

Sound Move -- The 10-Year Regional Transit System Plan

As adopted May 31, 1996

Paying for the system

RTA taxing and bonding authority

State law allows the RTA to ask voters in the Central Puget Sound region to increase their local taxes to pay for a regional HCT system. The law allows the RTA to ask voters within the RTA District for up to a 9/10 of one percent sales tax, 8/10 of one percent motor vehicle excise (license tab) tax, and an employer tax of \$2 per employee.

The financial plan assumes the local funding for Sound Move at less than 40 percent of the authorized level. Funds will come from a 4/10 of one percent increase in sales tax and a 3/10 of one percent increase in the license tab tax to be collected within the RTA District.

State law also allows the RTA to issue municipal bonds. The financial plan for Sound Move includes long-term bond financing at a level significantly lower than state law allows.

Financial plan framework

The proposal to be placed before the voters will be a ten-year construction plan financed in part by long-term bonds. As elements are completed, they will begin operating during that ten-year period. After the ten-year period, the RTA's tax revenues will be used to continue transit operations and pay for debt service. Any portion of tax revenues used for further capital expansion will be subject to voter re-approval.

The RTA is committed to building and operating a ten-year system plan that can be confidently funded and completed as promised to the region's citizens. To carry out this commitment, the RTA adopted the following guidelines for the financial plan:

- **local tax rates** - Sound Move will be funded in part by local revenues, generated within the RTA District boundaries, including a local sales tax increase not to exceed 4/10 of one percent and motor vehicle excise (license tab) tax increase not to exceed 3/10 of one percent.
- **state and federal program funding** - The RTA assumes no state funds, thus placing no additional demand on limited state resources that are needed for other regional transportation investments.

The RTA assumes federal funding for new rail starts of \$55 million per year and other federal funding sources of \$18 million per year. Additional funds will be requested but the plan does not speculate beyond current sound estimates of federal support.

- **conservative borrowing levels** - The RTA Board has established financial policies to ensure conservative use of long-term debt (bonding). Because transit facilities provide benefits over a long span of time, it is reasonable to finance their construction over a period that extends beyond the ten-year system plan construction timeframe.
- **subarea benefits** - The RTA is committed to invest revenues to benefit the areas where they are raised.

The amount of long-term debt financing used to benefit each subarea will be based on its financing capacity (defined by revenues generated and ability to repay debt after covering operating expenses).

- **ten-year implementation** - Different parts and segments of the plan will be implemented in stages and be operational as soon as possible. The RTA is committed to the entire system being completed and operational within 10 years.

Costs and schedule

Table 1 summarizes the cost of putting Sound Move in place and operating regional express bus routes and rail lines. The costs associated with construction include markups to cover potential mitigation, engineering, administration, project management, insurance, and other overhead costs, as well as contingencies for unforeseen expenses. Operating and maintenance costs include overhead and administration expenses, and an operating reserve account equal to two months operating costs set aside for unexpected expenses.

The schedule for funding the system follows the general implementation schedule described in the "Putting the System in Place" section. Actual future cash flow will determine detailed scheduling priorities. The long-term cash flow analysis assumes that debt financing (bonds) will be necessary during the concentrated construction and implementation stages when capital costs alone exceed annual revenues.

HOV Expressway access ramps	\$377
Regional Express Bus routes	\$361
Commuter Rail	\$669
Electric Light Rail	\$1,801
Community connections	\$255
Regional fund / reserves	\$280
Debt service	\$171
TOTAL	\$3,914

Funding

The financial principles provide the foundation for determining what revenue sources should be relied upon to pay for Sound Move. The system plan will be paid for with a combination of voter approved local taxes, federal grants, farebox revenues, borrowed funds (bonds), and interest revenues (see Table 2). System operating costs beyond the ten-year implementation period will be paid for with local taxes, farebox revenues, interest earnings, private sources, and federal operating assistance.

Local taxes	\$1,980
Sales tax (0.4%)	
MVET (0.3%)	
Bonding	\$1,052
Federal	\$727
Farebox / other	\$155
TOTAL	\$3,914

Risk assessment

The assumptions used to project costs and revenues for Sound Move are consciously conservative. The assumptions have been carefully analyzed to provide a cushion in case there are adverse changes in one or more of the revenue or expense projections. Experience shows that if one assumption changes, other key indicators would likely change in a similar manner. For example, if inflation were to escalate projected costs, interest rates and earnings and tax revenues would also be higher than plan projections. The RTA, however, has adopted several strategies within its financial policies to reduce the impact of any imbalance between planned expenditures and available revenues.

Financial policies

The financial policies provide important tools to the RTA to make sure that Sound Move is financed on time and within budget, and that principles and commitments to the public are met.

- **Distributing revenues equitably** - Since local tax revenues will be used to benefit the RTA District's five subareas based on the share of revenues each subarea generates, adopting this ten-year plan represents an equitable distribution of revenues and benefits. Budgets for each of the five subareas, including the subarea's projected share of local taxes, borrowed funds, federal grants, farebox revenues, and related expenditures, will be monitored and adjusted on an annual basis to make sure that equitable distributions of revenues are maintained.
- **Regional fund** - The regional fund will pay for systemwide elements of Sound Move. These elements include the integrated fare policy that creates a single-ticket ride, innovative technologies, and planning for any future capital investments that will be placed before the region's voters. The regional fund will also pay for RTA administration. The fund will be created with an equal percentage of local tax revenues contributed by each of the five subareas plus interest earnings.
- **Conservative borrowing levels** - The RTA is committed to placing limits on its use of long-term debt. It has adopted several policies to make sure this commitment is met. These policies establish the conservative approach the RTA will use to calculate the cash flow available to service debt, set a debt service coverage ratio policy, and reserve a portion of the RTA's debt financing capacity to provide a future potential funding source for unforeseen circumstances.
- **Public accountability** - The RTA will hire independent auditors and appoint a citizen oversight committee to monitor RTA performance in carrying out its public commitments.
- **System expansion or tax rollback** - Any second phase capital program which continues local taxes for financing will require voter approved within the RTA District. If voters decide not to extend the system, the RTA will roll back the tax rate to a level sufficient to pay off the outstanding bonds and operate and maintain the investments made as part of Sound Move.



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