

**SOUND TRANSIT
AUDIT AND REPORTING SUBCOMMITTEE
March 19, 2009 Meeting Summary**

Subcommittee members in attendance: Fred Butler (Chair), Richard Conlin, Dave Enslow, Claudia Thomas, and J.D. Wessling (COP Vice Chair)

Chair Butler called the meeting to order at 11:41 a.m.

1. Introduction

Chief Financial Officer Brian McCartan reviewed today's agenda with the committee. He and External Reporting & Compliance Manager David Hammond provided an update on the State Auditor's risk assessment of Sound Transit, which will determine what area(s) to focus its next performance audits on. The State Auditor's Office is scheduled to complete its work by April 27, 2009.

2. 4th Quarter 2008 Asset/Liability Management Report

Assistant Treasurer Jim Block presented the 4th Quarter Asset/Liability Management report. During this quarter, the Federal Reserve lowered the Fed Funds rate three times, including an emergency meeting that resulted in lowering rates by 50 basis points. While this makes it cheaper to borrow money, it also lowers yields on US Treasury investments.

In response to questions from Boardmember Conlin, Mr. McCartan advised that funds for ST2 won't be collected by the state until April 2009 and received by Sound Transit until June 2009. Finance staff is analyzing whether the agency will need to borrow money in the short term later this year. Treasurer Tracy Butler stated that staff is also looking into other financing opportunities as a result of the recently passed federal stimulus package.

In response to questions from Chair Butler, Mr. McCartan provided a brief update on the AIG Lease In/Lease Out Agreement that is being negotiated with First Hawaiian Bank.

3. 4th Quarter 2008 Financial Report

Budget Manager Pete Rogness presented on the 4th Quarter Financial Report. Net assets rose 10% over 4th Quarter 2007, total liabilities declined 4% over the same period. The agency has a very healthy current ratio of 3.8 to 1, meaning that it has approximately \$3.80 in current assets for every \$1.00 in current liabilities.

In response to questions from Boardmember Conlin, Chief Executive Officer Joni Earl explained the significance of the capital spending reports and how they are used to help monitor the agency's cash flow and budget.

Total revenues for year to date actuals were 6% above budget, partly due to funds received from the federal government for the Central Link Initial Segment and landbank credits from WSDOT. Total expenses were 82% of year to date budget. However, sales tax revenues in 2008 were about 6% below budget. Both Snohomish and Pierce Counties were trending at 14% and 12% below budget, respectively. South and East King County subareas were trending slightly below budget, while North King County is trending slightly above budget.

Ms. Earl responded to questions from Boardmember Enslow regarding ridership numbers; it appears that while ridership is growing, it is not growing as fast as in previous years, due in part to the economic recession and decrease in gas prices.

Mr. Rogness advised that there is a possibility that staff may need to request a budget amendment for bus operations, which appears to be trending over budget.

4. Next Meeting – June 18, 2009

Chair Butler adjourned the meeting at 12:41 p.m.