



Summary Minutes

Finance and Audit Committee Meeting December 16, 2021

Call to order

The meeting was called to order at 11:03 a.m. by Committee Chair Nancy Backus virtually on WebEx.

The meeting was streamed on

<https://soundtransit.webex.com/soundtransit/onstage/g.php?MTID=e856f3cb87d52ab255a5080456df87470>

Roll call of members

Chair	Vice Chair
(P) Nancy Backus, Auburn Mayor	(P) Bruce Dammeier, Pierce County Executive

Board Members	
(A) Dow Constantine, King County Executive	(P) Dylan Counts, WSDOT Secretary alternate
(P) Joe McDermott, King County Councilmember	(A) Ed Prince, Renton Councilmember
	(P) Dave Somers, Snohomish County Executive

Josephine Gamboa, Board Relations Specialist, announced that a quorum of the Committee was present at roll call.

Report of the Chair

Mayor Backus stated Deputy CEO Mary Cummings would be serving as Acting Chief Financial Officer (CFO) until a new CFO was hired. The search for the CFO would follow the CEO transition.

CEO Report

Deputy CEO Mary Cummings gave the CEO Report in CEO Rogoff's absence.

Federal Update – Congress had reached an agreement to fund the government through February 18, 2022, ahead of the expiration of existing appropriations. The Continuing Resolution was clean and featured almost no changes to existing spending and saved for an extra \$7 billion to cover cost of resettling Afghan refugees who were evacuated after the U.S. withdrawal last September. With existing Full Funding Grant Agreements for Lynnwood Link and Federal Way Link, the agency was expecting to receive \$100 million for each project, pending final resolution of FY 22 spending. Democrats in the Senate continued to negotiate provisions of the Build Back Better Act (BBBA). Within the BBBA, there was \$10 billion for the Affordable Housing Access Program, which was a joint initiative of the Department of Transportation and U.S. Department of Housing and Urban Development to improve access to affordable housing and mobility for low-income riders. The agency would be well positioned to benefit from the legislation, if it passes, through the agency Equitable Transit Oriented Development program,

State Update – Senator Marko Liias would be the incoming chair of the Senate Transportation Committee in Olympia when the session starts in January 2022. Senator Liias represented the 21st

Legislative District and had been the Floor Leader in the Senate, which was a position that would likely go to Senator Jamie Pederson from the 43rd. Senator Liias replaced Steve Hobbs who was appointed to fill the vacant Secretary of State position.

Over the previous week, Senator Pedersen pre-filed Senate Bill 5528, which would allow the agency to increase regional taxes within an enhanced service zone to generate additive project funding within a localized area inside the Regional Tax Authority, much like a local improvement district. The agency was conducting a full analysis of the legislation.

On December 15, 2021, the Snohomish County Council voted on appointments to the 44th Legislative District following Steve Hobbs' appointment to Secretary of State. John Lovick, State Representative and former Sound Transit Boardmember, was appointed to fill the Senate seat and Brandy Donaghy was appointed by the Snohomish County Council to serve in the Washington State House of Representatives.

Concrete Strike Update – DCEO Cummings reminded the committee of the concrete delivery issues due to striking concrete delivery drivers. The teamsters had ratified their multi-craft master labor agreement with the Association of General Contractors while Gary Merlino Construction (GMC) was negotiating with the Teamsters separately and had been unable to reach an agreement. Thirty-four dump truck drivers went on strike against GMC and on December 3, 2021, they were joined on the striking picket line by concrete drivers from Stoneway Concrete, which GMC also owned. The Federal Way Link Extension, Downtown Redmond Link Extension, and Lynnwood Link Extension projects had all been affected. Additionally, discussions between the Teamsters Local 174 and the Washington Aggregates & Concrete Association had stalled and the parties were no longer negotiating towards a new Collective Bargaining Agreement. As a result of the strike and the stalled negotiations, Sound Transit had missed 500 concrete truck deliveries and would continue to experience delays to contract milestones. Alternative concrete suppliers were not available within the project areas so the project impacts would continue until the labor issue resolved. An additional impact of the strike was possible lay-off of other craft workers from the projects. Workers such as Cement Masons, Iron Workers, Carpenters, and Laborers who were all involved in the forming and placement of concrete could be laid off if there was no concrete delivered to the projects.

Public comment

Chair Backus announced that public comment would be accepted via email to emailtheboard@soundtransit.org and would also be accepted verbally.

There were no written comments.

The following people provided verbal public comment:

Brian Meyers – Mr. Meyers was not in attendance during the public comment period of the meeting.

Citizen Oversight Panel presentation to the Finance and Audit Committee

Citizen Oversight Panel Chair, Larry Sauvè, provided the report. He advised that the Citizen Oversight Panel was charged with monitoring the seven major areas of Sound Transit's performance. He informed the Committee that the panel reviewed the 2022 Audit Plan and supported the topics proposed, namely SCADA.

Chief Financial Officer Report

Acting Chief Financial Officer and Deputy CEO, Mary Cummings, introduced the report. Ryan Fisher, Deputy Executive Director of Financial Planning, Analysis, and Budget provided the October year-to-date (YTD) tax revenue performance stating tax revenues were up 19 percent or \$273 million over

budget. Sales tax revenue was up 23 percent or \$241 million over budget. MVET was up 11 percent or \$30 million over budget. Rental car tax was up 91 percent or \$1.3 million over budget. Property tax was right at budget. Year-end trend was expected to be around 19 percent over budget.

October YTD ridership was \$7.4 million under forecast. Ridership for all modes continued to trend upward despite being under forecast. Ridership declined from 2019 to 2021 October YTD. Total System ridership was down 67 percent, Link down 60 percent, ST Express down 71 percent, Sound down 85 percent, and Tacoma Link down 63 percent.

YTD fare revenues and farebox recovery were \$21.2 million under budget with year-end forecast expected to be \$29.4 million under budget. October YTD transit modal operating expense was \$20.5 million under budget with year-end forecast expected to be \$22.5 million under budget. Performance variance was mainly due to partner reconciliation credits, higher than planned vacancies, and timing of Downtown Seattle Transit Tunnel (DSTT) transition.

YTD System Expansion projects were \$372.2 million under budget. Link represented 84 percent of the System Expansion budget. Link was \$235.4 million under budget mainly due to delayed and deferred construction on FWLE. DRLE right-of-way (ROW) was pushed to 2022 and slower ramp up of construction. Slower light rail vehicle (LRV) Fleet Expansions schedule recovery due to commission issues leading to slower milestone payments. Sounder was \$27.2 million under budget mainly due to Sounder Fleet Expansion supply chain issues and Sounder South Capacity Expansions delayed ROW activities and project pauses for realignment. Regional Express was \$9.9 million under budget mainly due to delayed spending on Pacific Ave SR 7 Bus Corridor and was dependent upon third party progress. Stride was \$68.7 million under budget mainly due to ROW activities that were on hold prior to the August 2021 realignment decisions and construction progress at some locations were slower than anticipated. Tacoma Link was \$8.5 million under budget mainly due to Hilltop Tacoma underspending to plan as LRV production had been adversely affected by COVID-10 impacts.

YTD Non-System Expansion projects were \$33.6 million under budget. Enhancements were \$19.4 million under budget primarily due to delayed progress from Digital Passenger Info System due to vendor staffing, delay of Station Codes project to 2023, and revised accounting treatment for the Bus Maintenance Facility project. State of good repair was \$10.8 million under budget primarily due to IT Tech Infrastructure being driven by chip scarcity, delays in issuance of various task orders within the DSTT Capital Improvements project, and Wheel Truing Machine project deferral to 2022 due to procurement negotiation delays. Administrative was \$3.5 million under budget primarily due to limited resources and longer than anticipated time taken to issue request for proposals (RFP) in the IT Program and there was delay in HVAC replacement under the Administrative Facilities program.

Jeff Clark, Deputy Executive Director of Financial Operations, provided an Asset Liability Management recap. The agency continued to monitor investments given market volatility related to tapering and inflation concerns. Given available capacity on the TIFIA loans, the agency did not anticipate accessing the debt markets in the near-term future. The Q3 report did not reflect the Q4 debt transactions, they would be reflected in the materials at the next Finance and Audit Committee meeting.

Boardmember Dammeier asked if the quarterly report delays would jeopardize the completion of any major projects and asked if future monies had been planned reflected in the annual budget for the upcoming year. Mr. Fisher responded to the second question saying it did include the rebalance of any unspent funds which would be included in the TIP. Ron Lewis, Executive Director of Design, Engineering and Construction Management responded to Boardmember Dammeier's first question. Staff continued to monitor impacts on the schedules. The current concrete strike taking place posed a risk to several project locations.

Boardmember McDermott asked if staff tracks what impacts the foundation of a National Bank would have on the agency. DCEO Cummings noted she would respond to that question at a later time upon further research.

Business Items

Item for Final Committee Action

October 21, 2021, Finance and Audit Committee meeting minutes

It was moved by Committee Vice Chair Dammeier, seconded by Boardmember Somers, and carried by unanimous voice vote of the committee members present that the minutes of the October 21, 2021, Finance and Audit Committee meeting be approved as presented.

Item for Recommendation to the Board

Resolution No. R2021-21: Adopting an annual budget for the period from January 1 through December 31, 2022 and adopts the 2022 Transit Improvement Plan (TIP).

Ryan Fisher, Deputy Executive Director of Financial Planning, Analysis, and Budget, and Jenny Stephens, Director of Financial Planning, Analysis, and Budget, provided the staff presentation.

It was moved by Boardmember McDermott and seconded by Committee Vice Chair Dammeier.

Chair Backus called for a roll call vote.

Ayes

Bruce Dammeier
Joe McDermott
Dave Somers
Nancy Backus

Nays

It was carried by unanimous vote of the four committee members present that Resolution No. R2021-21 be forwarded to the Board with a do-pass recommendation.

Audit Update

Patrick Johnson, Audit Director, provided the staff presentation. He briefed on the three audits facilitated by the Finance department. The State Auditor's 2020 Accountability audit was completed with no material findings. He noted the report would be distributed to the Board at the December 2021 Board meeting. The 2021 gap Financial and Single Audit Interim Fieldwork audit by Moss Adams was 80 percent complete and related IT fieldwork had started and was anticipated to complete in Q1 of 2022. The Data Security and Permissible Use audit would begin in late December 2021. This particular audit only occurred every three years and was required as part of the agency's contract with the Department of Licensing in order to ensure the data they provide to the agency was protected and in compliance with data security standards that were adopted by the state.

Mr. Johnson summarized the audits facilitated by the Audit Division which were in progress over the Q4 or deferred. The IT Access Management audit had one finding and he noted the report was included in the materials packet given to the Committee. The System Access Fund and Vendor Management audits were in the process of finalizing and would be provided in Q1 of 2022. Once those audits complete, the 2021 proposed audit plan would also be completed. One audit, the use of Construction Contingency, was deferred due to timing and scope.

Mr. Johnson reviewed the 2022 to 2024 audit plan. The audit risk assessment strategy reviewed over 80 Auditable Business Activities across the agency. Areas reviewed included Operation, Design and

Engineering, Diversity and Equity, Safety, Procurement and Contracts, Finance, Customer and Passenger Experience, Human Resources, and Information Technology. Highest risk impacts were to Service Delivery, Finance, and Safety. Based on the highest risks, the bulk of audits would be around agency Operations, Design and Engineering, Safety, and Passenger Experience. Those topics would be reviewed for all risks and include Social Equity, Finance, and Environmental risks.

The 2022 audit plan topics included Vertical Conveyance Systems, Project Integration and Delivery, Structure Oversight for Bridges, Garages, Stations and Tunnels, Agency Agreements, Contract Deliverables for Transit Police, Data Classification Oversight and Retention, Revenue Vehicle Preventive Maintenance Process, and Land and Airspace Leases of State-Owned Land. Seven of these eight topics were selected as highest risks and would be assigned to audit staff at the start of 2022. The Land and Airspace Leases of State-Owned Land would be a Consultative Engagement where agency auditors would assist and prepare the agency's Real Property division staff with their joint legislative and audit committee which would begin in early 2022 and complete in early 2023.

Mr. Johnson asked the Committee to consider proceeding with the recommended audit topic Supervisory Control and Data Acquisition (SCADA), for 2022.

Discussion and Action to select 2022 Performance Audit Topic

Chair Backus explained that the Finance and Audit Committee was responsible for selection of the performance audit topic per the committee responsibilities established by the Board in 2018.

Boardmembers present agreed with the recommendation to select SCADA for the 2022 performance audit topic.

It was moved by Committee Vice Chair Dammeier and seconded by Boardmember Somers to select the Supervisory Control and Data Acquisition (SCADA) audit as the 2022 Performance Audit Topic.

Chair Backus called for a roll call vote.

Ayes

Bruce Dammeier
Joe McDermott
Dave Somers
Nancy Backus

Nays

It was carried by unanimous vote of the four committee members present to select the SCADA audit as the 2022 Performance Audit Topic.

Executive session – None

Other business – None

Next meeting

Thursday, March 17, 2022
12:30 to 2:00 p.m.
Virtually via WebEx

Adjourn

The meeting adjourned at 11:59 a.m.

Nancy Backus
Finance and Audit Committee Chair

ATTEST:

Kathryn Flores
Board Administrator

APPROVED on _____, JG.