



## Summary Minutes

### Finance and Audit Committee Meeting July 10, 2025

#### Call to order

The meeting was called to order at 10:33 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 – 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

##### For Final Committee Action

##### May 8, 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 May 8, 2025, 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, and Ryan Fisher, Finance Executive Director, to provide the report.

Mr. Newsome provided an overview of the CFO presentation, noting that committee members have received both the Q1 2025 Asset Liability Management Report and Q1 2025 Financial Performance Report, which will be covered in the presentation. He also noted two other topics of interest in the report: an update on the 2026 budget, and an upcoming refresh of the agency's budget policy.

### Q1 Asset Liability Management Summary

Mr. Newsome reported that the agency currently holds about \$6.3 billion in investments, with an increase of \$1.3 billion over the prior quarter due to an additional TIFIA loan drawdown. He noted that the portfolio remains strong and well positioned to take advantage of the high interest rates that have been maintained.

Mr. Newsome reported that the agency has \$4.77 billion in outstanding debt, with \$1.62 billion in fixed rate debt and a further \$3.07 in TIFIA proceeds. He noted that the remainder consists of \$.08 billion in variable rate debt and explained that staff will bring an action to the Committee later in the year to pay off that outstanding variable rate debt.

### Q1 2025 Financial Performance

Mr. Fisher provided an overview of the Q1 2025 financial report. He noted that revenues are trending high through Q1, at 104% of expected totals, driven primarily due to investment income. He also noted that spending trends for Q1 are under budget across the board, with the sole exception being agency administrative support costs, which came in at 105% of expected totals.

Mr. Fisher reported that system expansion project expenditures came in at \$105 million, 30% lower than anticipated in Q1. He noted that this is due to the timing of certain real property, utility, and fleet expansion projects for Link, delayed invoicing for the NE 85th interchange project for Stride BRT, and the timing of expenditures on the Kent Garage project for Sounder.

Mr. Fisher reported that transit modes operating expenses came in at \$18 million, 10% lower than anticipated in Q1, primarily driven by lower costs of insurance, salaries and benefits, and decreased purchased transportation costs on Link and Sounder.

Mr. Fisher gave additional details on the overspend of \$1.8 million on agency administrative support in Q1, which was driven by advanced timing on various project MOST costs as part of the agency's reorganization effort.

Mr. Fisher reported that Service delivery projects expenditures were \$840,000, 3% lower than expected in Q1. He noted that this was primarily driven by delayed spending on the SeaTac elevator project and the timing of invoicing on the passenger information management system program.

Committee Vice Chair Frizzell asked for clarification on the PMIS acronym. Mr. Fisher explained that the acronym referred to the agency's Project Management Information System, which is designed to centralize project information across the agency.

### Update on 2026 Budget

Mr. Fisher provided an overview of priorities for the 2026 budget cycle, including addressing resiliency Challenges and state of good repair, management of system expansion openings, and alignment of resources with agency priorities.

Mr. Fisher highlighted other changes in the 2026 budget cycle, including updates from the agency's reorganization effort, restructuring of service delivery projects, and evaluation of cost drivers into the budget review process. He also noted that a future budget amendment for the 2025 budget will be presented later in the year to implement agency reorganization updates prior to the normal 2026 budget cycle.

### Budget Policy Refresh

Mr. Fischer provided an overview of proposed updates to the agency's budget policy. He noted that the budget policy was last updated in 2020, which added additional clarifications of delegated authority between the board and the CEO. He also noted that additional updates as part of the budget policy refresh would include changes to how asset management is tracked, as well as clarifying other definitions and language to better align with current agency practices.

Board member Roscoe shared her interest in seeing what clarifications would be provided as part of the budget policy refresh.

## **Enterprise Initiative Update**

Victoria Wassmer, Finance and Business Administration Deputy CEO, provided the report. She provided an overview of the four primary topics covered in the report, including an overview of the long-range financial plan, economic and revenue updates, a review of the agency's credit forecast, and agency financial levers.

DCEO Wassmer provided an overview of the three primary financial documents the board interacts with: the annual budget, the transit improvement plan, and the long-range financial plan. She noted that the budget is approved annually and provides an overview of expected revenues and expenditures for a given financial year. The transit improvement plan gives a five-year overview for all active project costs, and the long-range financial plan covers all revenues and expenditures from Sound Move, ST2, and ST3 through 2046.

DCEO Wassmer described the different inputs of the long-range financial plan, including the annual budget, independent inflation forecasts, board adopted financial policies, key planning assumptions, and updated independent tax revenue forecasts.

DCEO Wassmer provided additional details on the agency's financial management policies. She noted that voter approved financial policies mandate the agency's financial management. She further noted that the financial plan is managed based on a consolidated basis, inclusive of all agency revenues and expenditures. DCEO Wassmer also highlighted that there are no sunsets on local taxes levied by the agency, although there is a tax rollback provision.

DCEO Wassmer described how subarea equity impacts the ST3 system plan. She reported that subarea equity requires that local tax revenues must be utilized in proportion to the amount raised in each subarea. She further noted that the voter approved plan includes a provision that requires the Board to make changes to the ST3 plan if a subarea's actual and projected expenditures exceed its actual and projected revenues by 5%.

DCEO Wassmer gave details into what foundations are used to build the financial plan. She noted that it is comprised of various revenue sources and expenditures, which created the initial balance that drives the necessity of debt issuance by the agency. As part of that debt issuance, various restrictions are in place that define how the agency is able to leverage itself to fulfill its spending obligations.

DCEO Wassmer provided a summary of the fall 2024 financial plan update. She noted that the plan indicated that the Proposed 2025 Budget and Transit Improvement Plan were affordable within the agency's financial plan, that all Board financial policies were maintained, that projected tax revenues decreased by over \$3 billion compared to the fall 2023 financial plan update, and that higher projected

expenditures will cause increased debt issuance that will decrease the agency's financial capacity through the long range financial plan.

DCEO Wassmer gave updates on what has changed since the fall 2024 financial plan update. She noted that tax revenues continue to underperform, interest rates remain higher, Q1 2025 GDP contracted at a rate of .5%, and that an update of the financial plan will be provided in the fall of 2025.

DCEO Wassmer noted that the agency's credit ratings remain high, though she highlighted that ratings agencies have begun to note concern about the scale of Sound Transit's large capital expansion program and the debt issuance needed to complete it, which introduce risk to future borrowing plans.

DCEO Wassmer highlighted the different levers available to the Board to increase the agency's financial toolkit. She noted that the Board currently has a Debt Service Coverage Ratio of 1.5x, which could be adjusted to provide additional debt capacity to the agency. She also highlighted how the agency is maintaining itself above the statutory debt capacity limits, with Sound Transit having a minimum debt capacity of 10.1% in 2042, compared to the statutory 1.5%.

DCEO Wassmer further discussed the differing considerations the Board must take into account when determining how to address future affordability challenges, balancing risks and opportunities while stressing the importance of retaining financial contingency post-baselining.

Committee Vice Chair Frizzell asked for additional information on the tax rollback provision. DCEO Wassmer responded that the ST3 voter-approved plan included a provision that once the capital expansion program was completed and that all agency debts were fully paid, that taxes would be reduced to only generate revenues needed to assist in the operations of the system.

Committee Vice Chair Frizzell asked about the likelihood of seeing that rollback provision go into effect. DCEO Wassmer noted that one portion of that rollback, a reduction of the MVET levy, would occur in 2028.

Board member Roscoe asked if there was further information on the MVET rollback. She also asked for clarification on how debt service is reflected in the projected outlays. DCEO Wassmer noted that debt service is an independent line item for projected agency expenditures. Chair Backus highlighted that the MVET rollback is tied to a change in the vehicle depreciation table that is used to calculate the MVET tax, which will occur in 2028. CFO Hughey Newsome responded in agreement with Chair Backus' assessment.

## **Q2 2025 Internal Audit Report**

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

Mr. Johnson gave an overview of the agency's recently completed comprehensive audit plan dashboard, which provides a variety of information on all agency audit activities. He noted that the dashboard includes details of the various stages of completion of different audits, special topics of interest, and a tracker of total audit findings for 2025.

Chair Backus and Committee Vice Chair Frizzell thanked staff for their work on the dashboard.

Mr. Johnson reported on the results of the Downtown Redmond Link construction certification audit. He noted that audit reviewed various safety certifiable items for construction specifications, inspection reports, and safety hazard mitigations. One finding was found during the audit, that being of inadequate documentation where proper evidence of completion of specific items was not inputted into the database.

Mr. Johnson reported on the results of the Downtown Redmond Link readiness certification audit, which reviewed agency safety and security management plans, pre-revenue service, and operational activities. He noted that the audit resulted in one finding of inadequate documentation, where certain supporting documents were not properly included or labeled in the database.

Mr. Johnson reported on the results of the Sounder accident and incident reporting and East Link E130 construction certification audits, both of which had no findings. He also provided an overview of audits nearing completion, noting that 13 audits were on track to be completed in September of 2025 across a variety of different projects and agency functions.

(Board member Hunter George joined at this 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 telecommunications networks. She introduced Amy Pearsall, Deputy General Counsel, who explained that the committee was allowed to enter into executive session to discuss information regarding the infrastructure and security of computer and telecommunications networks 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 11:38 a.m., with the Committee scheduled to return at 11:53 a.m.

At 11:53 a.m., the executive session was extended by five minutes, with the Committee scheduled to return at 11:58 a.m.

**Other business** – None

### **Next meeting**

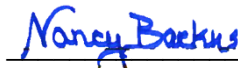
Thursday, September 11, 2025

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

Ruth Fisher Boardroom and Virtually via an online meeting platform

### **Adjourn**

The meeting adjourned at 12:00 p.m.

  
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Nancy Backus  
Finance and Audit Committee Chair

ATTEST:  
  
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Kathryn Flores  
Board Administrator

APPROVED on September 11, 2025 HRR.