



Summary Minutes

Finance and Audit Committee Meeting March 13, 2025

Call to order

The meeting was called to order at 10:35 a.m. by Committee Chair Nancy Backus and was available for viewing in person and online.

The meeting was recorded and can be found at <https://www.soundtransit.org/get-to-know-us/board-directors/livestream-video>.

Roll call of members

Chair	Vice Chair
(P) Nancy Backus, Auburn Mayor	(P) Christine Frizzell, Lynnwood Mayor

Board Members	
(A) Dow Constantine, King County Executive	(P) Kim Roscoe, Fife Mayor
(P) Hunter George, Fircrest Councilmember	(A) Girmay Zahilay, King County Council Vice Chair
(P) Ed Prince, Renton Council President	

Hunter Rancipher, Board Relations Specialist, announced a quorum of the Committee was present at roll call.

Report of the Chair

Chair Backus welcomed Hughey Newsome, Chief Financial Officer, and Victoria Wassmer, Finance and Business Administration Deputy CEO, to their first Finance and Audit Committee meeting, providing brief remarks on their career achievements at the Piston Group, an automobile manufacturing conglomerate, and the United States Department of Transportation, respectively.

Chair Backus also welcomed new committee leaders, introducing Christine Frizzell as the new Finance and Audit Committee Vice Chair, as well as new committee members Hunter George, Fircrest Councilmember, and Kim Roscoe, Fife Mayor.

CEO Report

None.

Public comment

Chair Backus announced that public comment would be accepted via email to meetingcomments@soundtransit.org and would also be accepted virtually and in person.

There were no written, in-person, or virtual comments received.

Business Items

For Final Committee Action

November 21, 2024, Finance and Audit Committee meeting minutes

It was moved by Committee Vice Chair Frizzell, seconded by Board member George, and carried by unanimous voice vote of the committee members present that the minutes of the November 21, 2024, Finance and Audit Committee meeting be approved as presented.

CFO Report

Victoria Wassmer, FBA Deputy CEO, Hughey Newsome, CFO, Ryan Fisher, Finance Executive Director, and Jeff Clark, Controller Executive Director, provided the report.

Ms. Wassmer noted that the agency continues to see strong financial health and responsible stewardship of public funds. She also noted that the agency has been recognized in its public reporting. Mr. Newsome also highlighted the agency's strong financial health, while noting that the agency is facing both financial and operational challenges.

2024 Year-End (Q4) Financial Report

Mr. Fisher provided the year-end 2024 financial performance report. He highlighted that overall revenues were three percent over the budgeted total, primarily due to high investment and federal grant income. He also noted that tax revenue for the year came under budget by five percent.

Mr. Fisher described the different under-budget expenses for the agency, leaving Sound Transit 21% under budget for 2024. He highlighted that this was mainly driven by lower-than-expected system expansion project spending, as well decreased spending on service delivery projects.

Committee Vice Chair Frizzell asked for clarification on the units being used on the budget overview. Mr. Fisher responded that all figures are presented in thousands. He provided an example of the 2024 budgeted revenue of \$2.896 billion, which was expressed on the table as \$2,896,812 thousand.

Mr. Fisher provided additional details on the underlying causes of the lower-than-expected revenues. He noted that tax revenue was five percent under budget for 2024, due to decreased sales tax. He highlighted that fare revenue was four percent over budget due to increased ridership from Lynnwood Link combined with higher fare compliance. Additionally, investment and federal grant income was higher than budget due to the maintaining of higher interest rates that were forecasted to decrease throughout the year.

Mr. Fisher also provided additional details on under-budget system expansion project expenses, primarily driven by the timing of certain expenditures on the Operations and Maintenance Facility South, Lynnwood Link Extension, and Downtown Redmond Link Extension projects.

Mr. Fisher also highlighted details from service delivery projects, noting that the state of good repair program came in 31% under budget due to delays in project spending and contract negotiations, and system enhancements came in 38% under budget due to expenditure realignment to match changes pending from Project Mobilizing One Sound Transit (MOST).

Board member George shared his concerns on the future tax revenue projections, as well as a potential economic downturn, and asked for additional clarity on what is being done to address those potentialities. Mr. Fisher responded that tax revenues are holistically reviewed twice yearly and will be kept as up to date as possible, and noted the work that Deputy CEO Wassmer was undertaking to address future grant funding at the federal level. CFO Newsome added that this topic has been raised at both the Committee and Board level, and shared that staff will work to analyze and report back on next steps once a level of confidence has been established in what policies will look like going forward.

Board member Roscoe asked for clarification on which system expansion projects appear to have overall savings. Mr. Fisher responded that as projects enter into revenue service, spending drastically reduces, allowing for a better picture of where the final budget figure will land. For Lynnwood Link, he noted that the project is very likely to close out under budget. Redmond Link, which is not yet in revenue service, appears to be coming in under budget overall, though staff is not as confident in that conclusion.

Quarterly Asset and Liability Management Report

Mr. Clark provided details on the agency's investment portfolio. He noted that Sound Transit currently holds ~\$5.4 billion as of year-end 2024. He explained that in Q1 2025, the portfolio grew by an additional \$1.3 billion due to new Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdowns. Mr. Clark reported that the agency's portfolio continues to be well positioned for the current market, that staff is monitoring the broader economic landscape, and that changes will be made as appropriate.

Mr. Clark provided further details on the agency's investment returns, noting that the higher-than-projected revenues have been a result of higher investment balances and higher-than-expected interest rates throughout the year.

Mr. Clark also gave an overview of the agency's debt status, noting the agency currently holds approximately \$3.53 billion in outstanding bonds and TIFIA borrowings, noting that an additional \$1.3 billion had been drawn from TIFIA loans in Q1 2025.

Financial Plan Review Presentation – KPMG

CFO Hughey Newsome introduced Pierre Vilain to provide the presentation.

Mr. Vilain explained that the firm KPMG was engaged to review the agency's financial plan, to provide an external perspective of the agency's documentation and assumptions, and to provide a peer analysis of how the agency's financial health compares to other transit systems nationally.

Mr. Vilain provided an overview of the criteria used for agency peer comparisons. Criteria include: assumptions and inputs, risks and sensitivities, plan and forecast updates, information presentation, and qualitative messaging.

Mr. Vilain listed the four peer agencies were selected for comparison: Dallas Area Rapid Transit (DART), Los Angeles County Metropolitan Transportation Authority (LACMTA), Metropolitan Transportation Authority New York City Transit (MTA), and the Washington Metropolitan Area Transit Authority (WMATA). These specific agencies were selected due to a combination of funding sources, revenues, debts, planned capital expansion, operating metrics, and having high quality financial plans.

Mr. Vilain reviewed key findings from their engagement, noting that the agency has a strong overview, goals, strategic messaging, and organizational structure in its 2025 Financial Plan. He also noted areas for improvement, such as creating a master procedures document to show process links and assumptions as well as potential changes to the agency's presentation of information to show annual short-medium term results.

Mr. Vilain provided a summary of the peer agency review, highlighting that Sound Transit's 2025 Financial Plan was better than the range of peer agencies on all accounts. He also noted specific strengths in the agency's assumptions and inputs as well as risks and sensitivities sections. Mr. Vilain noted that there are certain recommendations that were made and implemented that would result in the agency having an even higher score going forward compared to what was presented.

Mr. Vilain noted that in KPMG's findings, Sound Transit had strong organization, consistency, and quality control in its financial documentation. He also reiterated the suggestion that the agency should adopt a master procedures document to further enhance understanding, noting that staff had already begun the process of implementing the recommendation.

Committee Vice Chair Frizzell thanked Mr. Vilain and KPMG for their work and shared her thoughts that the presentation may be also prudent for full Board consumption. She also stressed the need for the agency to address future cost pressures, noting that while KPMG's presentation gives a positive view of the agency's finances, the overall financial health of the agency appears more challenged going forward.

Audit Report

Patrick Johnson, Audit Director, and Alex Di Giacomo, Chief Information Security Officer, provided the report.

Mr. Johnson noted that all 2024 audits have been completed, consisting of 15 different audits. Seven compliance audits have been completed, six capital project certification audits have been complete, and both performance audits have been completed.

Mr. Johnson provided updates on compliance audits, which primarily consist of safety audits of different modes as required by state and federal reporting standards. He reported that the internal public safety and emergency management audit and ST Express annual internal safety audit had no findings.

Mr. Johnson shared year-end results of Capital Project certification audits, sharing the findings of the Federal Way Link Extension design conformance safety and security certification audit. He noted that the lone finding was missing documentation in the certification database, a repeated issue that has been found in multiple projects throughout the year. Mr. Johnson noted that both agency Project Safety and Capital Delivery staff are working to determine the cause of these issues and implement solutions.

Mr. Johnson gave a breakdown of the agency's 2024 Audit Division Annual Report. He noted that 15 audits were completed, 44 issues were found: 16 noncompliance findings and 28 improvement opportunities, four prior audits were closed, and one loss report occurred throughout the year. The agency is required to report any loss incidents to the State Auditor's Office if there is a known or suspected loss of public resources, or illegal activity occurs at the agency, including cybersecurity events. One loss report was submitted in response to a business email compromise which resulted in an employee's payroll being redirected. Enhanced security controls have been implemented to prevent future events of this type. Following internal investigation into the matter, the incident was reported to the State Auditor's Office, who closed the matter with no further action.

Mr. Johnson showcased an overview chart of the Audit findings follow-up report, showcasing 158 findings resulting in audits from 2017-2024. Of the 158 findings, 35 were still open, resulting in a 78% closure rate on all audit findings.

Mr. Johnson provided information on the agency's Audit Experience and Improvement Survey, which is conducted to gauge satisfaction as part of the Audit Division's Quality Assurance and Improvement program. Starting in October of 2024, staff formally began surveying audit responsible parties for feedback, resulting in a 60% response rate.

Discussion and Action to Ratify 2025 Performance Audit Topic

Mr. Johnson noted that Disaster Preparedness was the topic suggested by the Community Oversight Panel as the 2025 internal performance audit topic. He noted that a quorum of the committee was not present to take action at the previous Finance and Audit Committee meeting, and requested the committee ratify the topic.

It was moved by Board member Prince, seconded by Committee Vice Chair Frizzell, and passed with a unanimous vote of committee members present that Disaster Preparedness be ratified as the 2025 Internal Performance Audit topic.

Discuss and Finalize 2025 Finance and Audit Committee Workplan

Chair Backus gave an overview of the Finance and Audit Committee’s 2025 workplan, noting that the first page of the document contains a description of the committee areas of responsibility and topics of special interest to the committee, and the second page provides a list of anticipated actions and reports to come before the committee throughout the year.

Chair Backus noted that the workplan is a living document and that committee members may request additional topics be added at any time.

Executive session

Chair Backus advised that the Committee was going into executive session to discuss information regarding the infrastructure and security of computer and telecommunication networks. She introduced Amy Pearsall, Deputy General Counsel, who explained that the committee was allowed to enter into executive session to discuss the qualifications of applicants for public employment under RCW 42.30.110 (1)(a).

Chair Backus noted that the Committee would be in executive session for 15 minutes.

The executive session began at 11:41 a.m. and was scheduled to return at 11:56 a.m.

The executive session was extended by 5 minutes, and the meeting was scheduled to resume at 12:01 p.m.

The meeting was called back to order at 12:01 p.m.

Other business – None

Next meeting

Thursday, May 8, 2025

10:30 a.m. to 12:00 p.m.

Ruth Fisher Boardroom and Virtually via an online meeting platform

Adjourn

The meeting adjourned at 12:01 p.m.

ATTEST:

Nancy Backus
Finance and Audit Committee Chair

Kathryn Flores
Board Administrator

APPROVED on _____ HRR.