Link light rail extension, which will expire December 31, 2019 and the University Link light rail extension project which will expire March 19, 2022.

Major coverages under these programs are as follows:

Program	Major Coverage	Limit / Deductible or *Retention
Central Link OCIP	Professional and Excess Liability	$100M / $500K per occurrence
	Professional Liability	$50M / $250K *
	Pollution Liability	$50M / $500K
	Builders Risk	Project Value / $1M
University Link OCIP	Primary and Excess Liability	$100M / $100K
	Pollution Liability	$50M / $250K *
	Builders Risk	$400M / $500K
Northgate Link OCIP	Primary and Excess Liability	$100M / $100K
	Pollution Liability	$50M / $250K *
	Builders Risk	$400M / $500K

Sound Transit has deposited $1.0 million for the University Link OCIP and an additional $700 thousand for the North Link OCIP with the insurer, in an interest-bearing account with Wells Fargo Bank, as collateral to ensure Sound Transit's financial obligation for payment of any general liability claims resulting from these projects. While Sound Transit is directly responsible for payment of deductible to the insurers, it has further transferred its risk of loss through its construction contracts, requiring contractors covered by these programs to be responsible for 100% of the deductible on general liability and pollution liability claims ($100 thousand and $250 thousand respectively) and the first $250 thousand of any builders risk loss.

Self-insured liabilities are recorded when probable that a loss has occurred and the amount can be reasonably estimated, and includes estimates for claims that have been incurred but not yet reported. Actual liabilities depend on a number of complex factors and will differ from the estimated claims liability. Annually, Sound Transit engages an actuary to prepare an independent actuarial analysis in order to estimate its total insurance claim exposure under all of its insurance and risk management programs. The insurance claim amount estimated to be paid within the next year is included in other claims and short-term obligations.

Compensated Balances— Amounts estimated to be paid within the next year are included in accounts payable and accrued liabilities.

10. RESTRICTED NET POSITION

Restricted net position consists of the following:

(in thousands)	2018	2017
Debt service	$ 57,453	$ 54,980
Contractual arrangements	13,027	14,344
	$ 70,480	**$ 69,324**

11. EMPLOYEE BENEFITS

Sound Transit provides a defined contribution money purchase plan and trust (401(a) Plan) to its employees. Empower Retirement is the plan's administrator and trustee. This plan is a fixed employer system, and membership in the system includes all full time Sound Transit employees. The vesting schedule of the plan is 20% immediately upon employment, 40% after one year of service, 60% after two years, 80% after three years and 100% after four years. Employees are responsible for directing the investment of their contributions and Sound Transit's contributions.

Eligible employees are required to participate in the plan on the first day of employment. The amount of covered payroll during 2018 and 2017 was $92.7 million and $75.0 million, respectively, and total payroll was $93.2 million and $75.2 million, respectively. The required contribution rates, expressed as a percentage of covered payroll, and required Sound Transit contributions during 2018 and 2017 are as follows:

	Contribution rate		Contributions *(in thousands)*	
	2018	2017	2018	2017
Employer	12%	12%	$ 11,126	$ 8,998
Employee	10	10	9,272	7,498
Total	**22%**	**22%**	**$ 20,398**	**$ 16,496**

12. COMMITMENTS AND CONTINGENCIES

In the ordinary course of its operations, Sound Transit enters into a number of agreements with other governmental and quasi-governmental agencies, including: the operation and maintenance of buses and trains that it has purchased; right of way access and use; planning, building and operation of its facilities; and collection of its taxes. With the exception of Tacoma Link light rail, all services are operated by partner agencies. A summary of significant agreements follows:

ST Express— Agreements have been entered into with King County Metro, Community Transit and Pierce Transit for the operations and maintenance of bus service, covering vehicle maintenance, operations, coordination of service planning, revenue processing, customer service, personnel and performance standards, and information and compliance reporting. The agreements set forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as fuel and other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15th for the upcoming year and are reconciled to actual incurred costs by no later than March 31st of the year following. The current agreements are for 1 year, expiring December 31, 2019.

Link Light Rail— Sound Transit contracts with King County Metro for the operation and maintenance of its light rail service, operating in between Angle Lake and the University of Washington. The agreement sets forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15th for the upcoming year and are reconciled to actual incurred costs by no later than March 31st of the year following. The current 2009 agreement expired on July 2014 and has been extended each year thereafter, currently through July 2019.

Sound Transit has also entered into the following agreements related to light rail or station operations:

Downtown Seattle Transit Tunnel (DSTT) Agreement— This agreement with King County and City of Seattle provides for cost sharing with regard to the maintenance and operation in the DSTT in exchange for the right to use the tunnel for light rail operations. Sound Transit's ongoing obligations include reimbursement of maintenance costs and cost-sharing for future capital repairs or replacements as they arise. Subsequent to year-end, bus service has terminated and light rail has become the sole mode of transportation in the DSTT; as such, Sound Transit has begun negotiations to transfer ownership of the tunnel from King County to Sound Transit.

Light Rail Agreements— Sound Transit has entered into a variety of agreements to secure the permanent right to operate light rail in the right of way (under, upon and over streets and property) owned by the City of Seattle, Tukwila, SeaTac, the Port of Seattle, Bellevue, Lynnwood, Shoreline, Mountlake Terrace, Federal Way, Kent, Des Moines and Tacoma. The cost of public right of way improvements have been capitalized to rail access rights and include those costs necessary to operate light rail service, such as costs to acquire real property and relocate existing residents and businesses, as well as certain improvements to the right of way required under those agreements.

Washington State Department of Transportation (WSDOT) Umbrella Agreement for R8A Project and East Link Light Rail—Sound Transit entered into an umbrella agreement with WSDOT in November 2011 to implement the remainder of the R8A project that consists of the I-90 Two-Way Transit and HOV Operations Project Stages 2 and 3 and the use of the I-90 center lanes for construction and operation of East Link. Sound Transit agreed to fund Stages 2 and 3 of the I-90 Two-Way Transit and HOV Operations project in exchange for land bank credit which, in 2017 was used to fund a temporary construction airspace lease for the construction of light rail along the I-90 center lanes as well as a 40 year airspace lease with an option to renew for 35 years for the operation of light rail in the center lanes of I-90.

Stage 2 of this work was completed in March of 2012 for a total commitment of $20.2 million. In June of 2014 and February 2017, task orders under construction and professional services umbrella agreements with WSDOT were executed for Stage 3, for an estimated total commitment of $190.9 million. In June 2017, WSDOT turned over the center roadway of I-90 to Sound Transit to begin guideway construction, although substantial completion will not occur until 2019. At December 31, 2018, $186.72 million has been incurred with a remaining commitment for Stage 3 of $5.8 million.

Sounder— Agreements have been entered into with BNSF for the operation of Sounder commuter rail service and with Amtrak for operation and maintenance of the locomotives, cab and coach cars (rolling stock). Service between Everett and Seattle and Seattle and Tacoma is on rail right of way owned and operated by BNSF.

South Line— Service between Seattle and Lakewood is provided by BNSF under a 40-year service agreement for the operation of 26 daily one-way (13 round-way) commuter rail trips that expires in 2040. The agreement establishes the compensation paid to BNSF for train crews, maintenance of way and other expensed incurred in the operation of the Sounder Service and is based on actual cost of crew, dispatch and management, as well as cost for performance incentives. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Tacoma corridor.

North Line— BNSF operates 4 daily commuter rail round trips between Seattle and Everett for Sound Transit under a service agreement. The service agreement expires in December 2020. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Everett corridor.

Rolling Stock— In 2000, Sound Transit leased the initial portion of its rolling stock to Amtrak for $1. Under the agreement, Amtrak is obligated to repair, maintain and service the rolling stock at Amtrak's maintenance facility in return for payment by Sound Transit. By separate agreement, Amtrak subleased this rolling stock to BNSF for operation of Sounder Service. Both lease agreements are for a 40-year term, expiring in 2040.

Maintenance Service Agreement— In 2016 Sound Transit entered into an amended agreement with Amtrak, under which Sound Transit pays a flat monthly fixed price dependent upon the number of one-way trips and train sets in operation for a baseline set of operating assumptions. A negotiated rate is also established for additional service above the baseline operating plan. The agreement expires in 2021.

First Hill Streetcar—In October 2010, Sound Transit agreed to fully fund $132.8 million of the costs necessary to design, construct and operate the First Hill Streetcar that was established in the November 2009 Funding and Cooperative Agreement, of which $5.0 million is payable annually through 2023 for annual operations and maintenance expenses. The City of Seattle owns and operates the First Hill Streetcar facilities and vehicles.

Land Bank Agreement— Sound Transit entered into an agreement called the Land Bank Agreement with WSDOT in July 2000 which was restated in December 2003. The purpose of the agreement is to establish a framework within which WSDOT can, from time to time, convey portions of WSDOT property to Sound Transit and to make other portions of other WSDOT property available for non-highway use by Sound Transit in consideration for Sound Transit's funding of highway purpose improvements. In August 2010, as part of the Umbrella Agreement with WSDOT to complete the R8A Project, WSDOT agreed to grant Sound Transit land bank credits for all of its funding on the R8A projects as well as to extend the land bank agreement to 2080. Sound Transit will continue to earn land bank credits for projects involving highway improvements and use credits on projects that are located within the public highway right of way.

Sound Transit has guideways located on WSDOT property governed under multiple twenty-year airspace leases issued under the Land Bank Agreement. These airspace leases have options to renew for an additional 20 years, at no additional cost or use of Land Bank Agreement credits. Should Sound Transit and WSDOT not enter into a new agreement at the end of the leases, property ownership transfers to WSDOT. At December 31, 2018, the value of the unused land bank credits that have not been conveyed by WSDOT to Sound Transit was $50.1 million. This value is not recorded in the financial statements as there is not sufficient certainty that the credit will be utilized.

The following table provides information on additions to and uses of credits accruing to the benefit of Sound Transit in 2018 and 2017:

(in millions)		2018		2017
Balance in Land Bank, beginning of year	$	92.8	$	341.4
Additions:				
I-90 Two-Way Transit & HOV		30.5		23.8
Draws:				
Bellevue Park and Ride Parcel		-		(1.6)
I-90 Center Roadway Improvement Repayment		-		(69.2)
Temporary Construction Airspace Lease (TCAL):				
SR-520 Roadway		-		(14.9)
I-405 Roadway		-		(0.4)
I-90 Center Roadway		-		(74.8)
Lynnwood Link (L200)		(29.0)		-
Lynnwood Link (L300)		(15.4)		-
Airspace Lease:				
I-405 Roadway		-		(0.3)
I-90 Center Roadway		-		(111.2)
Lynnwood Link (L200)		(17.4)		-
Lynnwood Link (L300)		(11.4)		-
Balance in Land Bank, end of year	**$**	**50.1**	**$**	**92.8**

Amended and Restated Agreement for Regional Fare Coordination System (One Regional Card for All, ORCA)— In April 2009, Sound Transit entered into an amended agreement to operate and maintain ORCA, a system that establishes a common, non-cash fare system throughout seven participating transit agencies' service areas and commits the agencies to using ORCA for a minimum of ten years. Each agency shares in operating and maintaining ORCA in accordance with the agreement. Sound Transit's proportionate share of ORCA operating and maintenance costs was 24.6% and 20.6% for years 2018 and 2017, respectively.

Sound Transit's proportionate share of ORCA's assets, liabilities, revenues and expenses are presented in these financial statements as follows:

(in thousands)	December 31 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents	$ 14,720	$ 13,422
Accounts receivable	13,123	11,982
Total assets	**27,843**	**25,404**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	16,382	15,059
Unearned revenue	11,461	10,345
Total liabilities	**27,843**	**25,404**
Net position	**$ -**	**$ -**
Total operating revenues	**$ 82,112**	**$ 76,287**
Total expenses	**$ 2,030**	**$ 1,875**

Purchases— At December 31, 2018 and 2017, Sound Transit had outstanding construction commitments of approximately $2.7 billion and $3.3 billion, respectively.

Grants— Sound Transit participates in several federal, state and local grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Sound Transit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2018 and 2017 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to noncompliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Claims— In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to contractual matters. Although the ultimate outcome, if any, of these matters is presently unknown, management has evaluated all claims and potential claims and, where that exposure is probable, has reflected in the accounts of Sound Transit its best estimate of the exposure.

STATISTICAL DATA *(unaudited)*

Tacoma Link

STATISTICAL DATA (UNAUDITED)

ST Express Operating & Maintenance Expenses

(in thousands)	2018	2017	2016	2015	2014
Salaries & benefits	$ 1,222	$ 1,029	$ 687	$ 692	$ 523
Services & materials	8,503	8,242	8,374	8,221	8,009
Utilities, insurance, taxes, leases & misc	2,960	3,481	3,764	3,687	3,248
Purchased transportation	116,379	105,265	98,918	89,358	90,591
	129,064	**118,016**	**111,744**	**101,958**	**102,372**
Depreciation, disposals & recoveries*	23,511	22,397	24,844	22,417	22,866
Indirect expenses*	7,000	7,045	5,877	6,210	5,773
Total	**$ 159,575**	**$ 147,458**	**$ 142,464**	**$ 130,585**	**$ 131,011**

Link Operating & Maintenance Expenses

(in thousands)	2018	2017	2016	2015	2014
Salaries & benefits	$ 7,937	$ 5,723	$ 4,369	$ 3,641	$ 3,240
Services & materials	35,338	29,252	26,184	18,127	17,924
Utilities, insurance, taxes, leases & miscellaneous	16,005	13,713	12,754	8,566	7,338
Purchased transportation	46,923	41,542	36,897	27,413	27,094
	106,203	**90,230**	**80,205**	**57,748**	**55,596**
Depreciation, disposals & recoveries*	108,397	108,009	83,050	51,594	52,304
Indirect expenses*	16,198	10,043	8,437	6,429	4,780
Total	**$ 230,798**	**$ 208,282**	**$ 171,692**	**$ 115,770**	**$ 112,680**

Sounder Operating & Maintenance Expenses

(in thousands)	2018	2017	2016	2015	2014
Salaries & benefits	$ 2,290	$ 2,135	$ 1,913	$ 1,824	$ 1,203
Services & materials	26,019	24,070	21,910	21,046	22,515
Utilities, insurance, taxes, leases & misc	5,715	5,240	5,155	4,358	2,856
Purchased transportation	12,962	11,114	10,721	9,276	8,926
	46,986	**42,558**	**39,699**	**36,505**	**35,500**
Depreciation, disposals & recoveries*	35,147	30,022	28,854	31,089	25,606
Indirect expenses*	4,264	3,338	5,208	4,193	3,401
Total	**$ 86,397**	**$ 75,918**	**$ 73,761**	**$ 71,787**	**$ 64,507**

Revenue by Source (in thousands)

Year	Passenger Fares	Sales & Use Taxes	Property Taxes	Motor Vehicle Excise Taxes	Rental Car Taxes	Grant Revenues	Investment Income	Other Revenues	Total
2018	96,018	1,337,601	146,284	338,538	3,802	234,307	37,801	27,048	2,221,399
2017	90,339	1,119,720	140,869	280,382	3,548	371,932	16,897	24,692	2,048,379
2016	80,563	749,735	-	85,515	3,506	202,668	12,630	35,696	1,170,313
2015	65,426	699,114	-	79,564	3,297	136,115	5,124	57,932	1,046,572
2014	60,180	639,890	-	74,166	3,092	194,077	14,758	12,544	998,707

* Certain reclassifications have been made to conform to the current year presentation.

KEY OPERATING PERFORMANCE MEASURES (UNAUDITED)

ST Express

	2018	2017	2016	2015	2014
Total ridership	18,189,263	18,374,834	18,470,406	18,312,624	17,669,833
Service hours	644,156	626,347	609,559	584,393	552,895
Boardings per service hour	28.24	29.34	30.30	31.34	31.96
Cost per service hour	$ 212.64	$ 197.97	$ 194.54	$ 186.71	$ 201.63
Cost per boarding	$ 7.53	$ 6.75	$ 6.42	$ 5.96	$ 6.31

Link

	2018	2017	2016	2015	2014
Total ridership	25,367,906	23,975,261	20,059,936	12,503,823	11,901,578
Service hours	274,214	261,192	214,213	155,661	152,750
Boardings per service hour	92.51	91.79	93.64	80.33	77.92
Cost per service hour	$ 441.61	$ 368.50	$ 417.96	$ 422.89	$ 429.68
Cost per boarding	$ 4.77	$ 4.01	$ 4.46	$ 5.26	$ 5.51

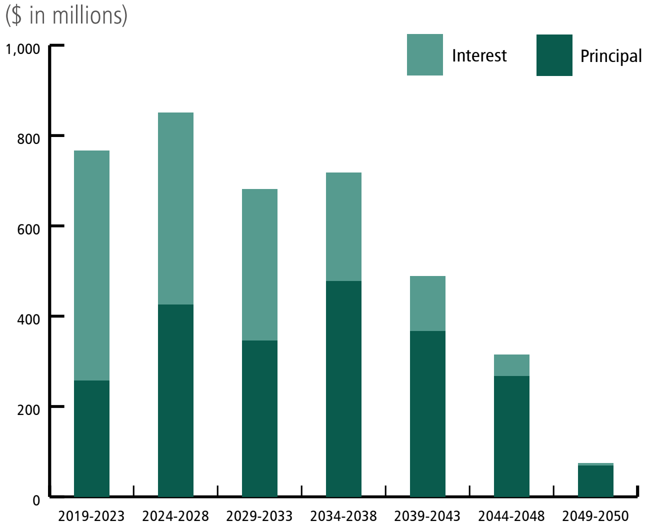
Sounder

	2018	2017	2016	2015	2014
Total ridership	4,631,525	4,445,568	4,312,113	3,851,831	3,361,318
Service hours	75,807	63,935	59,275	58,760	50,375
Boardings per service hour	61.10	69.53	72.75	65.55	66.73
Cost per service hour	$ 689.14	$ 711.69	$ 749.30	$ 689.54	$ 796.82
Cost per boarding	$ 11.28	$ 10.24	$ 10.30	$ 10.52	$ 11.94

Source data - National Transit Database   1 Service hour = 1 Revenue vehicle mile hour

Debt Service Requirements to Maturity** (UNAUDITED)

($ in millions)



2018 Debt Capacity (UNAUDITED)

(in millions)	
Assessed valuation for collection of taxes	$ 727,386
Maximum nonvoted debt (1.5% of assessed valuation)	$10,911
Less: Series 1999, 2009, 2012, 2015, 2016 Bonds and Other Long-term debt	(4,915)
Nonvoted debt capacity remaining	**$ 5,996**
Maximum voted debt (5% of assessed valuation)	$ 36,369
Less: Series 1999, 2009, 2012, 2015, 2016 Bonds and Other Long-term debt	(4,915)
Voted debt capacity remaining	**$ 31,454**

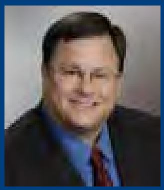
Debt Service Coverage Ratio** (UNAUDITED)

	2018	2017	2016	2015	2014
Prior bonds debt service coverage	31.67x	27.10x	25.42x	17.81x	14.86x
Combined prior & parity bonds debt service coverage	12.81x	10.57x	8.93x	7.96x	7.29x

** Debt Service is reduced by Build America Bonds Federal subsidy payments.

King Street Station, Seattle

2019 Sound Transit Board of Directors



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Redmond Mayor

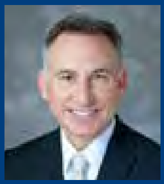
Kent Keel
Vice Chair,
University Place Mayor

Paul Roberts
Vice Chair,
Everett Councilmember

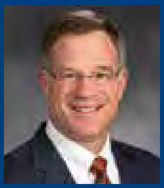
Nancy Backus
Auburn Mayor

David Baker
Kenmore Mayor

Claudia Balducci
King County Council
Vice Chair



Dow Constantine
King County Executive



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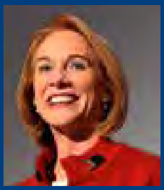
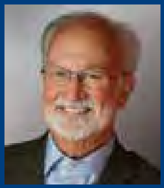
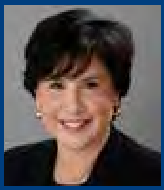
Pierce County
Executive



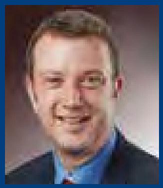
Jenny Durkan
Seattle Mayor



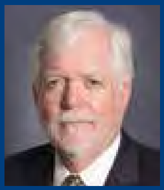
Dave Earling
Edmonds Mayor



Debora Juarez
Seattle Councilmember

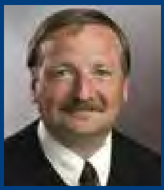


Joe McDermott
King County Councilmember



Roger Millar
Washington State Secretary
of Transportation

Kim Roscoe
Fife Mayor



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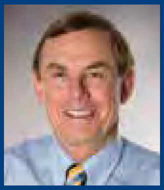
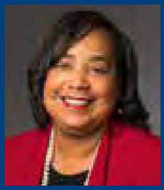
Snohomish County Executive

Dave Upthegrove
King County
Councilmember



Pete von Reichbauer
King County
Councilmember



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Tacoma Mayor

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Chief Executive Officer

Mike Harbour
Deputy Chief Executive Officer

Kimberly Farley
Deputy Chief Executive Officer

Don Billen
Executive Director, Planning, Environment
and Project Development

Desmond Brown
Executive Director
General Counsel

Craig Davison
Executive Director, Communications
and External Affairs

Ron Lewis
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Construction Management

Bonnie Todd
Executive Director, Operations

Tracy Butler
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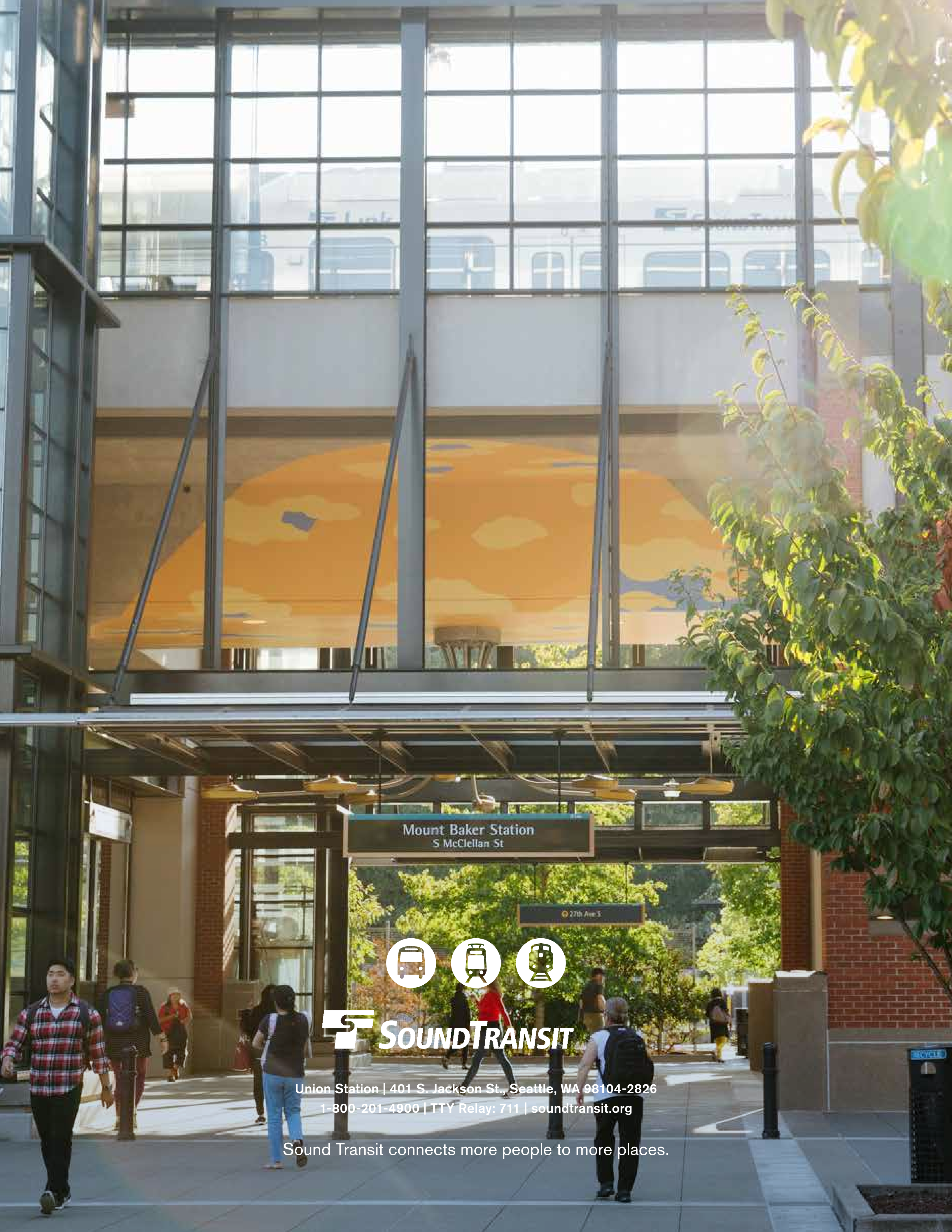

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