

Finance Division Review

Community Oversight Panel

July 9, 2025

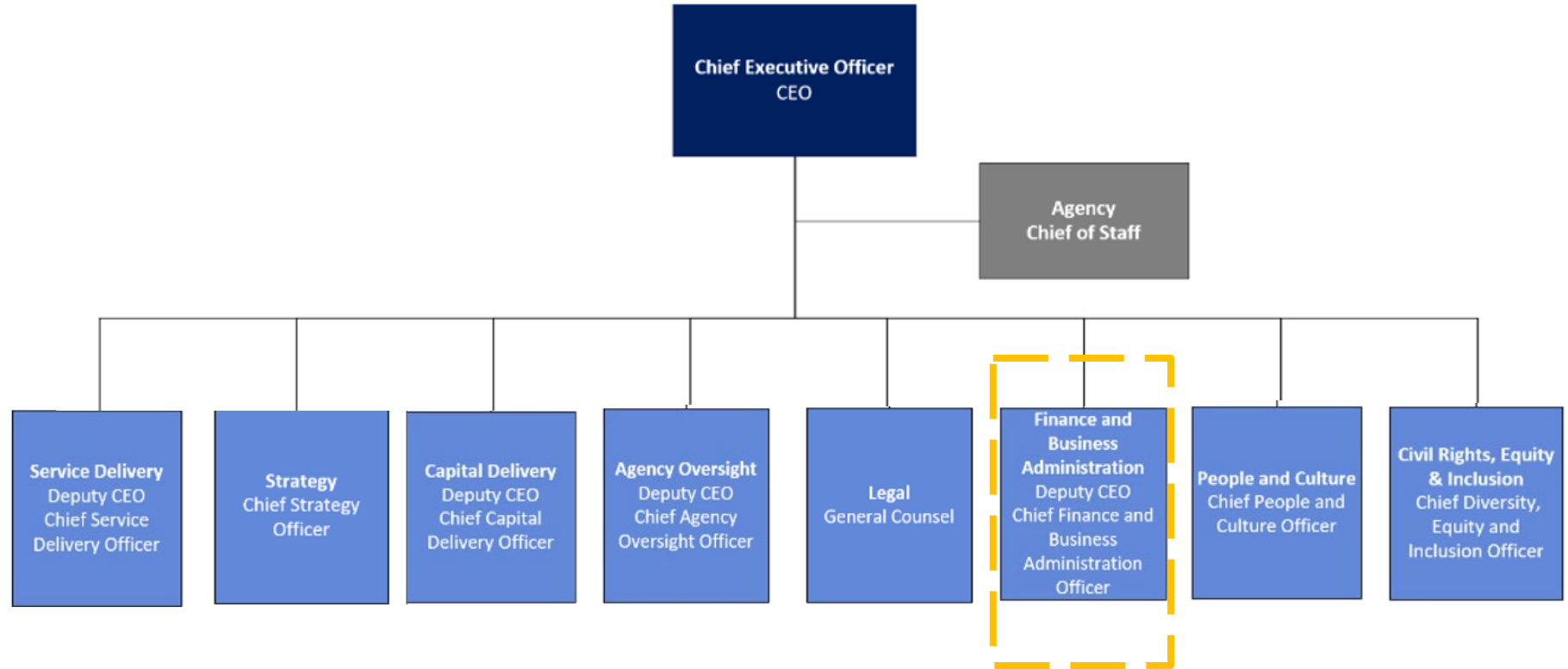


Agenda

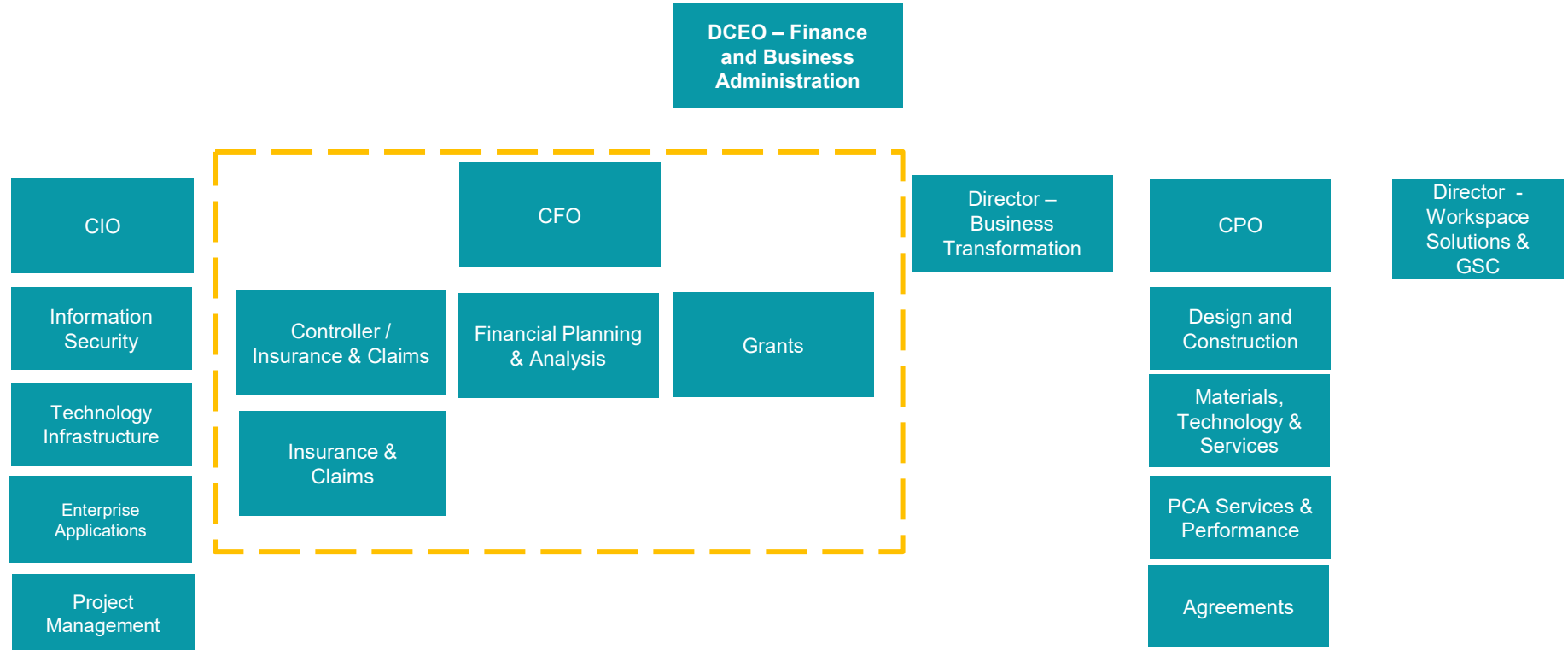
- Our Organizational Structure
- The Controller's Office
- FP&A and Budget
- The Budget, TIP and Long-Range Financial Plan
- Grants Organization and Strategy for LRFP

Our Organizational Structure

Sound Transit Agency Structure

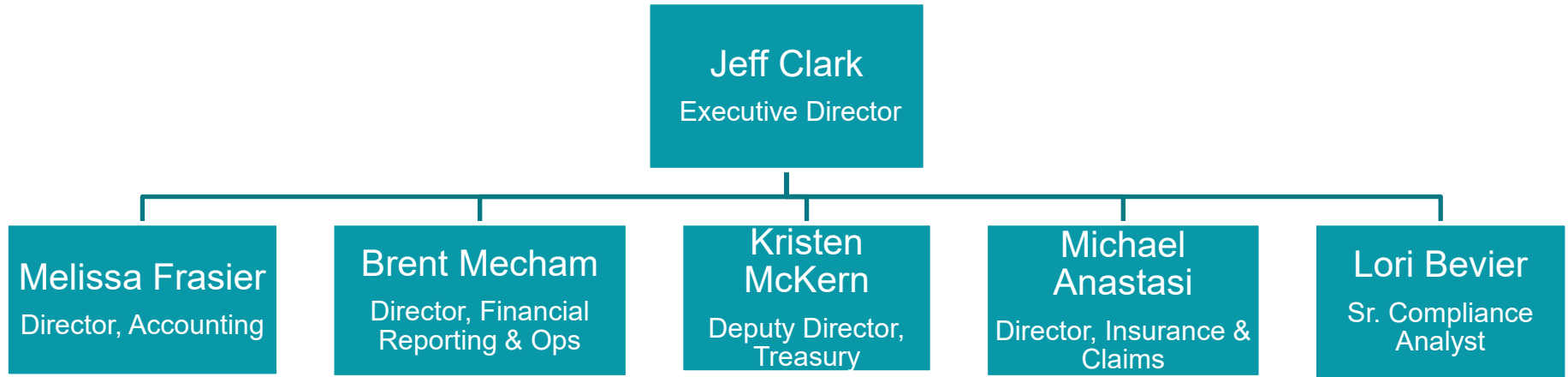


FBA Organizational Chart



The Controller's Office

Controller Team



Fixed Asset and Grant Accounting Team

Melissa Frasier

- **Key Deliverables**

- Ensure expenditures are eligible for draw
- Tag expenditures for draws (264M in 2024)
- Compliance reporting to the FTA
- Prepare and submit draw packages for all grants and TIFIA loans
- Prepare agency invoices monthly and managing AR aging
- Fixed Assets, \$16 B balance
 - Manage asset database in the system (Additions, disposals, depreciation)
- Construction in Progress (CIP), \$7 B balance
 - Review CIP expenditures for accuracy
 - Tag expenditures

- **Initiatives**

- Prophix
- Service Delivery Projects/Asset numbers in advance
- Lead Agency wide collaboration to drive process and system synergies
- Ensure CIP/Fixed Asset team capitalizes assets at revenue service date
- Prepare for new ERP system

Financial Reporting Team

Brent Mecham

- **Key Deliverables**

- Performs financial close, prepares financial statements and facilitates external and internal audits
 - Audited Financial Statements-Audited by Crowe
 - Single Audit -Audited by Crowe
 - Annual Report-Audited by Crowe
 - NTD reporting-Agreed Upon Procedures by Crowe
 - Subarea reporting-Agreed Upon Procedures by Crowe
 - State of WA State Auditors Office annual audit
- Financial Operations
 - Payroll
 - Paychecks/Timesheets/Leaves/PTO/System maintenance
 - AP, Travel and Expense Reimbursements
 - Timely and accurate processing of Agency payments
 - Concur, expense reimbursements

- **Initiatives**

- ERP/EAMS
- Implementation of Project MOST in current systems
- Ongoing progress on prompt payment education and processes

Treasury Team

Kristen McKern

- **Key Deliverables**

- Daily Cash Funding of Agency Operations
- Investment Portfolio
- Debt portfolio
- Debt issuance, refundings, and remarketings
- Maintain important Agency relationships with credit rating agencies, investment banking team, operating bank and investment advisor

- **Initiatives**

- Support of financing strategy work
- Development of approach to :
- Floating Rate Notes require a remarketing or pay off 11/25
- Other opportunities as the market warrants
- Debt software procurement

Insurance and Claims Team

Michael Anastasi

- **Key Deliverables**

- Insurance Programs for Heavy Rail, Light Rail and Agency operations
- ROIP program renews in November
- AOIP program renews in May
- Claims
- Calculate Contractual Liability for all Agency contracts

- **Initiatives**

- OCIP
- Appraisals in support of the AOIP renewal
- Insurance Broker RFP

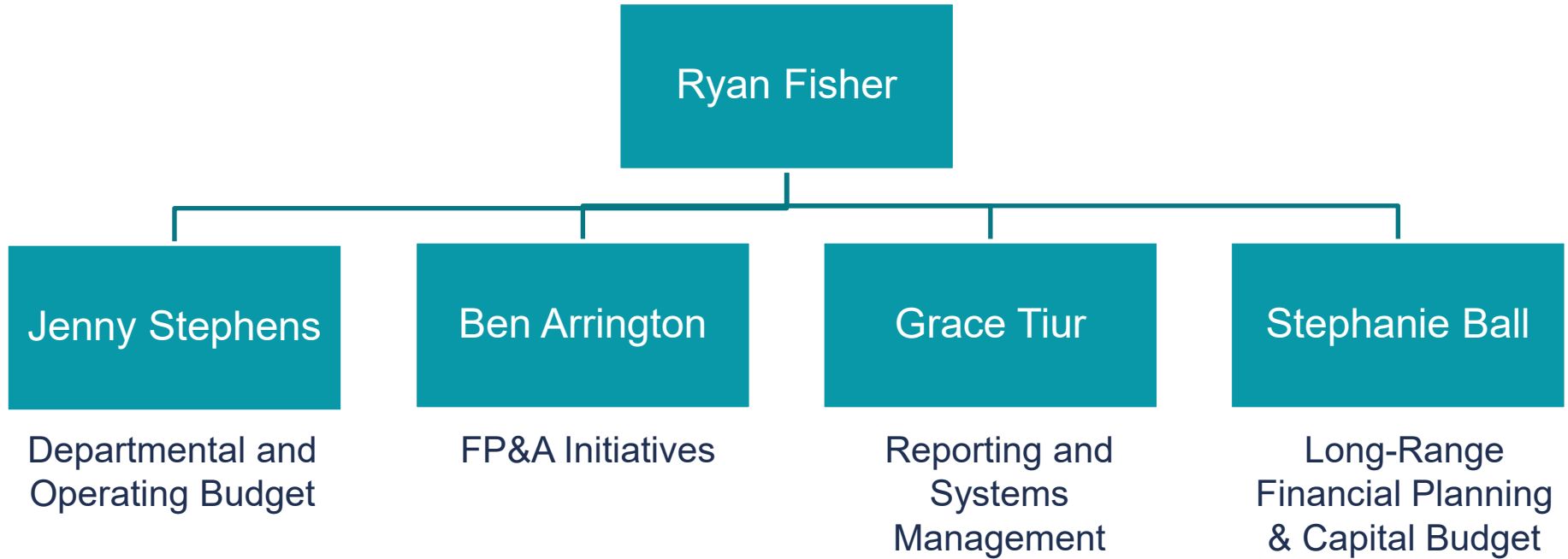
Compliance Team

Lori Bevier

- **Key Deliverables**
 - Program manager for the financial audits and related State Auditor work
 - Spend control and delegated authority (approval routes, etc.)
 - Contract oversight for key Agency contracts (department of revenue and department of licensing)

Financial Planning & Analysis/ Budget Team

Financial Planning & Analysis Team



Financial Planning & Analysis Team

- **Key Deliverables**
 - Annual, Board approved, published budget
 - Annual, published long-range financial plan
 - Monthly and quarterly reporting
- **Key Projects for 2025**
 - Support the Enterprise Initiative
 - Enhance reporting
 - Rebuild debt model
 - Budget policy refresh

Departmental and Operating Budget Team

Jenny Stephens

- **Key Deliverables**
 - Annual, Board approved, published budget
 - Consolidate operational budgets
- **Initiatives**
 - Lead agency budgeting process improvements
 - Identify key financial performance measurements
 - Advance zero-based budgeting and cost-driver identification (Ben Arrington)

Reporting and systems management team

Grace Tiur

- **Key Deliverables**
 - Manage budgeting and forecasting system (Prophix)
 - Support ERP / EAMS project
- **Initiatives**
 - Enhance reporting
 - Support dashboards buildout
 - Support ERP / EAMS project

Long-Range Planning and Capital Budget Team

Stephanie Ball

- **Key Deliverables**
 - Annual, published long-range financial plan
 - Consolidate project budgets and reporting
- **Initiatives**
 - Rebuild debt model
 - Develop financing strategy
 - Support capital budget development and enterprise initiative discussions

Budget and Long-Range Financial Plan

2026 Budget, TIP, and Long-Range Financial Plan

Budget 2026

Board Approved

Annual Budget of revenues, sources, and expenditures for 2026.

Transit Improvement Plan (TIP) to 2031

Board Approved

Authorized Allocation (lifetime) for all active project costs, including past actuals. (Includes pre-baselined and baselined projects, as well as service delivery projects.)

Long-Range Financial Plan (2017 – 2046)

Includes Sound Move, ST2, and ST3 sources and uses through 2046.

Financial Management Policies

- Voter approved financial policies mandate agency financial management
- Financial plan maintained on consolidated agency wide basis – all revenues, all expenditures
 - Individual funding project plans derived from total plan
- No sunset on local taxes
 - Tax rollback provision

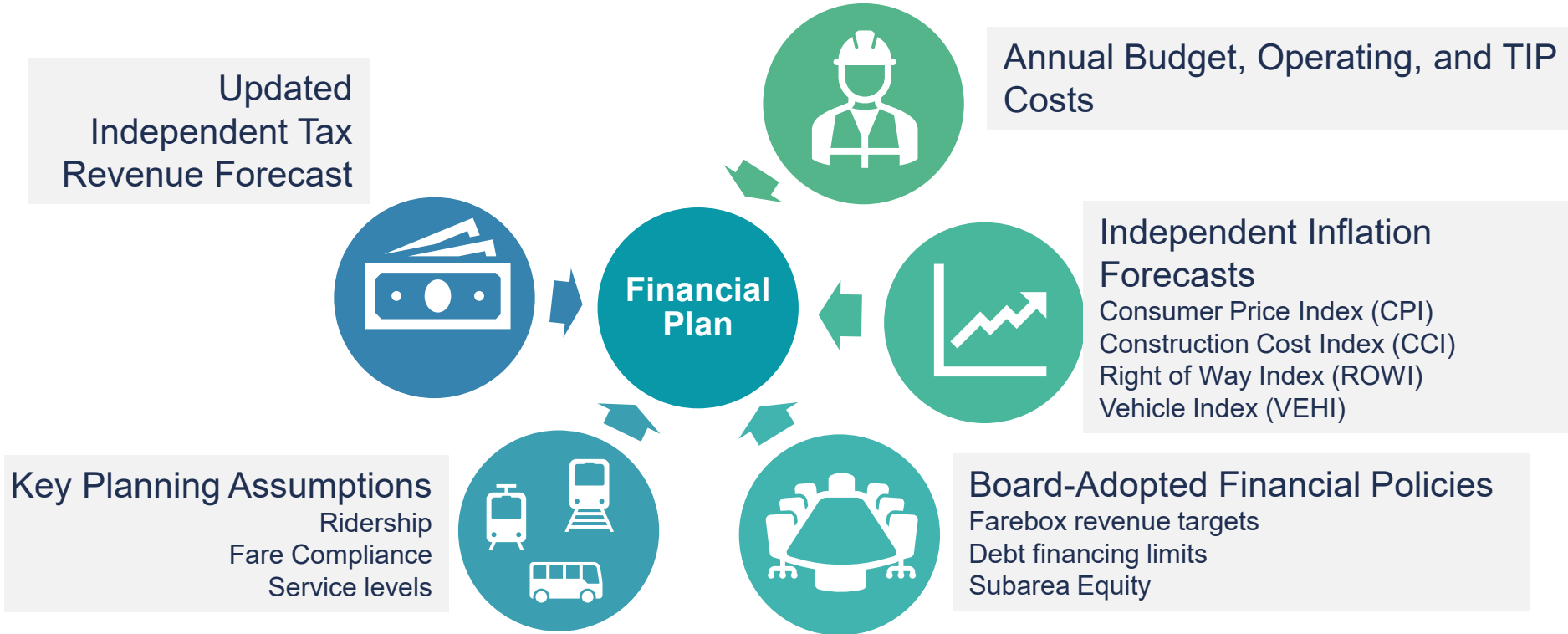
Building the Financial Plan

- Local tax revenues + fare revenues, misc. revenues + Federal Grants/Loans
- Minus capital outlays, O&M, reserves, SOGR
- Equals Initial Balance
- If Deficit, issue bonds
- Bonding Capacity determined by three limits
 - Covenants with bond holders (“gross coverage”)
 - Covenants with Feds on TIFIA
 - Legal debt capacity under state law (5% of assessed value)
 - 1.5x net coverage (board policy)

Plan Built Upon Subarea Equity

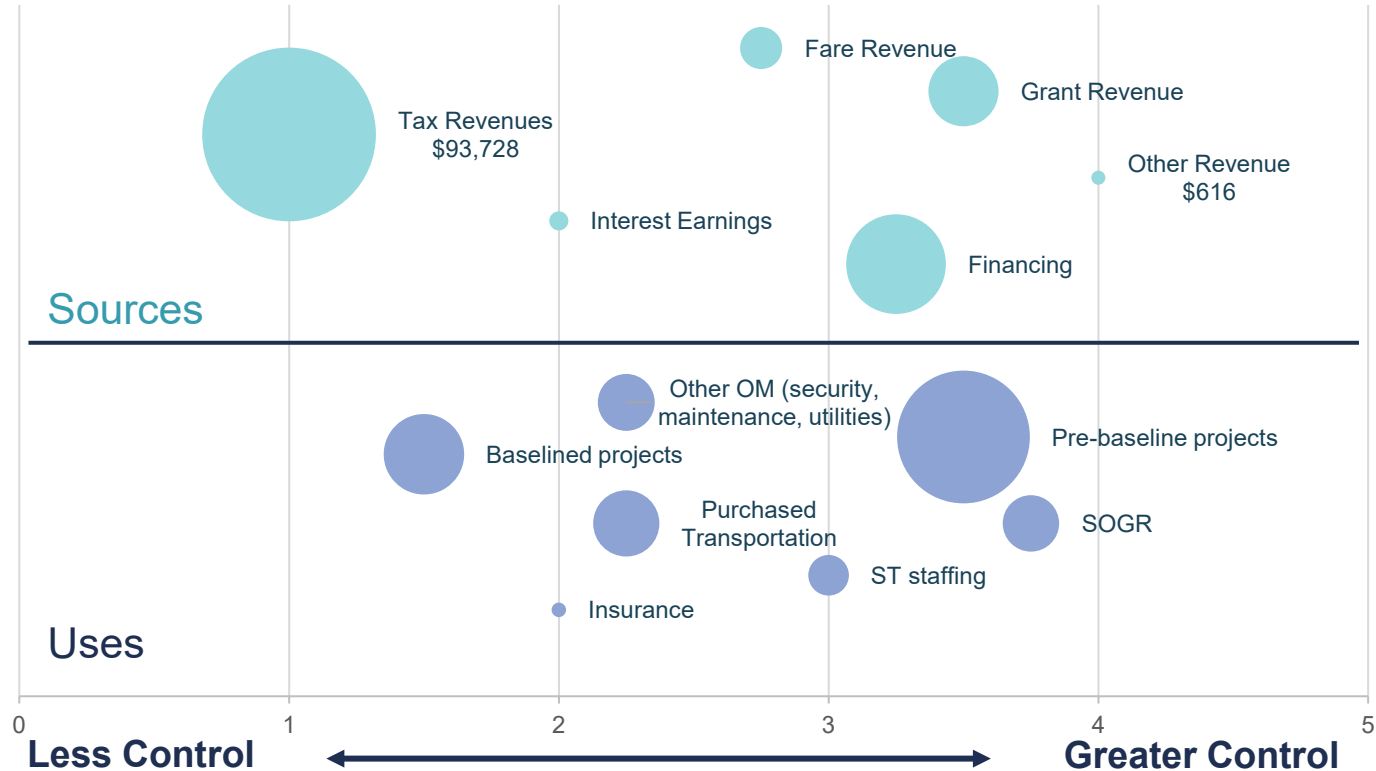
- The five subareas are defined as Snohomish County, North King County/Seattle, East King County, South King County, and Pierce County.
- As defined in voter approved plan, subarea equity:
 - *“equity is defined as utilizing local tax revenues for projects and services...in each subarea generally in proportion to the level of revenues each subarea generates”*
 - *“If a subarea’s actual and projected expenditures exceed its actual and projected revenues and funding sources by 5%”, the board must scale back program, extend time period for completion, or seek legislative/voter approval for additional resources*

Long-Range Financial Plan Inputs



Risk Management

Pre-baselined projects have the largest intersection of magnitude and control.



Net Debt Service Coverage Ratio (DSCR)

Current minimum Net DSCR is 1.56x

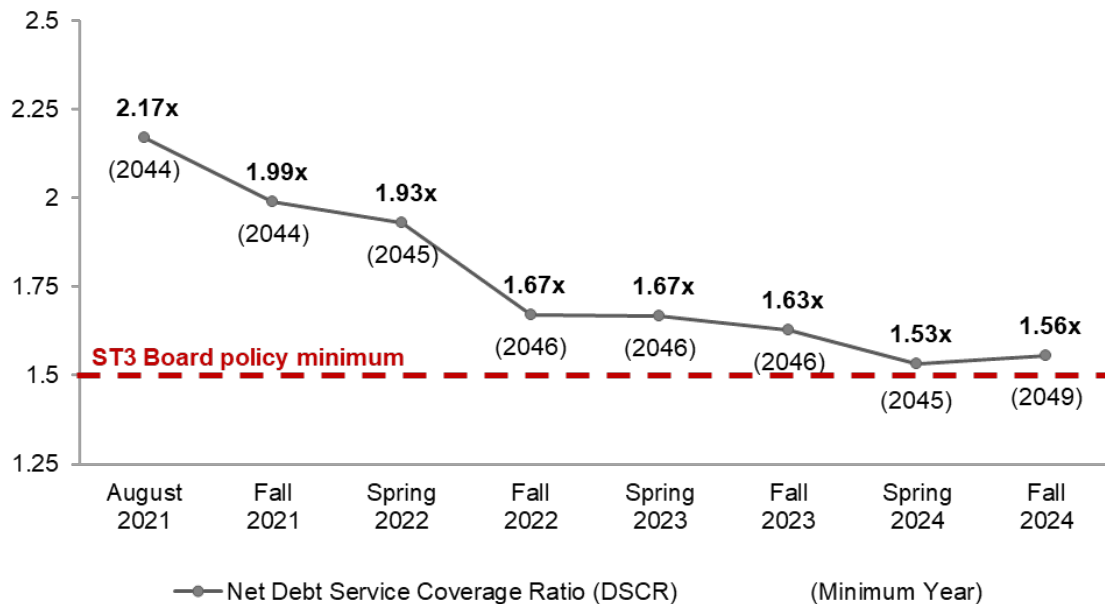
Debt Service Coverage Ratio (DSCR):

the agency's ability to repay debt after paying annual operating costs.

ST3 Board Financial Policy: *requires an average debt service coverage ratio of 2.0x for net revenues over annual debt service costs, and not to fall below 1.5x in any single year.*

Current unmitigated trajectory:

*DSCR projected to decline to **1.56x** in 2049 ("pinch point"), very close to the current agency policy minimum.*



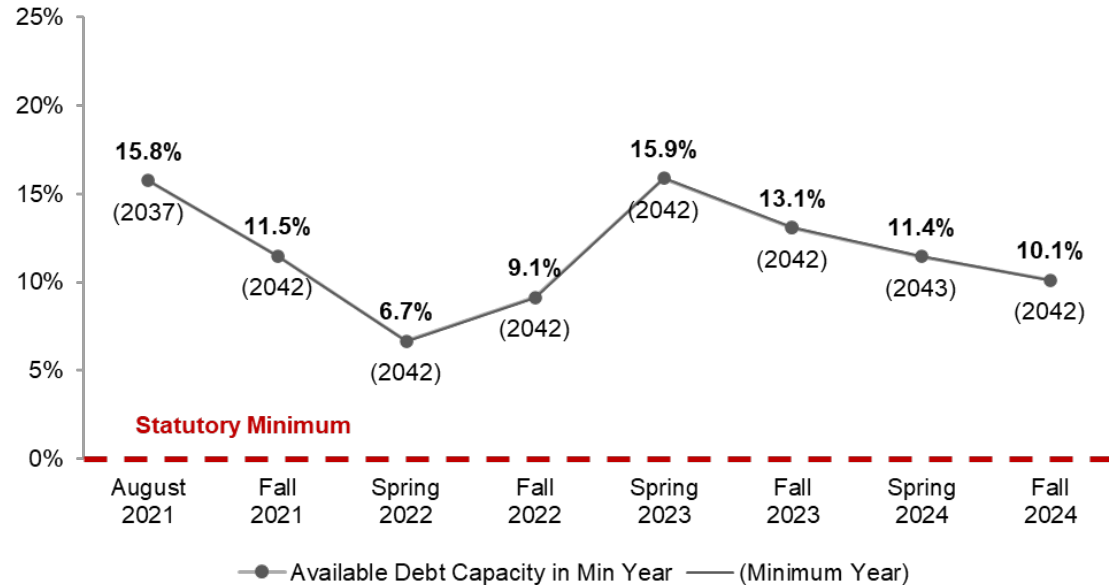
Debt Capacity

Current minimum remaining available debt capacity is 10.1%

Debt Capacity: the agency's ability to issue new debt.

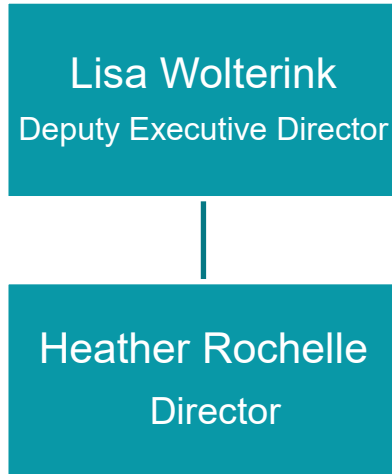
Legal Limit: total debt is constrained by state law not to exceed 1.5% of the assessed value of real property in the Sound Transit taxing district.

Current Trajectory: debt capacity is projected to fall to **10.1%** in 2042 ("pinch point").



Grants Organization and Strategy

Grants and Federal Loans



Key Deliverables

- Develop grant and loan strategy for Financial Plan;
- Write grant and loan applications & proposals;
- Lead compliance with grant and loan requirements (required reporting, audits/reviews, etc.)

Background on Grants and Grant Strategy

1. **ST's Federal Funding Plan** – lists projects planned to be “federalized” (e.g. NEPA and federal contract clauses) and eligible for federal grants/loans vs funded with local sources.
2. **Annual Grant Strategy and CIG Strategy** – tracks current, planned and considered grant applications annually (i.e. 2025 Grant Strategy).
3. **CIG / FFGA Scenarios and Timing** – monitors CIG Strategy, with timing and amounts of future FFGAs.

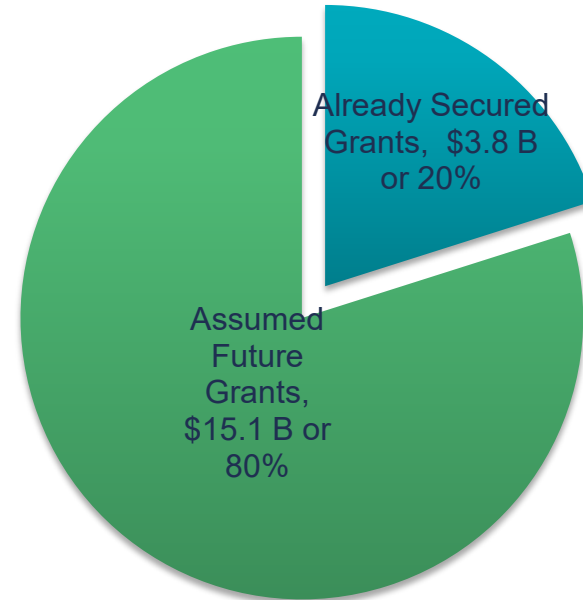
Forums to discuss grant and loan related matters:

- Grants strategy discussed at Bi-Weekly Federal Funding meetings.
- Updates to the Long-Range Financial Plan.

Grant Revenue Assumed in Fin Plan - \$18.9B

- ST's Financial Plan assumes grant revenue of \$18.9B through 2046.
- \$3.8B is already secured (20%) and \$15.1B (80%) is assumed future grants.
- ST has also secured \$4.2B of loans

Grant Revenue in Fin Plan
(2017-2046)



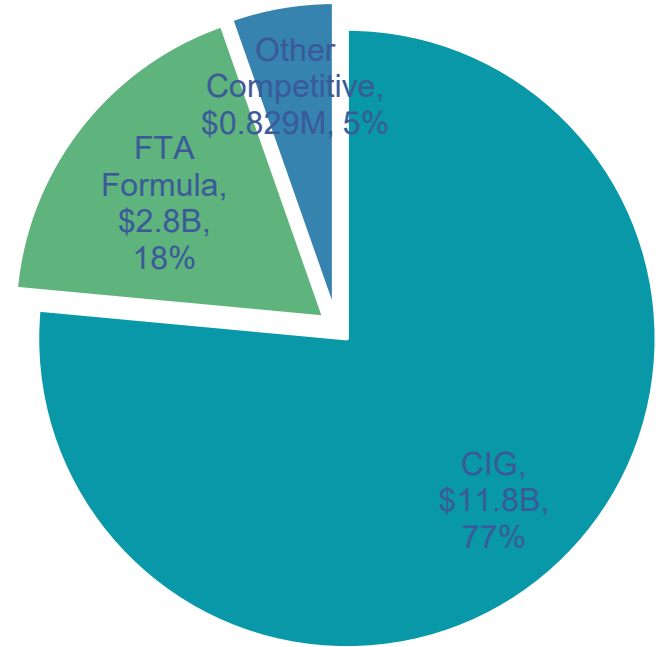
Sources of Assumed Grant Revenue

Grants assumed from 3 categories:

1. Capital Investment Grants (CIG) – 77% (\$11.8B). CIG grants are paired with TIFIA Loans.

2. FTA Formula funding – 18% (\$2.8B) distributed by formula via PSRC, based on service.

3. Other Competitive – 5% (\$829M) National/regional grant competitions.



Risks & Opportunities

Risks

- Uncertainty of federal funding/staffing in near term.
- Overall federal share is low (<25% of capital program), but ST has multiple large CIG grants around the same time (2029-2031), requesting high annual appropriations.
- FTA Formula funding is based on ST's service projection. Project delays or reductions in service (ie less frequent headways) impacts FTA Formula funding.

Opportunities

- FTA Formula funding and Other Competitive grant assumptions are modest, mitigating some of the risk of the CIG assumption.
- Potential for additional/new TIFIA and RRIF loans.

Thank you.



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