



FROM: Media Response Team

DATE: September 10, 2008

SUBJECT: Inaccurate assertion that Sound Transit 2 would cost \$107.5 billion

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A motion that the King County Superior Court rejected today challenged the ballot title for the November Sound Transit 2 measure. Among a number of assertions, the petitioner, Will Knedlik, asserted the ballot measure should reflect a true cost for Sound Transit 2 of \$107.5 billion. The \$107.5 billion figure is incorrect, as this memo describes in detail.

The \$107.5 billion figure is based on calculations by Jim MacIsaac, who last year asserted based on nearly identical inaccurate assumptions that the Roads & Transit ballot measure would cost \$157 billion.

Sound Transit's \$17.8 billion cost figure for Sound Transit 2 encompasses all capital, operations, maintenance, reserves and debt service costs, including estimated inflation, through the completion of all the Sound Transit 2 projects. (The Seattle P-I's coverage typically includes an additional \$4.4 billion in Sound Transit 2 debt service costs between the 2023 completion of the projects and the forecasted retirement of the bonds in the 2036 timeframe, for a total of \$22.2 billion.) The costs have undergone review by the Expert Review Panel, an independent panel of experts who issued a statement reporting that the cost is reasonable. The elements included in this figure, taken from Sound Transit 2's sources and uses table, are consistent with the approach for expressing costs that almost all of the region's media outlets gravitated to in coverage of Sound Transit's 2007 ballot measure.

**Assertion:**

"[Petitioner Knedlik] has participated in preparation of calculations based on Interested Party Sound Transit's financial documents, materials and worksheets, and he therefore represents on information and belief, as set out in Exhibit B hereto, that said interested Party is seeking tax authority of more than \$107.5 billion over 45 years from 2009 to 2054..." (Knedlik petition)

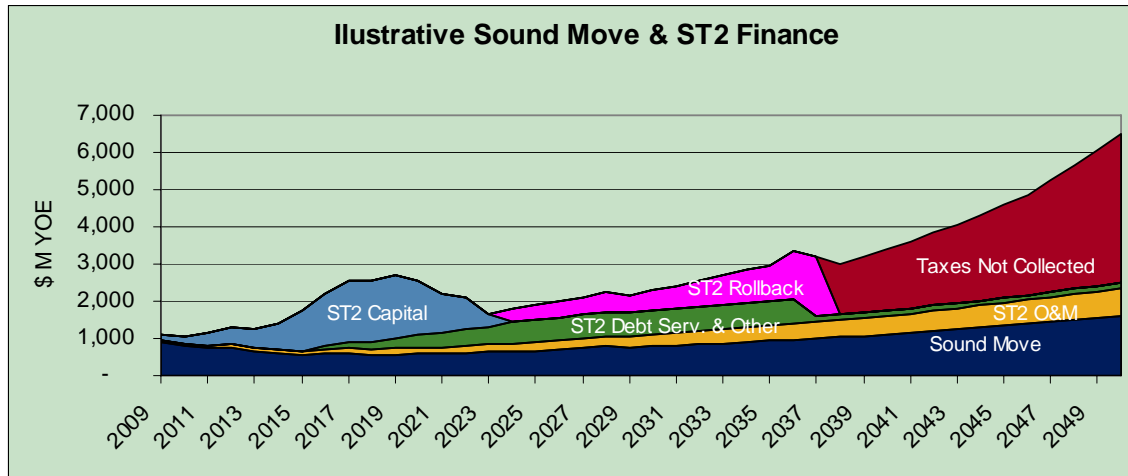
**Correction:**

The \$107.5 billion figure is a grossly inaccurate calculation for the following reasons:

- 1. The \$107.5 billion figure double counts by including revenues voters approved in the 1996 Sound Move ballot measure that will be collected whether or not Sound Transit 2 passes. These ongoing transit service costs are not part of Sound Transit 2.**

Sound Move is nearing completion. All of the major projects but two will be completed in 2009, and Sound Move's construction costs will completely end with the scheduled 2016 completion of University Link light rail. However, Sound Transit will continue to complete debt service for the projects, and operations and maintenance costs will continue as long as the Sound Move system runs, whether or not it ever expands. These significant ongoing costs are wrongly accrued by Knedlik and MacIsaac as costs of Sound Transit 2. The illustration below shows these Sound Move costs in dark blue.

If voters authorize Sound Transit 2, it will authorize Sound Move's 0.4 percent sales tax to continue. Those surplus portions not necessary to fund Sound Move will support the Sound Transit 2 measure. Between 2009 and 2023, this surplus would amount to \$2.3 billion. This surplus, along with the Sound Transit 2 tax increase and other sources detailed in Appendix A of the Sound Transit 2 Plan, would support the light blue, yellow, green and pink sections of the below illustration. These colors show all of the Sound Transit 2 costs.



**2. The \$107.5 billion figure incorrectly includes hypothetical future revenues that cannot legally be collected under Sound Transit 2's tax rollback provisions.**

Sound Transit 2 includes explicit and legally binding tax rollback requirements. The measure's revenue sources would start generating excess capacity immediately after the completion of the capital projects in 2023. Beginning then, the capacity not needed for debt service, operations or maintenance costs would increase incrementally year by year. Sound Transit 2 makes it legally binding for Sound Transit to expedite paying of bonds payoff and to implement a rollback of taxes. Revenues would be collected in a rollback fund, shown in pink in the above illustration, until the fund balance was sufficient to pay off the bonds. **Forecasts project the full bond payoff to occur by 2036. After that, operating and maintenance expenses are projected to be low enough for Sound Transit to achieve a 0.5 percent tax rollback in 2038. This is the amount of the full increase approved under Sound Transit 2. These assumptions are built into the ST2 Financial Plan.**

Knedlik and Maclsaac's \$107.5 billion numbers ignore the rollback provisions. They project that the full Sound Transit 2 taxes would be collected all the way out to 2053 instead of until their projected completion by 2038. This money that Sound Transit could not legally collect is shown in red in the above illustration. The red area essentially shows the future capacity that would exist for a future Sound Transit 3 measure should voters choose to pursue further expansions at some later time.

**Summary:**

**Knedlik and Maclsaac include both Sound Transit 1 costs (dark blue) and Sound Transit 3 capacity (red) in the cost of Sound Transit 2. The large area covered by these two colors in the above illustration reflects the scale of this inaccuracy.**

Further discrepancy between the \$17.8 billion and \$107.5 billion comes from the fact that Knedlik and Maclsaac include Sound Transit 2 operations and maintenance costs 45 years into the future. This is somewhat arbitrary and confusing since the operations and maintenance costs of any transit system continue indefinitely, not just 45 years, and are usually expressed in annual terms.