


October 2017 Financial Plan

Executive Committee

2nd Briefing

December 2017

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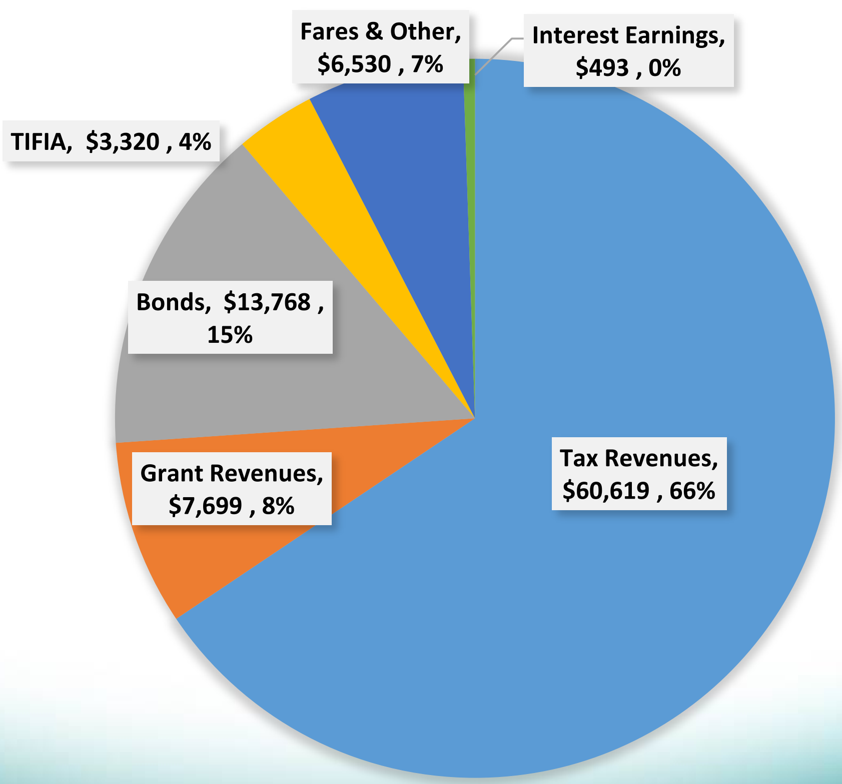
October 2017 Financial Plan

Sources & Uses of Funds - $92.4 Billion YOE (2017-2041)

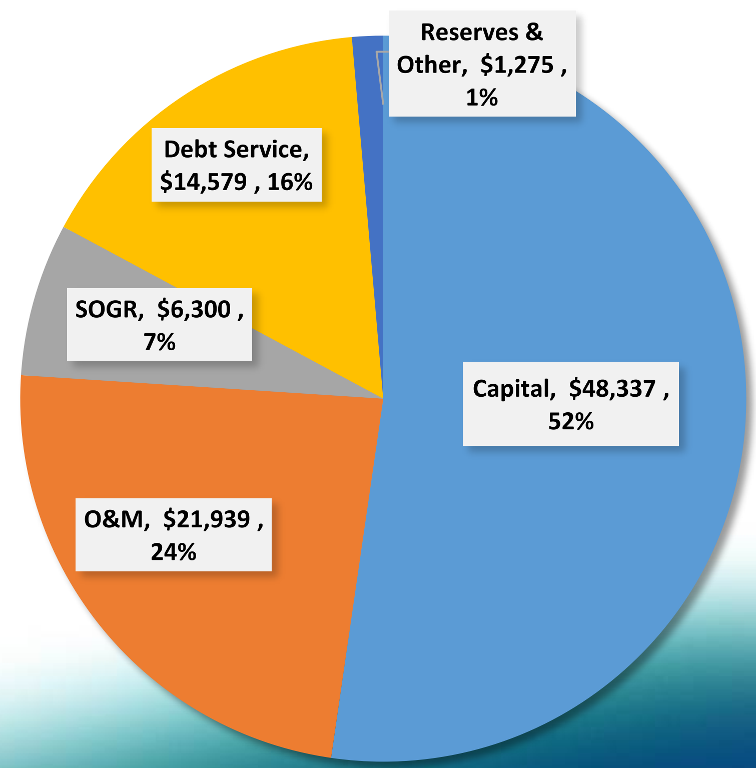
Sources of Funds

(In Millions YOE$)



Uses of Funds

(In Millions YOE$)



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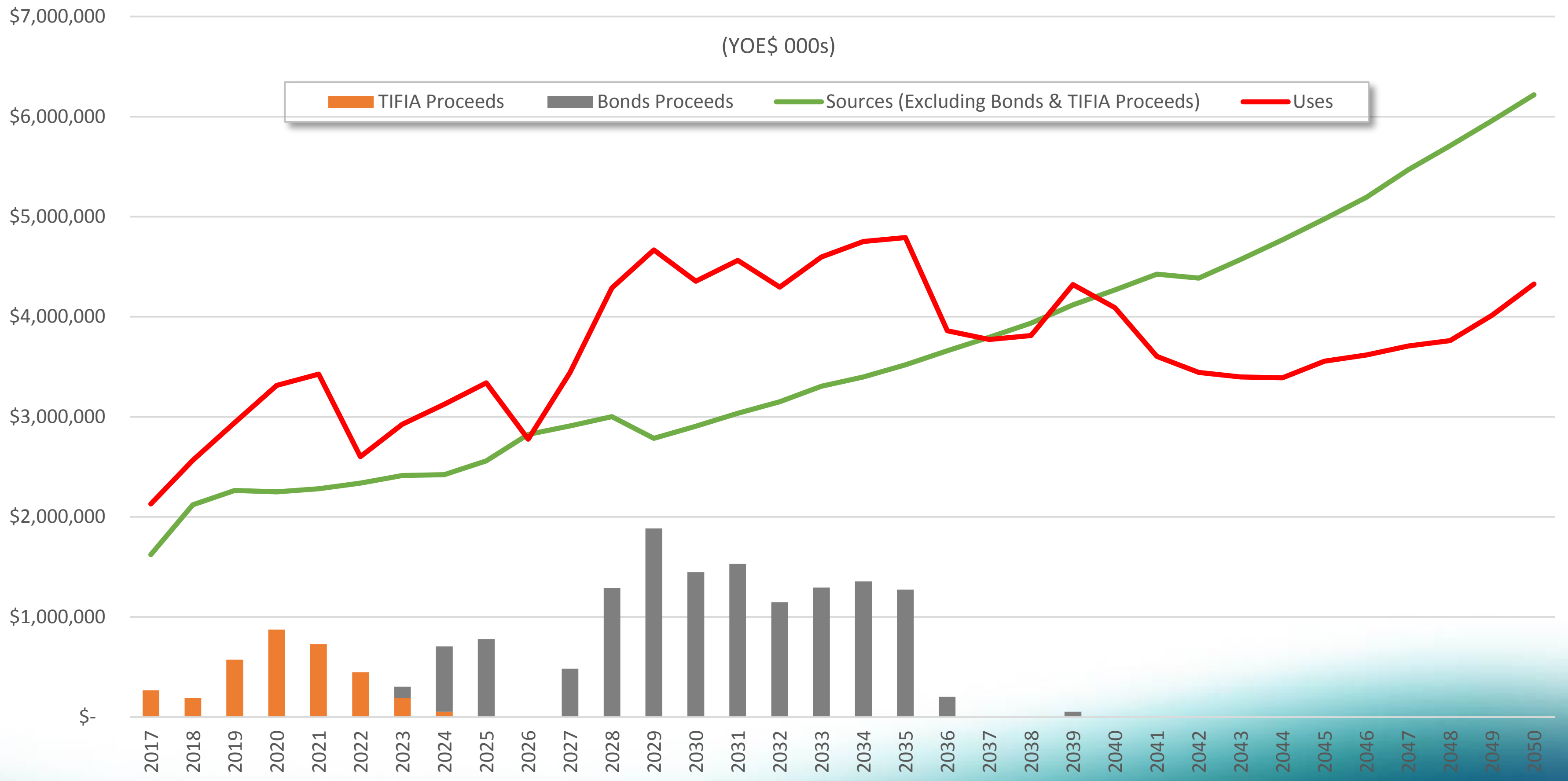
Bond and TIFIA Proceeds Used to Finance Voter Approved Capital Program



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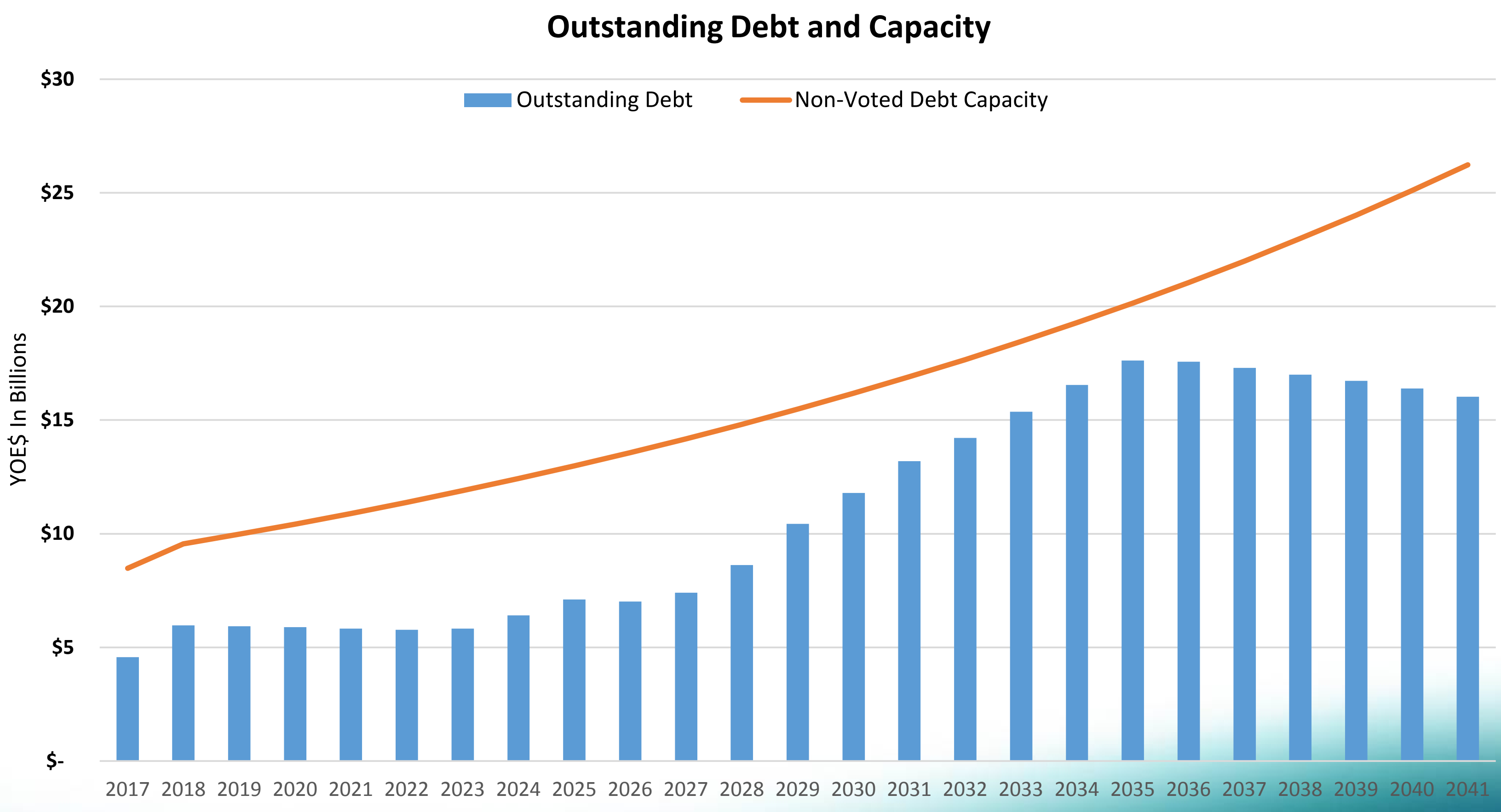
RESULTS: Agency Remains in Strong Financial Condition, Consistent with Its AAA/AAA Rating

- Debt Capacity Driven by 3 Measures
  1. Net Coverage: 2.22x vs. 1.5x policy min
  2. Bond Covenants: 2.22x vs. Parity Bond covenant of 1.5x
  3. Legal debt limit key constraint under current forecast
     - Legal debt capacity: ~$2 billion of additional debt
     - Smaller if assessed property value growth declines
     - Higher if assessed property value grows faster than forecast

RESULTS: Legal Debt Capacity Limits Agency Debt Issuance



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Key Challenges

- Potential elimination of Full Funding Grant program
    - Lynnwood $1.17 billion
    - Federal Way $500 million
    - $3.3 billion other FFGAs
- Potential legislative action on MVET
    - Fiscal impact of $2-12 billion
- Maintaining scope discipline on capital projects
    - Financial plan forecast assumes funds for capital projects consistent with scope reviewed/disclosed in voter approved ST2 and ST3 plans.
- Inflation risks for capital and operating costs
    - 2% higher construction costs for 3 years (2019-2021) results in $1.8 billion cost increase

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Legal Debt Limit Constrains Program Capacity

Stress tests – the revenue loss or cost increases that can be covered by remaining legal debt capacity

- **Recession:** a small recession would push agency to legal debt limit
  - 2% revenue decline in 2019, and 5% decline in 2020
- **Inflation and cost increases**: Continued higher construction and right of way costs would push agency to legal debt limit
  - 2% additional CCI and ROWI increase in 2019 and 2020
- **Other factors that can impact costs and revenues**

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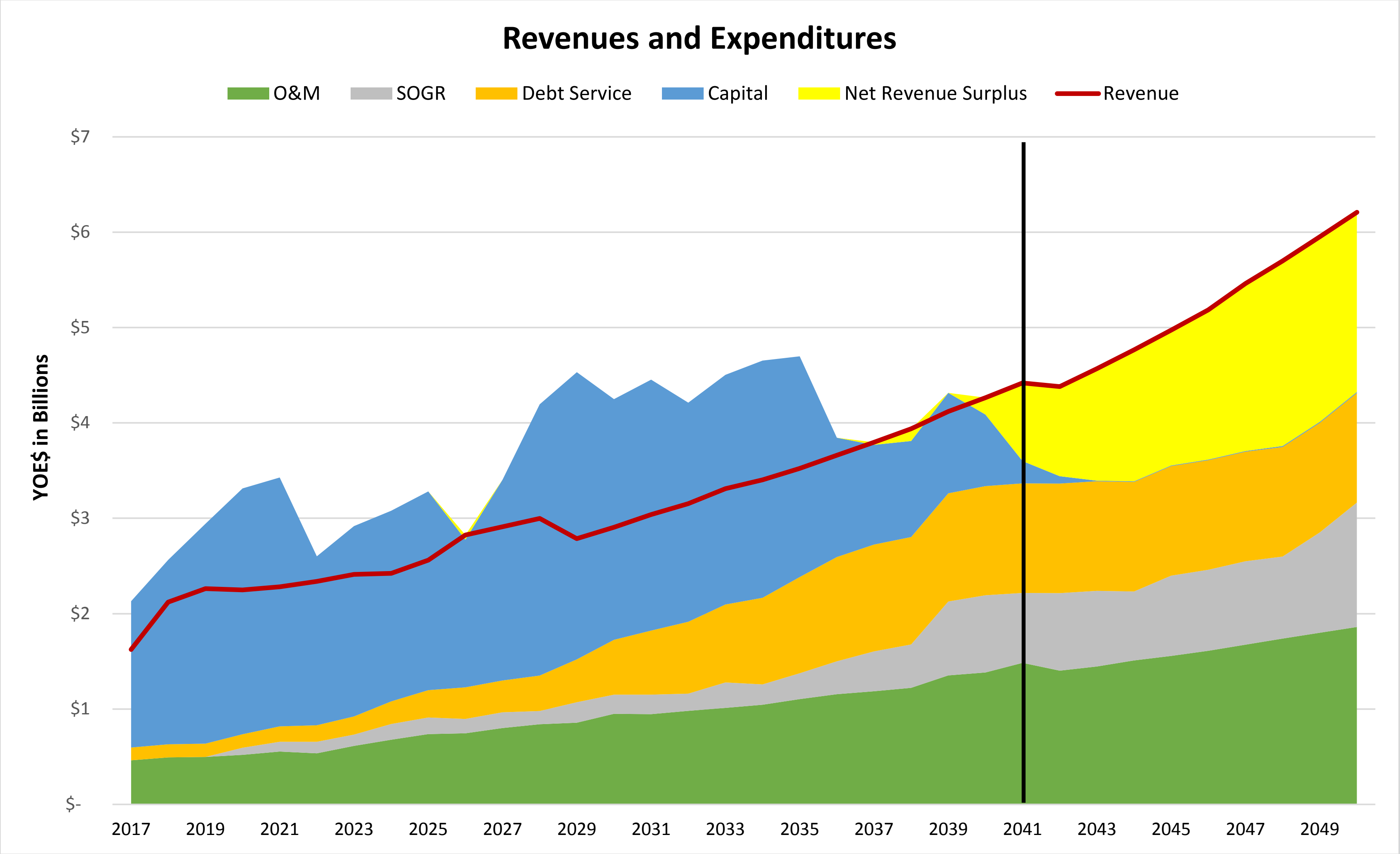
Financial Plan Snapshot



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Dynamic Program Will Require Ongoing Board Balancing of Risks & Priorities

- Financial Policies provide framework for Board management of voter-approved program
- Capital plan affordable under current forecast
  - Careful monitoring of risk elements required to deliver voter-approved plan as scheduled and within bonding capacity and subarea equity
- Keys risk management elements
  - Cost and scope control
    - Discipline on early projects key for later project delivery
  - Limit revenue (federal grants, MVET) declines
  - Pursue opportunities
    - P3
    - Marketplace Fairness
- On-going status reports to Board in 2018

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