



Summary Minutes

Finance and Audit Committee Meeting October 9, 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	
(P) Shannon Braddock, King County Executive	(P) Kim Roscoe, Fife Mayor
(P) 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

Chair Backus provided introductory remarks on the start of Sound Transit's 2026 budget process.

CEO Report

Finance and Business Administration Deputy CEO Victoria Wassmer provided the CEO Report on behalf of CEO Dow Constantine. She provided information on the budget presentation to be given to the committee, as well as an update on the Internal Audit Division's work.

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

September 11, 2025, Finance and Audit Committee meeting minutes

It was moved by Board member Roscoe, seconded by Committee Vice Chair Frizzell, and carried by unanimous voice vote of the committee members present that the minutes of the September 11, 2025, Finance and Audit Committee meeting be approved as presented.

Deputy CEO and CFO Report

Victoria Wassmer, Finance and Business Administration Deputy CEO, noted that in lieu of the normal Deputy CEO and CFO Report, that staff would like to move straight into the presentation of the 2026 Budget and Long-Range Financial Plan. She then introduced Chief Financial Officer Hughey Newsome to provide opening remarks on the topics.

Proposed 2026 Budget and Transit Improvement Plan Preview

Hughey Newsome, Chief Financial Officer, provided opening remarks and introduced Ryan Fisher, Finance Executive Director, to provide the presentation.

Mr. Fisher provided an outline of the topics covered under the proposed 2026 Budget and an adoption timeline, noting that the Budget would first be reviewed at this meeting, then at the Board in October, before the actual budget resolution is passed through each committee in November before final adoption at the November Board of Directors meeting. He also delineated the difference between Budget (the yearly adopted document detailing revenues, sources, and expenditures), Transit Improvement Plan (a five-year document detailing lifetime description of all active project costs), and Long-Range Financial Plan (A long-term financial document detailing revenues and expenditures through 2046).

Mr. Fisher provided an overview of 2026 revenues totaling \$3.3 billion, noting a modest increase in tax proceeds totaling \$2.443 billion; additions to fare collection due to full operating years of Link extensions totaling \$85 million; an increase in grant funding due to the closeout of the Lynnwood Link Extension totaling \$232 million; continued growth in investments totaling \$261 million; and TIFIA loan proceeds totaling \$233 million.

Mr. Fisher then laid out the expected 2026 expenditures for the agency totaling \$3.5 billion, highlighting \$1.924 billion in system expansion projects for Stride BRT construction and Link spending; \$891 million in modal operations and maintenance to include the Downtown Redmond and Federal Way Link Extensions, as well as the opening of the 2 Line Cross Lake Connection; \$282 million in service delivery programs to fund necessary state-of-good-repair, resiliency, IT, and World Cup work; and \$230 million in debt service costs.

Mr. Fisher provided additional detail on \$194 million in system and service investments, with \$40 million for Enterprise Resource Planning, Enterprise Asset Management System, and Project Management Information System improvements, \$39 million for safety and security investments, \$31 million for operational response, \$23 million for Light Rail Vehicle state-of-good-repair, \$20 million for World Cup preparations, \$18 million in traction power upgrades, \$14 million for future development, and \$9 million for signals upgrades.

Jenny Stephens, Financial Planning and Analysis Director, discussed primary themes in the 2026 operating budget, noting that \$779 million is dedicated to current service, with further funds for the support of opening new extensions totaling \$47 million, investments in operational response totaling \$31 million, increased security spending totaling \$19 million, and additional World Cup preparations totaling \$13 million.

Ms. Stephens provided detail on the revenue hour trends for the past three years, reporting that Link has seen a 146 percent increase since 2023, with T Line, Sounder, and ST Express seeing increases of 97, 15, and three percent, respectively, over the same period.

Ms. Stephens then gave additional information on the modal expenditures by mode across four main categories: vehicle operations, vehicle maintenance, facility maintenance, and general administration costs. These costs total 26 percent of the overall 2026 budget.

Stephanie Ball, Financial Planning and Analysis Director, explained a restructuring in how the agency reports its portfolios and programs in the 2026 Transit Improvement Plan (TIP). She noted that the agency is moving from three broad-based service delivery categories of state-of-good-repair, enhancement, and administrative costs to an asset-based management portfolio system. The new portfolios span seven categories based on asset type, allowing for greater transparency and financial performance tracking. The new portfolios are Information Technology, Facilities, Infrastructure, Rolling Stock, Tacoma Link, Transit Systems, and System-Wide Asset Support. She then detailed how these new service delivery portfolios fit into the 8 percent of 2026 budget expenditures for service delivery projects.

Ms. Ball described expenditures for system expansion projects, totaling 55 percent of the agency's 2026 budget. She noted that Link makes up 47 percent of this total, with Stride BRT making up the second largest category at 37 percent. Sounder, indirect costs, and other projects make up six, three, and seven percent of the budget, respectively.

Ms. Ball provided information on system expansion expenditures over the past three years, noting that Link spending continues to see gradual decreases, while Stride expenditures make up for that amount due to new construction costs as Stride nears opening for revenue service. She noted that the TIP changes for the 2026 update see a \$318 million, or 1.2 percent, increase over the previous year.

Mr. Fisher provided some concluding thoughts on the budget, noting that the 2026 budget and TIP are affordable under current service levels. He noted that 2026 marks the fourth out of five years with new Link and T Line openings, seeing an increase of nearly 150 percent in revenue hours since 2023. He further highlighted that the agency is making increased investments in service delivery and state-of-good-repair work to enhance system resiliency, and that there are significant system expansion expenditures that have not been assumed in the budget due to a need for Board action on key projects.

Board member George asked for additional details on what investments are included in the budgeted 2026 expenditures for World Cup preparations, and whether there were any anticipated revenue offsets for those costs. Mr. Fisher responded that investments for the World Cup include upgrades to vertical transportation infrastructure, supplemental bus service for surge ridership support, additional security, station integration, restroom units, wayfinding and signage, and custodial and deep cleaning work. Mr. Fisher further noted that there are expected revenue offsets from federal grant proceeds.

Board member George asked if investments for the World Cup will be able to be leveraged into long-term benefits for the system. Mr. Fisher responded that multiple investments that are being made for the World Cup are intended to be ongoing investments with payoffs that will last far beyond those events.

Board member Zahilay asked how the 2026 budget interfaces with the Enterprise Initiative work. Mr. Fisher responded that any decisions that would require Board approval have not been assumed in the 2026 budget and would then be reflected as budget amendments throughout 2026 if the Board were to adopt certain project decisions in the following year. He further noted that specific investments that have been made for some ST3 projects are necessary bodies of work that are critical in generating the full profile of cost savings measures that the Board could act on as the Enterprise Initiative continues.

Board member Roscoe noted that there was information in the presentation that showed revenue hour trends and asked whether there was additional information that showed ridership per service hour. Mr. Fisher responded that staff would follow up on that information and could include it in the budget presentation to the Rider Experience and Operation committee in November.

Long-Range Financial Plan Review

Hughey Newsome, Chief Financial Officer, provided the report and introduced Alex Krieg, Enterprise Planning Deputy Executive Director, to give additional context on how the Long-Range Financial Plan (LRFP) interfaces with the Enterprise Initiative. Mr. Krieg outlined the key affordability challenges the agency faces, including \$22-\$30 billion in year-of-expenditure (YOE) funding needed for the capital program, \$5 billion in YOE spending for the service delivery department, and an additional need of \$4-\$5 billion in YOE to cover financing costs.

CFO Newsome provided key updates from the LRFP, including new assumed affordability challenges. He noted that \$148 billion in YOE spending is still affordable, and that the state-of-good-repair program remains fully funded. CFO Newsome shared that the agency had also moved forward with new revenue and financing improvements, which have increased the agency's funding ability by approximately \$4 billion in YOE dollars.

CFO Newsome gave an overview of additional categories that the agency can explore to increase financial capacity, including Board actions to update finance policies to increase debt capacity, new or increased revenues from existing sources like federal grants or changes to assumed revenues, and partnerships with local government and private partners to share costs or expanded financing flexibility. He then provided an overview of the total expenditure forecast through 2046, highlighting the key fact that the agency is still currently doing well, but will begin to face significant funding shortfalls beginning in 2033.

CFO Newsome outlined key financial hurdles for the capital delivery and service delivery programs, then outlined key revenue enhancements undertaken by staff. He noted that changing the assumed future interest rate from 5.3 to 5.0 percent allows for an increased financial capacity of \$1.7 billion through 2046. Changes to insurance cost assumptions from 1.25 percent to one percent increases financial capacity by \$70 million through 2046. Adjusting the assumed rate earned on cash investments from two percent to 2.5 percent increases agency financing by a further \$160 million through 2046. The introduction of new revenues from the clean energy standard generates an additional \$60 million through 2046. Updates removing a previously assumed under-collection of property tax revenue increases agency financial capacity by \$40 million through 2046.

CFO Newsome outlined potential future actions that could further enhance agency financial capacity. He noted that potential changes to the agency's debt capacity, currently constrained to 1.5 percent of the assessed value of real property within the Sound Transit taxing district, as well as potential changes to the debt coverage service ratio of 1.5 times the agency's annual debt service costs, could greatly increase financial capacity for the agency.

CFO Newsome concluded by noting the timeline for current Enterprise Initiative deliverables, which include an updated ST3 System Plan by the end of Q2 2026, a new Regional Transit Long-Range Plan by Q3 2026, and an updated LRFP by Q4 2026.

Board member Roscoe asked how the revised assumptions in the presentation align with policies from other transit agencies across the country. CFO Newsome responded that certain assumptions included peer agency comparisons, while committing to staff completing a qualitative analysis with peer agencies for key assumptions that may have a similar, but not identical, analogue.

External Audit Presentations

2025 Financial and Single Audit Entrance – Crowe LLC

Brad Schelle, from Crowe LLC, provided the report. He explained that the objective of their work was to express an opinion on the presentation of the financial statements that comprise the agency's basic financial statements. He also noted that the scope of the work was to obtain reasonable assurance

about whether the financial statements of the agency as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes their opinion.

Mr. Schelle gave a summary of the deliverables of the audit, including three different financial statement audits, four different federal compliance audit deliverables, and two agreed-upon procedures reports. He also provided a summary of Crowe’s findings in its general fraud considerations, where it was noted that through all categories, there were no issues noted.

Mr. Schelle noted that the audit would focus on the following areas: internal controls, federal grant and loan compliance, traditional risk areas such as cash, debt, revenue, etc., IT audit procedures over key financial systems, capital projects, and the agency’s Project MOST reorganization.

Mr. Schelle gave an expected timeline for the audit work, noting that field work will progress through to the end of March 2026, with financial statements being provided in April 2026, followed by a final report to the Finance and Audit Committee in May of 2026.

Mr. Schelle outlined the planning considerations and new standards to be implemented in 2026, including GASB 103 and 104, as well as considering changes to the Inflation Reduction Act tax credits.

2024 Accountability Audit Entrance and CPA Review – Washington State Auditor’s Office

Joe Simmons, Audit Manager from the Washington State Auditor’s Office, provided the report. He highlighted the key work of the State Auditor’s Office and provided a summary of the team assigned to work on the agency’s Accountability Audit.

Mr. Simmons highlighted the key areas of focus for the audit, including compliance with the Open Public Meetings Act, a review of the agency’s financial condition, procurement compliance with legal and agency policy guidelines, compliance with agency policies for credit card payments, and a review of accounts payable electronic fund transfers.

Executive session – None

Other business – None

Next meeting

Thursday, November 20, 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.