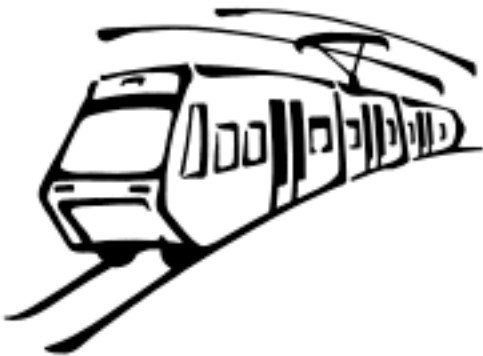
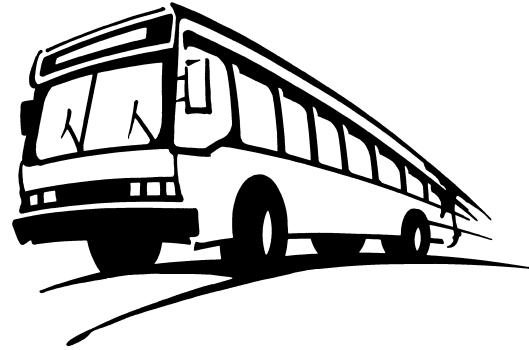




SOUNDTRANSIT

Central Puget Sound
Regional Transit Authority



Quarterly Financial Report
4th Quarter 2002
February 18, 2003

Quarterly Financial Report

4th Quarter 2002

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February 18, 2003

TO: Board of Directors
FROM: Joni Earl, *Executive Director*
Hugh Simpson, *Chief Financial Officer*
SUBJECT: 4th Quarter 2002 Financial Report

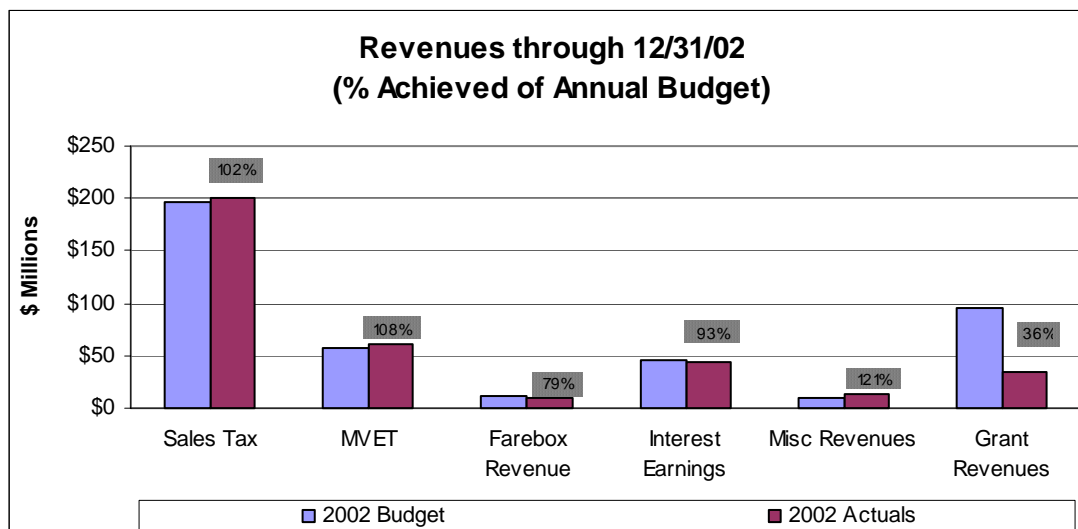
Executive Summary

This report summarizes Sound Transit’s fourth-quarter and full-year financial performance for revenues, transit operations, capital outlays and staff operating expenses. The discussion and graphs below summarize the budget and financial results. The report includes detailed financial data and notes assessing the agency’s performance to budget, along with a summary of the agency’s cash and investment position.

This report is based on preliminary financial information, as all accruals are not available at this time. Final results are anticipated for the end of February and will be subject to external audit in March.

Revenues

Total agency revenues were under budget by \$54.8M or 13.2% for the year. Local tax collections tracked ahead of budget for both the quarter and the year, finishing with sales tax receipts 2% and MVET receipts 8% above budget respectively. Farebox Revenues finished the year 21% under budget. Ridership was adversely affected by the lingering recession, which reduced employment in the Puget Sound region and, consequently, the expected demand for commuter trips. While Farebox Revenues did not meet budget expectations, they did accelerate in the fourth quarter, and were higher than 2001 revenues. Investment revenues finished slightly below budget, driven by lower than planned interest rates. Grant revenues were substantially below budget for the year due to slower than expected drawdowns of awarded grants and delays in the awarding of the \$50M portion of the Full Funding Grant Agreement. The graph below depicts the primary revenue categories, budget-to-actual, and the percentage of budget achieved for the year.



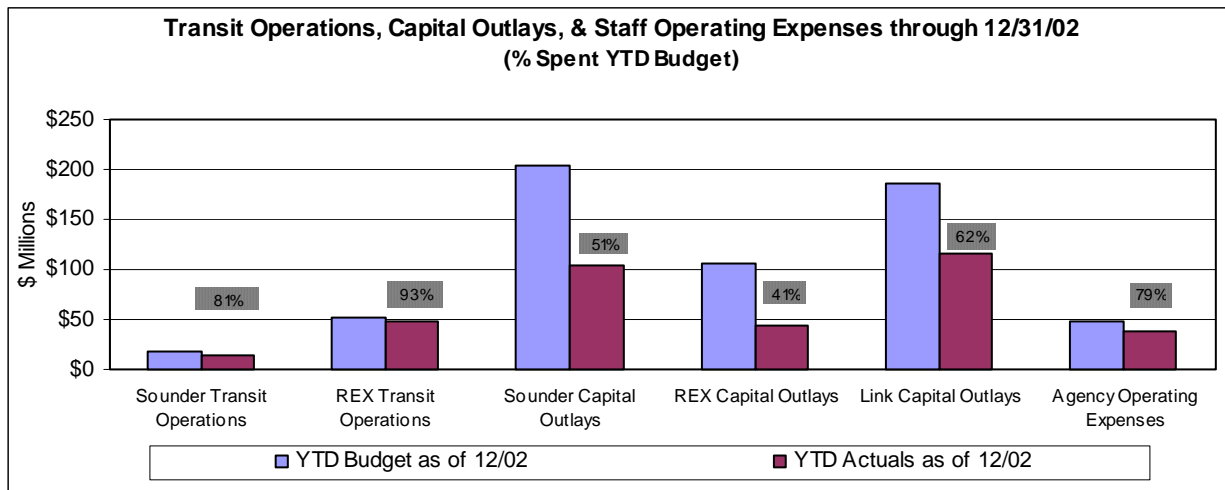
Expenses and Capital Outlays

Overall transit-operations spending was under budget by \$7.2M or 90% of the 2002 Budget. Sounder transit operations finished at 81% of budget, with Regional Express at 93%. Lower spending for both Sounder and Regional Express during previous quarters led to year-end actuals that were under budget.

Capital outlays for the agency ended the year at 53% of the total 2002 Budget. Progress continues on capital projects for all three lines of business. However extended negotiations of third-party and other agreements, environmental and permitting processes, delayed receipt of the LONP and final design authorization for the Initial Segment all contributed to lower than anticipated spending.

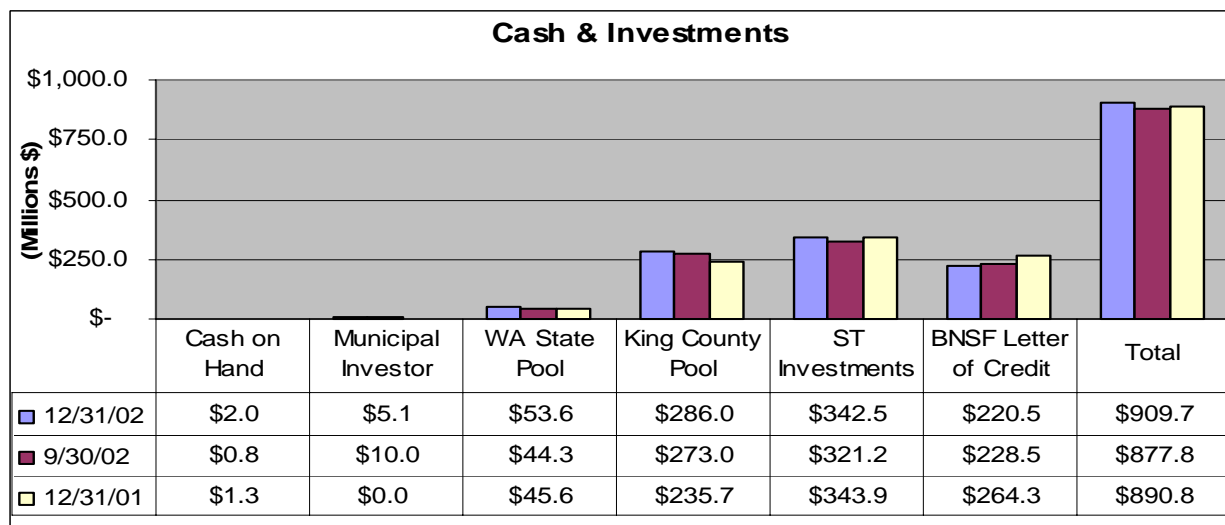
While staff operating expenses did increase during the second half of the year, total overall spending was only 79% of the total annual budget. The year-end variance is chiefly driven by slower than anticipated staff hiring and low consultant expenses during the first half of the year.

The graph below depicts transit operations, capital outlays and staff operating expenses, and the percentage spent for the year versus the 2002 Budget.



Cash and Investments:

The graph below depicts cash and investment balances on December 31, 2002.



Financial Detail

Revenue

Agencywide Revenues through December 31, 2002 Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2002 Actuals	2002 Budget	2002 Actuals over/(under) 2002 Budget	2002 Actuals as % of 2002 Budget
REVENUE SOURCES								
Retail Sales and Use Tax	\$46,286,901	\$49,054,332	\$52,500,168	\$53,043,141	\$200,884,542	\$196,778,283	\$4,106,259	102%
Motor Vehicle Excise Tax	15,174,639	15,470,349	16,018,177	14,561,067	61,224,231	56,732,226	4,492,005	108%
Farebox Revenue	2,738,281	2,297,534	1,461,395	2,726,736	9,223,946	11,686,439	(2,462,493)	79%
Interest Earnings	11,733,007	11,243,807	10,353,222	10,027,151	43,357,186	46,381,078	(3,023,892)	93%
Miscellaneous Revenues	1,586,283	711,844	1,387,248	8,978,785	12,664,160	10,472,801	2,191,359	121%
OTHER FINANCING								
Federal Grants	0	9,042,843	15,754,732	9,661,556	34,459,131	94,581,000	(60,121,869)	36%
Bond Proceeds	0	0	0	0	0	0	0	0%
TOTAL SOURCES	\$77,519,111	\$87,820,708	\$97,474,941	\$98,998,436	\$361,813,196	\$416,631,827	(\$54,818,631)	87%

Motor Vehicle Excise Tax includes the Rental Car Tax.

Revenue Notes

Retail Sales & Use Tax revenues were over budget by \$1.9M or 3.6% for the quarter. For the fiscal year, these tax collections finished ahead of budget by a total of \$4.1M. Overall for the year, retail sales and use tax revenues lagged behind last year's collections by almost \$8.9M due to the slow economic activity in the Puget Sound Region.

MVET & Rental Car Tax finished higher than budget by \$0.7M for the quarter and almost \$4.5M for the year. Relative to the same period last year, MVET revenues were up \$0.7M for the quarter and \$2.9M for the year. These increases were driven chiefly by stronger car sales.

Farebox Revenues were below budget by \$0.2M for the quarter and \$2.5M for the year due to lower than planned transit ridership, especially commuter service, in the Snohomish, South King, and Pierce subareas. Regional Express farebox revenues were \$0.3M under budget for the quarter and finished the year \$2.2M under budget. Sounder was above budget by \$0.1M for the quarter but finished the year \$0.3M under budget. However, while farebox revenues were below budget for the year, they did finish 4.6% higher compared to 2001 levels.

Interest Earnings finished \$3M below budget. The 2002 Budget assumed an average yield of 5.25% on investments. The actual performance of 4.236% did not meet this expectation. The actual yield achieved continued to drop throughout the year, with a substantial drop in the last half of the year.

Miscellaneous Revenues, which include advertising, rental income, and local contributions, finished ahead of budget due to a contribution of \$7.9M for the Overlake Transit Center. This contribution included a \$6.5M land donation from Microsoft, as well as \$1.2M in contributions from King County Metro and \$0.2M in similar contributions from the City of Redmond.

Federal Grants are drawn down on a quarterly schedule. Slower than anticipated draw downs occurred due to the delay in receiving FTA approval of Link's \$49.5M New Start grant for the Initial Segment. The FTA approved this \$49.5M grant on January 22, 2003, therefore, Sound Transit will be able to draw down the grant during the first quarter of 2003. Grants recorded for the quarter include \$4.5 million for Sounder, \$4.0 million for Link, and \$1.1 million for Regional Express.

Summary Outlays

Sound Transit - Combined Transit Operations Summary

For the Twelve Months Ending December 31, 2002

Regional Express and Sounder

	Q1	Q2	Q3	Q4	2002	2002	2002 actuals	2002 actuals
	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	(over)/under 2002 budget	as % of 2002 Budget
Services	\$157,398	\$1,178,651	\$2,340,461	\$2,384,996	\$6,061,505	\$9,388,571	\$3,327,066	65%
Leases & Rentals	241,332	241,180	160,696	5,759	648,968	1,005,176	356,208	65%
Insurance	246,500	253,939	249,714	308,409	1,058,562	1,473,513	414,951	72%
Materials & Supplies	503,478	3,107	166,240	48,600	721,424	513,008	(208,416)	141%
Vehicles	45,537	38,172	24,238	40,582	148,528	145,448	(3,080)	-2%
Miscellaneous Expenses	60,186	320,729	659,868	708,115	1,748,898	2,530,177	781,279	69%
Purchased Transportation Srcs	3,300,502	9,108,007	15,061,844	9,675,841	37,146,194	41,497,182	4,350,988	90%
Subtotal Transit Operations	\$4,554,932	\$11,143,785	\$18,663,060	\$13,172,302	\$47,534,079	\$56,553,075	\$9,018,996	84%
Depreciation & Amortization	2,383,681	2,384,018	2,638,770	3,361,722	10,768,191	10,720,817	(47,374)	100%
Agency Admin Allocations	658,540	861,557	1,356,380	1,159,624	4,036,100	2,287,260	(1,748,840)	176%
TOTAL TRANSIT OPERATIONS	\$7,597,153	\$14,389,360	\$22,658,210	\$17,693,648	\$62,338,370	\$69,561,152	\$7,222,782	90%

Sound Transit Capital Outlays by Line of Business

For the Twelve Months Ending December 31, 2002

Current Year 2002

	2002 Adopted Capital Plan	2002 Actual Outlays	Budget Remaining	% Spent
	<i>a</i>	<i>b</i>	<i>[a-b]</i>	<i>[b/a]</i>
Sounder Commuter Rail	\$203,070,480	\$103,095,210	\$99,975,270	51%
Link Light Rail	185,898,680	115,128,790	70,769,890	62%
Regional Express	106,478,119	43,141,474	63,336,644	41%
TOTAL	\$495,447,279	\$261,365,474	\$234,081,805	53%

Capital Plan 1997 - 2009

	Adopted Capital Plan	Life-to-date Outlays	Outstanding Contracts	Budget Remaining	% Spent and Committed
	<i>c</i>	<i>d</i>	<i>e</i>	<i>[c-(d+e)]</i>	<i>[(d+e)/c]</i>
Sounder Commuter Rail	859,452,330	399,996,471	69,820,898	389,634,961	55%
Link Light Rail	2,280,415,630	382,071,303	71,620,490	1,826,723,836	20%
Regional Express	942,497,781	219,368,030	47,044,523	676,085,227	28%
TOTAL	\$4,082,365,741	\$1,001,435,805	\$188,485,912	\$2,892,444,024	29%

Sounder – Transit Operations

Sounder Commuter Rail Transit Operations For the Twelve Months Ending December 31, 2002

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2002 Actuals	2002 Budget	2002 actuals (over)/under 2002 budget	2002 actuals as % of 2002 Budget
Services	\$47,170	\$947,082	\$1,981,571	\$1,868,389	\$4,844,212	\$6,261,539	\$1,417,327	77%
Leases & Rentals	2,391	3,640	2,336	5,759	14,126	49,176	35,050	29%
Insurance	244,438	254,740	236,131	302,319	1,037,628	1,091,863	54,235	95%
Materials & Supplies	504,699	3,107	138,308	48,600	694,714	423,008	(271,706)	164%
Miscellaneous Expenses	60,186	89,463	92,619	43,210	285,478	1,301,038	1,015,560	22%
Purchased Transportation Srcs	348,137	566,373	551,499	751,019	2,217,028	3,216,857	999,829	69%
Subtotal Transit Operations	\$1,207,021	\$1,864,405	\$3,002,464	\$3,019,296	\$9,093,185	\$12,343,481	\$3,250,296	74%
Depreciation & Amortization	944,664	944,898	1,177,806	1,137,136	4,204,505	5,520,381	1,315,876	76%
Agency Admin Allocations	188,197	256,227	414,403	381,180	1,240,007	130,002	(1,110,005)	954%
TOTAL TRANSIT OPERATIONS	\$2,339,882	\$3,065,530	\$4,594,673	\$4,537,612	\$14,537,697	\$17,993,864	\$3,456,167	81%

Sounder Transit Operations Notes

Services is largely comprised of a vehicle maintenance agreement with Amtrak, ticket vending machine-related services and fuel for the locomotives. Fuel was budgeted with the vehicle maintenance contract in Services and is now being charged to Materials and Supplies, causing a budget surplus in this category.

Leases and Rentals primarily consist of costs for the crew "Quiet Room." Crews are commonly choosing to rest at home rather than the hotel accommodations budgeted for by Sounder. As a result, actuals are under budget for 2002.

Insurance expenditures (including railroad protective/liability) are running close to plan at 95% through year-end.

Materials & Supplies are over budget largely because the budget for spare parts was originally set up in the Vehicle phase of the capital project while the actual costs were expensed and charged to Operations. Also, fuel for the locomotives was budgeted within Services with actuals charged to Materials & Supplies. These items have been adjusted for 2003 and will be accounted for in the Materials & Supplies budget.

Miscellaneous Expenses The largest budgetary item is contingency, which was not drawn upon this year. This resulted in only 22% of the budget being spent during 2002.

Purchased Transportation Services consists mainly of the BNSF agreement for train operations, maintenance of right-of-way and related trackage fees. Sounder budgeted to initiate extended service in the second quarter of the year, which was earlier than the actual September 30th start date for the third train. As a result, Purchased Transportation Services are under budget for 2002.

Depreciation expenses are under budget due to the inclusion of depreciation for vehicles sold to Caltrain.

Agency Administration includes project management costs, direct labor charges and corporate department allocations to transit operations. While adequate budget was established across the Sounder program for Agency Administration, the amount included in transit operations was disproportionately low. The Adopted 2003 Budget for Agency Administration has been revised to reflect the allocation of operations administration and associated agency costs.

Sounder – Capital

Sounder Commuter Rail - Capital Outlays by Phase

For the Twelve Months Ending December 31, 2002

Current Year 2002

Phase	2002 Adopted Capital Plan	2002 Actual Outlays	Budget Remaining	% Spent
	a	b	[a-b]	[b/a]
Yard, Shop, Layover	\$ 6,092,080	\$ 96,558	\$ 5,995,522	2%
Agency Administration	10,479,960	3,557,885	6,922,075	34%
Preliminary Engineering	2,080,350	1,199,232	881,119	58%
Final Design	12,580,560	2,080,719	10,499,841	17%
ROW Acq. & Permits	15,677,300	3,150,134	12,527,166	20%
Construction	137,450,610	72,531,439	64,919,171	53%
Vehicles	12,137,310	20,479,242	(8,341,932)	169%
Contingency	6,572,310	-	6,572,310	0%
TOTAL	\$ 203,070,480	\$ 103,095,210	\$ 99,975,270	51%

Capital Plan 1997 - 2009

Phase	Adopted Capital Plan	Life-to-date Outlays	Outstanding Contracts	Budget Remaining	% Spent and Committed
	c	d	e	[c-(d+e)]	[(d+e)/c]
Yard, Shop, Layover	\$ 22,937,990	\$ 10,699,491	\$ 2,201,288	\$ 10,037,212	56%
Agency Administration	43,090,060	24,476,041	733,116	17,880,903	59%
Preliminary Engineering	23,516,420	19,836,116	2,315,237	1,365,067	94%
Final Design	29,048,440	15,768,217	1,232,224	12,047,999	59%
ROW Acq. & Permits	54,168,800	37,648,661	1,053,512	15,466,627	71%
Construction	518,159,680	159,403,631	60,953,347	297,802,703	43%
Vehicles	145,136,700	132,164,316	1,332,173	11,640,210	92%
Contingency	23,394,240	-	-	23,394,240	0%
TOTAL	\$ 859,452,330	\$ 399,996,471	\$ 69,820,898	\$ 389,634,961	55%

Sounder Capital Outlay Notes

Yard, Shop, and Layover had minimal spending during the year. Pending records of decision and agreements with BNSF for track and facilities capital projects in the Everett and Lakewood corridors have delayed the 2002 scheduled development of the maintenance yard.

Agency Administration includes project management costs, direct labor charges and corporate department allocations. This phase is currently under budget for the year due to higher allocations to transit operations.

Preliminary Engineering has been delayed on the Everett-Seattle track/signals improvements, awaiting agreements with BNSF. This delay has led to underspending in this phase for the full-year budget.

Final Design is substantially under budget for the year due to an unplanned agreement with WSDOT to fund final design services with BNSF. This project will be mutually beneficial to both Sounder and WSDOT on the Auburn-Seattle segment.

ROW 2002 expenditures are lower than plan for the Everett-Seattle and Tacoma-Lakewood segments due to significant delays in reaching agreement with BNSF. The Board has approved the purchase of required properties on the Everett-Seattle segment, with several properties already acquired. On the Lakewood-Seattle segment, final design and property acquisitions are also dependent upon first completing the final EIS and receiving the ROD.

Construction A pending agreement with BNSF to allow Sound Transit to receive final design authorization from the FTA for track and signal construction for the Everett-Seattle and Tacoma-Lakewood segments has delayed schedules. This resulted in lower than budgeted spending for the year.

Vehicle expenses for 2002 are at 169% of the Adopted 2002 Budget. Expenditures that were projected to occur in 2001 were delayed, causing higher expenditure levels in 2002. It is anticipated that the total lifetime budget is sufficient and will be fully expended by the end of 2003.

Regional Express – Transit Operations

Regional Express Transit Operations For the Twelve Months Ending December 31, 2002

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2002 Actuals	2002 Budget	2002 actuals (over)/under 2002 budget	2002 actuals as % of 2002 Budget
Services	\$110,227	\$231,570	\$358,889	\$516,607	\$1,217,293	\$3,127,032	\$1,909,739	39%
Leases & Rentals	238,941	237,540	158,360	0	634,842	956,000	321,158	66%
Insurance	2,062	(801)	13,583	6,090	20,934	381,650	360,716	5%
Materials & Supplies	(1,221)	0	27,932	0	26,710	90,000	63,290	30%
Taxes	45,537	38,172	24,238	40,582	148,528	145,448	(3,080)	102%
Miscellaneous Expenses	0	231,265	567,249	664,905	1,463,420	1,229,139	(234,281)	119%
Purchased Transportation Svcs	2,952,365	8,541,634	14,510,345	8,924,822	34,929,166	38,280,325	3,351,159	91%
Subtotal Transit Operations	\$3,347,911	\$9,279,380	\$15,660,596	\$10,153,006	\$38,440,894	\$44,209,594	\$5,768,700	87%
Depreciation & Amortization	1,439,017	1,439,120	1,460,963	2,224,586	6,563,686	5,200,436	(1,363,250)	126%
Agency Admin. Allocations	470,343	605,329	941,977	778,444	2,796,093	2,157,258	(638,835)	130%
TOTAL TRANSIT OPS	\$5,257,271	\$11,323,830	\$18,063,537	\$13,156,036	\$47,800,673	\$51,567,288	\$3,766,615	93%

Regional Express Transit Operations Notes

Services include contract maintenance for transit centers and park-and-ride lots, equipment, and marketing-related services. While spending did increase in the last quarter, total annual expenses finished well below budget for the year, primarily due to the impact of warranty coverage and low cost of the temporary maintenance contracts for transit centers. Additionally, the implementation of the low-sulfur fuel conversion project was delayed into 2003 due to schedule issues with King County Metro.

Leases and Rentals include leased vehicles, furniture and equipment. No lease costs were incurred during the quarter as the current lease agreement with King County Metro for lease of 20 Breda buses had expired. Different contractual arrangements have been made that eliminate this expense. This, coupled with the fact that the actual leases were less costly than estimated, led to \$0.3M in lower spending.

Insurance expenditures are below budget due to the cancellation of the bus liability insurance policy for Sound Transit buses in the Pierce subarea. Pierce Transit now insures these buses.

Materials & Supplies are composed of marketing materials, presentation materials, and tools and equipment for new buses. The year-end figures are low because the marketing and presentation materials used were less costly than estimated.

Taxes consist of vehicle licensing, registration fees, and state excise taxes and is near budget at year-end.

Miscellaneous Expenses are comprised largely of funds that have been transferred to Pierce Transit to expand the maintenance center for ST articulated buses; funds for bus stop signs and Regional T Lite signage. Actual annual costs were higher than estimated.

Purchased Transportation Services are the costs paid to transit partners for operating and maintaining ST bus services. The year-end figures are slightly down because Sound Transit received credit from partner agencies as a result of the 2001 service reconciliation.

Depreciation expenses for assets include transit structures, bus fleet, and fareboxes. The annual figure is over budget because depreciation for transit center-related structures is higher than estimated for 2002.

Agency Administration Allocations include project management costs, direct labor charges and corporate department allocations to transit operations. The annual figures exceed budget due to revisions to the cost allocation model subsequent to the adoption of the 2002 Budget.

Regional Express – Capital

Regional Express - Capital Outlays by Phase

For the Twelve Months Ending December 31, 2002

Current Year 2002

Phase	2002 Adopted	2002 Actual	Budget	%
	Capital Plan	Outlays	Remaining	Spent
	a	b	[a-b]	[b/a]
Agency Administration	\$5,112,885	\$4,511,413	\$601,472	88%
Prelim. Engineering/Env Rev	11,873,269	(295,074)	12,168,343	-2%
Final design	16,195,647	5,601,926	10,593,721	35%
ROW acq. & permits	27,597,096	10,035,463	17,561,633	36%
Construction	36,174,088	23,342,823	12,831,265	65%
Vehicles	1,451,586	(25,011)	1,476,596	-2%
Contingency	8,073,548	(30,067)	8,103,615	0%
TOTAL	\$106,478,119	\$43,141,474	\$63,336,644	41%

Capital Plan 1997 - 2009

Phase	Adopted	Life-to-date	Outstanding	Budget	% Spent and
	Capital Plan	Outlays	Contracts	Remaining	Committed
	c	d	e	[c-(d+e)]	[(d+e)/c]
Agency Administration	\$44,361,188	\$19,590,007	\$769,599	\$24,001,583	46%
Prelim. Engineering/Env Rev	53,147,620	34,505,126	9,652,707	8,989,787	83%
Final Design	65,472,210	14,942,555	4,814,279	45,715,376	30%
ROW acq. & permits	73,819,476	28,559,456	2,634,112	42,625,908	42%
Construction	475,690,114	63,637,131	19,826,960	392,226,023	18%
Vehicles	74,160,134	58,133,756	9,346,866	6,679,511	91%
Contingency	155,847,039	-	-	155,847,039	0%
TOTAL	\$942,497,781	\$219,368,030	\$47,044,523	\$676,085,227	28%

Regional Express Capital Outlay Notes

Agency Administration includes costs for the project management effort and an allocated share of agency support departments. Regional Express finished under budget for the year due to line of business staff vacancies and overall under-spending in agency staff operating budgets.

Preliminary Engineering/Environmental Review has been more complex and time-consuming than had been anticipated for many of the capital projects and has incurred minimal spending. This phase often included a lengthy project definition stage given the conceptual nature of many of Regional Express capital projects as described in *Sound Move*. New design standards and stringent environmental regulations, associated with the Endangered Species Act and storm water treatment, also impacted both budget and schedule. The outlays for 2002 are negative due to a \$5M correction of 2001 expenditures recorded in 2002 between the PE and Construction phases. REX spent \$4.4M on PE compared to the planned \$11.9M.

Final Design delays due to environmental review complexities resulted in substantially lower than budgeted spending. The majority of the under-spending for final design was associated with four projects: Kirkland I-405 HOV Access Improvements, Redondo Heights Park & Ride, Bellevue Direct Access and the Federal Way Transit Center.

ROW acquisition spending was also substantially lower than planned due to delays associated with key project scope decisions, extended acquisition negotiations with certain property owners and a zoning lawsuit. The majority of the under-spending was associated with four projects: Federal Way Transit Center, Kirkland Transit Enhancements, Totem Lake Transit Center and the Kirkland I-405 HOV Access Improvements project.

Construction spending was lower than planned due to construction-start delays associated with ROW acquisition of certain land parcels. The majority of the under-spending was associated with three projects: Lynnwood Transit Center and Park & Ride project, I-5 at Lynnwood HOV Direct Access project and SR 900 Park & Ride Arterial Improvements. Outstanding issues have been presented to the Board for resolution.

Vehicles The fiscal-year vehicle budget was under-spent at year-end. Very little spending occurred in 2002 because the entire Sound Transit fleet of 194 buses was procured in 2001. The 2002 budget included funding to complete any outstanding vehicle payments. These funds were not necessary.

Contingency funds were included in the contingency phase of the budget to cover project risks and unknowns. It has not been necessary to use any of the project contingencies during 2002.

Link – Capital

Link-Light Rail - Capital Outlays by Phase					
For the Twelve Months Ending December 31, 2002					
Current Year 2002					
Phase	2002 Adopted Capital Plan	2002 Actual Outlays	Budget Remaining	% Spent	
	<i>a</i>	<i>b</i>	<i>[a-b]</i>	<i>[b/a]</i>	
Agency Administration	25,618,570	25,113,360	505,210	98%	
Preliminary Engineering	13,270,210	(11,903,713)	25,173,923	-90%	
Final Design	27,909,420	31,456,275	(3,546,855)	113%	
ROW Acq. & Permits	63,237,920	30,890,327	32,347,593	49%	
Construction	51,220,630	35,584,684	15,635,946	69%	
Vehicles	4,381,920	3,859,761	522,159	88%	
Test and Startup	260,010	128,095	131,915	49%	
TOTAL	\$185,898,680	\$115,128,790	\$70,769,890	62%	
Capital Plan 1997 - 2009					
Phase	Adopted Capital Plan	Life-to-date Outlays	Outstanding Contracts	Budget Remaining	% Spent and Committed
	<i>c</i>	<i>d</i>	<i>e</i>	<i>[c-(d+e)]</i>	<i>[(d+e)/c]</i>
Agency Administration	256,043,680	67,510,255	3,265,969	185,267,456	28%
Preliminary Engineering	138,427,560	77,491,515	4,334,453	56,601,593	59%
Final Design	106,739,880	79,646,583	48,351,595	(21,258,297)	120%
ROW Acq. & Permits	267,437,110	96,758,408	1,245,590	169,433,112	37%
Construction	1,356,826,120	53,931,406	12,563,783	1,290,330,931	5%
Vehicles	153,253,590	6,605,041	1,568,452	145,080,096	5%
Test and Startup	760,000	128,095	290,649	341,256	55%
Contingency	927,690	-	-	927,690	0%
TOTAL	\$2,280,415,630	\$382,071,303	\$71,620,490	1,826,723,836	20%

Link Capital Outlay Notes

Total 2002 under-spending in the capital projects is primarily due to delays in starting key Initial Segment projects until receipt of the FFGA, which is now anticipated in July 2003. The Adopted 2002 Budget expected these funds during the second and third quarters of 2002.

Agency Administration includes project labor, staff support costs, and agency costs that are allocated to projects. Also carried in this category is budget for various miscellaneous costs that will be incurred over the life of the project. When the new work breakdown structure was developed to allow better monitoring and management of Link projects, these expenditures, previously reflected in Preliminary Engineering and Final Design phases, were moved into Agency Administration as part of the re-coding of historical expenditures.

In December 2002, Link hired and mobilized several staff to fill key management vacancies, including Civil Engineering Manager, Systems Engineering Manager, and Line Section Project Manager for the E-3 Busway/Forest Street section. Advertised but unfilled positions in nearly all Link divisions accounted for a 27% under-expenditure to the budget for LOB salary costs in 2002.

Preliminary Engineering, Final Design, & Third-Party Agreements The Initial Segment is in the latter stages of final design. Evaluation of alternatives for extending light rail to the airport, and on to S. 200th Street in the City of SeaTac, progressed in 2002. Work also continued in 2002 on the alignment study to extend Link from Convention Place Station to Northgate.

As noted above, miscellaneous soft costs were transferred from PE and FD to Agency Administration as part of the re-coding effort. Current year re-coding of costs that were primarily incurred during prior years resulted in negative year-end figures for Preliminary Engineering.

Commitments totaling \$21M in final design need to be moved from closed accounts to eliminate the variance to the lifetime budget.

ROW Acquisition and Permits Sound Transit continues to acquire a limited number of properties and provide relocation assistance to owners and tenants of properties necessary for Central Link. Right-of-Way acquisition activities in 2002, primarily centered on the Maintenance Facility and other properties within the E-3 Busway/Forest Street alignment.

Construction With the agency's receipt of the FTA Letter of No Prejudice (LONP), selected construction activities began on the Initial Segment in 2002, including the maintenance base. Notice to Proceed for the first major construction contract awaits approval of the FFGA, which is now anticipated in July 2003, much later than planned when the 2002 Budget was developed.

Construction activity on the Tacoma Line continued throughout 2002. Negotiations with BNSF began in December regarding the potential abandoning of its line, and elimination of a double diamond crossing that would potentially result in a significant cost savings to the Tacoma Link project.

Vehicles Payments to Inekon/Skoda for the Tacoma Link vehicles continue to occur under this contract based on a fixed progress-payment schedule. Testing of the first three vehicles, delivered in September 2002, will occur over the next year and total expenditures will move closer to the lifetime budget.

Testing and Startup budget for Tacoma Link includes system-integrated tests, rail activation, purchase of equipment, and training of operations personnel. Testing and startup activities commenced the 3rd quarter of 2002, and continue to escalate.

Staff Operating Expenses

Sound Transit Staff Operating Expenses through December 31, 2002 2002 Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2002 Actuals	2002 Budget	2002 Actuals (over)/under 2002 Budget	2002 Actuals as % of 2002 Budget
Salaries & Benefits	\$4,543,651	\$4,762,792	\$7,453,684	\$6,637,339	\$23,397,466	\$29,439,371	\$6,041,905	79%
Leases & Rentals	512,352	577,834	503,434	529,549	2,123,169	2,131,256	8,087	100%
Services	455,871	1,438,524	2,297,608	1,325,577	5,517,580	8,665,913	3,148,333	64%
Materials & Supplies	89,906	227,053	198,311	312,309	827,579	1,193,860	366,281	69%
Miscellaneous Expenses	169,391	384,666	641,295	460,357	1,655,709	1,506,774	(148,935)	110%
Other Expenses	190,749	226,448	317,057	144,852	879,106	1,292,215	413,109	68%
Depreciation	741,121	661,518	790,066	725,889	2,918,594	3,121,315	202,721	94%
Subtotal Operating	\$6,703,039	\$8,278,835	\$12,201,455	\$10,135,873	\$37,319,203	\$47,350,704	\$10,031,501	79%
Planning & Development	1,036,196	174,651	256,302	435,114	1,902,263	20,750,380	18,848,117	9%
Total Operating Exp	\$7,739,235	\$8,453,486	\$12,457,757	\$10,570,987	\$39,221,466	\$68,101,084	\$28,879,618	58%

Staff Operating Notes

Salaries and Benefits consume the largest portion of the total operating budget. Current-quarter salaries and benefits were \$0.7M or 9.8% under budget primarily due to delays in filling new and vacant positions. This trend held throughout the year and resulted in a total budget variance of \$6M. Comparatively, salaries and benefits have increased \$1.8M or 8.3% over the 2001 fiscal year, with a headcount increase of 11%. The final 2002 headcount equaled 295.5 full-time-equivalent employees versus a budget of 321.4.

Leases and Rentals principally consist of facilities rental of the Opus building for Link administrative staff, but also includes agency-wide leased vehicles and parking facility expenses. This category is essentially at budget for both the quarter and the year. Overall, facility rentals increased by 22% over 2001 levels through cost increases in both base rent and common area maintenance charges. Slightly offsetting this increase was a reduction in leased-vehicle expenses. This is due to an agency policy change resulting in vehicles being purchased rather than leased.

Services remained under budget both quarterly and annually due to underspending within all accounts in this category. Significant underspending occurred for consulting services, interlocal agreements, temporary and other services. In addition, most of the advertising expenses were reclassified to a related account in the Miscellaneous Expenses category, resulting in a large positive variance for advertising services as well.

Materials and Supplies spending for the quarter were in line with budget. Annual budget underspending totaled \$0.4M with lower expenses for small equipment, postage, computer software, and marketing and presentation materials. Offsetting some of these savings was budget overspending for office supplies, safety equipment purchases, and fleet maintenance parts. Current-year costs are lower than last year by \$0.3M or 28.6%. Changes between years include reduced spending on small equipment purchases, office supply spending, computer software spending, and postage expenses.

Miscellaneous Expenses spending was at budget for the quarter. Overall, annual spending was above budget by \$0.1M. The largest budget variance was \$0.6M in reclassification of advertising expenses from the Services category. However, budget savings were achieved through lower training costs, travel and meeting expenses, and other cost savings, including unspent contingency.

Other Expenses includes insurance, utilities, and taxes. Quarterly spending was under budget by \$0.2M. Savings include lower expenses for telephone and insurance, Internet provider fees, plus lower electricity costs. Annual spending was well below budget by about \$0.4M. Net annual savings include lower telephone and insurance costs. Spending levels in this category were very similar between 2002 and 2001.

Depreciation expenses ran slightly under budget for both the quarter and year.

Planning & Development includes operational spending for Fare Integration, Phase II planning, and Research & Technology projects. Annual spending is significantly lower than budget due to extensive Board discussions about the agency's scope and role in these projects. These discussions were concluded and new scopes were adopted in the spring of 2002.

Specifically, Fare Integration spending is lower as the agency's level of involvement, scope and schedules are determined for the Smart Card project. In the Research & Technology project, which includes transit system enhancements and alternative transportation technology, the Board's decisions significantly re-focused transit system enhancements and eliminated alternative transit technology entirely. Finally, uncertainty and phasing of the work for Phase II planning has led to lower than budgeted spending. Some of the work budgeted for 2002 has been shifted into 2003 as a new approach for Phase II planning has been developed.

AGENCY SUMMARY BY DEPARTMENT							
Staff Operating Departments - Before Expense Transfers							
For the Twelve Months Ending December 31, 2002							
	Q1 2002	Q2 2002	Q3 2002	Q4 2002	2002	2002	2002
	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	Actuals as % of 2002 Budget
Executive Department	\$334,479	\$384,402	\$579,856	\$597,525	\$1,896,262	\$2,686,347	71%
Board Administration	122,579	126,619	161,603	154,019	564,820	633,515	89%
Legal Services	350,491	373,581	547,257	482,154	1,753,483	2,207,814	79%
Administrative Services	1,242,004	1,383,914	1,808,802	1,741,125	6,175,845	7,864,900	79%
Communications	787,008	1,268,610	1,414,365	1,175,410	4,645,392	6,545,123	71%
Finance & Information Svcs	1,021,232	1,525,503	1,985,494	1,673,633	6,205,863	8,163,563	76%
Sounder	266,716	312,751	716,092	394,378	1,689,937	2,267,589	75%
Link	1,384,276	1,544,421	2,902,016	2,201,533	8,032,246	9,725,015	83%
Regional Express	573,198	626,795	1,194,248	881,750	3,275,992	3,796,036	86%
Non-Dept	621,055	732,241	891,721	834,343	3,079,360	3,460,802	89%
TOTAL	6,703,039	8,278,837	12,201,455	10,135,871	37,319,203	47,350,704	79%

Subarea Fourth Quarter Summaries

Subarea Revenue Summary

Millions YOES

Phase I Tax Revenues	Snohomish	North King	South King	East King	Pierce	Total
Sound Move Forecast	326.3	736.0	446.7	533.2	454.8	2,497.0
10-Year Forecast	307.1	736.9	444.6	676.3	398.8	2,563.7
\$ Variance	(19.2)	0.9	(2.1)	143.1	(56.0)	66.7
% Variance	-5.9%	0.1%	-0.5%	26.8%	-12.3%	2.7%
2002 Tax Revenues						
Annual Budget	29.8	73.5	43.5	67.4	39.3	253.5
Annual Actuals	32.2	72.0	46.3	67.9	43.7	262.1
\$ Variance	2.4	(1.5)	2.8	0.5	4.4	8.6
% Variance	8.0%	-2.0%	6.4%	0.7%	11.2%	3.4%
2002 Farebox Revenues						
Annual Budget	1.3	-	1.6	4.3	4.4	11.7
Annual Actuals	1.0	-	1.5	3.8	2.3	8.6
\$ Variance	(0.3)	-	(0.1)	(0.5)	(2.1)	(3.1)
% Variance	-22.6%		-6.1%	-11.7%	-47.3%	-26.5%
2002 Grant Revenues						
Annual Budget	15.7	30.0	23.3	5.9	19.7	94.6
Annual Actuals	7.4	11.0	6.2	4.1	5.8	34.4
\$ Variance	(8.3)	(19.0)	(17.1)	(1.8)	(13.9)	(60.2)
% Variance	-53.0%	-63.3%	-73.4%	-30.4%	-70.6%	-63.6%

Subarea Operating Expense & Capital Outlay Summary

Millions YOES

2002 Transit Operating Expenses	Snohomish	North King	South King	East King	Pierce	Total
Annual Budget	7.5	-	16.7	22.8	24.0	71.0
Annual Actuals	6.3	-	12.3	21.6	22.2	62.3
Percent Spent	84.0%	0.0%	73.5%	94.4%	92.4%	87.7%
2002 Capital Outlays						
Annual Budget	81.1	114.4	133.3	52.0	118.0	498.7
Annual Actuals	22.6	78.7	63.5	25.2	72.0	262.0
Percent Spent	27.8%	68.8%	47.6%	48.6%	61.1%	52.5%
Life-to-Date Capital Outlays						
December LTD Budget	325.1	1,519.4	1,077.5	584.1	514.5	4,020.6
December LTD Actual	119.6	278.6	252.3	95.1	258.4	1,004.0
Outstanding Contracts	31.6	38.0	44.9	19.7	55.6	189.8
Percent Spent or Committed	46.5%	20.8%	27.6%	19.7%	61.0%	29.7%