Summary Minutes

Finance and Audit Committee Meeting
October 8, 2026

Call to order

The meeting was called to order at 10:30 a.m. by Committee Chair Thomas McLeod 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) Thomas McLeod, Auburn Mayor	(P) David Parshall, Lynnwood Councilmember

Board Members	
(P) Hunter George, Fircrest Councilmember	(P) Ed Prince, Renton Councilmember
(A) Tereas Mosqueda, King County Councilmember	(P) Kim Roscoe, Fife Mayor
	(A) Dan Strauss, Seattle Councilmember

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

Report of the Chair – None

CEO Report

Proposed 2027 Budget and Transit Improvement Plan

CEO Constantine gave remarks on the proposed budget, noting that the budget is balanced and affordable, while thanking staff for their commitment and hard work in developing the proposal. He also noted various points of progress the agency has made since the adoption of the updated system plan in May.

Public comment

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

No written, in-person, or virtual public comment was received.

Business Items

For Final Committee Action

July 9, 2026, Finance and Audit Committee meeting minutes

It was moved by Committee Vice Chair Parshall, seconded by Board member George, and carried by unanimous voice vote of the committee members present that the minutes of the July 9, 2026, Finance and Audit Committee meeting be approved as presented.

Deputy CEO and CFO Report

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

Mr. Newsome noted that committee members had received the Q2 Financial Performance Report and Asset and Liabilities Management Report in their packets.

Financial Policies Overview

Mr. Newsome provided the report, detailing various financial policies spanning staff planning assumptions to statute level changes that could support revenue generation. He noted that staff brought this presentation forward in response to Resolution No. R2026-11, updating the ST3 System Plan, which directed staff to review key financing policies and planning assumptions, as well as the impacts of any potential changes on the long-range financial plan.

Mr. Newsome discussed that the agency's financial policies are important in their ability to maximize financing to deliver the ST3 plan, as well as to optimize debt payments and ensure the agency's credit rating remain at a high level. He noted that modifying current financial policies could generate additional flexibility in cash usage and take the most advantage of lower interest rates when they are available. He then introduced Ryan Fisher, Finance Executive Director, and Dick Schober from Piper Sandler, to discuss various policy specifics.

Mr. Fisher described how various policy changes would impact the agency's credit ratings and available funds for system expansion projects. He noted that lowering the agency's debt service coverage ratio should have no impact on the agency's ratings and would allow for additional funds to be spent on system expansion projects; expanding the agency's days' cash on hand would have a positive impact on credit ratings while generating no additional funds for system expansion; eliminating the agency's debt service reserve would have no impact on credit ratings while generating additional funding capacity for system expansion; new debt capacity opportunities would have no impact on credit ratings and would generating new funding for system expansion; and longer debt payback terms would have no impact on credit ratings while also creating new funds for system expansion. Mr. Fisher then detailed the agency's debt forecast, showcasing that the agency becomes heavily limited in its ability to take on new debt starting in the late 2030s.

Mr. Schober reviewed each potential financial policy modification in detail, starting with interest rates. Following an internal review, it was decided that the new 5.0 percent assumption, down from 5.3 percent prior to the Fall 2025 financial plan update, was sufficient and should be maintained. He noted that this would keep the agency in alignment with peers, while not constraining the agency's financial capacity.

Mr. Schober explained that the agency's current days' cash on hand policy requires two months of operating expenses be kept in reserves. He noted that peer agencies have moved from specific reserves to a more flexible policy, while noting that Sound Transit will work to have a longer than two-month reserve, with the utilization of other tools to allow for maximum flexibility.

Mr. Schober noted that the agency currently has planning assumptions in its long-range financial plan that includes a debt service reserve fund. He reported that this is a unique constraint on the agency that does not benefit credit ratings, and that staff will move forward removing that assumption as part of its planning.

Mr. Schober detailed the agency's debt service coverage ratio, noting that various transit agencies typically use a ratio of 1.0x compared to Sound Transit's 1.5x limitation, though actual yearly financials put other agencies in the 1.35-1.5x range. He reported that the 1.5x limitation is imposed by Board policy, and that staff suggest lowering the current ratio to 1.35x to better align with peer agencies and decrease the amount of funds required to be set aside for debt service.

Mr. Schober reiterated the agency's debt capacity limit of 1.5 percent of the assessed value of the Sound Transit taxing district, which is a rarely used metric, highlighting that most other transit agencies are limited by absolute dollar value. He reported that this constraint is tied to Washington state statute, and that staff will continue to identify financing opportunities that could enhance the agency's capacity.

Mr. Schober described the agency's debt payback term limitations, which are bound by state statute to a maximum payback term of 40 years. He noted that federal TIFIA and RRIF loans now have an allowable payback term of 75 years, though the agency is constrained by state statute. He reported that staff will pursue a legislative agenda that would support a change in state law to allow the agency to take advantage of the full 75-year term allowed by the federal government.

Mr. Fisher described how implementing the various changes discussed would modify the agency's current debt profile, noting that implementing non-capacity recommendations would generate an additional $500 million in expenditures through the long-range plan. He also showcased that implementing recommendations to increase debt capacity would result in $1.4 billion if other recommendations were not adopted, and that approximately $3.5 billion in additional expenditures could be seen if those additional recommendations were implemented alongside new debt capacity.

Mr. Newsome detailed next steps, noting that the Executive Committee would be briefed and requested to take action on a change to the agency's debt service coverage ratio, with the Board potentially taking final action on the change on November 19, 2026.

Committee Vice Chair Parshall asked if it was correct to state that the recommendations would be to eliminate the debt reserve fund and then have the minimum days' cash on hand update cover what would have been previously covered under the reserve fund. Mr. Fisher responded in the affirmative, noting that the new target would be six months' cash on hand.

Committee Vice Chair Parshall asked how staff came to the determination that six months was appropriate, noting the vast differences between agencies ranging from four to twelve months. Mr. Fisher responded that staff conducted a peer agency review in conjunction with advisors from Piper Sandler and determined that six months was an appropriate target.

Committee Vice Chair Parshall asked for additional clarification on the recommendations slide showing impacts to the agency's overall capacity. Mr. Fisher responded that both the additional $1.4 billion and $3.5 billion are based on seeing changes from groups outside the agency, such as the state legislature. The previously mentioned $500 million in additional capacity is what the agency could see from purely Board level and below changes.

Proposed 2027 Budget and Transit Improvement Plan Preview

Mr. Newsome provided opening remarks on the Proposed 2027 Budget and introduced Ryan Fisher, Finance Executive Director, as well as Financial Planning and Analysis Directors Jenny Stephens and Stephanie Ball, to provide the presentation.

Mr. Fisher provided an outline of the topics covered under the Proposed 2027 Budget and TIP, with an adoption timeline, noting that the Budget would first be reviewed at this meeting, then at the Board in October, before committee review in November and 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 six-year document detailing annual spending forecasts for the next six years and the budgets approved by the Board for active projects), and Long-Range Financial Plan (a long-term financial document detailing revenues and expenditures through 2052).

Mr. Fisher provided an overview of 2027 revenues totaling $3.3 billion, noting stable tax proceeds totaling $2.715 billion; additions to fare collection due to full operating years of Link Crosslink Connection totaling $91 million; a slight decrease in grant funding totaling $202 million; and continued growth in investments totaling $290 million.

Mr. Fisher then laid out the expected 2027 expenditures for the agency totaling $3.9 billion, highlighting $2.338 billion in system expansion projects for Stride BRT construction and forward progress from the updated system plan action in May; $942 million in modal operations and maintenance; $221 million in service delivery programs to fund necessary state-of-good-repair, resiliency, and IT work; $230 million in debt service costs; $158 million in other revenues and reserves; and $33 million in overall contingency.

Ms. Stephens discussed primary themes in the 2027 operating budget, noting that of the overall $942 operating budget, $587 million was dedicated to Link light rail to include new positions for operational resiliency, $206 million for ST Express driven by increases in partner service costs, $122 million for Sounder inclusive of the new amended Amtrak Sounder maintenance agreement, and $27 million for Tacoma Link to include new positions required under FTA regulations. She also provided details on revenue service mile, annual operating cost, and ridership trends for the past three years.

Ms. Ball described expenditures for system expansion projects, totaling $2.3 billion of the agency's 2027 budget. She noted that Link light rail accounted for $1.409 billion of that budget due to continued progress on a variety of ST3 projects, with Stride accounting for $587 in spending on various construction elements in advance of its opening in 2028. She further detailed that indirect and multimodal costs accounted for $156 million and $94 million respectively, followed by $71 million for Sounder, $15 million for ST Express, and $6 million for Tacoma Link.

Ms. Ball provided information on system expansion expenditures over the past three years, highlighting increases in Link spending as ST3 projects move forward, continued increases in Stride as construction continues, moderate increases in indirect and multimodal costs, and a significant decrease in Sounder spending as the result of concluding construction on various parking projects.

Ms. Ball outlined the $221 million in spending for service delivery programs, which span a variety of different areas as the agency invests in a myriad of resiliency and safety projects. She noted that the facilities portfolio includes the highest share of spending at $53 million, followed by infrastructure at $46 million. IT has a budgeted $44 million in spending, followed by $34 million in rolling stock, $17 million in systemwide projects, $16 million in indirect costs, $9 million in Tacoma Link, and $2 million in transit systems spending. She also detailed previous three-year trends on Service Delivery program spending, highlighting that all areas continue to see growth as the system has continued to age and grow in capacity.

Ms. Ball detailed key highlights from the Prosed Transit Improvement Plan, noting that a variety of projects were closed, leading to a $2.8 billion reduction in the TIP, $150 million in savings from the Downtown Redmond Link Extension, as well as new additions in high-capacity transit studies and the regional parking fund. The summation of the changes results in a new TIP of $26 billion, down from the previous $28.5 billion from the prior year.

Mr. Fisher provided some concluding thoughts on the budget, noting that the agency will continue to identify operating efficiencies as ST2 projects close, while caveating that various system expansion milestones authorizations will be required in 2027. He also noted that delivery capacity will continue to grow and a new service mode in Stride BRT will begin with the next budget cycle. He then outlined the decision timeline, noting that each committee will review their respective portions of the budget, with the Finance and Audit Committee considering the budget in November, followed by Board adoption later in the day on November 19, 2026.

Chair McLeod asked whether each committee would receive a summary of the overall budget to contextualize the portion that they are responsible for reviewing. Mr. Fisher responded in the affirmative,

Chair McLeod noted that he had presided over a public hearing on the Proposed 2027 Budget and Property Tax Levy earlier in the day, and that members of the public will have other opportunities to comment on the Budget at November committee meetings, and those who wish to comment on the property tax levy may do so prior to the Board taking final action on October 22, 2026.

External Audit Presentations

2026 Single and Financial Audit Entrance – Crowe LLC

Hughey Newsome, Chief Financial Officer, provided opening remarks and introduced Brad Schelle, Engagement Partner from Crowe LLC, who provided the report.

Mr. Schelle 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.

Mr. Schelle noted that the audit would focus on the following areas: implementation of new GASB Standards 103 and 104, internal controls, federal grant and loan compliance with procurement requirements, traditional risk areas such as cash and debt, debt refunding, IT audit procedures over key financial systems, and capital projects.

Mr. Schelle gave an expected timeline for the audit work, noting that field work will progress through to the end of March 2027, with financial statements being provided in April 2027, followed by a final report to the Finance and Audit Committee in May of 2027.

Mr. Schelle outlined the planning considerations and new standards to be implemented, which included a new GASB Standard 105, pertaining to subsequent events, as well as federal funding considerations.

2025 Accountability Audit Entrance – Washington State Auditor's Office

Mr. Newsome provided opening remarks and introduced Joe Simmons, Audit Manager from the Washington State Auditor's Office, to provide the report.

Mr. Simmons 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, procedure and performance oversight of interlocal agreements, compliance with agency policies for credit card payments, and a review of public works projects procurements.

Executive Session – None

Other business – None

Next meeting

Thursday, November 19, 2026 **NOTE DATE**
10:30 a.m. to 12:00 p.m.
Ruth Fisher Boardroom and Virtually via an online meeting platform

Adjourn

The meeting adjourned at 11:54 a.m.

ATTEST:

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Thomas McLeod	Kathryn Flores
Finance and Audit Committee Chair	Board Administrator

APPROVED on _____ HRR.