TRANSBAY JOINT POWERS AUTHORITY

Report to the Board of Directors

For the Two-Year Period
July 1, 2002 to June 30, 2004 Audit

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Board of Directors
Transbay Joint Powers Authority
San Francisco, California

In planning and performing our audit of the basic financial statements of the Transbay Joint Powers Authority (Authority), as of June 30, 2004 and for the two-year period July 1, 2002 to June 30, 2004, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. The memorandum that accompanies this letter summarizes our communications with the Board of Directors as required by professional auditing standards.

The accompanying required communications are intended solely for the information and use of the Board of Directors, management and others within the Authority and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MACIAS GINI & COMPANY LLP

Macias, Gini & Company LLP
Certified Public Accountants
Walnut Creek, California

June 24, 2005

TRANSBAY JOINT POWERS AUTHORITY

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REQUIRED COMMUNICATIONS

Professional auditing standards require auditors to communicate with the audit committee, or its equivalent, on a number of subjects. The following information satisfies these requirements, and is solely for use of the Board of Directors of the Transbay Joint Powers Authority (Authority) and the Authority's management.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter March 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to its major federal program for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

II. Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms or our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. We noted no transactions entered into by the Authority during the two-year period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

III. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was accounts payable which is based on goods and services received but not paid for at June 30, 2004.

IV. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Authority's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed the following audit adjustments, which were recorded by the Authority, that in our judgment indicate matters that could have a significant effect on the Authority's financial reporting process:

- Adjustments totaling $817,469 to accrue expenditures and corresponding grant revenues to reflect financial activity incurred prior to June 30, 2004.
- Adjustments totaling $798,689 to recognize the revenue and related expenditures for in-kind contributions made by the San Francisco Redevelopment Agency to the Transbay Terminal Project.

V. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

VI. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VII. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

VIII. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.