



Asset Liability Management Report

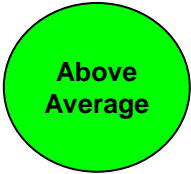
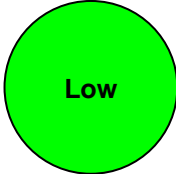
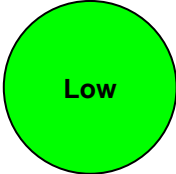
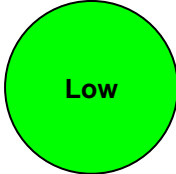
4 Q 2018

Performance Indicators and Key Measures

Cash, Investment and Debt Balances – Book Value (\$M)

Restricted Cash and Investments	529.8
Unrestricted Cash and Investments	1,586.5
Total Cash and Investments	2,116.3

Total Outstanding Debt **2,267.9**

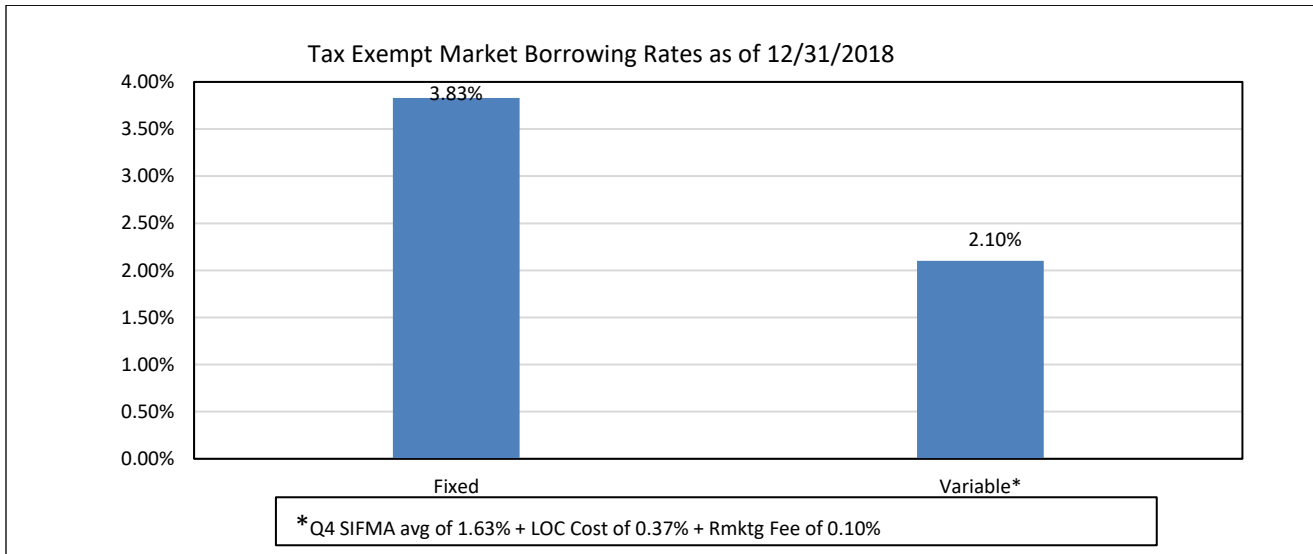
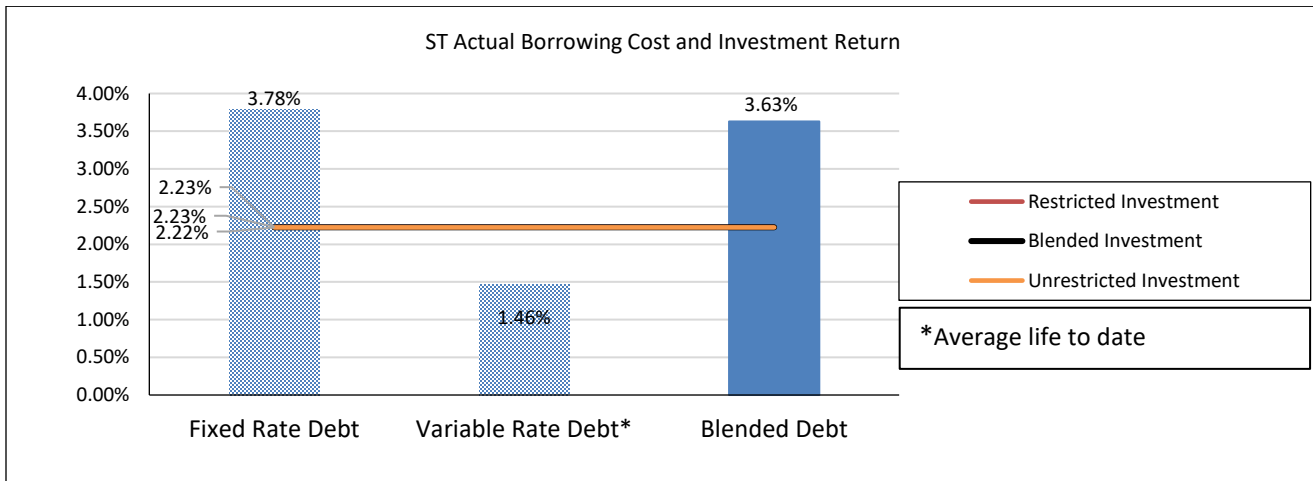
INVESTMENT PERFORMANCE	INTEREST RATE RISK	CREDIT RISK	LIQUIDITY RISK
 <p>Above Average</p>	 <p>Low</p>	 <p>Low</p>	 <p>Low</p>
<p>Prior quarter: Above Average</p> <p>Interest earnings forecast to exceed budget. ST Portfolio performance on a risk adjusted basis at or above the benchmark for a rolling 1 year period of time.</p>	<p>Prior quarter: Low</p> <p>The current long term rate for tax exempt bonds and blended rate for outstanding debts are below the assumed borrowing rate in the financial plan.</p>	<p>Prior quarter: Low</p> <p>Agency is well diversified against counterparty credit risk. Investment portfolios are within policy parameters.</p>	<p>Prior quarter: Low</p> <p>Agency cash and investment balances are sufficient to meet all known funding and reserve requirements.</p>
Key Measures	Key Measures	Key Measures	Key Measures
<p>Interest income is \$37.4M vs. \$19.5M budget. Without unrealized gains and losses, interest income is \$17.9M above budget.</p>	<p>The blended ST interest cost is 3.63%. The current assumed rate in the financial plan is 4% from 2017 to 2021 and 5.3% from 2022 to 2041.</p>	<p>All investment portfolios are in compliance with policy limits. Credit risk exposure is low.</p>	<p>All reserves are fully funded to date.</p>
<p>Book yield for the unrestricted ST investment portfolio is 2.22%, Risk-adjusted ratio for the unrestricted portfolio is 4.48 v 2.28 for benchmark.</p>	<p>The blended investment yield is 2.23% versus the variable debt rate of 2.00% in Q4'2018.</p>	<p>There were no credit rating actions that negatively impact the investment portfolio during the quarter.</p>	<p>Current liquidity meets policy requirement.</p>

4 Q 2018 ALM Overview

Market Environment

- The Federal Open Market Committee (FOMC) raised the federal funds rate up 25 bps, as widely expected by the market, to a range of 2.25% to 2.50% on 12/19/18.
- Concerns of a global economic slowdown pushed 2-year US Treasury rate lower from 2.82% on 9/30/18 to 2.50% on 12/31/18. With the exception of short term rates, yield curve generally shifted down as a result.
- National Unemployment Rate reached a 50-year low during Q4'2018, potentially setting the stage for the long expected increase in wages due to tight labor market.
- Current inflation rate is 1.9% for the 12 months ended December 2018, almost at Fed's 2% target.

Current Borrowing Rate versus Investment Rate



Credit Watch

- ST continues to be in "stand still" status on its Lease In/Lease Out agreement with AIG, awaiting further market and regulatory developments. AIG's financial standing has stabilized.

Cash, Investment and Debt Balances

ALM Position (\$M)

Balance and Duration	Value (\$M)	Interest Rate	Duration/Avg. Life (Year)	Benchmark Duration (Year)
Assets (Cash/Investments)				
Restricted	529.8	2.23%	1.73	NA
Unrestricted	1,586.5	2.22%	0.74	0.91
Assets (Cash/Investments) total	2,116.3	2.23%	0.99	
Liabilities (Debt)				
Fixed-Rate	(2,117.9)	3.78%		
Variable-Rate	(150.0)	1.46%		
Liabilities (Debt) total	(2,267.9)	3.63%	15.59	19.02
Net Position	(151.7)			

Balance and Duration	End 4Q 2018 (\$M)	End 4Q 2017 (\$M)	End 3Q 2018 (\$M)	Investment Yield (trend vs. last Q)
Restricted Cash & Inv's	529.8	500.7	537.3	2.23% ↑
Unrestricted Cash & Inv's	1,586.5	1,294.4	1,501.4	2.22% ↑
Total Cash and Investments:	2,116.3	1,795.1	2,038.7	2.23% ↑
	Current Debt	Undrawn TIFIA Loans*	Future Debt	Projected Next Bond Issue
Total Debt	2,267.9	3,263.7	17,141.6**	TBD

*Includes East Link TIFIA Loan and the TIFIA Master Credit Agreement Amounts.

**Balance reference to fall 2018 Financial Plan

Net Interest	2017 Budget (\$M)	2017 Actual (\$M)	2018 Budget (\$M)	Adjusted 2018 Budget (\$M)	2018 Actual (\$M)
Uncapitalized Debt Interest Exp*	0.0	(15.6)	(14.3)	(13.3)	(9.8)
Capitalized Debt Interest Exp	(109.4)	(81.9)	(95.3)	(95.3)	(98.4)
Interest Earnings**	9.6	16.9	19.5	19.5	37.6
Net Interest Expense	(99.8)	(80.7)	(90.1)	(89.2)	(70.6)

Budget based on the annual Adopted Budget.

*Adjusted 2018 Budget is different from 2018 Budget due to variable interest rate change as a result of bond remarketing

**Interest Earning without adjusted unrealized gains and losses

4 Q 2018 Investment Overview

Strategy

The portfolios were positioned shorter in duration due to the outlook for higher rates. This strategy allowed the portfolio earnings yield on the investment portfolio to increase over the quarter as maturities were reinvested at higher rates during the past three quarters. Rates were generally lower in Q4, resulting in a slight underperformance of the portfolio against benchmark.

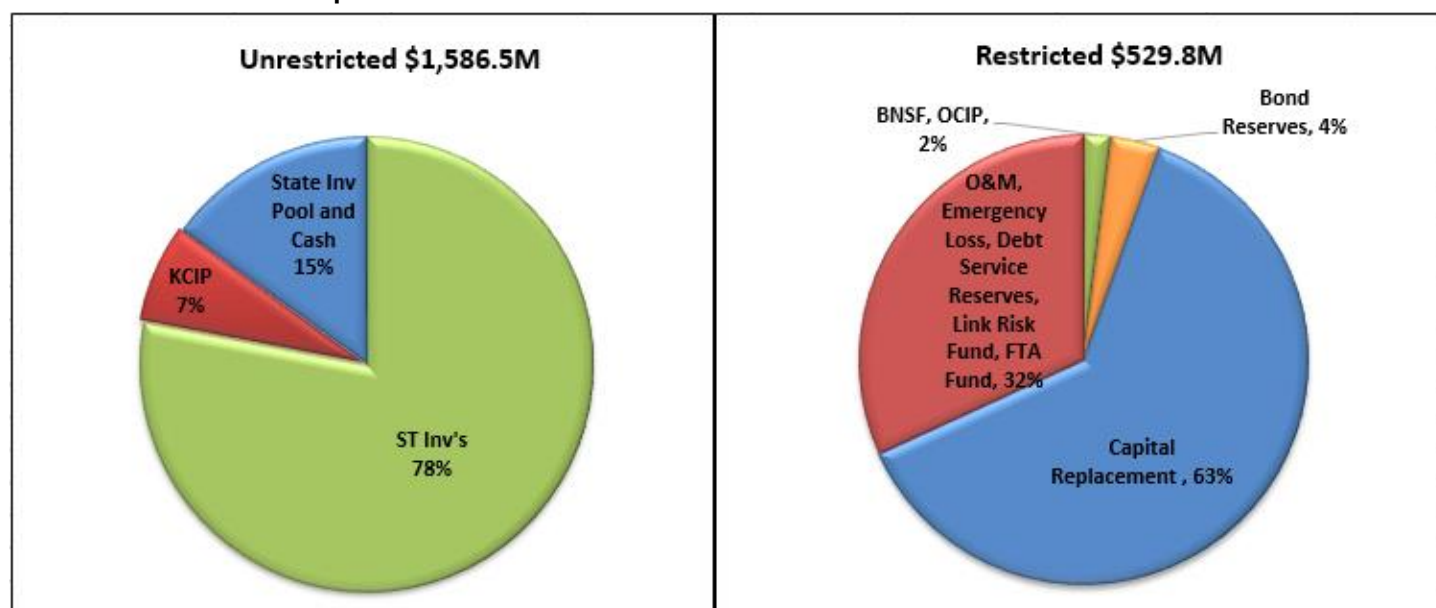
Cash and Investments (\$M)	Book Value	Net Change	Average Duration	Benchmark Duration	Risk Adj Ratio (RAR)*	Benchmark RAR	Current Yield	Qtrly Yield Change
Unrestricted								
State Investment Pool	237.3	25.3	0.05				2.36%	0.30
Operating account/Uncleared checks**	2.8	4.6	0.01				2.34%	0.30
King County Investment Pool	109.6	(43.8)	1.07				2.05%	0.22
ST Internal Investments	1,236.8	99.1	0.85				2.21%	0.20
Total Unrestricted	1,586.5	85.1	0.74	0.91	4.48	2.98	2.22%	0.22
Restricted								
Operating/Contingency (internal)	78.4	0.5	0.05				2.06%	0.00
Capital Replacement (internal)	332.1	1.6	2.45	2.61	0.86	0.80	2.20%	0.13
Emergency Loss Reserve (internal)	24.2	0.1	0.05				2.06%	0.00
Debt Service Accounts	63.1	(12.5)	0.05				2.06%	0.00
BNSF Escrow	8.0	0.0	0.01				0.05%	0.00
OCIP Collateral	2.3	0.0	3.69	5.00			3.68%	(0.00)
Link Risk Fund	0.5	0.0	1.07				1.83%	0.00
Prior Debt Service Reserve	18.7	0.4	4.56	4.50			5.03%	(0.06)
FTA Grant Recovery	2.5	0.0	0.05				2.06%	0.00
Total Restricted	529.8	(9.9)	1.73	N/A***			2.23%	0.08
Total	2,116.3	75.2	0.99				2.23%	0.19

*Risk Adjusted Ratio is the rolling 1 year Sharpe Ratio.

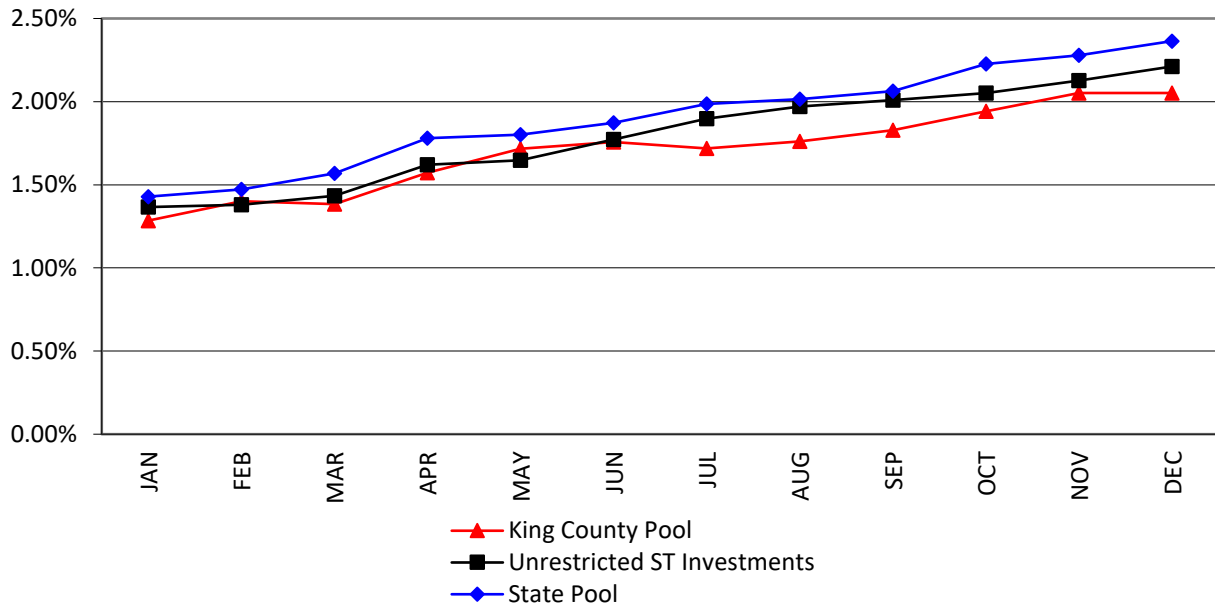
**Balance is not included in total RAR calculation since balance represents cash used for daily operations.

***Restricted benchmarks are based upon projected cash flow needs. Calculating a "total" benchmark duration for restricted investments is not applicable.

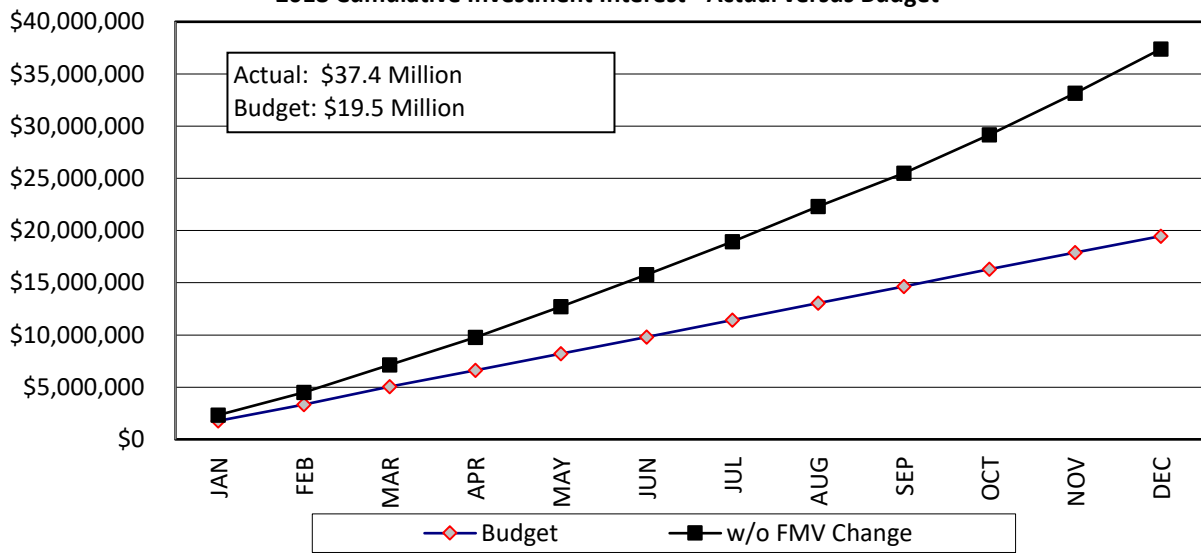
Investment Portfolio Composition



2018 Internal Portfolio versus County and State Pool Yield



2018 Cumulative Investment Interest - Actual versus Budget



Asset Allocation Compliance

Asset Class	\$ Par Value	Percentage Allocation	Policy Limit
U.S. Treasuries	749,035,000	35.56%	100%
U.S. Government Agencies	780,360,000	37.04%	75%
Certificates of Deposit	0	0.00%	20%
King County Investment Pool	110,506,946	5.25%	50%
State Investment Pool	405,976,762	19.27%	100%
Commercial Paper	25,000,000	1.19%	25%
Taxable Municipal/G.O. Bonds	35,710,000	1.70%	20%
	2,106,588,709	100.00%	

4Q 2018 Debt Overview

Strategy

Sound Transit will consider the diversification of its long-term liabilities in the context of its future borrowing needs. With the agency's TIFIA loans, the strategy would be to utilize the lowest cost available loans first prior to issuance of other debt.

Debt Summary

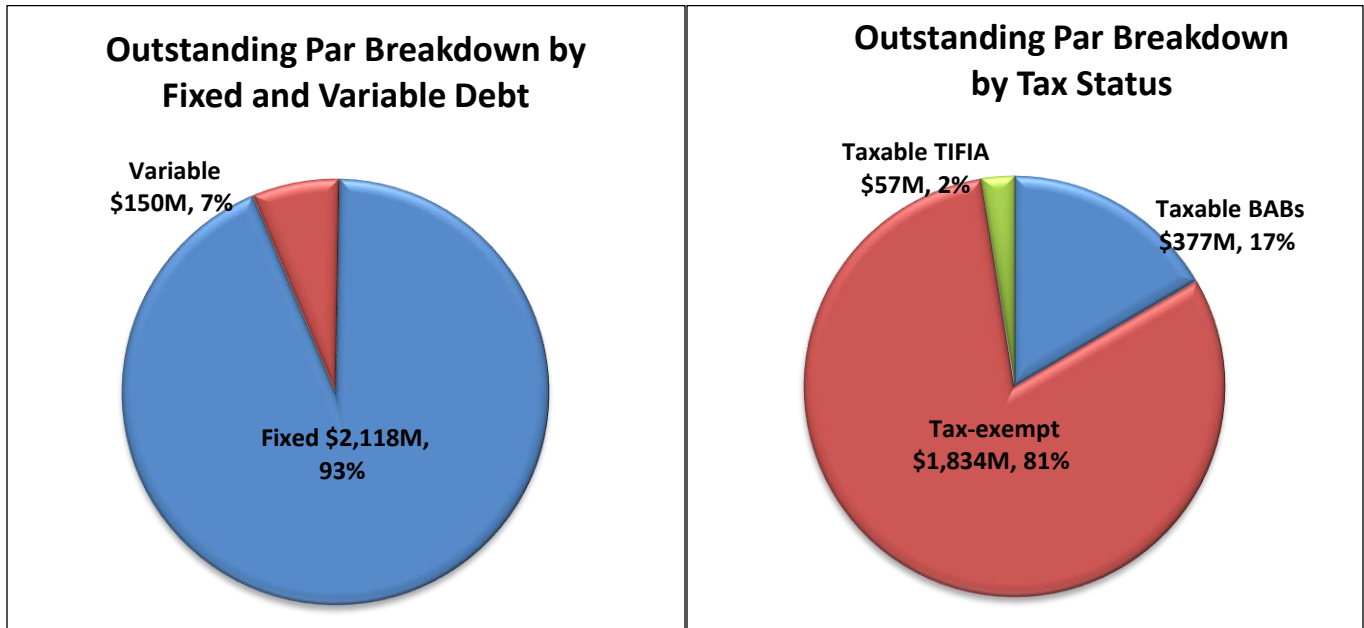
- Lynnwood TIFIA was closed on 12/19/18 for \$657.9mm at 3.06%. This is the third TIFIA loan under Master Credit Agreement (MCA). We are targeting to close the last TIFIA MCA loan, Federal Way, in late 2019.
- The 20-year MMD ended the quarter at 2.84%, 23 basis points lower than the September 30th rate. During the quarter, the 20-year MMD was as high as 3.31% on 10/10/18 and gradually trended down to a low of 2.84% on 12/27/18.
- The spread between the 20-year AAA MMD and the 20-year A MMD was 50 basis points as of 12/31/18, which is the same spread as the spread measured on 9/28/18.

Central Puget Sound Regional Transit Authority Summary of Outstanding Bonds						
Prior Bonds Series	Issue Date	Final Maturity	Issue Size	Amount Outstanding	All-in Interest Cost	Financial Plan Assumption
1999	1/6/1999	2/1/2028	\$350,000,000	\$275,590,000	5.03%	5.00%
2009P-2T (BABs)	9/29/2009	2/1/2028	\$76,845,000	\$76,845,000	3.36%	5.00%
2012P-1	8/22/2012	2/1/2028	\$216,165,000	\$135,435,000	2.62%	5.75%
Total Prior Bonds			\$643,010,000	\$487,870,000	4.10%	
Parity Bonds Series	Issue Date	Final Maturity	Issue Size	Amount Outstanding	All-in Interest Cost	Financial Plan Assumption
2009S-2T (BABs)	9/29/2009	11/1/2039	\$300,000,000	\$300,000,000	3.65%	5.00%
2012S-1	8/22/2012	11/1/2030	\$97,545,000	\$83,525,000	2.73%	5.75%
2015S-1	9/10/2015	11/1/2050	\$792,840,000	\$789,940,000	3.89%	5.75%
2015S-2A*	9/10/2015	11/1/2045	\$75,000,000	\$75,000,000	1.45%	5.75%
2015S-2B*	9/10/2015	11/1/2045	\$75,000,000	\$75,000,000	1.47%	5.75%
2016S-1	12/19/2016	11/1/2046	\$400,000,000	\$400,000,000	3.60%	5.30%
Total Parity Bonds			\$1,740,385,000	\$1,723,465,000	3.51%	
Total Prior & Parity Bonds			\$2,383,395,000	\$2,211,335,000	3.64%	

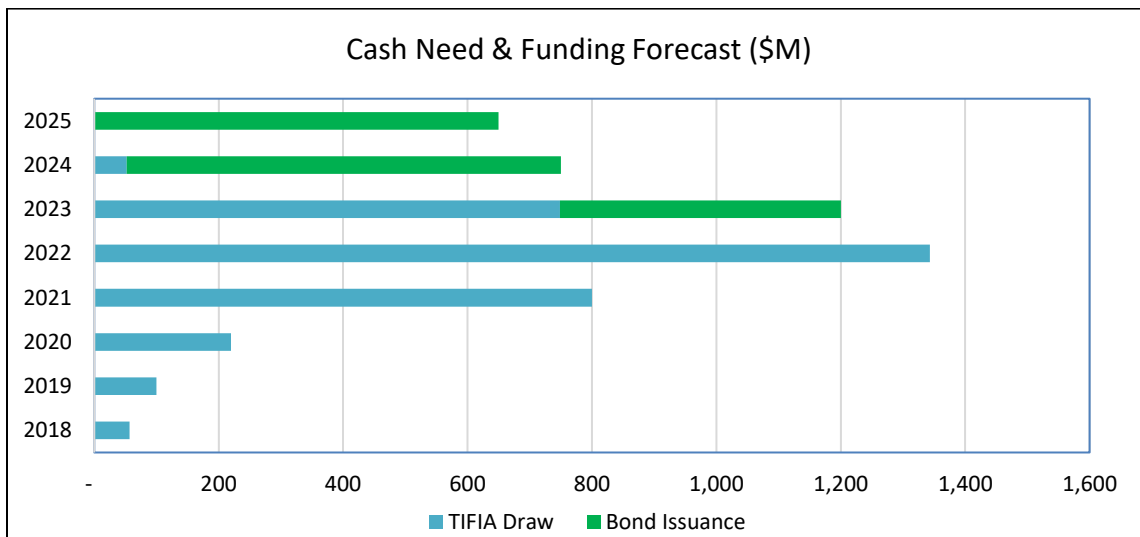
*2015S-2A and 2015S-2B are variable rate bonds. The all-in Interest cost uses life-to-date average actuals.

Central Puget Sound Regional Transit Authority Summary of Outstanding TIFIA Loans						
TIFIA Loan	Execution Date	Final Maturity	Loan Amount	Amount Drawn	Interest Rate	Financial Plan Assumption
East Link	1/16/2015	11/1/2058	\$1,330,000,000	\$0	2.38%	5.75%
Northgate	12/22/2016	11/1/2056	\$615,267,000	\$56,605,824	3.13%	5.30%
O&M Facility East	6/22/2017	11/1/2055	\$87,663,515	\$0	2.73%	5.30%
Lynnwood Link	12/19/2018	5/1/2059	\$657,863,164	\$0	3.06%	3.95%
Federal Way	2019		\$629,472,431	\$0	N/A	
Total TIFIA Loans			\$3,320,266,110	\$56,605,824	3.13%	
Total Outstanding Debt				\$2,267,940,824	3.63%	

Debt Portfolio Composition

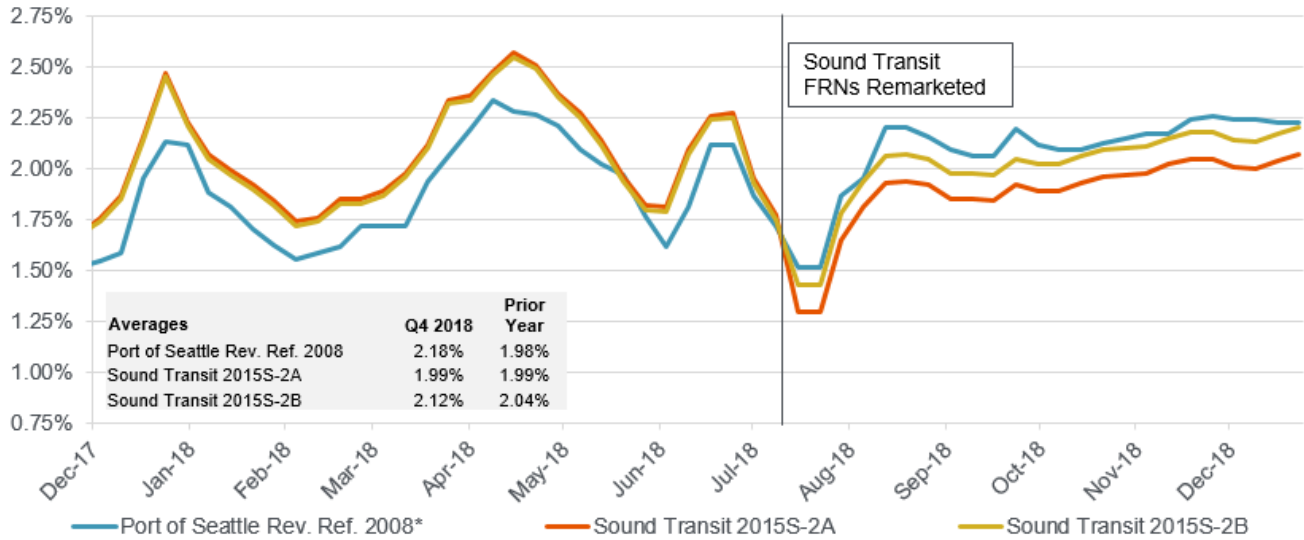


Projected Funding Need



Q4 2018 Variable Rate Comparison and Pricing Estimate

Actual - Sound Transit Q4 Series 2015S-2A Borrowing Cost		Actual - Sound Transit Q4 Series 2015S-2B Borrowing Cost		Estimated - Sound Transit VRDB Q4 Borrowing Cost	
Q4 SIFMA Average	1.63%	Q4 SIFMA Average	1.63%	Q4 SIFMA Average	1.63%
Index Spread	0.30%	Index Spread	0.45%	Estimated LOC Cost*	0.37%
Remarketing Cost	0.06%	Remarketing Cost	0.04%	Remarketing Agent Fee	0.10%
Total FRN Cost	1.99%	Total FRN Cost	2.12%	Total VRDB Cost	2.10%



* Assumes 3-year letter of credit

Bond Ratings as of 12/31/2018			
	Prior	Parity	TIFIA
Moody's	Aaa	Aa1	
S&P	AAA	AAA	AA+*
Fitch			AA+
*S&P upgraded ST TIFIA rating from A+ to AA+ on 12/5/18			

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4 Q 2018
Key for Performance Summary

	Above Average	Average	Below Average
INVESTMENT PERFORMANCE	Interest earnings forecast to exceed budget. ST Portfolio performance on a risk adjusted basis at or above the benchmark for a rolling 1 year period of time.	Interest earnings forecast to meet budget. ST Portfolio performance on a risk adjusted basis near benchmark for a rolling 1 year period of time.	Interest earnings forecast to be below budget. ST Portfolio performance on a risk adjusted basis below benchmark or a rolling 1 year period of time.

	Low	Medium	High
INTEREST RATE RISK	Change in interest rates will have less than \$5M impact on ST financial plan over 5-year period.	Change in interest rates will have less than \$10M impact on ST financial plan over 5-year period.	Change in interest rates will have less than \$20M impact on ST financial plan over 5-year period.

LIQUIDITY RISK	All reserves and liquidity contingencies in place. Current liquidity contingency greater than policy minimum.	All reserves and liquidity contingencies in place. Current liquidity contingency equal to policy minimum.	Not all reserves and liquidity contingencies in place.
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CREDIT RISK	No known credit risks that could materially impact ST balance sheet.	Known credit risks could potentially materially impact ST balance sheet.	Known credit risks are likely to materially impact ST balance sheet.
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Glossary of Debt and Investment Terms

Basis Point – The smallest measure used in quoting yields on bonds and notes. One basis point is 0.01% of yield. For example, a bond's yield that changed from 3.50% to 3.00% would be said to have moved 50 basis points.

Benchmark - A bond whose terms are used for comparison with other bonds of similar maturity. The global financial market typically looks to U.S Treasury securities as benchmarks.

BNSF Escrow – Collateral pursuant to the Sound Transit / Amtrak / BNSF lease-sub-lease dated September 2000.

Book Value – The amount at which an asset is carried on the books of the owner. The book value of an asset does not necessarily have a significant relationship to the market value of the security.

Duration - The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates.

Federal Funds Rate – The rate of interest at which Federal Funds are traded between banks. Federal Funds are excess reserves held by banks that desire to invest or lend them to banks needing reserves. The particular rate is heavily influenced through the open market operations of the Federal Reserve Board. Also referred to as the “Fed Funds rate.”

General Obligation Bond (GO) - A municipal bond secured by the pledge of the issuer's full faith and credit, and backed by their taxing authority.

Link Risk Fund – Funded by Sound Transit to pay certain claims related to the operation of Central Link.

Liquidity – The ease and speed with which an asset can be converted into cash without a substantial loss in value.

Local Government Investment Pool (LGIP) – The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment.

Market Price - For securities traded through an exchange, the last reported price at which a security was sold; for securities traded "over-the-counter," the current price of the security in the market.

Par Value – The nominal or face value of a debt security; that is, the value at maturity.

Performance - An investment's return (usually total return), compared to a benchmark that is comparable to the risk level or investment objectives of the investment.

Risk Adjusted Ratio (RAR): The RAR also referred to as the Sharpe ratio is a measure for calculating risk-adjusted return. The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility (standard deviation) or total risk. The Sharpe ratio helps explain whether a portfolio's excess returns are due to smart investment decisions or the result of too much risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been. A negative Sharpe ratio indicates that a risk-less asset would perform better than the security being analyzed.

SIFMA - The Securities Industry and Financial Markets Association Municipal Swap Index is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations (VRDOs) with certain characteristics. The Index is calculated and published by Bloomberg.

TIFIA Loan – Transportation Infrastructure Finance and Innovation Act loan with the United States Department of Transportation, acting by and through the Federal Highway Administrator. TIFIA loans are used to complement other sources of debt, resulting in a lower cost of funding than would be available in the capital markets.

Total Return - Investment performance measure over a stated time period which includes coupon interest, interest on interest, and any realized and unrealized gains or losses.

OCIP Collateral – Pledged collateral for the Owner Controlled Insurance Program for University Link and Northgate Link.