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TO: Sound Transit Board  
FROM: Joni East, Chief Executive Officer  
DATE: August 26, 2003  
SUBJECT: Report on performance audit request

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In a recent appearance before the Sound Transit Board, Will Knedlik alleged that Sound Transit has not complied with the agency's obligation to conduct comprehensive annual performance audits. He based his allegation on the language of Section 5 of Resolution 75. Upon your request, Sound Transit's General Counsel has thoroughly reviewed the allegation to determine its validity.

Our legal conclusion is that neither Sound Transit, the Citizen Oversight Panel nor the Performance Audit Committee have violated Section 5 of Resolution 75 or any other applicable audit requirement. The audit requirement is to ensure Sound Transit's compliance with the legal obligations set forth in *Sound Move* Appendix B: Financial Policies and Board adopted Resolution 72 that includes the requirement for sub-area accounting and budgeting. The requirement also ensures that Sound Transit follows the American Institute of Certified Public Accountant professional guidance as promulgated through the Financial Accounting Standards Board and Government Accounting Standards Board.

Although not required by Resolution 75, Resolution 72, or the *Sound Move* financial policies, Sound Transit also has conducted reviews of other specific areas and topics. Many of those reviews were recommended by the COP; others were voluntarily conducted by the agency. The reviews included: Contract Change Order Processes, Public Involvement, Real Estate Acquisition, Insurance Risk Management and Quality Assurance.

With respect to the Citizens Oversight Panel, it is charged with making recommendations to the Board, as it deems appropriate, based on the audit information and its review of the agency's financial plan. The panel is not obligated to directly audit any aspect of Sound Transit's performance. The Board created the Performance Audit Committee by independent Board action with no legal requirement to do so. Under that action, the panel's duties are limited to the discretionary functions delegated to it by the Board.

Please contact Desmond Brown at (206) 398-5017 or Mandie Barnes at (206) 689-3370 if you have any questions.

**REGIONAL TRANSIT AUTHORITY**

**RESOLUTION NO. 75**

A RESOLUTION of the Board of the Regional Transit Authority for the Pierce, King and Snohomish Counties region calling an election to approve local taxes to implement a Ten-Year Regional Transit System Plan; describing the proposed high capacity transportation system improvements; setting forth the ballot title for said election; fixing the Authority's boundaries; and directing the Executive Director to deliver this Resolution to the election officials of the participating counties for such actions pursuant to RCW 81.104.140 and RCW 29.13.020 as may be necessary to conduct said election on November 5, 1996.

WHEREAS, the Regional Transit Authority for the Pierce, King and Snohomish Counties region (the "RTA") is a duly organized regional transit authority existing under Chapters 81.104 and 81.112 RCW; and

WHEREAS, state law provides that the RTA's mission is to plan, develop, operate and fund a regional high capacity transportation system, which is to be integrated and coordinated with other public transportation services; and

WHEREAS, by Resolution No. 37 adopted September 23, 1994, and by Resolution No. 53 adopted January 13, 1995, the Board of the Regional Transit Authority (the "Board") fixed the boundaries of the Authority to facilitate, among other things, future elections to authorize the imposition of taxes as required by RCW 81.112.030 and RCW 81.104.140; and

WHEREAS, by Resolution No. 40, adopted October 28, 1994, the Board adopted a Phase I System Plan for initial implementation and authorized necessary review steps, and by Resolution No. 53, adopted January 13, 1995, called for a special election to approve local taxes to implement said plan; and

WHEREAS, the election held on March 14, 1995, to fund a Phase I Regional Transit System plan did not pass; and

WHEREAS, after considering the results of the election and comments received in numerous community meetings, regional forums and public hearings, the Board determined that it was in the best interests of the citizens of the region to develop a new high capacity transportation plan for the RTA as well as a long range vision; and

WHEREAS, by Resolution No. 73, adopted May 31, 1996 the Board of the RTA adopted the Ten-Year Regional Transit System Plan, entitled "Sound Move", together with related Appendices, and a Regional Transit Long-Range Vision, after considering additional public input, and rescinded Resolution No. 40 having determined that such plan and long-range vision are in the best interests of the citizens of the Central Puget Sound region and are capable of providing the high capacity transportation system as contemplated by Chapters 81.104 and 81.112 RCW; and

WHEREAS, by Resolution No. 72, adopted May 31, 1996, and pursuant to RCW 81.112.040 and Section 7 of Resolution No. 1 adopted September 17, 1993, the Board adopted as a major decision certain financial policies to guide funding of high capacity transportation services and facilities in the Ten-Year Regional Transit System Plan and to achieve equity among the subareas in the RTA district; and

WHEREAS, the RTA has submitted the Ten-Year Regional Transit System Plan to an expert

review panel for review pursuant to RCW 81.104.110; and

WHEREAS, the Puget Sound Regional Council (the "PSRC"), acting as the regional transportation planning organization under state law, has found the Ten-Year Regional Transit System Plan and the Regional Transit Long-Range Vision consistent with the region's adopted transportation plan, the 1995 Metropolitan Transportation Plan (MTP); and

WHEREAS, pursuant to Chapters 81.104 and 81.112 RCW, the RTA is authorized to levy and collect certain voter-approved local option funding sources, including a special motor vehicle excise tax and a sales and use tax, to support implementation of the RTA's high capacity transportation system plan; and

WHEREAS, by Resolution No. 50 adopted December 16, 1994 (amending Resolution No. 41, adopted October 29, 1994), the Board recommended to the Pierce County Auditor, the King County Manager of Records and Elections, and the Snohomish County Auditor that the initial election on the RTA proposition be conducted using regular polling place balloting procedures, and the Board continues to support the use of such procedures; and

WHEREAS, the funding and implementation of the Ten-Year Regional Transit System Plan, including improved bus and new rail lines, will provide high capacity transportation services necessary for the continued mobility of our citizens and for the maintenance of both our environment and economy;

NOW THEREFORE BE IT RESOLVED by the Board of the Regional Transit Authority as follows:

Section 1. The Board hereby finds and declares that the best interests and welfare of the citizens of the Pierce, King and Snohomish Counties region require the RTA to implement the Ten-Year Regional Transit System Plan, as described in the document entitled "Sound Move," adopted May 31, 1996 by Resolution No. 73, which includes the following types of capital and service improvements to develop high capacity transportation corridors and gateways to the region through community connections:

- a) Regional rail system. The RTA shall plan, develop and provide for the operation of a regional rail system composed of commuter rail and light rail technologies and necessary rail system improvements, such as acquisition of rights of way and real property interests, rail lines and rolling stock, rail stations and appurtenant facilities.
- b) High-occupancy-vehicle expressway with regional express buses. The RTA shall plan, develop and provide for the operation of regional express bus routes, linking urban and suburban centers, operating primarily in the existing and in an expanded high-occupancy-vehicle (HOV) lane system. The HOV expressway will be developed through a partnership between the RTA and the state Department of Transportation. The RTA will fund special access ramps to make it easier for transit and carpools to reach and use the HOV expressways.
- c) Transportation facilities and community connections. The RTA shall plan, develop and provide for the operation of transportation facilities and services as may be necessary to support the regional rail and bus system. Such facilities and services will include: rail stations; transit centers; park and ride lots; bicycle facilities; fare integration programs; intergovernmental programs with local and state agencies to coordinate transportation service and to provide a uniform, single-ticket fare system; features and services that increase passenger security, comfort and safety; and other facilities and services necessary to support or implement the Ten-Year Regional Transit System Plan.

d) Innovation fund. The RTA will establish an innovation fund, within the Board's regional fund, to provide resources to evaluate and develop technological innovations, environmental benefits and incentive programs to encourage public transit use, including, but not limited to, uniform passes or tickets and integrated fares for regional, multi-system services.

The cost of all necessary property acquisition, relocation, equipment; construction, architectural, design, engineering, permitting, legal, planning, and other consulting services; inspection and testing; administrative expenses; operations and maintenance; capital replacement; debt service; and other costs incurred in connection with the implementation of the Ten-Year Regional Transit System Plan improvements shall be deemed a part of the costs of such improvements. The RTA shall determine the exact extent, specifications and procurement methods for all improvements.

The Board shall determine the application of available moneys as between the various projects set forth above, consistent with the provisions of Resolution No. 72, so as to accomplish, as nearly as may be, all improvements described or provided for in this section.

In accordance with the Ten-Year Regional Transit System Plan, the Board may issue bonds from time to time to finance the Plan and use the proceeds of the taxes approved by the voters as provided for herein to pay principal and interest on said bonds.

The Board finds and declares that the approximate estimated cost of system plan implementation during the ten-year period and all costs incidental thereto, is, as near as may be estimated, the sum of \$3,914,000,000 (in 1995 dollars).

Section 2. In the event that the RTA receives greater amounts of federal and/or other contributions than anticipated, the RTA will use such funds as may be in the best interests of the RTA and as determined by the Board, including application to existing or new fund accounts, offsetting the cost of the Ten-Year Regional Transit System Plan improvements and applying the savings to reduce debt service costs or the total level of bonded indebtedness, reducing tax levies, and/or authorizing new improvements consistent with Resolution 73. If available funds are sufficient from the proceeds of local taxes and/or bonds authorized for the above purposes, the RTA shall acquire, construct, equip, and make such improvements to the facilities of the RTA, all as the Board finds necessary.

In the event that the proceeds of federal contributions, plus any other moneys of the RTA legally available, are insufficient to accomplish all of the capital improvements provided by this Resolution, the RTA shall use the available funds for paying the cost of those improvements that are contained in the Ten-Year Regional Transit System Plan and are deemed by the Board to be most necessary and in the best interests of the RTA after consideration of the financial policies approved by Resolution No. 72. In the event that the Ten-Year Regional Transit System Plan improvements, or some portion thereof, are impractical to accomplish due to changed conditions or force majeure events, the RTA may use the available funds to pay principal of or interest on bonds, to reduce tax levies, or to pay for other capital and/or service improvements that achieve the stated goals of said plan, as the Board in its discretion shall determine as appropriate or necessary in accordance with law and Board policy.

Section 3. For the sole purpose of providing funds for the planning, development, operation, and maintenance of a high capacity transportation system as provided in Chapters 81.104 and 81.112 RCW and in Resolution No. 73, adopted May 31, 1996 and incorporated herein by reference, the RTA shall levy and collect a sales and use tax not to exceed four-tenths of one percent and levy and collect a motor vehicle excise tax of three-tenths of one percent as provided in RCW 81.104.160 and RCW 81.104.170 if such local option taxes are approved by the voters within the RTA boundaries pursuant to RCW 81.112.030.

Section 4. The local option taxes approved by the voters shall be levied at such rates and collected as of such dates as may be determined by the Board pursuant to law. The Board intends for the levy and collection of the motor vehicle excise tax and the sales and use tax to begin on January 1, 1997.

Section 5. To ensure that the ten-year development and implementation program occurs within the framework and intent of the financial policies approved by Resolution 72, the RTA will conduct an annual comprehensive performance audit through independent audit services and appoint and maintain a citizens' oversight committee for the ten-year construction period. The oversight committee is charged with an annual review of the RTA's performance audit and financial plan and for reporting and recommendations to the Board.

Section 6. The Board finds and declares that the proposition hereinafter set forth be submitted to the voters at the general election to be held within the RTA district on November 5, 1996. The Board requests the Pierce County Auditor, the King County Manager of Records and Elections, and the Snohomish County Auditor to assume jurisdiction of and to call and conduct such election, to submit to the voters the proposition set forth in Section 7 of this Resolution, and to use regular polling place ballot procedures.

RCW 81.104.140(9) requires that a local voter's pamphlet be produced as provided in Chapter 29.81A RCW. Accordingly, the Board directs the Executive Director to request the county elections officials to coordinate on production and distribution of the local voter's pamphlet, pursuant to such arrangements as the county elections officials deem appropriate and necessary.

Section 7. The Executive Director is authorized and directed to certify to the Pierce County Auditor, the King County Manager of Records and Elections and the Snohomish County Auditor, at least 45 days prior to November 5, 1996, a copy of this Resolution and the proposition to be submitted at said election in the following form:

**REGIONAL TRANSIT AUTHORITY (RTA)**

**PROPOSITION #1**

**REGIONAL TRANSIT SYSTEM**

For implementing a regional rail and express bus system to respond to traffic congestion growth and linking Tacoma, Seattle, Bellevue, Everett, other cities, Sea-Tac airport, and major education, employment and retail centers, as described in "Sound Move, the Ten-Year Regional Transit System Plan", shall the RTA impose a sales and use tax up to four-tenths of one percent and a motor vehicle excise tax of three-tenths of one percent, as provided in Resolution No. 75?

YES

NO

Section 8. Exhibit A-1 of Resolution No. 53 fixing the election boundaries of the Authority is hereby amended as provided in Exhibit A attached hereto. The Board declares that the boundaries provided in Exhibit A to this Resolution are hereby fixed as the final election boundaries for RTA election to be held on November 5, 1996. The Board directs and authorizes the Executive Director to deliver, within the time required by law, said final election boundaries to the Pierce County Auditor, the King County Manager of Records and Elections, and the Snohomish County Auditor.

Section 9. The Board further authorizes the Executive Director to take any actions necessary to implement the policies and determinations of the Board pursuant to this Resolution.

ADOPTED by the Board of the Regional Transit Authority for the Pierce, King and Snohomish Counties region at its meeting held on August 23, 1996.

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Paul Miller  
Vice Chair of the Board

ATTEST:

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Marcia Walker  
Board Administrator

# Sound Move -- The 10-Year Regional Transit System Plan: Appendix B



As adopted May 31, 1996

## Financial policies

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*Moving  
Forward*

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



As adopted May 31, 1996

## Financial policies

### Introduction

#### Purpose

The RTA Board adopted an initial framework for the financing of Sound Move, by setting local tax rates, focusing on minimal debt financing, requiring conservative projections for federal and state funding, and establishing a definition by which equity will be measured. The Financial Policies reflect the RTA Board's policy intent for implementing the financial framework, for ensuring that the ten-year construction program is completed on time and within budget, and for providing the tools to the Board to appropriately manage toward and respond to future conditions.

#### Legal responsibilities

In adopting these Financial Policies, the RTA Board recognizes certain legal responsibilities. Existing state law grants all legislative and policy authority to the RTA Board, and does not allow the Board to abrogate, transfer or delegate such authority to other agencies or to the five subareas within the RTA District. Consequently, all funds collected by or provided to the RTA, including local tax revenues, federal and other government grants, bond proceeds, fare box revenues, interest earnings, and private development revenues, may be disbursed only with approval of the RTA Board. Priorities for disbursements will be determined within the RTA's annual budgetary process, which by law requires a favorable vote by two-thirds of the RTA Board.

Similarly, the RTA Board recognizes that bonds issued by the RTA will be secured by a pledge of repayment through local taxes. When the bonds are issued, the RTA will enter a binding contract with its bondholders that requires a first claim against local tax revenues for repayment. Stated differently, bondholders will have a legal priority to the RTA's local tax revenues, above and beyond any commitment the RTA may wish to make with its subareas that no subarea will pay another subareas' debt. Therefore, these Financial Policies reflect the RTA's commitment to subarea equity while maintaining the flexibility necessary to manage the financing of the system plan on a consolidated basis and within legal constraints.

## Financial Policies

### Equity

#### Definition of equity

- a. Equity will be defined as utilizing local tax revenues and related debt for projects and services which benefit the subareas generally in proportion to the level of revenues each subarea generates. This equity principle will apply to the ten-year system plan as well as all future phases. The Financing Plan for Sound Move reflects this equity principle by providing a budget for each of the five RTA subareas, comprised of the subarea's share of local taxes, bonding capacity, farebox proceeds and an assumption for federal funding. The five subareas are defined as Snohomish County, North King County/Seattle, East King County, South King County, and Pierce County. While the Financing Plan will be managed by the RTA Board on a consolidated basis, the RTA will establish an accounting system by which to report individual subarea performance.
- b. The RTA Board agrees, therefore, that the facilities, projects and services identified in the adopted Ten-Year System Plan represent a reasonable definition of equity for purposes of satisfying both public policy concerns and statutory requirements. The subarea budgets will serve as the starting point for evaluating the equity principle during the ten year construction period.

### Implementation policy

#### a) Subarea budgets:



1. The RTA Financing Plan will provide a budget for each of the five RTA subareas, comprised of the subarea's projected share of local taxes, bonding capacity and farebox proceeds, and an assumption for federal funding, and related expenditures.
2. Local taxes will be allocated to subarea budgets based on actual sales tax and motor vehicle excise tax receipts collected by subarea and within the RTA District. Annual RTA and subarea budgets will incorporate updated forecasts based on these actual receipts. A percent of local taxes from each subarea will be allocated to the Regional Fund to fund system-wide costs (see Regional Fund below).
3. Government funding will be allocated in two ways:
  - Government funding received that is general in scope for facilities and/or services that appear in several subareas will be allocated to subarea budgets proportional to the subareas' percentage share of total RTA local taxes collected and projected.
  - Government funding that is received for a specifically determined facility and/or service will be allocated to the subarea(s) which benefits from the facility and/or service.
4. Miscellaneous revenues, such as those generated through private-public partnerships, advertising and terminal concessions, will be allocated to subarea budgets based on subarea investment in the facility and/or service from which the revenue is generated. Because these revenue sources carry a high level of uncertainty, projections will not be included in the adopted Financing Plan or in the original subarea budgets.
5. Bonding capacity will be allocated based on a subarea's ability to repay the debt service after covering operating and maintenance costs, and consistent with the RTA's debt service coverage ratio policy (see Debt financing capacity below).
6. The subarea expenditures will be allocated in terms of the facilities and services to be provided, their projected costs and project contingencies, associated operating costs, debt service, and reserves for debt service, operations and maintenance, and capital replacement. The allocation of expenditures for facilities and services that cross subarea boundaries will be made by the RTA Board with consideration to subarea benefits and priorities.

#### **b) Monitoring function:**

1. The RTA will establish an accounting system by which to report performance against subarea budgets. This monitoring and reporting function will be incorporated into the RTA's annual budgeting process.
2. The RTA will establish an independent audit function to oversee its monitoring and reporting of subarea budgets.
3. The RTA will appoint a citizen oversight committee to monitor RTA performance (see Public accountability below)

#### **c) Adjustments to subarea budgets:**

1. The RTA will establish a process by which subarea budgets can be adjusted, based on current revenue and expenditure forecasts. Since the subarea budgets will be included within the RTA's general budget, adjustments to subarea budgets will occur every year as a step in the RTA's annual budget adoption, which requires a two-thirds favorable vote of the RTA Board. Adjustments to subarea budgets can include additional priority projects and/or services within that subarea should funding be available. This adjustment process recognizes that some fluctuation in revenues and expenditures against forecasts will occur
2. For those cases where a subarea's actual and projected expenditures exceed its actual and projected revenues and funding sources by 5 percent or greater, and/or where unforeseen circumstances occur which would result in an inability to substantially complete projects within such subarea's plan, the RTA Board shall take one or more of the following actions:
  - Correct the shortfall through use of such subarea's uncommitted funds and/or bond capacity which is available to the subarea; and/or
  - Scale back the subarea plan or projects within the plan to match a revised budget; and/or
  - Authorize a vote of the RTA district on a revised ballot measure.

### **Regional fund**

#### **Funding Sources**

The RTA will establish a regional fund that will be funded through a percent of local tax revenues contributed by each of the five subareas and interest earnings. The percent of local tax to be contributed will be set in the adopted Financing Plan, and then reviewed and set annually through the RTA budget process. It will not exceed ten percent per year during the ten-year system plan period.

## Uses for regional fund

The regional fund will be used to fund system-wide elements. These elements include:

- a. The RTA's fare integration program.
- b. The RTA agency administration, including:
  - research and development of new technology;
  - planning and environment analysis for a future capital program.
- c. Contingencies that may occur due to shortfalls in actual revenues collected or funding obtained, and/or overruns in actual expenditures relative to cost estimates provided that the funding of such contingencies shall not diminish the RTA's ability to fully implement its fare integration program.

## Debt financing capacity

### Legal definition of RTA debt financing capacity

- a. The RTA's enabling legislation defines the RTA's capacity for issuing general obligation debt at one and one-half percent of the value of the taxable property within the boundaries of the RTA District (and with approval of three-fifths of voters voting with the RTA District, up to five percent of the value of the taxable property within the district's boundaries). There is no dollar limit for revenue indebtedness.
- b. However, through the following policies, the RTA will implement a substantially more conservative use of debt financing.

### Calculation of debt financing capacity

The RTA recognizes that its future bondholders will hold first claim against its local sales tax and motor vehicle excise tax revenues as the pledged sources for repayment. However, the RTA's debt financing capacity will be calculated on a more conservative basis, by evaluating all revenues and deducted total operating expenses for net revenues available for debt service.

### Debt service coverage ratio policy

- a. The RTA further recognizes the importance of a conservative debt service coverage ratio, both to insure a conservative use of debt and to secure favorable financing costs.
- b. For planning purposes, the RTA's debt service coverage ratio policy will be set at an average coverage ratio of 2.0x for net revenues over annual debt service costs, not to fall below 1.3x in any single year. Prior to bond issuance, the RTA will establish the appropriate debt service coverage ratio to incorporate into its bond covenants.

### Uses of debt financing

- a. Debt financing in the context of the ten-year construction program covers two distinct types of borrowing, the first related to long term debt financing, and the second related to short term debt financing.
- b. Short term debt financing (with terms of ten years or less) is expected to be used primarily to bridge the gap between the necessary timing of expenditures and the anticipated receipt of revenues.
- c. The use of long term financing (with terms of more than ten years) is expected to be limited to capital and related costs for portions of the program that have a useful life in excess of the term of the debt. Long term financing should be preserved for those aspects of the program for which other sources of funds are not likely to be available (e.g., due to timing or eligibility constraints) or for which a local match is required to access such source of funds.
- d. The RTA will reserve a portion of its legal debt financing capacity to provide a potential funding source by which to address unforeseen circumstances. This reserve is defined at five percent of the capital costs reflected in the ten-year construction program.

### Allocation of RTA debt capacity to subareas

- a. The amount of long-term debt financing used to benefit each of the subareas will be based on each subarea's ability to repay debt after covering operating costs.

- b. While the above policy prescribes the use of debt financing within subarea budgets, the RTA Board will manage the agency's debt capacity on a consolidated basis.

## Debt management guidelines

The RTA Board has established, and will maintain, specific guidelines for managing the authority's debt use.)

## Setting priorities for expenditures

Based on the ten-year system plan, the RTA will develop a six year capital improvement budget, to be updated every two years as a step in the annual budgeting process and which will require adoption by a two-third favorable vote of the RTA Board. The RTA will establish guidelines for its budgeting process and criteria by which to establish priorities for expenditures.

## Public accountability

To insure that the ten-year construction program development and implementation occurs within the framework and intent of these policies, the RTA will:

- a. Conduct an annual comprehensive performance audit through independent audit services;
- b. Appoint and maintain for the ten-year construction period a citizens' oversight committee, charged with an annual review of the RTA's performance audit and financial plan, for reporting and recommendations to the RTA Board.

## Future phases

### Voter approval requirement

The RTA Board recognizes its authority to fund Sound Move's future operations, maintenance and debt service as well as any future phase capital program through a continuation of the local taxes initially authorized by the voters. However, in its commitment to public accountability, the RTA Board pledges that any second phase capital program which continues local taxes for financing will require approval by a vote of those citizens within the RTA District.

### Sales tax rate rollback

Should voter approval for a future phase capital program not be forthcoming, the RTA Board will initiate two steps to roll back the rate of sales tax collected by the RTA.

- a. First, the RTA will first initiate an accelerated pay off schedule for any outstanding bonds. Second, the RTA will implement a tax rollback to a level necessary to pay the accelerated schedule for debt service on outstanding bonds, system operations and maintenance, fare integration, capital replacement, and agency cost.
- b. Once all debt is retired, the RTA will implement a tax rollback to a level necessary to pay for system operations and maintenance, fare integration, capital replacement and agency administration. .

## Financial policies review

These Financial Policies will apply to future capital programs. They will be reviewed for applicability prior to any submittal of a future capital program to the RTA District voters.



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## REGIONAL TRANSIT AUTHORITY

### RESOLUTION NO. 72

A RESOLUTION of the Board of the Regional Transit Authority for the Pierce, King, and Snohomish Counties Region declaring that adoption of financial policies to govern the financing and implementation of any regional transit system plan constitutes a major decision that requires a two-thirds vote of the Board; and adopting financial policies, as recommended by the RTA Finance Committee, for the implementation of the Ten-Year Regional Transit System Plan.

WHEREAS, the Regional Transit Authority ("RTA") district includes urban portions of three counties and contains areas with diverse transportation patterns and high capacity transportation needs; and

WHEREAS, the RTA is committed to achieving equity among the subareas in the RTA district as to funding and provision of high capacity transportation services and facilities; and

WHEREAS, the RTA Board desires to set forth financial policies that reflect the RTA's commitment to such equity while maintaining the flexibility necessary to finance the Ten-Year Regional Transit System Plan on a consolidated basis ("Ten-Year System Plan"); and

WHEREAS, the RTA Board is authorized, pursuant to RCW 81.112.040 and Section 7 of Resolution No. 1, adopted September 17, 1993, to designate certain actions of the RTA Board as major decisions that require an affirmative vote of two-thirds of the entire membership of the Board;

NOW, THEREFORE, be it resolved by the Board of the Regional Transit Authority as follows:

Section 1. The RTA Board declares that adoption of, and any subsequent amendment to, financial policies to govern the financing and implementation of any regional transit system plan constitutes a major decision that requires an affirmative vote of two-thirds of the entire membership of the Board.

Section 2. The Board hereby adopts the "Financial Policies" document attached hereto as Exhibit A as the financial policies to govern the financing and implementation of the Ten-Year Regional Transit System Plan ("Ten-Year System Plan ") that the RTA Board intends to adopt in 1996.

Section 3. The RTA directs the Executive Director and the Finance Director to monitor the RTA's performance under the adopted Financial Policies and, from time to time, to report to the RTA Board regarding the same and to make recommendations regarding desirable revisions to said Financial Policies.

Section 4. The RTA Board directs the Executive Director to establish and manage an internal program to implement the Financial Policies adopted by the Board, and the Board authorizes the Executive Director to interpret and apply, with necessary and appropriate discretion, said Financial Policies in the event of changed conditions or circumstances.

ADOPTED by the Board of the Regional Transit Authority for the Pierce, King, and Snohomish counties region at its meeting held on May 31, 1996.

By Bob Drewel  
Bob Drewel  
Chair of the Board

ATTEST:

By Marcia Walker  
Marcia Walker  
Board Administrator