

Summary Minutes

Finance and Audit Committee Meeting May 14, 2026

Call to order

The meeting was called to order at 10:34 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
	(P) Dan Strauss, Seattle Councilmember

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

Report of the Chair

Chair McLeod noted that he would be looking forward to hearing about the audit slated for the meeting's agenda, highlighting the importance it plays in growing and maintaining trust with the public.

CEO Report

Audit Updates

Finance and Business Administration Deputy CEO Victoria Wassmer provided the report on behalf of CEO Constantine. She reported that the audits the Committee would hear about highlight the agency's strong financial position and continued meeting of federal safety reporting requirements. He shared his thanks to the teams involved for their work and analytical rigor.

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.

The following person provided written public comment:

Donna Zandell

The following people provided in-person public comment:

Anna Zivarts

Day-Z Gould Wong

The following people provided virtual public comment:

Christine MacKay
Joe Kunzler

Business Items

For Final Committee Action

March 12, 2026, Finance and Audit Committee meeting minutes

It was moved by Committee Vice Chair Parshall, seconded by Board member Prince, and carried by unanimous voice vote of the committee members present that the minutes of the March 12, 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 detailing the Federal Transit Administration's Full Scope Management Review of the agency. She noted that the FTA assigned Sasvata LLC to perform the review, which consisted of a one-week assessment phase on the week of October 6, 2025, followed by a test phase on the first two weeks of December 2025. At the end of the review period, no materials weaknesses were identified, however three significant deficiencies and four advisory comments were noted. DCEO Wassmer noted that eight of the fifteen areas of review had no findings, which were remarked as being rare by the auditor, earning the agency their commendation on the agency's work. She further noted that Sound Transit has received the FTA's final report and staff have included in Committee members' packets management response plans to the three significant deficiencies identified.

She then introduced Hughey Newsome, Chief Financial Officer, Ryan Fisher, Finance Executive Director, and Jeff Clark, Controller Executive Director, to provide the report.

Q1 2026 Financial Performance Report

Mr. Fisher provided the Q1 2026 financial performance report. He highlighted revenues overperforming for both tax and other revenue collections, and that expenditures are under budget with the primary underspends being in capital delivery and service delivery projects.

Mr. Fisher provided additional details on the underlying causes of the higher-than-projected revenues, noting that they were driven by greater than anticipated tax revenues and federal grant proceeds. He noted that this was partially offset by lower investment returns, though these are non-cash market adjustments. Specifically, Mr. Fisher highlighted that sales tax revenues were the primary driver of increased tax revenue, and that additional federal grant proceeds from late 2025 that were not included in the 2026 budget were the cause of the higher than anticipated grant revenue.

Mr. Fisher noted that system expansion projects ended the year 24 percent under budget, with large underspends on Link, Stride, and Sounder. Link expenditures were lower than expected due to lower than anticipated closeout activities on the Federal Way Link Extension, as well as lower than expected costs on passenger signage costs on Eastlink. Stride came in under budget due to payment timing which is currently expected to resolve in Q2 2026. Sounder costs were less than expected due to delays in construction on the Sumner, Kent, and Auburn Parking and Access Improvement projects.

Mr. Fisher explained that transit mode operating budgets came in at six percent below budget. He noted that Link was lower than budget due to decreased purchased transportation expenses, as well as delays in task orders for various operating projects as the MATOC contract is still being established. Mr. Fisher reported that Sounder was below budget due to delays in the delivery of new Sounder cars, which has resulted in a lower cost for the Sounder vehicle overhaul program. ST Express was over budget due to accelerated charter bus purchases for the World Cup but should resolve by year-end.

Mr. Fisher also noted that T Line expenses were slightly below budget due to adjustments in security services and lower than anticipated maintenance services.

Mr. Fisher reported that Q1 service delivery project expenditures were 45 percent under budget, driven by facilities, infrastructure, and rolling stock programs. He noted that facilities were lower than expected due to track access availability which should be back on track later in the year. Infrastructure projects were lower than planned due to delays in at grade projects, with staff still working on securing a design for pedestrian gates as well as changes to the Royal Brougham design, which is likely to continue throughout 2026. Mr. Fisher noted that there were also delays in payments for vertical transportation work at International District Chinatown station, due to commissioning issues identified during inspections. He further reported that rolling stock came in under budget largely due to the aforementioned Sounder Vehicle Overhaul program, as well as continued qualification testing on the Kinkisharyo systems upgrade program delaying additional spending.

Q1 2026 Asset and Liability Management Report

Mr. Clark provided details on the agency's investment portfolio. He noted that Sound Transit currently holds ~\$8.6 billion as of March 31, 2026, which consists of both unrestricted funds that could be used for any agency use, as well as restricted funds which are set aside for specific uses. He further noted that cash interest income in Q1 was \$82 million, above the projected \$68 million, but that this was partially offset by decreased interest rates, which are only on-paper losses due to the agency holding assets to maturity.

Mr. Clark reported that the agency has \$5.5 billion in outstanding bonds and TIFIA borrowings as of March 31, 2026, split between \$3.93 billion in TIFIA loans, with a further \$1.54 billion in bonds. He noted that staff regularly reviews the debt portfolio and acts as needed based on the market, while highlighting the agency's strong cash position.

Bond Refunding

Mr. Clark discussed a bond series issued in 2016 for \$400 million. He noted that the bond has an option to refund the bonds early in 2026, which would be advantageous due to lower market interest rates compared to the original 2016 rates. Refunding the bonds in 2026 would result in approximately \$20 million in agency savings. He further noted that staff are working on a resolution to exercise the call option, which will be brought before the full Board in June for approval.

Chair McLeod noted that the report looks favorable and asked if staff shares in his excitement at this outcome. Mr. Clark responded in the affirmative.

External Audit Report

2025 Financial and Signal Audit Exit Presentation – Crowe LLC

Hughey Newsome, Chief Financial Officer, provided opening remarks and introduced Brad Schelle, from Crowe LLC, to provide the report.

Mr. Schelle provided a review of Crowe LLC, noting that they have worked with 10 of the top 25 transit agencies in North America. He reported that the objective and scope of the audit was to express an opinion on the presentation of the agency's financial statements and obtain reasonable assurance about whether the agency's financial statements are free from material misstatement, respectively.

Mr. Schelle summarized the timeline for the audit process. He noted that the audit began with initial planning and risk assessment in October 2025, followed by interim fieldwork in November. From February to March 2026, year-end fieldwork was conducted, which included substantive and compliance audit procedures on year-end balances and fiscal year activity. Between March and April 2026, Crowe tested the financial statements and prepared their report, with an audit opinion being issued on April 9, 2026.

Mr. Schelle reviewed the deliverables of the audit, which span across three categories of Financial Statement Audits, the Federal Compliance Audit, and Agreed-upon Procedures Reports. In the first category, Crowe provided an Independent Auditor's Report, a management letter, and a SAS 114 letter. The second category included an Independent Auditor's Report on Internal Controls, an Independent Auditor's Report on Compliance, an In Relation To opinion on the schedule of expenditures for federal awards, and Crowe's electronic certification of data collection. The last category includes a National Transit Database Federal Funding Allocation Statistics Form, which will be completed in June 2026, and a Schedule of Sources and Uses of Funds by Subarea, which will be completed in May 2026.

Mr. Schelle reported that, as part of the audit process, Crowe looks for any potential signs of fraud and reported that there were no issues noted of the agency. He further reported on all required communications with those charged with governance across a variety of areas. He noted that there was a single uncorrected adjustment where the agency noted a \$103 million land bank receivable asset from WSDOT, which resulted in an understatement of the agency's 2024 net position, and subsequent overstatement of the agency's 2025 non-operating revenue.

Chair McLeod asked whether this issue was a housekeeping error or a more serious concern. Mr. Schelle responded that the underlying arrangement with WSDOT is unusual, and that Crowe consulted with Governmental Accounting Standards Board, who confirmed that the item should be reported. However, Mr. Schelle noted that this does not constitute a significant deficiency or material weakness.

Mr. Schelle reported that there were two matters regarding internal controls that Crowe wished to share. IT General Controls had two issues, limited physical access control over the agency's data center and the lack of a business continuity plan. He also reported that Crowe found that the Internal Auditor did not have sufficient independence and adequate opportunity to directly interact with the CEO and Board.

Board member Roscoe asked for additional context on the IT access controls deficiency. Mr. Schelle responded that it was brought to his attention during the audit process, though he couldn't recall who from. DCEO Wassmer added that the issue was one of the matters noted by the FTA's full scope management review, and that staff have a corrective action plan in progress to address the issue. Board member Roscoe asked whether the results of the plan would fall within the Committee's oversight role, with Chair McLeod seconding the question. DCEO Wassmer responded that staff would return to the Committee at the close out of all significant deficiencies identified by the FTA review.

Mr. Schelle noted that there would be additional GASB standards that would need to be implemented for the 2026 audit, as well as an additional item for the 2027 audit, all of which would not have a significant impact on future audits.

Board member Strauss asked for clarification on the root issue regarding the independence of the internal auditor. Mr. Schelle responded that Crowe would like to see the Internal Audit director have a direct line of communication with the CEO and the Finance and Audit Committee to ensure independence and allow for any issues to be brought to the attention of the governing body.

Board member Strauss asked whether this would require an organizational restructuring to accommodate this need. Mr. Schelle responded that the change should be laid out plainly that the Internal Audit Director has a direct line of communication with the CEO and Finance and Audit Committee. DCEO Moises Gutierrez added that staff is currently working with legal counsel on how the recommendation will be acted upon, and that staff will report back to the Committee once that consultation has concluded. Board member Strauss asked for a timeline for when that should be expected. DCEO Gutierrez responded that there should be an update ready for the July Finance and Audit Committee meeting.

Internal Audit Report

Q1 2026 Internal Audit Update

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

Mr. Johnson noted that three audits, Sounder Commuter Rail Annual Compliance, Sounder Accident and Incident Reporting, and East Link – Cross Lake Connection Readiness Certification, were completed in Q1 2026 with no findings. One recommendation was noted for the Sounder Accident and Incident Reporting audit: Establish a documented training program for the agency's FRA reporting officers. Two Recommendations were noted for the East Link audit: Ensure uploaded documentation has complete and correct references and ensure that system integrated testing reports have up-to-date requirements.

Mr. Johnson gave an overview of the 2026 Internal Audit Dashboard, highlighting that 39 audits are planned for the year, with six completed and a further four in progress. He noted that as there are no current findings, there are no items awaiting closeout.

Mr. Johnson reviewed two currently in progress audits in Q2 2026. He noted that the Tacoma Link Annual Compliance Audit is underway, which confirms whether required safety processes and controls are in place and operating as intended. The Environmental and Sustainability Management System (ESMS) Internal Audit is also underway, which provides assurance that the agency's ESMS complies with the International Standards Organizations requirements.

Chair McLeod noted that 26 audits slated for 2026 have not yet started and asked for clarification on the reasons. Mr. Johnson responded that some audits are controlled by other divisions within the agency and are therefore outside the control of the Internal Audit Division. However, for those controlled by Internal Audit, many audits are currently in planning for execution later in the year. He specifically noted that a pause was in effect due to considerations for bandwidth during the World Cup. Chair McLeod asked whether this would impact Q2 and Q3 work and whether staff would be caught up by year end. Mr. Johnson responded in the affirmative on both points.

Board member Roscoe noted that at the last Finance and Audit Committee meeting, comments were raised regarding customer feedback and complaints and asked if staff had any updates on responses to those questions. DCEO Gutierrez responded that coordination is ongoing with the Transit Operations department to ensure that the prior request was addressed, and that he would report back with more information. Board member Roscoe asked for a timeline on the report back. DCEO Gutierrez responded that he couldn't speak for Transit Operations staff at the present moment, but that he could provide a timeline in the next few days.

Executive session – None

Other business

Board member Strauss noted that when he was appointed to the Committee, he shared with Chair Somers that he was unsure of the idea since it conflicts with other meetings he has at Seattle City Council. Board member Strauss stated that he will speak with Chair Somers about whether it would be appropriate for him to continue serving on the Committee considering the continued conflicts. He also shared his thanks with staff for their work in preparing the materials for the Committee.

Next meeting

Thursday, July 9, 2026

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

Ruth Fisher Boardroom and Virtually via an online meeting platform

Adjourn

The meeting adjourned at 11:28 a.m.



Thomas McLeod
Finance and Audit Committee Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on July 9, 2026, HRR.