

Resolution No. R2025-22

Updating Sound Transit's Budget Policy

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee Board	09/04/2025 09/25/2025	Recommend to Board Final action	Victoria Wassmer, Deputy CEO, Chief Finance & Business Officer Hughey Newsome, Chief Financial Officer Ryan Fisher, Executive Director, FPA & Budget

Proposed action

Adopts an updated Budget Policy and supersedes Resolution No. R2020-24.

Key features summary

- The budget policy is periodically reviewed to ensure the policy reflects current budget and agency practices; the last update was made in November 2020. Updates to the policy reflect more streamlined agency practice, improved transparency, and clarified annual budget appropriations.
- Key changes to the 2020 policy include:
 - Classification of service delivery projects into programs based on asset classes instead of based on previously used project types; State of Good Repair, Enhancement, and Administrative.
 - Clarifications to the policy for annual budget appropriations.
 - Specifying when agency contingency can be used for operating and other non-operating expenses.
 - Categorizing other operating and non-operating expenses into one appropriation – this includes tax collection & fees, leases, Subscription Based Information Technology Arrangements (SBITA), General & Administrative Expenses (G&A), Fare and Regional Planning (FRP), and other non-operating expenses.
- The Board will now appropriate projects based on only two categories for projects, System Expansion and Service Delivery, instead of the four categories previously used—System Expansion, State of Good Repair, Enhancement, and Administrative.
- New terms have been added to the definitions section, including:
 - Agency contingency - An allocation approved by the Board to cover emergency or unplanned expenses not included in the annual budget.
 - Budget category - A category of related expenses and capital outlays approved annually by the Board. Budget categories include, at a minimum, system expansion, service delivery, transit modes, debt service, agency contingency, and other operating and non-operating expenses.
 - Debt service - Debt principal payment, interest, and financing fees.

- Program - A group of related ongoing work for service delivery, for system maintenance, or as outlined in a voter-approved plan that has an authorized allocation approved by the Board.
- Transit mode expenses – Annual operation and maintenance costs to provide Sound Transit's lines of transit service.
- No material changes have been made to existing Board controls. The only areas of control changes are:
 - The CEO's authority to increase the tax collection and fees budget, which is calculated as a percentage of actual tax collections and ST3 project fees.
 - The appropriations for leases, subscription-based Information Technology arrangements (SBITA), and tax collections and fees budgets are now all within the other operating and non-operating expenses budget.
 - New control limiting use of agency contingency to operating expenses that either do not require future spending or the Board has approved an action authorizing future activity.

Background

The Board last approved updates to the budget policy in November 2020 through Resolution No. R2020-24. That revision helped further define agency controls and made updates to the CEO's delegated authority order to reduce the number of actions presented to the Board and Committees for administrative changes.

This policy update does not materially change any Board level controls and instead seeks to provide additional clarity and alignment to current agency practices.

The largest change relates to how service delivery projects are now being grouped and structured. Previously all service delivery projects were grouped into one of three categories, State of Good Repair, Enhancement, and Administrative. The differences between a State of Good Repair project and an Enhancement project were often minimal, and the decision to label a major repair project as State of Good Repair vs Enhancement was often subjective and not clear.

As part of the agency's evolving asset management structure, service delivery projects are now grouped into programs based on the asset class. As such, all projects related to repairing, maintaining, or replacing assets are grouped together without the previously used distinctions. Additional details will be provided in the budget resolution to show Service Delivery Projects by program or the higher-level portfolio which is also based on asset class. As a result of this change, the current 48 projects/programs will go down to 29 programs based on asset class. This change will increase accountability and ownership of assets' full lifecycle costs and will also allow for closer tracking of Service Delivery Project spending to the agency's long-range asset-based Service Delivery Project funding that is used in the agency's long-range financial plan.

As noted in the key features section above, there were five new definitions added to the budget policy to provide additional clarity and to increase the readability of the policy. One of the defined terms, Budget Category, outlines the main functional areas of the agency's annual budget.

The policy includes updates to the budget policy language to reflect changes made to the Agency's budget over the past several years. Items like SBITA Amortization and Interest Expense were called out separately in the 2025 budget resolution as they were related to new accounting pronouncements and did not fit into previous budget categories as listed in the budget policy. The new budget policy groups these items together in the Other Operating and Non-Operating Expense category. The change also clarifies the specific groups of expenses that are highlighted individually in the annual budget resolutions; system expansion, service delivery, transit modes, debt service, and agency contingency.

Other expenses not listed specifically in the budget policy will continue to be shown under the Other Operating and Non-Operating Expense grouping.

Fiscal information

The updated policy has no direct impact on the agency's long-range financial plan.

Small business participation and apprenticeship utilization

Not applicable to this action.

Public involvement

Not applicable to this action.

Time constraints

A one-month delay would not create a significant impact to the agency budget process.

Prior Board/Committee actions

Resolution No. R2020-24: Adopted a budget policy and superseded Resolution No. R2018-23

Resolution No. R2018-23: Adopted a Budget Policy and superseded Resolution No. R2002-08

Resolution No. R2002-08: Adopted revised Sount Transit budget policies and superseded Resolution No. R98-4

Resolution No. R98-4: Adopted policies for the Authority.

Environmental review – KH 8/21/25

Legal review – MT 8/29/25

Board Budget Policy (R2025-22) – Summary of Proposed Updates

Section	Proposed Updates	Summary of Change/Justification
Scope	• Adds programs to the scope of this policy.	Streamlines Board budget actions by grouping related ongoing work for service delivery, for system maintenance, or as outlined in a voter-approved plan. Programs have an authorized allocation approved by the Board. The addition of programs to this policy supports the agency's increasing focus on the portfolio of operations, maintenance, and asset management routine work. This change will improve accountability for this work and better connect the long-term state-of-good-repair forecast with ongoing asset management projects.
Definitions	• Revises existing definitions. • Adds the following new definitions: ○ Agency contingency ○ Budget category ○ Debt service ○ Program ○ Transit mode expenses • Addresses programs in appropriate places, per the scope addition.	Improves administrative clarity of the current policy and alignment with agency practice.
Authority	• Addresses programs in appropriate places, per the scope addition. • Minor edits to align with revised definitions.	Improves legal and administrative clarity.
Budget development	• Revises the list of budget categories to align with the revised definitions and current Board adopted annual budget resolution. • Addresses revised definitions and programs, per the revised scope. • Removed language that is repetitive of the Board's Asset Management Policy (Resolution No. R2015-32). No change in requirements.	Provides administrative clarity and ensures consistency with current policy and practice.
Budget review and adoption	• Addresses revised definitions and programs, per the scope addition. • Minor formatting edits for clarity.	Improves administrative clarity.
Budget controls	• Addresses revised definitions and programs, per the scope addition. • Aligns language with the revised scope and definitions. • Provides clarity regarding the appropriate use of agency contingency for operating expenses. • Adds language regarding additional revenue to align with current practice. • Adds a new delegation to allow the CEO to exceed the tax collection fees budget due to higher than forecasted tax collections.	No material change in Board controls. Improves administrative clarity.

Board Budget Policy (R2025-22) – Visual of Proposed Budget Categories

The image below shows how the presentation of Sound Transit's annual budget will be impacted by the board budget policy update. Only the Expenses & Outlays section is presented below, there are no changes to the Revenues & Other Financing Sources section.

Expenses & Outlays

Transit Modes

Sounder

Link

Tacoma Link

Regional Express

Subtotal - Transit Modes

Projects

System Expansion Projects

Enhancement

State of Good Repair

Administrative

Administrative - agency admin support

Charges to Transit Modes (Transfers Out)

Subtotal - Projects

Other Expenses

Debt Service

Tax Collections and Fees

Contribution to Partner Agencies

Leases & SBITA Amortization and Interest

Other Non-Operating Expenses

Agency Contingency

Subtotal - Other Expenses

Total Expenses & Outlays

Expenses & Outlays

Transit Modes

Sounder

Link

Tacoma Link

Regional Express

Subtotal - Transit Modes

System Expansion Projects

System Expansion Projects

System Expansion Transfers Out

Subtotal - System Expansion Projects

Service Delivery Programs

Service Delivery Programs

Service Delivery Transfers Out

Subtotal - Service Delivery Programs

Other Operating and Non-Operating Expenses

General and Administrative

Fare and Regional Planning

Tax Collections and Fees

Contribution to Partner Agencies

Leases & SBITA Amortization and Interest

Other Non-Operating Expenses

Subtotal - Other Operating and Non-Operating Expenses

Debt Service

Agency Contingency

Total Expenses & Outlays



Resolution No. R2025-22

Budget Policy

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority adopting a Budget Policy and superseding Resolution No. R2020-24.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (RCW) for the Pierce, King and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, financial policies in voter-approved system plans establish certain guidelines and budget policies to be followed by Sound Transit; and

WHEREAS, in 2020 the Sound Transit Board adopted revised budget policies that detail the content, schedule and budget authority for Sound Transit annual budgets; and

WHEREAS, prudent financial management requires the updating of budget policies to support the agency's accountability in its use of public funding within current organizational structures and processes; and

WHEREAS, the budget and transit improvement plan demonstrate accountability for public commitments to voter-approved regional transit system plans; and

WHEREAS, a budget policy is necessary to establish the chief executive officer's (CEO) authority to develop Sound Transit's revenue, operating, program, and project budgets for Board consideration of adoption, and a policy is necessary to set requirements for reporting to the Board on budget performance and control.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that Resolution No. R2020-24 is hereby superseded with a Budget Policy, which is hereby adopted as follows:

1.0 Scope

1.1 This policy applies to all Sound Transit revenue, operating, program, and project budgets.

2.0 Definitions

2.1 Agency contingency: An allocation approved by the Board to cover emergency or unplanned expenses not included in the annual budget.

2.2 Annual budget: A plan for the agency's revenue and expenditures for a fiscal year.

2.2.1 Proposed annual budget: The initial annual revenue, operating, program, and project budgets as submitted by the CEO to the Board for consideration.

- 2.2.2 Adopted annual budget: The proposed annual budget and associated revisions adopted by the Board before the beginning of the fiscal year, plus any one-time actions that this policy allows in section 3.3.4.
- 2.3 Amendment: A change to the adopted annual budget or a change to an authorized allocation due to an overrun or underrun. A planned change to an authorized allocation for the purpose of advancing project phases does not constitute an amendment.
- 2.4 Annual program or project budget: The amount of program or project costs projected to be incurred during the fiscal year.
- 2.5 Authorized allocation: The current Board-authorized spending ceiling for a program or project.
- 2.6 Budget authority: The authority granted by the Board to spend a given amount of money for a certain purpose.
- 2.7 Budget category: A collection of related expenses and capital outlays approved annually by the Board. Budget categories include, at a minimum, system expansion, service delivery, transit modes, debt service, agency contingency, and other operating and non-operating expenses.
- 2.8 Capital outlay: An expenditure that results in the acquisition of, creation of, or addition to fixed assets.
- 2.9 Cost phases: A defined set of categories to budget and track program or project costs.
- 2.10 Debt service: Debt principal payment, interest, and financing fees.
- 2.11 Fiscal year: A 12-month period for calculating annual financial statements. Sound Transit's fiscal year is January 1 to December 31.
- 2.12 Other operating and non-operating expenses: Ongoing and routine costs required for ordinary government operations and to provide administrative support to the agency.
- 2.13 Program: A group of related ongoing work for service delivery, for system maintenance, or as outlined in a voter-approved plan that has an authorized allocation approved by the Board.
- 2.14 Project: A discrete body of work that has a scope, schedule, and authorized allocation approved by the Board.
- 2.15 Project phases: Distinct groupings of project activities, typically project development, design, and construction.
- 2.16 Reserve: Cash set aside to support unplanned expenditures, such as the deductible for an insured loss or a period of other operating and non-operating expenses in the case of lost revenues.
- 2.17 Transit improvement plan (TIP): The cumulative total authorized allocations for all active programs and projects.
- 2.17.1 Proposed TIP: The initial submission of the TIP to the Board for review.
- 2.17.2 Adopted TIP: The proposed TIP and associated revisions adopted by the Board, plus any one-time actions that this policy authorizes the CEO to take after the Board adopts the annual TIP.
- 2.18 Transit mode: A system for carrying transit passengers described by specific right-of-way, technology, and operational features, such as light rail, commuter rail, bus, or streetcar.
- 2.19 Transit mode expenses: Annual operation and maintenance costs to provide Sound Transit's lines of transit service.

3.0 Policy

3.1 Authority

- 3.1.1 The Board adopts all authorized allocations and annual revenue, operating, program, and project budgets, including any changes or amendments, with a two-thirds majority vote.
- 3.1.2 The CEO maintains a budget system, records, and reports that are consistent with industry best practices and statutory and regulatory requirements to align agency resources with the Board's objectives and the agency's mission.
- 3.1.3 The CEO maintains an agency project management oversight process to verify project readiness to advance through established project phases.

3.2 Budget development

- 3.2.1 The CEO submits a proposed annual budget and proposed TIP to the Board for the upcoming fiscal year no later than 60 days before the end of the current fiscal year.
- 3.2.2 The proposed annual budget includes annual forecasts for the following budget categories:
 - 3.2.2.a Revenues and other financing sources;
 - 3.2.2.b Transit mode expenses;
 - 3.2.2.c System expansion program and project capital outlays and expenses;
 - 3.2.2.d Service delivery program and project capital outlays and expenses;
 - 3.2.2.e Debt service;
 - 3.2.2.f Agency contingency;
 - 3.2.2.g Other operating and non-operating expenses;
 - 3.2.2.h Contributions to other governments;
 - 3.2.2.i Contributions to reserves. A reserve equal to two months of operating and maintenance expenses will be established. This reserve is in addition to any general bond reserves or reserves approved by the Board. Contributions to reserves do not constitute budget authority and require Board authorization to be spent; and
 - 3.2.2.j Other costs, as directed by the Board, from time to time.
- 3.2.3 The proposed TIP contains:
 - 3.2.3.a Annual planned capital outlays and expenses for previously Board-approved and new requests for authorized allocations by program or project, cost phase, and subarea for a minimum of six years;
 - 3.2.3.b Cost estimates for projects specified in the voter-approved system plans;
 - 3.2.3.c Summary of changes in authorized allocations from the prior year; and
 - 3.2.3.d The requirements in the Board's asset management policy for the state of good repair forecast and funding.
- 3.2.4 The agency prepares budgets on an accrual basis, consistent with how revenues and expenditures are recorded in the agency's financial system.

3.3 *Budget review and adoption*

- 3.3.1 Board committees review the proposed annual budget, proposed TIP, and any proposed revisions and make recommendations to the Board.
- 3.3.2 The Board conducts a public hearing of the proposed annual budget before considering adoption of the annual budget and TIP.
- 3.3.3 The Board adopts the annual budget and TIP before the beginning of the fiscal year.
- 3.3.4 Following Board adoption of the annual budget and TIP, the CEO is authorized to make the following one-time changes, which are reported in the adopted annual budget and adopted TIP:
 - 3.3.4.a Technical and conforming changes; and
 - 3.3.4.b Shifts in annual program and project budgets between the prior year and upcoming fiscal years and shifts in authorized allocations between cost phases of the same program or project, with the exception of the cost phase for system expansion project contingency.

3.4 *Budget controls*

- 3.4.1 The Board controls and monitors the adopted annual budget and TIP. Except as authorized in section 3.4.2, Board approval is required to:
 - 3.4.1.a Transfer budget between programs or projects or between budget categories.;
 - 3.4.1.b Transfer an authorized allocation from the contingency cost phase of a system expansion project to any other cost phase of the same project;
 - 3.4.1.c Spend reserves, unless authorization is otherwise provided in bond indentures; and
 - 3.4.1.d Change the amounts established in the adopted annual budget or adopted TIP for the following:
 - Annual financing sources, including loans and bond issuances;
 - Annual allocation for each budget category;
 - Authorized allocation for each program or project;
 - Contributions to other governments;
 - Contributions to reserves;
 - Debt service;
 - Tax revenue collection fees; and
 - Any other budget appropriations specified in a Board action over which the Board chooses to retain specific control.

3.4.2 The CEO is authorized to:

3.4.2.a Transfer an authorized allocation between cost phases of the same program or project, provided that the total transfer value per program or project does not exceed \$1,000,000 per fiscal year and subject to the restrictions in section 3.4.1.b. This authority is in addition to the one-time action allowed in section 3.3.4.

3.4.2.b Allow spending to exceed an annual program or project budget provided that the following are not exceeded:

- Authorized allocation for that program or project;
- Adopted annual budget for the budget category, as outlined in the adopted annual budget; and
- Any authorized procurement amount.

3.4.2.c Reallocate budgets within the total annual transit modes expenses budget, and within the operating and non-operating expenses budget, provided the total annual budget category budget is not exceeded.

3.4.2.d Reallocate agency contingency to increase the transit mode expenses or other operating and non-operating expenses budget category, so long as the use does not require ongoing future spending or any future spending is pursuant to a Board approved action.

3.4.2.e Restate prior year capital outlays or other operating and non-operating expenses to comply with Generally Accepted Accounting Principles and Governmental Accounting Standards Board regulations.

3.4.2.f Exceed annual budget to receive any additional revenue, including grants.

3.4.2.g Exceed the other operating and non-operating expenses budget to increase the amount for tax collection and fees when tax revenue is higher than expected, consistent with Board authorized collection agreements.

3.4.3 The CEO must provide a quarterly report to the Board that compares actual financial performance to the current adopted annual budget.

3.4.4 The expenditure of agency funds requires budget authority and use of a valid procurement method.

4.0 References

4.1 Resolution No. R2016-16 Sound Transit 3 Regional Transit System Plan, Appendix B Financial Policies

4.2 Resolution No. R2021-05 ST3 Plan Realignment

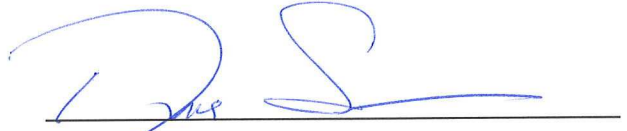
4.3 Resolution No. R2015-32 Asset Management Policy

4.4 Resolution No. R2023-30 Procurement, Agreements, and Delegated Authority Policy

4.5 Resolution No. R2018-24 Asset Liability Management Policy

4.6 Resolution No. R2024-11 System Expansion Project Scope and Betterments Policy

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on September 25, 2025.



Dave Somers
Board Chair

Attest:



Kathryn Flores
Board Administrator