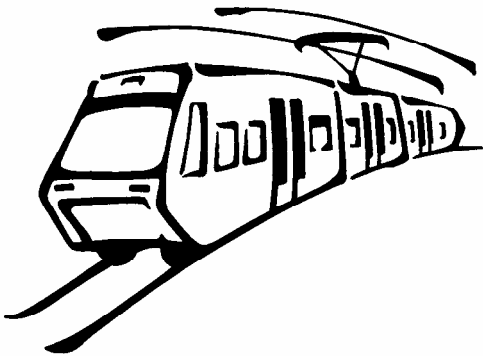
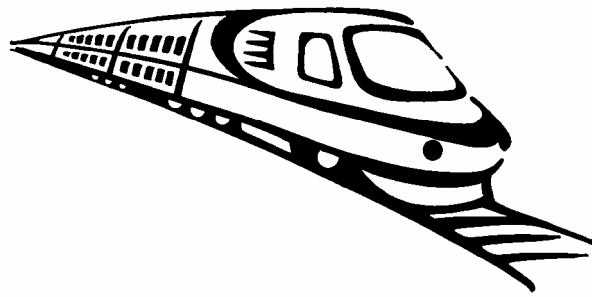
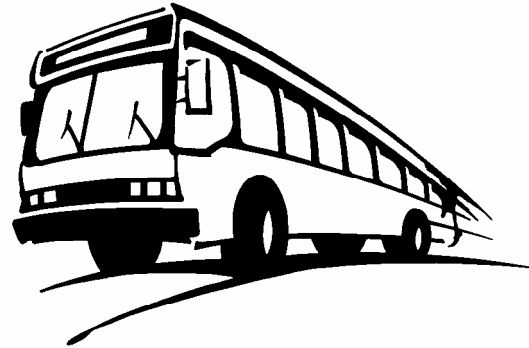




SOUNDTRANSIT

Central Puget Sound
Regional Transit Authority



Quarterly Financial Report

4th Quarter 2003

February 17, 2004

Quarterly Financial Report

4th Quarter 2003

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***NOTE: Information and data contained in this report are based on the agency’s preliminary 2003 financial close. Any changes will be updated in the yearend audit and communicated to the Board during the annual audit review process.**



February 17, 2004

TO: Board of Directors
FROM: Joni Earl, *Chief Executive Officer*
 Hugh Simpson, *Chief Financial Officer*
SUBJECT: 2003 Financial Report

Executive Summary

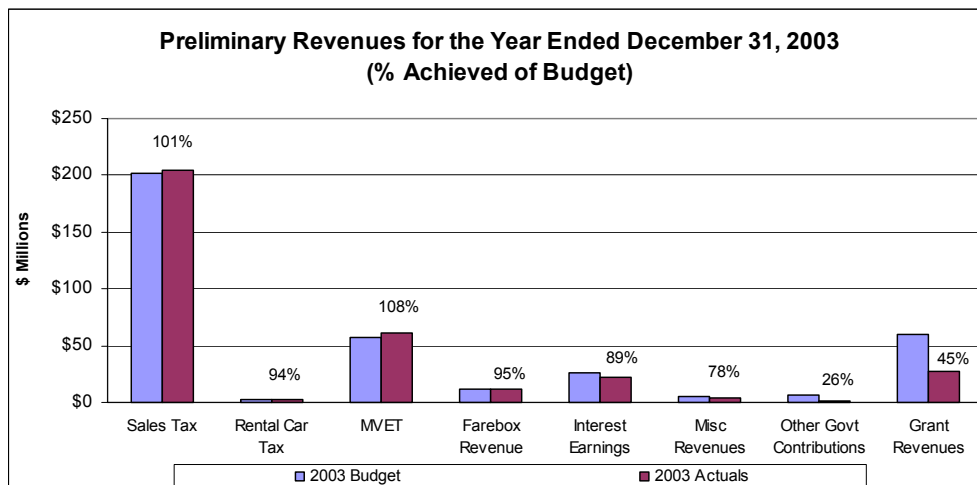
This report summarizes Sound Transit’s 2003 fourth quarter and annual financial performance for revenues, transit operations, staff operating expenses and capital outlays. The discussion and graphs below summarize the budget and financial results. The report includes detailed financial data, notes assessing the agency’s performance to budget, and summarized subarea information.

The 2003 capital plans shown in this report reflect updated budget information adjusted for project schedule and status information, as adopted by the Board and presented in the second quarter report. The budget amendment lowered the FY 2003 capital plan from \$555M to \$434M, a change of \$121M. The lifetime capital budgets for the projects were not changed— only the estimated cash flow for the fiscal year 2003.

Revenues

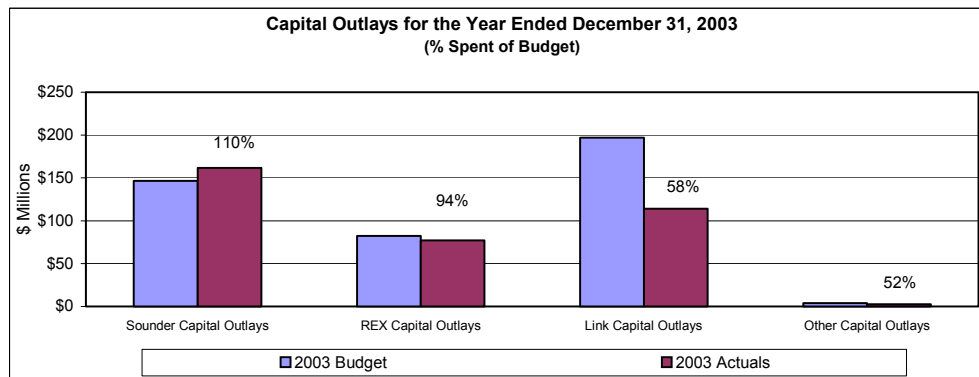
Total agency revenues were under budget by 9.5% or \$35.4M for the year on a preliminary basis. Budget variances are attributable to grant revenues and investment earnings that came in \$33.5M and \$2.8M lower than budget. Tax revenues exceeded budget by \$7.1M, offset by lower state and local contributions and miscellaneous revenues. Grant revenues were below budget due to delays in spending on grant-funded projects, as well as the timing of the receipt and obligation of the Full Funding Grant Agreement (FFGA).

Farebox revenues were \$0.6M lower than budget. Combined estimated boardings for Sounder and Regional Express were 18.4% or \$1.3M higher than last year. While boardings are in line with expectations, farebox revenues are below budget due to budgeted fare increases that did not occur.



Capital Outlays

Capital expenditures have increased dramatically compared to 2002 with total capital outlays up 39.2% or \$99.4M. Total agency capital outlays ended 2003 at 83% of revised budget. While construction spending for the Sounder Seattle-Tacoma segment lagged behind budget estimates, Sounder outspent the Revised 2003 Budget due to payments to BNSF for the Seattle-Everett and Tacoma-Lakewood agreements. In December the Board approved additional budget authority for these agreements. Link spending was also delayed as much of their program spending depended on final approval of the FFGA, which was anticipated in July but did not occur until late October. Higher Regional Express project spending finished in line with revised budget estimates. However, several projects are significantly ahead of schedule and as such have experienced an acceleration of spending. While this spending impacts the current fiscal year, total lifetime project costs are in line with budget.

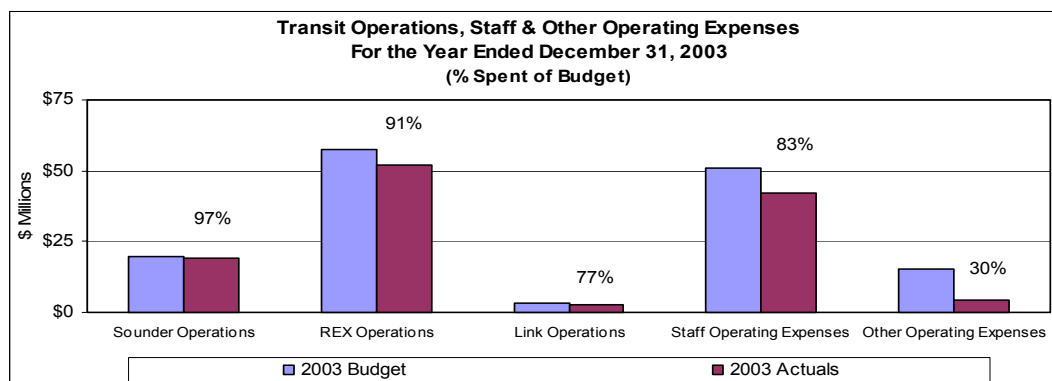


Expenses

Combined transit-operation expenses were under budget by \$6.7M or 8.3%. Sounder transit operations finished the year at 97% of budget, Regional Express at 91% and Link at 77%, with Tacoma Link services beginning on August 22nd. Sounder service for the Everett-Seattle segment commenced in late December.

Staff operating expenses finished the year at 83% of budget. With capital spending below 2003 budget expectations, executive management implemented measures to contain spending levels which included postponing the hiring of unfilled staff positions and capping spending in other areas.

Other operating expenses include Regional Fund projects plus debt-service costs. Regional Fund project spending is below budget as the start of many projects was delayed. Debt-service costs are under budget as interest costs on the bond issue are being fully capitalized to projects, while the budget assumed that a portion of these costs would not be capitalized. In total, interest expense of \$17.1M was budgeted and recognized on outstanding debt.



Summary of Net Assets

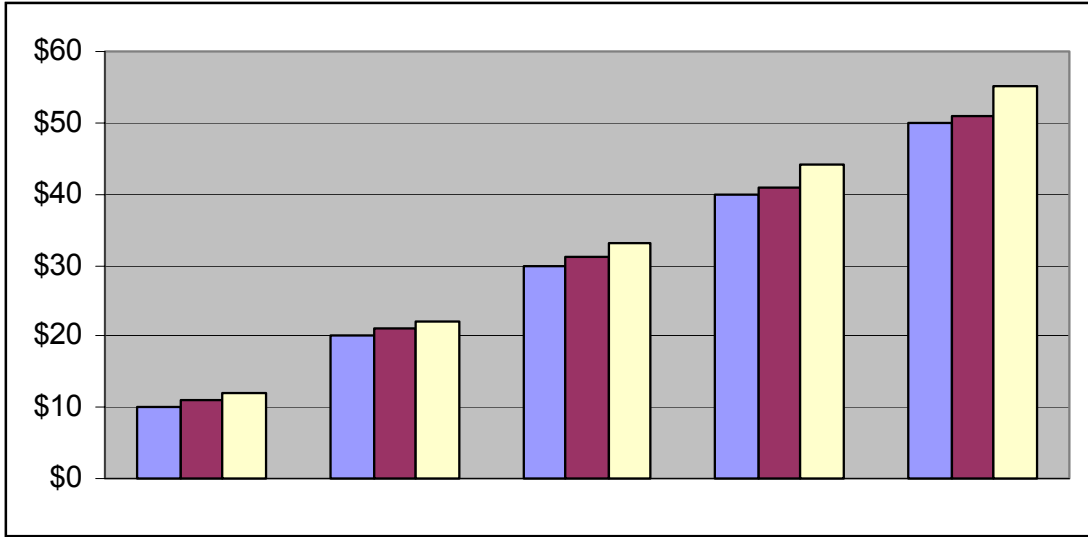
The table below summarizes preliminary assets and liabilities at the end of 2003, as well as providing comparative data for the same period a year ago. With negotiations complete on the BNSF agreement, current assets, specifically cash, decreased following the first payment to BNSF. Growth in agency property, vehicles and equipment plus increased capital projects in progress reflect the increased level of activity of the agency.

Summary of Net Assets (Preliminary) <i>(in millions)</i>			
	As of Dec-03	As of Dec-02	% Change Dec-03 to Dec-02
Current assets, excluding restricted assets	\$ 668.3	\$ 776.5	-13.9%
Restricted assets	234.2	282.2	-17.0%
Property, vehicles and equipment, net of accum dep	535.9	380.9	40.7%
Capital projects in progress	833.2	602.5	38.3%
Other non-current assets	64.8	66.4	-2.4%
Total Assets	\$ 2,336.4	\$ 2,108.5	10.8%
Current liabilities, excluding interest payable from restricted assets	47.3	55.3	-14.5%
Interest payable from restricted assets	7.2	7.2	0.0%
Long-term debt	347.4	347.5	0.0%
Other long-term liabilities	58.2	57.1	1.9%
Total Liabilities	460.1	467.1	-1.5%
Net Assets	1,876.3	1,641.4	14.3%
Total Liabilities and Net Assets	\$ 2,336.4	\$ 2,108.5	10.8%

Summary Income Statement

The table below summarizes revenues and expenses by quarter for 2003. Overall, agency net income ended the year \$20.7M below budget. This variance is made up of a \$35.4M shortfall in total revenues and \$14.7M in lower expenditures. Significant variances from budget include lower grant revenues, offset by lower debt service, transit operations, and Regional Fund spending.

Income Statement For the Year Ended December 31, 2003 Budget to Actuals								
	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 Actuals over/(under) 2003 Budget	2003 Actuals as % of 2003 Budget
REVENUES								
Tax Revenues	\$62,792,647	\$64,225,484	\$71,273,454	\$69,671,710	\$267,963,295	\$260,845,043	\$7,118,252	103%
Farebox Revenues	2,738,281	3,011,563	2,855,851	2,951,850	11,557,546	12,144,999	(587,453)	95%
Investment Income	9,160,756	6,928,555	1,616,769	4,979,536	22,685,616	25,451,012	(2,765,396)	89%
Other Miscellaneous	1,204,235	1,473,021	584,831	1,279,874	4,541,962	5,800,199	(1,258,237)	78%
State & Local Contributions	232,000	497,256	740,946	45,000	1,515,202	5,892,802	(4,377,600)	26%
Federal Grants	8,347,290	3,307,793	8,628,796	6,733,326	27,017,205	60,530,000	(33,512,795)	45%
TOTAL REVENUES	\$84,475,209	\$79,443,673	\$85,700,648	\$85,661,296	\$335,280,826	\$370,664,055	(\$35,383,229)	90%
EXPENSES								
Staff Operating Divisions	\$3,053,364	\$3,308,295	\$3,217,024	\$6,108,805	\$15,687,488	\$15,386,873	\$300,615	102%
Debt Service Divisions	50,260	43,460	46,709	46,709	187,137	2,610,383	(2,423,246)	7%
Transit Operations	16,702,974	18,526,932	18,937,687	19,825,275	73,992,868	80,679,382	(6,686,514)	92%
Regional Fund & Other Operations	1,106,283	1,877,419	1,392,586	32,018	4,408,307	12,967,330	(8,559,023)	34%
Non-capitalizable LOB expenses	783,999	2,418,964	733,989	1,629,991	5,566,943	2,844,769	2,722,174	196%
TOTAL EXPENSES	\$21,696,880	\$26,175,069	\$24,327,994	\$27,642,798	\$99,842,742	\$114,488,737	(\$14,645,995)	87%
NET INCOME (LOSS)	\$62,778,328	\$53,268,604	\$61,372,654	\$58,018,498	\$235,438,084	\$256,175,318	(\$20,737,234)	92%



FINANCIAL DETAIL

Revenue

Agencywide Revenues

For the Twelve Months Ended December 31, 2003

Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 Actuals over/(under) 2003 Budget	2003 Actuals as % of 2003 Budget
REVENUE SOURCES								
Retail Sales and Use Tax	\$46,832,399	\$48,623,719	\$54,176,898	\$54,800,031	\$204,433,048	\$201,592,205	\$2,840,843	101%
Rental Car Tax	533,773	509,401	737,133	558,011	2,338,318	2,475,446	(137,128)	94%
Motor Vehicle Excise Tax	15,426,474	15,092,364	16,359,423	14,313,668	61,191,930	56,777,392	4,414,538	108%
Farebox Revenue	2,738,281	3,011,563	2,855,851	2,951,850	11,557,546	12,144,999	(587,453)	95%
Investment Income	9,160,756	6,928,555	1,616,769	4,979,536	22,685,616	25,451,012	(2,765,396)	89%
Miscellaneous Revenues	1,204,235	1,473,021	584,831	1,279,874	4,541,962	5,800,199	(1,258,237)	78%
OTHER FINANCING								
Donation from Other Governments	232,000	497,256	740,946	45,000	1,515,202	5,892,802	(4,377,600)	26%
Federal Grants	8,347,290	3,307,793	8,628,796	6,733,326	27,017,205	60,530,000	(33,512,795)	45%
Bond Proceeds	-	-	-	-	-	-	-	0%
TOTAL SOURCES	\$84,475,209	\$79,443,673	\$85,700,648	\$85,661,296	\$335,280,826	\$370,664,055	(\$35,383,229)	90%

Revenue Notes

Retail Sales and Use Tax revenues finished the year over budget by \$2.8M or 1.4%. Collections were boosted considerably in the later half of the year by the one-time effect of additional tax collections arising out of state audits of various businesses plus strong fourth-quarter sales tax collections driven by economic growth. Compared with last year, sales tax collections have slightly decreased, down 0.1% or \$0.1M.

Rental Car Tax collections finished the year slightly below budget, most likely due to the impact of lower tourism and travel. Car rental taxes did finish 8.7% ahead of 2002 tax collections.

MVET Tax ended the year \$4.4M, or 7.6%, higher than budget. Relative to the same period last year, MVET revenues were up \$2.9M or 4.9%. These increases were driven chiefly by stronger automobile sales.

Farebox Revenues finished the year \$0.6M below budget. While overall ridership is up 18.4% over last year and in line with forecasted ridership for this year, the budget anticipated fare increases that did not occur. Regional Express farebox revenues are estimated to finish the year \$0.5M under budget and Sounder \$0.1M under budget.

Investment Earnings ended the year \$2.8M, or 10.9%, below budget due to the \$3.9M adjustment to the fair market value of investments. Actual performance on investments yielded 2.17%, lower than the average budgeted yield of 3.0%. Interest earnings declined steadily throughout the year as investments matured and were reinvested at much lower market rates.

Miscellaneous Revenues includes advertising on Sound Transit Express buses, rental income on Sound Transit properties, and other revenues not included in the above categories. Miscellaneous Revenues finished \$1.3M behind budget as the budget assumed a full year of earned income from the Sounder vehicle capital leases, which were completed in the second quarter.

Donation from Other Governments was under budget by \$4.4M. Fourth-quarter contributions consisted of payments from the Cities of Mukilteo and Edmonds. Revenues finished the year below budget as changes in interlocal agreements, such as with the city of Kent for the Kent Station, have reduced costs and the corresponding local contributions.

Federal Grants are estimated to complete the year \$33.4M below budget. Grant revenues are reimbursements based on capital expenditures for grant-funded projects and construction delays in these projects coupled with the timing of the FFGA are the primary reason for the lower grant revenues. All of the subareas finished behind budget expectations. The major differences were \$14.4M in North King, \$8.1M in Pierce and \$6.3M in South King.

Summary Outlays

Combined Transit Operations Summary For the Year Ended December 31, 2003 Regional Express, Sounder, & Link

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 Actuals (over)/under 2003 Budget	2003 actuals as % of 2003 Budget
Salaries & Benefits	\$140,594	\$170,590	\$264,784	\$288,346	\$864,315	\$1,014,643	\$150,328	85%
Services	1,363,995	2,538,255	1,610,877	2,397,893	7,911,020	11,136,220	3,225,201	71%
Materials & Supplies	181,562	263,710	194,405	99,514	739,192	706,899	(32,293)	105%
Insurance	336,130	301,113	363,853	396,834	1,397,930	2,117,222	719,292	66%
Purchased Transportation Svcs	10,382,765	10,636,532	11,224,813	10,844,901	43,089,011	46,984,089	3,895,077	92%
Miscellaneous Expenses	11,970	142,429	204,023	117,510	475,932	1,149,294	673,362	41%
Leases & Rentals	2,336	4,760	703	5,028	12,827	64,172	51,345	20%
Other Expenses	105,212	153,235	133,449	124,903	516,799	480,795	(36,004)	107%
Agency Admin Allocations	952,772	1,023,603	1,283,673	1,282,409	4,542,457	3,531,723	(1,010,735)	129%
Subtotal Transit Operations	\$13,477,337	\$15,234,227	\$15,280,580	\$15,557,339	\$59,549,483	\$67,185,057	\$7,635,574	89%
Depreciation & Amortization	3,225,637	3,292,704	3,657,107	4,267,937	14,443,384	13,494,325	(949,060)	107%
TOTAL TRANSIT OPERATIONS	\$16,702,974	\$18,526,932	\$18,937,687	\$19,825,275	\$73,992,868	\$80,679,382	\$6,686,514	92%

Sound Transit Capital Outlays by Line of Business

For the Year Ended December 31, 2003

Current Year 2003

	(Revised) 2003 Adopted Capital Plan <i>a</i>	2003 Actuals <i>c</i>	2003 actuals (over)/under 2003 Budget <i>[b-c]</i>	2003 actuals as % of 2003 Budget <i>[c/b]</i>
Sounder Commuter Rail	\$146,692,932	\$161,662,726	(\$14,969,794)	110%
Link Light Rail	196,977,461	114,173,177	82,804,284	58%
Regional Express	82,359,392	77,247,575	5,111,817	94%
TOTAL	\$426,029,785	\$353,083,478	\$72,946,307	83%

Capital Plan 1997 - 2009

	Adopted Capital Plan <i>d</i>	Life-to-date Outlays <i>e</i>	Contract Remaining <i>f</i>	Budget Remaining <i>[d-(e+f)]</i>	% Spent and Committed <i>[(e+f)/d]</i>
Sounder Commuter Rail	\$992,255,450	\$563,516,015	\$22,076,920	\$406,662,515	59%
Link Light Rail	2,408,716,020	487,438,131	173,660,228	1,747,617,662	27%
Regional Express	971,559,008	295,836,767	80,593,740	595,128,500	39%
TOTAL	\$4,372,530,478	\$1,346,790,913	\$276,330,888	\$2,749,408,677	37%

Sounder – Transit Operations

Sounder Commuter Rail Transit Operations For the Year Ended December 31, 2003

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 actuals (over)/under 2003 Budget	2003 actuals as % of 2003 Budget
Services	1,178,569	2,062,312	1,284,773	1,814,367	6,340,021	6,233,412	(106,609)	102%
Materials & Supplies	129,314	232,941	171,955	21,338	555,548	538,149	(17,399)	103%
Insurance	330,040	291,102	334,374	338,999	1,294,515	1,926,522	632,007	67%
Purchased Transportation Svcs	773,919	1,078,100	567,274	1,325,652	3,744,945	3,799,089	54,144	99%
Miscellaneous Expenses	11,722	37,989	35,533	90,773	176,017	689,271	513,254	26%
Leases & Rentals	2,336	4,760	703	5,028	12,827	59,172	46,345	22%
Other Expenses	57,900	71,768	58,381	69,007	257,055	261,123	4,068	98%
Agency Admin Allocations	297,027	286,802	359,701	385,956	1,329,485	918,491	(410,994)	145%
Subtotal Transit Operations	\$2,780,826	\$4,065,774	\$2,812,693	\$4,051,120	\$13,710,413	\$14,425,229	\$714,816	95%
Depreciation & Amortization	1,325,411	1,366,085	1,379,709	1,429,680	5,500,885	5,437,196	(63,689)	101%
TOTAL TRANSIT OPERATIONS	\$4,106,237	\$5,431,859	\$4,192,402	\$5,480,800	\$19,211,298	\$19,862,425	\$651,127	97%

Sounder Transit Operations Notes

Ridership has increased through the fourth quarter an estimated 17.3% over last year. Total ridership has increased from 691K to 752K, up 8.8%, or 61K higher than forecast.

Services expenditures exceeded budget by \$107K on higher than planned security services related to extra personnel contracted to secure the train yards, coupled with differences in categories between where actual and budgeted expenditures occurred.

Materials & Supplies expenditures exceeded the budget by \$17K. Fuel costs for the year were over budget, as the actual price of fuel was higher than planned.

Insurance expenditures (including railroad protective/liability) finished below budget for the year. Insurance premiums did cost as much as expected and the actual insurance management fees that were budgeted as part of the overall insurance program were expensed in the Services category as insurance management services.

Purchased Transportation Services consist mainly of payments to BNSF for train operations, maintenance of right-of-way and related trackage fees. This account finished the year in line with budget expectations.

Miscellaneous Expenses budget is mainly comprised of funds set aside for unexpected costs and represents \$684K of the total positive budget variance. Offsetting part of this variance is \$162K in radio and billboard advertising, which was budgeted as part of the Services category.

Leases and Rentals As crews are commonly choosing to rest at home rather than utilizing the budgeted hotel accommodations, actual expenditures finished under budget for the year.

Agency Administration Agency administrative costs are allocated to each line of business as a split between capital and operations, depending on activity drivers. For Sounder, agency admin costs are higher on a combined basis in comparison to the Revised 2003 Budget for two reasons: 1) actual capital costs for BNSF were greater than the annual revised budget, and 2) allocations to operations are higher due to changes in activity drivers that allocated more agency admin costs to operations than were budgeted for.

Depreciation Timing differences between the actual closing of several station capital projects and the related TVM installation led to actual depreciation expenditures which were higher than budget.

Sounder – Capital

Sounder Commuter Rail - Capital Outlays by Phase

For the Year Ended December 31, 2003

Current Year 2003

Phase	(Revised)		2003 actuals	2003 actuals
	2003 Adopted Capital Plan	2003 Actuals	(over)/under 2003 Budget	as % of 2003 Budget
	a	c	[b - c]	[c / b]
Yard, Shop, Layover	\$2,277,600	\$ 877,326	\$ 1,400,274	39%
Agency Administration	4,772,000	4,779,089	(7,089)	100%
Preliminary Engineering	1,982,700	1,135,570	847,130	57%
Final Design	3,619,702	1,551,007	2,068,695	43%
ROW Acq. & Permits	6,674,160	88,361,577	(81,687,417)	1324%
Construction	112,402,770	64,950,736	47,452,034	58%
Vehicles	11,948,000	7,421	11,940,579	0%
Contingency	3,016,000	-	3,016,000	0%
TOTAL	\$146,692,932	\$161,662,726	(\$14,969,794)	110%

Capital Plan 1997 - 2009

Phase	Adopted	Life-to-date	Contract	Budget	% Spent &
	Capital Plan	Outlays	Remaining	Remaining	Committed
	d	e	f	[c-(d+e)]	[(d+e)/c]
Yard, Shop, Layover	\$21,157,570	\$11,576,817	\$2,275,929	\$7,304,824	65%
Agency Administration	49,523,540	30,449,648	191,797	18,882,095	62%
Preliminary Engineering	24,765,160	21,093,348	2,200,121	1,471,691	94%
Final Design	29,811,730	17,318,464	667,981	11,825,285	60%
ROW Acq. & Permits	64,411,770	126,014,502	1,251,437	(62,854,169)	198%
Construction	639,069,690	223,569,736	13,796,864	401,703,090	37%
Vehicles	145,434,990	133,493,500	1,692,791	10,248,699	93%
Contingency	18,081,000	-	-	18,081,000	0%
TOTAL	\$992,255,450	\$563,516,015	\$22,076,920	\$406,662,515	59%

Sounder Capital Notes

Yard, Shop, and Layover Development of the maintenance yard was under budget for the year for track and facilities capital projects in the Everett and Lakewood corridors, due to delays in reaching a negotiation settlement with BNSF. Overall, every project segment finished underspent to budget for this phase. For the 2004 Budget, this phase will be budgeted and managed as a separate project.

Agency Administration Agency administrative costs are allocated to each line of business as a split between capital and operations, depending on activity drivers. For Sounder, agency admin costs are higher on a combined basis in comparison to the Revised 2003 Budget for two reasons: 1) actual capital costs for BNSF were greater than the annual revised budget, and 2) allocations to operations are higher due to changes in activity drivers that allocated more agency admin costs to operations than were budgeted for.

Preliminary Engineering work was completed for all projects as of the first half of the year. Any remaining costs in this phase will be the result of final closeout of contracts.

Final Design Delays in reaching a negotiation settlement with BNSF for the Everett-Seattle and Tacoma-Lakewood segments held up projects for the year. These agreements were required by the FTA to authorize commencement of Final Design and to move forward on those segments. The Seattle-Tacoma segment is \$1M over budget in this phase due to a data correction recorded in January between final design and construction phases. This was done in order to correct life-to-date expenditures.

ROW Actual 2003 expenditures are higher than planned for the Everett-Seattle and Tacoma-Lakewood segments due to negotiated settlements between Sound Transit and BNSF which were not anticipated when the 2003 Budget was adopted. This settlement included purchase and sale agreements for right-of-way and right-of-way interests, joint-use agreements and service agreements. As a result of these agreements, Sound Transit made an initial payment of \$87M to BNSF in December of 2003. The Adopted 2004 Budget will be updated to reflect the new ROW costs.

Construction outlays finished behind budget for the year due to delays in final design, permitting, and property access issues. The budget variance is predominately due to construction delays in the Seattle-Tacoma track and facilities segment. Staff is working with the City of Tacoma and BNSF to expedite completion of the Phase I work still pending. The life-to-date variance was \$1.0M higher due to a credit that was recorded in January, which corrected the construction and final design phases for the Seattle-Tacoma segment.

Vehicle expenditures have been completed. The variance between lifetime actuals and budget relates to budgeted sales tax not payable due to exemptions available to Sound Transit under the Amtrak lease/sublease agreements. However, the exemption from Washington State sales and use tax provided under these agreements is currently under review by the Department of Revenue.

Regional Express – Transit Operations

Regional Express Transit Operations For the Years Ended December 31, 2003

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 actuals (over)/under 2003 budget	2003 actuals as % of 2003 Budget
Services	168,354	441,602	252,299	379,249	1,241,505	3,996,648	2,755,144	31%
Materials & Supplies	21,746	298	1,791	25,673	49,507	58,700	9,193	84%
Insurance	6,090	10,010	8,050	1,628	25,779	-	(25,779)	N/A
Purchased Transportation Svcs	9,608,846	9,558,433	10,657,538	9,519,249	39,344,066	43,185,000	3,840,934	91%
Miscellaneous Expenses	222	104,440	167,205	20,309	292,176	337,500	45,324	87%
Leases & Rentals	-	-	-	-	-	5,000	5,000	0%
Other Expenses	45,666	81,209	74,714	55,896	257,485	200,672	(56,812)	128%
Agency Admin Allocations	655,746	736,801	895,973	805,562	3,094,082	2,484,750	(609,332)	125%
Subtotal Transit Operations	\$10,506,670	\$10,932,793	\$12,057,570	\$10,807,566	\$44,304,600	\$50,268,270	\$5,963,670	88%
Depreciation & Amortization	1,899,677	1,926,070	1,925,480	2,208,083	7,959,309	7,274,169	(685,140)	109%
TOTAL TRANSIT OPERATIONS	\$12,406,347	\$12,858,863	\$13,983,050	\$13,015,649	\$52,263,909	\$57,542,439	\$5,278,530	91%

Regional Express Transit Operations Notes

Ridership Regional Express boardings have increased 18.5% over last year with total ridership increasing from 6.2M to 7.4M riders. This increase was achieved with only an 8.6% increase in total costs. 2003 boardings are slightly under forecast by 0.5% or less than 37K in riders.

Services are under budget by \$2.8M for the year. Much of the anticipated ramp up in fourth quarter expenditures did not occur. These included the Mobility Initiative Program which finished the year \$668K under budget. Also delayed were equipment maintenance expenditures underspent by \$509K, primarily related to the low-sulfur fuel conversion project delays. Interlocal agreements were under budget by \$260K as agreements for planning, technical assistance, outreach support and market development were not needed to the extent originally planned. Facilities maintenance was also underspent by \$733K as actual maintenance costs came in below budget. The remaining variance is related to various other elements such as signage maintenance, marketing-related services, transit planning, security, customer service and printing services.

Purchased Transportation Services are costs paid to transit partners for operating and maintaining ST bus services and comprise 89% of the 2003 transit operations budget before depreciation and allocations. Expenditures for 2003 are \$3.8M below budget. Approximately three-fourths of the variance, or \$2.8M, is due to lower maintenance costs, which include budgets for emergency services and other unforeseen circumstances.

Other Expenses are over budget because \$66K of utilities costs associated with the Tacoma Dome Station and South Hill were budgeted in the Facilities Maintenance account within the Services category but the costs are posting to the Other expenses category.

Agency Administration Agency administrative costs are allocated to each line of business as a split between capital and operations, depending on activity drivers. For Regional Express, agency administrative costs are lower on a combined basis in comparison to the Revised 2003 Budget. Allocations to capital are lower due to less activity than anticipated. Allocations to operations are higher due to changes in activity drivers that allocated more agency administrative costs to operations than were budgeted for.

Regional Express – Capital

Regional Express - Capital Outlays by Phase

For the Year Ended December 31, 2003

Current Year 2003

Phase	(Revised)	2003 actuals	2003 actuals	
	2003 Adopted	2003	(over)/under	
	Capital Plan	Actuals	2003 Budget	
	a	c	[b - c]	
			as % of	
			2003 Budget	
Agency Administration	\$5,830,161	\$4,494,503	\$ 1,335,658	77%
Prelim. Engineering/Environ Review	9,146,800	6,199,841	2,946,959	68%
Final Design	10,216,891	5,084,411	5,132,480	50%
ROW Acq. & Permits	12,196,900	8,372,692	3,824,208	69%
Construction	42,595,003	53,094,074	(10,499,071)	125%
Vehicles	-	2,055	(2,055)	0%
Contingency	2,373,637	-	2,373,637	0%
TOTAL	\$82,359,392	\$77,247,575	\$ 5,111,817	94%

Capital Plan 1997 - 2009

Phase	Adopted	Life-to-date	Contract	Budget	% Spent &
	Capital Plan	Outlays	Remaining	Remaining	Committed
	d	e	f	[d-(e+f)]	[(e+f)/d]
Agency Administration	\$49,550,829	\$22,983,485	\$758,497	\$25,808,846	48%
Prelim. Engineering/Environ Review	54,639,090	40,972,381	12,620,756	1,045,954	98%
Final Design	59,633,302	20,075,205	7,783,129	31,774,968	47%
ROW Acq. & Permits	74,395,344	36,937,198	495,070	36,963,076	50%
Construction	491,834,548	116,732,687	60,353,133	314,748,728	36%
Vehicles	83,634,300	58,135,811	2,000,000	23,498,489	72%
Contingency	157,871,595	-	1,000	157,870,595	0%
TOTAL	\$971,559,008	\$295,836,767	\$84,011,585	\$591,710,656	39%

Regional Express Capital Outlay Notes

Agency Administration Agency administrative costs are allocated to each line of business as a split between capital and operations, depending on activity drivers. For Regional Express, agency administrative costs are lower on a combined basis in comparison to the Revised 2003 Budget. Allocations to capital are lower due to less activity than anticipated. Allocations to operations are higher due to changes in activity drivers that allocated more agency administrative costs to operations than were budgeted for.

Preliminary Engineering/Environmental Review often includes a lengthy project definition stage given the conceptual nature of many of the projects. Delays in completing environmental processes associated with wetland mitigation and appeals have also impacted both budget and schedule. Legal challenges during the appeal period of the environmental process continue to delay certain projects and, negotiating permit requirements with local jurisdictions has and continues to delay schedules. Third-party and scope negotiations with partners continue to present a challenge. This phase finished below budget with actuals at 68% of the 2003 Budget.

Final Design activities have been delayed as preliminary engineering and environmental review phases were slowed in the I-90 Two-Way Transit Operations and SR-522 HOV Enhancement projects. Current underspending includes lower than budgeted final design expenditures on the following projects: Kirkland HOV Access Improvements and the Federal Way Transit Center and Direct Access projects. Phase spending is at 50% of the 2003 Budget.

ROW acquisition did not progress as expected during the fourth quarter. Expenditures finished at 69% of budget after being at 88% of budget through the third quarter. Major project variances include Kirkland HOV Access Improvements and Bellevue Direct Access. Budgeted ROW expenditures did not take place in 2003 for the Bellevue Transit Center Rider Services Building and the Totem Lake Transit Center. Delays were also experienced for the Federal Way Direct Access Project. These delays could potentially impact delivery of projects as scheduled in the 2004 Budget and beyond.

Construction spending was at 125% of budget, reflecting the accelerated schedules on several projects. As projects move ahead in schedule, the spending is commensurately ahead as well. While these projects are overspent in the current year, lifetime spending is in line with the total project budget. Projects reflecting this trend include Lynnwood Direct Access, I-405 at Bellevue and the Lynnwood Transit Center. The variance also includes a contractual \$3.5M payment to WSDOT for the SR900 P&R Arterial Ramp. This payment was originally budgeted to occur in 2004.

Contingency funds were included in the contingency phase of the budget to cover unanticipated project costs.

Link – Transit Ops

Link Transit Operations & Other Operating Costs

For the Year Ending December 31, 2003

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 actuals (over)/under 2003 budget	2003 actuals as % of 2003 Budget
Salaries & Benefits	\$ 140,594	\$ 170,590	\$264,784	\$288,346	\$ 864,315	\$ 1,014,643	\$ 150,328	85%
Services	17,071	34,341	73,805	204,277	329,494	906,160	576,666	36%
Materials & Supplies	30,503	30,471	20,660	52,503	134,136	110,050	(24,086)	122%
Insurance	-	-	21,429	56,207	77,636	190,700	113,064	41%
Purchased Transportation Svcs	-	-	-	-	-	-	-	N/A
Miscellaneous Expenses	26	-	1,285	6,428	7,739	122,523	114,784	6%
Leases & Rentals	-	-	-	0	-	-	-	N/A
Other Expenses	1,647	258	354	0	2,260	19,000	16,740	12%
Agency Admin Allocations	-	-	27,999	90,891	118,890	128,482	9,592	93%
Subtotal Transit Operations	\$189,841	\$235,660	\$410,317	\$698,652	\$1,534,471	\$2,491,558	\$957,087	62%
Depreciation & Amortization	549	549	351,918	630,174	983,190	782,960	(200,230)	126%
TOTAL TRANSIT OPERATIONS	\$190,391	\$236,209	\$762,235	\$1,328,826	\$2,517,661	\$3,274,518	\$756,857	77%

Link Transit Operations Notes

Ridership Tacoma Link began operations on August 22, 2003 and total ridership is in excess of 266K. Actual weekly boardings have exceeded expectations with actual weekday ridership of 2,170, ahead of the projected 2010 ridership of 2,000 weekday riders. With the exception of the transfer of \$158K startup costs from capital accounts in October, expenditures leveled off during the fourth quarter. Total expenditures finished the year at 77% of budget.

At the request of the ST Board, early morning service hours were extended at the end of October with no additional cost impact. Staff also developed a staffing plan and cost estimate to further extend hours on Friday and Saturday evenings; however, this service change has been deferred pending Board decision.

Salaries & Benefits in the fourth quarter reflect fully-staffed operations. Year-end expenditures finished the year at 85% of budget.

Services expenditures for the year are only 36% of budget, and \$221K (67%) of these costs represent transfers from capital accounts for startup, including: grand opening promotional services and ceremonies, electrical engineering consulting, preparation of guides, and other marketing services. Contracted maintenance services expenses for facility, vehicles, and stations were far below anticipated levels.

Material and Supplies expenditures for the year, in contrast to services, were 122% of budget. This is due to high front-end costs to prepare the maintenance facility for operations, including purchase of shop tools, equipment, furniture, staff uniforms and supplies.

Miscellaneous Expenses includes incidental funds which have been set aside to cover the operational portion of integrated testing and start-up. Only 6% of this budget was expended in 2003, most of this for training.

Other Expenses are primarily for electrical utility charges. However, traction power is contracted, and its costs are included in the Services category above.

Agency Administration Agency administrative costs are allocated to each line of business as a split between capital and operations, depending on activity drivers. For Link, agency admin costs are lower on a combined basis in comparison to the Revised 2003 Budget. Allocations to both capital and operations are lower due to less activity than anticipated.

Depreciation expenses finished the year over budget as much of the equipment, plus the furniture and fixtures, for the maintenance base was not budgeted, as it was not considered to be a capital expense, but rather charged directly to operations as a material purchase. Additionally, the budget did not include funds for depreciation of the O&M facility itself.

Link – Capital

Link Light Rail - Capital Outlays by Phase

For the Year Ended December 31, 2003

Current Year 2003					
Phase	(Revised)		2003 actuals	2003 actuals	
	Adopted	2003	(over)/under	as % of	
	Capital Plan	Actuals	2003 Budget	2003 Budget	
	a	c	[b - c]	[c/b]	
Agency Administration	\$17,317,802	\$14,498,533	\$ 2,819,269	84%	
Preliminary Engineering	6,094,473	2,136,041	3,958,432	35%	
Final Design	35,628,133	41,045,310	(5,417,177)	115%	
ROW Acq. & Permits	87,667,537	38,624,353	49,043,184	44%	
Construction	48,057,652	17,078,625	30,979,027	36%	
Vehicles	2,027,959	727,605	1,300,354	36%	
Testing and Start-Up	183,905	62,710	121,195	34%	
Contingency	-	-	-	0%	
TOTAL	\$196,977,461	\$114,173,177	\$82,804,284	58%	
Capital Plan 1997 - 2009					
Phase	Adopted Capital Plan	Life-to-date Outlays	Contract Remaining	Budget Remaining	% Spent & Committed
	d	e	f	[d-(e+f)]	[(e+f)/d]
Agency Administration	\$258,989,830	\$78,976,074	\$254,411	\$179,759,345	31%
Preliminary Engineering	108,678,554	79,683,330	4,888,925	24,106,298	78%
Final Design	145,381,677	121,590,098	15,738,667	8,052,913	94%
ROW Acq. & Permits	267,484,200	135,375,291	4,685,134	127,423,774	52%
Construction	1,352,105,679	64,289,885	146,718,431	1,141,097,363	16%
Vehicles	146,939,280	7,332,647	1,258,640	138,347,993	6%
Testing and Start-Up	836,800	190,805	116,019	529,976	37%
Contingency	128,300,000	-	-	128,300,000	0%
TOTAL	\$2,408,716,020	\$487,438,131	\$173,660,228	\$1,747,617,662	27%

Link Capital Outlay Notes

The FFGA for the Initial Segment was awarded in October 2003, preparing the way for the start of full construction in the fourth quarter. Since full construction work on the Initial Segment was previously scheduled to begin in July 2003, expenditures were under plan throughout the second half of 2003. Total current year expenditures for Central Link projects were at 63% of the Revised 2003 Budget.

During the fourth quarter, notice-to-proceed was issued for E-3 Busway (C700) and Operations & Maintenance Facility (810) contracts. The vehicle procurement contract (P801) was awarded in December 2003. All of the major construction and procurement contracts awarded for the Initial Segment in late 2003 were under budget. Construction of Tacoma Link project was completed in August 2003.

Agency Administration Agency administrative costs are allocated to each line of business as a split between capital and operations, depending on activity drivers. For Link, agency admin costs are lower on a combined basis in comparison to the Revised 2003 Budget. Allocations to both capital and operations are lower due to less activity than anticipated.

Preliminary Engineering FTA review of the North Link draft supplemental environmental impact statement (SEIS) was completed in September. Preliminary Engineering for this project is expected to begin in the spring. Project expenditures will remain relatively low until the start of this work. Airport Link expenditures also will not escalate until later in the year.

Final Design expenditures are ahead of budget for the Initial Segment in preparation for the start of major construction activities. The increase is due in large part to an extension of the Beacon Hill Test Shaft and geotechnical exploration programs and the corresponding extension to the design work for the Beacon Hill tunnel. Through the extension of the program, Sound Transit has been able to effectively lower risks associated with the tunnel construction.

ROW Acquisition & Permits Right of way acquisition efforts for the Initial Segment have experienced some delays during the year. Corrective actions were implemented in the fall and activities have accelerated, with expenditures at 44% of budget, up 14% in the fourth quarter.

Construction Full construction on the Initial Segment began in November. Although construction started later than planned, the schedule contains sufficient flexibility to mitigate any delays due to the later than expected FFGA award. Actual spending ended the year at 36% of budget. Contract closeout activity for Tacoma Link is expected to continue through the first or second quarter of 2004. This project is currently \$4.0M lower than budget for the construction phase.

Vehicle Expenditures for the purchase of light rail cars for Tacoma Link were essentially complete at the end of 2002. No new vehicle purchases are anticipated in the near term for Tacoma Link and this phase of the project ended the year under budget. The Central Link vehicle contract was awarded in December 2003.

Testing and Start-Up expenditures for Tacoma Link include system-integrated tests, rail activation, purchase of equipment, and other related start-up costs. This work is complete, and expenditures were under plan. \$157K for Tacoma's grand opening and other startup costs were transferred to transit operations in October.

Staff Operating Expenses

Agency Summary by Department

Staff Operating Departments - Before Expense Transfers & Transfers to Other Govts

For the Year Ended December 31, 2003

Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 Actuals (over)/under 2003 Budget	2003 Actuals as % of 2003 Budget
Executive Department	\$541,638	\$593,856	\$578,679	\$611,932	\$2,326,106	\$2,965,531	\$639,425	78%
Board Administration	131,459	144,710	122,156	137,249	535,573	658,674	123,101	81%
Legal Services	406,748	480,606	531,955	608,398	2,027,707	2,201,186	173,479	92%
Administrative Services	1,498,807	1,817,209	1,911,353	1,965,952	7,193,322	8,710,924	1,517,602	83%
Communications	952,299	1,276,000	1,468,574	1,298,672	4,995,545	6,410,874	1,415,329	78%
Finance & Information Technology	1,615,447	1,995,971	1,700,658	2,195,309	7,507,385	9,005,193	1,497,808	83%
Sounder	386,846	480,216	524,877	655,328	2,047,266	2,743,938	696,672	75%
Link	2,156,533	2,251,450	2,232,114	2,284,999	8,925,095	10,771,694	1,846,599	83%
Regional Express	869,509	901,596	889,870	867,253	3,528,228	4,124,983	596,755	86%
Non-Dept	802,828	752,191	793,311	832,373	3,180,704	3,233,911	53,207	98%
TOTAL	\$9,362,113	\$10,693,804	\$10,753,548	\$11,457,466	\$42,266,931	\$50,826,907	\$8,559,976	83%

Staff Operating & Other Expenses

For the Year Ended December 31, 2003

Budget to Actuals

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	2003 Actuals	2003 Budget	2003 Actuals (over)/under 2003 Budget	2003 Actuals as % of 2003 Budget
Salaries & Benefits	\$6,313,798	\$6,777,971	6,772,146	7,204,731	\$27,068,645	\$32,731,067	\$5,662,421	83%
Services	1,127,175	1,635,256	1,481,843	1,810,918	6,055,193	7,769,899	1,714,706	78%
Materials & Supplies	187,425	224,412	241,431	332,541	985,810	1,196,096	210,286	82%
Miscellaneous Expenses	206,184	520,305	703,889	538,665	1,969,043	2,394,917	425,873	82%
Leases & Rentals	560,191	535,181	562,012	557,613	2,214,997	2,261,715	46,718	98%
Other Expenses	246,747	307,693	284,464	323,998	1,162,901	1,621,840	458,939	72%
Depreciation	720,594	692,986	707,763	688,998	2,810,341	2,851,374	41,033	99%
Gross Staff Operating Expenses	\$9,362,113	\$10,693,804	10,753,548	11,457,466	\$42,266,931	\$50,826,907	\$8,559,976	83%
Expense Transfers	(6,308,750)	(7,385,509)	(7,536,525)	(7,915,337)	(29,146,120)	(35,440,034)	(6,293,914)	82%
Donation to Other Governments	-	-	-	2,566,677	2,566,677	-	(2,566,677)	100%
Net Staff Operating Expenses	\$3,053,364	\$3,308,295	3,217,024	6,108,805	\$15,687,488	\$15,386,873	\$2,266,062	102%
Other Expenses								
Transit-Oriented Development	-	24,013	3,215	-	27,227	440,000	412,773	6%
Debt Service Costs	50,260	43,460	46,709	46,709	187,137	2,610,383	2,423,246	7%
Planning & Development	1,106,283	1,853,407	1,389,372	32,018	4,381,080	12,527,330	8,146,250	35%
Total Other Expenses	\$1,156,543	\$1,920,879	1,439,295	78,727	\$4,595,444	\$15,577,713	\$10,982,269	30%
Grand Total Operating Expenses	\$4,209,907	\$5,229,173	4,656,319	6,187,532	\$20,282,932	\$30,964,586	\$13,248,331	66%

Staff Operating Notes

Salaries & Benefits finished the year \$5.7M under budget as the agency delayed in filling new and vacant positions. Additionally, the agency updated its long-term administration model to ensure the affordability of all its projects. This process included freezing some open and unfilled positions. The actual year-end headcount of 339 was below both the 357.5 targeted headcount and the 363.35 budgeted headcount.

Services finished the year \$1.7M under budget. General consulting services, computer system technical support, printing, market research, agency-wide training, and contract maintenance services all were not utilized to the extent budgeted. Temporary services finished the year \$0.2K higher than budget driven by increased needs across the agency. In some instances, open positions forced the utilization of temporary services to meet outstanding needs.

Materials & Supplies expenditures were \$0.2M under budget on lower than expected postage expenses and computer equipment expenses. With the network and operating system compatibility reviews completed, the agency has begun to purchase the necessary hardware for the agencywide computer replacement program.

Miscellaneous Expenses ended the year \$0.4M under budget. Staff training, travel, and employee relocation expenses were all under budget due to executive management spending controls.

Other Expenses include insurance, utilities, and taxes. This category completed the year \$0.4M below budget. Lower than expected costs for telephone system enhancements, coupled with lower than planned agency insurance premiums, both contributed to the positive variance.

Expense Transfers represent the allocated overhead dollars that are transferred to both capital and operating projects. Transfers were \$6.3M lower than expected as a result of overall lower expenditures in the staff operating departments.

Donation to Other Governments relates to contributions to WSDOT under an interlocal agreement in exchange for federal grant funds. Under the agreement ST receives grant funds, plus a handling fee, which it accounts for as agency revenues and the remittance of funds back to WSDOT are expensed in this category.

Other Operating Costs Notes

Transit-Oriented Development consists of real estate pre-development services including architectural, marketing feasibility cost estimating, partnering, station area planning, plus regulatory drafting services. There has been little activity to date.

Debt Service Costs includes bond interest expense not capitalized to capital projects, as well as amortization costs of bond issuance charges, and fiscal agent fees. The account completed the year \$2.4M under budget as the budget did not assume full capitalization as all of the annual expense was capitalized to projects.

Planning & Development mainly includes operational spending for Fare Integration and Phase II planning. Expenditures finished the year \$8.1M lower than budget for all Planning and Development projects.

Fare Integration spending was \$3.6M lower than budget. Contractor delays forced much of the **On-Board Survey** work into 2004, resulting in \$0.8M in lower spending. The projected deficit for the **Fare Transfer** reimbursements to partners is lower than originally estimated. Spending will end the year \$2.2M below budget. Also, there is \$0.6M in **Unprogrammed Funds** in this project.

Phase II Planning project spending proceeded, but at slower than anticipated rates. Spending did increase in the fourth quarter with the signing of the Puget Sound Regional Council support contract. The ST Board recently authorized additional Phase II planning work, and spending will increase dramatically in 2004. The agency did not financially participate in the SR 520 Bridge Replacement Project resulting in \$0.6M of budget savings.

Subarea Fourth Quarter Summaries

Subarea Revenue Summary

Millions YOES

2003 Tax Revenues	Snohomish	North King	South King	East King	Pierce	Total
December YTD Budget	31.2	74.7	45.3	67.9	41.7	260.8
December YTD Actual	32.9	70.1	49.1	69.1	46.8	268.0
\$ Variance	1.7	(4.6)	3.8	1.2	5.1	7.2
% Variance	2.1%	-6.2%	8.4%	1.8%	12.2%	2.8%
2003 Farebox Revenues						
December YTD Budget	1.4	-	1.4	5.0	4.3	12.1
December YTD Actual	1.2	-	1.7	5.2	3.4	11.5
\$ Variance	(0.2)	-	0.3	0.2	(0.9)	(0.6)
% Variance	-12.7%	0.0%	17.7%	4.2%	-21.3%	-5.3%
2003 Grant Revenues						
December YTD Budget	6.3	26.3	11.5	1.8	14.6	60.5
December YTD Actual	2.7	11.9	5.2	0.7	6.5	27.0
\$ Variance	(3.6)	(14.4)	(6.3)	(1.1)	(8.1)	(33.5)
% Variance	-57.1%	100.0%	-54.8%	-61.1%	-55.5%	-55.4%

Subarea Operating Expense & Capital Outlay Summary

Millions YOES

2003 Transit Operating Expenses	Snohomish	North King	South King	East King	Pierce	Total
December YTD Budget	9.1	-	16.1	27.0	28.8	81.0
December YTD Actual	7.4	-	15.4	24.6	26.5	74.0
Percent Spent	82.2%	-	95.8%	91.0%	92.2%	91.4%
2003 Capital Outlays						
December YTD Budget	33.2	131.2	130.3	44.4	89.6	428.7
December YTD Actual	109.3	81.8	65.9	39.7	56.9	353.6
Percent Spent	328.9%	62.4%	50.6%	89.5%	63.5%	82.5%
Lifetime Capital Outlays						
Lifetime Budget	437.4	1,688.5	1,123.4	604.0	537.3	4,390.6
Life-to-Date Actual	229.3	354.3	318.8	134.3	313.4	1,350.1
Outstanding Contracts	27.9	142.1	45.9	49.6	12.7	278.2
Percent Spent or Committed	58.8%	29.4%	32.5%	30.4%	60.7%	37.1%