



Asset Liability Management Report

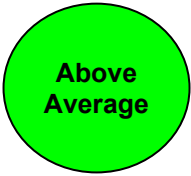
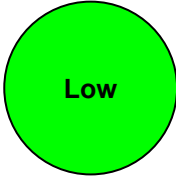
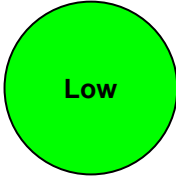
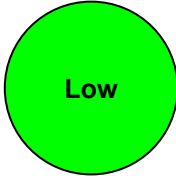
2Q 2026

Performance Indicators and Key Measures

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

Restricted Cash and Investments	802.8
Unrestricted Cash and Investments	8,063.2
Total Cash and Investments	8,866.0

Total Outstanding Debt – Par Value 5,474.1

INVESTMENT PERFORMANCE	INTEREST RATE RISK	CREDIT RISK	LIQUIDITY RISK
 Prior quarter: Above Average	 Prior quarter: Low	 Prior quarter: Low	 Prior quarter: Low
Interest earnings exceeded budget for Q2 2026.	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.	Agency is well diversified against counterparty credit risk. Investment portfolios are within policy parameters.	Agency cash and investment balances are sufficient to meet all known funding and reserve requirements.
Key Measures	Key Measures	Key Measures	Key Measures
Interest income of \$165.2M was \$34.2M above the 2026 budget of \$131.0M. Note, excludes unrealized gains and losses.	The blended ST interest cost is 2.25%. The current assumed rate in the financial plan is 5.0%.	All investment portfolios are in compliance with policy limits. Credit risk exposure is low.	All reserves are fully funded to date.
Book yield for the unrestricted ST investment portfolio is 3.88%.	The blended investment yield is 3.86%.	There were no credit rating actions that negatively impacted the investment portfolio during the quarter.	Current liquidity meets policy requirement.

2Q 2026 ALM Overview

Key Items

The investment portfolio remains conservatively positioned and has weathered the market volatility well. The portfolio continues to selectively add high-quality municipal, agency, and corporate securities when the market provides an attractive entry point. A key focus continues to be maintaining liquidity in support of the realigned plan. Sound Transit continuously monitors the markets and seeks opportunities to decrease costs and create financial capacity. Actions are proposed if they are financially beneficial to the agency and its program as a whole.

The Agency issued debt in 2016 via series 2016S-1 with a principal amount of \$400 million. The outstanding principal amount of this bond issue is currently ~\$350 million. The issue has a ten-year call option available November 1, 2026 for maturities in 2041 and sooner. The callable portion of the issue is ~\$225 million. The callable portion of the bond has been refunded with a closing date of August 12, 2026. The Agency realized NPV savings of \$21 million.

Market Environment - Investments

The yield curve bear flattened in Q2 as yields on shorter maturities led the shift higher. Two-year notes climbed by 38 basis points to 4.17% while five-year tenors rose 28 basis points to 4.22%. Oil prices have almost fallen to pre-war levels yet yields remain elevated on an FOMC perceived as becoming more hawkish.

The Federal Reserve held two meetings in Q2, both times voting to keep the federal funds policy rate unchanged in its current range of 3.50%-3.75%. The Fed's official projections for inflation and Fed Funds have increased three consecutive times since December 2025. Kevin Warsh began his term as the new Fed Chair and markets perceived him as more hawkish than originally thought. Warsh is advocating for less Fed communication and forward guidance as well as a smaller balance sheet. Markets were pricing in no foreseeable change in the policy rate at the end of last quarter and are now pricing in 1.5 rate hikes by year end.

Price growth accelerated over Q2 with headline PCE rising to 4.1% in May while core PCE rose to 3.4%. Energy prices have been a main contributor, however -service prices have accelerated for three consecutive months, and inflation remains well above the Fed's 2% target. Q1 GDP growth was revised up to 2.1%, up from 0.5% in Q4 2025. The contribution from personal consumption declined notably with consumer demand falling to its slowest in four years. Economic forecasts call for GDP growth to continue running at a trend level, but forecasters do not expect inflation to fall to the Fed's target until 2028.

Current Borrowing Rates

Staff regularly reviews the portfolio investment returns and cost of debt. Currently, the portfolio only has fixed rate debt. Variable rate debt has historically had a low cost of funds for the Agency and staff anticipates utilizing variable rate debt instruments again in future borrowings.

Estimated current market rates are:

- 30 year fixed is 4.40%
- Variable is 3.06%
- TIFIA 4.88% (gross of admin fees)

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	802.8	3.65%	1.50	NA
Unrestricted	8,063.2	3.88%	1.19	1.09
Assets (Cash/Investments) total	8,865.9	3.86%	1.21	
Liabilities (Debt)				
Fixed-Rate	(5,474.1)	2.25%		
Variable-Rate				
Liabilities (Debt) total	(5,474.1)	2.25%	19.27	19.16

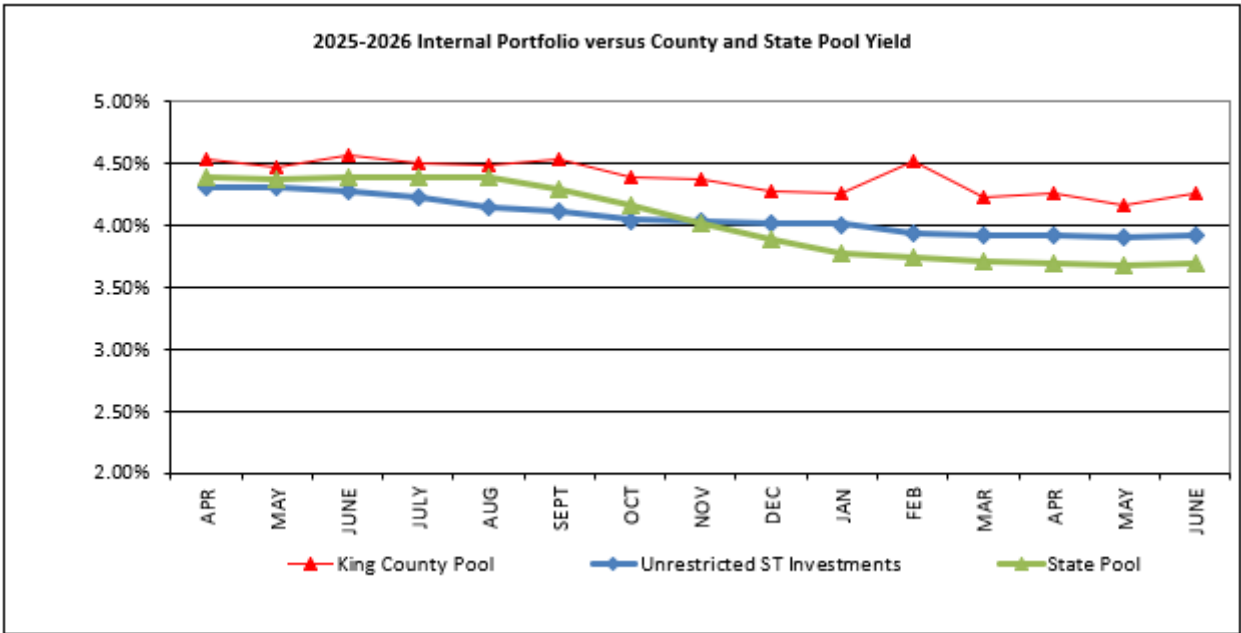
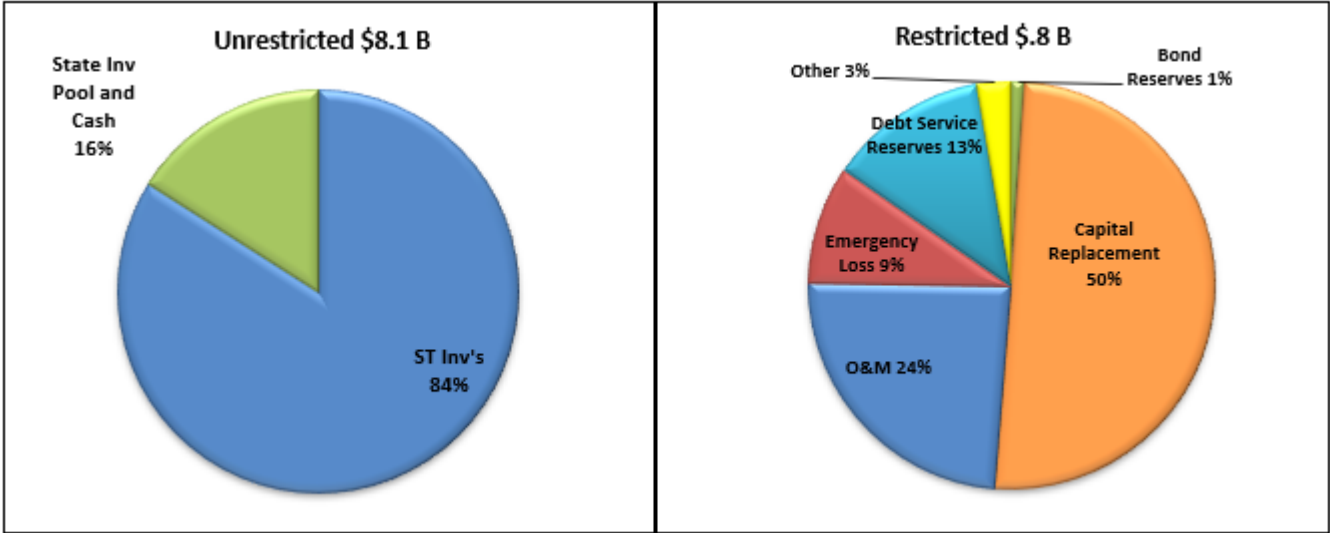
Investment Strategy

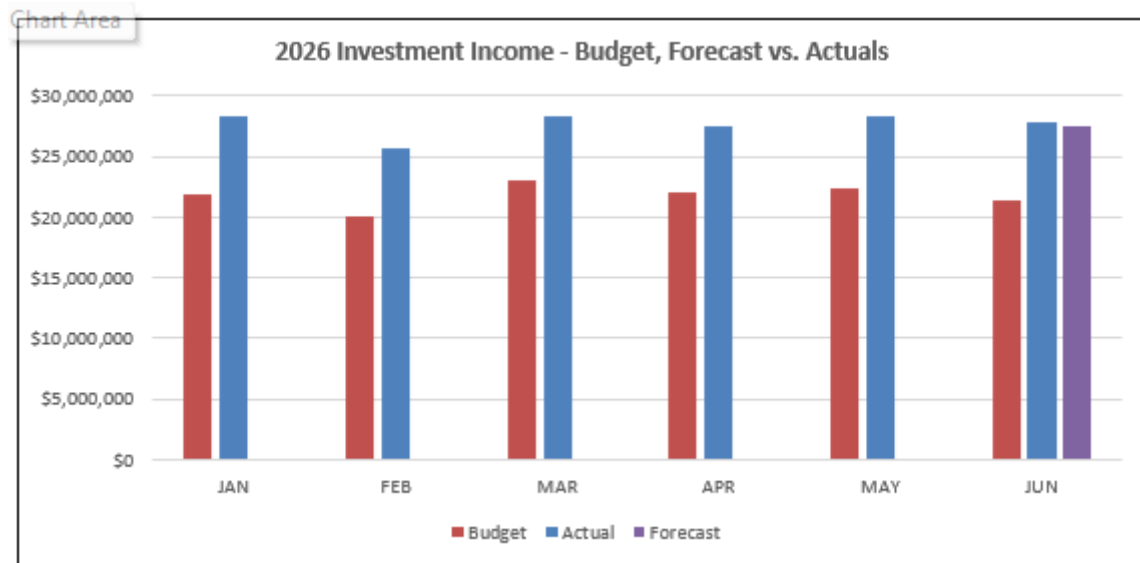
The investment portfolios are tactically invested to manage cash flows and duration to navigate the portfolio through the volatile markets. US Treasury securities are being overweighted due to the relative valuations. The Agency continues to prioritize liquidity to provide flexibility to the realigned plan.

Cash and Investments (\$M)	Book Value	Average Duration	Benchmark Duration	Current Yield	Qtrly Yield Change
Unrestricted					
State Investment Pool	1,317.7	0.01		3.69%	(0.02)
King County Investment Pool	4.8	0.95		4.27%	(0.25)
ST Internal Investments	6,740.7	1.42		3.92%	(0.00)
Total Unrestricted	8,063.2	1.19	1.09	3.88%	(0.01)
Restricted					
Operating/Contingency (internal)	198.5	0.01		3.69%	(0.02)
Capital Replacement (internal)	399.4	2.99	2.86	3.68%	0.09
Emergency Loss Reserve (internal)	74.3	0.01		3.69%	(0.02)
Debt Service Accounts	101.1	0.01		3.69%	(0.02)
BNSF Escrow	8.0	0.01		0.15%	0.00
OCIP Collateral	0.7	1.06		3.56%	0.28
Link Risk Fund	0.6	0.95		4.20%	(0.25)
Prior Debt Service Reserve	8.4	0.97	3.14	4.67%	0.04
Zurich Collateral	0.3	0.01		0.24%	0.01
First Hawaiian Collateral	4.0	0.01		0.46%	0.00
FTA Grant Recovery	7.5	0.01		3.69%	(0.02)
Total Restricted	802.8	1.50	N/A*	3.65%	0.03
Total					
	8,866.0	1.21		3.86%	(0.00)
*Restricted benchmarks are based upon projected cash flow needs. Calculating a "total" benchmark duration for restricted investments is not applicable					

Q2 2026 Investment Overview

Investment Performance Portfolio Composition





Asset Allocation Compliance

Asset Class	\$ Par Value	Percentage Allocation	Policy Limit
U.S. Treasuries	6,381,205,000	71.72%	100%
U.S. Government Agencies-Primary	360,485,000	4.05%	75%
U.S. Government Agencies-Secondary	22,400,000	0.25%	10%
Certificates of Deposit		0.00%	20%
Supranationals	112,400,000	1.26%	10%
Corporate Notes	282,359,000	3.17%	25%
King County Investment Pool	5,415,046	0.06%	50%
State Investment Pool	1,701,430,185	19.12%	100%
Commerical Paper	0	0.00%	25%
Taxable Municipal/G.O. Bonds	31,520,000	0.35%	20%
PDPC Deposits	0	0.00%	20%
	8,897,214,231	100.00%	

2Q 2026 Debt Overview

Debt Strategy

Sound Transit considers the diversification of its long-term liabilities in the context of its future borrowing needs. The Agency utilizes various financial instruments to fund the long-range financial plan. The Agency continues to take action in response to Board's direction to seek opportunities to reduce cost and expand financial capacity.

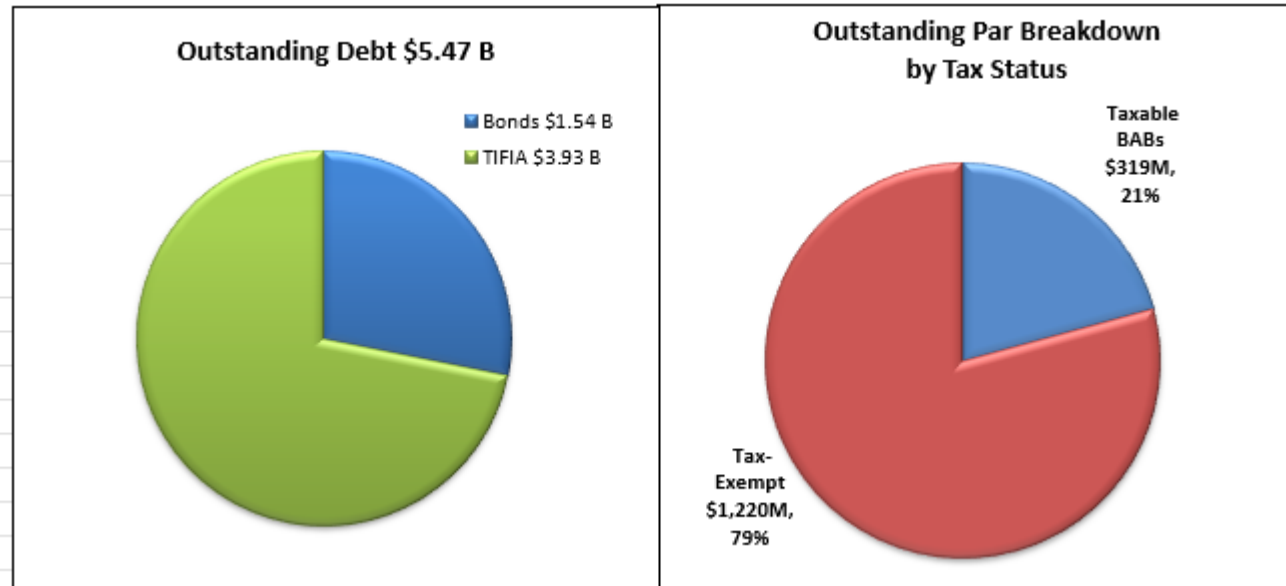
Debt Summary

- The 20-year MMD ended the Q2 quarter at 3.78% 34 basis points lower than the March 31, 2026 rate of 4.12%.
- The Q2 2026 spread between the 20-year AAA MMD and the 20-year A MMD was 33 basis points as of 6/30/26, which is 2 basis points lower than the spread measured on 3/31/26.

Central Puget Sound Regional Transit Authority Summary of Outstanding Bonds					
Prior Bonds Series	Issue Date	Final Maturity	Issue Size	Amount Outstanding	All-in Int Cost
1999	1/6/1999	2/1/2028	\$350,000,000	\$65,950,000	5.03%
2009P-2T (BABs)	9/29/2009	2/1/2028	\$76,845,000	\$19,335,000	3.36%
Total Prior Bonds			\$426,845,000	\$85,285,000	4.65%
Parity Bonds Series	Issue Date	Final Maturity	Issue Size	Amount Outstanding	All-in Int Cost
2009S-2T (BABs)	9/29/2009	11/1/2039	\$300,000,000	\$300,000,000	3.66%
2016S-1	12/19/2016	11/1/2046	\$400,000,000	\$356,760,000	3.60%
2021S-1	11/4/2021	11/1/2050	\$869,360,000	\$797,535,000	2.31%
Total Parity Bonds			\$1,569,360,000	\$1,454,295,000	2.90%
Total Prior & Parity Bonds			\$1,569,360,000	\$1,539,580,000	3.00%

Central Puget Sound Regional Transit Authority Summary of Outstanding TIFIA Loans					
TIFIA Loan	Execution Date	Final Maturity	Loan Amount	Amount Drawn	Int Rate
East Link	9/10/2021	11/1/2058	\$1,330,000,000	\$1,330,000,000	1.91%
Northgate	9/10/2021	11/1/2056	\$615,267,000	\$615,267,000	1.91%
O&M Facility East	9/10/2021	11/1/2055	\$87,663,515	\$87,663,515	1.91%
Lynnwood Link	9/10/2021	11/1/2059	\$657,863,164	\$657,863,164	1.91%
Redmond	9/10/2021	11/1/2059	\$520,981,378	\$520,981,378	1.91%
Federal Way	9/10/2021	11/1/2059	\$629,472,431	\$629,472,431	1.91%
HTLE Project	5/2/2023	5/1/2058	\$93,306,180	\$93,306,180	3.79%
NE 130th Street Inf	5/2/2023	5/1/2061	\$79,250,877	\$0	3.79%
RRIF Loan					
Sounder Access	5/2/2023	11/1/2061	\$154,152,530	\$0	3.79%
Total TIFIA Loans			\$4,167,957,075	\$3,934,553,668	1.95%
Total Outstanding Debt				\$5,474,133,668	2.25%

Debt Portfolio Composition



The credit rating agencies actively monitor the transit sector. The investment balances and liquidity available via undrawn TIFIA loans provide Sound Transit with flexibility and are viewed very positively by the credit rating agencies. Sound Transit maintains a sector leading level of credit quality.

Bond Ratings as of 06/30/2026			
	Prior	Parity	TIFIA
Moody's	Aaa	Aa1	
S&P	AAA	AAA	AA+
Fitch	AAA	AAA	AAA

Asset Liability Management Report
Key for Performance Summary

	Above Average	Average	Below Average
INVESTMENT PERFORMANCE	Interest earnings forecast to exceed budget.	Interest earnings forecast to meet budget.	Interest earnings forecast to be below budget.
	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.
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.

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.

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.