

**SOUND TRANSIT
AUDIT AND REPORTING SUBCOMMITTEE
June 4, 2007 Meeting Summary**

Board members in attendance: Fred Butler (Chair), Mary-Alyce Burleigh, Dave Enslow, Richard Marin

Other members in attendance: Kathy Elias, Citizen Oversight Panel Consultant

Chair Butler called the meeting to order at 12:05 p.m.

1. Introduction

Chief Financial Officer Brian McCartan reviewed today's agenda with the committee.

2. 2006 Year-End Financial Statements and Schedule of Subarea Equity

Controller Kelly Priestley presented the 2006 Year-End Financial Statements. Total operating revenues for 2006 were \$21.5M, an increase of \$1.6M (8.2%) over 2005. Total operating expenses for 2006, excluding depreciation and loss on disposal were \$107.6M. Ms. Priestley noted that general and administrative costs were substantially flat, except for the write-off of overhead costs related to the delay in construction of Tukwila Station.

Non-operating revenues were \$369.1M, an increase of \$38.7M. This increase was primarily driven by strong sales tax performance and investment earnings, as well as increases in motor vehicle excise taxes.

Non-operating expenditures decreased, reflecting changes in the regional fare program, community development fund, and lower expenditures in planning. 2006 also includes a write-off from the Totem Lake project impairment. Board member Burleigh asked about why costs related to the project need to be written off if the agency may get reimbursed. Ms. Priestley advised that accounting rules state that the losses must be written off first; when recovery funds are received by the agency, a credit will then be entered into the accounting books as income.

The subcommittee discussed operations and maintenance costs for ST express and the factors led to an increase of 11% between 2005 and 2006, as stated on page 11 of the 2006 financial statements. Staff will respond to an inquiry from Ms. Elias regarding baseline service percentages for ST express. Ms. Priestley advised that the operating expenses by mode table on page 3 of the powerpoint includes general and administrative costs and O&M costs, whereas the tables on page 11 includes only O&M costs.

3. 2006 Auditors Reports from KPMG

Thomas Evert and Karl Erickson from KPMG presented the 2006 Auditors Report and explained the procedures the team with through to conduct their audit. They advised that the agency will be receiving an "unqualified opinion" once the financial statements are issued.

Mr. McCartan, Chief Executive Officer Joni Earl, and the subcommittee recognized and complimented the accounting and treasury team for their assistance in providing the auditors with the materials need to perform the audit work, as well as their attention to detail in allowing the agency to be given a clean audit.

4. 1st Quarter Asset/Liability Report

Senior Cash and Investment Analyst Jim Block provided the staff report. He noted that the restricted cash and investments decreased; money from the 2005A bond reserve fund was invested into a forward

delivery agreement. This agreement will give the agency a guaranteed 5.184% return through November 2030. Mr. Block and Mr. McCartan discussed with the subcommittee of a potential action requesting authorization from the board to issue debt.

5. 1st Quarter Financial Report

Budget Manager Pete Rogness gave the staff presentation. Net assets grew 14% over last year to \$2.705 billion. Total revenues for 1st quarter 2007 were \$94.8 million, and total expenditures were \$37.0 million.

In response to Ms. Elias, Mr. McCartan discussed the agency's strategy in investing money in-house versus participating more in the state and King County investment pools.

6. Next Meeting – September 2007 (date and time to be determined)

Chair Butler adjourned the meeting at 1:30 p.m.