

**SOUND TRANSIT
AUDIT AND REPORTING SUBCOMMITTEE
December 6, 2007 Meeting Summary**

Board members in attendance: Fred Butler (Chair) and Richard Marin

Others in attendance: Dick Chapin, Paul Wiesner, Kathy Elias

Chair Butler called the meeting to order at 11:05 a.m.

1. Introduction

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

2. 2006 State Audit Update

Controller Kelly Priestley gave the staff presentation. She announced that the audit team has completed its work and has scheduled a pre-exit meeting with management staff on December 10, 2007. It is expected that the agency will receive a clean, unqualified opinion from the auditors. The report will be published on December 17. A presentation on the audit report will be provided at the next Audit and Reporting Subcommittee meeting, sometime in February or March.

3. 3rd Quarter Asset/Liability Report

Senior Cash and Investment Analyst Jim Block provided the staff report and a background discussion about the subprime mortgage issues and their effects on the financial markets. He also discussed the effects on the King County Investment Pool, in which Sound Transit has some investments. In response to questions from Chair Butler regarding the downgrade in KCIP's commercial paper holdings, Mr. Block advised that options could include further reducing, if not, pulling all of its investments out of the Pool. At this time, Mr. Block and Treasurer Tracy Butler do not recommend pulling out all of the agency's money out of the Pool. For now, staff will monitor the Pool and the surrounding economic climate in determining the best course of action.

In response to Ms. Elias, Mr. McCartan and Mr. Block discussed the types of investments the agency is allowed to invest in. Ms. Butler advised that staff plans to revisit the investment criteria as part of the work plan for 2008.

Ms. Butler also provided an update on the bond market and the challenging climate related to the subprime mortgage issues. Having a strong credit rating benefited Sound Transit on the fixed-rate debt issuance; however, the variable-rate debt market has been very volatile. Mr. McCartan indicated that he would provide more information on the variable-rate debt market at the Finance Committee meeting later today.

4. 3rd Quarter Financial Report

Budget Manager Pete Rogness provided the staff presentation. In response to a question from Chair Butler, Agnes Govern, Executive Director of Operations, Projects, and Corporate Services, provided an explanation on why a number of discretionary maintenance programs are being deferred to the fourth quarter of 2007.

5. KPMG Presentation on 2007 Audit Plan

Thomas Evert and Karl Erickson from KPMG presented the 2007 Audit Plan.

Chair Butler welcomed Dick Chapin and Paul Wiesner, new Citizen Oversight Panel Chair and Vice-Chair, respectively.

In reference to the contract reports contained in the packet, Mr. McCartan requested that any suggestions on improving the way the contract reports are presented be sent directly to him or Ms. Priestley.

6. Next Meeting – TBD

Chair Butler adjourned the meeting at 12:02 p.m.