

**SOUND TRANSIT FINANCE COMMITTEE**  
**Summary Minutes**  
**October 7, 2004**

**Call to Order**

Chair Kevin Phelps called the meeting to order at 12:15 p.m.

**Roll Call**

Chair

(P) Kevin Phelps, Tacoma City Councilmember

Vice Chair

(P) Jack Crawford, Kenmore City Councilmember

(P) David Enslow, Sumner City Councilmember

(P) Mark Olson, Everett City Councilmember

(P) Fred Butler, Issaquah Councilmember

(P) Jack Start, Mill Creek Councilmember

(P) Richard McIver, Seattle City Councilmember

(P) Pete von Reichbauer, King County Councilmember

Ms. Marcia Walker, Board Administrator, announced that a quorum of the committee was present at roll call.

**Report of the Chair**

Chair Phelps commented on the Proposed 2005 Budget Executive Summary distributed to Finance Committee members. He stated the report should include the various audits Sound Transit undergoes, i.e. Federal Transit Administration Triennial Review and that the summary should include the Sound Transit's newly selected investment team.

Chair Phelps then responded to Mr. Will Knedlick's public comment at the September 23, 2004 Finance Committee meeting regarding Sound Transit's bond issue and the Board's performance:

"At the September 23 Board meeting under public comment, Mr. Will Knedlik made assertions about Sound Transit's bond issue and the Board's performance that are not accurate. I am going to take a few minutes and address each one of his points.

(1) Mr. Knedlik asserted that because King County recently refunded bonds that Sound Transit should do the same.

Comparing our interest rate of 4.97% to King County's 4.19% is not appropriate. Mr. Knedlik was making an apples to oranges comparison of our existing bond issue to King County's September issue. This is inappropriate because Sound Transit's bonds are up to 30 years in length and King County's are up to 20 years in length and King County's credit rating is a bit higher than Sound Transit's.

(2) Mr. Knedlik asserted that Sound Transit paid what he called an "arbitrage penalty" to the IRS on the 1999 bonds.

Sound Transit has paid no "arbitrage penalty." The agency did make an "arbitrage rebate" payment of \$375 to the IRS due the fact that the agency received a grant for a project that was initially bond funded. The agency earned over \$2 million of interest in excess debt service on the 1999 bond issue; a great deal for the agency and for taxpayers.

(3) Mr. Knedlik asserted that Sound Transit Board has not appropriately provided oversight in the management of our existing debt by not refunding the 1999 bond issue.

This is not accurate. Interest rates, while low today, are not as low as when the agency issued debt in 1999. If the agency refunded the 1999 bonds today, the agency, and taxpayers, would lose \$11 million. The Board is very engaged with staff in managing the agency's debt program. This is substantiated by earlier this year we began a discussion of potential asset/liability policy elements. Today, staff at the Finance Committee's direction is presenting a final policy for this committee's approval. This policy combines many of our existing debt and investment related policies and incorporates new elements into a cutting edge consolidated document that is ahead of what many governmental agencies are doing."

Mr. Phelps indicated that the bond proceeds from 1999 have been used to finance projects in four out the five subareas. These funds have been instrumental in completing REX, Sounder and Link capital projects. Additionally, the issuance of these bonds has decreased the overall interest rate exposure for delivering Phase I of Sound Move to the taxpayers of the Puget Sound Region.

### **Chief Financial Officer's Report**

Mr. Hugh Simpson announced the next for the Audit and Reporting Subcommittee is scheduled in November and KPMG will attend.

There will be a 2005 Budget workshop on October 21, 2004 which will include the Transportation Services department, capital budgets, and Office of Policy and Planning.

### **2005 Budget Presentation**

Mr. Marty Minkoff, Transportation Services Director, and Mr. Mike Bergman, Transportation Services Program Manager, presented the 2005 Service Implementation Plan (SIP). They provided a memo to the Committee members addressing issues asked at the September 23, 2004 Board meeting.

Chair Phelps invited Redmond City Councilmember John Resha to address the committee. Mr. Resha stated support for Alternative 1 for Route 545.

Mr. Brian McCartan, Deputy Chief Financial Officer, and Mr. Alvan Ikoku, Senior Economist, presented an Overview of the 2005 Financial Plan.

### **Action Items**

#### **Items within Finance Committee Authority for Final Action**

Motion No. M2004-91 – Authorizing the Chief Executive Officer to execute a contract with Evans/McDonough Company, Inc. To provide, marketing, customer satisfaction and public opinion research services on an as-needed bases for a one-year contract term with two one-year options, for a total authorized contract amount not to exceed \$475,000

Mr. Phelps announced that this item was deferred at the September 16, 2004 Finance Committee meeting. Mr. Ric Ilgenfritz, Chief Officer of Corporate and Strategic Communications presented the staff report.

## Public Comment

None.

**It was moved by Mr. Crawford, seconded by Mr. Olson and carried by the unanimous vote of all members present that Motion No. M2004-91 be approved as presented.**

## Items for Recommendation to the Board

Resolution No. R2004-14 – Adopting an Asset Liability Management Framework for agency resources, including Asset Liability Management, Investment, Debt Management, and Debt Swap Policies, and superseding Resolution No. 97

Mr. McCartan presented the staff report.

**It was moved by Chair Phelps, seconded by Mr. Start and approved by the unanimous vote of all members present to defer action on Motion No. R2004-14 to the October 21, 2004 Finance Committee meeting.**

Motion No. M2004-98 – Authorizing the Chief Executive Officer to execute sole source contract amendments to what were originally competitively procured contracts with existing right-of-way services consultants – Alan House Associates, Doug Foley Associates, Escrow Affairs, Pharos Corporation, Comp Language, Greenleaf Valuation, Bruce Allen Associates, Universal Field Services, Gary Struthers, and Labonde Land, Inc. by extending their respective contract terms through December 31, 2005

Ms. Agnes Govern, Capital Projects Director, presented the staff report.

**It was moved by Mr. Crawford, seconded by Mr. Enslow, and carried by the unanimous vote of all members present that Motion No. M2004-98 be forwarded to the Board with a do-pass recommendation.**

Motion No. M2004-99 – Authorizing the Chief Executive Officer to execute sole source contract amendments to what were originally competitively procured contracts for professional service in support North Link Study advanced conceptual engineering with existing right-of-way services consultants - Alan House Associates, Doug Foley Associates, Escrow Affairs, Pharos Corporation, Comp Language, Greenleaf Valuation, Bruce Allen Associates, Universal Field Services, and Gary Struthers in an aggregate amount not to exceed \$450,000 with contract terms expiring June 30, 2005

Ms. Agnes Govern, Capital Projects Director, presented the staff report.

**It was moved by Mr. Crawford, seconded by Mr. Enslow, and carried by the unanimous vote of all members present that Motion No. M2004-99 be forwarded to the Board with a do-pass recommendation.**

## Next Meeting

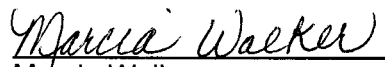
Thursday, October 21, 2004 there will be a budget workshop from 10:00 to Noon and a Finance Committee meeting from 12:00 to 2:00 in the Union Station Board Room, 401 South Jackson Street, Seattle, Washington.

**Adjourn**

There was no other business; the meeting adjourned at 2:10 p.m.

ATTEST:

  
\_\_\_\_\_  
Kevin R. Phelps  
Finance Committee Chair

  
\_\_\_\_\_  
Marcia Walker  
Board Administrator