

## Summary Minutes

### Finance and Audit Committee Meeting September 11, 2025

#### Call to order

The meeting was called to order at 10:31 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	
(P) Shannon Braddock, King County Executive	(P) Kim Roscoe, Fife Mayor
(A) Hunter George, Fircrest Councilmember	(P) 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 – None

#### CEO Report – None

CEO Constantine provided the report, noting that he had authorized staff to research a proposal for a fare gate pilot program in response to a recent fare compliance program audit.

#### Public comment

Chair Backus announced that public comment would be accepted via email to [meetingcomments@soundtransit.org](mailto:meetingcomments@soundtransit.org) and would also be accepted virtually and in person.

The following person provided in-person comment:

Alex Tsimerman

During Alex Tsimerman's comments, Chair Backus noted that public comment rules do not allow for derogatory remarks not germane to an agenda item, that the comments were in violation of those rules, and requested that the microphone be turned off.

There were no written or virtual comments received.

## Deputy CEO and CFO Report

Victoria Wassmer, Finance and Business Administration Deputy CEO, provided opening remarks and introduced Hughey Newsome, Chief Financial Officer, to provide the report.

Mr. Newsome provided an overview of the CFO presentation, highlighting Sound Transit's Q2 2025 financial performance and a brief preview of actions to be considered by the committee.

## Business Items

### For Final Committee Action

July 10, 2025, Finance and Audit Committee meeting minutes

**It was moved by Board member Braddock, seconded by Board member Roscoe, and carried by unanimous voice vote of the committee members present that the minutes of the July 10, 2025, Finance and Audit Committee meeting be approved as presented.**

### For Recommendation to the Board

Resolution No. R2025-23: Amending the adopted 2025 annual budget by changing the category of certain expenditures as a result of internal reorganization with a net neutral impact to the 2025 annual budget.

Hughey Newsome, Chief Financial Officer, and Ryan Fisher, Finance Executive Director, gave a presentation on the action.

**It was moved by Committee Vice Chair Frizzell, seconded by Board member Roscoe, and carried by unanimous voice vote of the committee members present that Resolution No. R2025-23 be forwarded to the Board with a do-pass recommendation.**

Resolution No. R2025-24: Amending the adopted 2025 budget to increase the 2025 annual Bonds and TIFIA loans proceeds budget by \$629,472,431, from \$1,514,197,742 to \$2,143,670,173.

Jeff Clark, Controller Executive Director, gave a presentation on Resolution Nos. R2025-24 and R2025-25.

**It was moved by Board member Braddock, seconded by Board member Roscoe, and carried by unanimous voice vote of the committee members present that Resolution No. R2025-24 be forwarded to the Board with a do-pass recommendation.**

Resolution No. R2025-25: Authorizing the redemption prior to maturity of the Authority's outstanding \$75 million of Series 2015S-2A Bonds using available funds; delegates authority to affect the redemption; and provides for other matters properly relating thereto.

Chair Backus noted that information on this action was included in Jeff's prior presentation and that the committee would move directly to action.

**It was moved by Board member Roscoe, seconded by Board member Braddock, and carried by unanimous voice vote of the committee members present that Resolution No. R2025-25 be forwarded to the Board with a do-pass recommendation.**

## Enterprise Initiative Update

Victoria Wassmer, Finance and Business Administration Deputy CEO, provided the report. She noted that staff had presented a holistic review of the agency's cost pressures at the August 2025 Board meeting, and that this presentation would focus on what steps are being taken to address said pressures through increasing agency financial capacity.

Ms. Wassmer reiterated that the Board has given direction to develop strategies to increase financial capacity through Motion No. M2024-59 for the West Seattle Link Extension in particular, which was then reaffirmed and expanded through Motion No. M2025-36.

Ms. Wassmer summarized the cost pressures facing the agency, noting that the sum total represents a 20-25 percent increase above the Fall 2024 Long Range Financial Plan. This includes between \$22-30 billion in year-of-expenditure dollars to deliver the full capital program, an addition of approximately \$5 billion in year-of-expenditure dollars in service delivery costs, and \$4-5 billion in year-of-expenditure dollars in increased financing costs.

Chief Financial Officer Hughey Newsome elaborated on the specific funding challenges facing the agency. He reported that at present, the agency would no longer be able to meet its funding requirements in 2033.

Mr. Newsome reviewed the areas of the committee's responsibility under the Enterprise Initiative, highlighting that the committee will be primarily focused on investigating revenues and financing streams with the goal of taking actions that would enhance agency financial capacity over the course of the Long Range Financial Plan. He reiterated that the Long Range Financial Plan's affordability is largely determined by the agency's ability to stay within its Net Debt Service Coverage Ratio (DSCR) and legal debt capacity.

Mr. Newsome described the various levers available to enhance agency financial capacity. The agency can reevaluate current key financial assumptions on revenues, interest earnings, and borrowing rates to reflect agency performance and trends, which could add approximately \$1-2 billion dollars in financial capacity.

Committee Vice Chair Frizzell noted that she prefers that the agency present conservative financial estimations and requested that a five-year look back on how the agency's current assumptions have compared to financial realities. Mr. Newsome responded he will ensure that the next Long Range Financial Plan update will include that information.

Chair Backus noted that the chart explaining the benefits of adjusting certain financial assumptions would benefit from a legend or key to better explain the financial benefits of these changes, as well as what risk is being incurred. Mr. Newsome responded that a legend will be added to the presentation.

Mr. Newsome reflected on the effect these financial assumption changes would have on the agency's affordability gap, noting that it would provide immediate improvements, while not recuperating enough funds to fully bridge the gap over any of the predicted shortfall years from 2033 to 2041.

Board member Roscoe thanked staff for providing the opportunity to discuss these issues at a committee level, recognizing that multiple meetings and discussions will be necessary to ensure that the Board is fully informed before it takes any decisions.

### **Q3 2025 Internal Audit Report**

Moises Gutierrez provided opening remarks and introduced Patrick Johnson, Audit Director, to provide the report.

Mr. Johnson gave updates on external audit work for the agency. He noted that FEMA had completed a financial monitoring review of the agency, with no findings, and that the Washington State Auditor's Office plans to begin its 2024 accountability audit for the agency in mid-September.

Mr. Johnson reviewed the 2025 audit plan dashboard highlighting that of the 34 audits for the year, 16 were complete as of Q3, a further 11 are in progress, and seven were not yet started, resulting in a current completion rate of 47 percent. He also noted that there was one special audit that was in progress, and results from that audit would be presented at the next meeting.

Mr. Johnson reported on the completed audits from Q3 2025. He noted that the presentation will focus on three key audits: Sounder Commuter Safety Compliance, Fare Compliance Performance, and Environmental and Sustainability Management Systems. Other audits completed in Q3 were not included in committee member packets to prevent an overabundance of information to the committee, but a summary of the reports was being finalized for committee member consumption.

Mr. Johnson reported that the Sounder Commuter Safety Compliance audit, which was focused on analyzing safety processes, operations, and maintenance oversight functions for Sounder service, resulted in five findings. Two of these findings were under the category of safety oversight, with the remaining three being under contractor maintenance oversight.

Safety oversight findings include inconsistent elevation of safety concerns, and that some staff duties were different than defined in the Sounder System Safety Plan (SSP). Mr. Johnson reported that over a 12-month period, 11 risks categorized under the two highest risk definitions had no mitigation actions, risk acceptance, or escalation to senior executives undertaken. Auditors also noted that various staff were performing roles outside their defined responsibility and training, which increases the likelihood of safety risks.

Contractor maintenance oversight findings include inadequate assessment of contractor maintenance activities meeting agency and FRA requirements, insufficient reporting processes for defective Sounder equipment, and Amtrak inconsistently following contract oversight procedures for maintenance. Mr. Johnson reported that auditors found that no documented maintenance oversight program existed for Amtrak, leading to potentially non-compliant Sounder vehicles being used during revenue service. Auditors also noted that Amtrak uses less restrictive wheel truing specifications than those recommended by the vehicle manufacturer. Auditors also found that there is no clear process for contractors to report defective equipment to one another or Sound Transit. The FRA requires that such defects be recorded on specific FRA-required forms, which was inconsistently followed by agency contractors. Additionally, BNSF has no process to report issues on passenger cars.

Andrea Trepadean, acting Chief Safety Officer, provided information on the Management Action Plan to the two safety-related findings. She noted that in response to inconsistent safety concern elevation, the Safety team updated the Joint Rail Safety Committee process for elevating concerns, which was completed in May 2025, along with an increase in frequency of meetings of the Joint Rail Safety Committee to review hazards. The consolidation of corrective action tracking began in August 2025, with the intention of completing a full rollout of the new system in December 2025. In response to differences in SSP job duties and those observed, the SSP is being updated, including a process for regular reviews and updates of job roles and responsibilities, which will be published in November 2025.

George McGinn, Executive Operations Director, provided information on the Management Action Plan response to the three maintenance reporting findings. He noted that in response to the assessment that contractor maintenance activities were inadequate in meeting agency and FRA requirements, management is refining the comprehensive maintenance oversight action plan. This includes improved maintenance oversight activities currently underway, updated oversight procedures effective July 2025, and finalization of documentation by November 2026 with a focus on locating opportunities to expedite the workflow. In response to insufficient reporting processes for defective Sounder equipment, management is developing standardized procedures for both BNSF and Amtrak crews to report and receive information regarding defects. Sound Transit oversight staff have already begun leading daily and monthly meetings to co-manage operational issues, the implementation of proper defect reporting using FRA required forms, and update procedures which will be completed by June 2026. In response to Amtrak inconsistently following contract oversight procedures for maintenance, revisions to Sound Transit Mechanical Contract Oversight procedures are ongoing as of July 2025, regular monthly performance audits have been started, and a new in-house application is being developed to replace paper forms for better records keeping, which is scheduled to be implemented by June 2026.

Mr. Johnson provided information on the Fare Compliance Performance audit, noting one finding. Auditors found that job hazards are not identified or assessed for Fare Ambassadors per the agency's Accident Prevention Program.

Brian de Place, acting Security and Fare Engagement Executive Director, provided information on the agency's Management Action Plan response to the audit finding, noting a variety of differing processes. He noted that collaboration with regional partners is underway to develop a unified rider code of conduct; a Job Hazard Assessment for the Fare Ambassador role has been completed; internal safety targets are being developed with a completion date of January 2026; enhanced incident reviews are in progress with a targeted completion date of January 2026; a pilot program for direct radio connection with the Security Operations Center is underway with an end date of January 2026; enhanced coordination between Fare Ambassadors and security staff is underway with a completion target date of January 31, 2026; and that a standardized Fare Ambassador uniform will be ready and deployed by the end of January 2026.

Mr. Johnson reported that the Environmental and Sustainability Management System audit concluded with no findings. He further reported that multiple audits are still in progress, with expected completion dates in October and November 2025.

Committee Vice Chair Frizzell asked for clarification on remarks from the CEO regarding the Fare Compliance Performance audit and fare gates. CEO Constantine responded that the potential fare gate pilot program would come to the Board through the 2026 budget process and was not included as part of the audit.

Board member Roscoe shared that she submitted a text regarding Sounder issues to the CEO in May and requested that staff respond either in writing or at a future committee meeting on what opportunities exist for improving the reporting process. Mr. Johnson responded that an audit is in progress on that topic. DCEO Gutierrez added that staff is continuously looking at ways to improve reporting mechanisms. Mr. McGinn provided additional detail on how the agency is developing its performance metrics and analytics for Sounder.

**Executive session – None**

**Other business – None**

**Next meeting**

Thursday, October 9, 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 11:59 a.m.

ATTEST:

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Nancy Backus  
Finance and Audit Committee Chair

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Kathryn Flores  
Board Administrator

APPROVED on \_\_\_\_\_ HRR.