



Summary Minutes

Finance and Audit Committee Meeting March 17, 2022

Call to order

The meeting was called to order at 12:33 p.m. by Committee Chair Nancy Backus virtually on WebEx.

The meeting was streamed on

<https://soundtransit.webex.com/soundtransit/onstage/g.php?MTID=e66552206b33bd8e6debb0d7b40103a5d>

Roll call of members

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

| Board Members | |
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| (P) Dow Constantine, King County Executive | (P) Joe McDermott, King County Councilmember |
| (A) Christine Frizzell, Lynnwood Mayor | (P) Ed Prince, Renton Councilmember |
| | (A) Kristina Walker, Tacoma Councilmember |

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

Report of the Chair

Committee Work Plan – Chair Backus advised that the committee would discuss the 2022 committee work plan.

CEO Report

CEO Rogoff provided the CEO report.

Federal Update – Sound Transit would receive \$15.9 million in new federal funding for Stride bus rapid transit investments on South I-405 that would improve bus service for the region’s residents, including a \$12.9 million competitive Federal Transit Administration grant to be used to procure new bus rapid transit vehicles, and to construct the South Renton Transit Center station on the S1 line, between Burien and Bellevue and a \$3 million earmark in the FY 2022 Omnibus Appropriations Bill.

CEO Rogoff noted the partnership and support of Senator Patty Murray, who championed these funds, and Senator Maria Cantwell and the rest of the region’s congressional delegation for their support of the grant.

State Update – Last week, the final agreement on both a supplemental transportation budget and a 16-year transportation package took place. Sound Transit would see several benefits. First, the supplemental budget agreement removed a provision that required WSDOT to charge 100% fair market rent on any lease to Sound Transit. Removing this provision recognized that federal funds often accounted for more than 90% of state right of way and, since the federal government did not require

repayment when using the right of way for a transportation purpose, there was no reason to mandate that Sound Transit refund the full state and federal share. The agency had been working to remove this provision for several years, since it first appeared in 2019.

Another provision that was targeted was one from last year's transportation budget that included language requiring Sound Transit to pay the Department of Licensing a minimum of \$3.3 million per year for the collection of MVET. A study commissioned by the Legislature and released shortly before this session began, documented that this amount was approximately five times the actual cost to collect this revenue. The final agreement in this year's supplemental budget reduced the minimum amount required to be paid to the Department of Licensing down from \$3.3 million per year to \$668,000 per year, reflecting the actual costs of collection and consistent with the findings of the state's report.

Turning to the transportation revenue package, Sound Transit requested that the agency once again be made eligible for state transportation grant funding. Neither the House nor the Senate's initial proposals included grant eligibility for Sound Transit. However, the final transportation package agreement allowed Sound Transit to compete for Regional Mobility Grants if the Board adopted a policy of free fares for riders under the age of 18 by October 1, 2022.

CEO Rogoff noted that would be a conversation the Board could consider as they address the issues related to fares. He reminded the committee that the Regional Mobility grant program would fund approximately \$115 million worth of projects in the 2021-2023 biennium. Despite attempts, Sound Transit was still not eligible for other transit grant programs that were created or significantly boosted in the revenue package. The revenue package did provide Sound Transit with two \$20 million direct appropriations for Tacoma Dome Link light rail access, one in South Federal Way and one in Fife/Tacoma. There was a third direct contribution of \$20 million to WSDOT for light rail access in Lynnwood at 164th.

Sound Transit proposed legislation this session to allow the agency to contact tow companies directly when a vehicle is obstructing the agency's right-of-way. Although the bill was not brought to the House floor for a final vote last week, the authority was granted to Sound Transit as a pilot project within the supplemental transportation budget. Earlier this week, the Legislature passed Senate Bill 5528, authorizing the creation of "enhanced service zones" for supplemental funding to Sound Transit.

This legislation authorized the formation of an "enhanced service zone" comprising one or more cities or unincorporated areas within the RTA, with the Board members who represent the zone's subarea as an advisory group who could then recommend proposed system improvements and supplemental funding. The full Board would then have the authority to approve the recommendation and submit it to the voters of the enhanced service zone for their approval. Funding raised within an enhanced service zone could either be used for previously voter-approved projects or new enhancements.

Concrete Strike Update – The prior Monday, the Teamsters announced that they were willing to return to work on limited basis to deliver concrete for certain projects, including Sound Transit's. They would be making these deliveries while negotiations continued for a settlement to the strike. The agency had yet to get any deliveries under this arrangement but may see deliveries next week.

The strike was more than 100 days old, and at this point, the agency had missed delivery of more than 42,000 cubic yards of concrete. CEO Rogoff welcomed any development by the parties that gets critical deliveries of concrete flowing again and encourage the parties to continue the negotiation process to reach an equitable agreement to permanently end the strike.

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 or verbal public comments.

Business Items

Item for Final Committee Action

December 16, 2021, Finance and Audit Committee meeting minutes

It was moved by Boardmember Prince, seconded by Boardmember Constantine, and carried by unanimous voice vote of the committee members present that the minutes of the December 16, 2021, Finance and Audit Committee meeting be approved as presented.

Chief Financial Officer Report

Mary Cummings, Deputy Chief Executive Officer and acting Chief Financial Officer, Ryan Fisher, Deputy Executive Director of Financial Planning, Analysis and Budget, and Jeff Clark, Deputy Executive Director of Financial Operations, provided the presentation. Mr. Fisher reviewed the 2021 Year End Report. Revenue performance was 33 percent above budget due to funds received from the federal government. Tax revenues were 18 percent above budget and federal grants were 90 percent above budget. Passenger fare revenues were 48 percent below budget.

Transit operating expenses were seven percent below budget, services were 14 percent below budget due to unfilled security staff hours, timing of facility work, and less fare vending/ORCA spend. Other modal related expenses were nine percent below budget due to vacancy rate, timing of the Downtown Seattle Transit Tunnel (DSTT) transfer, lower expense transfers, and lower agency overhead. Purchased Transportation (PT) was two percent below budget due to reduced services.

System Expansion projects were at 78 percent of the plan, or \$489 million under budget. Much of this was due to Covid related matters. Non-System Expansion projects performed at 49 percent of plan, or \$41 million under budget due to supply chain shortages. Administrative expenses were at 61 percent of budget.

Mr. Clark reminded the Committee that part of its meeting packet each quarter is the Asset and Liability Management Report. The investment portfolio weathered the market volatility well and staff would continue to monitor the market.

Audit Update

Patrick Johnson, Audit Director, provided the presentation. He outlined the reasons for internal auditing and the history of the agency's audit function. In the past auditing was performed within departments. The audit division was created to centralize the audit process. The current division included distinct groups for performance audits and compliance audits.

He reviewed the benefits of agency wide audit division in that it would improve planning of the right audits at the appropriate time. The audit division had standardized common audit practices, examined scheduling considerations, and finalized procedural updates. Continual improvements included the transition of an annual audit plan to a three-year audit cycle to help synchronize timing, enhancing risk assessment protocols, and updating policies and procedures.

The 2022 audit report was included in the Board packets. He outlined the 2022 audit plan, noting that the division was consulting the property acquisition team. A final report for the Land and Airspace

Leases of State-Owned Land (JLARC) would be available in January 2023. Due to the November 26, 2021 Link Incident audit work performed at the beginning of the year, the 2022 audits were beginning at the end of the first quarter. The Structure Oversight for Bridges, Garages, Stations and Tunnels and Data Classification Oversight and Retention audits began in March 2022 and would be available by the July Finance and Audit Committee meeting. The planning period was completed for the Secondary Control and Data Acquisition (SCADA) System and consultant solicitation was in progress. A final presentation was planned for October 2022.

He reviewed the safety audits across all modes. The Express Bus Annual Internal Safety Audit was in progress and the remaining modes were scheduled to occur throughout 2022. The East Link E330/E340 Design Conformance Safety and Security audit was in progress.

Chair Backus asked if moving to a three-year plan allowed the flexibility to add audits. Mr. Patrick confirmed that the plan still allowed for that flexibility.

Discuss 2022 Finance and Audit Committee work plan

Chair Backus apprised the committee of its 2022 work plan which included major focus areas including realignment implementation, transactional matters to oversee the agency's financial plan, statements, internal and external audits and internal controls, and other topics of special interests to the members. She clarified that the workplan was a draft and she was open to suggested additions or changes if the committee wished. A final copy would be distributed after the meeting. She asked the committee for its thoughts.

No committee members had any feedback on the work plan.

Executive session – None

Other business – None

Next meeting

Thursday, July 21, 2022
12:30 to 2:00 p.m.
Virtually via WebEx

Adjourn

The meeting adjourned at 1:11 p.m.

ATTEST:

Nancy Backus
Finance and Audit Committee Chair

Kathryn Flores
Board Administrator

APPROVED on _____, JG.