



Asset Liability Management Report

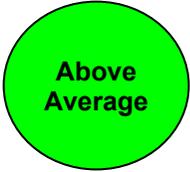
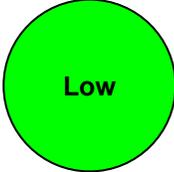
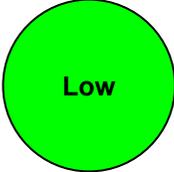
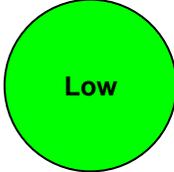
4Q 2025

Performance Indicators and Key Measures

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

Restricted Cash and Investments	761.3
Unrestricted Cash and Investments	7,608.8
Total Cash and Investments	8,370.1

Total Outstanding Debt – Par Value 5,514.0

INVESTMENT PERFORMANCE	INTEREST RATE RISK	CREDIT RISK	LIQUIDITY RISK
 <p>Above Average</p>	 <p>Low</p>	 <p>Low</p>	 <p>Low</p>
Prior quarter: Above Average	Prior quarter: Low	Prior quarter: Low	Prior quarter: Low
Interest earnings exceeded budget for Q4 2025.	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 \$310.4M was \$126.2M above the 2025 original budget of \$184.2M, and \$8.7M above the final forecast of \$301.7M. Note, excludes unrealized gains and losses.	The blended ST interest cost is 2.27%. 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 4.00%.	The blended investment yield is 3.96%.	There were no credit rating actions that negatively impacted the investment portfolio during the quarter.	Current liquidity meets policy requirement.

4Q 2025 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. Staff and external advisors regularly review opportunities within the debt portfolio. The proposed exercise of the call option via a refunding shows positive economic benefit to the Agency (NPV savings of ~\$31 million & ~13%).

The Board will be asked in June to approve the refunding via a resolution

Market Environment - Investments

The yield curve continued to steepen in Q4 and was led by a drop in the front end as the Fed cut interest rates twice for a total of 50 basis points. 1-month Treasury yields fell by 50 basis points to 3.60% while 2-year notes declined by a more modest 13 basis points to 3.47%. Yields on 5-10 year tenors were relatively unchanged, finishing the quarter within 2 basis points of where they started. The long end of the curve rose.

The Federal Reserve pressured the front end of the yield curve down as they cut rates by 25 basis points two times in Q4 bringing the Fed funds target range to 3.50%-3.75%. The Committee justified the rate cuts by pointing to a softening labor market, along with a broad consensus that the recent uptick in inflation is unlikely to persist. The FOMC is forecasting only one rate cut in 2026 and one in 2027 which could ultimately come to be the end of the current policy easing cycle. Markets are pricing in two rate cuts in 2026 and none in 2027.

Credit spreads remain trading tight relative to historical averages but have widened slightly since touching yearly lows over the summer. The market is assigning a high price tag by historical standards to the extra "credit" risk taken for investing in corporate and municipal issuers. Current pricing supports a tactical underweight to these asset classes and a tactical overweight to Treasuries

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 4.49%
- Variable is 3.15%
- TIFIA 4.83% (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	761.3	3.66%	1.55	NA
Unrestricted	7,608.8	4.00%	1.25	1.19
Assets (Cash/Investments) total	8,370.1	3.96%	1.28	
Liabilities (Debt)				
Fixed-Rate	(5,514.0)	2.28%		
Variable-Rate				
Liabilities (Debt) total	(5,514.0)	2.28%	19.60	18.71

Investment Strategy

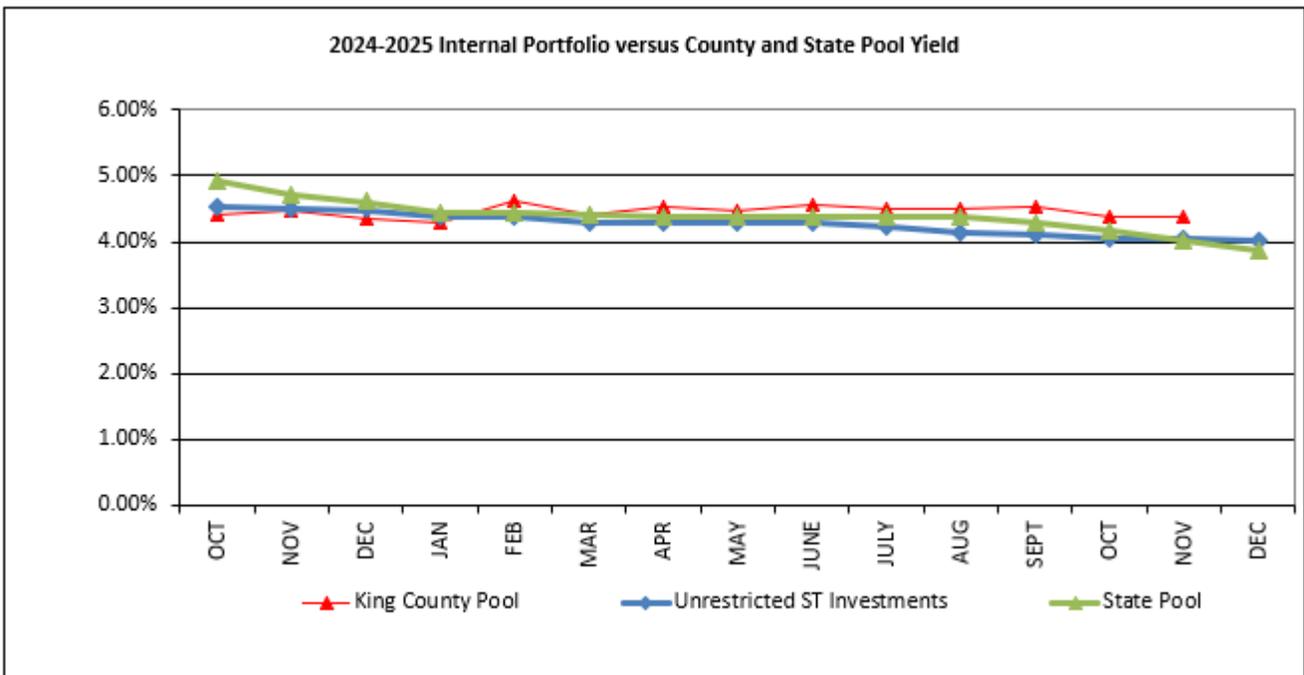
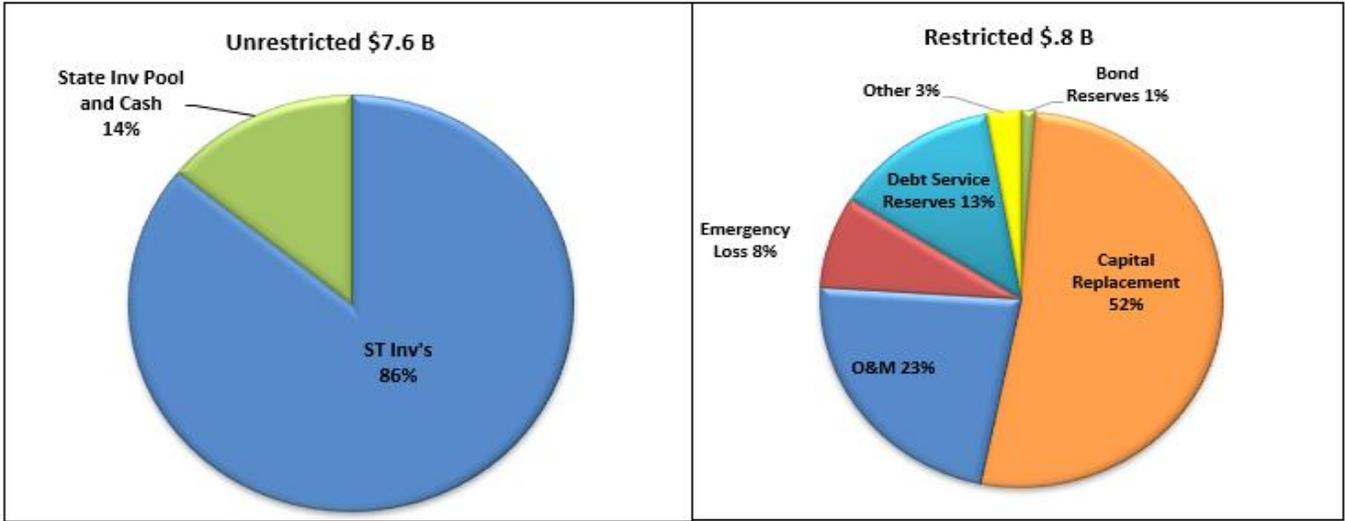
The investment portfolios are tactically invested to manage cash flows and duration to navigate the portfolio through the volatile markets. US Treasury securities are being overweighted due to the relative valuations. The Agency continues to prioritize liquidity to provide flexibility to the realigned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

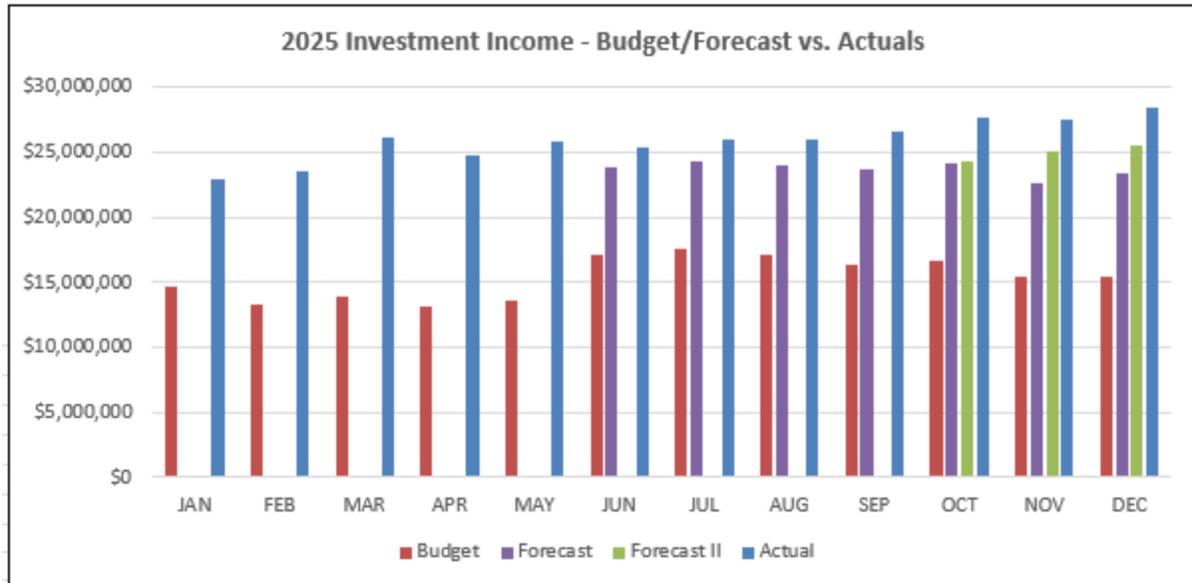
Cash and Investments (\$M)	Book Value	Average Duration	Benchmark Duration	Current Yield	Qtrly Yield Change
Unrestricted					
State Investment Pool	1,073.6	0.01		3.88%	(0.41)
Local Deposits	27.8	0.01		4.16%	(0.40)
King County Investment Pool	17.9	1.08		4.37%	(0.12)
ST Internal Investments	6,489.6	1.46		4.01%	(0.10)
Total Unrestricted	7,608.8	1.25	1.19	4.00%	(0.14)
Restricted					
Operating/Contingency (internal)	171.4	0.01		3.88%	(0.41)
Capital Replacement (internal)	392.7	2.96	2.88	3.55%	0.08
Emergency Loss Reserve (internal)	67.5	0.01		3.88%	(0.41)
Debt Service Accounts	100.1	0.01		3.88%	(0.41)
BNSF Escrow	8.0	0.01		0.15%	0.00
OCIP Collateral	0.7	1.06		3.77%	(0.38)
Link Risk Fund	0.6	1.08		4.31%	(0.12)
Prior Debt Service Reserve	8.7	1.34	3.05	4.65%	(0.07)
Zurich Collateral	0.3	0.01		0.34%	(0.55)
First Hawaiian Collateral	4.0	0.01		0.45%	0.00
FTA Grant Recovery	7.3	0.01		3.88%	(0.41)
Total Restricted	761.3	1.55	N/A*	3.66%	(0.16)
Total	8,370.1	1.28		3.96%	(0.14)

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

Q4 2025 Investment Overview

Investment Performance Portfolio Composition





Asset Allocation Compliance

Asset Class	\$ Par Value	Percentage Allocation	Policy Limit
U.S. Treasuries	6,086,825,000	72.37%	100%
U.S. Government Agencies-Primary	422,485,000	5.02%	75%
U.S. Government Agencies-Secondary	22,400,000	0.27%	10%
Certificates of Deposit		0.00%	20%
Supranationals	112,400,000	1.34%	10%
Corporate Notes	192,859,000	2.29%	25%
King County Investment Pool	18,516,400	0.22%	50%
State Investment Pool	1,421,105,590	16.90%	100%
Commerical Paper	61,000,000	0.73%	25%
Taxable Municipal/G.O. Bonds	45,520,000	0.54%	20%
PDPC Deposits	27,766,433	0.33%	20%
	8,410,877,423	100.00%	

4Q 2025 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.

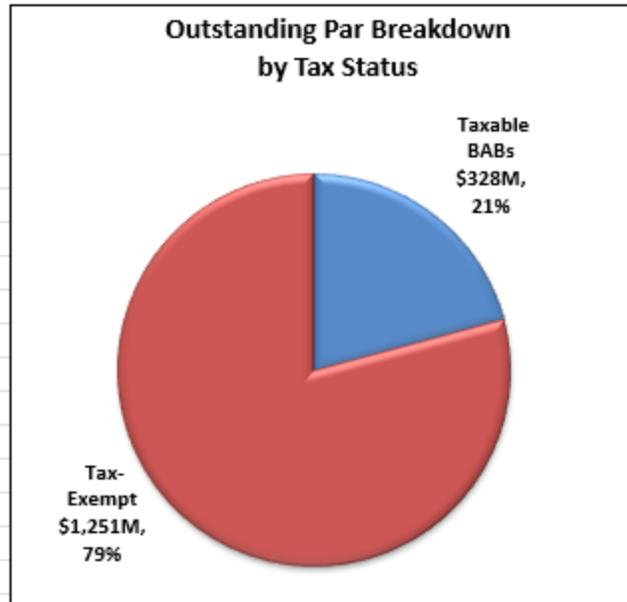
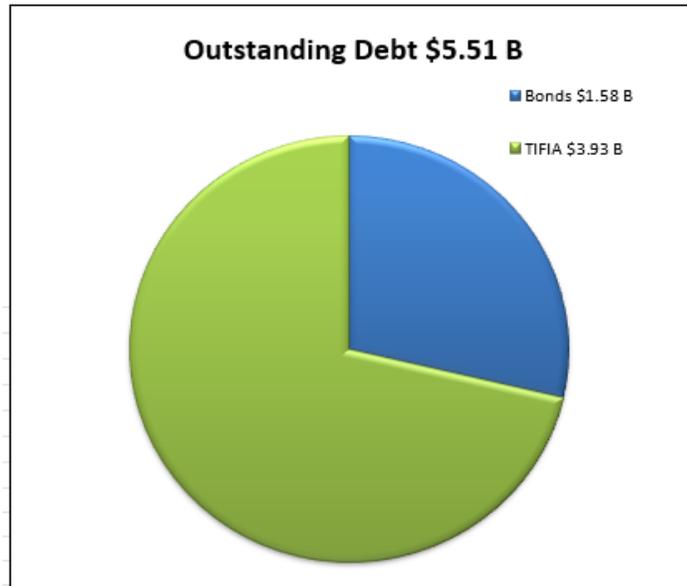
Debt Summary

- The 20-year MMD ended the quarter at 3.93%, 7 basis points lower than the September 30, 2025 rate.
- The average Q4 2025 spread between the 20-year AAA MMD and the 20-year A MMD was 41 basis points as of 12/31/25, which is 3 basis points lower than the average measured on 09/30/25

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	\$96,700,000	5.03%
2009P-2T (BABs)	9/29/2009	2/1/2028	\$76,845,000	\$28,465,000	3.36%
Total Prior Bonds			\$426,845,000	\$125,165,000	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%
2015S-1	9/10/2015	11/1/2050	\$792,840,000	\$0	3.89%
2015S-2A*	9/10/2015	11/1/2045	\$75,000,000	\$0	2.06%
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			\$2,437,200,000	\$1,454,295,000	2.90%
Total Prior & Parity Bonds			\$2,437,200,000	\$1,579,460,000	3.04%
*2015S-2A and 2015S-2B are variable rate bonds. The all-in Interest cost uses life-to-date average actuals.					

Central Puget					
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					
Souder 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				\$5,514,013,668	2.27%

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 12/31/2025			
	Prior	Parity	TIFIA
Moody's	Aaa	Aa1	
S&P	AAA	AAA	AA+
Fitch			AA+

**Asset Liability Management Report
Key for Performance Summary**

Above Average	Average	Below Average
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INVESTMENT
PERFORMANCE

Interest earnings forecast to exceed budget.

Interest earnings forecast to meet budget.

Interest earnings forecast to be below budget.

Low	Medium	High
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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.