



Washington State Auditor
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June 7, 2005

Tom Weeks, Ph.D., Chair, Board of Directors
Joel Horn, Executive Director
Seattle Monorail Project
The Securities Building
1904 Third Avenue, Suite 105
Seattle, WA 98101-1126

Dear Dr. Weeks and Mr. Horn:

Large-scale public construction projects that use taxpayer dollars and require significant future indebtedness certainly have our attention. We have a fundamental responsibility to citizens to ensure that public officials maintain good financial and legal stewardship over those projects' dollars.

With that in mind, we want to share our concerns and those of others about the viability of the Seattle Monorail Project, particularly the ability to finance it and meet projected costs. As you may know, the State Treasurer and some in the municipal finance community – including a few who are involved in the Monorail Project and stand to benefit – are deeply concerned about overly optimistic revenue projections, about the aggressive project scope, about what they believe has been a lack of openness, and about the potential effect of the project on taxpayers not just in Seattle but throughout the state.

Consistent with our audits of local governments, we will review some of these concerns in our forthcoming audit. For example, we intend to look at project representations and the description of specific revenues that will be dedicated to repay future bondholders.

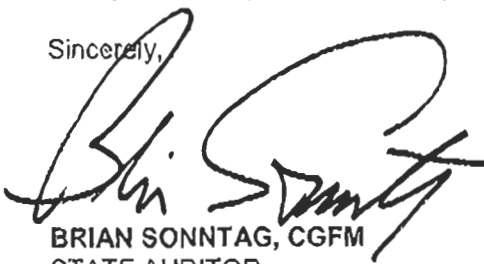
Concerns also have been raised regarding public disclosure. As we do in all our audits, we will look at the Monorail Project's compliance with the Public Disclosure Act and Open Public Meetings Act. We will focus on the restrictions and requirements on executive sessions, special meetings, meetings of Board subcommittees, and deliberations outside of regularly scheduled Board meetings. We note that you plan public hearings on the tentative agreement with Cascadia Monorail Company as required by state law. It indicates you understand that public entities that are open, accessible and forthright enjoy greater citizen trust and confidence and fewer audit issues.

The fairness of the Request for Proposal process is another issue we feel compelled to raise with you. The concerns of fairness that were brought to us remain despite the agreement with Cascadia. Questions have been raised whether Cascadia met all criteria in its response to the Project's request for proposal when other perspective bidders felt bound to follow the conditions. In fact, we read accounts that one contractor did not submit a proposal because of the RFP's requirement for liability insurance. If the contractor had known that certain criteria could be subject to negotiation or waiver, that contractor might have otherwise submitted a proposal.

The withdrawal of the Washington Group from the Cascadia consortium also poses significant questions. Since Cascadia's certification as a qualified vendor was based on its original structure, could it keep its status as a viable bidder? How did you evaluate Cascadia as a qualified vendor after the withdrawal? Should that evaluation have been aired in public? What requirements in the agreement relate to consortium's restructure? Because of the high cost of the project and the enormous present and future tax obligations on citizens, it is critically important that any successful vendor be solidly structured and financed.

Certainly, we are well aware of efforts to derail the Project. And we are taking no position for or against this endeavor. But we firmly believe we have an obligation to you and to the public to bring issues to your attention and to review concerns with high financial stakes to citizens. We look forward to working with you and other Monorail Project officials and staff in a constructive audit process beginning later this year.

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR

cc: Paul Tolliver, Board Member
Kristina Hill, Board Member
Cindi Laws, Board Member
Richard Stevenson, Board Member
Cleve Stockmeyer, Board Member
Richard Sundberg, Board Member
Susan Secker, Board Member
Steve Williamson, Board Member
Hon. Jeanne Kohl-Welles, Senator
Gregory Nickels, Mayor, City of Seattle
Jan Drago, President, Seattle City Council
Hon. Ed Murray, Representative, Chair, House Transportation Committee
Hon Mary Margaret Haugen, Senator, Chair, Senate Transportation Committee