

Sound Transit Citizen Oversight Panel Virtual Meeting Summary October 7, 2020

COP Members Present: Fred Auch, Scott Lampe, Dan Parker, Helen Powell, Bill Roach, Larry Sauvé, Joe Scorcio

COP Members Absent: Brett Johnson, James Peyton, Daniel Santon, Paul Thompson

Others Present: Shelly Brown, Kathy Albert, Katie Flores, Taylor Wilkerson

Financial Update and Subarea Equity

- Tracy Butler, Chief Financial Officer
- Ryan Fisher, Director of Financial Planning & Analysis & Budget
- Jeff Clark, Deputy Executive Director – Financial Operations

Tracy Butler, Ryan Fisher, and Jeff Clark discussed the Agency's 2019 financial statements, which, along with its subarea equity report, are audited annually. There were no findings for 2019, and no significant changes. One significant accounting pronouncement was made regarding interest expense. None of the 2019 results reflect the impacts of Covid-19.

Capital project spending was about \$2 billion, with active work on East Link, North Link, Lynnwood Link, Federal Way Link, and the Operations and Maintenance Facility East (OMFE). Operating expenses were up almost nine percent due to increases in purchased transportation and security costs. Operating revenue was up \$1.1 million due to ridership growth on Link, the ORCA Business Passport program, and the introduction of permit parking. Non-operating revenues, net of expenses, increased by 2.6 percent, reflecting increased tax revenues driven by a strong economy. No bonds were issued in 2019. Transportation Infrastructure Finance and Innovation Act (TIFIA) draws totaled \$100 million. The Agency's Statement of Net Position showed assets of \$15 billion and liabilities of \$3.1 billion.

Sound Transit is required to prepare an annual subarea equity report that lists revenues and expenditures by subarea. The report is created by independent accountants using guidance developed in 2010 in consultation with the COP. Total sources were up \$324 million from 2018, primarily due to increased revenue from taxes and grants. East King County utilized \$170 million of unallocated bond proceeds from the 2016 Green Bond issue. No additional bond proceeds remain unallocated. Total capital outlays in 2019 were up 51 percent from 2018. Interest and principal payments totaled \$137 million.

Internal Audit

- Patrick Johnson, Director – Audit

Patrick Johnson gave an update on the status of the Agency's internal audits for 2020. Five performance audits and three compliance audits have been completed to date. Six additional audits are expected to be completed by the end of October 2020. The procurement process for the 2020 performance audit on construction performance metrics management was cancelled due to Covid-19 closures and safety concerns, and will be carried over for completion in 2021. No additional performance audit will be performed in 2021. The 2021 audit work plan is expected to be completed by the time of the December 2, 2020, COP meeting. The COP will review the plan and provide written comments to the Finance and Audit Committee at its December 17, 2020, meeting.

Discussion

Financial Update and Subarea Equity - COP members noted the competence of the presenters and the importance of the issues they discussed. Financial presentations often raise broader questions that are more appropriately addressed by other Agency staff who aren't part of the current discussion. The importance of keeping track of such questions for follow up was noted. Subarea equity remains a complicated issue. South King and Pierce Counties have often expressed concern about distribution of resources. The COP reiterated its continuing support for a broader interpretation of subarea equity as the system - and its benefits - expands across the region.

Internal Audit – COP members appreciated the overview of a process that is integral to its work. There was discussion of how to become involved earlier in the process. The topic will be included in the COP's annual retreat in early 2021.

The summary of the September 16, 2020, COP meeting was approved.

Member Reports

None

2020 Focus Areas

- Adequacy and appropriateness of station access
- Monitoring and review of social equity, racial equity, fare enforcement, and inclusion policies
- Implications and impacts of emerging technologies
- Workforce development and measurement of outcomes
- Uses of peer comparison data
- Asset management plan progress
- Reliability and availability of federal, state, local, and third party funding sources
- Customer experience focus that includes the entire region and all of the transit agencies within it
- Customer experience metrics that focus more specifically on the customer experience
- Safety performance and function
- Contingency planning and disaster preparedness
- Cost management for the System Expansion Implementation Plan
- Impacts of Covid-19 on system operations and program realignment
- Program realignment, interagency cooperation and interoperability

Outstanding Questions

None

Next Virtual Meeting: Wednesday, October 21, 2020, 8:30 – 11:00 AM