



## Summary Minutes

### Finance and Audit Committee Meeting July 11, 2024

#### Call to order

The meeting was called to order at 10:37 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	(A) Bruce Dammeier, Pierce County Executive

Board Members	
(P) Dow Constantine, King County Executive	(P) Kristina Walker, Tacoma Councilmember
(P) Christine Frizzell, Lynnwood Mayor	(P) Girmay Zahilay, King County Council Vice Chair
(A) Ed Prince, Renton Council President	

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

#### Report of the Chair

None.

#### CEO Report

None.

#### 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.

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

#### Business Items

##### Item for Final Committee Action

May 9, 2024, Finance and Audit Committee meeting minutes

**It was moved by Board member Frizzell, seconded by Board member Zahilay, and carried by unanimous voice vote of the committee members present that the minutes of the May 9, 2024, Finance and Audit Committee meeting be approved as presented.**

## **CFO Report**

Mary Cummings, Chief Administrative Officer, provided the report in CFO John Henry's stead. Ms. Cummings provided an overview of the reports coming before the committee, and invited Ryan Fisher, Finance Deputy Executive Director, to continue the report and introduce other presenters.

### 2024 Q1 Financial Report

Mr. Fisher provided the May 2024 year-to-date financial performance report. He highlighted that tax and fare revenues are under budget, although investment income and other revenues are over projected budget figures. He also noted that all expenditures, including operations, system expansion and delivery projects, and debt service, have also been under budget.

Mr. Fisher provided additional details on the underlying causes of the lower-than-expected revenues, noting that tax revenues are under project budget figures primarily due to lower-than-expected sales tax incomes, and that investment incomes are higher than projected due to higher than anticipated interest rates. He also provided additional details on the underlying causes of the under-budget expenses, including decreased on-call services costs for Link light rail, lower insurance premiums for all services, and reduced fuel costs for Sounder.

Mr. Fisher reported additional details on system expansion project expenses, highlighting that Lynnwood Link Extension construction costs were currently under-budget, as well as construction costs for Stride BRT being lower-than-expected.

He highlighted savings that occurred in service delivery projects, noting that the timing of payments on multiple projects had resulted in 15% lower costs than anticipated, though he noted that most of these expenditures will be reflected later in the year.

Board member Frizzell asked how sales tax revenues are comparing to 2023 figures, particularly whether the agency was over-estimating revenues. Mr. Fisher responded that tax revenues are higher than last year's actuals, but that the revenues have not grown at the pace forecasted in the budget.

### Quarterly Asset and Liability Management Report

Jeff Clark, Controller Executive Director, provided the report. He highlighted the investment portfolio of the agency, noting that Sound Transit currently holds \$5.2 billion as of May 21, 2024. He explained that 72% of those investments are unrestricted and noted that staff is monitoring market conditions and will make adjustments as needed to balance risks and returns on the agency's investments.

He reviewed 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 through May.

Mr. Clark also gave an overview of the agency's debt status, noting the agency currently holds approximately \$3.5 billion in outstanding bonds and Transportation Infrastructure Finance and Innovation Act (TIFIA) borrowings, while also highlighting the agency's ability to draw a further \$2.1 billion in further TIFIA loans if needed.

### 2023 Annual Fare Revenue Report

Chad Davis, Director of Fares, provided the report. He highlighted that ridership had increased 17% in 2023, with fare revenues also increasing 15% in the same period. He also noted that the agency is still experiencing a lower rate of fare revenues when compared to pre-pandemic levels, particularly on Link light rail. He noted that the Fare Ambassador team is working to mitigate this issue, while also highlighting the increase in ORCA LIFT program, with it now having about 55,000 active users.

Mr. Davis provided an overview of fare revenues over the last three years, noting that while fare revenues have continued to increase year-over-year, that farebox recovery actuals had not met the

minimum standard under the old recovery targets. He also highlighted the new farebox recovery targets, and informed the committee that he would return in the future as the agency continues to monitor farebox recovery under the new standards.

## **Audit Report**

### 2023 Financial and Single Audit Exit Report – Crowe LLC

Brad Schelle of 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 materials misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion.

He provided an overview of the timeline of Crowe's work, starting with audit planning and risk assessment in October of 2023, followed by interim fieldwork in November 2023, year-end fieldwork in February and March of 2024, the testing of financial statements and reports in April 2024, and concluding with the final audit opinion on April 26, 2024.

Mr. Schelle noted that there were multiple new accounting standards that needed to be included in the 2023 audit, highlighting how the implementation of GASB 96 and GASB 101 caused the agency to report multiple increases in assets and liabilities as a result.

He 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 reported to the committee what the future emerging issues should be noted in future audits, highlighting that while no new items would occur in 2024, the 2025 and 2026 audits would have additional new standards implemented, and Crowe would work with agency staff in planning how these new standards will be implemented.

Board member Frizzell thanked Mr. Schelle and for his work. Chair Backus echoed the sentiment and noted the importance of working with independent auditors to help catch any possible problems at the earliest opportunity.

### 2024 Q1/Q2 Internal Audit Update

Patrick Johnson, Audit Director, provided the report. He noted that most compliance audits being conducted in 2024 were safety related, with three audits being concluded with no findings. Mr. Johnson also noted that an Internal Public Safety and Emergency Management audit were underway, with a further five audits on track for completion later in the year.

Mr. Johnson also provided an overview of the agency's 2024 safety and security certification audits, with two audits being completed with no findings, one audit currently in progress, with a further two audits on track for completion later in the year. He also noted that the singular performance audit is on track for completion by year end.

**Executive session** – None

**Other business** – None

**Next meeting**

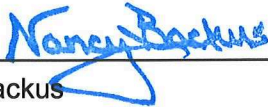
Thursday, September 12, 2024

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

Ruth Fisher Boardroom and Virtually via an online meeting platform

**Adjourn**

The meeting adjourned at 11:13 a.m.



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Nancy Backus  
Finance and Audit Committee Chair

ATTEST:



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Kathryn Flores  
Board Administrator

APPROVED on October 10, 2024, HRR.