

Introduction

Emory Bundy of Seattle, Washington prepared and handed over the following document to the U.S. Department of Transportation, Office of Inspector General on October 18, 2002 in support of the ongoing audit of Sound Transit's Central Link Light Rail Project.

This document bears directly on the issues identified in the Inspector General's April 4, 2001 interim report, including estimated costs and associated risks. It touches on the folly of proceeding with the so-called Initial Segment of Central Link Light Rail without having a plan, alignment, or budget to continue it northward, or even cause to assume that it's an affordable, viable project.

This document shows that Sound Transit does not have sufficient local resources, under its existing taxing authority and financial policies, to do more than build the 14 mile Initial Segment. There is no discernible source of local funds adequate to extend Link northward from downtown Seattle or beyond South 154th Street. Not much needs to go wrong – and there's a good chance that a lot will go wrong – in order to put the Initial Segment well beyond its current schedule.

Sound Transit continues to misrepresent the facts of its financial condition. This document presents evidence that Sound Transit has manipulated a purported independent review committee to convey to the public, the state court, and the federal government, that existing funding authority is sufficient to complete Central Link Light Rail.

Emory Bundy urges a probing investigation of Sound Transit, its finances, and the Central Link Light Rail project.

October 18, 2002

Sarah Batipps
Office of Inspector General
US Department of Transportation
Room 9126, Nassif Bldg
400 7th Street, NW
Washington, DC 20590-0001

Dear Ms. Batipps:

I welcome the opportunity to present information to the Office of Inspector General, in the course of its audit of Sound Transit's Central Link light rail project, on behalf of local citizens in the Central Puget Sound Region. My civic roles on this subject include co-chair of Citizens for Mobility, and board member of Sane Transit. Prior to the 1996 election I was a member of the Regional Transit Authority's Regional Outreach Committee, and the transportation committee of the Greater Seattle Chamber of Commerce. In 1997 I was appointed by the City of Seattle to serve on the six-member Interim Monorail Committee.

There are two basic points in the report to follow. The most important is, Sound Transit does not have sufficient local resources, under its existing taxing authority and subarea equity policies, to do more than build Initial Segment. There is no discernible source of local funds adequate to extend Link from downtown to the University District, or from South 154th to South 200th. At least not until sometime well after the outer limit of the current planning horizon, 2021.

Supplementary to that point is a set of related material--the Deloitte & Touche performance audit, commentary on industry norms with respect to costs, and an assessment by a financial expert--that suggests Sound Transit's financial condition is considerably worse than it's represented to be. Initial Segment is very close to the wire, if all goes well. Not much needs to go wrong--and there's a good chance that a lot will go wrong--in order to put Initial Segment well beyond its current schedule.

The second point is, there is a great deal of continuing misrepresentation that is manifested by Sound Transit. Some of it--its causes, methods, and implications--is illuminated by analogies with the Big Dig. Which shares many common attributes, including Parsons Brinckerhoff, key project manager in both cases. And there is circumstantial, but weighty evidence that Sound Transit has manipulated a purported independent committee, that was supposed to critique Sound Transit's work, to convey to the public, the state court, and the federal government, that Sound Transit can afford to complete Central Link with existing funding authority. Whether there is wrongdoing is difficult to establish. But the exercise was riddled with conflicts of interest, backroom dealings, and misrepresentation to the public and to the federal government.

Both these points bear directly on the issues identified in the Inspector General's April 4, 2001 interim report. They bear on estimated costs and associated risks, and touch on the folly of proceeding with so-called Initial Segment without having a plan, alignment, or budget to continue it northward, or even cause to assume that it's an affordable, viable project.

It is the presumption of this report that the Inspector General is concerned about issues of waste, misrepresentation, and fraud. There is ample reason to be deeply concerned about abuse in this instance. As an example of one course of partial remedy, the example of the Massachusetts Inspector General is salutary. It grew out of the exemplary work of the 1980 Ward Commission that skillfully investigated corruption in public works building projects in Massachusetts. It was not just a matter of wasted money, shoddy work, and debased standards; those were the symptoms of more profound maladies. The flow and abuse of large sums of money deeply corrupted the political system. "Corruption was a way of life in the Commonwealth. Political influence, not professional performance, was the prime criterion in doing business with the state." The Massachusetts Inspector General's Office was founded on the experience of the Ward Commission, and the State Crime Commission which preceded it, the first statewide inspector general's office in the nation. It was created to provide an investigative capacity not adequately filled by either the auditor's office or the attorney general. Ideally, it intervenes before fraud, waste, or abuse is rooted. We desperately need a counterpart.

In the current instance there is profound need not only to avert fraud, but to arrest it. We have thought of Seattle as relatively innocent, but the unmistakable similarities with the problems of corruption in Massachusetts are alarming. Lacking any investigative capacity comparable to that of the Massachusetts Inspector General, we pray that the Office of Inspector General, USDOT, will conduct a probing investigation of Sound Transit, its finances, and its Initial Segment/Central Link light rail project. And, if there are important stones unturned, that are cause for concern, we ask that your office refer them to the proper agencies or committees for additional investigation, local, state, or federal.

Background

When the vote on Sound Transit's proposal was taken in November 1996, about 56 percent of the region's voters supported it. But what was put before them--what they were asked to support, was Sound Move: The Ten-Year Regional Transit System Plan. The plan had several major components, with top billing accorded a 21-mile "starter rail" from the University District to SeaTac, linking the University District, Capitol Hill, First Hill, downtown Seattle, the Rainier Valley area, and SeaTac, "the state's highest employment areas with the highest transit ridership in the region."¹ It was to be a starter rail, the linch-pin to a long-dreamed-of regional rail system, first proposed by Jim Ellis in 1965.

¹ Sound Move, page 14.

The cost for Central Link (\$1.7 billion or \$2.3 billion in year-of-expenditure dollars), and ridership estimates (127,000 daily patrons by 2020) were represented as "extremely conservative."² The project would be completed by 2006. Sound Transit assured voters it would "make certain" it was built on time and on budget.³ Citizens were promised that after completion of the ten-year plan, further capital expenditures would not be made without their consent, and if that consent was not forthcoming, taxes would be rolled back, minus what was required for transit operations and debt service.⁴

If consent from voters to continue rail development was obtained, phase II light rail target destinations would include Northgate, Everett; Tacoma, Fort Lewis and Dupont; Bellevue, Redmond and Issaquah; an Interstate 405 route from Swamp Creek to the SeaTac Airport; and downtown Seattle to Ballard to University District.⁵ The vision embraced an extensive Central Puget Sound light rail network by 2020, which the official planning agency, Puget Sound Regional Council, said would be 125 miles in extent.⁶

What has happened since 1996 has been a civic disaster, a cornucopia of incompetence, hidden deficits, misrepresentations, huge projected cost overruns, schedule delays, and radically diminished prospective benefits. Recently Sound Transit's chief legal counsel, Desmond Brown, announced in open court, in the presence of executive director Joni Earl and board chairman Ron Sims, that the agency has no legal obligation to honor either the budget or the schedule it presented to voters when soliciting their approval. It can spend as much as it wants, for as long as it likes, to implement Central Link, or some portion of it, as it sees fit.⁷

Accordingly, opposition has grown, and citizen organizations of every community along Central Link light rail's alignment--all of which supported it at the outset--now oppose it: Tukwila city council, Save Our Valley (Rainier Valley residents), Downtown Seattle Association, Capitol Hill Community Council, Businesses of Broadway (250 strong), and the University District Community Council. The region's journal of record, the Seattle Times, endorsed the project in 1996 but, as events unfolded and discrepancies burgeoned, has repeatedly editorialized against it since October 2000. The Seattle Post-Intelligencer's Pulitzer Prize-winning editorial cartoonist, David Horsey, recurrently lampoons Sound Transit's misdeeds and misrepresentations in accurate, inimitable style. For example, his January 25, 2001 cartoon, "Lemon of a lite rail," illustrates a "lite rail" lemon with four wheels, signed "**Now just: \$4,000,000,000**" The distraught customer,

² Sound Move, page 31.

³ Sound Move, page 31.

⁴ "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." Sound Move, page 36.

⁵ Sound Move, The Regional Transit Long-Range Vision, page 14.

⁶ PSRC, Vision 2020.

⁷ Oral proceedings before Superior Court Judge John Erlick, *Sane Transit v. Sound Transit*, 9.27.02. The Seattle Times coverage the following day led with the news, "Sound Transit argued in court yesterday that it has the power to collect taxes for as many years as necessary, without a spending limit, to complete the entire light-rail line voters approved in 1996." The judge inquired whether, in law, Sound Transit accepted any limit to the money it could spend, or the time it could take on the project. No limit was offered.

labeled "Public," protests, "You don't know **where** it'll go, you admit it'll make congestion **worse**, you've jacked up the price and put off delivery... **I don't want it anymore!!**" To which the slick-talking, pencil-mustached salesman, representing Sound Transit, says, "Sorry sucker, we've got a deal!"

Today, Sound Transit proposes to build, not the 21-mile Central Link project represented to voters, but a different, much cheaper and easier project, 14-mile Initial Segment, for \$2.9 billion (\$YOE), to be completed by 2009, and projected to carry but 42,500 daily patrons in 2020. It will cost more than all of Central Link was supposed to, take longer to complete, and carry but one-third the projected ridership. Of the six "highest employment centers" Sound Transit promised in 1996 to serve, only two will be connected, Rainier Valley with downtown. The Downtown Seattle Association has ascertained that Initial Segment is not only a waste, but a menace, promising to increase congestion and diminish transit capacity downtown, threatening the viability of Seattle's retail core. It has confirmed its apprehensions with expert studies commissioned to the Washington Research Council, a respected local think-tank, and ECONorthwest, the region's leading economic consulting firm.

Initial Segment Promises to be the Final Segment

Sound Transit seeks to convey the impression, even by its nomenclature, that Initial Segment is a way-station to completing Central Link. That is false. Sound Transit will be hard-pressed to complete even that fragment of a project with its existing tax authority. There is considerable risk that it will fail even in that minimal endeavor--just as it would have failed during the preceding round to complete MOS-1, University District to South Lander Street, at least within any reasonable span of time. The cost and engineering challenges of MOS-1 exceeded Sound Transit's capacity. Had the Office of Inspector General not intervened, and recommended that the Federal Transit Administration's full funding grant agreement be withheld, Seattle would be in a state of disarray, with a huge and intrusive construction project underway that Sound Transit could not afford to complete.

Initial Segment must be assessed on a stand-alone basis, as it may be--it likely will be, if it proceeds--the only portion of Central Link completed. Sound Transit's planning horizon extends to 2021. Under existing taxing authority, Sound Transit will lack the necessary resources to extend the line from downtown Seattle to the University District, or from South 154th to the South 200th Street terminus. It is not the project voters approved in 1996. It is not the project evaluated in Sound Transit's 1999 environmental impact statement, or in the Record of Decision in 2000. Sane Transit's suit in state court challenges the authority of Sound Transit to deviate so substantially from the project voters approved in 1996. Citizens for Mobility's suit in federal court challenges, among other things, the legality of proceeding with one project, Initial Segment, on the basis of an environmental impact statement done for another project, Central Link light rail. Initial Segment is shorter, more costly than Central Link was represented to be, with one-third the ridership, and has never been compared to alternatives. It has termini that were

never studied in an EIS. It proposes to use the downtown transit tunnel as a joint bus/rail operation in direct violation of the safety and operating conclusions of the 1999 EIS.⁸

The following analysis will draw from Sound Transit financial data, the organization's current policies, and Deloitte & Touche's cost-estimating performance audit, commissioned by Sound Transit in July 2001. Subsequently, there will be fiscal commentary drawing on industry norms, a distinguished financial analyst, and the manner in which the handling of Sound Transit's Central Link parallels that of the Massachusetts Turnpike Authority, with respect to its Central Artery/Tunnel Project in Massachusetts.

Finally, there will be a treatment of the method and purpose behind Sound Transit's current misrepresentations. The key falsehood is the claim that the agency can finish the 21-mile Central Link light rail project with existing tax authority, and thereby complete, in the words of its current finance committee chairman, Kevin Phelps, "the original vision."⁹ Similar misrepresentations appear in the current New Starts application, are amplified by Ron Sims, board chairman, and the entire top management of Sound Transit.

Subarea equity

Before turning to the data in Sound Transit's 2002 Financial Plan, it is necessary to establish the constraints imposed by the agency's subarea equity commitment and policy. The policy emanated from the defeat of Sound Transit's proposition in 1995, and the fear of citizens outside of Seattle that they would be forced to pay for horrendous cost overruns for a light rail tunnel in that city. The issue was joined early in 1996 by Skip Rowley, a prominent citizen and businessman from Issaquah, in East King County, and member of the Regional Outreach Committee. It brought the following response from Bob White, Sound Transit's executive director:

"At a recent committee meeting, member Skip Rowley raised the question of how subarea budgets would be protected in the event of cost overruns or revenue shortfalls in another subarea of the RTA district. Specifically, Mr. Rowley was concerned about the potential for cost overruns on tunnel segments of light rail construction and the pressures that would be generated in other subareas to subsidize completion."¹⁰

Sound Transit calculated that the 1996 proposition likely would fail, as the 1995 proposal had, unless voters outside Seattle, particularly those in East King County, were assured of protection from the fiscal hazards of light rail tunneling in Seattle. Such assurances were crafted, and spelled out in Sound Move: The Ten-Year Regional Transit System Plan, adopted by the Regional Transit Authority May 31, 1996, and approved by voters the following November:

⁸ Citizens for Mobility v. USDOT and Sound Transit, amended complaint, 9.18.02.

⁹ Seattle Times, 9.28.02.

¹⁰ Bob White letter to Dick Ford, chairman, Regional Outreach Committee, 1.26.96

"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)."¹¹

"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."¹²

Post-Initial Segment Financial Resources

Given the subarea equity commitment to voters, enshrined in board policy, it is the sources and uses of funds for the North and South King County subareas that are pertinent in assessing Sound Transit's financial capacity to underwrite Initial Segment. Because Initial Segment is entirely within the boundaries of those subareas--4.9 miles in South King County, and nearly nine miles in North King County. Initial Segment has been officially determined to be a transit benefit for those subareas, hence solely their financial liability.

The tables representing Sound Transit's latest 2002 Financial Plan are appended. Primary attention is directed to tables 4-2A and 4-2B, which show the predicted financial status for North and South King County, for each year through 2021, the end of the planning horizon.

1. The capital development cost of Initial Segment is \$2.917 billion, as shown in table 1.
2. In 2009, the point at which Initial Segment should be complete, North King County will have but \$4.1 million remaining, and South King County, \$1.4 million, as confirmed in table 4-2A.
3. Both subareas will have exhausted their bonding capacity, 100 percent, as confirmed by table 2, 2002 Financial Plan--Sources and Uses Summary for 1997-2009.
4. Table 2, last line, shows Sound Transit's calculation that a post-Initial Segment project (Phase 2), completed in 2016, would enjoy a North King County financial capacity of merely \$276 million, and South King County \$165 million.¹³ Both are woefully inadequate to extend the line either to the University District or to the planned south terminus at South 200th Street. The extension to the University District would be a multi-billion dollar project, and that to South 200th a half-billion dollar project, accepting Sound Transit's earlier estimates, even if completed in 2009.

¹¹ Sound Move, page 34.

¹² Sound Move, Appendix B: Financial Policies, page B-3. The details of subarea equity policies are spelled out in 13 sections, covering Definition of Equity, Implementation policy, Monitoring function, and Adjustments to subarea budgets, pages B-3 and B-4. They also were expressly adopted as board policy.

¹³ Table 2, footnote #7: "Estimated as ending cash balance plus 50% of estimated debt capacity as of 2016..."

5. Between 2009 and 2016, 87 percent of the anticipated \$914 million Sources of Funds for North King County will be absorbed in debt payments, operating subsidies, and reserve funds. Very little, \$123 million, will accumulate and be available for an additional, major capital project. For South King County, 89 percent of the anticipated \$648 million revenue will be absorbed in debt payments, operating subsidies, and reserve funds, with only \$68 million available for another capital project.¹⁴
6. Even if one looks to the outer perimeter of the planning horizon, in table 4-2B, with no Phase 2 project during the years 2009 to 2021, North King County would accumulate only \$433 million. In that year it would gain nearly \$88 million, suggesting a bonding capacity of about \$1.3 billion which, presuming another federal grant of \$500 million, could, all together, underwrite a \$2.2 billion project. But by that distant time, the money available would continue to be woefully inadequate. That sum would scarcely support Sound Transit's January 2001 estimate for a downtown to U District project to be completed in 2009. On top of that, that estimate was almost certainly deficient, substantially so, as will be developed shortly.

To summarize the challenge of continuing north--to which Sound Transit gives facile assurances it will do, soon, consider the following.

- After a dozen years of "careful planning," a suitable alignment still has not been found.
- As of January 2001, it was a multi-billion dollar undertaking.
- The Deloitte & Touche performance audit, to be discussed next, identified egregious shortcomings in cost estimating, that virtually guarantees that competent preliminary engineering and cost estimating will result in a budget dramatically higher than the one in January 2001. As a related cause for alarm, the 14 miles south was always less than 40 percent of the total Central Link budget--and now it's \$2.9 billion. If that ratio of costs prevails, the total cost for a project represented to voters at \$2.3 billion will exceed that amount by \$5 billion.
- Sound Transit accepts that its plan to terminate in the University District was ill-considered, and that it must continue at least to Ravenna. That one mile tunneling extension and portal would add hundreds of millions of dollars more to the cost.
- The passage of additional time will increase the cost still more--the numbers above are premised on completion in 2009.
- And then there is the matter of financial charges. Initial Segment will begin after years of taxing and savings. On the eve of Initial Segment, North King County has about \$350 million cash. If the management of Sound Transit is serious, its stated intention to begin the extension to the University District I 2006-2008 means it will start with \$0 cash, literally, and no bonding capacity. Everything will have to be debt financed--if, somehow, a way can be found to extend credit to a subarea that will begin with no bonding capacity, and only slowly gain some. That suggests that the cost of debt during the development of the project will be very high--it's easy to

¹⁴ (Table 2 has higher numbers, \$276 million for NKC and \$165 million for SKC because it also is taking bonding capacity into account.)

imagine it exceeding \$700 million, and considerably more, if the costs escalate proportional to those of Initial Segment.

South King County's case also is dire. It presents an instructive object lesson to summarize what that subarea is being put through, and what lies ahead. The Link light rail project presented to voters in 1996 was to cost South King County \$315 million construction capital, plus \$31 million debt service during the project's development, \$346 million total (1995\$), or about \$450 million (YOES). For which it was promised nearly eight miles of track, from the city of Seattle boundary to South 200th Street, and five stations, Boeing Access Road, Tukwila (South 144th), South 154th, SeaTac Airport, and South 200th.¹⁵

Sound Transit also promised to evaluate an alternative route using Interurban Avenue, to serve Southcenter, South King County's leading retail trade and employment destination.¹⁶ It swiftly ruled that out, on grounds that it would add \$140 million, bringing the total to \$590 million, which it couldn't afford.

But now, without Southcenter, Sound Transit's projected cost of South King County's portion of Initial Segment is \$791 million, a \$340 million, 75 percent cost overrun, which it claims it can afford. For that huge sum, South King County gets, not 7.8 miles to SeaTac Airport and South 200th Street, but 4.9 miles, from the Seattle city limit to South 154th. And it doesn't get the promised five stations, it gets a solitary station on the edge of Tukwila.

The cost to complete the line to SeaTac airport and South 200th Street was last projected by Sound Transit as \$477 million more--provided it's done by 2009. That's a larger sum than that represented to voters in 1996 for the entire South King County segment. Should Sound Transit continue Link light rail to SeaTac, by 2009, the total capital development tab will be \$1.3 billion, 2.8 times the "very conservative" cost represented to voters in 1996. If it's delayed, it'll cost more. Even then, South King County will get only three stations, instead of the promised five.¹⁷

Faced with this outcome, five of seven members of the Tukwila City Council had the temerity to oppose the project in a June 2002 vote. Sound Transit then rolled out its in-house spinmeisters and its hired PR operatives, and stomped on the brave souls who dared stand up to it, accused them of anti-regionalism and of breaking their promises. But they report that 90 percent of the constituents from whom they heard applauded their action.

¹⁵ Sound Move, Appendix A, pages A-6 and 7.

¹⁶ Sound Move, page 18.

¹⁷ The phenomenon of eliminating stations is rampant in Sound Transit. The nine-mile stretch from downtown to the south Seattle city limit has had three stations eliminated or deferred. Currently there is talk of eliminating one of the two stations promised for the University District. It's a way to save money. What it means is the value of the project keeps shrinking, as the costs skyrocket higher and higher.

The problems that face King County in extending Initial Segment to South 200th are compounded by project development and operating cost excesses for both Sounder commuter rail and Regional Express buses. Both systems are experiencing severe schedule delays in program development, and severe farebox shortfalls. According to Sound Transit's own 2002 Financial Plan, South King County will not have the wherewithal to complete Central Link to South 200th Street, by 2021, or even for some years afterward.

The assessment summarized above relies on Sound Transit's 2002 Financial Plan, and thereby concedes the realization of the compounded optimism that is built into its revenue and cost assumptions. As difficult as the problems described above already are, reality is likely to prove less kind. Sound Transit seems to have forgotten that reality undermined its January 2001 twenty-year cost and revenue assumptions, both of them--in the first year.

Deloitte & Touche Performance Audit

In a brief interlude of candor, inspired by issuance of the Inspector General's April 4, 2001 "Interim Report on the Seattle Central Link Light Rail project," Sound Transit admitted it didn't have the money to complete the Central Link project, and resolved to ascertain what went wrong. It decided to commission a \$475,000 performance audit, by Deloitte & Touche, to get to the bottom of the problems that plagued it. At the last minute the board changed its mind and decided to forego exposing what went wrong. It narrowly confined the audit to a \$100,000 scrutiny of its cost-estimating performance.¹⁸ The unwillingness of the board to honestly face the organization's problems, to ascertain, admit, and deal with them, signals its continuing failure to exercise its oversight responsibilities.

Though it called the audit "independent," Sound Transit conveyed the business to its long-time auditor, Deloitte & Touche, thus violating the advice of former Security and Exchange Commission chairman, Arthur Leavitt. Leavitt believes that hiring an organization's accountant to be its consultant is imprudent. It risks compromising prospects for a candid, disinterested assessment--a view that has gained support as the practices of Enron, WorldCom, and Tyco, and their relationships to their accounting firms, have come to light.

Even with that constraint, and even within the narrow confines of its commission, the performance audit of Deloitte & Touche was devastating--though it's been largely overlooked. In its Powerpoint summary to the board, September 13, 2001, which is appended, D&T enumerated the items behind Sound Transit's abysmal cost estimating performance:

¹⁸ "Sound Transit was considering hiring Deloitte & Touche to determine what happened. Instead, the board agreed to pay the firm up to \$100,000 to review only the agency's methods for estimating costs." (Seattle Times, 7.27.01)

- "Deficiencies in development of prior estimates including
 - Development of estimates to match a budget
 - Overly optimistic estimates
 - Inadequate contingencies
 - Contingencies prematurely reduced
 - Inadequate/insufficient data (e.g. no soils data, ROW based on EIS, etc.)
 - Inadequate soft costs."¹⁹

In its subsequent written report, Deloitte & Touche itemized a daunting list of profound problems, many of them ongoing:

"[T]he estimates were developed with too much optimism for the best case scenario to occur in all cases....[E]stimates were prematurely reduced at the direction of Sound Transit management. The mindset or attitude was that any reduction would be made up by savings in other areas as the Project moved forward....Also, the Agency estimates were lowered in 1999 based upon overly optimistic staffing plans. In addition, the Project schedule was based upon a completion date in the fall of 2006 but this was also discovered to be overly optimistic and aggressive."²⁰

D&T commended recent improvements in cost estimating. The report also noted a plethora of continuing, serious problems. It warned that additional cost overruns are likely, and provided a list of prospective causes, leading with the following:

"First, the present cost estimating and project control systems, unless modified, will likely expose the Agency to additional costs in the future because the systems presently in place cannot develop a report to effectively monitor the Project budget and schedule...[T]here is a potential risk of cost overruns due to the general lack of overall control of the budget if the Agency cannot manage or monitor the cost and schedule, particularly when the Project moves into the construction phase."²¹

Between the Powerpoint presentation and the final, written report, Sound Transit appears to have prevailed upon its accounting firm to soften its language and add some kind words. The written report complimented the ways in which cost estimating had recently improved, which is true, and explains how, in the first eight months of 2001, the projected cost of the 14 miles grew from \$1.56 to \$2.9 billion--better quality cost-estimating.²² But the kind words have enabled Sound Transit to select and elevate them,

¹⁹ Deloitte & Touche performance audit, Seattle Central Link Light Rail Project, Powerpoint presentation prepared for Sound Transit board meeting, September 13, 2001, page 5.

²⁰ Deloitte & Touche, Cost Estimating Systems Performance Audit, September 27, 2001, page 8.

²¹ D&T, page 19.

²² Initial Segment is very similar to, but not identical with the former Airport Link segment, from South Lander Street to South 200th. Six-sevenths of the distance is almost identical. The piece eliminated from Airport Link to the south--South 154th to 200th, is a more costly alignment than the piece added to the north--Convention Place to South Lander, all existing public right-of-way, with no hills or waterways. Airport Link was estimated at about \$900 million in 1996, \$1 billion in 1999, \$1.3 billion in December 2000, and \$1.56 billion at the time of the full funding grant agreement in January 2001 (all \$YOE). The

gloss over the candid criticisms, and convey to the public and the federal government that it is a reformed agency, with its problems confined to the past. As chairman Ron Sims says, "The old agency is **dead!**" Here's Sound Transit's spin when the audit was released:

"[T]he report, released late yesterday and paid for by Sound Transit, said the regional transit authority is making progress in developing methods to keep costs in line.

"They are saying if we get it fixed we're OK, if we don't, we're at risk,' said Joni Earl, Sound Transit's executive director. Earl vowed, 'We will have it fixed before we award construction contracts....'

"The audit said Sound Transit correctly estimated costs for the new \$2.1 billion project, but noted the agency still needed a better handle on its budget."²³

But Sound Transit has not fixed the myriad problems identified in the audit--yet, in spite of that, the agency has begun awarding construction contracts, in violation of Joni Earl's public vow. The specific shortcoming that prompted D&T to say, "[They] will likely expose the Agency to additional costs in the future because the systems presently in place cannot develop a report to effectively monitor the Project budget and schedule," persist, unresolved.

The claim that "The audit said Sound Transit correctly estimated costs for the new \$2.1 billion project," is false. While the audit was complimentary on the matter of improved cost estimates, it was more guarded than Sound Transit suggests, and enumerated an imposing list of corrective measures that remain to be taken.²⁴ The audit did not confirm a \$2.1 billion estimate for Initial Segment. Sound Transit knows, and Deloitte & Touche has told it, that under Generally Accepted Accounting Principles, the cost is \$2.9 billion, as confirmed by table 1, appended. But the agency repeatedly fobs off on the public an understated figure of \$2.1 billion, and the gullible press, deferring to Sound Transit's rendition, has repeated it so many times that most people believe it.²⁵ The sad truth is that \$2.9 billion is what the misinformed public is scheduled to spend for the capital development of Initial Segment. To be followed by roughly \$3 billion in long-term bond payments after Initial Segment goes into operation, if it does, in 2009.

The central, forward-looking point is this: According to Deloitte & Touche's audit, there is substantial risk that Sound Transit will continue its pattern of escalating cost overruns. For Initial Segment--but not for the balance of Central Link--cost estimates are more competently performed than before, which largely explains the \$1.34 billion jump in

largest escalation in estimated costs came between January and September 2001, reflecting overdue improvements in Sound Transit's cost estimating, the ones D&T praised.

²³ Seattle Times, 9.27.01.

²⁴ D&K, pages 10-12.

²⁵ The following is personal correspondence from an inside source, "[C]apitalized interest or as you put it debt service during construction is part of the cost of the project per GAAP but that the Agency does not budget it there and they produce multiple reports for distribution that leave the cost out of the project. In fact, I was instructed to find a way for the capital interest to be in the reports for Deloitte to review and leave the flexibility for the amounts to be left out when desired [i.e. for public consumption]." 9.11.02.

price since January 2001. When that level of honest competence is applied to the alignments to the University District and to SeaTac, likely there will be analogous jumps in projected costs.

Beyond that, a host of cost estimating and cost control deficiencies still are manifest, and serious shortcomings in organizational structure prevail, that threaten even the projected costs of Initial Segment. For example, "Historically...[top management] support has been lacking and prior efforts in this area have been unsuccessful."²⁶ While D&T said that "it appears" Agency leadership "understands the importance of the project control function and is committed to developing it appropriately,"²⁷ there is no independent confirmation that it has done so, nor have there been any changes in top financial management personnel. The same internal gang is there, working with the same consultants that have prevailed since 1997.

Industry norms

In an independent economic review of Sound Transit's 1996, \$3.9 billion proposal, ECONorthwest, the region's leading economic consulting firm, found it had a net current value of minus \$2.5 billion. Generally it accepted the agency's cost and ridership assumptions, albeit with skepticism, but a few items it simply could not countenance. Like the agency's assumption that, over time, the rail systems' operating and maintenance costs will increase no faster than inflation, 2.6 percent annually. ECONorthwest pointed out that the industry norm is for O&M costs to increase more rapidly than inflation. So in its analysis, ECO used a more prudent calculation of inflation plus one percent annual O&M increase.²⁸ Over time, compounded, the difference is substantial.

In calculating capital development costs, Sound Transit assumed that construction costs also will increase no faster than the consumer price index. Again, industry experience is contrary to that assumption. With a giant capital project under way, exerting intense pressure on limited professional expertise, skilled workers, and equipment, construction costs tend to exceed the rate of inflation. In Massachusetts, construction projects of all kinds have been paying a premium, because of the demands of the Big Dig.

Sound Transit has been bullish in its ridership and farebox projections. Having relied on its Expert Review Panel's endorsement of its cost estimates--which are proving to be wide of the mark by roughly 200 percent--Sound Transit relies on the same Expert Review Panel's ridership estimates. FTA, knowing full well the Expert Review Panel's performance on costs, buys its estimates on ridership. Once again Sound Transit is reassuring the public and the federal government by stressing that the panel says ridership projections are "conservative"--just like it said the low-ball cost estimates were conservative.²⁹

²⁶ D&T, pages 18-19.

²⁷ D&T, page 19.

²⁸ ECONorthwest, "Benefit-Cost Analysis of Puget Sound RTA Plan, October 1996, covering letter, page 2.

²⁹ E.g., see New Starts, October 2001, page 42.

Sound Transit exhibits a pattern of "compounded optimism"--stringing a series of optimistic assumptions together, resulting in greatly-magnified optimism, hence predicting and banking on an outcome near-certain not to be realized. Indeed, to return to a major finding of the Deloitte & Touche performance audit, "[T]he estimates were developed with too much optimism for the best case scenario to occur in all cases."

The motive behind Sound Transit's compounded optimism is transparent: to gain the consent of voters to impose taxes on themselves, and to win a federal government grant in a competitive process. Sound Transit's public opinion polls--notably a pre-election, detailed poll by Fairbank, Maslin, Maullin & Associates, a prestigious, San Francisco-based firm--told the agency how much it could extract from voters, and what to tell them to get it. Sound Transit's 1996 proposal, it is now clear, was very far from the truth, in terms of costs and benefits, but right on the mark of what its polling said people would buy.³⁰

A recent scholarly report assessed 258 transportation public works projects. It found serious cost underestimation is common, and concluded the pattern is deliberate, because the underestimates are not random, and there has been no learning curve over time. The over-all average of transportation project shortfalls is 28 percent. Urban rail projects are the worst, with an average 45 percent underestimated costs--probably because they typically require a public vote, giving the agency an added incentive to tell a better story than the facts warrant. By raising money from the prospective vendors, like Sound Transit's support committee did, in order to finance an expensive public promotion campaign, an agency has a much better chance to snooker the public than it would legislative or administrative bodies. Those bodies can call in their own experts--and the transportation agency has to maintain some credibility, as it may have to deal with them next year, and the year after.

Sound Transit's misrepresentation of light rail costs is virtually off the chart, at roughly four times the average level. The incentive to misrepresent is easy to understand: to get the taxes, get the grants, build an empire, and have a lot of favors to dispense.

The scholars conclude that low cost estimates cannot be explained by mere optimism: "'optimism' calculated on the basis of incentives is not optimism...it's deliberate deception." "The use of deception and lying as tactics in power struggles aimed at getting projects started and at making a profit [this refers to the project-supporting vendors] appear to best explain why costs are highly and systematically underestimated in transportation infrastructure projects."³¹

³⁰ Fairbank, Maslin, Maullin & Associates, Opinion Research & Public Policy Analysis, Regional Transit Authority: Expanded Findings from Opinion Research, September 1994.

³¹ Bent Flyvbjerg et al, Underestimating Costs in Public Works Projects: Error or Lie?, American Planning Association Journal, summer 2002, pages 288-289.

The authors observe further that, "In most democracies, for project promoters and forecasters to deliberately misinform legislators, administrators, bankers, the public, and the media, would not only be considered unethical but in some instances also illegal..."³² As legal counsel has advised, however, while Sound Transit must tell the truth to investors considering its bonds, it is practically unfettered in its license to deceive citizens and voters.

Independent financial analyst

In March 2001, the author of this report solicited an expert financial analyst to assess the financial representations of Sound Transit, particularly the official sets of data provided to Diversified Capital, Inc. DCI was the Financial Management Oversight Contractor selected by the Federal Transit Administration. It issued two financial assessments regarding Sound Transit's full funding grant proposal for Central Link light rail, relying entirely and uncritically on Sound Transit's financial data, in August 2000, before the agency admitted an additional \$1.56 billion overrun, and after, in January 2001.

My expert, *****, was a young deputy controller in New York City who first discerned the impending fiscal crisis that was going to hit that city, in the 1970s. Initially discounted, as events unfolded and corroborated his insights, he was acclaimed, and became a recurrent witness before congressional committees. Then he was a key member of the team led by Felix Rohatyn that helped NYC dig out of its morass. Subsequently he became Chief Financial Officer, and then Chief Executive Officer of a well known company in Seattle. The chair of the board of that company said that he has an uncanny ability to peruse financial statements, and perceive the nuanced reality that lies behind them.

After reviewing Sound Transit's numbers, as transmitted to DCI, he observed, "meeting a financial target can be a game, particularly if the target is far enough into the future. One can reach virtually any conclusion one wants to, given sufficiently malleable assumptions for costs and revenue. Compounded interest rates over time is a powerful tool. That's what Sound Transit has done."³³

He pointed out that Sound Transit increased its prediction of annual tax revenue growth from 4.2 percent to 5+ percent--in the face of a weakening economy. Then it projected that growth rate, unbroken, for 20 consecutive years, an assumption virtually certain to fail. Indeed, the very first year, 2001, fell short--actually declined--as will 2002 and 2003. But Sound Transit now presumes things will revert to form in 2004, and pick up its rosy 5+ percent growth projections for 17 consecutive years, 2004-2021. Once again, it is an assumption that is near-certain to fail. The more so for the North King County subarea, which includes the city of Seattle, because it is pretty well developed already, and is not expected to experience a large share of the population and economic growth of the region. The region's leading growth areas all are outside Seattle.

³²Ibid.

³³ The notes from *****'s assessment are appended.

**** ** made the following observation, illustrating Sound Transit's irrepressible penchant for compounded optimism:

"Here is the future on which Sound Transit is betting: Tax revenues will ascend from the agency's assumptions in the earlier DCI report. Bond costs are projected to go down, due to lower interest rates. Interest income will go up, due to higher fund balances. Farebox revenues will be double the norm for mature rail systems. Operating costs will be moderated by lower rates of inflation, as will construction costs. There must be no more cost overruns, no more surprises, save within the very modest contingency funds. Any overruns must be so modest they will not touch the \$157 million reserve fund, which is budgeted as a revenue-producing cash cow."³⁴

Those were Sound Transit's assumptions in January 2001, and most of them continue to be projected into the future, moderated by contemporary, adverse economic circumstances, which it assumes will quickly pass. As for contingency funds, in spite of all its contrary experiences, Sound Transit is banking on the bulk of the contingency funds and reserves from Initial Segment to spend on the downtown to University District segment.³⁵ Yet it continues to hide from the public the contingency funds, reserves, and capitalized interest, and various other development costs that are part of the projected price of the Initial Segment project. So the public is scheduled by Sound Transit to pay \$800 million more for that project than it expects, about \$350 million of it contingencies and reserves, and will be in for a shock as the hidden bills come due.³⁶

Parallels to the Big Dig

Many of the maladies, misrepresentations, overruns, and lack of accountability that afflict Sound Transit's Link light rail project have precedents in the Central Artery/Tunnel Project (Big Dig) of Massachusetts. That project is a prodigious drain both on state and federal taxpayers, "the most complex and costly urban highway project ever undertaken in American history."³⁷ It currently is projected to cost \$18 billion, about \$14 billion for capital development and the rest for long-term interest payments. It will cost the commonwealth \$9 billion--\$1.500 for every one of its six million men, women and children--with the same sum to be borne by the nation's taxpayers.³⁸

³⁴ Ibid.

³⁵ Sane Transit v. Sound Transit, Interrogatories, August 16, 2002. The following statement came with the approval of Sound Transit's executive director, CFO, deputy CFO, economist, and chief legal counsel: "Additional funding is expected to be available [to apply to the U District segment] from the unspent project reserves and contingencies remaining after the initial light rail segment..." page 6.

³⁶ Sound Transit, 2002 Financial Plan--Central Link Summary for 1997-2009, makes clear that the cost is \$2.917 billion. That's the table supplied in New Starts to FTA, and is appended, as table 1. But the public is repeatedly told \$2.1 billion, as the press accepts Sound Transit as the authority.

³⁷ Massachusetts Inspector General, A Review of the Central Artery/Tunnel Project Cost Recovery Program, December 2000, page i.

³⁸ Letter from Robert A. Cerasoli, Massachusetts Inspector General, to Shannon P. O'Brien, Treasurer and Receiver General of the Commonwealth of Massachusetts, March 20, 2001.

Sound Transit is headed in a similar direction, even more burdensome for the affected citizens, far fewer in number. A much smaller share of the cost will be assigned to the federal government.³⁹

According to a US Department of Transportation press release, April 11, 2000, a federal task force that launched an investigation of the Big Dig's cost overruns and misrepresented costs reached the following conclusions:

"In its report, the Task Force faulted Massachusetts for breaching its trust with the U.S. Department of Transportation's Federal Highway Administration (FHWA) and others by 'intentionally withholding knowledge of the Project's potential cost overrun.' It also faulted FHWA for failing to maintain a sufficiently independent relationship with CA/T Project leadership to adequately fulfill its oversight role."

There is an ominous parallel between the supportive, back-scratching relationship of the Massachusetts Turnpike Authority and FHWA, and that of Sound Transit and the Federal Transit Administration. It was noted by the USDOT Inspector General in his lead finding, April 4, 2001,

"*First*, FTA did not perform satisfactory due diligence in the grant application review process. FTA and Sound Transit need to explain why they advanced the grant approval process in September 2000 despite information that the Project's cost and schedule were changing significantly, and concluded the process in January 2001, as the earlier indications came to fruition. Both FTA and Sound Transit had information that the \$1.674 billion cost estimate and revenue operation date of June 2007 contained in the grant agreement submitted to Congress in September 2000, were materially understated and consideration of the grant agreement should have been suspended or withdrawn."⁴⁰

According to the ongoing investigation of the Massachusetts Inspector General (MIG), the situation is much worse than realized in April 2000. FHWA did not merely fail to "adequately fulfill its oversight role," it knowingly colluded in a long and complicated plot to hide \$6 billion of looming cost overruns--though it was the Big Dig's managers who instigated the plot.

"Big Dig managers decreased the \$13.8 billion estimate to \$8 billion for public relations purposes in 1994-1995 by applying a series of exclusions, deductions, and accounting assumptions. This reduced the estimate by \$6 billion. The report shows that B/PB [Bechtel and Parsons Brinckerhoff, joint project managers] insisted upon and, in fact, made full disclosure to local FHWA officials in 1994-1995 of each exclusion, deduction,

³⁹ If Sound Transit builds only Initial Segment for North King County, and continues current tax levels until its 30-year bonds are paid off, in 2039, the per-capita burden, in current dollars, will be nearly \$4,500, three-times greater than what a Massachusetts resident will pay for the Big Dig.

⁴⁰ USDOT Inspector General, Interim Report on the Seattle Central Light Rail Project, Aapril 4, 2001, pages 4-5.

and accounting assumption comprising the \$6 billion difference, and that local FHWA officials used these assumptions in their own internal analyses."⁴¹

This now is one huge mess. The federal government, in light of the deceptive initiatives of officials of the Big Dig and the commonwealth of Massachusetts, resolved to cap federal liabilities for the project, and cease bearing the major proportion of the remaining costs. .MIG, in turn, argued that,

"Given the role of the local FHWA officials in the downsizing of Big Dig estimates, this Office concludes that the federal funding cap should be lifted."⁴² That appears geographically self-serving, since it was Massachusetts officials who downsized the estimates, but it appears that FHWA did knowingly accommodate the misrepresentations, so it is complicit, too--just like FTA had made a habit of accommodating Sound Transit's bogus numbers.

While B/PB played a stellar role in 1994-1995--by taking the initiative to alert state and federal officials to the misrepresented costs--as the story unfolds, it becomes more complicated, and the role of B/PB less salutary. It began well, with high-level concern of both Bechtel and Parsons Brinckerhoff, on-site and at corporate headquarters. That led to an extensive, careful review of costs and underlying assumptions, with broad participation and expertise. The B/PB review concluded with an estimated project figure of \$13.8 billion which, even eight years later, is highly credible--and proof that Bechtel and Parsons Brinckerhoff are world class organizations, with the talent to deliver accurate cost projections, when it suits them.

But "Big Dig officials then directed B/PB to 'hit a target' of \$8 billion."⁴³ The B/PB project manager, from Bechtel, appealed to his company for help. "Bechtel Corporation's president and a key senior partner flew to Boston for a December 1, 1994 meeting to inform the Governor--'face-to-face'--of B/PB's forecast." The fallout from that appeal led to a demand on Massachusetts' part to relieve the "existing tensions" between P/BP and Big Dig officials--by replacing the project manager. "We need a manager who exhibits a can-do attitude both publicly and privately."⁴⁴ Somebody to get along and go along.

B/PB got on board, and, from that point on, conformed enthusiastically to its client's wishes. A "Cost Containment Team" was assembled, and worked aggressively to reduce total cost estimates. They succeeded at "semantic cost reductions"--finding imaginative ways to leave costs out of the budget. So the P/BP and Big Dig team met the \$8 billion cost target, semantically.

⁴¹ Massachusetts Inspector General, A History of Central Artery/Tunnel Project Finances, 1994-2001, March 2001, covering letter to Shannon P. O'Brien, Treasurer and Receiver General of the Commonwealth of Massachusetts, March 20, 2001.

⁴² Ibid.

⁴³ Ibid, page 24

⁴⁴ Ibid., page 18.

It's a game at which Sound Transit has proven itself adroit, too. One of the local travesties is that Sound Transit propagates the notion that huge construction cost overruns are an act of God, a natural force--they certainly aren't the fault of the responsible agency. This now is widely believed.

By 1998-1999, "As spending continued to run close to B/PB's December 1994 estimate, the elaborate cost offsetting program and the use of accounting gimmickry began to unravel. Without the ability to 'officially' offset costs with 'insurance proceeds' or 'scope exclusions,' Big Dig officials began preparing worst case scenarios...This led to the development of options for the disclosure of the overrun...The Director had to decide whether to reveal the truth..."⁴⁵

He decided not to. Instead, a "bottom-to-top" review was carried out--just like the charade Sound Transit went through in November/December 2000, two months after claiming it was audited to death, and anyone who suggested there were any cost overruns was "twisting the truth."⁴⁶ It was not until January 2000, when the Massachusetts State Treasurer's Office exercised proper due diligence while reviewing the project for a forthcoming bond insurance, that Big Dig officials were forced to publicly disclose the overrun⁴⁷--but still, they didn't disclose all of it. The head of the Turnpike Authority dragged his feet, equivocated, and wrote in the Boston Globe, in early March,

"I believe when you have a problem, you must find solutions before you present the problems to others."

That is reminiscent of how and why Sound Transit hid the \$300 million over-budget Capitol Hill tunnel bids, for nearly four months, July to November 200, while it puzzled over what to do about them. Conveniently, it puzzled until its FTA-recommended full funding grant agreement had passed its congressional review period. The agreement in hand, it was a more convenient time to admit part of the problem.

At that point, Massachusetts' governor decided the services of the Turnpike executive were no longer needed, demanded his resignation, appointed a replacement, and finally, in August 2001, a report by Deloitte & Touche pegged the cost at \$14.1 billion.⁴⁸

At the end of MIG's 2001 report of this dreary scandal, he concluded,

"What has remained unspoken is B/PB's active participation in the promulgation of misleading reports to the State Legislature. Big Dig officials would never have been able to perpetrate the inaccurate presentation of such detailed information without the active collaboration of P/BP--the entity that gathered, controlled, and manipulated all Big Dig cost data. P/BP did not participate passively. B/PB took control soon after Big Dig officials decided to obscure the true costs and after FHWA accepted the accounting

⁴⁵ Ibid., page 29-30

⁴⁶ Seattle Times, 9.7.00.

⁴⁷ MIG, A History, page 31.

⁴⁸ Ibid., page 31-32.

assumption. In fact, documents reviewed by this Office illustrate B/PB's efforts to develop and maintain the mechanisms used to obscure Big Dig costs."⁴⁹

Sound Transit, similarly, couldn't misrepresent Central Link light rail's costs without the help and expertise of Puget Sound Transit Consultants. Surely PSTC is competent, knows its supposed to make the budget conform to the cost estimates, not vice versa. It knows what appropriate contingencies are, the importance of gathering good data, what "soft costs" (overhead) to expect, what a realistic construction schedule looks like, and the cost implications of a schedule that is too ambitious. It probably didn't commit all those cardinal errors because it's incompetent, but because Sound Transit's management wanted it to--just like B/PB conformed to the culture of MassPike after its project manager was kicked out of the Big Dig project for calling it straight.

There are other ways the back-scratching collaboration between MassPike and B/PB has savaged the public interest, which suggests the likelihood of similar problems, here. Another review by MIG concerned the abysmal failure of the Big Dig's cost recovery program--which was supposed to recover funds for deficient work and excessive payments. The primary cause of the failure was judged to be the role B/PB played, and its cozy relationship with the Turnpike Authority. Over six years, through 2000, a measly \$30,000 was recovered. The reasons for the failure included:

- The Project set up the cost recovery program primarily to ensure federal funding, not to recover costs.
- B/PB's overly broad role in Project management undermines the Commonwealth's ability to hold B/PB accountable for its design work.
- Project management directed B/PB to subcontract for the services of the consultants responsible for assessing B/PB's potential liability for cost overruns.
- The cost recovery program shows serious signs of neglect.
- The Project does not adequately document cost recovery cases.

MIG's report goes on to say, "B/PB's role in the cost recovery process is akin to the fox guarding the hen house. B/PB's extensive role in preliminary design and final design management should preclude any role in a program--such as the cost recovery program--that purports to examine problems that may have been caused by B/PB's own work. But B/PB controls the data."⁵⁰

"Ultimately, B/PB's predominant interest will rest with its parent corporations, not the Commonwealth. The Commonwealth's overreliance on B/PB...shields B/PB from any attempt by MassPike to hold the joint venture accountable..."⁵¹

⁴⁹ Ibid., page 52.

⁵⁰ Massachusetts Inspector General, A Review of the Central Artery/Tunnel Project Cost Recovery Program, December 2000, table of contents and page 33.

⁵¹ Ibid., page 33.

Puget Sound Transit Consultant's role in project management is exceedingly broad, too. Under PSTC's guidance, there has been an alarming trajectory of incompetent or misrepresented cost estimates. As the alarming trajectory has progressed, PSTC has received not sanctions, but a stream of lucrative change orders and contract extensions--suggesting it is performing to the satisfaction of Sound Transit's management and board. Originally, in 1997, PSTC had a \$23 million contract for design coordination and project development support, plus a \$4.6 million contingency. By the time of the Deloitte & Touche performance audit, July through September 2001, \$26 million in amendments to the contract, plus \$6 million in change orders, had elevated the total Sound Transit commitment to PSTC to \$56 million. Subsequent to the severely critical performance audit, PSTC has been rewarded further for its work. Its current, authorized contract is for \$71,241,877.⁵²

Here, to repeat, is an informed, independent commentary on the quality of PSTC's work, a summary of its preliminary engineering and cost estimating performance, according to the Deloitte & Touche audit:

- "Deficiencies in development of prior estimates including
 - Development of estimates to match a budget
 - Overly optimistic estimates
 - Inadequate contingencies
 - Contingencies prematurely reduced
 - Inadequate/insufficient data (e.g. no soils data, ROW based on EIS, etc.)
 - Inadequate soft costs."⁵³

Relying on PSTC's work, Sound Transit repeatedly conveyed the following assurances to the Federal Transit Administration about its proposed light rail project:

"The most costly segments of the Central Link project (including the Capitol Hill tunnel) have been carefully planned for the past nine years. The cost estimates for these segments are stable and have received intense scrutiny. The Link MOS project lies primarily within the bounds of this stable project scope."

That was represented in Sound Transit's New Starts proposal to the federal government, September 3, 1999, page 111, and was repeated verbatim in the updated proposal, March 2000, page 48. It was relied upon when FTA recommended the project, and when Congress reviewed it. Immediately afterward, Sound Transit admitted the content of the tunnel bids, a \$300 million, 60 percent overrun. That was just for the bid, with the prospect of added overruns during construction. Sound Transit provided a measly \$57 million, ten percent contingency, for a breathtakingly challenging, risky project. I asked Wes Bogart, former head engineer in the Seattle district of the state's Department of Transportation--who learned hard lessons about Capitol Hill's geology as a result of the

⁵² Sound Transit board motion no. M2002-27.

⁵³ Deloitte & Touche performance audit, Seattle Central Link Light Rail Project., Powerpoint presentation prepared for Sound Transit board meeting, September 13, 2001, page 5.

Interstate-5 project in the 1960s--what he thought of Sound Transit's \$500 million budget for the Capitol Hill tunnel. He said, "Double it, and start praying."

A month later, \$1 billion was added to the cost of the Central Link project, raising it from \$2.6 to \$3.6 billion. According to a report in the Seattle Times, no one had thought to total everything up, hence they'd overlooked \$1 billion. Many people in Seattle assumed that must have been the problem, and now it was solved.

"Q: If Sound Transit was off by \$1 billion before, how accurate are the latest figures?

"A: The Sound Transit staff members insist the budget released last week is realistic. They say they failed to total everything up and look at the bottom line, and they promise no more surprises. The new budget has \$400 million in contingency funds to cover unforeseen problems, they said."⁵⁴

The interesting thing about the "\$400 million in contingency funds meant to cover unforeseen problems" is that it wasn't in the \$3.6 billion budget that was fed to the public. The actual, budgeted cost of the project was \$4.16 billion, as extracted, with difficulty, by board member Rob McKenna from Joni Earl, shortly to be executive director, and Hugh Simpson, chief financial officer, at the September 11, 2001 board meeting. The primary reason for the discrepancy was that the \$3.6 billion figure omitted contingencies and reserves and--a good example of "semantic" cost savings.

As for the oft-repeated claim that the Capitol Hill tunnel segment was very carefully planned, over many years, that very segment has been withdrawn by Sound Transit. It is desperately searching for a workable and affordable alternative. In the meantime, in spite of its missteps and misrepresentations, the agency is bending every effort to confirm its full funding grant agreement and proceed with Initial Segment. If Sound Transit has its way, the region will learn at some future time, too late, whether there exists a viable route north. After a dozen years of purportedly careful planning, and three years after the costs were represented as stable, Sound Transit is still searching for a viable alignment to the north from downtown Seattle. It is foolhardy to blindly count on it, foolhardy to proceed with Initial Segment while that tough challenge remains unresolved, and unbudgeted, but that's what Sound Transit wants to do, and is counting on the federal government's assistance.

Although B/PB learned to go along and get along with MassPike, rather than do good work, it did have that bright, shining moment in 1994. One encouraging note on behalf of PSTC, in the Deloitte & Touche performance audit, is that, in October 1999, it argued to Sound Transit management that the estimated cost should be \$2.066 billion, not \$1.924 billion (\$1995).⁵⁵ Sound Transit nixed that, and opted for the number that would fit its budget. We now know that the higher estimate still was deficient by billions of dollars--but at least it was \$142 million closer than Sound Transit was willing to admit.

⁵⁴ Seattle Times, 12.17.00.

⁵⁵ Deloitte & Touche, Cost Estimating Systems Performance Audit, 9.27.01, page 10.

In any case, it's important to learn what PSTC did and didn't do, in order to properly assign credit and blame, and to avert a fiscal and transportation calamity in the Central Puget Sound region. Sound Transit mislaid ten digits because it failed to add everything up, or so it claims. PSTC must have been aware of it. Perhaps it conscientiously, vehemently protested to Sound Transit. Perhaps it alerted the FTA, like Bechtel's project manager did in Massachusetts, which would be admirable, and reassuring. PSTC's performance is discoverable by the USDOT Inspector General--and that is the public's only chance to learn about it. If PSTC is performing competently and responsibly, that needs to be surfaced and supported. If not, that's a problem that needs to be surfaced and faced.

Apart from profound cost estimating problems, MIG reported acute difficulties regarding the poor record of cost recovery, because of a difficulty of obtaining access to important information. Two tools were used to frustrate the investigation: systematic destruction of records, and the use of attorney-client privilege

On the former point, it was not subtle. File cabinets were emptied, and "[the computer] equipment [was] taken completely apart and the hard drive disk [was] literally sandblasted with a sandblaster so as to render the disk permanently unreadable." Thousands of pages of documents were eradicated. Video surveillance tapes caught one Big Dig staff person surreptitiously removing boxes of material. It was not a singular occasion; material was similarly removed during four trespasses or break-ins over a three-day period.⁵⁶

The use of attorney-client privilege has prevented access to other materials important to the investigation:

"In the course of our investigation, this Office discovered that Big Dig officials withheld many documents from the SEC under attorney-client privilege. This Office requested all these documents from the Turnpike, but only received a portion of those held under the privilege claim. The privilege claim continues to shield many documents from the public.⁵⁷

Attorney-client privilege is an honored and honorable right, if properly used. Consultations between client and attorney are confidential, as are the experts and consultants retained by the attorney on behalf of the client, and the records that pertain to that professional relationship. But there may be a troubling and excessive extension of that privilege by Sound Transit and its leading law firm, Preston Gates & Ellis. Here is a novel paragraph embedded in the Sound Transit/Preston Gates & Ellis contract, signed May 1, 1999:

⁵⁶ Massachusetts Inspector General, A History of the Central Artery/Tunnel Project Finances 1994-2001, March 2001, pages 21- 22.

⁵⁷ Ibid., page 21.

"Sound Transit has also become increasingly aware of the importance of retaining experts and other third-party consultants through Preston (or other firms) in a manner that preserves the attorney-client relationship and the accompanying attorney-client privilege. Sound Transit wishes to preserve its ability to make such arrangements at the same time recognizing that prompt payment of such experts and consultants is important. With this contract amendment, Sound Transit will allow Preston to invoice Sound Transit for such experts and third-party consultants separate from its regular monthly invoice."

The routine practice of attorney-client privilege would not require acknowledgement. A reasonable inference is that the contract is designed to institutionalize an arrangement by which Sound Transit can retain "experts and other third party consultants" of its choosing "**through Preston**" [emphasis added]. And hide the relationship and its terms and payments by invoking attorney-client privilege. Sound Transit even thoughtfully arranged with Preston to process and pay the bills of its--Sound Transit's--experts and consultants promptly, without waiting to mix them in with the law firm's monthly invoices. If this interpretation is correct, the arrangement is not an adjunct of the work of the firm and its attorneys, which wouldn't require the paragraph.

It would be interesting to see if the paragraph is boilerplate inserted into the contracts of all Sound Transit's law firms, which, though peculiar, might lend credence to a contention that is merely relates to a conventional practice. But the paragraph might help explain why there seems to be millions of dollars of Preston invoices in excess of its own contract with Sound Transit. It looks suspicious to this writer--who's father was an investigator for the US Department of Justice, brother's a lawyer, and son a civil prosecuting attorney. It doesn't look like the normal operation of a law firm, but something independent of it, used to shield from public disclosure various relationships and payments engaged in by Sound Transit--not with Preston Gates & Ellis, but **through** it. Perhaps it's conventional, and innocent. But if it is what it seems, in the vernacular it's called laundering.

In short, in many respects Sound Transit's Link light rail project is like that of Massachusetts' Big Dig project--one of the most misrepresented and over-budget highway projects of all time--like Sound Transit's is, for urban rail. But Sound Transit appears to be outdoing MassPike when it comes to incompetence. Even Glenn Pascall, a fellow of Discovery Institute in Seattle, is changing allegiances. Last December he wrote a Sound Transit-supportive Op-ed concluding, "Done right, rail makes sense. It's time to get off dead center and move on to the specifics."⁵⁸ Shortly afterwards, he was a featured speaker at a civic rail rally luncheon, called "get Seattle on track." The other featured speaker was Sound Transit's most prominent attorney and lobbyist, Slade Gorton of Preston Gates & Ellis, who summoned the citizens of Seattle to demand more federal money for Sounder commuter rail. Sound Transit brass comprised the most numerous, most-honored, and most appreciative guests present at the luncheon rally.

But here's what Pascall's writing now, a mere nine months later:

⁵⁸ Seattle Times, 12.21.01.

"If three years ago, someone were assigned to destroy Sound Transit's credibility and possessed diabolical powers to do the job, they could not have surpassed the actual course of events. Leadership on Sound Transit is so lacking that it is left to Eyman [Tim Eyman, conservative anti-tax crusader] to say what everybody knows: the emperor has no clothes."⁵⁹

The story behind the claim that Sound Transit can complete Central Link light rail--the project voters approved--with existing tax authority

This section, of necessity, engages in speculation. It would be easier to make a case why Initial Segment, or Central Link, was or wasn't a wise investment, and whether there were superior alternatives, if the underlying facts were competently and honestly presented. Even then there would be room for different assumptions and conflicting conclusions, but the differences would be narrowed, and the opportunities for agreement, and a public-spirited outcome, would be enhanced.

Alas, Sound Transit started in 1996 with a deceptive timetable, cost estimates, and probably ridership figures for Central Link light rail, and has carried on in that tradition ever since. In January 2001, in a scramble to cover substantial costs recently admitted, it resorted to analogous deceptions on the projected revenue side. Now it is making unwarranted claims that it can complete the Central Link light rail project with the taxing authority voters granted in 1996.

Not long ago Sound Transit was admitting forthrightly that it does not have enough money--by a wide margin--to build a light rail line from SeaTac to the University District. It may not have enough money even to build the cheaper, less technically demanding portion of it from SeaTac to downtown. This was admitted frequently in the aftermath of the Inspector General's interim report, April 4, 2001. Here are some examples:

"The agency, using only local money, probably could afford to build light rail from the Convention Place station south through the downtown transit tunnel to Tukwila by 2008, said Lyndon 'Tuck' Wilson, Sound Transit's acting light-rail director. It would cost about an additional \$400 million to go to SeaTac and Seattle-Tacoma International Airport, he said." (Seattle Times. 4.27.01)

"A full light-rail route is out There's enough money for only part of it, Sound Transit says" ((PI headline, 4.27.01.)

Joni Earl report to the Project Review Committee: "King County Executive Ron Sims and Seattle Mayor Paul Schell sent a letter to the Board signed by other Board members,

⁵⁹ Seattle Times, 7.28.02.

suggesting that, in light of insufficient [sic] funds being available to build the northern portion of Link light rail as designed, Sound Transit should consider building the Airport Link segment first." (The reference is to a May 10 letter prepared by Ron Sims and Paul Schell, signed by ten Sound Transit board members. Minutes, PRC, 5.16.01)

"One member noted that funds for the North subarea are being consumed by these [south segment] options and asked if this been [sic] discussed with the Board. Ms. Earl replied that scenario 2 [Convention Place Station to Henderson Street--considerably shorter than Initial Segment] would use up resources for the north without federal funding. However, with federal funding, an additional \$500 million would be available in the North King subarea." (Minutes, PRC, 6.6.01.)

Joni Earl report to PRC: "In late July and early August, the Board discussed the southern interim terminus for the light rail line. The South 154th Street station appears to be the best option. Although the Board clearly has expressed its interest in extending the line to the airport (South 200th), it is not clear that there will be sufficient funding to complete that portion of the line." (Minutes, PRC, 8.29.01)

" A voter-approved tax increase will be required to extend the 14-mile Seattle line and likely will be sought sometime from 2004 to 2006, Earling said." (Seattle Times, 9.4.02. Dave Earling is a Sound Transit board member, and former chairman.)

Q: "Are the portions of the Link light rail which were eliminated from Phase I going to be considered potentially as part of Phase II?"

A: "Yes. We have a commitment that as part of the Phase I plan we will get from Northgate to the airport. One of the things we may have to consider in the Phase II development is the financial ways we will be able to not only complete Phase I, but also make some progress beyond that. That will definitely be something taken into consideration as we look financially at how we will be moving forward." (Quote of Barbara Gilliland , Sound Transit Policy & Planning Program Manager, at a meeting of prospective Phase II (after Central Link) contractors, 10.1.02. Yes, it will require Phase II money--which was supposed to be for extensions to Northgate, Everett, Federal Way, Tacoma, Bellevue, Redmond, etc.--"not only to complete Phase I, but also make some progress beyond that.")

In spite of those acknowledgements and others, and in spite of the clear evidence confirming that point, contained in Sound Transit's 2002 Financial Plan, Sound Transit's representatives are busily making antithetical claims. Now they assert they can complete the line SeaTac to U District, with existing revenue authority. Maybe they couldn't manage it last year, and maybe they're facing a local economy that continues to

deteriorate, with government at all levels--municipal, county, and state--experiencing weakening tax revenues, severe deficits, and growing unemployment, one of the highest rates in the nation. But Sound Transit's bullish about its capacity to complete Central Link, unbelievably bullish:

Steve Scher's KUOW show (9.10.02)

Steve Scher: "When we voters originally voted, Phase 1 was to the U District and money that was going to be used from any new taxes was going to be from U District to Northgate. But there's been some question now if that's a changed formula or not..."

Ron Sims: "It's not a question with the Board. Phase 2 gets us to Northgate."

Scher: "But it's a different vote, different tax. You're not going to take the money that's now slated for Phase 2 and pay for getting to U District."

Sims: "We're going to get to University ..."

Scher: "...with Phase 1 money?"

Sims: "...with Phase 1 money, yeah."

Dori Monson's KIRO program (9.30.02):

Dori Monson: "Using the current tax revenues. You are not going to have to go back to the voters for an additional tax to get up to the U District?"

Ron Sims: "The next time we go back to the voters we'll likely be going on Phase II and talking about light rail East or with expanding the system both [sic] in Pierce, King and Snohomish Counties. But not to get to the U District."

Monson. "Okay, so Phase I money will get you to the U District?"

Sims: "Yeah."

Sound Transit board member Greg Nickels makes similar claims, but leaves a way out by hedging, so he doesn't lie, quite, he simply conveys a misimpression. This is from Steve Scher's KUOW show (9.10.02)

Scher: "But you're not going to come back to the voters and ask for additional tax [to get] to the U District?"

Nickels: "We are working hard right now to get the first 500 million in federal tax dollars to help us get to the airport. We'll work hard to get an additional \$500 million to get north to the University District; those were part of the planning assumption that we originally had. And we are going to work hard to do it within the existing dollars to complete that 21 mile segment."

A more carefully crafted rendition--to the same deceptive effect--was offered in a court interrogatory by Sound Transit management, signed off by Joni Earl, executive director; Hugh Simpson, chief financial officer; Brian McCartan, deputy CFO; Alvan Ikoku, economist; and Desmond Brown, chief legal counsel.⁶⁰

INTERROGATORY No. 3: "When do you plan to begin and complete construction [sic] that portion of your light rail line that runs between the downtown bus tunnel and the University District?"

ANSWER: "...It is expected that construction will begin sometime between 2006 and 2008 and will be completed in 6-7 years."

INTERROGATORY NO. 4: "How much do you anticipate it will cost to construct that portion of your light rail line that runs between the downtown bus tunnel and the University District?"

ANSWER: "In January 2001, the Sound Transit Board of Directors adopted a \$3.6 billion budget for the entire light rail alignment. However, the budget for this segment of the alignment is outdated and will be revised because it is based on an alignment that differs from the alignments currently under study....The cost estimates...will not be finalized until 2003..."

INTERROGATORY NO. 5: "Please identify your sources of funding for that portion of your light rail line that runs between the downtown bus tunnel and the University District and state the amount of funding you anticipate from each source identified."

ANSWER: "Tax/bond funding available for this segment is estimated to be \$700-800 million. Additional funding is expected to be available from the unspent project reserves and contingencies remaining after construction of the initial light rail segment, but the amount of such reserves and contingencies will not be known until after completion of construction [sic] the initial segment. Additional funding is also expected from grants, which are estimated to be approximately \$500 million, from the Federal Transit Administration."

A review of Sound Transit financial data was presented in an earlier section, titled Post-Initial Segment Resources. The conclusion the data forcefully establishes is that, even if

⁶⁰ Superior Court of Washington, King County, SANE TRANSIT v. SOUND TRANSIT, "Defendant's answers and responses to plaintiffs' first interrogatories," 8.16.02, pages 5-6.

Sound Transit's current rendition of compounded optimism is realized, and Deloitte & Touche's concerns are unfounded, it cannot afford to extend Initial Segment either to South 200th Street, or to the University District, within the outer perimeter of its 2021 planning horizon. It's not a close call.

So why is Sound Transit making such a false contention? That's where the speculation begins. There are two possible motives.

First, Sound Transit is sensitive to the position of the Downtown Seattle Association, particularly, and the Greater Seattle Chamber of Commerce, because it might influence decisions in Washington DC. Their position is that the downtown transit tunnel should not be closed, and converted to rail or joint rail/bus, unless and until Sound Transit has a confirmed plan and the necessary money to get from SeaTac to Northgate. It will be a PR triumph if they are persuaded that Sound Transit actually can get from SeaTac to Northgate, or at least the U District, and it will lessen the strength of their opposition. That will help clear the course to get the FFGA.

Second, Sound Transit may need to convince the Federal Transit Administration, and congress, that it has the necessary local funding authority in place to complete the Central Link light rail line approved by voters in 1996. Indeed, that was the motive to hide huge cost increases in 2000. Then to ratchet-up rose-colored revenue assumptions between December 2000, when ten digits worth of additional costs were admitted, and January 2001, when the agency contended to FTA that it could complete the entire line, which USDOT regulations seemed to require. This specific point was addressed in the April 4, 2001 interim report by the Inspector General:

"FTA and Sound Transit need to clarify the Project's scope and, on that basis, clearly define the Federal Government's commitment. The Project endorsed by the voters included completing a 20-mile system (Segments 1 and 2) from North East 47th Street to South 200th Street and local funding was secured on that basis. The grant agreement approved on January 19, 2001 funded only a 7.4-mile segment of the Project (Segment 1). Moreover, as costs increased for Segment 1, much of the local funding previously intended for Segment 2 was committed to the 7.4-mile Segment 1. Only Segment 1 is covered by the grant agreement, *not the entire alignment that comprises the Project.* [emphasis in original]

"Sound Transit intends to ask the Federal Government for an additional \$931 million to construct Segment 2. This request would bring the Federal portion of the Project's cost to \$1.4 billion. If additional Federal funding is not approved, this could jeopardize Segment 2's chances for completion unless additional local funds are provided. If FTA and Sound Transit intend to finance Segment 2 as well, they should be up front about this and ensure the Project is justified and approved on that basis and that adequate Federal and local resources are identified....

"Recommendations...

"3. FTA and its Financial Management Oversight Contractor validate that funding sources are sufficient to complete Segment 1, and assesses the impact on Segment 2 of Sound Transit's use of \$2.1 billion of the Project's local funding for Segment 1."⁶¹

As it prepared its current grant proposal, Sound Transit was schizophrenic about whether Initial Segment is a stand-alone project, or whether it is, as its name implies, the "initial" segment of a complete project, i.e. 21-mile Central Link light rail. One of Citizen for Mobility's attorneys has even documented how Sound Transit comes down on both sides of that issue. In a "Declaration of John D. Alkire Accompanying Plaintiffs' Renewed Motion for Partial Summary Judgment," to federal district court judge Thomas S. Zilly, he reviews the ways in which Initial Segment is described both as an independent project, and as part of a larger project. This encompasses nearly 40 contradictory statements--some by FTA--sprinkled through Sound Transit's State Environmental Policy Act Addendum, November 2002; FTA letter of December 18, 2001; Environmental Assessment of February 2002; and the Amended Record of Decision.⁶²

The cause of its schizophrenia is obvious: Sound Transit wants to use the environmental impact statement prepared in 1999 for the 21-mile Central Link project adopted by voters, for its new Project, Initial Segment. It seeks to do so by pretending that Initial Segment is, in effect, segment 1, and the balance of Central Link is segments 2 and 3, will follow shortly. The covering page of the NEPA Environmental Assessment for the Central Link Light Rail Transit Project, Initial Segment, issued under the authority of the Regional Administrator for the Federal Transit Administration, February 18, 2002, leads with the following statement:

"Sound Transit is proposing changes to the Central Link Light Rail Transit Project, a 21-mile light rail line that will connect the cities of Seattle, Tukwila, and SeaTac. The original project was adopted by Sound Transit in 1999. Sound Transit is now proposing a newly defined Initial Segment to be built to provide light rail service over a 14-mile segment running between Convention Place in downtown Seattle to S. 154th Street in the city of SeaTac. The project is planned to be constructed and in operation by 2009."

In my comments on the Environmental Assessment, I drew attention to the fact that,

"The report is misleading, from the very first sentence of the Regional Administrator's covering letter.

"It promises a 21-mile light rail line--but Sound Transit no longer has legitimate grounds to make such a promise, not does the FTA Administrator. The agency may have sufficient funding to construct the 14-mile Initial Segment described in the EA. But it does not have the funding to continue to Seattle Tacoma International Airport and the south terminus at S. 200th Street, nor does it have funding adequate to continue to the previously promised north terminus in the University District. The reality of a 21-mile

⁶¹ OIG, 4.4.01, pages 6-7.

⁶² The brief is among those forwarded to the Honorable Thomas S. Zilly, 9.18.02, pages 11-18.

light rail line project, under existing policies and funding authority, is no longer operative."⁶³

The dilemma is manifest: The EIS for 21-mile Central Link, 1999, with its assorted costs and benefits, is not applicable to 14-mile Initial Segment, 2002, with different costs and benefits, termini that have never been studied, and use of the downtown transit tunnel in ways that are in direct conflict with the findings in the 1999 EIS. But Sound Transit doesn't want to bother with a new EIS, and apparently FTA doesn't want it to, either. Hence the pretense, in the words of the regional FTA administrator, that Sound Transit is merely "proposing changes to the Central Link Light Rail Transit Project, a 21-mile light rail line that will connect the cities of Seattle, Tukwila, and SeaTac," not proposing a different, shorter project.

On the other hand, Sound Transit doesn't have the money to complete Central Link. It admitted it, openly and freely, during the spring and summer of 2001. But during the summer, 2001, Sound Transit changed direction and began to create a fiction that it can complete Central Link on existing funding authority. Examples are cited above, notably by the chairman of the board, Ron Sims, in the course of recent radio interviews, and in the court interrogatories of Sound Transit's top management in the *Sane Transit v. Sound Transit* lawsuit. The fiction is insinuated also into the New Starts funding application, October 2001--which hints at how it was created:

"A Project Review Committee, chaired by former Seattle Mayor Charles Royer, was formed in 2001 to provide an independent review of the light rail project. Review committee members included U.S. Senator Slade Gorton, former Governor Booth Gardner and Seattle civic leader Jim Ellis. The committee supported Sound Transit's decision to start with an initial segment. In a letter to the Sound Transit Board, the committee concluded in part that, 'with tight cost controls on the construction of the initial segment and careful cost budgeting to match available revenues for the rest of the project, Sound Transit should have sufficient local and federal revenues to construct both the north and south segments of the light rail line.'"⁶⁴

Extraordinary, that Sound Transit was so clear that it couldn't get to SeaTac airport and the University District. Then an independent citizens committee, chaired by a one-time mayor, a former television commentator, with no background in construction or finance, finds it was wrong, and tells it how to do it,⁶⁵ which admonition Sound Transit swiftly accepts, and incorporates it into its New Starts submission, just a few days later. How did Charles Royer manage to locate some spare billions that Sound Transit had overlooked?

⁶³ Emory Bundy written comments on the Environmental Assessment to James Irish, Sound Transit, and John Witner, FTA, 3.6.02.

⁶⁴ ⁶⁴ Sound Transit, Link Light Rail New Starts Report, Submitted to Federal Transit Administration, October 2002, page 42.

⁶⁵ The guidance was offered by Charles Royer, on behalf of Project Review Committee, in a six-page letter dated 9.27.01. The quote in the New Starts submission was taken from that letter.

Well, he had a great deal of help--from Sound Transit's management and consultants. All of it out of public view, and out of view of most of the members of the Project Review Committee. The exceptions were PRC insider members who had acute conflicts of interest, like Slade Gorton and Jim Ellis, members of Preston Gates & Ellis, Sound Transit's leading law firm, and co-bond counsel. Here's how it happened:

The committee was formed, trumpeted as an independent citizens committee to review Sound Transit, chaired by former Seattle mayor Charles Royer. The committee was loaded with conflicts of interest and hand-picked light rail supporters: Gorton, Ellis, Mike Vaska (from Sound Transit's other co-bond counsel law firm, Foster Pepper), one member involved with light rail in Portland, Oregon; another, Tom Walsh, a King County employee and subordinate of Ron Sims, Sound Transit board chairman; and Steve Goldblatt, a member of Sound Transit's hand-picked Citizen Oversight Panel, who has proven his pro-agency reliability during the previous years, even while occasionally shaking his head over its missteps and excesses. The status and role of Kathy Scanlan, who chaired PRC's finance committee, a critical assignment, will be addressed later. Booth Gardner was the solitary, independent critic; his presence lent a patina of credibility. Steve Koehler, who's for the project--and has lobbied on its behalf in DC--is a member of the Downtown Seattle Association. Like his peer group, he doesn't want light rail in the downtown Seattle transit tunnel unless and until there is a plan and sufficient money to complete the line from SeaTac to Northgate.

The committee was to operate on consensus basis. It did so through June 27, 2001, when it issued its first report, a four-page letter. Generally, the report supported Sound Transit's views and interests right down the line--with one exception:

"The northern terminus should initially be at the south edge of downtown. The PRC does not believe the Downtown Seattle Transit Tunnel ('DSTT') should be converted for joint rail/bus use until such time as construction is funded and underway on the northern segment of the light rail line. Only at the point that increased ridership is sufficient to justify closure of the DSTT for more than two years should the tunnel be retrofitted for light rail (or for joint rail/bus use)."

That was the product of Steve Koehler's mission, on behalf of DSA. In the spirit of consensus, Booth Gardner supported the letter, though he disagreed with most of it--because of that paragraph. He felt it was one public-spirited constraint on the project, and he wanted to support Koehler and DSA. If the tunnel was to be changed from buses, at least it would be for an operation of sufficient reach and utility that it might do some good for the downtown, rather than harm. And it was likely that Sound Transit would fail to assemble the plan and money for a line from SeaTac to Northgate, anyway, which would kill the project, and enable the board to turn its energies and money to sensible alternatives, which Gardner favored.⁶⁶

⁶⁶ Cf a Booth Gardner Op-ed appeared at that time, printed in three of the region's daily newspapers. It concluded with the following call: " In short, there are board members who know that we must change direction. They are calling for a comprehensive look at alternatives, sensible use of the people's money, and

But the Sound Transit board and management was upset--excepting Rob McKenna, Paul Schell, Ed Hansen (mayor of Everett), and Jane Hague, who ultimately voted against Initial Segment. The agency wanted Initial Segment to proceed, and they wanted it to include the downtown tunnel. Without it, it may not have projected ridership sufficient to be taken seriously by FTA. Running through the tunnel, Sound Transit could claim the large number of patrons who use Magic Carpet, the free-ride use of transit in the downtown neighborhood, and thereby swell its ridership predictions.

So, how to get around the troubling position of DSA? Easy: just claim that Sound Transit can go from SeaTac to north Seattle, right away. Claim that it found the money.

Charles Royer had a lot of back-room help in crafting an argument. My review of invoices from Sound Transit's public affairs consulting firm, Cocker Fennessy, indicates a plethora of insider strategy sessions, involving PRC's staff, John Howell, Cocker Fennessy, Sound Transit's senior management, and a few self-interested PRC members. A list of relevant notations from the Cocker Fennessy's invoices is appended. Genuinely independent PRC members, like Gardner and Koehler, had no idea such PRC strategy sessions were going on.

For example, in its July billing, shortly after the troubling June 27 consensus letter, Cocker Fennessy reports meeting with unnamed PRC members to "discuss the committee's role," then meets with Sound Transit board members and staff. There is mention of a PRC meeting Cocker Fennessy attended July 25--but there is no record of any official PRC meeting that day, and the independent members don't recall knowing anything about such a meeting, before or after. Then Cocker Fennessy was busily "drafting recommendations for a revised scope of work" for PRC. Odd, that Sound Transit's management would assign its public affairs consultant to redraft the scope of work of a committee that it claimed was carrying out an independent review of Sound Transit. PRC as a whole seems not to have been aware that Cocker Fennessy redrafted its mandate.

Things continued in this vein, until, in its invoice for September, Cocker Fennessy includes this stunning news:

"Staff Project Review Committee regarding their letter of recommendations and presentation to the ST board"

Now Sound Transit's public affairs counsel is staffing PRC's report and its presentation to the board! That's a counterintuitive role for the top public affairs consultant of the organization the committee was supposed to be independently reviewing. Then Cocker Fennessy helped with a Charles Royer, Kathy Scanlan, Slade Gorton, and Jim Ellis' Op-ed in the November 8, 2001 edition of the Seattle PI, titled, "Good News for Sound

a concerted effort to effectively address our area's transportation problems. Do we ask the board to resign? No. It would suffice if they would just do their job." Seattle Times, 4.11.01.

Transit." The happy message, which had been incorporated into the New Starts submission, was, we can complete Central Link after all! Just tighten your belt and show some imagination!

It is impossible to reconcile the array of facile suggestions in Charles Royer's September 27, 2001 letter, and November 8 Op-ed, with Sound Transit's real-life financial condition, as represented in its 2002 Financial Plan. It doesn't wash.

Some of the key recommendations are in direct conflict with promises to voters in 1996, and existing board policy. For example, subarea borrowing--which subverts subarea equity, but has been tolerated until 2009 (three years after the end of the putative Ten Year Regional Transit System Plan)--is proposed to be extended an additional decade. That could help Central Link some, but there are three problems with that. First, it conflicts with the promises made to voters in Sound Move. Second, if money sufficient to get to SeaTac, and University District, was forwarded to South King County and North King County respectively, neither of them would be able to repay it by the end of another decade, anyway, which would be required under the ten-year extension. And third, maybe Charles Royer, or even PRC as a whole, recommended it, but it is not the policy of Sound Transit, which is set by the board. It seems on its face that it's not something the board is likely to consent to.

But here's how that recommendation is being applied. As quoted earlier, Sound Transit's management claimed, in its August 16 interrogatories to the court, with respect to the downtown to U District extension, that "Tax/bond funding available for this segment is estimated to be \$700-800 million." North King County's financial records do not sustain that contention at all.⁶⁷ A local reporter got a hint from Ron Sims on how this is supposed to be done. Sims told him, "they would 'reallocate' money if needed to get to U District with existing taxes, but would not elaborate."⁶⁸ That sounds like acting on one of Royer's suggestions, a suggestion apparently planted by Sound Transit's management, which Sims is acting on, even though it's in violation of board policy.

The same argument can be made with respect to the suggestion in the Royer letter to lower the debt service coverage ratio from 2 x 1 (1 x 1.3 in any single year) to a high-risk 1 x 1.15. It's contrary to 1996 assurances to voters, and it violates existing board policy, so can hardly be a planning assumption for Sound Transit management to act on, and represent to others.

Then there are interesting circumstances concerning Cedar River Associates, which was commissioned to staff PRC, Kathy Scanlan, PRC member and finance committee chair, and Charles Royer.

Cedar River Associates, whose principals include John Howell, a deputy mayor during the Royer administration, was contracted by Sound Transit to provide staff support for the eight-month life of the part-time, independent, Project Review Committee. Howell

⁶⁷ See Table 4-2A.

⁶⁸ Personal correspondence, 9.13.02.

served as point man at PRC meetings, and in the myriad strategy sessions with Sound Transit management and Cocker Fennessy. The contract seems rather generous: \$250,000. True, there were a few official meetings to attend, and a lot of unofficial ones. There was lots of interacting with Sound Transit personnel, where Howell, it appears, was on the receiving end of Sound Transit management's "PRC strategy sessions." The assignment involved collecting and processing of complex data. The final work product consisted of two written reports, one four pages, on June 27, and one six pages, September 27--but the six page, final report was staffed by Cocker Fennessy, according to its invoice.

I asked a PRC member if he knew about the terms of Cedar River Associates' contract. He assumed staff was paid by Sound Transit, but he was stunned at the amount--though he said Howell is talented, and worked hard. A request to Sound Transit for invoices, to confirm whether the full contract was expended, or perhaps exceeded, has not been fulfilled. The invoices should add further illumination to Cocker Fennessy's invoices, and provide some additional insight into what really was going on.

Kathy Scanlan played a key role. She had no obvious conflicts of interest when she was appointed to the committee, though she had been working for Paul Allen, the largest property owner in Seattle, who exhibits a keen interest in light rail and its alignment--particularly whether it will go near his South Lake Union properties. But shortly upon completing her PRC assignment, she became a new principal in Cedar River Associates. The arrangement may have been made when she was a PRC member, which suggests a possible conflict of interest. It makes the content of the Cedar River Associates invoices even more interesting, to know how the generous \$250,000 was allocated, and if it may even have been exceeded through change orders.

As for Charles Royer, was he paid? Was he in some fashion beholden to Sound Transit? There was no public acknowledgement of such an arrangement, which would discredit the claim that he was acting as an independent party. It's generally assumed he wasn't financially rewarded; that's what the PRC committee members I talked with assumed.

I hold a contrary assumption, for two reasons. First, it seems to me that he performed in a fashion that suggests he was carrying water for Sound Transit. Once I knew an independent Charles Royer, when we were colleagues at KING-TV. He was a news commentator, a good one, with institutional protections guarding his independence. He offered distinctively independent, tough and probing opinions about major public works projects, like the Kingdome. He didn't conclude that the Kingdome project actually was much better and far more affordable than its sponsors realized.

Second, when I served on a purported, independent citizens committee for Sound Transit, in 1996, chaired by Dick Ford, I did not know--nor did my colleagues--that Ford was a well-remunerated employee of Sound Transit, via his law firm, Preston Gates & Ellis. The firm had a \$334,000 contract with Sound Transit at that time--not specifically for Dick Ford, but for whatever services it was performing for the agency, which included

Ford's manipulative contributions. Later, when I became aware of Ford's self-interested relationship, I tried to learn the specifics about his assignment and remuneration, but everything was protected by attorney-client privilege. Everything.

Recently I mentioned Ford's status to a former colleague of the Ford committee--Skip Rowley, a sophisticated, prominent East King County businessman, and a leading civic figure in regional transportation planning. He wrote back,

"I did not know of the Preston (Dick Ford) contract...I assumed that Preston, and Ford in particular, was leading the outreach committee in good faith and as a volunteer as we were...."

"Yes, we were set up. It was in fact an entirely controlled and manipulated process. From that time on, I never serve on any committee without taking the time to ensure that it is real and not some pre-ordained outcome. Was I pissed? You bet I was! I expressed that to both Ford and White, but I never knew about any \$300,000.00 contract."⁶⁹

A colleague in Citizens for Mobility, Don Padelford, complained to the editor of the Seattle Times about a pro-Sound Transit Op-ed by Dick Ford, "Keeping region's light-rail plan on track," October 14, 1999. He was entitled to his opinion, but there was no mention of Ford's vested interest as a senior member of Sound Transit's leading law firm, which would be standard journalistic procedure. The editor defended his decision not to mention any connection with Sound Transit, saying Ford was a prominent citizen of our community, and he did not discern any self-interest. Years later, in the invoices of Cocker Fennessy, it was revealed that it wasn't even Ford's piece--he simply agreed to front for Sound Transit, and have his name on it. Sound Transit commissioned the Op-ed, used taxpayer funds to pay for it, Cocker Fennessy wrote and placed it, and got Dick Ford to put his name on it.⁷⁰ Sound Transit does a lot of that sort of thing, and Cocker Fennessy's invoices--which have become more guarded in recent years--reveal a number of such instances.

Last year Dick Ford was the chief organizer of a new civic group called Rail Transit Now. It's designed to give the appearance of broad, citizen support for Sound Transit's rail projects. It's staffed by Diane Davies, previously executive director of Rainier Valley Transit Advisory Committee, paid by the Columbia City Chamber of Commerce--with money funneled to it by Sound Transit. Dick Ford, assuming his work is remunerated by Sound Transit, which seems a safe assumption, is a pretty expensive community organizer--\$270 per hour. That's his billing rate, according to the most recent Sound Transit contract with Preston Gates & Ellis I've seen, June 1, 2000. But due to attorney-client privilege, it's impossible to learn just what Ford's paid, or what he does for the money.

⁶⁹ Personal correspondence, 5.28.02.

⁷⁰ Cocker Fennessy invoice for August 30-September 30, 1999, "Advise ST [Sound Transit] about Seattle column." Invoice for October 1-31, 1999: "Draft Op-ed for Seattle Times, get Dick Ford to sign"

So it would be more surprising to me if Royer wasn't paid. It wouldn't seem fair. Ford was paid, for an analogous assignment. Why should the quality of independence represented to the citizenry in Royer's case be any more valid than it was in Ford's case? But since Royer is not an attorney, readily protected by attorney-client privilege, if payments were made for services rendered, how could they be hidden? One possibility would be through Cedar River Associates, though, if vigorously pursued, an unlikely event, it could not legitimately be protected. Another option is, Royer's payments could be routed through Preston Gates & Ellis, and shielded under attorney-client privilege, in keeping with the arrangement Sound Transit and Preston set up May 1, 1999. His connections, including his intimate teamwork with Slade Gorton and Jim Ellis, of Preston Gates & Ellis, could hardly be better. They even helped him write the November 8 Op-ed, and Jim Ellis sat supportively at his elbow as he delivered his independent committee's final report to the Sound Transit board.

My apologies to the Inspector General's Office for spending so much space on such an arcane issue, much of it speculation. But it may be of central importance. Sound Transit is working hard to build a case that its existing funding is, or probably is, or may be adequate to complete Central Link--which is strange, since the agency's own financial records clearly refute it. Now the agency makes false and misleading claims on the subject to the press and on radio shows, and in court interrogatories. In its New Starts application the statement about having money to complete Central Link may be narrowly accurate--it's merely reporting what PRC said--but there would be no cause to cite it unless Sound Transit wants the recipients of the application to believe it. Surely Sound Transit's statement that PRC was formed "to provide an independent review of the light rail project" is meant to ride on the legitimacy of a disinterested inquiry.⁷¹ And finally, there appears to be such abundance circumstantial evidence that Sound Transit devoted substantial resources to inspire, direct, and finally author the unwarranted conclusions contained in Charles Royer's September 27, 2001 letter, and the Op-ed that followed. The PRC line then, very quickly, became the Sound Transit line.

Why? Because, perhaps, only if Initial Segment is accepted as part of Central Link, and can be justified by the existing EIS and voter-approved taxes, can it qualify for a full funding grant agreement. The FFGA will enable Sound Transit to proceed with construction. A point will be reached at which, in order to mitigate the damage inflicted on the community, particularly the downtown core, there may emerge public support for the necessary tax increase to continue to the north end, and to SeaTac airport. Even so, with all the civic learning that's taken place since 1996, it's hard to imagine that Sound Transit can win another public vote.

This cynical prospect is consistent with that of the last round, when Sound Transit planned to tear into the downtown, Capitol Hill, and the University District, for a misrepresented project it could not afford to complete, either, under existing tax authority. FTA was willing to facilitate that disaster, seeming to believe it was doing a favor to this community. Only the interim report of the Inspector General saved us. Like

⁷¹ Mew Starts. October 2001, page 42.

the Big Dig, the federal government would have been called upon to help with the wherewithal to help bail us out of the calamity, and finish MOS-1. There would be merit to the bailout appeal, because FTA would have been implicated in the project, and its misrepresentations, like FWHA is implicated in the Big Dig.

But there's this fundamental difference between Central Link MOS-1, or Initial Segment, and the Big Dig: When the Big Dig is done, horrendously expensive though it may be, Boston will have a useful, productive transportation amenity. Initial Segment, in contrast, will be not only an expensive project, but a counterproductive one. It will cripple the local transit system, and jeopardize the viability of Seattle's downtown retail core.

Emory Bundy
270 Dorffel Drive East
Seattle, Washington 98112
Ebundy@nwlink.com

2002 Financial Plan - Central Link Summary for 1997-2009

Table 1

Scenario:

2002 FFGA - Final Submittal

(Millions YOES)

**Complete
South
King**

Sources of Funds

	North King	South King Link	Total	
Taxes	1,035	349	1,384	630
1 Federal Grants & GANs	305	215	520	299
2 State Grants	-	-	-	-
Local Grants	-	-	-	-
Bonds	1,063	266	1,329	547
Fares & Other Oper. Revenue	2	0.5	3	24
3 Other Sources	56	-	56	49
Regional Fund Contributions	(39)	(13)	(52)	(23)
Adjustments	(34)	3	(32)	5
Total Sources	2,388	820	3,207	1,531

Uses of Funds

Commuter Rail	-	-	-	438
Regional Express	-	-	-	183
Light Rail Capital	1,579	621	2,200	55% 621
Potential Enhancements	234	21	255	
4 Light Rail Other	191	59	250	59
Light Rail Operating	28	8	36	8
Regional Fund Activities	-	-	-	-
Debt Service	264	75	339	135
GAN Repayments	-	-	-	-
Contributions to Reserves	92	36	128	66
Total Uses	2,388	820	3,207	1,510

1,799

Notes

- 1 Federal government grants received between 1997 and 2009 for Link and short-term notes backed by future grant receipts.
- 2 State government grants received in Phase I for Link are held in reserve for the Northgate extension.
- 3 City and County contribution toward community development fund and sale of excess real estate.
- 4 Includes project reserve, community development fund, DSTT and STArt.

2002 Financial Plan - Sources & Uses Summary for 1997-2009

Table 2

Scenario 2002 FFGA - Final Submittal

(Millions YOES)

Sources of Funds	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
Taxes	432	1,035	630	956	560	-	3,614
1 Federal Grants	73	305	299	71	143	-	891
2 State Grants	15	-	-	-	-	-	15
3 Local Grants	-	-	-	-	-	-	-
Bonds	135	1,063	547	326	174	-	2,245
Fares & Other Oper. Revenues	33	2	24	57	64	-	181
4 Other Sources	6	56	49	4	35	273	422
Regional Fund Contributions	(16)	(39)	(23)	(36)	(20)	134	-
Adjustments	7	(34)	5	15	8	-	(0)
Total Sources	685	2,388	1,531	1,393	964	407	7,368

Uses of Funds

Commuter Rail	235	-	438	-	469	-	1,142
Regional Express	290	-	183	907	250	-	1,630
Light Rail	-	1,799	688	-	101	-	2,588
Regional Fund Activities	-	-	-	-	-	407	407
Debt Service	42	264	135	83	63	-	586
GAN Repayments	-	-	-	-	-	-	-
Contributions to Reserves	41	92	66	176	71	-	446
Sub-total	607	2,154	1,510	1,166	955	407	6,799
5 Possible Program Adjustments	78	234	21	227	9	-	569
Total Uses	685	2,388	1,531	1,393	964	407	7,368
6 % Debt Capacity Used	100%	100%	100%	76%	100%	-	95%
7 Phase 2 Capacity	271	276	165	1,045	460	-	2,216

Notes

- 1 Federal government capital and operating grants received between 1997 and 2009 for all lines of business.
- 2 State government grants received in 2000.
- 3 City and County government grants (CDF funds are contained in "other sources").
- 4 City and County contribution, sale of excess real estate, Sounder and REX other revenues; interest on cash balances for Regional Fund.
- 5 Unprogrammed financial plan placeholders or estimated program cuts.
- 6 Estimated debt capacity is limited by 1.3 net coverage requirement; significant difference of 5%.
- 7 Estimated as ending cash balance plus 50% of estimated debt capacity as of 2016, minus funds owed to other subareas as of 2006. Does not include any government grants, and assumes continuation of current tax rates.

SOUND TRANSIT (Modified to split program costs into "Capital" and "Operating", and to add debt capacity calculations.)
Appendix A Format — annual values

Table 4-1A

REGIONAL SUMMARY

ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	thru 2009
Sources of Funds														
Beginning unrestricted cash	-	138,728	291,821	751,954	658,974	850,270	663,752	281,048	-	0	0	0	0	-
Taxes	158,915	226,958	242,161	271,121	268,058	253,788	262,171	276,350	292,993	311,983	330,900	349,870	368,255	3,613,523
Federal Grants - Capital	1,330	-	74,727	138,269	13,990	94,113	45,060	96,340	102,570	108,100	80,000	70,000	24,028	848,527
Federal Grants - Operating	-	-	-	-	-	-	-	-	-	-	18,640	19,210	19,780	57,630
Bonds	-	-	345,481	-	-	-	-	191,470	520,425	646,548	258,635	59,056	223,595	2,245,209
Other Sources	-	-	50	11,767	36,968	25,892	29,499	19,429	17,046	379	379	379	7,359	149,149
Fares & other operating revenue	-	427	1,806	6,571	8,820	11,686	14,020	16,365	18,657	21,390	24,088	26,255	30,708	180,795
Interest	1,747	11,910	31,341	57,589	60,207	39,274	31,070	14,005	2,139	3,996	6,148	6,809	7,001	273,235
total sources	161,992	378,023	987,388	1,237,271	1,047,017	1,275,023	1,045,573	895,007	953,830	1,092,397	718,790	531,578	680,727	7,368,068
Uses of Funds														
Commuter Rail	1,262	43,548	68,837	362,682	(11,210)	107,654	119,633	54,445	62,935	39,662	-	-	-	849,447
Operating Costs	-	-	134	3,827	14,312	12,503	16,396	33,982	40,022	41,141	42,313	43,426	44,600	292,656
Regional Express	70	5,534	60,597	47,214	54,054	166,838	201,253	290,409	245,453	257,357	-	-	857	1,329,637
Operating Costs	-	1,308	8,960	24,775	36,789	46,450	54,679	55,298	74,479	78,707	75,678	77,669	79,769	614,561
Light Rail	2,291	26,815	49,774	103,183	55,549	208,255	294,954	361,532	394,124	494,556	418,301	231,939	144,177	2,785,450
Operating Costs	-	-	-	2,512	4,041	2,853	4,650	4,559	4,493	3,897	4,008	4,114	21,756	56,882
Regional Fund Activities	5,014	8,317	34,196	12,703	20,544	45,355	52,310	54,569	47,054	46,446	30,245	27,183	23,493	407,429
Debt Service	-	-	11,443	17,164	17,164	17,164	17,164	22,850	43,990	82,828	109,709	119,133	127,496	586,103
Contributions to reserve funds	14,627	680	1,492	4,238	5,504	4,200	3,486	17,363	41,280	47,803	38,536	28,113	65,561	272,883
subtotal	23,264	86,202	235,433	578,297	196,747	611,271	764,525	895,007	953,830	1,092,397	718,790	531,578	507,708	7,195,049
Increase (decrease) in cash	138,728	153,093	460,133	(92,980)	191,296	(186,518)	(382,705)	(281,048)	0	-	-	-	173,018	173,018
Ending unrestricted cash	138,728	291,821	751,954	658,974	850,270	663,752	281,048	-	0	0	0	0	173,018	173,018
total uses	161,992	378,023	987,388	1,237,271	1,047,017	1,275,023	1,045,573	895,007	953,830	1,092,397	718,790	531,578	680,727	7,368,068
Net Revenues for Bond Calc Use							155,244	151,295	148,706	165,229	229,931	251,713	258,134	
Max Allowable Debt Service							119,418	116,381	114,389	127,099	176,870	193,626	198,565	
Total Debt Capacity							1,670,499	1,628,006	1,600,150	1,777,946	2,474,164	2,708,553	2,777,646	
Unused Debt Capacity							1,213,785	1,001,205	491,402	74,022	511,605	686,939	532,437	

SNOHOMISH

ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	thru 2009
Sources of Funds														
Beginning unrestricted cash	-	18,230	44,054	81,035	137,981	131,281	72,898	27,411	0	(0)	(0)	0	0	-
Taxes	19,689	28,688	30,082	31,910	32,147	29,930	30,769	32,523	34,598	36,947	39,298	41,659	43,958	432,197
Federal Grants - Capital	999	-	934	55,219	1,327	15,658	12,250	-	-	-	-	-	-	86,387
Federal Grants - Operating	-	-	-	-	-	-	-	-	-	-	552	624	678	1,854
Bonds	-	-	23,803	-	-	-	-	21,383	38,478	51,372	-	-	-	135,036
Other Sources	-	-	-	-	4,293	-	1,600	-	-	-	-	-	-	5,893
Fares & other operating revenue	-	-	149	936	1,052	1,325	2,288	2,765	3,366	4,323	5,165	5,705	6,114	33,187
Net transfers to (from) Snohomish:														
Operating subsidies	-	-	-	-	1,171	1,196	1,228	1,260	1,296	-	-	-	-	6,149
Cash	-	-	-	(4,904)	5,082	-	(8,124)	10,675	(2,392)	-	(2,552)	(4,850)	7,671	605
Regional Fund Contributions	(405)	454	(355)	5,283	4,757	(717)	(2,493)	(4,774)	(5,304)	(5,027)	(2,862)	(2,426)	(1,969)	(15,837)
total transfers	(405)	454	(355)	379	11,009	478	(9,389)	7,161	(6,400)	(5,027)	(5,414)	(7,276)	5,702	(9,082)
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	20,283	47,372	98,667	169,479	187,809	178,672	110,416	91,244	70,041	87,614	39,601	40,712	56,453	685,472
Uses of Funds														
Commuter Rail	230	1,706	3,196	12,028	25,228	47,828	12,888	16,472	7,684	-	-	-	-	127,260
Operating Costs	-	-	2	3	467	2,067	6,553	14,000	16,001	16,369	16,835	17,278	17,745	107,320
Regional Express	11	1,484	12,075	13,784	23,281	47,880	54,532	49,158	25,207	50,171	-	-	-	277,583
Operating Costs	-	59	1,334	3,997	5,807	6,137	6,849	6,933	13,467	11,106	11,422	11,722	12,039	90,873
Light Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	788	1,183	1,183	1,183	1,183	1,818	3,545	6,561	8,086	8,076	8,073	41,676
Contributions to reserve funds	1,812	70	235	503	563	679	1,000	2,862	4,138	3,409	3,258	3,634	3,628	25,791
subtotal	2,053	3,318	17,632	31,498	56,528	105,774	83,005	91,243	70,041	87,614	39,601	40,711	41,485	670,504
Increase (decrease) in cash	18,230	25,824	36,982	56,945	(6,700)	(58,383)	(45,487)	(27,411)	(0)	-	0	0	14,968	14,968
Ending unrestricted cash	18,230	44,054	81,035	137,981	131,281	72,898	27,411	0	(0)	0	0	0	14,968	14,968
total uses	20,283	47,372	98,667	169,479	187,809	178,672	110,416	91,244	70,041	87,614	39,601	40,712	56,453	685,472
Net Revenues for Bond Calc Use							14,397	9,098	3,237	8,537	14,181	16,795	19,237	
Max Allowable Debt Service							11,074	6,998	2,490	6,567	10,909	12,919	14,798	
Total Debt Capacity							154,916	97,895	34,829	91,865	152,599	180,725	207,004	
Unused Debt Capacity							19,880	(37,141)	(100,208)	(43,171)	17,563	45,689	71,968	

SOUND TRANSIT (Modified to split program costs into "Capital" and "Operating", and to add debt capacity calculations.)

Table 4-1B

Appendix A Format — annual values

REGIONAL SUMMARY ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	2010	2011	2012	2013	2014	2015	2016	thru 2016	2017	2018	2019	2020	2021	Thru 2021
Sources of Funds														
Beginning unrestricted cash	173,018	257,617	360,981	475,798	612,789	778,481	970,522	-	1,188,940	1,444,018	1,737,836	2,060,325	2,439,287	-
Taxes	387,159	407,554	429,774	453,311	478,316	504,232	531,701	6,805,570	560,648	590,744	622,307	655,520	690,476	9,925,265
Federal Grants - Capital	-	-	-	-	-	-	-	848,527	-	-	-	-	-	848,527
Federal Grants - Operating	20,370	22,270	22,940	23,630	24,340	25,060	25,820	222,060	26,590	27,390	28,210	29,060	29,930	363,240
Bonds	-	-	-	-	-	-	-	2,245,209	-	-	-	-	-	2,245,209
Other Sources	7,708	8,074	379	379	379	379	379	166,827	379	379	379	379	379	168,723
Fares & other operating revenue	35,493	40,118	43,130	45,552	48,269	51,070	54,152	498,580	57,412	60,917	64,492	68,552	72,565	822,516
Interest	15,645	19,598	24,286	29,488	35,691	43,187	51,874	493,004	61,748	73,271	86,543	101,105	118,212	933,882
total sources	639,393	755,233	881,489	1,028,158	1,199,785	1,402,409	1,634,449	11,279,777	1,895,717	2,196,719	2,539,766	2,914,941	3,350,849	15,307,363
Uses of Funds														
Commuter Rail	-	-	-	-	-	-	-	194,651	-	-	-	-	-	-
Operating Costs	45,768	47,000	48,220	49,506	50,863	52,388	53,909	849,447	55,417	57,123	58,819	60,620	62,403	849,447
Regional Express	1,715	1,716	1,715	1,712	1,715	1,712	1,713	1,341,635	1,712	1,713	1,713	-	-	1,346,773
Operating Costs	77,996	80,094	82,175	84,366	86,677	89,276	91,869	1,207,014	94,440	97,345	100,237	103,305	106,344	1,708,685
Light Rail	3,184	3,186	3,184	3,180	3,185	3,180	10,521	2,815,072	10,517	10,524	10,521	-	-	2,846,635
Operating Costs	41,494	42,610	43,717	44,883	46,112	47,495	48,874	372,067	50,242	51,788	53,326	54,958	56,575	638,956
Regional Fund Activities	24,108	24,757	25,400	26,077	26,792	27,595	28,396	590,553	29,191	30,089	30,983	31,931	32,870	745,617
Debt Service	137,756	147,579	159,788	164,670	165,776	169,996	169,985	1,701,654	169,976	169,968	183,500	183,470	183,437	2,592,004
Contributions to reserve funds	49,754	47,310	41,493	40,974	40,184	40,245	40,243	573,086	40,205	40,333	40,343	41,369	41,357	776,693
subtotal	381,776	394,252	405,692	415,369	421,304	431,887	445,509	10,090,838	451,699	458,883	479,442	475,653	482,986	12,439,501
Increase (decrease) in cash	84,599	103,364	114,817	136,991	165,692	192,041	218,418	1,188,940	255,078	293,818	322,489	378,963	428,575	2,867,862
Ending unrestricted cash	257,617	360,981	475,798	612,789	778,481	970,522	1,188,940	1,188,940	1,444,018	1,737,836	2,060,325	2,439,287	2,867,862	2,867,862
total uses	639,393	755,233	881,489	1,028,158	1,199,785	1,402,409	1,634,449	11,279,777	1,895,717	2,196,719	2,539,766	2,914,941	3,350,849	15,307,363
Net Revenues for Bond Calc Use	262,900	284,976	306,072	327,661	350,756	374,190	399,515	-	426,555	454,245	483,525	514,562	547,384	-
Max Allowable Debt Service	202,231	219,212	235,440	252,047	269,812	287,838	307,320	-	328,119	349,419	371,942	395,817	421,065	-
Total Debt Capacity	2,828,930	3,066,474	3,293,482	3,525,785	3,774,300	4,026,457	4,298,975	-	4,589,931	4,887,888	5,202,959	5,536,928	5,890,109	-
Unused Debt Capacity	583,721	821,265	1,048,272	1,280,576	1,529,091	1,781,248	2,053,765	-	2,344,721	2,642,679	2,957,749	3,291,719	3,644,899	-

SNOHOMISH ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	2010	2011	2012	2013	2014	2015	2016	thru 2016	2017	2018	2019	2020	2021	Thru 2021
Sources of Funds														
Beginning unrestricted cash	14,968	25,263	37,570	52,669	70,531	91,710	116,067	-	144,228	176,547	215,205	257,991	305,814	-
Taxes	46,320	48,855	51,597	54,495	57,565	60,740	64,086	815,855	67,599	71,239	75,040	79,020	83,189	1,191,942
Federal Grants - Capital	-	-	-	-	-	-	-	86,387	-	-	-	-	-	86,387
Federal Grants - Operating	1,007	1,158	1,003	1,006	1,023	1,040	1,071	9,162	1,103	1,136	1,170	1,173	1,208	14,952
Bonds	-	-	-	-	-	-	-	135,036	-	-	-	-	-	135,036
Other Sources	-	-	-	-	-	-	-	5,893	-	-	-	-	-	5,893
Fares & other operating revenue	6,542	6,895	7,266	7,666	8,096	8,559	9,049	87,262	9,568	10,127	10,719	11,346	12,011	141,032
Net transfers to (from) Snohomish:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating subsidies	-	-	-	-	-	-	-	6,149	-	-	-	-	-	6,149
Cash	-	-	-	-	-	-	-	605	-	-	-	-	-	605
Regional Fund Contributions	(1,013)	(618)	(134)	410	1,071	1,878	2,830	(11,413)	3,925	5,207	6,700	8,339	10,282	23,041
total transfers	(1,013)	(618)	(134)	410	1,071	1,878	2,830	(4,658)	3,925	5,207	6,700	8,339	10,282	29,795
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	67,825	81,552	97,302	116,247	138,286	163,928	193,103	1,134,938	226,423	264,256	308,833	357,869	412,504	1,605,037
Uses of Funds														
Commuter Rail	-	-	-	-	-	-	-	127,260	-	-	-	-	-	127,260
Operating Costs	18,210	18,699	19,185	19,697	20,236	20,843	21,448	245,639	22,049	22,727	23,402	24,119	24,828	362,763
Regional Express	-	-	-	-	-	-	-	277,583	-	-	-	-	-	277,583
Operating Costs	12,355	12,687	13,017	13,364	13,730	14,141	14,552	184,718	14,959	15,420	15,878	16,364	16,845	264,183
Light Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	8,285	8,876	9,610	9,903	9,970	10,224	10,223	108,767	10,223	8,236	8,892	8,890	8,889	153,896
Contributions to reserve funds	3,713	3,720	2,822	2,752	2,639	2,652	2,652	46,741	2,646	2,669	2,670	2,682	2,680	60,089
subtotal	42,562	43,982	44,634	45,716	46,575	47,860	48,875	990,709	49,876	49,052	50,841	52,055	53,242	1,245,775
Increase (decrease) in cash	10,295	12,307	15,099	17,862	21,180	24,357	28,161	144,228	32,319	38,658	42,787	47,823	53,448	359,262
Ending unrestricted cash	25,263	37,570	52,669	70,531	91,710	116,067	144,228	144,228	176,547	215,205	257,991	305,814	359,262	359,262
total uses	67,825	81,552	97,302	116,247	138,286	163,928	193,103	1,134,938	226,423	264,256	308,833	357,869	412,504	1,605,037
Net Revenues for Bond Calc Use	21,527	23,692	25,785	28,174	30,730	33,305	36,096	-	39,092	42,118	45,345	48,684	52,293	-
Max Allowable Debt Service	16,559	18,224	19,834	21,673	23,639	25,619	27,766	-	30,071	32,399	34,881	37,449	40,226	-
Total Debt Capacity	231,637	254,933	277,456	303,170	330,672	358,379	388,408	-	420,646	453,211	487,939	523,862	562,700	-
Unused Debt Capacity	96,601	119,897	142,420	168,134	195,636	223,343	253,372	-	285,610	318,175	352,903	388,826	427,664	-

SOUND TRANSIT (Modified to split program costs into "Capital" and "Operating", and to add debt capacity calculations.)

Table 4-2A

Appendix A Format — annual values

NORTH KING		ST Scenario: 2002 FFGA - Final Submittal													
NOMINAL \$000s		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	thru 2009
Sources of Funds															
Beginning unrestricted cash	-	39,266	88,257	317,408	315,287	350,938	297,485	128,272	0	0	0	0	(0)	(0)	-
Taxes	46,310	64,877	70,197	77,668	75,747	73,248	75,780	79,602	84,114	89,288	94,433	99,588	104,577	104,577	1,035,428
Federal Grants - Capital	-	-	10,140	14,724	-	-	29,719	-	45,000	48,000	48,000	48,000	42,000	14,417	300,000
Federal Grants - Operating	-	-	-	-	-	-	-	-	-	-	-	-	-	4,888	4,888
Bonds	-	-	191,479	-	-	-	-	-	14,636	234,571	263,515	150,922	39,013	168,476	1,062,610
Other Sources	-	-	-	-	-	-	16,667	16,667	16,667	16,667	-	-	-	5,743	55,743
Fares & other operating revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	2,139	2,139
Net transfers to (from) North King:															
Operating subsidies	-	-	-	-	(6,341)	(6,476)	(6,650)	(6,824)	(7,018)	-	-	-	-	-	(33,308)
Cash	-	-	-	(11,206)	11,612	-	(38,017)	40,650	(1,637)	-	26,750	40,056	(69,331)	(1,122)	(1,122)
Regional Fund Contributions	(952)	1,027	(828)	12,858	11,208	(1,755)	(6,139)	(11,684)	(12,894)	(12,149)	(6,877)	(5,799)	(4,683)	(38,668)	
total transfers	(952)	1,027	(828)	1,652	16,479	(8,231)	(50,806)	22,142	(21,549)	(12,149)	19,873	34,256	(74,014)	(73,099)	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	45,358	105,169	359,245	411,452	407,513	445,674	339,125	306,318	361,802	388,654	313,228	214,857	226,226	2,387,710	
Uses of Funds															
Light Rail	1,830	16,784	35,435	84,346	42,860	135,801	199,829	293,905	325,911	334,476	255,927	159,075	117,505	117,505	2,003,685
Operating Costs	-	-	-	1,840	3,507	2,185	1,316	1,286	1,176	766	788	809	14,756	28,429	28,429
Debt Service	-	-	6,342	9,513	9,513	9,513	9,513	9,947	17,913	34,338	46,642	52,298	58,451	263,982	
Contributions to reserve funds	4,263	129	60	465	694	691	195	1,179	16,802	19,075	9,871	2,676	31,360	87,461	
subtotal	6,093	16,912	41,838	96,164	56,575	148,190	210,853	306,318	361,802	388,654	313,228	214,857	222,073	2,383,557	
Increase (decrease) in cash	39,266	48,992	229,151	(2,120)	35,650	(53,453)	(169,212)	(128,272)	(0)	(0)	(0)	(0)	4,153	4,153	
Ending unrestricted cash	39,266	88,257	317,408	315,287	350,938	297,485	128,272	0	0	0	0	0	4,153	4,153	
total uses	45,358	105,169	359,245	411,452	407,513	445,674	339,125	306,318	361,802	388,654	313,228	214,857	226,226	2,387,710	
Net Revenues for Bond Calc Use								61,377	64,498	70,342	75,816	87,453	93,539	92,735	
Max Allowable Debt Service								47,213	49,614	54,109	58,320	67,271	71,953	71,335	
Total Debt Capacity								660,444	694,031	756,916	815,811	941,032	1,006,520	997,875	
Unused Debt Capacity								468,965	487,917	316,231	111,611	85,910	112,386	(64,736)	

SOUTH KING		ST Scenario: 2002 FFGA - Final Submittal													
NOMINAL \$000s		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	thru 2009
Sources of Funds															
Beginning unrestricted cash	-	23,575	32,685	115,147	0	57,706	52,672	0	(0)	0	0	(0)	(0)	(0)	-
Taxes	27,574	39,771	41,589	47,368	46,524	43,601	45,135	47,816	50,949	54,523	58,073	61,637	65,077	65,077	629,639
Federal Grants - Capital	-	-	32,875	35,836	6,423	23,121	6,500	36,700	36,620	37,000	32,000	28,000	9,611	284,686	
Federal Grants - Operating	-	-	-	-	-	-	-	-	-	-	5,642	5,759	3,337	14,738	
Bonds	-	-	61,529	-	-	-	-	117,700	50,923	134,287	107,713	20,043	55,119	547,314	
Other Sources	-	-	7	6,374	17,111	14,898	7,696	1,387	50	50	50	50	1,286	48,960	
Fares & other operating revenue	-	-	42	435	1,207	1,645	1,502	1,940	2,385	2,901	3,426	3,846	4,646	23,974	
Net transfers to (from) South King:															
Operating subsidies	-	-	-	-	1,561	1,594	1,637	1,680	1,727	-	-	-	-	-	8,199
Cash	-	-	-	21,716	(22,504)	-	31,720	(19,770)	(13,164)	-	19,091	15,087	(35,619)	(3,442)	
Regional Fund Contributions	(567)	630	(490)	7,842	6,884	(1,045)	(3,657)	(7,019)	(7,810)	(7,419)	(4,229)	(3,589)	(2,914)	(23,384)	
total transfers	(567)	630	(490)	29,558	(14,059)	549	29,700	(25,109)	(19,246)	(7,419)	14,862	11,497	(38,533)	(18,627)	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
total sources	27,007	63,975	168,236	234,719	57,207	141,520	143,204	180,435	121,680	221,343	221,766	130,832	100,544	1,530,684	
Uses of Funds															
Commuter Rail	483	23,121	35,448	213,063	(21,275)	24,864	26,979	36,390	9,189	2,711	-	-	-	-	350,974
Operating Costs	-	-	106	2,145	7,788	5,502	4,337	9,062	10,965	11,320	11,642	11,949	12,271	87,087	
Regional Express	8	1,033	4,027	2,506	5,153	13,010	21,716	43,607	10,073	9,811	-	-	-	110,945	
Operating Costs	-	42	787	3,037	4,241	4,845	6,246	7,043	7,647	9,240	9,503	9,753	10,017	72,402	
Light Rail	404	7,005	10,510	9,644	(1,326)	36,653	80,066	67,626	68,213	160,080	162,374	72,864	26,672	700,785	
Operating Costs	-	-	-	386	454	642	572	602	555	292	301	309	3,923	8,036	
Debt Service	-	-	2,038	3,057	3,057	3,057	3,057	6,552	11,043	17,839	25,022	28,837	31,064	134,622	
Contributions to reserve funds	2,538	89	172	882	1,411	276	231	9,552	3,994	10,048	12,924	7,121	15,238	64,475	
subtotal	3,433	31,291	53,088	234,719	(499)	88,849	143,204	180,435	121,680	221,343	221,766	130,832	99,185	1,529,325	
Increase (decrease) in cash	23,575	9,110	82,463	(115,147)	57,705	(5,034)	(52,672)	(0)	(0)	(0)	(0)	(0)	1,359	1,359	
Ending unrestricted cash	23,575	32,685	115,147	0	57,706	52,672	0	0	0	0	0	0	1,359	1,359	
total uses	27,007	63,975	168,236	234,719	57,207	141,520	143,204	180,435	121,680	221,343	221,766	130,832	100,544	1,530,684	
End Cash: North + South King	62,840	120,942	432,555	315,288	408,644	350,156	128,273	0	0	0	(0)	(0)	5,512	5,512	
Net Revenues for Bond Calc Use								27,686	24,748	26,537	28,813	41,887	45,988	44,289	
Max Allowable Debt Service								21,297	19,037	20,413	22,164	32,221	35,375	34,069	
Total Debt Capacity								297,920	266,305	285,554	310,043	450,723	494,850	476,572	
Unused Debt Capacity								236,391	87,076	55,403	(54,396)	(21,428)	2,655	(70,741)	

SOUND TRANSIT (Modified to split program costs into "Capital" and "Operating", and to add debt capacity calculations.)
Appendix A Format — annual values

Table 4-2B

NORTH KING		ST Scenario: 2002 FFGA - Final Submittal													
NOMINAL \$000s		2010	2011	2012	2013	2014	2015	2016	thru 2016	2017	2018	2019	2020	2021	Thru 2021
Sources of Funds															
Beginning unrestricted cash		4,153	9,659	22,085	30,605	44,421	66,012	94,379	-	127,058	170,286	218,370	271,666	345,022	-
Taxes		109,717	115,286	121,380	127,858	134,765	141,950	149,598	1,935,982	157,693	166,147	175,057	184,481	194,452	2,813,812
Federal Grants - Capital		-	-	-	-	-	-	-	300,000	-	-	-	-	-	300,000
Federal Grants - Operating		5,034	5,790	6,611	6,882	7,174	7,415	7,640	51,434	7,870	8,105	8,346	8,710	8,971	93,436
Bonds		-	-	-	-	-	-	-	1,062,610	-	-	-	-	-	1,062,610
Other Sources		6,031	6,332	-	-	-	-	-	68,106	-	-	-	-	-	68,106
Fares & other operating revenue		4,496	6,866	7,815	8,252	8,715	9,207	9,720	57,209	10,382	10,954	11,551	12,313	12,967	115,376
Net transfers to (from) North King:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating subsidies		-	-	-	-	-	-	-	(33,308)	-	-	-	-	-	(33,308)
Cash		-	-	-	-	-	-	-	(1,122)	-	-	-	-	-	(1,122)
Regional Fund Contributions		(2,398)	(1,459)	(315)	962	2,507	4,390	6,606	(28,376)	9,157	12,145	15,629	19,467	24,034	52,057
total transfers		(2,398)	(1,459)	(315)	962	2,507	4,390	6,606	(62,807)	9,157	12,145	15,629	19,467	24,034	17,626
Interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources		127,032	142,473	157,576	174,558	197,583	228,973	267,943	3,412,535	312,160	367,637	428,954	496,637	585,446	4,470,965
Uses of Funds															
Light Rail		2,294	2,296	2,294	2,291	2,294	2,291	7,580	2,025,025	7,577	7,582	7,580	-	-	2,047,763
Operating Costs		30,285	31,100	31,908	32,759	33,656	34,665	35,672	258,474	36,670	37,798	38,921	40,113	41,292	453,269
Debt Service		65,193	69,842	75,620	77,931	78,454	80,451	80,446	791,919	80,441	86,676	93,577	93,561	93,545	1,239,720
Contributions to reserve funds		19,601	17,150	17,149	17,157	17,166	17,187	17,187	210,058	17,186	17,210	17,210	17,941	17,939	297,545
subtotal		117,374	120,388	126,971	130,137	131,571	134,594	140,884	3,285,476	141,874	149,267	157,287	151,615	152,777	4,038,297
Increase (decrease) in cash		5,505	12,427	8,520	13,816	21,591	28,367	32,680	127,058	43,228	48,084	53,296	73,355	87,647	432,669
Ending unrestricted cash		9,659	22,085	30,605	44,421	66,012	94,379	127,058	127,058	170,286	218,370	271,666	345,022	432,669	432,669
total uses		127,032	142,473	157,576	174,558	197,583	228,973	267,943	3,412,535	312,160	367,637	428,954	496,637	585,446	4,470,965
Net Revenues for Bond Calc Use		84,750	92,524	99,475	105,698	112,344	119,117	126,361	-	134,212	142,190	150,660	159,850	169,390	-
Max Allowable Debt Service		65,192	71,172	76,519	81,306	86,419	91,629	97,200	-	103,240	109,377	115,892	122,962	130,300	-
Total Debt Capacity		911,947	995,603	1,070,394	1,137,358	1,208,878	1,281,758	1,359,700	-	1,444,189	1,530,034	1,621,169	1,720,066	1,822,720	-
Unused Debt Capacity		(150,663)	(67,008)	7,784	74,748	146,267	219,148	297,089	-	381,579	467,424	558,558	657,455	760,110	-

SOUTH KING		ST Scenario: 2002 FFGA - Final Submittal													
NOMINAL \$000s		2010	2011	2012	2013	2014	2015	2016	thru 2016	2017	2018	2019	2020	2021	Thru 2021
Sources of Funds															
Beginning unrestricted cash		1,359	1,577	4,921	9,284	17,264	30,343	47,789	-	69,242	97,133	128,802	164,284	210,404	-
Taxes		68,605	72,404	76,551	80,920	85,542	90,304	95,347	1,199,312	100,636	106,097	111,795	117,755	123,990	1,759,584
Federal Grants - Capital		-	-	-	-	-	-	-	284,686	-	-	-	-	-	284,686
Federal Grants - Operating		3,127	3,598	3,921	4,071	4,200	4,324	4,455	42,434	4,590	4,727	4,867	4,982	5,130	66,730
Bonds		-	-	-	-	-	-	-	547,314	-	-	-	-	-	547,314
Other Sources		1,348	1,413	50	50	50	50	50	51,972	50	50	50	50	50	52,222
Fares & other operating revenue		5,484	6,272	6,769	7,073	7,514	7,867	8,360	73,313	8,752	9,303	9,749	10,357	10,855	122,329
Net transfers to (from) South King:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating subsidies		-	-	-	-	-	-	-	8,199	-	-	-	-	-	8,199
Cash		-	-	-	-	-	-	-	(3,442)	-	-	-	-	-	(3,442)
Regional Fund Contributions		(1,500)	(916)	(198)	609	1,592	2,792	4,210	(16,795)	5,844	7,755	9,981	12,426	15,325	34,536
total transfers		(1,500)	(916)	(198)	609	1,592	2,792	4,210	(12,038)	5,844	7,755	9,981	12,426	15,325	39,293
Interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources		78,424	84,348	92,014	102,008	116,161	135,681	160,211	2,186,992	189,113	225,065	265,244	309,854	365,752	2,872,158
Uses of Funds															
Commuter Rail		-	-	-	-	-	-	-	350,974	-	-	-	-	-	350,974
Operating Costs		12,593	12,932	13,268	13,621	13,995	14,414	14,833	182,742	15,248	15,717	16,184	16,679	17,170	263,739
Regional Express		-	-	-	-	-	-	-	110,945	-	-	-	-	-	110,945
Operating Costs		10,279	10,556	10,830	11,119	11,424	11,766	12,108	150,483	12,447	12,830	13,211	13,615	14,015	216,601
Light Rail		890	891	890	889	890	889	2,942	709,067	2,940	2,942	2,942	-	-	717,891
Operating Costs		8,051	8,267	8,482	8,708	8,947	9,215	9,482	69,187	9,748	10,048	10,346	10,663	10,976	120,968
Debt Service		33,584	35,979	38,955	40,145	40,415	41,443	41,441	406,584	41,438	44,543	48,089	48,081	48,073	636,809
Contributions to reserve funds		11,449	10,803	10,305	10,261	10,148	10,164	10,164	137,769	10,160	10,184	10,189	10,412	10,410	189,123
subtotal		76,846	79,427	82,729	84,744	85,818	87,892	90,969	2,117,750	91,981	96,263	100,960	99,451	100,645	2,607,050
Increase (decrease) in cash		219	3,343	4,364	7,979	13,080	17,445	21,453	69,242	27,891	31,670	35,482	46,119	54,704	265,108
Ending unrestricted cash		1,577	4,921	9,284	17,264	30,343	47,789	69,242	69,242	97,133	128,802	164,284	210,404	265,108	265,108
total uses		78,424	84,348	92,014	102,008	116,161	135,681	160,211	2,186,992	189,113	225,065	265,244	309,854	365,752	2,872,158
End Cash: North + South King		11,236	27,006	39,889	61,685	96,355	142,168	196,300	196,300	267,419	347,173	435,951	555,425	697,777	-
Net Revenues for Bond Calc Use		43,659	47,808	51,873	55,746	59,937	64,053	68,599	-	73,305	78,201	83,239	88,601	94,173	-
Max Allowable Debt Service		33,584	36,775	39,902	42,881	46,106	49,271	52,769	-	56,389	60,155	64,030	68,154	72,441	-
Total Debt Capacity		469,796	514,432	558,177	599,853	644,954	689,239	738,161	-	788,798	841,484	895,689	953,384	1,013,349	-
Unused Debt Capacity		(77,517)	(32,881)	10,863	52,539	97,640	141,925	190,847	-	241,484	294,170	348,375	406,070	466,036	-

SOUND TRANSIT (Modified to split program costs into "Capital" and "Operating", and to add debt capacity calculations.)

Table 4-3A

Appendix A Format — annual values

EAST KING

ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	thru 2009
Sources of Funds														
Beginning unrestricted cash	-	36,230	91,909	140,791	205,706	266,547	230,997	125,365	0	0	0	0	0	-
Taxes	40,859	57,943	62,682	72,462	70,464	67,415	69,812	73,606	78,048	83,115	88,170	93,244	98,171	955,991
Federal Grants - Capital	-	-	3,032	14,663	866	5,918	6,500	6,700	9,620	14,520	-	-	-	61,819
Federal Grants - Operating	-	-	-	-	-	-	-	-	-	-	3,606	3,717	1,497	8,820
Bonds	-	-	15,547	-	-	-	-	-	148,881	161,545	-	-	-	325,972
Other Sources	-	-	0	2	43	3,702	2	2	2	2	2	2	2	3,762
Fares & other operating revenue	-	40	585	2,227	3,183	4,280	5,206	5,835	6,250	6,714	7,200	7,655	8,136	57,313
Net transfers to (from) East King:														
Operating subsidies	-	-	-	-	1,902	1,943	1,995	2,047	2,105	-	-	-	-	9,993
Cash	-	-	-	(7,311)	7,576	-	(37,156)	17,322	21,414	-	(37,956)	(41,672)	82,806	5,022
Regional Fund Contributions	(840)	917	(739)	11,997	10,426	(1,615)	(5,656)	(10,804)	(11,964)	(11,309)	(6,421)	(5,430)	(4,396)	(35,835)
total transfers	(840)	917	(739)	4,686	19,905	327	(40,817)	8,565	11,555	(11,309)	(44,377)	(47,102)	78,409	(20,821)
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	40,019	95,130	173,016	234,831	300,167	348,190	271,699	220,072	254,356	254,588	54,601	57,516	186,217	1,392,856
Uses of Funds														
Commuter Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional Express	28	2,842	28,260	17,791	15,595	94,268	119,302	192,521	202,451	189,416	-	-	857	863,330
Operating Costs	-	225	2,943	9,334	15,789	20,533	25,173	26,447	34,666	38,147	31,498	32,326	33,200	270,280
Light Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	515	772	772	772	772	772	5,247	14,697	19,525	19,502	19,492	82,839
Contributions to reserve funds	3,761	154	507	1,227	1,462	1,620	1,088	332	11,993	12,328	3,579	5,687	5,666	49,405
subtotal	3,789	3,221	32,225	29,125	33,619	117,193	146,335	220,072	254,356	254,588	54,601	57,515	59,215	1,265,855
Increase (decrease) in cash	36,230	55,679	48,882	64,915	60,842	(35,551)	(105,632)	(125,364)	(0)	-	0	0	127,001	127,001
Ending unrestricted cash	36,230	91,909	140,791	205,706	266,547	230,997	125,365	0	0	0	0	0	127,001	127,001
total uses	40,019	95,130	173,016	234,831	300,167	348,190	271,699	220,072	254,356	254,588	54,601	57,516	186,217	1,392,856
Net Revenues for Bond Calc Use							37,788	40,218	37,946	39,854	61,697	67,382	70,743	
Max Allowable Debt Service							29,068	30,937	29,189	30,657	47,459	51,833	54,418	
Total Debt Capacity							406,621	432,761	408,314	428,849	663,888	725,066	761,233	
Unused Debt Capacity							391,075	417,215	243,887	102,876	337,916	399,093	435,261	

PIERCE

ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	thru 2009
Sources of Funds														
Beginning unrestricted cash	-	21,429	34,916	97,573	(0)	43,798	9,702	(0)	0	0	0	0	(0)	-
Taxes	24,484	35,679	37,610	41,713	43,176	39,594	40,675	42,802	45,285	48,110	50,926	53,742	56,471	560,268
Federal Grants - Capital	331	-	27,746	17,827	5,374	19,697	19,810	7,940	8,330	8,580	-	-	-	115,635
Federal Grants - Operating	-	-	-	-	-	-	-	-	-	-	8,840	9,110	9,380	27,330
Bonds	-	-	53,124	-	-	-	-	37,751	47,573	35,829	-	-	-	174,277
Other Sources	-	-	44	5,391	15,521	7,292	3,535	1,373	327	327	327	327	327	34,790
Fares & other operating revenue	-	387	1,031	2,973	3,378	4,436	5,025	5,826	6,657	7,452	8,297	9,049	9,672	64,181
Net transfers to (from) Pierce:														
Operating subsidies	-	-	-	-	1,707	1,743	1,790	1,837	1,889	-	-	-	-	8,968
Cash	-	-	-	1,705	(1,767)	-	51,577	(48,876)	(4,222)	-	(5,333)	(8,620)	14,473	(1,063)
Regional Fund Contributions	(503)	565	(443)	6,906	6,389	(949)	(3,295)	(6,283)	(6,942)	(6,546)	(3,709)	(3,130)	(2,529)	(20,470)
total transfers	(503)	565	(443)	8,611	6,329	795	50,072	(53,322)	(9,275)	(6,546)	(9,042)	(11,749)	11,944	(12,565)
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	24,311	58,059	154,028	174,088	73,778	115,612	128,818	42,370	98,896	93,752	59,348	60,479	87,794	963,916
Uses of Funds														
Commuter Rail	549	18,721	30,193	137,591	(15,163)	34,962	79,766	1,583	46,062	36,950	-	-	-	371,213
Operating Costs	-	-	26	1,678	6,058	4,934	5,506	10,920	13,055	13,453	13,836	14,200	14,584	98,249
Regional Express	23	175	16,234	13,133	10,025	11,681	5,704	5,123	7,723	7,959	-	-	-	77,779
Operating Costs	-	983	3,895	8,406	10,952	14,935	16,411	14,875	18,699	20,214	23,255	23,867	24,512	181,006
Light Rail	57	3,026	3,829	9,194	14,015	35,801	15,058	-	-	-	-	-	-	80,980
Operating Costs	-	-	-	285	80	26	2,762	2,670	2,762	2,839	2,920	2,996	3,077	20,417
Debt Service	-	-	1,760	2,639	2,639	2,639	2,639	3,760	6,243	9,394	10,433	10,421	10,416	62,983
Contributions to reserve funds	2,254	238	518	1,161	1,374	933	973	3,438	4,353	2,943	8,904	8,995	9,668	45,751
subtotal	2,883	23,142	56,455	174,088	29,980	105,911	128,818	42,370	98,896	93,752	59,348	60,479	62,257	938,380
Increase (decrease) in cash	21,429	13,488	62,656	(97,573)	43,798	(34,097)	(9,702)	0	(0)	-	0	(0)	25,537	25,537
Ending unrestricted cash	21,429	34,916	97,573	(0)	43,798	9,702	(0)	0	0	0	0	(0)	25,537	25,537
total uses	24,311	58,059	154,028	174,088	73,778	115,612	128,818	42,370	98,896	93,752	59,348	60,479	87,794	963,916
Net Revenues for Bond Calc Use							13,996	12,733	10,644	12,209	24,713	28,009	31,129	
Max Allowable Debt Service							10,766	9,795	8,188	9,392	19,010	21,546	23,945	
Total Debt Capacity							150,598	137,014	114,537	131,379	265,921	301,393	334,962	
Unused Debt Capacity							97,474	46,138	(23,911)	(42,898)	91,644	127,116	160,685	

SOUND TRANSIT (Modified to split program costs into "Capital" and "Operating", and to add debt capacity calculations.)
Appendix A Format — annual values

Table 4-3B

EAST KING

ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	2010	2011	2012	2013	2014	2015	2016	thru 2016	2017	2018	2019	2020	2021	Thru 2021
Sources of Funds														
Beginning unrestricted cash	127,001	176,531	230,828	291,844	359,544	435,160	518,534	-	611,088	713,624	831,554	959,470	1,101,386	-
Taxes	103,244	108,719	114,683	121,007	127,732	134,710	142,112	1,808,197	149,919	158,046	166,580	175,569	185,041	2,643,352
Federal Grants - Capital	-	-	-	-	-	-	-	61,819	-	-	-	-	-	61,819
Federal Grants - Operating	1,542	1,774	1,155	1,111	1,063	1,081	1,114	17,660	1,147	1,182	1,217	1,205	1,241	23,652
Bonds	-	-	-	-	-	-	-	325,972	-	-	-	-	-	325,972
Other Sources	2	2	2	2	2	2	2	3,778	2	2	2	2	2	3,789
Fares & other operating revenue	8,645	9,177	9,753	10,369	11,035	11,755	12,523	130,570	13,340	14,225	15,168	16,174	17,246	206,723
Net transfers to (from) East King:														
Operating subsidies	-	-	-	-	-	-	-	9,993	-	-	-	-	-	9,993
Cash	-	-	-	-	-	-	-	5,022	-	-	-	-	-	5,022
Regional Fund Contributions	(2,257)	(1,376)	(297)	911	2,377	4,166	6,275	(26,038)	8,706	11,553	14,872	18,527	22,871	50,491
total transfers	(2,257)	(1,376)	(297)	911	2,377	4,166	6,275	(11,023)	8,706	11,553	14,872	18,527	22,871	65,505
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	238,177	294,827	356,124	425,245	501,753	586,875	680,560	2,336,973	784,202	898,632	1,029,393	1,170,947	1,327,787	3,330,813
Uses of Funds														
Commuter Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional Express	1,715	1,716	1,715	1,712	1,715	1,712	1,713	875,328	1,712	1,713	1,713	-	-	880,466
Operating Costs	34,070	34,986	35,895	36,852	37,862	38,997	40,129	529,071	41,252	42,522	43,785	45,125	46,452	748,207
Light Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	20,005	21,431	23,204	23,913	24,074	24,686	24,685	244,837	24,684	19,887	21,470	21,466	21,463	353,806
Contributions to reserve funds	5,857	5,866	3,466	3,223	2,942	2,945	2,945	76,648	2,930	2,957	2,956	2,970	2,968	91,430
subtotal	61,646	63,999	64,280	65,701	66,593	68,341	69,472	1,725,885	70,578	67,079	69,923	69,562	70,883	2,073,909
Increase (decrease) in cash	49,530	54,297	61,016	67,700	75,616	83,374	92,554	611,088	102,536	117,930	127,916	141,915	155,518	1,256,904
Ending unrestricted cash	176,531	230,828	291,844	359,544	435,160	518,534	611,088	611,088	713,624	831,554	959,470	1,101,386	1,256,904	1,256,904
total uses	238,177	294,827	356,124	425,245	501,753	586,875	680,560	2,336,973	784,202	898,632	1,029,393	1,170,947	1,327,787	3,330,813
Net Revenues for Bond Calc Use	75,397	80,612	85,517	91,344	97,557	104,005	110,940	-	118,341	125,969	134,067	142,550	151,645	-
Max Allowable Debt Service	57,998	62,009	65,782	70,264	75,044	80,004	85,338	-	91,032	96,899	103,128	109,654	116,650	-
Total Debt Capacity	811,309	867,424	920,203	982,901	1,049,764	1,119,139	1,193,764	-	1,273,405	1,355,481	1,442,624	1,533,908	1,631,772	-
Unused Debt Capacity	485,337	541,451	594,231	656,928	723,791	793,167	867,792	-	947,433	1,029,509	1,116,652	1,207,936	1,305,800	-

PIERCE

ST Scenario: 2002 FFGA - Final Submittal

NOMINAL \$000s	2010	2011	2012	2013	2014	2015	2016	thru 2016	2017	2018	2019	2020	2021	Thru 2021
Sources of Funds														
Beginning unrestricted cash	25,537	44,587	65,577	91,395	121,030	155,255	193,753	-	237,323	286,428	343,904	406,913	476,662	-
Taxes	59,273	62,290	65,563	69,031	72,713	76,528	80,559	1,046,224	84,803	89,214	93,836	98,695	103,804	1,516,576
Federal Grants - Capital	-	-	-	-	-	-	-	115,635	-	-	-	-	-	115,635
Federal Grants - Operating	9,660	9,950	10,250	10,560	10,880	11,200	11,540	101,370	11,880	12,240	12,610	12,990	13,380	164,470
Bonds	-	-	-	-	-	-	-	174,277	-	-	-	-	-	174,277
Other Sources	327	327	327	327	327	327	327	37,078	327	327	327	327	327	38,713
Fares & other operating revenue	10,326	10,909	11,527	12,192	12,908	13,681	14,501	150,225	15,370	16,308	17,305	18,363	19,486	237,057
Net transfers to (from) Pierce:														
Operating subsidies	-	-	-	-	-	-	-	8,968	-	-	-	-	-	8,968
Cash	-	-	-	-	-	-	-	(1,063)	-	-	-	-	-	(1,063)
Regional Fund Contributions	(1,296)	(788)	(170)	519	1,353	2,366	3,557	(14,928)	4,925	6,521	8,378	10,415	12,830	28,140
total transfers	(1,296)	(788)	(170)	519	1,353	2,366	3,557	(7,023)	4,925	6,521	8,378	10,415	12,830	36,045
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total sources	103,827	127,276	153,074	184,024	219,211	259,357	304,236	1,617,787	354,627	411,039	476,359	547,702	626,490	2,282,773
Uses of Funds														
Commuter Rail	-	-	-	-	-	-	-	371,213	-	-	-	-	-	371,213
Operating Costs	14,966	15,368	15,768	16,188	16,632	17,130	17,628	211,929	18,121	18,679	19,233	19,822	20,405	308,189
Regional Express	-	-	-	-	-	-	-	77,779	-	-	-	-	-	77,779
Operating Costs	21,292	21,865	22,433	23,031	23,662	24,372	25,079	342,741	25,781	26,575	27,364	28,202	29,031	479,694
Light Rail	-	-	-	-	-	-	-	80,980	-	-	-	-	-	80,980
Operating Costs	3,158	3,243	3,327	3,416	3,510	3,615	3,720	44,406	3,824	3,942	4,059	4,183	4,306	64,719
Debt Service	10,689	11,452	12,399	12,778	12,864	13,191	13,190	149,546	13,190	10,626	11,472	11,470	11,468	207,774
Contributions to reserve funds	9,134	9,771	7,752	7,581	7,288	7,297	7,296	101,869	7,284	7,313	7,318	7,363	7,360	138,506
subtotal	59,240	61,699	61,679	62,994	63,955	65,604	66,913	1,380,464	68,199	67,134	69,446	71,040	72,570	1,728,854
Increase (decrease) in cash	19,051	20,989	25,818	29,635	34,226	38,498	43,570	237,323	49,105	57,476	63,009	69,749	77,257	553,919
Ending unrestricted cash	44,587	65,577	91,395	121,030	155,255	193,753	237,323	237,323	286,428	343,904	406,913	476,662	553,919	553,919
total uses	103,827	127,276	153,074	184,024	219,211	259,357	304,236	1,617,787	354,627	411,039	476,359	547,702	626,490	2,282,773
Net Revenues for Bond Calc Use	37,567	40,340	43,423	46,699	50,187	53,710	57,520	-	61,604	65,766	70,214	74,877	79,882	-
Max Allowable Debt Service	28,898	31,031	33,402	35,922	38,605	41,315	44,246	-	47,388	50,590	54,011	57,597	61,448	-
Total Debt Capacity	404,241	434,082	467,252	502,503	540,033	577,943	618,942	-	662,893	707,677	755,538	805,708	859,568	-
Unused Debt Capacity	229,964	259,805	292,975	328,226	365,756	403,666	444,665	-	488,616	533,401	581,261	631,431	685,291	-

Appendix

March 30, 2001

**** ** reviewed the two studies of Sound Transit's financial capacity to implement Link light rail. They were commissioned by the Federal Transit Administration, carried out by Diversified Capital, Inc., and submitted to FTA August 9, 2000 and January 11, 2001. He was Deputy Comptroller of New York City in the 1970s, when the city was digging out from a mountain of debt, a well-publicized and eventually successful exercise headed by Felix Rohatyn. Subsequently **** was Chief Financial Officer, then Chief Executive Officer of a large, well known company in Seattle.

He asks to remain on background only; he prefers not to be publicly attributed.

Steve said that meeting a financial target can be a game, particularly if the target is far enough into the future. One can reach virtually any conclusion one wants to, given sufficiently malleable assumptions for costs and revenue. Compounded interest rates over time is a powerful tool. That's what Sound Transit has done. To balance, it simply went out enough years so that optimistic rates (particularly economic growth, but also lowered cost assumptions), compounded over time, "solved" its financial problems.

Last year the assumption of Sound Transit/DCI was for continuing growth in tax revenues at a robust 4.2 percent per year, over ten years. That was a highly optimistic assumption. But with the \$1.5 billion in higher costs now factored in, 4.2 percent isn't enough. What is? In the face of a slowing economy, Sound Transit now has ratcheted annual tax revenue growth up to 5.1 percent over the coming decade, and added an additional decade at 5.2 percent annual growth. That adds \$692.5 million revenue over the two decades.

To meet Sound Transit's projections, the regional economy must grow to almost triple the size it is today, by 2020. That is a fantastic assumption, requiring very rapid population growth, amplified by a rapid, uninterrupted growth in productivity. This metropolitan region must radically outperform the 3 percent annual growth rate considered by the Federal Reserve Bank as optimally sustainable for the nation. If only four of the 20 years have flat growth, the remaining 16 will have to average a stunning 6.4 percent annual increase in tax revenues.

Cost overruns are not good for an agency's credit rating. Sound Transit has admitted a \$1.5 billion cost overrun since last August's DCI report, which means that the debt service coverage has been diminished. One would expect the projected interest rate for long-term borrowing to go up, not down. But Sound Transit assumes in its new budget that its cost of borrowing will drop from 6.0 to 5.85 percent. Given the scale of its long-term borrowing plans, that amounts to a lot of money.

Over the decade 2010 - 2019, Sound Transit is scheduled to generate nearly \$560 million in interest from General Fund, O&M Reserves, on a steeply-ascending trajectory. With

that trajectory, and the farebox assumptions, it won't take many additional years before Sound Transit will become a profit-making center. It is beyond credible that the agency will recover between 55 and 60 percent of its O&M costs from the farebox—even more improbable, during its first decade of operation. And on top of that, it is scheduled to be earning, by decade's end, \$120 million per year in interest on its reserve fund, while it's simultaneously deeply mired in long-term debt. This implausible outcome is based on unreasonable assumptions which, when projected over a decade-plus, become absurd on their face.

Here is the future on which Sound Transit is betting: Tax revenues will ascend from the agency's assumptions in the earlier DCI report. Bond costs are projected to go down, due to lower interest rates. Interest income will go up, due to higher fund balances. Farebox revenues will be double the norm for mature rail systems. Operating costs will be moderated by lower rates of inflation, as will construction costs. There must be no more cost overruns, no more surprises, save within the very modest contingency funds. Any overruns must be so modest they will not touch the \$157 million reserve fund, which is budgeted as a revenue-producing cash cow.

In the first DCI report there were a number of "sensitivity analyses:" 1) Farebox revenue was assessed at about 30 percent, which is in a normal range. 2) Annual tax revenue growth at 2.1 percent, instead of 4.2 percent. 3) O&M costs 10 percent higher than projected. 4) A 10 percent cost overrun in development costs. Then there was a "stress case scenario" that combined the "unlikely scenario" of items 1, 3, and 4 all occurring. This put the agency into fiscal distress for eight years, 2001-2008, but from which it rebounded in 2009.

Had the current DCI report been consistent in its methodology, and applied the same stress case scenario, the project would have failed the test, badly. But the only adverse presumption in the new, modified "stress scenario" is that the hoped-for federal grants don't materialize, beyond the existing \$500 million full funding grant agreement. Even Sound Transit describes that hope as "high risk." The altered, optimistic tax growth rates, favorable bond interest rates, gratifying interest revenue income, low operating inflation costs, scintillating farebox revenues, etc., all are presumed to work in favor of Sound Transit. Given those presumptions--and by extending the time horizon of the ten-year transit plan that voters approved to 24 years, so more revenue can accumulate and compound—Sound Transit concludes, and DCI and FTA concur, it can complete its "minimum operable segment" (MOS-1), 7.2 mile rail line from University District to Lander Street.

In the 1970s, New York City had dug an enormous hole for itself, and was drowning in red ink. The city was in effective bankruptcy, and there was considerable doubt whether there was a way out. I asked *****, who was part of the hard-headed, disciplined, creative team, lead by Felix Rohatyn, that helped the city scratch its way back to the surface, if he would comment on any comparisons between the plight of NYC and the current Sound Transit situation.

He said NYC got into trouble by a series of well-intended steps for which the consequences could not be easily foreseen, exacerbated by events in the macro economy. But in the case of Sound Transit, it's all there, clear as day. This region is walking into a fiscal disaster with its eyes open.

Summarized by Emory Bundy, reviewed and approved by *****.****.

Appendix

Cocker Fennessy Billings Related to Project Review Committee:

April 2-April 28, 2001:

Provide information to PRC staff as requested

Attend PRC meetings and provide follow-up support

Strategize on board options and PRC

April 30-May 25, 2001

Assist PRC members

Attend PRC meetings

Debrief PRC meetings

Strategy session with Royer, Ceis, Smith, Howell

May 28-June 30, 2001

Update and advise Sound Transit regarding Project Review committee's work

Attend PRC strategy meeting on June 6

Meet with PRC members Ellis, Gorton regarding Sounder issues

Review regional transportation legislation as requested by PRC

July 2-July 28, 2001

Cocker Fennessy provided public affairs services to Sound Transit during this period. Activities primarily related to supporting the Project Review Committee, and included meeting with committee members to discuss the committee's role, participating in a planning meeting with board members and their staff, preparing for and participating in a PRC meeting on July 25, and drafting recommendations for a revised scope of work.

July 30-August 31, 2001

Review letter to PRC

Provide strategic counsel to Howell, Ilgenfritz and Earl regarding PRC

September 3-September 28, 2001

Staff Project Review Committee regarding their letter of recommendations and presentation to the ST board

October 1-October 26, 2001

Assist with PRC oped placement

Meet with staff, PRC and board members regarding civic outreach

October 29-November 30, 2001

Brief staff on PRC issues

December 3-December 28, 2001

Assist in PRC, COP issues