**For print out and hand delivery to addressee and 3 cc's**, c/o e-mail transmission through trusted parties Maurice Foushee, Sarah Batipps, Leigha Shaw, and Sherry Little.

Coalition for Effective Transportation Alternatives
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October 24, 2003

Ms. Jenna Dorn, Administrator
Federal Transit Administration
US Department of Transportation
Washington, DC

Dear Ms. Dorn:

Greetings from Seattle, where many of us are looking forward to accessing FTA's exciting new web site to stay current on developments.

This letter is written in the spirit of your late September speech in Salt Lake City where you spoke of documenting the whole business case for transit. Many in Seattle think the business case for transit should focus on getting the most "bang" for the taxpayer's dollar. Unfortunately, we believe this is a metric where light rail fails in our local environment.

We believe an even more fundamental business consideration is delivering projects as promised within authorized revenue levels while respecting local financial policies. As you know, Chairman Ernest Istook wants to see Seattle's light rail be constructed within the constraints of a local policy called "subarea equity," which means that Central Link -- both its Initial Segment and any future extensions -- must be built relying only on local revenues from those two subareas of the region in which light rail will be built.

Even without yet hearing back from you on CETA's September 19 offer to examine Sound Transit's response to Chairman Istook's concerns, the Coalition for Effective Transportation Alternatives in Seattle (CETA, nonpartisan, pro-transit, anti-Central Link) took the opportunity to study and analyze the Sound Transit letter to you of October 2. This is the letter that Mr. Istook references in his new letter to you of October 23.

The Sound Transit letter of October 2 contains statements and commitments about subarea equity within the Sound Transit taxing district that Mr. Istook requests be reflected in the language of the Link Light Rail FFGA. Indeed, the Sound Transit Board incorporated language within its Resolution 2003-20 on Thursday afternoon October 23 reflecting the statements and commitments found in that October 2nd letter.

However, we believe Sound Transit's October 2 letter surfaces some problems that suggest the agency is not as committed to subarea equity as it says it is. We wish to bring them to your attention.

First, our analysis of that letter has found that the subarea equity principle would be strained in fulfilling the FFGA. This is the case whether or not I-776 is ordered upheld by the Washington State Supreme Court. The issue is Sound Transit's financial capability, not any willingness to incorporate a pledge of subarea equity into its FFGA.

The strain that adherence to subarea equity presents is confirmed by Sound Transit's outside financial and legal advisors who unanimously report in letters we have seen that issuing bonds for light rail construction backed by Sound Transit's consolidated revenues instead of subarea-specific revenues is less risky and enables the agency to borrow its planned billion-plus dollars for light rail construction at lower interest rates. Indeed, one advisor opined that prospective investors might find the limited liquidity of subarea-specific bonds to be such unattractive investments that Sound Transit might not succeed in floating them.

An additional problem surfaced in the October 2 letter is evidence that the agency is more than willing to subvert the subarea equity policy if its fits their purpose. We find this disturbing in light of their public statements and commitments to the contrary, such as those in its October 2 letter and now its newly-adopted resolution.

Specifically, the outline of program adjustments Sound Transit proposes to adopt in response to curtailed future MVET tax revenues if a Supreme Court ruling upholds I-776 contains a violation of the subarea equity policy. The agency's October 2 letter assigns financial impacts (and hence program adjustments) to subareas in a manner disproportionate to each subarea's loss of MVET revenue. The net result of the assigned subarea financial impacts is four subareas absorbing $70 million more in program adjustments than adherence to subarea equity would call for. And one subarea assigned a financial impact (and hence program adjustments) $70 million lower than its proportionate share, a level only one-half of its proportionate share. This is all documented at the web site http://www.globaltelematics.com/pitf/ffgapending.htm.

Given that this disproportionality on its face violates the principle of subarea equity and given that Sound Transit's October 2 letter and the principle of subarea equity is now central to conditions Chairman Istook requires in the FFGA, we believe FTA would be wise to request Sound Transit prepare a revised letter, in particular, one that presents an I-776 contingency plan that would not violate the subarea equity principle by assigning disproportionate impacts among the subareas. This revised letter and contingency plan, now consistent with the subarea equity principle and Chairman Istook's conditions, should then be incorporated into the FFGA rather than the flawed contingency plan in the agency's October 2 letter.

Another option for FTA may be to simply wait for the State Supreme Court to rule on I-776, in which case many uncertainties would be resolved, and Sound Transit could write its financial plans for the revised FFGA accordingly.

CETA is continuing to analyze Sound Transit's financial plans. We will update you and other Federal officials as new findings and conclusions are developed. Our analyses to date and other related documents from Congress and Sound Transit are posted for public access at http://www.globaltelematics.com/pitf/ffgapending.htm and referenced in other sites as well.

In conclusion, CETA suggests the FTA closely examine Sound Transit's claims in their October 2nd letter to you before formally incorporating those claims in an FFGA.

Respectfully,

John Niles

John Niles
CETA Technical Director, Seattle

cc. Hon. Ernest Istook, US House of Representatives
cc. Hon. Richard Shelby, US Senate
cc. Inspector General Kenneth Mead