



Citizens' Year-End 2007

Performance Report on Sound Transit

February 21, 2008

*The Sound Transit Citizen Oversight Panel
is a 15-member volunteer body appointed by the Sound Transit Board
to oversee and monitor the implementation of **Sound Move**.*

*Previous Citizen Oversight Panel reports are available upon request
and on the Sound Transit website at www.soundtransit.org.*

*Panel members welcome comments and input to their work and may be
contacted by calling Katie Weiss at Sound Transit at 206-398-5341, by
email at katie.weiss@soundtransit.org or by writing to:*

*Citizen Oversight Panel
Union Station
401 South Jackson Street
Seattle, WA 98104*



February 21, 2008

Sound Transit Board
Honorable Greg Nickels, Chair
Union Station
401 South Jackson Street
Seattle, WA 98104

CHAIR

Dick Chapin

VICE CHAIR

Paul Wiesner

Dear Chair Nickels and Board Members:

We are happy to report that on balance Sound Transit’s progress in delivering the regional transit system was good in 2007. On the other hand, we continue to have areas of concern that we believe require close monitoring to prevent them from becoming problems.

Patsy Tsui Bonincontri

Aubrey Davis

Chris Elwell

The progress is summarized below.

Capital Projects Moving Forward. There was visible progress along the entire Central Link alignment, including in the design and planning of the next stages of the regional light rail system, University Link and East Link. Regional Express capital projects opened for service on I-405 at Canyon Park in Bothell and at Totem Lake in Kirkland. Five additional projects were under construction. Sounder projects at Mukilteo and Lakewood Stations were in construction, as was continuing work on track and signal improvements to add capacity to the commuter rail system.

Bob Goldstein

Don Green

Miriam Helgeland

Bob Hitchcock

Ridership Growth. Service was added on ST Express bus and Sounder, resulting in increased ridership of 27% on Sounder and 10% on Express bus, both exceeding expectations for the year.

Bill LaBorde

Paul Masten

State of the Agency. Positive reports from federal oversight, state and financial compliance audits and a performance audit of Link testified to the soundness and strong management of the agency. These reviews demonstrate that despite numerous challenges that the agency faced, this is a mature, effective organization with an accumulation of knowledge and skills that greatly benefit our region.

Karen Miller

Andy Reay-Ellers

While there is much good news to report, there were challenges and disappointments as well.

Dave Russell

JD Wessling

Failure of Proposition 1. The biggest setback in 2007 was the failure of voters to approve Proposition 1. In hindsight, the defeat is attributable to many factors including the overall size of the combined roads and transit measure, difficulty in explaining the costs of the combined measure, and still diminished (but

Honorable Greg Nickels

February 21, 2008

Page 2

rebounding) credibility that lingers from the problems the agency faced in 2000-2001. We applaud the agency's willingness to incorporate these lessons learned into a serious investigation of a reconstituted proposal for system expansion that could be presented to voters either this fall, or in the fall of 2010.

Construction and Planning Environment. The continuing tight construction market in the region, third party funding shortfalls, scoping and siting disagreements, and property disputes all took their toll on schedules and budgets in 2007.

Need to Improve Access to Transit Services. As ridership has steadily grown on Sounder and ST Express, some routes are reaching capacity constraints. ST Express has all of its buses in use and cannot add significant new service. The Sounder south corridor has developed access issues at its stations in Sumner, Puyallup and Auburn where either new parking capacity, local feeder service or both are needed. These issues highlight the need for regional cooperation among Sound Transit and other agencies on sensitive policy issues affecting cost-effectiveness in use of resources and who pays for which services.

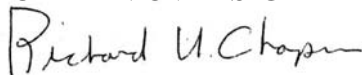
Transit Operating Costs. Our previously expressed concerns continue on the growth in operating costs of Sound Transit's bus service, and are joined this year by a concern about a rise in the costs of Tacoma Link. ST Express and Tacoma Link total costs both grew 10% in 2007. These growth rates are unsustainable when compared to the 5% cost growth that Sound Transit continues to assume for future year planning purposes.

Transition from Capital to Operations. Over the years, COP has highlighted the need for improvement in various areas. As the agency draws closer to beginning service for Central Link, we would draw the Board's attention to an area that is fraught with potential for surprises: the transition from capital project to operations. We are concerned about the complexity of coordination created by the fact that operation is not entirely in Sound Transit's control.

These challenges do not detract from the successes. Sound Transit is a thriving organization with strong leadership and management. We urge you to be diligent in oversight of the weakest areas, as we promise to be as well.

Sincerely,

CITIZEN OVERSIGHT PANEL



Richard U. Chapin

Chair

Cc: Joni Earl

Citizens' Year-End 2007

Performance Report on Sound Transit

Introduction

The Sound Transit Citizen Oversight Panel (COP) is a 15-member volunteer body appointed by the Sound Transit Board to oversee and monitor the implementation of *Sound Move*, the voter approved regional transit plan. The Panel communicates to the Board periodically as issues arise. In addition, it has prepared progress reports since the program's inception. This is the Panel's nineteenth report and covers Sound Transit's performance during 2007.

Summary of Sound Transit Performance in 2007

Accomplishments

Sound Transit's progress in delivering the regional transit system was good in 2007. The agency met 36 of the 43 milestones it set at the beginning of the year. Despite numerous challenges the agency faced, Sound Transit continued to demonstrate that it is a mature, effective organization with an accumulation of knowledge and skills that greatly benefit our region.

Capital Projects Moving Forward. Most prominently, there was visible progress along the entire Central Link alignment. The surface street disruptions on Pine Street downtown and along Martin Luther King Way South were replaced by new pavement, plantings and artwork. Trackwork and stations began to appear in the Rainier Valley corridor. Elevated guideways along I-5 emerged from fenced construction sites and stations began to rise at McClellan Street in South Seattle and International Boulevard in Tukwila. The Downtown Seattle Transit Tunnel reopened on time to the public and to bus travel. Construction was very much in evidence at the airport. The Central Link Initial Segment is now 85% complete and on schedule to open for service in July 2009.

The next stages of the regional light rail system, University Link and East Link, continue to make good progress in the design and planning stages respectively.

Regional Express capital projects opened for service on I-405 at Canyon Park in Bothell and at Totem Lake in Kirkland. Additional projects were under construction in South Everett, at the Bothell Branch Campus, on Mercer Island, on I-90 in Bellevue, and in Issaquah. Ten additional projects throughout Snohomish and East King Counties are under development by local jurisdictions with significant funding contributions by Sound Transit.

Sounder projects at Mukilteo Station in Snohomish County, and at South Tacoma and Lakewood Stations in Pierce County were in construction, as was continuing work on track and signal improvements to add capacity to the commuter rail system.

Ridership Growth. 2007 saw added service to ST Express bus and Sounder commuter rail and the significant increases in ridership that resulted. Ridership was up 27% on Sounder and 10% on ST Express, both exceeding expectations.

Challenges and Issues

Failure of Proposition 1. The biggest setback in 2007 was the defeat of Proposition 1. The Legislature's decision to yoke the transit and the roads plans into a single ballot resulted in a whole that was not compelling to voters. While hindsight is always 20/20, and obviously many factors were involved, including the overall size of the combined roads and transit measure, difficulty in explaining the costs of the combined measure, and still diminished (but rebounding) credibility that lingers from the problems the agency faced in 2000-2001. We applaud the agency's professionalism in moving forward and willingness to incorporate lessons learned from the voters as it considers new options for system expansion. We hope any modified ST2 plan that is adopted will make a stronger effort to communicate to the public the cost effectiveness of its individual elements and the environmental benefits of regional transit overall.

Need to Improve Access to Transit Services. As ridership has steadily grown on Sounder and ST Express, some routes are reaching capacity constraints. ST Express has all of its buses in use and cannot add significant new service until new buses and the related maintenance base capacity are acquired. Access issues have developed in the Sounder south corridor at the stations in Sumner, Puyallup and Auburn where either new parking capacity, local feeder service or both are needed. These are critical to Sound Transit's continued ability to serve the growing demand. These issues also highlight the need for a high level of regional cooperation and decision making among Sound Transit, local transit agencies and local governments. While a great deal of voluntary coordination takes place among the parties, it may not be enough and may tend to avoid some of the most sensitive issues affecting cost-effectiveness in use of resources and who pays for which services.

Construction and Planning Environment. As we have reported in the past several years, Link and other capital projects encountered various obstacles related to the very tight construction market in the region. The bid climate, the skilled labor shortages and the rising prices of materials again took a toll on budgets and schedules. Numerous projects received bids higher than the engineer's estimates and schedules have slipped on both Link and REX construction contracts. Other projects, in particular the Pierce County Sounder track and signal projects are behind schedule in the engineering phases due to delays in reaching agreement on a preferred alternative or for other reasons.

Transit Operating Costs. We have reported repeatedly on the unsustainable growth in operating costs of Sound Transit's bus service. This year we are also reporting a concern about a worrisome spike of 10% in the Tacoma Link operating costs from 2006 to 2007. Tacoma Link is operated entirely by Sound Transit and the number of hours of service provided was flat, so this

increase is of special concern. For ST Express, 2007 again saw an increase of 10% in the net operating expense and about 6% in the cost per hour of service, for the third year in a row. A much higher increase is projected in 2008. The most recent estimates indicate a 2008 rate of \$129.35 per full Sound Transit platform hour. This cost is up 13.6% over 2007, based on preliminary year-end figures. This increase is affected by a one-time payment of \$3 million to King County for the use of the Downtown Seattle Transit Tunnel. If the \$3 M is taken out of the calculation, the hourly cost is projected to be \$124.42, still an increase of 9.2%. Staff believe that these estimates are conservative, nevertheless, this growth rate becomes a concern when compared to the 5% cost growth that Sound Transit continues to assume for future year planning purposes.

Transition from Capital to Operations. Over the years, COP has highlighted areas for improvement at Sound Transit. As the agency draws closer to beginning service for Central Link, we would draw the Board's attention to an area that has great potential for surprises: the transition from capital project to operations. The recent computer software hiccup in the downtown transit tunnel is an example of a type of problem we hope will not recur. We are concerned about the complexity of coordination and communication created by the fact that operation is contracted to King County Metro and is not entirely in Sound Transit's control. Metro's staffing plan is behind schedule and there appear to be continuing extended negotiations taking place about what appropriate staffing levels should be. We urge the Board to carefully monitor the rail activation planning that is taking place.

These challenges do not detract from the successes. Sound Transit is a thriving organization with strong leadership and management. As we have stated in the past, we urge regional and state policymakers, as they grapple with our regional transportation governance, to "do no harm." Sound Transit has continued to grow in effectiveness and accumulated skill in recent years, and it is critical that we refrain from any changes in governance that could harm the strengths that Sound Transit has developed.

Review of Agency-Wide Activities

In addition to its major programs of designing and building capital projects and providing transit services, Sound Transit plans, coordinates and manages various regional activities and supporting programs.

ST2 and Proposition 1. In 2007 a very significant agency effort was expended on the planning and adoption of ST2, followed by public information, outreach and communication activities, coordinated with the Regional Transportation Investment District (RTID). Sound Transit put forth its best efforts to meet what it believed was the public's desire for a balanced plan that provided benefits to each part of the region. In the aftermath of the ballot measure's failure, polling indicated that the joint roads and transit proposal was too large, too complicated and unconvincing as the best solution for our region's transportation problems.

Environmentalists argued that Proposition 1 did not do enough to address greenhouse gas emissions and climate change. Others believed that not all elements of the plan were cost effective investments. Surveys also indicated that despite its best efforts, Sound Transit still needs to win back full public confidence and that some voters wanted to see light rail in service before approving further taxes for system expansion. COP has observed that in response to these findings, the agency is hard at work developing new options for consideration. We look forward to the Board's discussions. In the meantime, we have formed a COP task force to delve into our own study of high-capacity transit (HCT) planning in the region.

State of the Agency. The agency received positive feedback from several external reviews of its work in 2007. The Federal Transit Administration conducted one of its regular triennial reviews and 21 of 22 areas examined were found to be in good order. (The single area of deficiency was facilities maintenance which the agency has since strengthened with new staff and a new facilities maintenance plan.)

Sound Transit's independent financial audit and the state compliance audit were completely clean and without findings, as was the annual review of adherence to subarea equity procedures. The State Auditor's performance audit of Link made a variety of recommendations that were largely based on events and issues several years old and that had been identified in previous performance audits. As required by law, management is providing a response and action plan to those findings.

Sound Transit's professionalism and technical capacity continue to be strong. Despite the uncertainty about long-term job security, staff turnover for 2007 was at about 18%, just a bit higher than 2006. Link has largely been able to retain its core technical staff as management is transitioning its capacity from the Initial Segment to Airport Link and University Link. A number of other Sound Transit departments lost staff as projects wound down and as competing organizations recruited from the agency. Senior management says it is not yet concerned about a brain drain but is proceeding cautiously in filling vacancies. Maintaining the positive personnel environment at Sound Transit speaks very well of the superior executive leadership at the agency and the dedication of staff.

Smart Card. One commitment made in *Sound Move* that has unfortunately been delayed beyond anyone's expectation is the integrated regional fare system. Smart Card has been in development among seven transit agencies for a decade and has experienced a variety of challenges. Integrating seven different fare structures is a prime example of the region's complexity and has proven to be immensely difficult, as has the need to address security and privacy issues. Consultant project management issues have also plagued the project. Nevertheless, the Smart Card project has now completed its beta test phase and is undergoing design changes based on what was learned during that process. The electronic card reading equipment is being installed on the region's buses and at train and ferry facilities. While Smart Card implementation has been seriously delayed, management states that it is now on track for final rollout of the new system by the end of 2008 with full public use in early 2009.

Continuous Improvement. Last year we reported that the agency unveiled a Lessons Learned program and a performance management system that represented the next stage of agency commitment to a continuous quality improvement philosophy. These programs have taken a while to get off the ground and COP will continue to monitor progress with interest as our members believe these programs are a vital tool in continuing to build public confidence in the agency. COP recently formed a Lessons Learned task force to examine how well individual project lessons are being disseminated agency-wide and we will report to the Board on what we observe.

Sustainability Initiative. In 2007 the Board directed and the agency began to implement a far-reaching environmental initiative that is addressing fuel and water conservation, energy efficiency, greenhouse gas emissions, toxics reduction, ecosystem mitigation, procurement of sustainable products, pollution prevention, and recycling, among numerous areas. Just recently Sound Transit was awarded the ISO 14001 certification in recognition of these efforts, an honor for which COP members congratulate the agency. We did note that, as a capital projects agency, the success of this sustainability program will depend on the involvement of the construction industry. We encourage Sound Transit to use contract language and incentives that will reward contractors who are making efforts to work in an environmentally sustainable manner.

Management and Delivery of the Capital Program

As noted above in our summary, Sound Transit continued to make good progress in delivering the *Sound Move* capital program. Individual projects continue to be challenged by various obstacles in the regional environment and continue to be met by strong efforts by Sound Transit to manage in this context.

Link Light Rail

Central Link Initial Segment. 2007 represented the high mark in Central Link construction with most of the \$400 million in budgeted spending for the year achieved as planned. At year-end, the Link Initial Segment was 85% complete and progress was clearly visible along the entire corridor. All construction contracts have been awarded except for the Southcenter Boulevard improvements and the Tukwila Station Park and Ride expansion which was authorized for

contract award in January 2008. While the project is 85% complete, only 67% of the construction contingency has been committed. Outstanding claims will almost certainly use up additional contingency funds, but the \$128 million program reserve is not expected to be needed.

The schedule has moved from an original six months of float to just nine days, however, this remaining float has been holding steady for the past five months. The excavation of the Beacon Hill tunnel main shaft represents the critical path and the contractor has been maintaining the schedule. Management has stated that it is highly confident that the July 2009 service date will hold. However, if the nine-day schedule float slips any further, the agency and the Board will need to lower public expectations soon about a delayed beginning of service.

Following are some of the highlights of last year's progress:

- On Pine Street in downtown Seattle, the surface street repaving is complete. The transit tunnel conversion was completed on time and the tunnel reopened for bus service in September.
- The Link Operation & Maintenance Facility at Forest Street in SODO is complete and King County Metro, the contracted operator, has moved into the building. Fully assembled light rail vehicles have been arriving on site.
- At the Beacon Hill tunnel, the tunnel boring machine broke through the east portal on the southbound tunnel bore but did not complete the northbound bore by year-end as had been scheduled. The project had to be shut down for a month due to a fatal accident on site; also the contractor has not kept pace with the planned production rates. The schedule slip on this segment is critical and Sound Transit has continued to work with the contractor to try to make up the delay. The excavation of the Beacon Hill station is complete. At the east end of the tunnel, the McClellan Station is progressing well with structural steel and roofing complete. The aerial guideways on the east and west ends of the tunnel are 99% complete.
- In the Rainier Valley, the repaving of Martin Luther King Jr. Way South has been completed and the new streetscape with sidewalks and landscaping is pleasing to the eye. Track is being laid along the corridor and three stations are under construction (Columbia City, Othello and Rainier Beach) with completion due in the first quarter of 2008.
- In Tukwila, the 2,200 precast concrete segments of guideway are all in place and the gantry was dismantled and moved on to its next project. The Tukwila International Boulevard Station was completed and is in the process of being commissioned.

As is to be expected on any large construction project, there have been a variety of issues to manage. Due to the project delays, the follow-on systems contractors have had to begin work on many sites while the civil contractors are still there. This has led to significant coordination challenges. Disagreements between the agency and some of its contractors have led to unresolved claims, one of which is currently in mediation. The challenge to consistently manage erosion control in some locations led to Department of Ecology fines. Sound Transit leadership and construction management staff are managing these issues closely and COP believes that there is openness in the reporting of these issues to the Board.

Airport Link. Sound Transit's guideway and trackwork contract at the north end of the Airport is proceeding on schedule, however, the Port of Seattle's contract to build parts of the guideway and relocate airport roadways has slipped. The critical path challenge is the Airport Station which was split into two contracts after the sole bidder came in at almost twice the engineer's estimate. The station structural elements were awarded and are under construction. The station finishes have undergone value engineering and redesign and are scheduled to go to construction this year. Staff have stated that with careful coordination the December 2009 service date for Airport Link will still be met.

University Link. While construction is proceeding on the Initial Segment and Airport Link, University Link also made good progress in 2007. Engineering is moving forward, with the tunnel contracts at 60% design and the Capitol Hill and Husky Stadium stations at 30% design levels. In 2007, the Sound Transit-University of Washington master agreement was finally signed after many years of difficult negotiations. Critical tasks going forward include the submittal of the full funding grant agreement (FFGA) to the federal government and obtaining Congressional approval of the \$750 million grant; proceeding with right-of-way acquisition of 243 parcels and 138 business and residential relocations; and groundbreaking in the fourth quarter of 2008.

Sounder

The Sounder capital program is 80% complete. On the Everett-Seattle Sounder commuter rail segment, Sound Transit is responsible for regulatory permits, environmental mitigation, and the construction of stations and a layover facility to store trains. The fourth and final easement was acquired from Burlington Northern Santa Fe Railroad (BNSF) this year, providing the right to run trains on the corridor in perpetuity. The first phase of constructing additional layover track at Everett Station was completed, allowing the 3rd train to begin service in September 2007. The Mukilteo Station (north platform) is under construction and train service to Mukilteo will begin in 2008. The Everett station phase 2 has experienced difficulties with property acquisition and the Mukilteo (south platform) and Edmonds stations continue at schedule and budget risk due to complex funding and coordination issues related to planned Washington State Ferries terminals.

On the Tacoma-Seattle Sounder segment, phase 2 track and signal improvements are nearing completion of capacity improvements that will permit additional trains to be in service by September 2008. Progress on the phase 2 improvements allowed the 5th and 6th trains to begin service in September 2007. The third phase of remediation at Reservation Connection was completed in June 2007, establishing embankment stability and allowing that segment to be turned over for normal maintenance.

On the Tacoma-Lakewood segment, both sections are delayed: M Street-Lakewood is waiting to accommodate WSDOT's Point Defiance bypass project and D to M Street was delayed while alternative alignments were analyzed and considered. M Street-Lakewood is now on track to go to construction in the second quarter of 2008. On the D to M Street segment, the Board in December selected a preferred alternative that includes a Pacific Street railroad overpass that puts the project \$70 million over budget. Sound Transit has just \$25 million for the project and

must work with other parties to secure funds to fill the shortfall. The Lakewood Station is under construction, and the contract was awarded for the South Tacoma Station. .

Regional Express

Sound Transit successfully opened the Canyon Park Freeway Station and the Totem Lake Freeway Station this year. The very striking Canyon Park project received recognition for its design from the American Institute of Architects. Also in 2007, five projects began construction: the Totem Lake Transit Center, I-90 Two-Way Transit Stage 1, Bothell Branch Campus Access, SR522 Kenmore and North Everett Transit Center.

Two projects were scheduled for service in 2007 but were delayed: the Mercer Island Park and Ride and the Totem Lake Freeway Station. The Mercer Island Park and Ride experienced consultant design errors resulting in almost a year's delay and \$2 million in increased cost. The Totem Lake Freeway Station experienced design errors by WSDOT that necessitated demolition and rebuilding part of the structure, leading to a \$6 million cost overrun. The State Legislature is expected to authorize the \$6 million to repay Sound Transit.

Schedule and budget risks continue for the Mountlake Terrace Freeway Station, I-90 Two-Way Transit Stages 2 and 3, and the Renton HOV Access project. Mountlake Terrace has expanded to cost more than is available in Sound Transit's budget. Staff are trying value engineering and scope reductions to reduce the cost. For I-90 Stages 2 and 3, Sound Transit has funded its share of the projects but WSDOT's share is partially funded (Stage 2) and unfunded (Stage 3). Funding needs to be authorized for these projects as they are expected to provide capacity that is needed before work on the 520 bridge can begin. The Renton HOV project is on hold at 30% design pending funding of WSDOT improvements on I-405 that must be completed first.

Ten projects are being implemented by third parties with capped contributions from Sound Transit. These projects are all in various stages of design under the lead of the Cities of Everett, Bothell, Kenmore, Redmond, Kirkland and Renton as well as Evergreen Health Care and King County Metro. While Sound Transit's contributions to these projects are capped by agreement, some of these projects are behind schedule and over budget, and in a few cases local agencies are asking Sound Transit to share in the increases. We urge the Board to stand firm on the terms of the agreements. COP believes that Sound Transit should draft more stringent performance-based agreements in the future so that taxpayers do not end up contributing to unrealistic or poorly managed projects.

Transit Operations

Sound Transit operated four transit programs in 2007: Tacoma Link, Sounder, ST Express and Accessible Services. Planning is actively underway for beginning service on Link light rail between Downtown Seattle and Tukwila in July 2009, with service scheduled to be added to Sea-Tac Airport by December 2009. Transit services offered by Sound Transit again made very positive gains in 2007 with ridership growing substantially on the two largest programs, Sounder

commuter rail and ST Express bus. Despite the strong growth, Sound Transit's ridership levels have not yet reached the original *Sound Move* forecasts.

Boardings on ST Express bus were up 10% (after growth of 11% last year). Weekday bus boardings in the 4th quarter of 2007 stood at 37,000, compared to the 54,000 projected for 2010 in *Sound Move*. The strongest gains in riders occurred on the corridors connecting the region's major urban centers, Everett-Seattle, Redmond-Seattle, Bellevue-Seattle and Tacoma-Seattle. On Sounder commuter rail, ridership was up 27% (on top of last year's 42% growth), with the south corridor from Tacoma-Seattle representing by far the stronger market. Weekday boardings on the commuter rail service were at 8,800 in the 4th quarter, compared to the 2010 *Sound Move* forecast of 12,600. Tacoma Link ridership grew at a modest 4% in 2007.

ST Express. As noted in the summary section of this report, despite the strong demand, Sound Transit is constrained for a variety of reasons in its ability to add service. The ST Express service is limited by a lack of additional bus and maintenance base capacity and by steep growth in costs. Route 511 Ash Way-Seattle and route 565 Federal Way-Overlake with 12 weekday peak period trips each are at 100% (standing room only) capacity. Other routes are close behind. The agency was able to add just 4% more hours of service in 2007. Also, the reliability of ST Express is highly dependent on the capacity of the HOV system and the state's willingness to manage it.

We have reported repeatedly on the worrisome growth in operating costs of Sound Transit's bus service. For the past three years, net operating costs have grown 10% per year and the costs per hour of service have grown at about 6% per year. Next year's growth is budgeted to be even higher. These growth rates are unsustainable when compared to the 5% cost growth that Sound Transit continues to assume for future year planning purposes.

ST Express bus service is based on a negotiated rate per hour of purchased transportation with the three local transit agency partners, King County Metro, Pierce Transit and Community Transit, plus Sound Transit's own overhead costs. The current 2008 forecast indicates a blended rate of \$129.35 per full Sound Transit platform hour (total time buses are in operation, including time driving to and from the base and layovers between trips). This cost growth is up 13.6% over 2007, due to a scheduled one-time payment of \$3 million to King County Metro for debt service on the downtown transit tunnel, but also due to rapid growth of partner hourly costs. If the \$3 M is taken out of the calculation, the hourly cost grows to \$124.42, still an increase of 9.2%. These figures are changed from the published draft 2008 budget because of ongoing partner negotiations over costs for 2008 and the incomplete reconciliation process for 2007.

This year's cost growth is based on a 2008 platform hour of \$115.90 (up 6.1%) at King County Metro, \$93.45 (up 8.2%) at Community Transit, and \$99.06 (up just 1.6%) at Pierce Transit. Even with the strong growth in ridership, Sound Transit's ST Express cost per boarding has been flat for the past three years.

Despite the concerns COP has over the ST Express operating costs, we were pleased to note that some indicators are trending positive. As a result of strong bus ridership, the cost per boarding has been flat at \$6.50 for the past three years. The efficiency in bus operation has also improved,

as the ratio of revenue hours to total hours operated has steadily declined and in 2007 only 20% of hours were not carrying passengers (down from one-third a few years ago).

Sounder. For Sounder commuter rail service, costs per hour and per boarding are coming down because of the very strong growth in ridership and the nature of the cost structure negotiated with BNSF. The 2007 cost per revenue hour declined by 9% to \$1,282.18, after declining 5% the previous year. The cost per boarding dropped 14.5% to \$11.47. This was the fourth year in a row that this indicator showed a decline.

Sounder is projecting significant growth of 48% in trips operated in 2008 due to the agreement with BNSF to add trains next year. While total costs will rise as service is added, the cost per hour is projected to decline by 13% to \$1,112.68. It remains to be seen whether constraints in parking capacity and feeder service on the south corridor will dampen the strong ridership growth.

Tacoma Link. The Tacoma light rail service is operated by Sound Transit directly, unlike the bus and commuter rail services which are contracted to other agencies. While operating hours of service remained flat in 2007, the operating costs went up 10% after only a modest increase the previous year. The cost per boarding was up 6% to \$3.48. While Tacoma Link has a relatively small budget compared to the other services, the steep increase is a concern especially as this service is largely in Sound Transit's control.

Over all, these operating statistics indicate that Sounder is in an excellent position with respect to its cost and productivity trends, however, Tacoma Link costs rose at an alarming rate in 2007 and ST Express continued to present ongoing challenges for the agency. We urge the Board to monitor operating cost growth from year to year and ensure that staff are making realistic assumptions about future increases. As COP has recommended in the past, we also recommend for ST Express that the Board consider other operating models than the current sole source contracting arrangement with the three local providers. The expiration in 2009 of the current contracts presents an opportunity to improve on the current situation and to obtain greater certainty of costs and better control over cost growth.