



Asset Liability Management Report

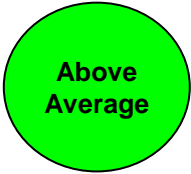
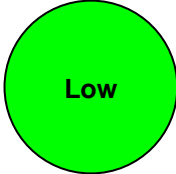
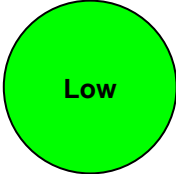
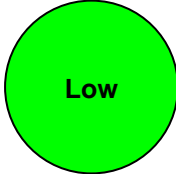
3Q 2020

Performance Indicators and Key Measures

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

Restricted Cash and Investments	606.3
Unrestricted Cash and Investments	1,566.9
Total Cash and Investments	2,173.3

Total Outstanding Debt – Par Value 2,292.3

INVESTMENT PERFORMANCE	INTEREST RATE RISK	CREDIT RISK	LIQUIDITY RISK
 Above Average	 Low	 Low	 Low
Prior quarter: Above Average	Prior quarter: Low	Prior quarter: Low	Prior quarter: Low
Interest earnings exceeded budget for Q3 2020.	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 \$28.4M was \$4.0M above Q3 budget of \$24.4M. Note, excludes unrealized gains and losses.	The blended ST interest cost is 3.56%. The current assumed rate in the financial plan is 4% from 2017 to 2021 and 5.3% from 2022 to 2041.	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 .91%.	The blended investment yield is 1.04% versus the variable debt rate of 1.46% in 3Q2020.	There were no credit rating actions that negatively impact the investment portfolio during the quarter.	Current liquidity meets policy requirement.

3Q 2020 ALM Overview

Key Items

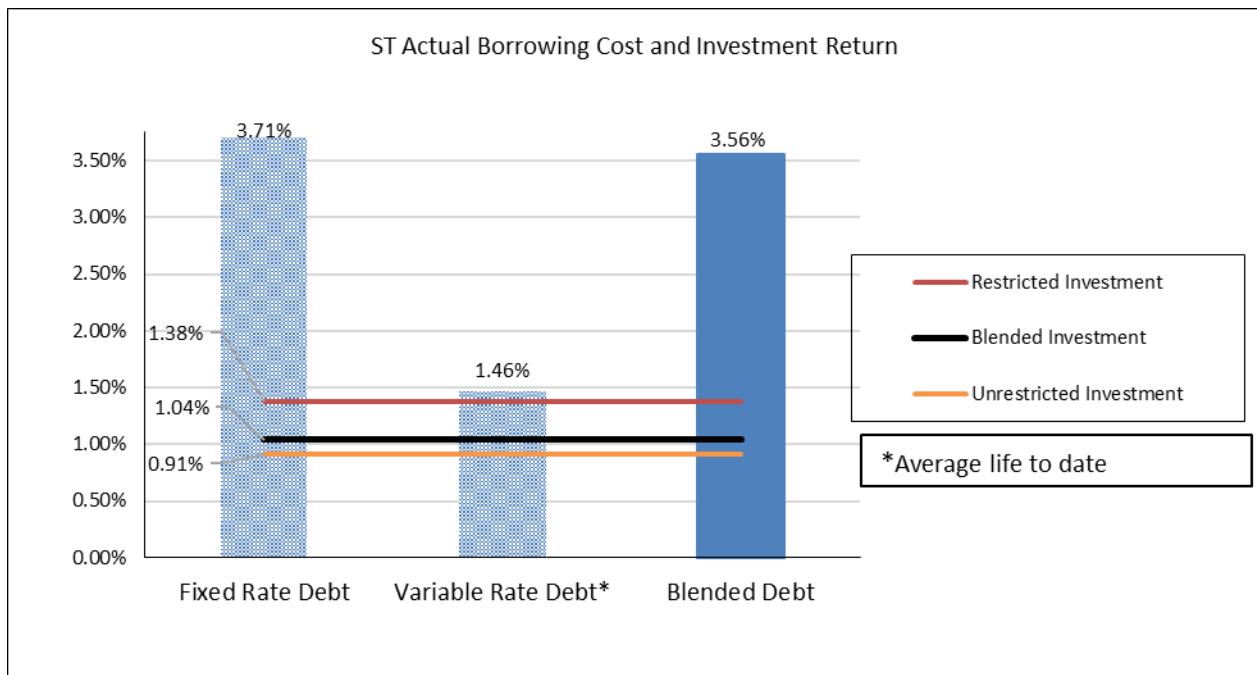
COVID-19 continues to impact the economy and Agency operations. The investment portfolio remains conservatively positioned and has weathered the volatility well. The portfolio continues to selectively add high-quality municipal, agency and corporate securities when the market provides an attractive entry point. A key focus continues to be maintaining liquidity given the uncertainty of the Agency's future revenue environment and the ongoing Board level discussion on capital spend.

Between current liquidity and undrawn TIFIA loan capacity, the Agency does not project any additional borrowing needs until 2022. As future revenues and potential adjustments to the operating and capital plan come into focus, the portfolio and borrowing plans will adjust accordingly.

Market Environment

The Fed has aggressively cut rates to combat the economic impacts of COVID-19. The target federal funds rates is in the 0.00%-0.25% range. The market is not pricing in any rate hikes for the next 4 years.

Actual Borrowing Rate versus Investment Rate



Current Tax Exempt Borrowing Rates

- Current 30 year fixed at 2.97%
- Current variable rate at .80%. Q3 SIFMA avg of .12% + LOC Cost of 0.60% + Rmktg Fee of 0.08%

Credit Watch

ST is currently in "stand still" 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	606.3	1.38%	1.74	NA
Unrestricted	1,566.9	0.91%	0.53	0.87
Assets (Cash/Investments) total	2,173.3	1.04%	0.87	
Liabilities (Debt)				
Fixed-Rate	(2,142.3)	3.71%		
Variable-Rate	(150.0)	1.46%		
Liabilities (Debt) total	(2,292.3)	3.56%	13.89	19.51

3Q 2020 Investment Overview

Investment Strategy

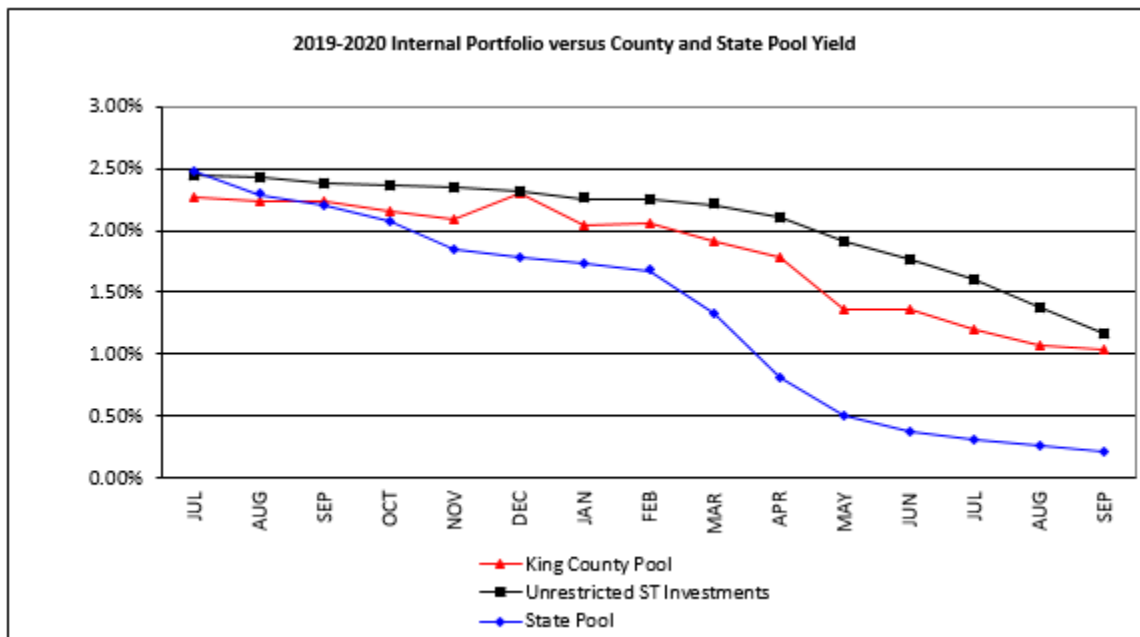
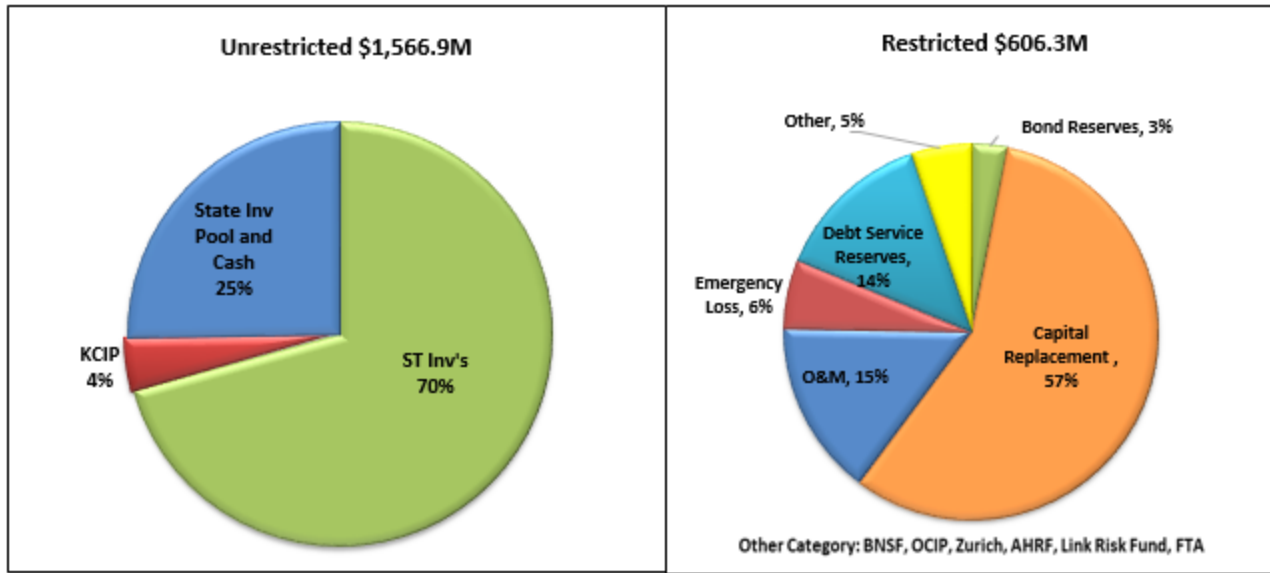
The investment portfolio was conservatively positioned entering this period of market turmoil and has weathered the volatility well.

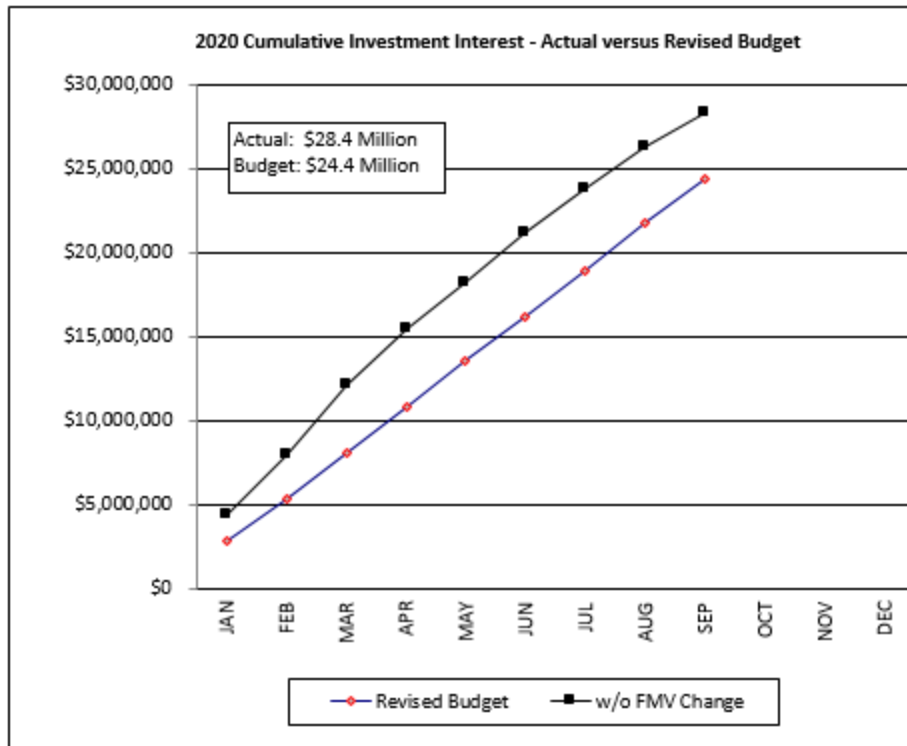
Spreads on high-quality municipal, agency and corporate securities continue to be attractive and the portfolio seeks opportunities to pick up additional spread without forgoing overall credit quality. The investment strategy has adapted to the environment through a focus on strategically utilizing these asset classes given near daily changes in spread relationships due to continued market volatility. Overall yield declined over the quarter and this is expected to continue as reinvestments occur.

Cash and Investments (\$M)	Book Value	Average Duration	Benchmark Duration	Current Yield	Qtrly Yield Change
Unrestricted					
State Investment Pool	399.7	0.01		0.21%	(0.17)
Operating account/Uncleared checks**	(2.1)	0.01		0.35%	0.00
King County Investment Pool	65.3	1.11		1.03%	(0.32)
ST Internal Investments	1,103.9	0.69		1.16%	(0.60)
Total Unrestricted	1,566.9	0.53	0.87	0.91%	(0.51)
Restricted					
Operating/Contingency (internal)	91.1	0.01		0.21%	(0.16)
Capital Replacement (internal)	346.7	2.81	3.07	2.03%	(0.11)
Emergency Loss Reserve (internal)	36.1	0.01		0.21%	(0.16)
Debt Service Accounts	82.3	0.01		0.21%	(0.16)
BNSF Escrow	8.0	0.01		0.05%	0.00
OCIP Collateral	2.4	2.05		3.68%	(0.00)
Link Risk Fund	0.5	1.11		1.02%	(0.32)
Prior Debt Service Reserve	18.5	4.03	3.76	3.94%	(0.03)
Affordable Housing Revolving Fund	8.0	0.01		0.21%	(0.16)
Zurich Collateral	0.4	0.01		0.01%	(0.19)
FTA Grant Recovery	12.2	0.01		0.21%	(0.16)
Total Restricted	606.3	1.74	N/A*	1.38%	(0.15)
Total	2,173.3	0.87		1.04%	(0.41)

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

Investment Performance Portfolio Composition





Asset Allocation Compliance

Asset Class	\$ Par Value	Percentage Allocation	Policy Limit
U.S. Treasuries	636,515,000	29.46%	100%
U.S. Government Agencies	635,905,000	29.43%	75%
Certificates of Deposit	0	0.00%	20%
Corporate Notes	73,139,000	3.39%	25%
King County Investment Pool	65,823,025	3.05%	50%
State Investment Pool	630,328,545	29.17%	100%
Commerical Paper	50,000,000	2.31%	25%
Taxable Municipal/G.O. Bonds	68,845,000	3.19%	20%
	2,160,555,570	100.00%	

3Q 2020 Debt Overview

Debt Strategy

Sound Transit considers the diversification of its long-term liabilities in the context of its future borrowing needs. The Agency has over \$3 billion of undrawn capacity on the TIFIA loans to support the Agency's liquidity needs.

Debt Summary

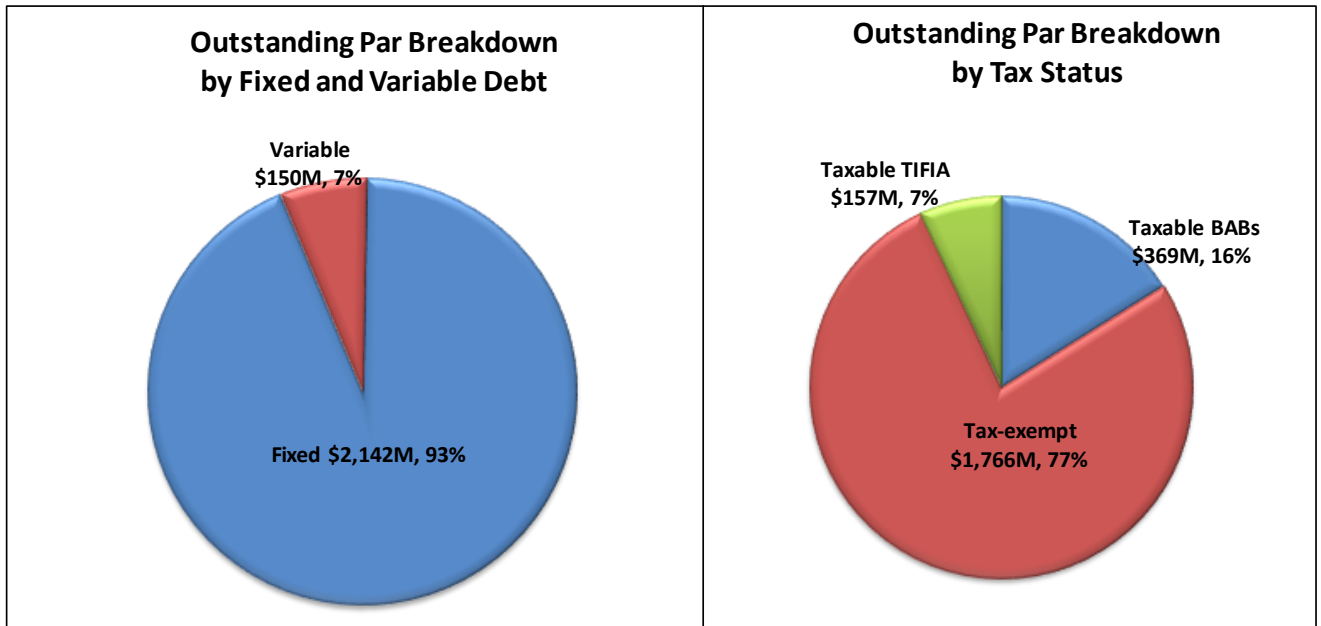
- The last TIFIA MCA loan, Federal Way, was closed in late 2019. With sufficient liquidity present in the current portfolio, no TIFIA draws are forecasted for 2020.
- The 20-year MMD ended the quarter at 1.41%, 2 basis points lower than the June 30th rate. During the quarter, rates experienced continued volatility with a high of 1.43% at the beginning of July and a low of 1.08% in early August. Market rates remained volatile due to mixed economic and Covid-19 news throughout the quarter.
- The average spread between the 20-year AAA MMD and the 20-year A MMD was 44 basis points as of 9/30/20, which is 1 basis point lower than what was measured on 06/30/20.

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	\$230,630,000	5.03%	5.00%
2009P-2T (BABs)	9/29/2009	2/1/2028	\$76,845,000	\$69,455,000	3.36%	5.00%
2012P-1	8/22/2012	2/1/2028	\$216,165,000	\$118,545,000	2.62%	5.75%
Total Prior Bonds			\$643,010,000	\$418,630,000	4.07%	
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	3.66%	5.00%
2012S-1	8/22/2012	11/1/2030	\$97,545,000	\$77,080,000	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	1.43%	5.75%
2015S-2B*	9/10/2015	11/1/2045	\$75,000,000	\$75,000,000	1.49%	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	\$1,717,020,000	3.52%	
Total Prior & Parity Bonds			\$2,383,395,000	\$2,135,650,000	3.63%	

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

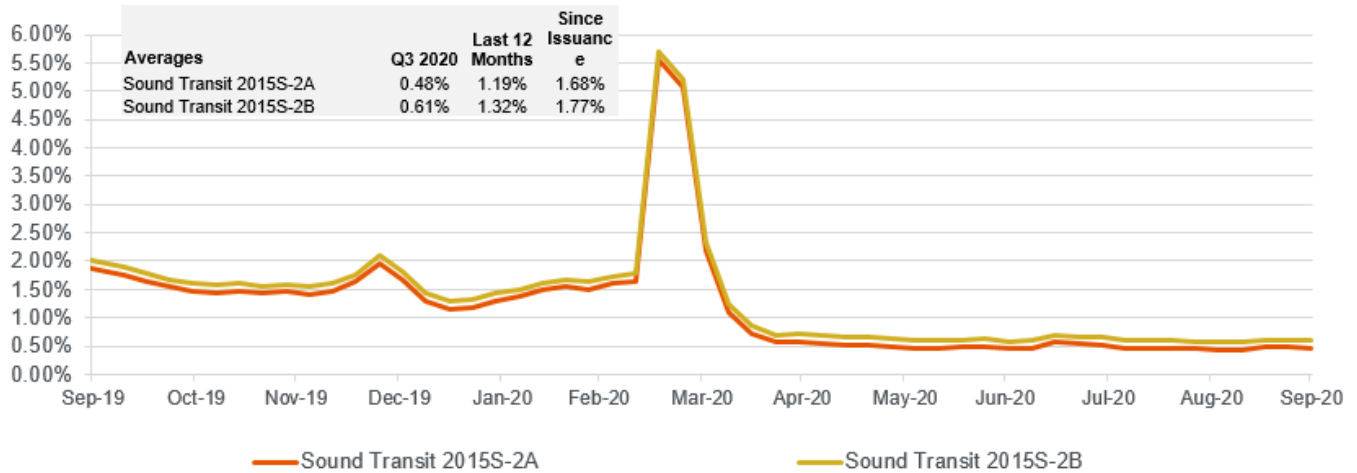
Central Puget Sound Regional Transit Authority Summary of Outstanding TIFIA Loans						
TIFIA Loan	Execution Date	Final Maturity	Loan Amount	Amount Drawn	Interest Rate	Financial Plan Assumption
East Link	1/16/2015	11/1/2058	\$1,330,000,000	\$50,000,000	2.38%	5.75%
Northgate	12/22/2016	11/1/2056	\$615,267,000	\$81,605,824	3.13%	5.30%
O&M Facility East	6/22/2017	11/1/2055	\$87,663,515	\$25,000,000	2.73%	5.30%
Lynnwood Link	12/19/2018	5/1/2059	\$657,863,164	\$0	3.06%	3.95%
Federal Way	12/19/2019	5/1/2059	\$629,472,431	\$0	2.36%	3.95%
Total TIFIA Loans				\$0		
			\$3,320,266,110	\$156,605,824	2.83%	
Total Outstanding Debt				\$2,292,255,824	3.57%	

Debt Portfolio Composition



Q3 2020 Variable Rate Comparison and Pricing Estimate

Actual - Sound Transit Q3 Series 2015S-2A Borrowing Cost		Actual - Sound Transit Q3 Series 2015S-2B Borrowing Cost		Estimated - Sound Transit VRDB Q3 Borrowing Cost	
Q3 SIFMA Average	0.12%	Q3 SIFMA Average	0.12%	Q3 SIFMA Average	0.12%
Index Spread	0.30%	Index Spread	0.45%	Estimated LOC Cost*	0.60%
Remarketing Cost	0.06%	Remarketing Cost	0.04%	Remarketing Agent Fee	0.08%
Total FRN Cost	0.48%	Total FRN Cost	0.61%	Total VRDB Cost	0.80%



* Assumes 3-year letter of credit

The credit rating agencies actively monitor the transit sector. The pandemic has introduced great uncertainty into the sector and the credit rating agencies have responded with a series of sector and transit agency specific negative credit watches and downgrades. Sound Transit's credit ratings remain strong despite the current market environment. 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 06/30/2020			
	Prior	Parity	TIFIA
Moody's	Aaa	Aa1	
S&P	AAA	AAA	AA+
Fitch			AA+

Asset Liability Management Report
3Q 2020
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.