



January 11, 2006

Mr. John Ladenburg, Chair
Board of Directors
Sound Transit
401 South Jackson Street
Seattle, WA 98104-2826

CHAIR

Karen Miller

VICE CHAIR

Dick Chapin

Dear Mr. Ladenburg:

The Citizen Oversight Panel has been observing with keen interest the unfolding of the ST2 planning process. We appreciated receiving the staff's comprehensive briefings on the ST2 finance plan and on the project selection process the Board is undertaking. The analysis of 81 projects with project descriptions, evaluation criteria, cost estimates, ridership and other information is an important body of work and provides a solid basis for the Board's decision process.

Patsy Tsui Bonincontri

Aubrey Davis

Bertha Eades

Don Green

Miriam Helgeland

Bill LaBorde

Paul Masten

Tom Ryan

Larry Shannon

Paul Wiesner

We are writing to let you know of a major concern we have about the financial capacity calculations that have been presented to date. We understand that more financial planning is underway and will be provided to the Board as project packages become available in the coming weeks. However, we believe that the current financial capacity estimates are overly optimistic for two reasons.

- The operating and maintenance costs of the existing transit services are projected to grow at 5% per year in the plan. This assumption does not reflect the actual experience of rate increases that Sound Transit has paid its transit contractors nor does it reflect the development of future service increments to meet the growing ridership demands. We believe a more realistic assumption is a growth rate of 8% to 10% per year. By our calculation (assuming 9% growth per year), this would represent an additional cost to the region of \$360 million by 2020.
- Regardless of any new service that may be added in the future, it is understood that Sound Transit will need two bus maintenance bases to accommodate system demand. The agency's estimated cost of \$140 million for these facilities and the related land is not currently included in the financial plan.

Together, these assumptions represent a \$500 million reduction in regional financial capacity for ST2. These figures are a very rough estimate, but we used the agency's financial model to arrive at them and believe the order of magnitude

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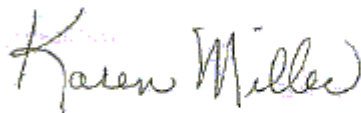
is correct. We do not attempt to break down the impact by subarea, but believe that some subareas will be much more affected than others.

The Panel understands that this information is being brought to the Board as part of your process of policy deliberation, but we are concerned that these may not be policy choices. These are basic assumptions about reality that will be there even if you choose not to include them in the plan.

In our *Sound Move Year 8* report in April 2005, COP previously reported to you our concern about the high cost of Sound Transit's transit operations and urged you to find ways to bring those costs down. We have previously expressed our belief that under the current model, O&M costs are unsustainable over time. The analysis described in this letter may be the early warning of that fact.

The other major lesson of *Sound Move* is, of course, the need for prudent and conservative cost estimating. We know you agree that the ST2 project programming decisions must be based on the most realistic of financial assumptions. We urge you to direct staff to incorporate realistic operating assumptions into the ST2 financial planning.

Sincerely,
CITIZEN OVERSIGHT PANEL



Karen Miller
Chair

Cc: Sound Transit Board
Joni Earl