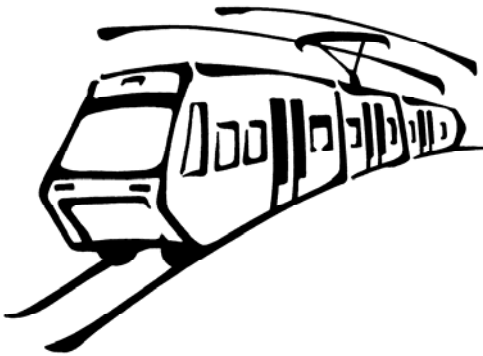
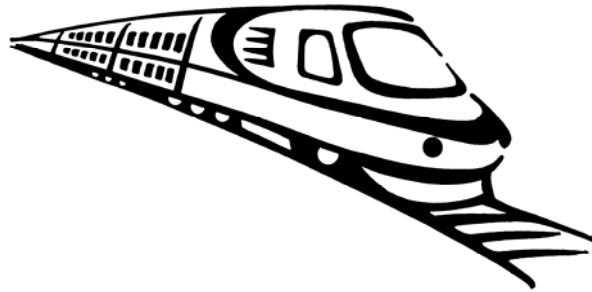
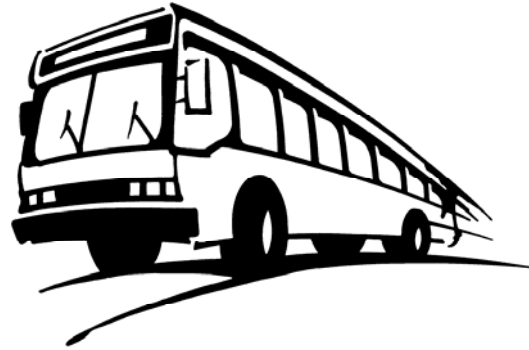




SOUNDTRANSIT

Central Puget Sound
Regional Transit Authority



Quarterly Financial Report
Third Quarter 2006
September 30, 2006

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Third Quarter 2006
Quarterly Financial Report

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TO: Board of Directors

FROM: Joni Earl, *Chief Executive Officer*
 Brian McCartan, *Chief Financial Officer*

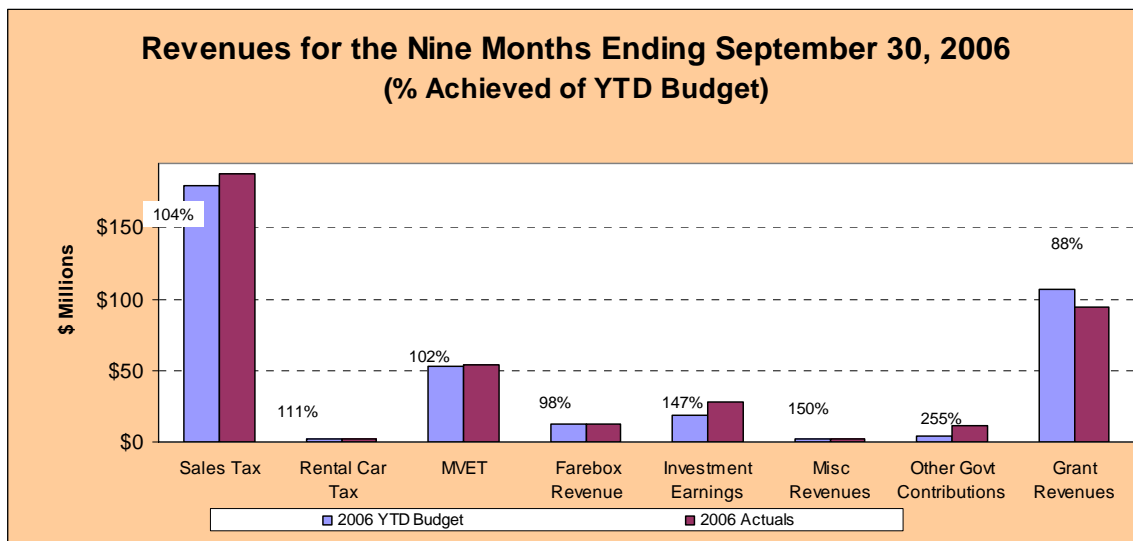
SUBJECT: Third Quarter 2006 Financial Report

Executive Summary

This report summarizes Sound Transit’s 2006 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.

Revenues

The total agency revenues of \$391.2M were over budget for the quarter by \$12.5M or 3% primarily due to higher than anticipated investment earnings, tax revenue, and State and local contributions. Tax revenues at \$243.1M were over budget by \$8.9M or 4%. Investment earnings of \$27.8M exceeded budget by \$8.9M or 47% due to rising interest rates and a conservative forecast of available cash balances. Federal grant revenues at \$94.29M were \$12.4M or 12% below budget at quarter end. Federal grant contributions for the Sound Move program are still anticipated to meet lifetime budget expectations. Farebox revenues, at \$12.6M, were \$279K or 2% under budget at the end of the quarter but 17% higher than the third quarter of 2005. YTD ridership is nearly 13.6% higher than the same period in 2005.

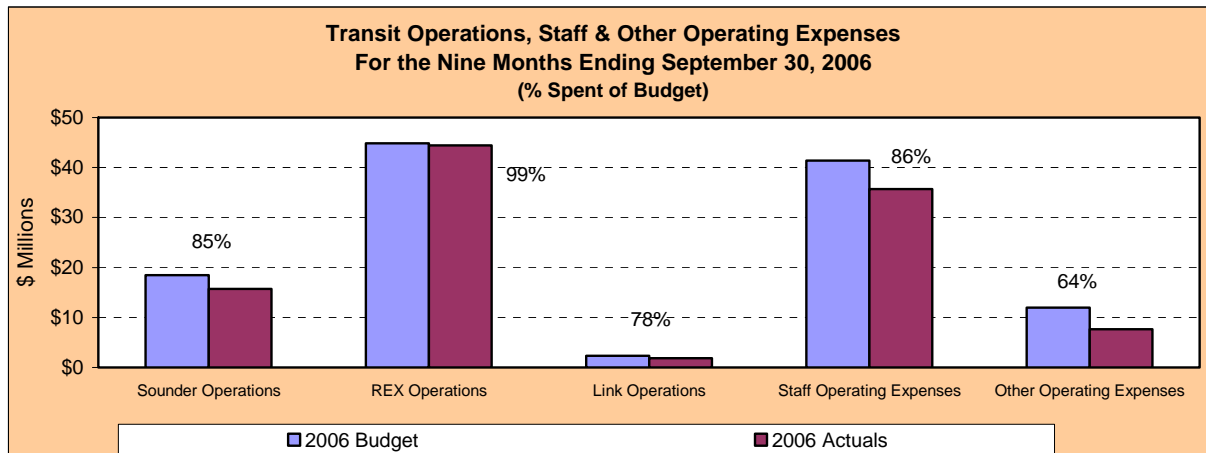


Expenses

Total agency expenses of \$150.1M were over budget for the quarter by \$26.4M or 21% due to contributions to other governments which is a non-budgeted account. The completion of the Federal Way HOV Access Project (\$28.5M) and Sammamish Park and Ride (\$7.2M) were the major contributors to this variance. Transportation Services direct operating expenses, as a percent of budget, were: Sounder 85%, Regional Express 99% and Tacoma Link 78%. Most of the underspending occurred in the Services and Purchased Transportation categories.

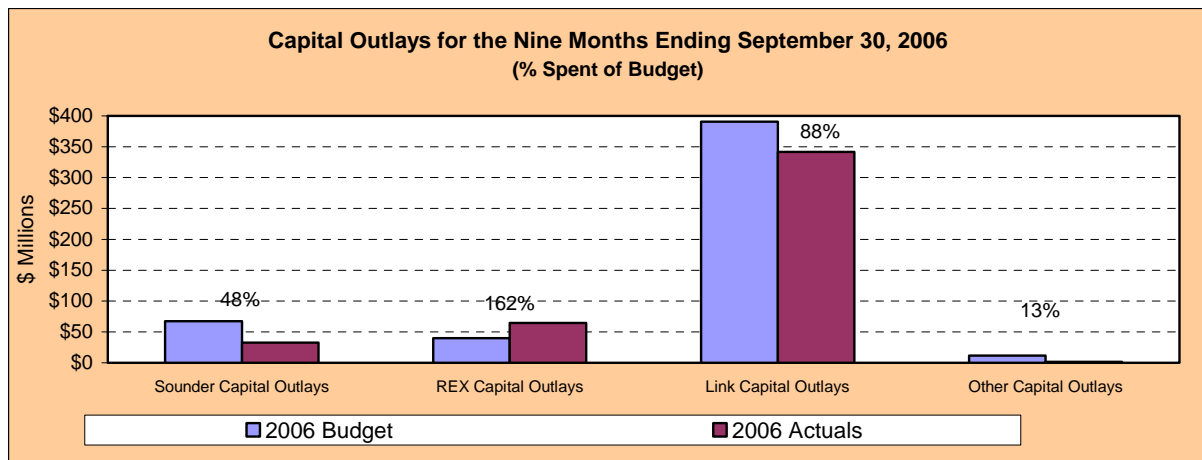
Staff operating expenses of \$35.7M were \$5.7M or 14% under budget for the quarter. Headcount was also proportionally lower for the end of third quarter.

Other operating expenses of \$7.7M include Regional Fund projects, Community Development Fund expenditures, debt-service costs and non-capitalizable costs. These costs were under budget by \$4.3M primarily due to lower than expected year-to-date Phase Two Planning costs.



Capital Outlays

Total agency capital outlays of \$440.5M were 86% of the \$509.5M year to date budget. Souder project expenditures of \$32.7M were 48% of budget reflecting lower than anticipated construction spending. The largest delays in spending were on Reservation Freighthouse Square, Tacoma-Lakewood Track & Signal, and Everett Station. Regional Express project spending at \$64.4M was 162% of budget primarily due to payment timing, as several construction phase outlays budgeted in 2005 occurred in 2006. Link project spending at \$342M was 88% of the due primarily to lower administration, construction, vehicle phase outlays. Other Capital of \$1.5M was 13% of the year-to-date budget reflecting delays in Art projects at Link Stations, Smart Card costs, and less than anticipated purchased buses.



Summary Income Statement

The table below summarizes the year-to-date revenues and expenses through September 30, 2006. Overall, agency net income ended the quarter \$13.9M below budget. This variance is made up of a \$12.5M surplus in total revenues and \$26.4M in higher expenses. The two main variances are Contributions to Other Governments of \$37.4M and delayed receipt of Federal Grants. While spending on projects is budgeted as part of capital outlays, they are expensed or capitalized upon completion. Excluding Contributions to Other Governments, total expenses are \$26.4 million under the YTD budget; and Excess Revenue over Expenses is \$14 million under budget.

Income Statement							
For the Nine Months Ending September 30, 2006							
Budget to Actuals							
	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals to YTD Budget Favorable/ (Unfavorable)	YTD Actuals as % of YTD Budget
REVENUES							
Tax Revenues	\$72,892,701	\$81,571,919	\$88,670,599	\$243,135,220	234,265,738	\$8,869,482	104%
Farebox Revenues	3,921,060	4,263,359	4,411,727	12,596,145	12,876,111	(279,966)	98%
Investment Income	8,261,907	8,887,982	10,690,315	27,840,203	18,937,500	8,902,703	147%
Other Miscellaneous	723,794	868,364	889,662	2,481,820	1,658,214	823,606	150%
State & Local Contributions	5,552,785	4,173,913	1,215,755	10,942,453	4,283,190	6,659,263	255%
Federal Grants	8,273,111	23,660,558	62,307,148	94,240,817	106,681,680	(12,440,863)	88%
TOTAL REVENUES	\$99,625,357	\$123,426,094	\$168,185,207	\$391,236,658	\$378,702,433	\$12,534,225	103%
EXPENSES							
Net Staff Operating Divisions	\$ 4,374,411	\$ 4,809,183	\$ 4,667,367	\$13,850,961	\$14,824,844	\$973,883	93%
Transit Operations	29,424,810	30,116,567	31,680,397	\$91,221,774	96,877,418	5,655,644	94%
Regional Fund & Other Operations	1,162,522	1,139,370	2,388,133	\$4,690,025	9,071,808	4,381,783	52%
Community Development Fund	307,214	322,941	169,540	\$799,695	1,472,116	672,421	54%
Debt Service	112,605	113,457	115,259	\$341,321	319,896	(21,425)	107%
Non-Capitalizable LOB expenses	279,181	1,141,154	430,980	\$1,851,315	1,112,580	(738,735)	166%
Contributions to Other Governments	28,534,025	0	8,815,595	37,349,620		(37,349,620)	
TOTAL EXPENSES	\$64,194,768	\$37,642,672	\$39,451,676	\$150,104,711	\$123,678,662	(\$26,426,049)	121%
EXCESS REVENUE OVER EXP.	\$35,430,590	\$85,783,423	\$128,733,531	\$241,131,948	\$255,023,771	(\$13,891,823)	95%

Summary of Net Assets

The following table summarizes assets and liabilities at the end of third quarter and provides comparative data for the third quarter last year. Total assets increased by \$297.4M from the same period in 2005 while liabilities were substantially unchanged. Current assets, excluding restricted assets, increased by \$59.5M and reflect the FFGA drawdown with the award of the 2006/2007 federal appropriation. Capital assets increased by \$522M reflecting activity on capital programs, particularly the Link Light Rail Program. A large portion of the activity was funded through the 2005 bond issue as is noted by the decrease in assets of \$280.6M as bond proceeds have been fully spent.

Summary of Net Assets <i>(in millions)</i>			
	As of Sep-06	As of Sep-05	% Change Sep-06 to Sep-05
Current Assets, excluding Restricted Assets	\$ 660.4	\$ 600.9	10%
Restricted Assets	179.6	460.2	-61%
Property, Vehicles and Equipment, Net of Accumulated Depreciation	1,135.2	1,018.7	11%
Capital Projects in Progress	1,413.0	1,032.3	37%
Capital Projects in Progress - non ST	135.9	111.1	22%
Other Non-Current Assets	67.8	71.2	-5%
Total Assets	\$ 3,591.9	\$ 3,294.5	9%
Current Liabilities, excluding Interest Payable from Restricted Assets	140.1	116.4	20%
Interest Payable from Restricted Assets	15.9	16.0	-1%
Long-Term Debt	780.2	787.4	-1%
Other Long-Term Liabilities	69.9	67.4	4%
Total Liabilities	1,006.0	987.2	2%
Net Assets	2,585.9	2,307.3	12%
Total Liabilities and Net Assets	\$ 3,591.9	\$ 3,294.5	9%
Invested in Capital Assets, Net of Related Debt	1,896.2	1,658.1	14%
Restricted Net Assets	139.9	135.4	3%
Unrestricted Net Assets	549.7	513.9	7%
Total Net Assets	\$ 2,585.9	\$ 2,307.3	12%

FINANCIAL DETAIL

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Revenue

Agencywide Revenues

For the Nine Months Ending September 30, 2006

Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals over/(under) YTD Budget	YTD Actuals as % of YTD Budget
REVENUE SOURCES							
Retail Sales and Use Tax	56,194,854	63,155,107	68,067,301	187,417,262	179,793,489	7,623,773	104%
Rental Car Tax	402,018	569,456	866,787	1,838,261	1,660,667	177,594	111%
Motor Vehicle Excise Tax	16,295,829	17,847,356	19,736,511	53,879,696	52,811,582	1,068,114	102%
Farebox Revenue	3,921,060	4,263,359	4,411,727	12,596,145	12,876,111	(279,966)	98%
Investment Income	8,261,907	8,887,982	10,690,315	27,840,203	18,937,500	8,902,703	147%
Miscellaneous Revenues	723,794	868,364	889,662	2,481,820	1,658,214	823,606	150%
OTHER FINANCING							
Local & State Contributions	5,552,785	4,173,913	1,215,755	10,942,453	4,283,190	6,659,263	255%
Federal Grants	8,273,111	23,660,558	62,307,148	94,240,817	106,681,680	(12,440,863)	88%
TOTAL SOURCES	\$ 99,625,357	\$ 123,426,094	\$ 168,185,207	\$ 391,236,658	\$ 378,702,433	\$ 12,534,225	103%

Revenue Notes

Retail Sales and Use Tax is over the 2006 budget by \$7.6M or 4%, and \$17.4M or 9% over third quarter 2005, reflecting improved economic activity in the region.

Rental Car Tax is over budget by \$178K or 11% and \$49K, or 2% over third quarter 2005.

Motor Vehicle Excise Tax is over the 2006 budget by \$1.1M, or 2%. Third quarter MVET revenues are \$3.8M, or 7%, higher than the third quarter MVET revenues in 2005.

Farebox Revenues are under the 2006 budget by \$280K or 2% yet they are \$2.2M or 17% higher than the third quarter of 2005. While the increase from third quarter 2005 is attributable to increased service and year-to-date ridership, passenger fares were short of 2006 year-to-date budget. Estimates used for the budget forecast were based on assumed fares of \$1.60 for REX and \$2.35 for Sounder; while the average fare for boarding in the second quarter is projected at \$1.38 for REX and \$1.86 for Sounder. The regional fare program was revised at the beginning of the year, such that the average fare per boarding is no longer fixed and reflects more realistically the impact of pass holders on the calculations.

Investment Income is over the 2006 budget by \$8.9M or 47%. Short-term interest rates have held steady at relatively high levels, which has resulted in higher than expected interest earnings. In addition, agency cash balances are higher than projected. This budget was amended in the third quarter to provide revised interest earnings for 2006. Investment income is \$10.3M or 37%, higher than 2005 third quarter investment earnings.

Miscellaneous Revenues are above the 2006 budget by \$823.6K or 50%, mainly due to higher than anticipated rental property income. Included in this category is advertising on ST Express buses, Sounder revenue vehicle rental income, and rental property income. Miscellaneous Revenues are \$99K or 4% below third quarter 2005 miscellaneous revenues.

Local, State and Federal Grants State and local contributions are over the 2006 budget by \$6.7M due to contributions from the Port of Tacoma and City of Tacoma for the D-Street project. Federal grants are below budget by \$12.4M or 12% pending execution of FTA grants for the Link Light Rail Initial Segment, Airport Link, and Federal Way Direct Access project. This variance is primarily due to timing; actual grant revenues are anticipated to be in line with budget by the end of the year.

Summary Operations and Capital Outlays

Combined Transit Operations Summary

For the Nine Months Ending September 30, 2006

ST Express, Sounder, Link, & MIP

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD Total Actuals	YTD 2006 Budget	YTD Actuals to YTD Budget favorable/ (unfavorable)	YTD Actuals as a % of YTD Budget
Revenues							
Passenger Fares	3,921,059	4,263,359	4,411,727	12,596,145	12,876,111	(279,966)	98%
Other Operating Revenues	643,513	621,835	616,707	1,882,055	1,583,028	299,027	119%
Total Operating Revenues	4,564,572	4,885,194	5,028,434	14,478,200	14,459,139	19,061	100%
Direct Operating Expenses							
Salaries & Benefits	463,175	446,838	438,084	1,348,097	1,385,382	37,285	97%
Services	2,563,821	3,101,093	3,330,560	8,995,474	12,446,385	3,450,911	72%
Materials & Supplies	449,044	772,668	957,655	2,179,367	1,798,450	(380,917)	121%
Insurance	359,151	514,857	475,432	1,349,440	1,676,376	326,936	80%
Purchased Transportation Svcs	15,380,087	15,699,008	15,655,375	46,734,470	47,884,032	1,149,562	98%
Miscellaneous Expenses	51,754	111,216	82,759	245,729	480,853	235,124	51%
Leases & Rentals	115,570	25,673	29,384	170,627	118,836	(51,791)	144%
Other Expenses	183,769	284,619	880,987	1,349,375	566,311	(783,064)	238%
Total Direct Operating Expenses	\$ 19,566,371	\$ 20,955,972	\$ 21,850,236	\$ 62,372,579	\$ 66,356,625	\$ 3,984,046	94%
Agency Admin Allocations	1,377,027	1,574,225	1,376,951	4,328,203	4,616,236	288,033	94%
Fully Allocated Operating Expenses	\$ 20,943,398	\$ 22,530,197	\$ 23,227,187	\$ 66,700,782	\$ 70,972,861	\$ 4,272,079	94%
Net Subsidy from Fully Allocated Operations	\$ (16,378,826)	\$ (17,645,003)	\$ (18,198,753)	\$ (52,222,582)	\$ (56,513,722)	\$ 4,291,140	92%
Contingency	-	-	-	-	1,484,622	1,456,119	-
Depreciation & Amortization	8,481,412	7,586,370	8,453,210	24,520,992	24,419,935	(101,057)	100%
Net Subsidy from Operations after Depreciation and Amortization	\$ (24,860,238)	\$ (25,231,373)	\$ (26,651,963)	\$ (76,743,574)	\$ (82,418,279)	\$ 5,674,705	93%
Ridership							
Boardings	2,909,948	3,113,152	3,117,286	9,140,386	8,226,867	913,519	111%
Average Weekday Boardings	40,570	43,564	48,935	43,844	38,358	5,486	114%

Capital Outlays by Line of Business

For the Nine Months Ending September 30, 2006

ST Express, Sounder, Link, & Other

Current Year 2006

	2006 Adopted Capital Plan	YTD Capital Plan	YTD Actuals	YTD actuals (over)/under YTD Budget	YTD actuals as % of YTD Budget
	a	b	c	[b - c]	[c/b]
Sounder Commuter Rail	152,461,765	67,463,836	32,648,153	34,815,683	48%
Link Light Rail	542,485,803	390,761,833	341,964,972	48,796,861	88%
ST Express	60,460,820	39,681,094	64,378,043	(24,696,950)	162%
Other Capital	14,952,239	11,617,297	1,490,389	10,126,908	13%
TOTAL	770,360,626	509,524,060	440,481,557	\$69,042,502	86%

Lifetime Capital Plan

	Adopted Capital Plan	Life-to-date Outlays	Remaining Contract	Budget Remaining	% Spent and Committed
	d	e	f	[d-(e+f)]	[(e+f)/d]
Sounder Commuter Rail	1,226,976,328	818,863,643	59,725,829	348,386,856	72%
Link Light Rail	4,105,986,000	1,448,464,145	670,045,094	1,987,476,761	52%
ST Express	803,465,995	452,119,826	90,905,959	260,440,210	68%
Other Capital	200,843,015	124,242,674	9,361,100	67,239,241	67%
TOTAL	6,337,271,338	2,843,690,288	830,037,982	2,663,543,068	58%

Souder Commuter Rail

Souder Commuter Rail Transit Operations

For the Nine Months Ending September 30, 2006

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals to YTD Budget favorable/ (unfavorable)	YTD Actuals as a % of YTD Budget
Revenues							
Passenger Fares	702,970	1,555,660	1,148,608	3,407,238	2,219,454	1,187,784	154%
Other Operating Revenues	542,259	522,567	520,875	1,585,701	1,298,628	287,073	122%
Total Operating Revenues	1,245,229	2,078,227	1,669,483	4,992,939	3,518,082	1,474,857	142%
Direct Operating Expenses							
Salaries & Benefits	76,988	76,420	74,662	228,070	228,564	494	100%
Services	2,220,119	2,281,572	2,525,722	7,027,413	9,207,539	2,180,126	76%
Materials & Supplies	425,836	520,954	587,825	1,534,615	1,365,151	(169,464)	112%
Insurance	291,367	402,040	446,276	1,139,683	1,427,697	288,014	80%
Purchased Transportation Svcs	1,473,011	1,543,302	1,648,244	4,664,557	5,779,710	1,115,153	81%
Miscellaneous Expenses	36,109	67,522	19,085	122,716	177,868	55,152	69%
Leases & Rentals	46,390	10,235	12,176	68,801	67,500	(1,301)	102%
Other Expenses	80,400	105,445	778,139	963,984	250,284	(713,700)	385%
Total Direct Operating Expenses	\$ 4,650,220	\$ 5,007,490	\$ 6,092,129	\$ 15,749,839	\$ 18,504,313	\$ 2,754,474	85%
Agency Admin Allocations	435,026	545,185	457,323	1,437,534	1,344,721	(92,813)	107%
Fully Allocated Operating Expenses	\$ 5,085,246	\$ 5,552,675	\$ 6,549,452	\$ 17,187,373	\$ 19,849,034	2,661,661	87%
Net Subsidy from Fully Allocated Operations	\$ (3,840,017)	\$ (3,474,448)	\$ (4,879,969)	\$ (12,194,434)	\$ (16,330,952)	\$ 4,136,518	75%
Contingency	-	-	-	-	-	-	-
Depreciation & Amortization	4,428,889	3,482,476	4,451,809	12,363,174	12,010,501	(352,673)	103%
Net Subsidy from Operations after Depreciation and Amortization	\$ (8,268,906)	\$ (6,956,924)	\$ (9,331,778)	\$ (24,557,608)	\$ (28,341,453)	\$ 3,783,845	87%
Ridership							
Boardings	382,123	418,161	434,752	1,235,036	958,218	276,818	129%
Average Weekday Boardings	5,750	6,298	6,355	6,511	4,835	1,676	135%

Souder Transportation Services Notes

Net subsidy before contingency and depreciation for the quarter was 75% of the 2006 YTD Budget. Revenues exceeded budget by \$1.5M, while expenses were under budget by \$2.7M. The largest variances are in Services, Other Expenses, and Purchased Transportation and are discussed below.

Revenues and Ridership: Passenger Fares exceeded YTD budget by \$1.2M or 54%. Ridership is trending higher than the budget by 29%. Average Fare per Boarding is higher than budget by 19% as the revenue allocation model has been updated to reflect current Souder ridership trends. Non-transportation revenue, primarily the revenue associated with the leasing of Souder vehicles to other jurisdictions, exceeded the budget by \$287K, or 22%.

Services were under the 2006 YTD budget by \$2.2M or 24%. The largest component of this variance was in maintenance of stations, which was under budget by \$629K. Some discretionary maintenance projects that were pushed back in the early part of the year have started in October. Some budgeted maintenance projects for stations have been determined unnecessary and will be reflected as savings for the year. Maintenance of vehicles is also underspent, as budgeted major maintenance can be deferred. The mileage on vehicles is below industry standards, deferring the need for repair.

Materials & Supplies were over 2006 YTD Budget by \$169K or 12%. This is primarily due to the increase in fuel costs, which were over the budgeted levels by \$157K. Current trends have brought fuel costs back to budgeted level, so a budget amendment may not be necessary by year-end.

Insurance was under 2006 YTD Budget by \$288K or 20%. Premium payments were less than budgeted and there was no claim activity aside from regular allowances for reserves.

Purchased Transportation Services were under 2006 YTD Budget by \$1.1M or 19%. Maintenance of way costs have come in under budget and the annual increase in per-train-mile rates was less than budgeted. In addition, annulled trips due to mudslides during the first quarter have resulted in some savings against the budgeted operating plan.

Other Expenses including taxes are over the budget by 285% or \$714K. This is due to the increase in reimbursement of year 2005 and 2006 property taxes due to increased property values for South Line chargeable to ST by BNSF. Under the BNSF agreement, there are provisions for reimbursement to BNSF of ad valorem increase in property taxes due to ST improvements. The assessment value for 2005 and 2006 was \$683K. Excise taxes are also over the budget due to the increase in fare revenue, reflecting the strong ridership.

Agency Allocations were over 2006 YTD Budget by \$93K or 7%. A budget amendment to shift funds from ST Express to the Mobility Initiative Program, Sounder and Tacoma Link was approved by the Board in September to properly reflect the changes in the allocation rules for agency costs. Due to the methodology of cash flow, however, the added funds are only distributed evenly from September through December, causing the expenditure to remain slightly over the budget in Q3. This category will be at the budget level at the year-end.

ST Express Transit Operations
For the Nine Months Ending September 30, 2006

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals to YTD Budget favorable/ (unfavorable)	YTD Actuals as % of YTD Budget
Revenues							
Passenger Fares	3,218,089	2,705,769	3,263,119	9,186,977	10,656,657	(1,469,680)	86%
Other Operating Revenues	101,254	99,268	95,832	296,354	284,400	11,954	104%
Total Operating Revenues	\$ 3,319,343	\$ 2,805,037	\$ 3,358,951	\$ 9,483,331	\$ 10,941,057	\$ (1,457,726)	87%
Direct Operating Expenses							
Salaries & Benefits	51,562	26,865	43,897	122,324	139,437	17,113	88%
Services	180,413	479,242	466,701	1,126,356	1,779,052	652,696	63%
Materials & Supplies	8,880	227,740	358,504	595,124	324,930	(270,194)	183%
Insurance	3,805	5,650	4,727	14,182	17,820	3,638	80%
Purchased Transportation Svcs	13,907,076	14,155,706	14,007,131	42,069,913	42,104,322	34,409	100%
Miscellaneous Expenses	10,534	37,092	60,948	108,574	237,780	129,206	46%
Leases & Rentals	69,180	15,033	17,208	101,421	48,339	(53,082)	210%
Other Expenses	79,822	149,106	77,746	306,674	233,587	(73,087)	131%
Total Direct Operating Expenses	\$ 14,311,272	\$ 15,096,434	\$ 15,036,862	\$ 44,444,568	\$ 44,885,267	\$ 440,699	99%
Agency Admin Allocations	838,724	888,253	805,736	2,532,713	3,046,199	513,486	83%
Fully Allocated Operating Expenses	\$ 15,149,996	\$ 15,984,687	\$ 15,842,598	\$ 46,977,281	\$ 47,931,466	\$ 954,185	98%
Net Subsidy from Fully Allocated Operations	\$ (11,830,653)	\$ (13,179,650)	\$ (12,483,647)	\$ (37,493,950)	\$ (36,990,409)	\$ (503,541)	101%
Contingency	-	-	-	-	1,456,119	1,456,119	-
Depreciation & Amortization	3,365,155	3,402,757	3,262,430	10,030,342	10,411,308	380,966	96%
Net Subsidy from Operations after Depreciation and Amortization	\$ (15,195,808)	\$ (16,582,407)	\$ (15,746,077)	\$ (47,524,292)	\$ (48,857,836)	\$ 1,333,544	97%
Ridership							
Boardings	2,308,866	2,468,859	2,498,944	7,276,669	6,647,079	629,590	109%
Average Weekday Boardings	31,940	34,262	39,666	34,393	30,750	3,643	112%

ST Express Transportation Services Notes

Net subsidy from fully allocated transit operations was 101% of the 2006 YTD Budget. Revenues were under budget by \$1.5M and expenses were under budget by \$1.0M. The key budget variances are discussed below.

Passenger Fares and Ridership: Passenger Fares were under 2006 YTD Budget by \$1.5M or 14%. The fare revenues reflect the actual cash received through the first eight months plus estimates for August and September. Average Fare per Boarding (AFB) is lower than budget due to the depletion of the Fare Integration Fund at the end of 2005. The fund is no longer subsidizing fares for the regional partners and has resulted in a lower AFB in the region.

Services were at 63% of 2006 YTD Budget. Maintenance of Vehicle costs are under budget by approximately \$134K. Provisions for maintenance work have not been necessary as vehicle performance has exceeded expectations. Maintenance of stations costs are under budget by \$420K. Some scheduled maintenance projects will start in the fourth quarter while others have been determined not to be required after preliminary evaluations were completed. Marketing services are under the YTD 2006 by \$130K. Security costs are \$120K under budget but are expected to be at the budget level at the year-end.

Materials and Supplies were over 2006 YTD Budget by \$270K. This is due to the engine retrofit expenses being transferred from the capital project to operations. A budget transfer of \$750K from the bus capital project to the ST Express operations was approved by the Board in September and is cash flowed evenly through the remainder of the year. This account category is expected to be at the budget level by the end of the year. Supplies for marketing were under the year-to-date budget as they were not required. In addition, budgeted funds for uniforms have not been spent, and are unlikely to be spent by the end of the year.

Miscellaneous Expenses were under 2006 YTD Budget by \$129K. The variance is due to marketing campaigns which may occur later in the fourth quarter.

Lease and Rentals were \$53K over the 2006 YTD Budget. This is due to a one-time payment for the Bellevue Rider Services Building lease in the first quarter and the lease of two buses for South King County in the second and third quarter. This category will continue to be over the budget throughout the year as the lease of the buses will continue.

Other Expenses are over the 2006 YTD Budget by \$73K or 41%. The largest item is the State Excise Tax. This is due to the increase in Fare Revenue, reflecting strong ridership trends. Additionally, utilities costs for the new Federal Way Transit Center were underestimated in the 2006 budget.

Agency Allocations were under 2006 YTD Budget by \$513K or 17%. A budget amendment to shift funds from ST Express to the Mobility Initiative Program, Sounder and Tacoma Link was approved by the Board in September to properly reflect the changes in the allocation rules for agency costs. This category is expected to be at the budget level at the year-end.

Tacoma Link

Tacoma Link Transit Operations

For the Nine Months Ending September 30, 2006

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals to YTD Budget favorable/ (unfavorable)	YTD Actuals as % of YTD Budget
Revenues							
Passenger Fares	-	1,930	-	1,930	-	1,930	-
Other Operating Revenues	-	-	-	-	-	-	-
Total Operating Revenues	-	1,930	-	1,930	-	1,930	-
Direct Operating Expenses							
Salaries & Benefits	312,360	285,942	279,418	877,720	974,961	97,241	90%
Services	132,468	269,183	222,850	624,501	903,261	278,760	69%
Materials & Supplies	14,328	23,532	11,313	49,173	105,048	55,875	47%
Insurance	63,979	107,167	24,429	195,575	230,859	35,284	85%
Purchased Transportation Svcs	-	-	-	-	-	-	-
Miscellaneous Expenses	286	1,333	559	2,178	54,981	52,803	4%
Leases & Rentals	-	405	-	405	2,997	2,592	14%
Other Expenses	23,547	30,071	24,859	78,477	82,440	3,963	95%
Total Direct Operating Expenses	\$ 546,968	\$ 717,633	\$ 563,428	\$ 1,828,029	\$ 2,354,547	\$ 526,518	78%
Agency Admin Allocations	103,277	112,263	100,561	316,101	210,314	(105,787)	150%
Fully Allocated Operating Expenses	\$ 650,245	\$ 829,896	\$ 663,989	\$ 2,144,130	\$ 2,564,861	\$ 420,731	84%
Net Subsidy from Fully Allocated Operations	\$ (650,245)	\$ (827,966)	\$ (663,989)	\$ (2,142,200)	\$ (2,564,861)	\$ 422,661	84%
Contingency	-	-	-	-	-	-	-
Depreciation & Amortization	687,368	701,137	738,971	2,127,476	1,998,126	(129,350)	106%
Net Subsidy	\$ (1,337,613)	\$ (1,529,103)	\$ (1,402,960)	\$ (4,269,676)	\$ (4,562,987)	\$ 293,311	94%
Ridership							
Boardings	218,959	226,132	220,149	665,240	621,570	43,670	107%
Average Weekday Boardings	2,880	3,004	2,914	2,940	2,773	167	106%

Tacoma Link Transportation Services Notes

The net subsidy before depreciation for Tacoma Link light rail operations was at 84% of the YTD budget.

Ridership: Ridership was decreased by 6K compared to the same period of 2005, but was over 2006 YTD Budget by 44K or 7%. Demand for Tacoma Link service continues to exceed 2010 forecasts.

Salaries & Benefits were under the 2006 YTD Budget by \$97K, or 10%. There has been one vacancy for much of the year.

Services were under 2006 YTD Budget by \$279K or 69%. Maintenance of stations has been under budgeted levels as some funding for repairs has not been necessary. Cleaning has also come in under budget. Work on the overhead catenary system will take place in November. Maintenance of vehicles was under budget but a planned upholstery replacement started in October. The expenditure for this account category is expected to be at the budget level at year-end.

Materials and Supplies were under 2006 YTD Budget by \$56K or 53%. Spare parts usage has been lower than expected, and the need for specialized tools has been avoided.

Insurance was under 2006 YTD Budget by \$35K or 15%. This is due to lower than budgeted insurance premiums.

Miscellaneous Expenses were under 2006 YTD Budget by \$53K. Budgeted training funds have not been used, and there have been no Tacoma Link marketing campaigns this year.

Agency Allocations were over 2006 YTD Budget by \$106K or 50%. A budget amendment to shift funds from ST Express to the Mobility Initiative Program, Sounder and Tacoma Link was approved by the Board in September to properly reflect the changes in the allocation rules for agency costs. Due to the methodology of cash flow, however, the added funds are only distributed evenly from September through

December, causing the expenditure to remain over the budget in Q3. This category is expected to be at the budget level at the year-end.

Mobility Initiative Program

Mobility Initiative Program

For the Nine Months Ending September 30, 2006

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals to YTD Budget favorable/ (unfavorable)	Actuals as % of Budget
Direct Operating Expenses							
Salaries & Benefits	22,265	57,611	40,107	119,983	42,420	(77,563)	283%
Services	30,821	71,096	115,287	217,204	556,533	339,329	39%
Materials & Supplies	-	442	13	455	3,321	2,866	14%
Insurance	-	-	-	-	-	-	N/A
Purchased Transportation Svcs	-	-	-	-	-	-	-
Miscellaneous Expenses	4,825	5,269	2,167	12,261	10,224	(2,037)	120%
Leases & Rentals	-	-	-	-	-	-	-
Other Expenses	-	(3)	243	240	-	(240)	N/A
Total Direct Operating Expenses	\$ 57,911	\$ 134,415	\$ 157,817	\$ 350,143	\$ 612,498	\$ 262,355	57%
Agency Admin Allocations	-	28,524	13,331	41,855	15,002	(26,853)	279%
Fully Allocated Operating Expenses	\$ 57,911	\$ 162,939	\$ 171,148	\$ 391,998	\$ 627,500	\$ 235,502	62%
Net Subsidy from Fully Allocated Operations	\$ (57,911)	\$ (162,939)	\$ (171,148)	\$ (391,998)	\$ (627,500)	\$ (235,502)	62%
Contingency	-	-	-	-	28,503	-	0%
Depreciation & Amortization	-	-	-	-	-	-	0%
Net Subsidy from Operations	\$ (57,911)	\$ (162,939)	\$ (171,148)	\$ (391,998)	\$ (656,003)	\$ (235,502)	60%

Mobility Initiative Program Notes

The Mobility Initiative Program (MIP) was previously recorded as part of the ST Express transit operations budget. Beginning with the 2006 budget, the MIP is now shown as a separate entity, reflecting the fact that the MIP provides support services for accessibility for all three modes currently operated by Sound Transit.

Net subsidy for the quarter was 62% of the 2006 YTD Budget.

Salaries and benefits were over the YTD budget by \$77K or 183%. This is due to the fact that the salaries and benefits of two FTEs and an intern were included in the Customer Service and Accessibility Division. A budget amendment transferring funding into the MIP program was approved by the Board in September. Due to the methodology of cash flow, however, the added funds are only distributed evenly from September through December, causing the expenditure to remain over the budget in Q3. This account category is expected to be at the budget by the end of the year.

Services were under the budget by \$339K or 61%. Costs related to the completion in the Regional Special Needs Transportation Coordination Plan have been lower than plan.

Miscellaneous expenses were over budget by \$3K or 20%. This is largely due to the out-of-town travel for conference and training that took place in the second quarter. The budget is expected to even out by the end of the year as no travel and trainings have been planned for Q4.

Agency Allocations were over budget by \$27K or 179%. A budget amendment to shift funds from ST Express to the Mobility Initiative Program, Sounder and Tacoma Link was approved by the Board in September to properly reflect the changes in the allocation rules for agency costs. Due to the methodology of cash flow, however, the added funds are only distributed evenly from September through December, causing the expenditure to remain over the budget in Q3. This category is expected to be at the budget level at the year-end.

Sounder Capital

Sounder Commuter Rail - Capital Outlays by Phase
For the Nine Months Ending September 30, 2006

Current Year 2006

<u>Phase</u>	<u>2006 Adopted Capital Plan</u>	<u>YTD Capital Plan</u>	<u>YTD Actuals</u>	<u>YTD actuals (over)/under YTD Budget</u>	<u>YTD actuals as % of YTD Budget</u>
	<i>a</i>	<i>b</i>	<i>c</i>	<i>[b - c]</i>	<i>[c / b]</i>
Agency Administration	8,115,042	5,425,872	3,522,375	1,903,497	65%
Preliminary Engineering	40,574	40,574	307,239	(266,665)	757%
Final Design	6,334,994	5,159,768	4,002,597	1,157,171	78%
ROW Acq. & Permits	56,238,910	5,765,286	3,480,669	2,284,617	60%
Construction	79,906,793	49,751,769	21,335,273	28,416,496	43%
Vehicles	-	-	-	-	-
Contingency	1,825,451	1,320,566	-	1,320,566	0%
TOTAL	\$ 152,461,765	\$ 67,463,836	\$ 32,648,153	\$ 34,815,683	48%

Lifetime Capital Plan

<u>Phase</u>	<u>Adopted Capital Plan</u>	<u>Life-to-date Outlays</u>	<u>Contract Remaining</u>	<u>Budget Remaining</u>	<u>% Spent & Committed</u>
	<i>d</i>	<i>e</i>	<i>f</i>	<i>[d-(e+f)]</i>	<i>[(e+f)/d]</i>
Agency Administration	55,141,032	36,082,112	30,554	19,028,367	65%
Preliminary Engineering	26,904,122	24,947,009	504,083	1,453,030	95%
Final Design	33,053,521	25,484,298	3,148,000	4,421,223	87%
ROW Acq. & Permits	354,918,344	241,126,859	280,521	113,510,965	68%
Construction	586,061,854	348,337,616	55,762,671	181,961,567	69%
Vehicles	142,280,399	134,504,945	0	7,775,454	95%
Contingency	28,617,056	-	-	28,617,056	0%
Unabsorbed Overhead		8,380,805		(8,380,805)	
TOTAL	\$ 1,226,976,328	\$ 818,863,643	\$ 59,725,829	\$ 348,386,856	72%

Sounder Capital Notes

Agency Administration spending was at 65% of the YTD 2006 budget. This category includes the total administrative overhead charged to capital projects and is below budget due to delays in program spending which is only at 48% of the year-to-date budget. There are also 14 vacant FTE positions in the department, of which 4 are dedicated to the Sounder program, 6 to the Regional Express program, and 4 are technical staff supporting both programs.

Preliminary Engineering spending was at 757% of the YTD 2006 budget.

- Edmonds Station was \$113 thousand over budget; project had been delayed while the Amtrak pedestrian crossing issue was resolved so expenses were incurred later than anticipated.
- Tukwila Station was \$136 thousand over budget due to time required to complete scope and fee negotiations which delayed project start.

Final Design spending was at 78% of the YTD 2006 budget.

- Permitting/Environmental Mitigation was \$217 thousand underspent due to the ROW acquisition taking longer than expected due to delays in finalizing appraisals and higher than expected land acquisition costs for the Meadowdale Marina.
- Reservation-Freighthouse was \$328 thousand underspent due to a delay that resulted from making design revisions in response to comments received from the City of Tacoma.
- Tacoma-Lakewood Track and Signal was \$484 thousand underspent due to the decision made to undertake a feasibility study to analyze an overpass option for the Pacific Avenue crossing.
- South Tacoma Station was \$170 thousand underspent due to delay caused by an appeal of the ROW acquisition by condemnation and subsequent negotiation for possession and use.
- Lakewood Station was \$333 thousand underspent due to the delay of the property acquisition.
- Mukilteo Station was \$326 thousand over budget due to the acceleration of the North Platform design effort in order to provide service to Mukilteo as soon as possible.

ROW spending was at 60% of the YTD 2006 budget.

- Permitting/Environmental Mitigation was \$1.6 million underspent due to the acquisition of the Meadowdale Marina property being delayed by an unwilling seller and protracted appraisal process.
- Nisqually-Lakewood ROW was \$313 thousand underspent. Property acquisition was to take place in September but it has not yet occurred.
- South Tacoma Station was \$254 thousand underspent due to an appeal of the ROW acquisition by condemnation.
- Lakewood Station was \$464 thousand underspent, representing a reduction in the amount of real estate required for the revised project scope.

Construction spending was at 43% of the YTD 2006 budget.

- Layover was \$1.4 million underspent. Acquisition of property in Everett is necessary before construction can begin. The Lakewood portion of the project is behind due to delays in the track and signal project in the corridor.
- Everett Station was \$5.7 million underspent due to delays in the ROW agreements being signed; this is expected to occur in November.
- Edmonds Station was \$2.9 million underspent due to delay in reaching agreement with stakeholders (primarily Amtrak) in order to move into final design.
- Reservation-Freighthouse was \$6.2 million underspent mostly due to a credit received for \$5.55 million from the deferred revenue account. There was also a delay in starting construction due to design revisions.
- Tacoma-Lakewood Track and Signal was \$12.5 million underspent due to delays created by the feasibility study analyzing the overpass option at the Pacific Avenue crossing.
- South Tacoma Station was \$996 thousand underspent due to delay caused by an appeal of the ROW acquisition by condemnation.
- Lakewood Station was \$1.8 million underspent due to delays in the property acquisition. The ad date has slipped into November and the Notice to Proceed into late January 2007.
- Passenger Information System (CCTV) was \$ 1.1 over budget due to a delay in the construction and installation schedule in 2005 which pushed expenses into 2006.
- Seattle-Tacoma Track and Signal was \$2.3 over budget due to BNSF accelerating portions of the construction schedule for Phase II improvements while waiting for resolution of issues at the King Street Station and D Street in Tacoma.

ST Express Capital

ST Express - Capital Outlays by Phase For the Nine Months Ending September 30, 2006

Current Year 2006

Phase	2006 Adopted Capital Plan	YTD Capital Plan	YTD Actuals	YTD actuals (over)/under YTD Budget	YTD actuals as % of YTD Budget
	a	b	c	[b - c]	[c/b]
Agency Administration	3,590,777	2,541,584	2,420,516	121,068	95%
Prelim. Engineering	2,518,562	2,286,250	646,517	1,639,732	28%
Final Design	9,923,397	7,325,346	6,886,580	438,766	94%
ROW Acq. & Permits	2,556,451	1,565,880	1,222,355	343,524	78%
Construction	40,886,579	25,233,285	53,202,075	(27,968,790)	211%
Contingency	985,053	728,750	-	728,750	0%
TOTAL	\$ 60,460,820	\$ 39,681,094	\$ 64,378,043	\$ (24,696,950)	162%

Lifetime Capital Plan

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	41,515,058	22,265,160	181,423	19,068,475	54%
Prelim. Engineering	52,827,558	47,275,064	3,762,026	1,790,467	97%
Final Design	53,736,798	38,001,860	4,962,016	10,772,922	80%
ROW Acq. & Permits	62,074,696	44,437,944	3,497,358	14,139,394	77%
Construction	504,107,558	289,311,288	78,503,137	136,293,133	73%
Contingency	89,204,328	-	-	89,204,328	0%
Unabsorbed Overhead	-	10,828,510	-	(10,828,510)	-
TOTAL	\$ 803,465,995	\$ 452,119,826	\$ 90,905,959	\$ 260,440,210	68%

Regional Express Capital Outlay Notes

Agency Administration spending was at 95% of the YTD 2006 budget. This category includes the total administrative overhead charged to capital projects.

Preliminary Engineering spending was at 28% of the YTD 2006 budget.

- Rainier Avenue/Hardie Avenue Arterial Improvements was \$1.8 million under spent. The City of Renton is the project lead and ST's contribution is capped. The city was delayed in initiating PE/ED work resulting in the spending shortfall.
- Eastgate HOV Access was \$228 thousand underspent. This will be a phase level savings to the project.
- Mountlake Terrace Freeway Station was \$142 thousand over budget due to work delayed from 2005 being completed in 2006.
- Kirkland Transit Center was \$227 thousand over budget since early design work and community outreach is progressing ahead of the anticipated schedule.

Final Design spending was at 94% of the YTD 2006 budget.

- Mountlake Terrace Freeway Station was \$1 million underspent due to protracted design negotiations with WSDOT.
- 85th Corridor/Related Improvements was \$272 thousand underspent due to a delay in reaching agreement with the City of Kirkland on the scope and budget for final design of the project.
- Strander Boulevard Extension was \$221 thousand underspent. The City of Renton is the lead on this project and ST's contribution is capped.
- Woodinville TOD was \$624 thousand underspent; the project is anticipated to be closed with the adoption of the 2007 budget. \$4.8 million will be transferred to the East King County Program Reserve, and \$207 thousand will be used to cover costs incurred.
- I-90 Two-Way Transit & HOV Operations was 1.3 million over budget due to design beginning later in 2005 than was anticipated, pushing expenses into 2006.
- South Everett Freeway Station was \$518 thousand over budget because design was completed sooner than anticipated.

ROW spending was at 78% of the YTD 2006 budget.

- Rainier Avenue/Hardie Avenue Arterial Improvements was \$300 thousand underspent. The City of Renton is the project lead and ST's contribution is capped.

Construction spending was at 211% of the YTD 2006 budget.

- Federal Way HOV Access was \$3.2 million over budget. The 2006 budget assumed that construction would be completed in 2005 but it extended into 2006.
- Federal Way Transit Center was \$1.0 million over budget. The 2006 budget assumed that construction would be completed in 2005 but it extended into 2006.
- Totem Lake Freeway Station was \$14.9 over budget because construction is progressing ahead of the anticipated schedule.
- Eastgate HOV Access was \$7.4 million over budget because construction started later than anticipated and has been extended due to additional work necessary to allow HOV use.
- Mercer Island Park & Ride was \$4.3 million over budget due to construction expenses being incurred sooner than anticipated in the 2006 budget.
- Issaquah Highlands Park & Ride was \$2.6 million underspent. King County Metro has completed the project and we are awaiting the final invoice which will include a reduction in previously forecast cost.

Link Light Rail

Link Light Rail - Capital Outlays by Phase For the Nine Months Ending September 30, 2006

Current Year 2006

Phase	2006 Adopted Capital Plan	YTD Capital Plan	YTD Actuals	YTD actuals (over)/under YTD Budget	YTD actuals as % of YTD Budget
	a	b	c	[b - c]	[c/b]
Agency Administration	44,586,501	33,246,277	19,519,459	13,726,819	59%
Preliminary Engineering	1,831,556	1,276,655	857,646	419,010	67%
Final Design	23,133,488	11,899,647	15,025,120	(3,125,474)	126%
ROW Acq. & Permits	48,345,711	29,309,695	25,416,098	3,893,597	87%
Construction	390,241,661	287,679,655	270,496,337	17,183,318	94%
Vehicles	33,169,884	27,349,903	10,650,312	16,699,591	39%
Testing and Start-Up	-	-	-	-	-
Contingency	1,177,001	-	-	-	-
TOTAL	\$ 542,485,803	\$ 390,761,833	\$ 341,964,972	\$ 48,796,861	88%

Lifetime Capital Plan

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	317,754,798	124,468,484	2,872,679	190,413,635	40%
Preliminary Engineering	98,587,767	91,237,891	767,530	6,582,345	93%
Final Design	272,922,450	165,341,524	16,862,040	90,718,885	67%
ROW Acq. & Permits	410,211,088	244,126,667	4,249,193	161,835,228	61%
Construction	2,554,551,263	756,165,596	545,282,233	1,253,103,435	51%
Vehicles	297,109,553	50,808,208	100,011,418	146,289,927	51%
Testing and Start-Up	434,019	434,019	-	-	100%
Contingency	154,415,062	-	-	154,415,062	0%
Overhead Reserve	-	15,881,755	-	(15,881,755)	-
TOTAL	\$ 4,105,986,000	\$ 1,448,464,145	\$ 670,045,094	\$ 1,987,476,761	52%

Link Capital Outlay Notes

Initial Segment construction continued to progress along the entire 14-mile corridor between Downtown Seattle and 154th Street in Tukwila, including the major systems contracts and the procurement of the light rail vehicles. Approximately 55% complete as of September 2006, the project is on schedule for completion in mid-2009. The Operations & Maintenance Facility is projected to be completed in November 2006. The first light rail car arrived at the test site on September 7, 2006, and began qualification testing, and the second car will arrive in Seattle in early November 2006.

The University Link project, as adopted by the Sound Transit Board in the spring of 2006, includes taking steps to secure a federal Full Funding Grant Agreement (FFGA). The University Link project has been rated "High" by the FTA in their New Starts process. In July 2006 the Senate Appropriations Committee approved the federal transportation budget which included \$15 million funding for University Link. During the third quarter of 2006, Sound Transit staff and its risk consultant worked with the FTA and the Project Management Oversight Committee (PMOC) on the University Link project risk assessment, part of the requirements for obtaining Final Design Authorization from the FTA. Negotiations with civil/architectural design consultant team began during the third quarter, and final design is scheduled to

start in December 2006, pending approval of the Final Design Authorization by the FTA. Revenue service is projected to begin in 2016.

In July 2006 the Port of Seattle awarded the Port roadway and LRT facilities construction contract, and notice to proceed was issued in late August. A change order for construction of the C410 construction segment was signed in July 2006, and notice to proceed was issued in mid-September. The joint Sound Transit and Port of Seattle ground-breaking was held on September 22, 2006. Completion of Airport Link construction is expected by the end of 2009.

Tacoma Link contracts are complete, and project closure is in process.

Agency Administration outlays through the third quarter of 2006 are equal to 59% of the YTD budget plan. Outlays for all projects are well below the YTD plan, with only Airport Link at 94% through this period. This budget category includes Link staff support costs, agency costs allocated to projects, and direct charges.

Preliminary Engineering outlays through the third quarter of 2006 are equal to 67% of the YTD budget plan and are projected to be 55% of the annual plan at year-end 2006. Preliminary engineering for the Initial Segment was completed under budget. Work for Airport Link is complete, except for ongoing environmental monitoring. University Link expenditures for preliminary engineering exceed the annual budget plan, because this phase of work was originally projected to complete in April 2006. Continuing work for University Link includes preparation of the project risk assessment, which involved design consultants and tunnel experts, and coordination with the University of Washington and other third parties.

Final Design outlays through the third quarter of 2006 are equal to 126% of the YTD budget plan, but are projected to be only 84% of the annual budget at year-end 2006. Final design for University Link, which was originally planned to start in early Fall 2006, has been delayed until December 2006, pending receipt of Final Design Authorization from the FTA. Expenditures for the Initial Segment are related to design support for major construction activities. Current year outlays exceed the annual plan due to design changes for the Beacon Hill Tunnel and relocation of the station platform. Airport Link final design reached the 100% complete milestone for all segments in August 2006, and expenditures are projected to be 100% of budget at year-end 2006. Current year outlays for Airport Link exceed the annual plan, but are within the lifetime budget for final civil design.

ROW Acquisition & Permits outlays through the third quarter of 2006 are 87% of the YTD budget plan. Airport Link ROW outlays exceed the annual plan, but acquisitions for University Link and the Initial Segment are only 54% of the YTD plan through this period. In August 2006 the University of Washington (UW) announced the successful acquisition bid for properties in the University District; Sound Transit Board approval of the agreement with UW and subsequent payment are anticipated in late 2006/early 2007.

Construction outlays through the third quarter of 2006 are 94% of the YTD budget plan. Initial Segment construction is generally progressing on schedule towards projected completion in July 2009, but slowed during this period. Sequential excavation (SEM) work in the Beacon Hill Tunnel was slower than planned, and roadway construction in Rainier Valley was impacted by a shortage of construction labor, the concrete strike, and weather conditions. The contractor for the E-3 Busway and Operations & Maintenance Facility has filed a lawsuit against Sound Transit to claim compensation for delays associated with unavailability of structural steel. Overall construction of the O&M Facility projected to complete in November 2006. Airport Link construction costs reflect payment to the Port of Seattle for Sound Transit's share of costs for the Port roadway and LRT facilities construction contract, per the terms of the MOA with the Port.

Vehicle outlays through the third quarter of 2006 are 39% of the YTD budget plan. The current payment plan for this contract is tied to specific deliverables, and is apportioned between the Initial Segment and Airport Link. There was a delay in production during the summer, but progress for the light rail vehicle procurement is now on schedule, with the first light rail vehicle car delivered for testing in September 2006 and the second car expected to arrive in Seattle by early November 2006. A series of payments, for

these cars and additional vehicles, is expected during the fourth quarter of 2006, with a projected expenditure of 90% of the annual budget plan by year-end.

Testing and Start-Up outlays are for Tacoma Link in prior years.

Agency Administration Expenses

Agency Summary by Department

Staff Operating Departments - Before Expense Transfers & Transfers to Other Govts
For the Nine Months Ending September 30, 2006
Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
Board Administration	129,001	138,710	125,794	393,505	514,847	121,342	76%
Communications	1,138,390	1,497,741	1,484,418	4,120,549	4,563,530	442,981	90%
Capital Projects	1,076,272	937,133	832,722	2,846,127	3,512,448	666,321	81%
Executive Department	1,009,562	1,266,979	991,146	3,267,687	3,837,720	570,033	85%
Finance & Information Technology	2,311,128	2,555,140	2,292,032	7,158,300	8,366,840	1,208,540	86%
Legal Services	647,035	525,204	461,253	1,633,492	1,872,830	239,338	87%
Link	2,076,388	2,129,469	2,026,115	6,231,972	6,664,185	432,213	94%
Non-Departmental	1,072,651	1,020,865	1,102,039	3,195,555	3,126,027	(69,528)	102%
Project Delivery Support Services	1,587,905	1,356,876	1,234,021	4,178,802	5,311,754	1,132,952	79%
Transportation Services	872,330	926,912	864,621	2,663,863	3,620,296	956,433	74%
TOTAL	\$ 11,920,662	\$ 12,355,029	\$ 11,414,161	\$ 35,689,852	\$ 41,390,477	\$ 5,700,625	86%

Staff & Other Expenses

For the Nine Months Ending September 30, 2006
Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	YTD 2006 Actuals	YTD 2006 Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
Salaries & Benefits	8,511,783	8,191,325	7,678,702	24,381,810	26,708,062	2,326,252	91%
Services	1,663,439	1,927,490	1,509,367	5,100,296	7,398,724	2,298,428	69%
Materials & Supplies	98,042	326,270	183,247	607,559	1,156,422	548,863	53%
Miscellaneous Expenses	307,231	619,246	573,330	1,499,807	1,850,277	350,470	81%
Leases & Rentals	449,715	473,191	461,280	1,384,186	1,458,002	73,816	95%
Other Expenses	303,126	280,946	381,212	965,284	1,139,326	174,042	85%
Depreciation	587,326	536,561	627,022	1,750,909	1,679,664	(71,245)	104%
Gross Staff Operating Expenses	\$ 11,920,662	\$ 12,355,029	\$ 11,414,160	\$ 35,689,851	\$ 41,390,477	\$ 5,700,626	86%
Expense Transfers	(7,546,251)	(7,545,846)	(6,746,793)	(21,838,890)	(26,565,633)	(4,726,743)	82%
Contributions to Other Governments	28,534,025	-	8,815,595	37,349,620	-	(37,349,620)	-
Net Staff Operating Expenses	\$ 32,908,436	\$ 4,809,183	\$ 13,482,962	\$ 51,200,581	\$ 14,824,844	\$ (36,375,737)	345%
Other Expenses							
Transit Vision	1,144,871	1,092,063	2,356,152	4,593,086	8,704,308	4,111,222	53%
Transit-Oriented Development	13,951	36,165	20,403	70,519	270,000	199,481	26%
STart	3,700	11,142	6,752	21,594	97,500	75,906	22%
Link Community Development	-	-	4,826	4,826	-	(4,826)	-
Community Development Fund	307,214	322,941	169,540	799,695	1,472,116	672,421	54%
Debt Service Costs	112,605	113,457	115,259	341,321	319,896	(21,425)	107%
Non-Capitalizable LOB expenses	279,181	1,141,154	430,980	1,851,315	1,112,580	(738,735)	166%
Total Other Expenses	\$ 1,861,522	\$ 2,716,922	\$ 3,103,912	\$ 7,682,356	\$ 11,976,400	\$ 4,294,044	64%
Grand Total Operating Expenses	\$ 34,769,958	\$ 7,526,105	\$ 16,586,874	\$ 58,882,937	\$ 26,801,244	\$ (32,081,693)	220%

Staff Operating Notes

Salaries and Benefits were below budget by \$2.3M, or 9%, at the end of third quarter. This is due to lower than budgeted headcount, which directly affects these expenditure levels. There were 334 filled corporate department positions on September 30th compared to 374 budgeted administrative department positions.

Services were below budget by \$2.3K, or 31%, at the end of the third quarter. The agency was planning to present a ballot measure for the ST2 Plan in the calendar year 2006; however, in March the State Legislature passed a bill requiring the agency to hold the vote in November of 2007. Accordingly, there are some related communications services and mailing budgets that will not be spent this year.

Materials and Supplies were below budget by \$549K, or 47%, at the end of third quarter. Spending in this category will most likely increase as the year continues and materials and supplies are required.

Miscellaneous Expenses were below budget by \$350K, or 19%, at the end of the third quarter. Contingency is part of this account category which remains largely unspent year to date.

Leases & Rentals were below budget by \$74K, or 5%, at the end of the third quarter. This category includes administrative facilities rent, parking garage lease and meeting space rentals.

Other Expenses were below budget by \$174K, or 15%, at the end of third quarter. This category includes insurance, utilities, taxes and interest.

Depreciation was over budget by \$71K or 4%. Included in the category is depreciation on assets such as fleet vehicles, Union Station building, Furniture and Fixtures, Computer Equipment, Office Equipment, Software and Capital Leases.

Expense Transfers were under budget by \$4.7M, or 18%, at the end of third quarter. This category represents the allocated overhead dollars that are transferred to capital and operating projects. This category was under budget due to \$5.7M in overall lower spending in the staff operating departments compared with the budget.

Contributions to other Governments: \$28.5M was donated to other governments in the first quarter of 2006, the majority of which was the donation of the Federal Way HOV access to Washington State Department of Transportation. In the third quarter a contribution of \$7.2M was made to King County Metro for the Sammamish Park and Ride.

Other Non-Operating Costs Notes

Transit Vision was below budget by \$4.1M, or 47%, at the end of the third quarter. This category includes operational spending for Fare Integration, Research & Technology and Phase 2 Planning. The Legislature's recent requirement to postpone the ST2 vote until 2007 will result in underspending of the 2006 budget since this budget was produced assuming a vote in 2006.

Transit-Oriented Development was below budget by \$200K, or 74%, at the end of third quarter. These funds are for transit-related studies and only spent as needed.

Community Development Fund was under budget by \$672K, or 46%, at the end of third quarter.

Debt Service Costs were over budget by \$21K, or 7%, at the end of third quarter reflecting a slight variance to our projected allocations to capital projects.

Non-Capitalizable LOB Expenses was over budget by \$739K, or 66%, primarily due to accrued OCIP insurance claims that were budgeted in the Finance Department Staff budget but accrued here in Non-Capitalizable LOB Expenses.

Subarea Third Quarter 2006 Summaries

Subarea -3rd Quarter Summaries

Subarea Revenue Summary Millions YOES

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
2006 Tax Revenues							
Sept YTD Budget	28.6	59.1	42.9	61.5	42.2	0.0	234.3
Sept YTD Actual	30.3	61.1	44.3	63.2	44.2	0.0	243.1
\$ Variance	1.8	1.9	1.4	1.7	2.1	0.0	8.9
% Variance	6.2%	3.2%	3.2%	2.8%	4.9%	-	3.8%
2006 Farebox Revenues							
Sept YTD Budget	1.9	0.0	2.1	5.7	3.1	0.0	12.9
Sept YTD Actual	1.8	0.0	1.7	5.0	4.1	0.0	12.6
\$ Variance	-0.1	0.0	-0.4	-0.8	1.0	0.0	-0.3
% Variance	-6.6%	-	-18.0%	-13.5%	32.9%	-	-2.2%
2006 Grant Revenues							
Sept YTD Budget	11.1	37.3	38.3	3.2	20.9	0.1	111.0
Sept YTD Actual	0.9	36.9	35.0	12.4	19.3	0.6	105.2
\$ Variance	-10.1	-0.3	-3.3	9.1	-1.6	0.5	-5.8
% Variance	-91.5%	-0.8%	-8.7%	282.3%	-7.8%	440.4%	-5.2%
2006 Other Revenues							
Sept YTD Budget	0.6	0.1	0.5	0.0	0.5	18.9	20.5
Sept YTD Actual	0.8	1.6	2.9	0.0	2.5	22.4	30.3
\$ Variance	0.2	1.6	2.4	0.0	2.0	3.5	9.8
% Variance	37.9%	2085.6%	452.9%	2302.4%	443.9%	18.7%	47.6%

Subarea Operating Expense & Capital Outlay Summary Millions YOES

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
2006 Transit Operating Expenses							
Sept YTD Budget	12.9	-	22.7	29.5	31.7		96.8
Sept YTD Actual	13.6	0.0	20.1	28.5	29.1	-	91.3
Percent Spent	105.3%	-	88.6%	96.7%	91.7%	-	94.4%
2006 Other Operating Expenses							
Sept YTD Budget	(0.0)	0.1	(0.0)	0.0	(0.0)	27.1	27.2
Sept YTD Actual	0.0	0.1	0.0	0.0	(0.3)	59.1	58.9
Percent Spent	NA	NA	NA	NA	NA	NA	NA
2006 Capital Outlays							
Sept YTD Budget	21.2	262.0	149.4	35.7	37.4	3.8	509.5
Sept YTD Actual	6.2	205.1	155.3	56.3	17.4	(2.1)	438.2
Percent Spent	29.2%	78.3%	103.9%	157.4%	46.6%	-56.1%	86.0%
2006 Lifetime Capital Outlays							
LTD Budget	563.6	3,168.7	1,327.3	609.4	635.2	33.0	6,337.3
LTD Actual	342.5	1,034.5	716.4	296.1	414.0	40.3	2,843.7
Outstanding Contracts	27.8	397.8	302.8	64.8	31.9	5.0	830.0
Percent Spent or Committed	65.7%	45.2%	76.8%	59.2%	70.2%	137.3%	58.0%

Subarea Net Asset Summary Millions YOES

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
2006 Net Asset Summary							
Invested Capital Assets	174.7	774.6	462.4	198.0	261.6	24.8	1,896.2
Restricted	5.9	20.4	49.9	-	35.8	28.0	139.9
Unrestricted	62.8	89.4	27.3	235.9	76.4	58.1	549.7
Total Net Assets	243.4	884.4	539.6	433.9	373.8	110.9	2,585.9