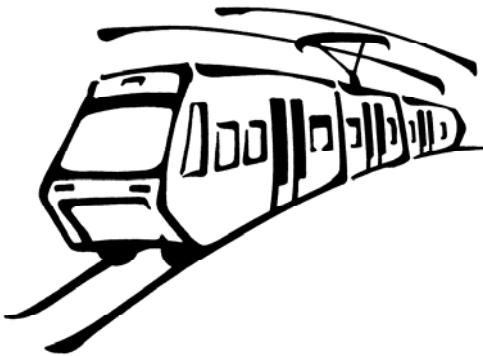
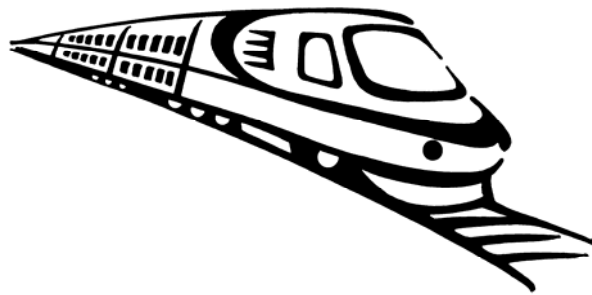




**SOUNDTRANSIT**

Central Puget Sound  
Regional Transit Authority



**2004 Financial Report**

**4<sup>th</sup> Quarter 2004**

**February 25, 2005**

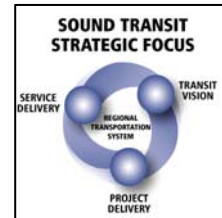
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# 2004 Financial Report

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February 25, 2005

**TO:** Board of Directors  
**FROM:** Joni Earl, *Chief Executive Officer*  
Hugh Simpson, *Chief Financial Officer*  
**SUBJECT:** 2004 Financial Report

## Executive Summary

This report summarizes Sound Transit's 2004 financial performance for revenues, transit operations, capital outlays and staff operating expenses. The discussion and graphs below summarize the budget and financial results, followed by detailed financial data, notes assessing the agency's performance to budget and summarized subarea information. These results are based on preliminary year end financial information not yet subject to audit. While not all year-end financial adjustments have been reflected in the preliminary results, we do not expect a material change. Final audited financial information will be available in May, 2005.

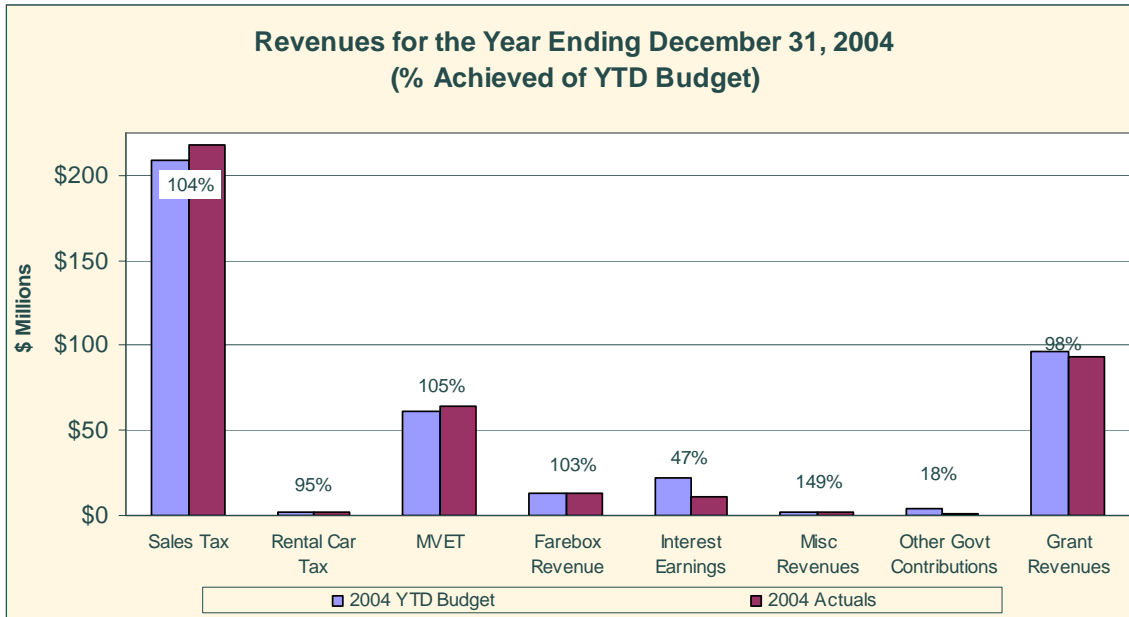
This report reflects the updated information for the agency reorganization which occurred in the second quarter and the updated budget for the Sounder commuter rail program capital program adopted in the third quarter. Prior period data has been restated to conform to the new basis of presentation.

### Revenues

Total agency revenues at \$405.1M were under budget by \$4.6M or 1.1% primarily due to lower local and federal grant contributions related to slower spending than planned on the Initial Segment and the Federal Way Transit Center. Tax revenues at \$272.3M exceeded budget by \$12.1. However investment earnings were \$11.8M below budget, of which \$5.9M is due to unrealized loss on portfolio value.

Federal grant revenues at \$93.7M includes an accrual at the end of the 3<sup>rd</sup> quarter of \$24.0M for grant qualified expenditures on Sounder projects based on local FTA approval that federal ADA requirements had been met. However FTA Headquarters approval has not been made and is not reasonably anticipated within the next month. As there is not adequate certainty that we will receive the funds, we will be reversing the accrual, which will revise the agencies total revenues to \$381.1M for a total budget shortfall of \$28.6M. We anticipate that the annual budget shortfall is a matter of timing once necessary approvals that ADA requirements have been met. Overall federal grant contributions continue to be in line with lifetime budget expectations.

Farebox revenues at \$13.2M were 103.3% of budget at the end of the fourth quarter. Fourth quarter boardings were up by 29,000, or 1% over the third quarter. Of that amount, 27,500 or 92% of the increase was due to Tacoma Link, which is a non-revenue-generating service that began operations in the third quarter last year. Revenue-generating ridership is up 1% in the fourth quarter 2004 compared to third quarter 2004.

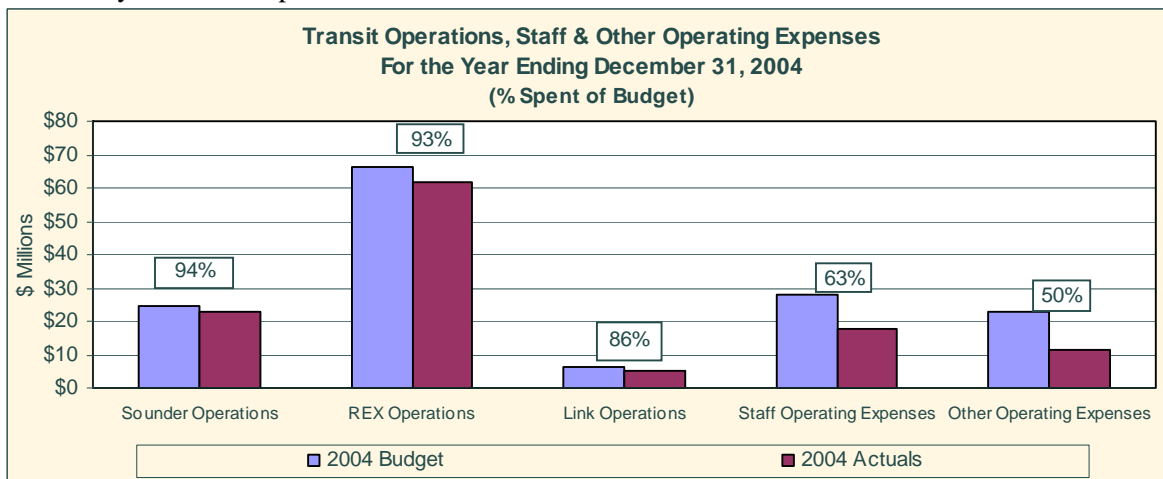


## Expenses

Combined transit-operation expenses were under budget by \$8.4M or 10%. Modal expenses as a percent of budget were: Sounder transit operations at 90% of budget, Regional Express at 92%, and Link at 84%. The largest under spending occurred in the Services and in Purchased Transportation Services categories.

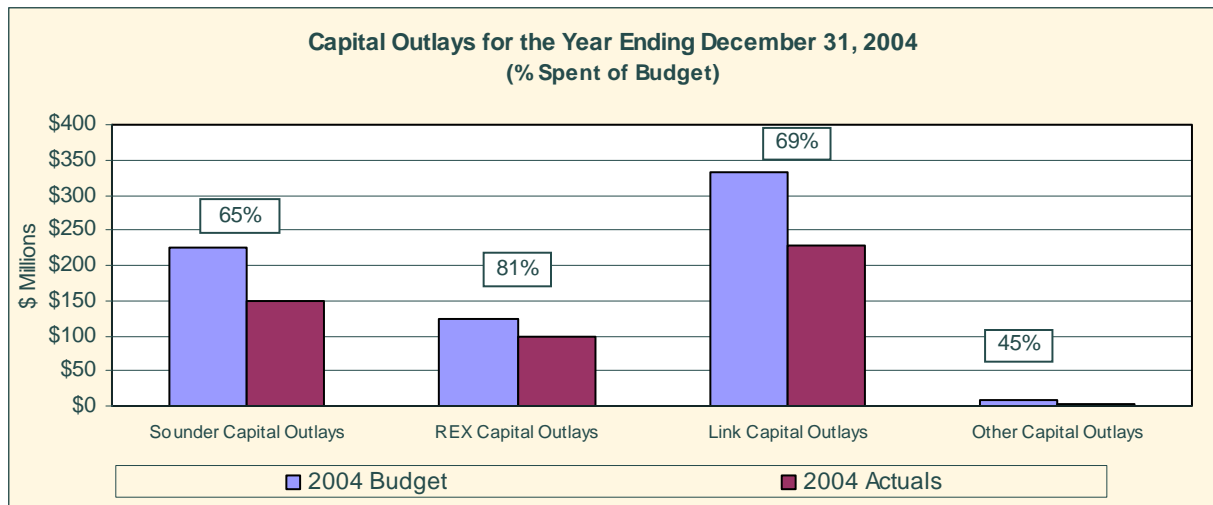
Staff operating expenses finished the year at 90% of budget, or \$48.8M out of a budget of \$53.3M. With over 65% of staff expenses related to salaries and benefits, this is primarily due to the staff headcount lower than planned throughout the year, consistent with delays in project ramp up.

Other operating expenses include Regional Fund projects, Community Development Fund expenditures, debt-service costs and non-capitalizable costs. Within other operating expenses, the most significant variances are within the Regional Fund projects which are below budget by \$7.4M or 52%. Lower spending occurred in Phase 2 Planning due to delays with the emergence of a potential ballot with the RTID and in Fare Integration where the current expenditures for the financial impact of fare transfers is lower than planned. However, when the final billing from the transit partners are received, a shortfall of approximately \$1.5M is expected.



## Capital Outlays

The rate of spending on capital expenditures has continued to increase from prior years, with total capital outlays up \$118M, or 34%, from outlays in 2003. Total agency capital outlays ended the year at 70% of budget, or \$475.5M out of a budget of \$681.3M. Sounder spent 65% of budget due in part to lower than anticipated construction spending in the Seattle-to-Tacoma segment. Regional Express project spending finished the year at 81% of budget, primarily due to delays in entering final design as well as construction costs coming in under budget. Link spending was at 60% of budget due primarily to the delayed award of the Martin Luther King Jr. Way contract and revisions in the timing of payments under the Link light rail vehicle contract.



## Summary of Net Assets

The following table summarizes assets and liabilities at the end of the year for 2004 and provides comparative data for the same period last year. As project expenditures increase, Current Assets, specifically cash and restricted assets, decrease while long-term assets, such as Property, Vehicles and Equipment and Capital Projects in Progress, increase.

## Summary of Net Assets

(in millions)

	As of Dec-04	As of Dec-03	% Change Dec-04 to Dec-03
Current Assets, excluding Restricted Assets	\$ 551.3	\$ 672.9	-18%
Restricted Assets	194.9	236.7	-18%
Property, Vehicles and Equipment, Net of Accumulated Depreciation	788.0	637.1	24%
Capital Projects in Progress	904.3	625.0	45%
Capital Projects in Progress - non ST	153.3	104.9	46%
Other Non-Current Assets	67.2	69.2	-3%
<b>Total Assets</b>	<b>\$ 2,659.0</b>	<b>\$ 2,345.8</b>	<b>13%</b>
Current Liabilities, excluding Interest Payable from Restricted Assets	74.3	54.3	37%
Interest Payable from Restricted Assets	7.2	7.2	0%
Long-Term Debt	347.3	347.4	0%
Other Long-Term Liabilities	66.3	58.2	14%
<b>Total Liabilities</b>	<b>495.0</b>	<b>467.1</b>	<b>6%</b>
Net Assets	2,164.0	1,878.8	15%
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,659.0</b>	<b>\$ 2,345.8</b>	<b>13%</b>
Invested in Capital Assets, Net of Related Debt	1,494.5	1,022.5	46%
Restricted Net Assets	162.9	210.7	-23%
Unrestricted Net Assets	506.6	645.6	-22%
<b>Total Net Assets</b>	<b>\$ 2,164.0</b>	<b>\$ 1,878.8</b>	<b>15%</b>

## Summary Income Statement

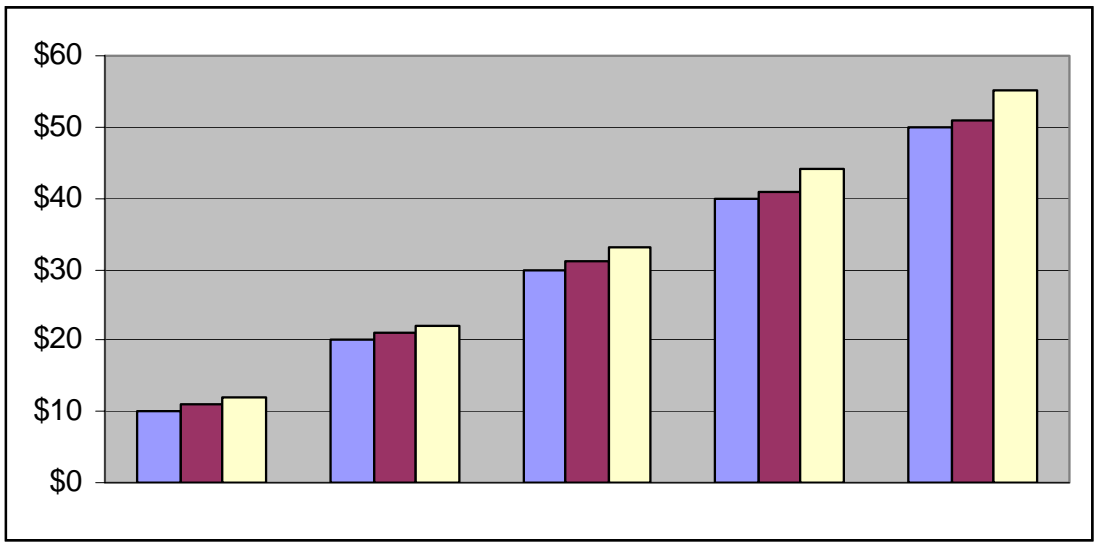
The table below summarizes revenues and expenses by quarter and for the year end 2004. Agency net income was above budget with a variance of \$24.7M or 9%. This variance is made up of a \$4.6M shortfall in total revenues, offset by \$29.2M in lower expenditures. With the reversal of the \$24.0M accrual for Sounder federal grant revenues, the positive variance to budget will be eliminated.

### Income Statement

For the Year Ending December 31, 2004

Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	Actuals	Budget	Actuals to Budget Favorable/ (Unfavorable)	Actuals as % of Budget
<b>REVENUES</b>								
Tax Revenues	\$64,897,626	\$69,631,619	\$72,976,361	76,827,539	\$284,333,144	272,270,733	\$12,062,411	104%
Farebox Revenues	3,333,744	3,018,889	3,306,381	3,504,218	13,163,231	12,744,580	418,651	103%
Investment Income	5,264,579	4,064,645	(1,250,917)	2,516,253	10,594,560	22,439,714	(11,845,154)	47%
Other Miscellaneous	812,503	792,168	651,385	251,978	2,508,034	1,682,761	825,273	149%
State & Local Contributions	47,807	(7,280)	3,358,995	(2,595,576)	803,946	4,475,000	(3,671,054)	-
Federal Grants	359,166	19,815,794	38,229,478	35,251,114	93,655,552	96,000,000	(2,344,448)	98%
<b>TOTAL REVENUES</b>	<b>\$74,715,425</b>	<b>\$97,315,834</b>	<b>\$117,271,682</b>	<b>\$115,755,525</b>	<b>\$405,058,467</b>	<b>\$409,612,788</b>	<b>(\$4,554,321)</b>	<b>99%</b>
<b>EXPENSES</b>								
Staff Operating Divisions	\$3,923,808	\$4,248,701	\$4,238,912	\$4,940,206	\$17,351,626	\$28,082,880	\$10,731,255	62%
Transit Operations	21,481,199	21,513,763	22,857,051	24,058,873	89,910,885	97,120,126	7,209,241	93%
Regional Fund & Other Operations	174,733	1,915,174	1,595,922	3,301,429	6,987,258	14,799,304	7,812,046	47%
Community Development Fund	786,852	1,151,911	974,941	1,175,093	4,088,797	5,141,510	1,052,713	80%
Debt Service	47,011	46,709	46,709	46,707	187,135	186,835	(300)	100%
Non-Capitalizable LOB expenses	218,044	184,029	101,219	(440,854)	62,438	2,474,116	2,411,678	3%
<b>TOTAL EXPENSES</b>	<b>\$26,631,646</b>	<b>\$29,060,286</b>	<b>\$29,814,753</b>	<b>\$33,081,453</b>	<b>\$118,588,139</b>	<b>\$147,804,771</b>	<b>\$29,216,633</b>	<b>80%</b>
<b>EXCESS REVENUE OVER EXP.</b>	<b>\$48,083,779</b>	<b>\$68,255,548</b>	<b>\$87,456,929</b>	<b>\$82,674,072</b>	<b>\$286,470,328</b>	<b>\$261,808,017</b>	<b>\$24,662,312</b>	<b>109%</b>



# FINANCIAL DETAIL

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# Revenue

## Agencywide Revenues

For the Year Ending December 31, 2004

Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2004 Actuals	2004 Budget	2004 Actuals over/(under) 2004 Budget	2004 Actuals as % of 2004 Budget
<b>REVENUE SOURCES</b>								
Retail Sales and Use Tax	48,709,879	53,154,440	55,369,416	60,230,594	217,524,329	208,460,600	9,063,729	104%
Rental Car Tax	442,790	508,161	810,468	333,178	2,094,597	2,215,213	(120,616)	95%
Motor Vehicle Excise Tax	15,744,957	15,969,017	16,796,477	16,203,767	64,714,218	61,594,920	3,119,298	105%
Farebox Revenue	3,333,744	3,018,889	3,306,381	3,504,218	13,163,231	12,744,580	418,651	103%
Investment Income	5,264,579	4,064,645	(1,250,917)	2,516,253	10,594,560	22,439,714	(11,845,154)	47%
Miscellaneous Revenues	812,503	792,168	651,385	251,978	2,508,034	1,682,761	825,273	149%
<b>OTHER FINANCING</b>								
Local & State Contributions	47,807	(7,280)	3,358,995	(2,595,576)	803,946	4,475,000	(3,671,054)	18%
Federal Grants	359,166	19,815,794	38,229,478	35,251,113	93,655,551	96,000,000	(2,344,449)	98%
<b>TOTAL SOURCES</b>	<b>\$ 74,715,425</b>	<b>\$ 97,315,834</b>	<b>\$ 117,271,682</b>	<b>\$ 115,755,524</b>	<b>\$ 405,058,466</b>	<b>\$ 409,612,788</b>	<b>\$ (4,554,322)</b>	<b>98.89%</b>

## Revenue Notes

**Retail Sales and Use Tax** is over budget by \$9.1M or 4.3%. Sales tax collections increased by \$10.9M or 5.3% compared to the same period in 2003, as the local economy continues to recover from the 2001 recession.

**Rental Car Tax** is under budget by \$120K or 5.4%. Compared to 2003, rental car tax collections decreased by \$87K or 4%, due to continued weakness in business travel and tourism after 9/11 and the recession.

**Motor Vehicle Excise Tax** is over budget by \$3.1M or 5.1%. MVET revenues increased by \$3.5M or 5.8% compared to the same period in 2003. These increases are due to persistent automobile sales incentives and the economic recovery.

**Farebox Revenues** are over budget by \$419K or 3%. Farebox revenues are \$1.5M, or 13%, higher than full-year 2003 results due to higher ridership and service enhancements.

**Investment Earnings** are under budget by \$11.8M or 52.8%. Investment earnings were adversely affected by lower market values for securities, which accounted for approximately \$5.9M of this budget under-run. In addition earnings interest rates were lower and cash available for investments was lower than planned as at the time the budget was prepared the BNSF agreement for the North segment had not been completed. Improvement was seen in this category in the fourth quarter with interest rates starting to rise.

**Miscellaneous Revenues** are over budget by \$825K or 49.0%. Included in this category are advertising on Regional Express buses, revenue vehicle rental income and rental property income. These revenues are higher in 2004 as additional excess revenue vehicles in Sounder were leased during the year.

**Federal Grants** were under budget by \$2.3M, or 2%. Grant revenues are reimbursements based on expenditures for grant-funded projects. Lower grant revenues mainly relate to the Link FFGA as spending is currently tracking below budget. All subareas, with the exception of Snohomish County, finished behind budget expectations.

# Summary Outlays

## Combined Transit Operations Summary

For the Year Ending December 31, 2004

Regional Express, Sounder, & Link

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	Total Actuals	Budget	Actuals (over)/under Budget	Actuals as % of Budget
<b>Revenues</b>								
Passenger Fares	3,333,744	3,018,889	3,306,381	3,504,216	13,163,230	12,744,560	418,670	103%
Other Operating Revenues	527,578	517,605	521,861	880,560	2,447,604	1,682,761	764,843	145%
<b>Total Operating Revenues</b>	<b>3,861,322</b>	<b>3,536,494</b>	<b>3,828,242</b>	<b>4,384,776</b>	<b>15,610,834</b>	<b>14,427,321</b>	<b>1,183,513</b>	<b>108%</b>
<b>Operating Expenses</b>								
Salaries & Benefits	294,189	290,563	309,709	312,106	1,206,567	1,192,568	(13,999)	101%
Services	2,306,362	2,366,779	1,825,608	2,960,663	9,459,412	13,164,239	3,704,826	72%
Materials & Supplies	249,099	268,452	378,769	221,632	1,117,952	1,052,295	(65,657)	106%
Insurance	416,868	402,586	410,631	1,037,870	2,267,955	2,431,000	163,045	93%
Purchased Transportation Svcs	12,538,070	12,007,348	12,762,576	12,427,311	49,735,306	51,995,613	2,260,307	96%
Miscellaneous Expenses	27,057	363,900	327,357	161,783	880,097	1,130,009	249,913	78%
Leases & Rentals	4,527	5,849	15,882	2,230	28,488	43,575	15,087	65%
Other Expenses	148,923	154,510	155,115	359,317	817,865	692,283	(125,582)	118%
<b>Total Operating Expenses</b>	<b>\$ 15,985,095</b>	<b>\$ 15,859,987</b>	<b>\$ 16,185,647</b>	<b>\$ 17,482,912</b>	<b>\$ 65,513,640</b>	<b>\$ 71,701,582</b>	<b>\$ 6,187,942</b>	<b>91%</b>
<b>Income (Loss) from Operations</b>	<b>\$ (12,123,773)</b>	<b>\$ (12,323,493)</b>	<b>\$ (12,357,405)</b>	<b>\$ (13,098,136)</b>	<b>\$ (49,902,806)</b>	<b>\$ (57,274,261)</b>	<b>\$ 7,371,455</b>	<b>87%</b>
Agency Admin Allocations	847,574	996,683	1,966,954	1,583,232	5,394,443	6,184,956	790,513	87%
Depreciation & Amortization	4,648,529	4,657,093	4,704,449	4,992,729	19,002,801	19,233,588	230,787	99%
<b>Net Income (Loss) from Operations</b>	<b>\$ (17,619,877)</b>	<b>\$ (17,977,269)</b>	<b>\$ (19,028,809)</b>	<b>\$ (19,674,097)</b>	<b>\$ (74,300,051)</b>	<b>\$ (82,692,805)</b>	<b>\$ 8,392,754</b>	<b>90%</b>
<b>Ridership</b>								
Boardings	2,346,084	2,528,595	2,620,634	2,650,505	10,145,818	10,254,981	109,163	99%
Average Weekday Boardings	32,624	35,208	35,969	36,604	35,090	N/A	N/A	N/A

## Sound Transit Capital Outlays by Line of Business

For the Year Ending December 31, 2004

### Current Year 2004

	2004 Adopted Capital Plan	Actuals	Actuals (over)/under Budget	Actuals as % of Budget
	<i>b</i>	<i>c</i>	<i>[b - c]</i>	<i>[c/b]</i>
Sounder Commuter Rail	226,475,151	148,265,037	78,210,115	65%
Link Light Rail	331,060,521	227,263,039	103,797,481	69%
Regional Express	123,731,176	99,938,596	23,792,580	81%
<b>TOTAL</b>	<b>\$681,266,848</b>	<b>\$475,466,672</b>	<b>\$205,800,176</b>	<b>70%</b>

### Capital Plan 1997 - 2009

	Adopted Capital Plan	Life-to-date Outlays	Remaining Contract	Budget Remaining	% Spent and Committed
	<i>d</i>	<i>e</i>	<i>f</i>	<i>[d-(e+f)]</i>	<i>[(e+f)/d]</i>
Sounder Commuter Rail	1,210,148,004	714,080,029	110,019,284	386,048,691	68%
Link Light Rail	2,407,316,000	714,721,605	844,282,313	848,312,083	65%
Regional Express	923,451,446	395,598,203	52,356,391	475,496,852	49%
<b>TOTAL</b>	<b>\$4,540,915,450</b>	<b>\$1,824,399,838</b>	<b>\$1,006,657,988</b>	<b>\$1,709,857,625</b>	<b>62%</b>

# Transportation Services

## Sounder Transportation Services

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2004 Actuals	YTD 2004 Budget	Actuals (over)/under Budget	Actuals as % of Budget
<b>Revenues</b>								
Passenger Fares	510,450	514,133	553,267	624,902	2,202,752	2,221,685	(18,933)	99%
Other Operating Revenues	421,725	421,757	421,788	762,583	2,027,853	1,350,761	677,092	150%
<b>Total Operating Revenues</b>	<b>932,175</b>	<b>935,890</b>	<b>975,055</b>	<b>1,387,485</b>	<b>4,230,605</b>	<b>3,572,446</b>	<b>658,159</b>	<b>118%</b>
<b>Operating Expenses</b>								
Salaries & Benefits	-	-	-	-	-	-	-	-
Services	2,032,975	1,909,677	1,089,690	2,020,736	7,053,078	7,856,774	803,696	90%
Materials & Supplies	228,219	216,873	233,737	160,973	839,801	731,919	(107,882)	115%
Insurance	350,934	330,257	344,178	927,762	1,953,131	2,016,000	62,869	97%
Purchased Transportation Svcs	934,773	1,208,367	1,063,628	983,371	4,190,139	3,924,282	(265,857)	107%
Miscellaneous Expenses	18,875	333,434	150,473	46,734	549,516	712,141	162,625	77%
Leases & Rentals	4,527	5,849	15,882	2,230	28,488	41,075	12,587	69%
Other Expenses	63,234	64,357	56,903	128,761	313,255	374,787	61,532	84%
<b>Total Operating Expenses</b>	<b>\$ 3,633,538</b>	<b>\$ 4,068,812</b>	<b>\$ 2,954,490</b>	<b>\$ 4,270,567</b>	<b>\$ 14,927,407</b>	<b>\$ 15,656,978</b>	<b>\$ 729,571</b>	<b>95%</b>
<b>Income (Loss) from Operations</b>	<b>\$ (2,701,363)</b>	<b>\$ (3,132,922)</b>	<b>\$ (1,979,435)</b>	<b>\$ (2,883,082)</b>	<b>\$ (10,696,802)</b>	<b>\$ (12,084,532)</b>	<b>\$ 1,387,730</b>	<b>89%</b>
Agency Admin Allocations	255,513	317,437	377,237	515,562	1,465,749	2,119,697	653,948	69%
Contingency	-	-	-	-	-	-	-	-
Depreciation & Amortization	1,641,974	1,649,055	1,648,280	1,650,646	6,589,955	6,803,552	213,597	97%
<b>Net Income (Loss) from Operations</b>	<b>\$ (4,598,851)</b>	<b>\$ (5,099,414)</b>	<b>\$ (4,004,951)</b>	<b>\$ (5,049,290)</b>	<b>\$ (18,752,506)</b>	<b>\$ (21,007,781)</b>	<b>\$ 520,184</b>	<b>89%</b>
<b>Ridership</b>								
Boardings	210,929	229,649	248,015	266,705	955,298	900,000	55,298	106%
Average Weekday Boardings	3,296	3,389	3,433	3,533	3,406	3,436	30	99%

## Sounder Transportation Services Notes

Loss from operations before agency allocations and depreciation for the year was 89% of the 2004 budget, compared to 91% for the third quarter. The largest variances are in Services, Insurance, Materials & Supplies and Purchased Transportation categories and are discussed below.

**Revenues and Ridership:** Passenger Fares were under budget by \$19K or 1%. Compared to 2003 fares are up by \$359K or 20% with the introduction of the Seattle to Everett train at the end of 2003. Ridership is trending in line with the forecast. Compared to 2003, boardings are up by 204K or 27%. Non-transportation revenue, the revenue associated with the leasing of Sounder vehicles to other jurisdictions, exceeded the budget by \$677K, or 50%. These revenues are up \$119K or 6% from 2003 as additional vehicles were leased during the year.

**Services** ended the year at 90% of 2004 budget, under the budget amount by \$804K. This included under-spending of nearly \$800K on vehicle maintenance which was due largely to changes in the timing of train service rollout and to a contract change which reduced incentive payments. Spending on security services exceeded the budget by \$710K due to the heightened protective measures put in place caused by the changing international security environment. Other items of note in services include \$400K in lower marketing costs being charged to the marketing services accounts, \$75K in fare collection and other ticket vending machine service fees, \$175K in miscellaneous consulting, and a budget savings of \$77K for maintenance of stations.

**Materials & Supplies** were over 2004 budget by \$108K or 15%. Expenditures continue to exceed the amount budgeted due to increases in the cost of fuel. The percentage variance is consistent with the prior quarter.

**Insurance** was under 2004 budget by \$63K or 3%. Premium payments were less than budgeted so far for the year. This category includes railroad protective/liability and rolling stock coverage.

**Purchased Transportation Services** were over 2004 budget by \$266K or 7%. The budget variance is mainly due to maintenance costs for the Reservation-to-Freighthouse Square track, which was unanticipated.

**Leases and Rentals** were under 2004 budget by \$13K or 31%. The rail crew quiet room use increased during the latter half of the year.

**Other Expenses** were under 2004 budget by \$62K or 16%. Utility costs continue to trend under budgeted amounts due primarily to savings on electricity (\$51K) and telecommunications service at stations.

**Agency Administration Allocations** were under budget by \$654K, or 31%. Allocated costs have been below budget throughout the year, as the budgeted rate was approximately 8.6% while the experienced rate was 5.7%.

## Regional Express Transportation Services

For the Twelve Months Ending December 31, 2004

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2004 Actuals	2004 Budget	Actuals (over)/under Budget	Actuals as % of Budget
<b>Revenues</b>								
Passenger Fares	2,823,294	2,504,756	2,753,114	2,879,314	10,960,478	10,522,875	437,603	104%
Other Operating Revenues	105,853	95,848	100,073	117,977	419,751	332,000	87,751	126%
<b>Total Operating Revenues</b>	<b>\$ 2,929,147</b>	<b>\$ 2,600,604</b>	<b>\$ 2,853,187</b>	<b>\$ 2,997,291</b>	<b>\$ 11,380,229</b>	<b>\$ 10,854,875</b>	<b>\$ 525,354</b>	<b>105%</b>
<b>Operating Expenses</b>								
Services	230,867	410,099	472,154	607,678	1,720,797	4,181,572	2,460,775	41%
Materials & Supplies	8,585	37,849	126,291	34,164	206,889	215,900	9,011	96%
Insurance	5,800	5,801	5,148	4,714	21,463	-	(21,463)	-
Purchased Transportation Svcs	11,603,297	10,798,981	11,698,948	11,443,940	45,545,167	48,071,331	2,526,164	95%
Miscellaneous Expenses	8,019	29,831	174,789	105,904	318,542	264,301	(54,241)	121%
Leases & Rentals	-	-	-	-	-	2,500	2,500	-
Other Expenses	76,094	77,977	76,447	186,948	417,466	222,734	(194,732)	187%
<b>Total Operating Expenses</b>	<b>\$ 11,932,662</b>	<b>\$ 11,360,538</b>	<b>\$ 12,553,776</b>	<b>\$ 12,383,348</b>	<b>\$ 48,230,324</b>	<b>\$ 52,958,338</b>	<b>\$ 4,728,014</b>	<b>91%</b>
<b>Income (Loss) from Operations</b>	<b>\$ (9,003,515)</b>	<b>\$ (8,759,934)</b>	<b>\$ (9,700,589)</b>	<b>\$ (9,386,057)</b>	<b>\$ (36,850,095)</b>	<b>\$ (42,103,463)</b>	<b>\$ (5,253,368)</b>	<b>88%</b>
Agency Admin Allocations	510,373	574,663	1,641,995	1,011,900	3,738,931	3,696,642	(42,289)	101%
Contingency	-	-	-	-	-	-	-	-
Depreciation & Amortization	2,365,470	2,353,354	2,399,339	2,683,545	9,801,708	9,856,442	54,734	99%
<b>Net Income (Loss) from Operations</b>	<b>\$ (11,879,359)</b>	<b>\$ (11,687,950)</b>	<b>\$ (13,741,924)</b>	<b>\$ (13,081,502)</b>	<b>\$ (50,390,734)</b>	<b>\$ (55,656,547)</b>	<b>\$ (5,265,813)</b>	<b>91%</b>
<b>Ridership</b>								
Boardings	1,951,163	2,112,142	2,173,627	2,157,341	8,394,273	8,604,981	210,708	98%
Average Weekday Boardings	27,036	29,411	30,025	30,218	29,168	N/A	N/A	N/A

## Regional Express Transportation Services Notes

Loss from operations for the year was 88% of the 2004 budget, compared to 87% for the third quarter. The key budget variances are in Services and Purchased Transportation and are discussed below.

**Passenger Fares and Ridership:** Passenger Fares were over 2004 budget by \$438K or 4%. Compared to 2003 farebox revenues are up by \$1.2M or 12%. Boardings for the fourth quarter are up by 241K or 13% from the same quarter last year, and for the year are up 1.0M from 2003. Boardings were under 2004 forecast by 211K or 2%.

**Services** were under the 2004 budget by \$2.5M or 59%. Equipment maintenance costs are under budget by approximately \$738K. Low-sulfur fuel filter expenditures for the Community Transit fleet did occur as planned in the fourth quarter and installation of a digital surveillance system for the ST fleet has been postponed at this time. Approximately \$132K was set aside for any unplanned vehicle or station maintenance or for additional security. Facility maintenance was \$200K below budget. Signage maintenance and Spot Improvements are under the budget by \$390K due to lower than anticipated activity.

The Mobility Initiative Program is under budget by approximately \$553K as that program continues to ramp up. Funds for Regional Accessibility technology that had been budgeted in 2004 were not being spent this year as that program was deferred. Other budgeted programs which did not occur at budgeted levels were the ADA Experimental Sensitivity Training and Travel Training.

**Insurance** was over 2004 budget by \$21K. This item was budgeted in the Tacoma Dome facilities maintenance account included in Services, but the expenses are detailed by specific line item.

**Other Expenses** were over 2004 budget by \$195K or 87%. This relates to utilities costs that had been budgeted in the Tacoma Dome facilities maintenance accounts but which are being charged to the utilities accounts.

**Purchased Transportation Services** were under 2004 budget by \$2.5M or 5%. This category includes costs paid to transit partners for operating and maintaining Sound Transit bus services. It comprises 85% of the 2004 transit operations budget before depreciation and allocations. The variance reflects unused schedule maintenance hours and other contingencies for special service and overloads which were not utilized. In addition, a credit in the amount of \$710K from Pierce Transit was recorded in the fourth quarter. This credit was based on a reconciliation of previous billings, which are based on budgeted costs, with actual costs incurred. Fuel costs were also higher by approximately \$200k as a result of an adjustment to King County Metro service costs.

**Miscellaneous Expenses** were over 2004 budget by \$54K or 21%. The variance is due to marketing costs which were budgeted in services but charged in this category.

**Agency Administration Allocations** is the staff operating costs allocated from both corporate and line of business departments. Allocations for 2004 were under budget by \$42K or 1% of budget.

## Link Transportation Services

For the Twelve Months Ending December 31, 2004

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	Total Actuals	Budget	Actuals (over)/under Budget	Actuals as % of Budget
<b>Revenues</b>								
Passenger Fares	-	-	-	-	-	-	-	N/A
Other Operating Revenues	-	-	-	-	-	-	-	N/A
<b>Total Operating Revenues</b>	-	-	-	-	-	-	-	N/A
<b>Operating Expenses</b>								
Salaries & Benefits	294,189	290,563	309,709	312,106	1,206,567	1,192,568	(13,999)	101%
Services	42,520	47,004	263,765	332,249	685,537	1,125,893	440,356	61%
Materials & Supplies	12,294	13,730	18,742	26,495	71,261	104,476	33,215	68%
Insurance	60,133	66,528	61,305	105,394	293,361	415,000	121,639	71%
Purchased Transportation Svcs	-	-	-	-	-	-	-	-
Miscellaneous Expenses	163	636	2,095	9,145	12,039	153,567	141,528	8%
Leases & Rentals	-	-	-	-	-	-	-	-
Other Expenses	9,595	12,176	21,765	43,607	87,144	94,762	7,618	92%
<b>Total Operating Expenses</b>	<b>\$ 418,895</b>	<b>\$ 430,637</b>	<b>\$ 677,381</b>	<b>\$ 828,996</b>	<b>\$ 2,355,909</b>	<b>\$ 3,086,266</b>	<b>\$ 730,357</b>	<b>76%</b>
<b>Income (Loss) from Operations</b>	<b>\$ (418,895)</b>	<b>\$ (430,637)</b>	<b>\$ (677,381)</b>	<b>\$ (828,996)</b>	<b>\$ (2,355,909)</b>	<b>\$ (3,086,266)</b>	<b>\$ 730,357</b>	<b>76%</b>
Agency Admin Allocations	81,688	104,583	(52,278)	55,770	189,763	368,617	178,854	51%
Contingency	-	-	-	-	-	-	-	-
Depreciation & Amortization	641,085	654,685	656,830	658,538	2,611,138	2,573,594	(37,544)	101%
<b>Net Income (Loss) from Operations</b>	<b>\$ (1,141,668)</b>	<b>\$ (1,189,905)</b>	<b>\$ (1,281,934)</b>	<b>\$ (1,543,304)</b>	<b>\$ (5,156,810)</b>	<b>\$ (6,028,477)</b>	<b>\$ 589,048</b>	<b>86%</b>
<b>Ridership</b>								
Boardings	183,992	186,804	198,992	226,459	796,247	750,000	46,247	106%
Average Weekday Boardings	2,292	2,408	2,511	2,853	2,516	2,000	516	126%

## Link Transportation Services Notes

Tacoma Link transit service commenced in August 2003 and is fully staffed and operating. Loss from operations was at 86% of the budget.

**Ridership:** Ridership exceeded forecast by 46K or 6%, and increased by 26K or 13% from the third quarter of the year. Demand for Tacoma Link service continues to exceed 2010 forecasts.

**Salaries & Benefits** were on budget for the year.

**Services** were under budget by \$440K or 39%. The variance is due in part to lower costs related to interlocal agreements for paratransit and marketing costs that were not incurred. In addition, maintenance costs have been significantly less than budgeted, particularly in janitorial costs, maintenance of way, and maintenance of the light rail vehicles. For the second half of the year, expenses tracked much more closely to budgeted levels as full operations were achieved. Expenditures in this category are anticipated to increase as many of the Tacoma Link facilities have been in warranty coverage.

**Material and Supplies** were under budget by \$33K or 32%. Current expenditures on office equipment and computer equipment were under budget.

**Insurance** was under budget by \$122K or 29%. Actual premiums were less than budgeted.

**Miscellaneous Expenses** were under budget by \$142K or 92%. This account includes provision for incidental operating expenditures and contingencies which were not incurred.

**Agency Allocations** were under budget by \$179K or 49%.

# Capital

## Sounder Capital

### Sounder Commuter Rail - Capital Outlays by Phase

For the Year Ending December 31, 2004

#### Current Year 2004

Phase	2004 Adopted Capital Plan	YTD Budget	2004 Actuals	2004 actuals (over)/under 2004 Budget	2004 actuals as % of 2004 Budget
	<i>a</i>	<i>b</i>	<i>c</i>	<i>[b - c]</i>	<i>[c / b]</i>
Agency Administration	6,164,226	6,164,226	5,673,096	491,130	92%
Preliminary Engineering	2,156,942	2,156,942	1,004,751	1,152,191	47%
Final Design	3,666,445	3,666,445	(239,574)	3,906,020	-7%
ROW Acq. & Permits	104,339,195	104,339,195	95,035,061	9,304,134	91%
Construction	103,722,696	103,722,696	46,777,587	56,945,109	45%
Vehicles	4,263,579	4,263,579	14,115	4,249,464	-
Contingency	2,162,068	2,162,068	-	2,162,068	-
<b>TOTAL</b>	<b>\$ 226,475,151</b>	<b>\$ 226,475,151</b>	<b>\$ 148,265,037</b>	<b>\$ 78,210,115</b>	<b>65%</b>

#### Capital Plan 1997 - 2009

Phase	Adopted Capital Plan	Life-to-date Outlays	Contract Remaining	Budget Remaining	% Spent & Committed
	<i>d</i>	<i>e</i>	<i>f</i>	<i>[d-(e+f)]</i>	<i>[(e+f)/d]</i>
Agency Administration	57,640,320	36,663,087	50,065	20,927,168	64%
Preliminary Engineering	24,235,288	22,076,571	87,273	2,071,444	91%
Final Design	32,742,136	17,044,164	127,448	15,570,525	52%
ROW Acq. & Permits	356,998,986	221,190,358	883,780	134,924,847	62%
Construction	565,552,793	283,596,762	108,862,603	173,093,428	69%
Vehicles	143,576,495	133,509,088	8,115	10,059,292	93%
Contingency	29,401,986	-	-	29,401,986	-
<b>TOTAL</b>	<b>\$ 1,210,148,004</b>	<b>\$ 714,080,029</b>	<b>\$ 110,019,284</b>	<b>\$ 386,048,691</b>	<b>68%</b>

## Sounder Capital Notes

Previously Yard, Shop, and Layover were presented as a separate phase. As this phase represented several projects that were more appropriately broken out for management purposes, this phase was analyzed and reclassified as separate project called Layover (project number 140), and the budget and cost amounts are shown within that project in the phases described below.

**Agency Administration** spending was at 92% of the budget at year-end. This category includes the total administrative costs charged to capital projects plus some allocated contract costs.

**Preliminary Engineering** phase was under-spent by \$1.2M, or 53% of budget. Preliminary Engineering work is substantially completed for the program; however, there are a few remaining tasks in this phase, including the Lakewood Station and the Environmental Permitting project.

**Final Design** was under-spent in 2004 largely due to under-spending in the Tacoma-to-Lakewood track and facilities project. Sound Transit purchased the BNSF North Line Railroad right-of-way in September 2004, so preliminary engineering of the track and facilities is being revised to reflect Sound Transit ownership of ROW in this corridor. Final design is delayed until completion of PE and is scheduled to begin in mid-2005. Spending is showing as negative due to a correction entered to reclassify costs incurred in a previous year from final design to the preliminary engineering and construction phases.

**ROW** spending was under the 2004 budget by \$9.3M or 9%. Two major payments to BNSF were made in the fourth quarter in the amount of \$6M to complete ROW procurement in the Tacoma to Lakewood corridor and \$79M for easements in the Seattle to Everett corridor.

**Construction** spending was under the 2004 budget by \$56.9M or 55%. A combination of schedule delays and project savings on the BNSF track work in the Seattle-to-Tacoma corridor resulted in \$49 million of the under-spending. Construction delays relate to a delay by the City of Tacoma in beginning construction of its D Street grade separation project.

**Vehicles** for Sounder have all been purchased and paid for. The lifetime budget includes approximately \$10 million for potential payment of Washington State sales and use tax associated with the vehicle purchases. This tax was not previously paid due to potential exemptions available to Sound Transit under the Amtrak lease/sublease agreements. The tax exemption provided under these agreements was upheld by the Department of Revenue; however, the Department did assess the intervening use prior to the agreements to be taxable. Sound Transit has appealed this assessment and now expects to resolve the matter in 2005.

**Contingency:** The current-year budget contains \$2.2M of project contingency. No project contingency funds were used in 2004.

## Regional Express Capital

### Regional Express - Capital Outlays by Phase For the Twelve Months Ending December 31, 2004

#### Current Year 2004

Phase	2004 Adopted Capital Plan	YTD Budget	2004 Actuals	2004 actuals (over)/under 2004 Budget	2004 actuals as % of 2004 Budget
	<i>a</i>	<i>b</i>	<i>c</i>	<i>[a - b]</i>	<i>[b/a]</i>
Agency Administration	7,047,561	7,047,561	4,918,234	2,129,326	70%
Prelim. Engineering	7,314,860	7,314,860	4,721,813	2,593,047	65%
Final Design	19,602,602	19,602,602	5,349,762	14,252,840	27%
ROW Acq. & Permits	10,233,950	10,233,950	4,331,925	5,902,025	42%
Construction	59,544,630	59,544,630	56,598,829	2,945,802	95%
Vehicles	19,512,847	19,512,847	24,018,034	(4,505,187)	123%
Contingency	474,727	474,727	-	474,727	0%
<b>TOTAL</b>	<b>\$ 123,731,176</b>	<b>\$ 123,731,176</b>	<b>\$ 99,938,596</b>	<b>\$ 23,792,580</b>	<b>81%</b>

#### Capital Plan 1997 - 2009

Phase	Adopted Capital Plan	Life-to-date Outlays	Contract Remaining	Budget Remaining	% Spent & Committed
	<i>d</i>	<i>e</i>	<i>f</i>	<i>[d-(e+f)]</i>	<i>[(e+f)/d]</i>
Agency Administration	44,450,129	27,487,550	80,034	16,882,545	62%
Prelim. Engineering	57,546,059	45,222,090	8,185,795	4,138,175	93%
Final Design	47,664,127	25,202,881	3,594,178	18,867,068	60%
ROW Acq. & Permits	58,159,462	41,368,466	354,758	16,436,239	72%
Construction	376,873,673	174,163,372	40,279,548	162,430,753	57%
Mid-Life Asset Management	311,000	-	-	311,000	0%
Vehicles	87,686,300	82,153,845	(137,921)	5,670,377	94%
Contingency	250,760,696	-	-	250,760,696	0%
<b>TOTAL</b>	<b>\$ 923,451,446</b>	<b>\$ 395,598,203</b>	<b>\$ 52,356,391</b>	<b>\$ 475,496,852</b>	<b>49%</b>

## Regional Express Capital Outlay Notes

**Agency Administration** was under 2004 budget by \$2.1M or 30%. Fewer staff hours were charged to capital projects, creating a lower base for agency allocations. In addition, budgeted agency allocations for bus acquisition will not be charged, contributing a variance of \$0.6M.

**Preliminary Engineering** was under 2004 budget by \$2.6M or 35%. The largest single variance in this phase is the I-90 Two-Way Transit Operations project with a variance of \$2.0M under plan. Work on preliminary engineering and design was delayed by the process to amend the 1976 Agreement. Additionally, budget set aside in the case of an appeal during the environmental documentation phase of the project will not be required and represents savings in this phase. The Mercer Island Park and Ride project has overspent by \$0.3M as PE/ED had to be restarted upon the decision to build a parking structure at the existing Mercer Island Park-and-Ride. Outside of East King County, the Mountlake Terrace project was under spent by \$0.9M. The PE/ED schedule was extended as the design concept awaited approval from WSDOT. The Eastgate Transit Access project had an under spending of \$0.4M which represents savings in that phase.

**Final Design** was under 2004 budget by \$14.3M or 73%. The South Everett Freeway Station project had a variance of \$2.2M in final design. Final design was delayed until SEPA was completed. The environmental documentation process was extended due to additional environmental review. The final design contract for this project will be taken to the Board in first quarter 2005. The project with the largest variance in this phase is the I-90 Two-Way Transit Operations project, which is underspent by \$5.8M. Delay in the issuance of the Record of Decision (ROD) until the end of the third quarter delayed the start of the final design phase. This will be taken forward for Board action in first quarter 2005. Final design on the Totem Lake Freeway Station project was \$1.7M under budget and will be completed this year with savings. Eastgate Transit Access is under budget in this phase by \$0.9M, due to savings in the FD phase. Other projects in East King County with delays in final design were Willows Arterial and Woodinville Arterial HOV improvements. The Adopted 2005 Budget deleted the Willows Arterial project (in Redmond) and added a new project to Sound Move, the Redmond Transit Center project. The adopted 2005 budget also transferred approximately 70% of the Woodinville HOV Enhancements project budget to the Woodinville TOD project (84341). Mercer Island Park and Ride was underspent by \$0.7M due to the delays described in the PE/ED phase above.

**ROW** was under 2004 budget by \$5.9M or 58%. The Kirkland Transit Enhancements project was under spent by \$2.0M in this phase due to a redefinition of the project scope. The Adopted 2005 budget for this project moves property acquisitions into 2005 and 2006 and provides for a smaller budget for this phase. The Totem Lake Freeway Station is under budget by \$2.3M which reflects delays in approval of the WSDOT ROW Plan. The Sammamish Park-and-Ride project was \$0.8M under spent as the property acquisitions were completed via the condemnation process. Savings were identified in this phase for the adopted 2005 budget for this project. A variance of \$0.9M in the ROW phase is attributed to the North Everett Transit Center project. In 2004 the Board capped the Sound Transit contribution to the project and redefined the City of Everett as the project lead. Planned expenditures on ROW acquisitions are now budgeted to occur in 2006.

**Construction** was under 2004 budget by \$3.0M or 5%. The Bellevue HOV Access project was underspent by \$4.0M at the end of the third quarter. Actual bids on this project were significantly lower than the engineer's estimate. The engineer's estimate was the basis for the budgeted cash flows. Savings will be realized at the completion of the project. A \$2.5M underspend on the Issaquah Highlands Park-and-Ride project reflects delay in start of construction and in reaching a project-level agreement with King County Metro, supporting a Sound Transit contribution. The Bellevue Rider Services Building has a variance of \$1.2M because advertising the project for construction bids was delayed pending completion of the binding site plan process, allowing for initiation of the terms of the lease agreement and award of a construction contract. The binding site plan process has been completed and the project is scheduled to be advertised in March. The Lynnwood HOV Access project has an under spending of \$1.8M which reflects savings recognized in the 2005 budget as this project was completed under budget and ahead of schedule. The Lynnwood Transit Center project has an under spending of \$0.5M in 2005, reflecting savings on this project recognized in the 2005 budget.

Offsetting this lower spending was accelerated activity on the Federal Way projects. The Federal Way HOV Access project has accelerated spending by \$2.4M, and the Federal Way Transit Center is over planned spending by \$5.3M. These projects have been proceeding more aggressively than budgeted as the contractors took advantage of a favorable construction season in 2004.

**Vehicles** were over 2004 budget by \$4.5M or 23%. Sound Transit accepted early delivery of 16 60-foot low-floor articulated buses for East King County service during December. After factory inspections and service preparation, the buses will go into service with the February service change. These deliveries had been budgeted for in the second quarter of 2005.

**Contingency** funds were included in the contingency phase of the budget to cover unanticipated project costs. No contingency funds were expended in 2004.

## Link Capital

### Link Light Rail - Capital Outlays by Phase For the Twelve Months Ending December 31, 2004

#### Current Year 2004

Phase	2004 Adopted Capital Plan	2004 Adopted Capital Plan	2004 Actuals	2004 actuals (over)/under 2004 Budget	2004 actuals as % of 2004 Budget
	a	b	c	[b - c]	[c/b]
Agency Administration	35,062,895	35,062,895	17,434,823	17,628,072	50%
Preliminary Engineering	13,279,909	13,279,909	4,374,643	8,905,266	33%
Final Design	16,711,518	16,711,518	16,884,804	(173,286)	101%
ROW Acq. & Permits	86,883,000	86,883,000	66,955,107	19,927,893	77%
Construction	162,069,765	162,069,765	114,006,649	48,063,117	70%
Vehicles	16,950,227	16,950,227	7,383,407	9,566,820	44%
Testing and Start-Up	103,206	103,206	223,607	(120,401)	217%
Contingency	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 331,060,521</b>	<b>\$ 331,060,521</b>	<b>\$ 227,263,039</b>	<b>\$ 103,797,481</b>	<b>69%</b>

#### Capital Plan 1997 - 2009

Phase	Adopted Capital Plan	Life-to-date Outlays	Contract Remaining	Budget Remaining	% Spent & Committed
	d	e	f	[d-(e+f)]	[(e+f)/d]
Agency Administration	250,293,591	96,911,352	1,290,573	152,091,666	39%
Preliminary Engineering	102,031,907	83,721,718	5,930,830	12,379,359	88%
Final Design	168,377,567	137,435,973	23,907,422	7,034,172	96%
ROW Acq. & Permits	268,732,839	202,243,348	1,221,877	65,267,615	76%
Construction	1,342,513,335	179,251,441	692,171,350	471,090,544	65%
Vehicles	146,487,037	14,718,529	119,839,071	11,929,437	92%
Testing and Start-Up	579,725	439,244	(78,810)	219,291	62%
Contingency	128,300,000	-	-	128,300,000	0%
<b>TOTAL</b>	<b>\$ 2,407,316,000</b>	<b>\$ 714,721,605</b>	<b>\$ 844,282,313</b>	<b>\$ 848,312,083</b>	<b>65%</b>

## Link Capital Outlay Notes

As of the fourth quarter, major construction is underway along the Central Link Initial Segment between Downtown Seattle and just north of Tukwila, including the DSTT Retrofit and Pine Street tunnel construction, the alignment through SODO, the Operations & Maintenance Facility, the Beacon Hill Tunnel, the alignment along Martin Luther King, Jr. Way, and utility relocations in the City of Tukwila. Award of the Tukwila alignment and station contract is expected in the first quarter of 2005. The Communications Systems contract was awarded in the fourth quarter of 2004, and work is progressing on the light rail vehicle procurement, the train signal contract, and the electrification system. Annual construction expenditures are 69% of budget through year-end 2004, reflecting lower than expected expenditures in 2004 for the SODO guideway construction, the Maintenance Facility, and the light rail vehicle contracts. Based on the progress made to date, the Initial Segment is still projected to open on schedule in July 2009.

Preliminary engineering for North Link progressed and staff met with the Roosevelt community in preparation for the Sound Transit board identification of a preferred route through this area in early 2005. Agreements with the Port of Seattle and the City of SeaTac to extend the Initial Segment to Sea-Tac International Airport by the end of 2009 were announced in December, and conceptual design for this segment is nearing completion. Tacoma Link construction is complete, and project close-out continues.

**Agency Administration** was under budget by \$17.6M or 50% through the fourth quarter due to lower than planned absorption of OCIP premiums, reductions to Link staff resulting from the agency reorganization, and reductions to agency allocations. This category includes: a) project labor, b) staff support costs, c) agency costs allocated to projects, and d) direct charges.

**Preliminary Engineering** was under budget by \$8.9M or 67% through year-end 2004. The annual budget and outlays primarily reflect work for North Link and Airport Link. Preliminary engineering for North Link, originally planned to start in early 2004, did not begin until the third quarter. Agreements were reached with WSDOT and the City of Seattle to provide SEIS and preliminary engineering services for North Link. The three-month feasibility study finished in the fourth quarter with the announcement to the public that Airport Link would extend to the Airport terminal by the end of 2009. During this period, the contract to complete environmental review was awarded, and conceptual design started.

**Final Design** was under budget by \$173K or 1% at year-end 2004. This phase includes design support for major construction activities for the Initial Segment, which accounts for increased outlays in the fourth quarter.

**ROW Acquisition & Permits** was under budget by \$20M or 23% at year-end 2004. Sound Transit is on track to complete ROW acquisition for the Initial Segment by early 2005.

**Construction** was under budget by \$48M or 30% at year-end 2004. Construction on the Initial Segment began in November 2003 and is underway between Downtown Seattle and just north of Tukwila, including the DSTT Retrofit and Pine Street tunnel construction, the alignment through SODO, the Operations & Maintenance Facility, the Beacon Hill Tunnel, the Rainier Valley construction, utility relocations in the City of Tukwila, and on all major systems contracts. Current year outlays were \$30 million under budget due to: a) delay in award and notice-to-proceed for the Martin Luther King, Jr. Way contract triggered by the bid protest proceedings for that contract, b) slower than planned payment schedule for the Operations & Maintenance Facility, c) slower ramp up of expenditures for the Beacon Hill and the Pine Street tunnel construction, and d) lower than budgeted construction bids for some of the first major contracts.

**Vehicles** outlays were under budget by \$9.6M or 56% at year-end 2004. The lower than planned expenditures reflect a revised payment plan for this contract that is tied to specific deliverables. Progress for the light rail vehicle procurement is on schedule.

**Testing and Start-Up** outlays were over budget by \$120K or 117% at year-end 2004, but were \$140K below previous projections. Testing and start-up is complete for Tacoma Link; however, selected invoices are still outstanding.

# Agency Administration Expenses

## Agency Summary by Department

Staff Operating Departments - Before Expense Transfers & Transfers to Other Govts  
For the Year Ending December 31, 2004  
Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	YTD 2004 Actuals	YTD 2004 Budget	2004 Actuals (over)/under 2004 Budget	2004 Actuals as % of 2004 Budget
Board Administration	122,835	114,038	136,956	141,305	515,134	654,549	139,415	79%
Capital Projects	1,389,186	1,412,980	704,894	1,134,156	4,641,216	5,071,440	430,224	92%
Executive Department	1,756,886	2,424,100	2,188,822	2,460,298	8,830,105	10,064,480	1,234,375	88%
Finance & Information Technology	2,032,015	2,196,366	2,162,476	2,415,148	8,806,005	9,525,096	719,091	92%
Legal Services	565,008	582,146	576,976	552,174	2,276,303	2,148,381	(127,922)	106%
Link	1,867,627	2,003,735	1,623,205	1,991,464	7,486,030	8,493,079	1,007,049	88%
Non-Dept	1,250,498	1,288,688	1,401,911	1,569,170	5,510,267	5,586,752	76,485	99%
Project Delivery Support Services	1,272,141	1,731,108	1,702,940	1,618,321	6,324,511	7,645,205	1,320,694	83%
Transportation Services	611,202	706,454	1,453,281	1,008,505	3,779,443	4,072,098	292,655	93%
<b>TOTAL</b>	<b>\$ 10,867,398</b>	<b>\$ 12,459,614</b>	<b>\$ 11,951,461</b>	<b>\$ 12,890,542</b>	<b>\$ 48,169,015</b>	<b>\$ 53,261,080</b>	<b>\$ 5,092,065</b>	<b>90%</b>

## Staff & Other Operating Expenses

For the Twelve Year Ending December 31, 2004  
Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2004 Actuals	2004 Budget	2004 Actuals (over)/under 2004 Budget	2004 Actuals as % of 2004 Budget
Salaries & Benefits	7,637,428	7,799,580	7,895,226	7,972,319	31,304,553	33,887,501	2,582,948	92%
Services	1,196,611	2,158,206	1,892,559	2,166,438	7,413,814	8,944,420	1,530,606	83%
Materials & Supplies	310,758	269,611	1,443	480,146	1,061,959	1,040,129	(21,830)	102%
Miscellaneous Expenses	177,273	627,665	539,600	386,158	1,730,697	2,370,952	640,255	73%
Leases & Rentals	539,272	574,760	552,167	581,629	2,247,828	2,403,163	155,335	94%
Other Expenses	303,667	317,233	326,732	492,187	1,439,819	1,630,538	190,719	88%
Depreciation	702,387	712,559	743,734	811,665	2,970,345	2,984,377	14,032	100%
<b>Gross Staff Operating Expenses</b>	<b>\$ 10,867,398</b>	<b>\$ 12,459,614</b>	<b>\$ 11,951,461</b>	<b>\$ 12,890,542</b>	<b>\$ 48,169,015</b>	<b>\$ 53,261,080</b>	<b>\$ 5,092,065</b>	<b>90%</b>
Expense Transfers	(6,943,590)	(8,210,913)	(7,712,550)	(7,618,853)	(30,485,905)	(25,178,200)	5,307,706	121%
Donation to Other Governments	-	-	-	-	-	-	-	-
<b>Net Staff Operating Expenses</b>	<b>\$ 3,923,808</b>	<b>\$ 4,248,701</b>	<b>\$ 4,238,912</b>	<b>\$ 5,271,689</b>	<b>\$ 17,683,109</b>	<b>\$ 28,082,880</b>	<b>\$ 10,399,771</b>	<b>63%</b>
<b>Other Expenses</b>								
Transit Vision	174,058	1,898,400	1,594,947	3,282,330	6,949,735	14,355,558	7,405,823	48%
Transit-Oriented Development	675	16,774	975	19,099	37,523	440,000	402,477	9%
STart	-	-	3,132	-	3,132	3,746	614	84%
Community Development Fund	786,852	1,151,911	974,941	1,175,093	4,088,797	5,141,510	1,052,713	80%
Link Community Development	-	-	1,063	-	1,063	-	(1,063)	-
Debt Service Costs	47,011	46,709	46,709	46,707	187,135	186,835	(300)	100%
Non-Capitalizable LOB expenses	218,044	184,029	101,219	(440,854)	62,438	2,474,116	2,411,678	3%
<b>Total Other Expenses</b>	<b>\$ 1,226,640</b>	<b>\$ 3,297,823</b>	<b>\$ 2,722,985</b>	<b>\$ 1,240,899</b>	<b>\$ 11,329,822</b>	<b>\$ 22,601,765</b>	<b>\$ 11,271,943</b>	<b>50%</b>
<b>Grand Total Operating Expenses</b>	<b>\$ 5,150,447</b>	<b>\$ 7,546,524</b>	<b>\$ 6,961,897</b>	<b>\$ 6,512,588</b>	<b>\$ 29,012,932</b>	<b>\$ 50,684,645</b>	<b>\$ 21,671,713</b>	<b>57%</b>

## Staff Operating Notes

**Salaries and Benefits** were below budget by \$2.6M or 8% at the end of the quarter. This is due to the continued lower than budgeted headcount, which directly affects these expenditure levels. Headcount at the end of December was 345 FTE's. There were 374.35 FTEs budgeted for 2004.

**Services** were below budget by \$1.5M or 17% at the end of the year. More than \$1M of this variance occurred in the first quarter. Spending was close to budget in the second through fourth quarters.

**Materials and Supplies** were over budget by \$21K or 2% at the end of the year.

**Miscellaneous Expenses** were below budget by \$640K or 27% at the end of the year.

**Leases & Rentals** were below budget by \$155K or 6% at the end of the quarter. This includes Opus rent, parking garage and meeting space items.

**Other Expenses** include insurance, utilities, taxes and interest. This category was below budget by \$190K or 12% at the end of the quarter due primarily to lower general liability insurance and telecommunication costs

**Depreciation** is within 1% or \$14K of budget.

**Expense Transfers** were over budget by \$5.3M or 21% at the end of the quarter due to \$5.1M in overall lower spending in the staff operating departments compared with the budget. This category represents the allocated overhead dollars that are transferred to capital and operating projects.

## Other Operating Costs Notes

**Transit Vision** was below budget by 52% or \$7.4M at the end of the year. This category includes operational spending for Fare Integration, Research & Technology and Phase 2 Planning. The Fare Integration project is below budget by 55% or \$7.1M due to delays in the Smart Card project. The Research & Technology project expended 57% of its budget, but spending was partially offset by an accrual reversal from 2003 of \$243K. The Phase 2 project is below budget by 59% or \$3.6M. While spending for Phase II alternative analysis, external studies and high capacity transit analysis has continued, the project was under budget at year-end due primarily to some delays surrounding the emergence of a potential joint ballot with the RTID.

**Transit-Oriented Development** was below budget by 93% or \$407K at the end of the quarter with little activity to date because the implementation plan for this program is still in partner negotiations. Once finalized, Board authorization to do the study will be sought. This category consists of real estate pre-development services including: a) architectural, b) marketing feasibility cost estimating, c) partnering, d) station-area planning and e) regulatory drafting services.

**Community Development Fund** was under budget by 20% or \$1.1M at the end of the year. The budgeted amounts for mitigation payments and advances were adjusted in the 2004 budget amendment.

**Debt Service Costs** were 100% of budget at the end of the quarter. These costs include bond interest expense not capitalized to capital projects, amortization costs of bond issuance charges, and fiscal agent fees.

# Subarea 2004 Summaries

## Subarea Revenue Summary Millions YOES

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
<b>2004 Tax Revenues</b>							
December YTD Budget	33.5	71.3	49.6	70.9	46.9	-	272.3
December YTD Actual	35.0	71.7	52.5	74.1	53.0	-	286.3
\$ Variance	1.5	0.4	2.9	3.2	6.1	-	14.0
% Variance	4.4%	0.6%	5.8%	4.5%	13.0%	0.0%	5.1%
<b>2004 Farebox Revenues</b>							
December YTD Budget	1.9	-	1.3	6.0	3.5	-	12.7
December YTD Actual	1.7	-	1.8	5.9	3.8	-	13.2
\$ Variance	(0.2)	-	0.4	(0.1)	0.3	-	0.5
% Variance	-8.8%	-	31.6%	-2.1%	9.8%	0.0%	3.6%
<b>2004 Grant Revenues</b>							
December YTD Budget	0.3	54.2	28.1	5.5	8.2	1.3	97.4
December YTD Actual	28.4	38.9	17.5	1.7	6.8	0.4	93.6
\$ Variance	28.2	(15.3)	(10.6)	(3.8)	(1.4)	(0.8)	(3.7)
% Variance	10431.5%	-28.2%	-37.7%	-69.2%	-17.3%	-64.9%	-3.8%

## Subarea Operating Expense & Capital Outlay Summary Millions YOES

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
<b>2004 Transit Operating Expenses</b>							
December YTD Budget	9.8	-	13.4	24.6	25.2	-	72.9
December YTD Actual	9.4	-	13.2	25.6	22.7	-	70.9
Percent Spent	96.4%	-	98.8%	103.9%	90.2%	-	97.2%
<b>Other Operating Expenses</b>							
December YTD Budget	0.0	0.0	0.0	0.2	0.0	30.0	30.4
December YTD Actual	0.1	4.6	0.3	0.1	0.1	21.6	26.8
Percent Spent	814.3%	11784.6%	697.8%	39.8%	231.7%	72.0%	88.1%
<b>2004 Capital Outlays</b>							
December YTD Budget	109.6	266.7	140.9	98.2	82.5	7.0	704.9
December YTD Actual	95.9	155.2	74.7	50.1	27.1	4.8	407.7
Percent Spent	87.5%	58.2%	53.0%	51.0%	32.9%	69.0%	57.8%
<b>Lifetime Capital Outlays</b>							
December YTD Budget	552.6	1,684.9	1,125.3	586.0	610.0	18.2	4,576.9
December YTD Actual	325.5	440.9	267.7	126.1	126.9	11.2	1,298.3
Outstanding Contracts	10.4	735.7	198.8	12.7	51.5	9.4	1,018.5
Percent Spent or Committed	60.8%	69.8%	41.5%	23.7%	29.2%	113.3%	50.6%

## Subarea Net Asset Summary Millions YOES

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
Invested Capital Assets	271.5	425.0	313.9	195.2	251.8	37.0	1,494.5
Restricted	-	9.2	68.3	-	56.0	29.4	162.9
Unrestricted	(25.1) *	207.2	52.6	220.8	(8.0)	59.0	506.6
<b>Total Net Assets</b>	<b>246.4</b>	<b>641.4</b>	<b>434.9</b>	<b>416.0</b>	<b>299.9</b>	<b>125.5</b>	<b>2,164.0</b>

\* In December, 2004, the Snohomish County subarea required an inter-subarea loan in the amount of \$21.5M.