



Asset Liability Management Report

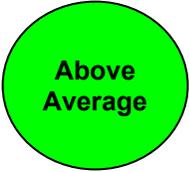
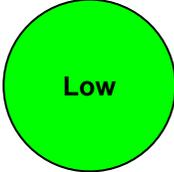
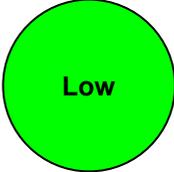
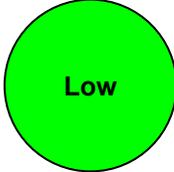
3Q 2023

Performance Indicators and Key Measures

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

Restricted Cash and Investments	688.5
Unrestricted Cash and Investments	4,148.3
Total Cash and Investments	4,836.8

Total Outstanding Debt – Par Value 3,613.9

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 2023.	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 \$113.1M was \$25.5M above Q3 revised budget of \$87.6M. Note, excludes unrealized gains and losses.	The blended ST interest cost is 2.48%. The current assumed rate in the financial plan is 4% through 2024 and 5.3% from 2025 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 4.57%.	The blended investment yield is 4.46% versus the variable debt rate of 3.90% in 3Q 2023.	There were no credit rating actions that negatively impacted the investment portfolio during the quarter.	Current liquidity meets policy requirement.

3Q 2023 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.

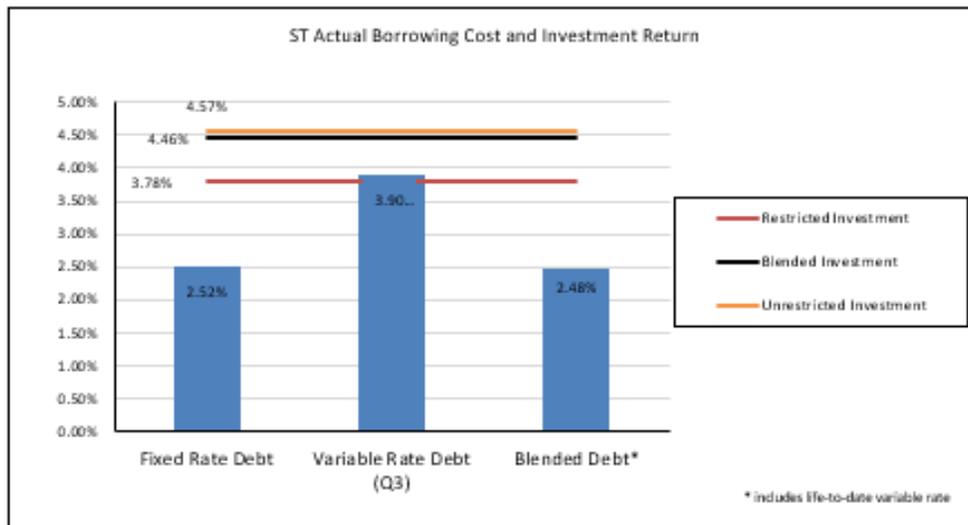
Sound Transit continuously monitors the markets and seeks opportunities to decrease costs and create financial capacity. Actions are proposed if they are financially beneficial to the agency and its program as a whole.

During Q3 2023 the Agency drew \$994 million on its Eastlink TIFIA loan agreement, and has invested these funds. The Agency will redeem a portion of its floating rate notes in Q4.

Market Environment

During Q3 yields rebounded in an impressive fashion led by the long end with the 10-year yield increasing by 0.73%, while the 2-year yield increased by 0.15%. Driving the move is continued economic resilience that leads to a “higher for longer” approach out of the Fed where it is currently expected these elevated rates are here to stay. We continue to expect the 2-year yield to trade below the federal funds rate given the unique nature of the current cycle and the near consensus belief by both markets and the Fed that this cycle is very near its end. Continued progress on inflation or a turn in the labor market would likely pressure the 2-year yield significantly lower.

Actual Borrowing Rate versus Investment Rate



Current Tax-Exempt Borrowing Rates

- Current 30 year fixed at 4.85%
- Current variable rate at 3.90%. Q4 SIFMA avg of 3.49% + LOC Cost of 0.35% + Rmktg Fee of 0.06%

Credit Watch

ST is currently in “stand still” on its Lease In/Lease Out agreement with AIG, awaiting further market and regulatory developments. Certain conversations in regard to the agreements continue with legal counsel.

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	688.5	3.79%	1.59	NA
Unrestricted	4,148.3	3.35%	1.06	0.91
Assets (Cash/Investments) total	4,836.8	3.41%	1.14	
Liabilities (Debt)				
Fixed-Rate	(3,463.9)	2.52%		
Variable-Rate	(150.0)	1.50%		
Liabilities (Debt) total	(3,613.9)	2.48%	21.21	19.02

Investment Strategy

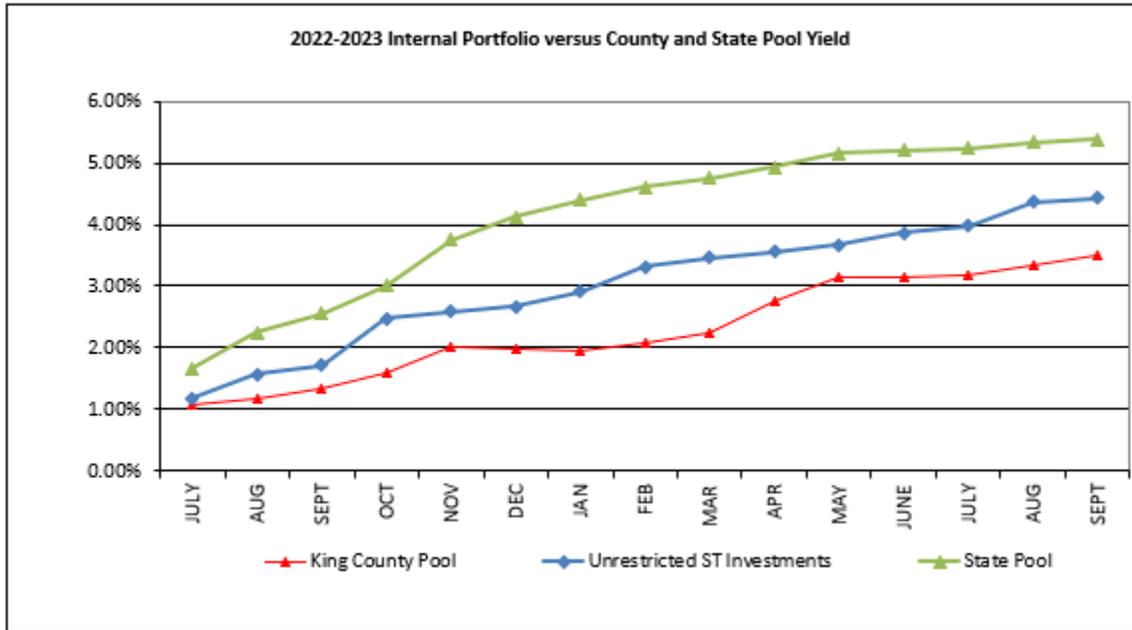
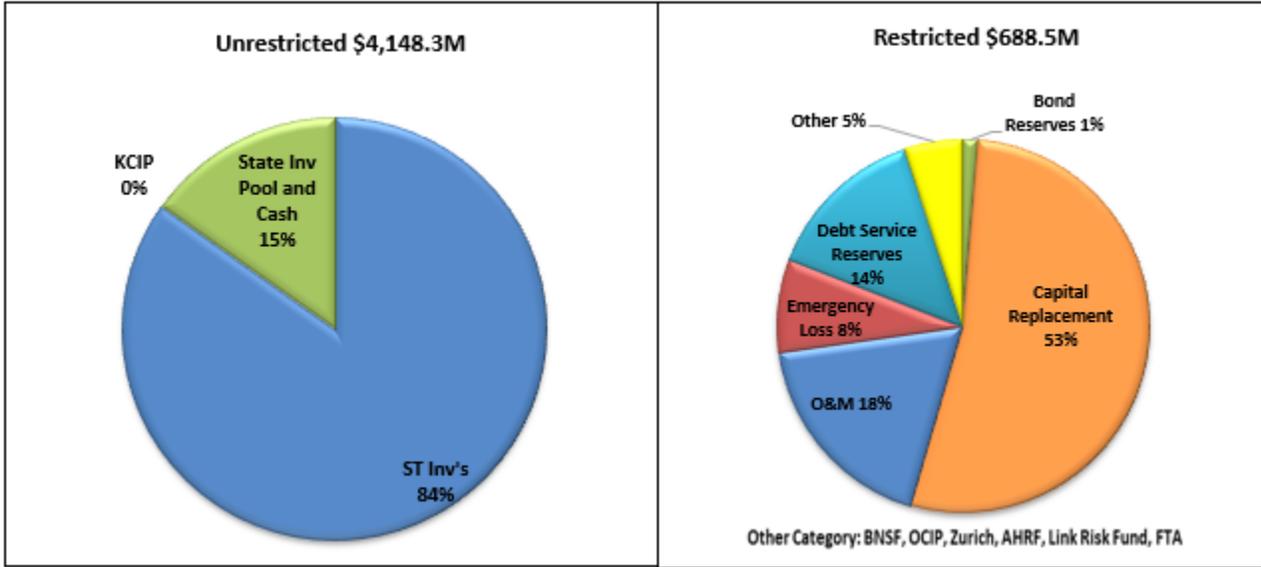
The investment portfolios are tactically invested to manage cash flows and duration to navigate the portfolio through the volatile markets. US Treasury securities are being overweighted due to the relative valuations. The Agency continues to prioritize liquidity to provide flexibility to the realigned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

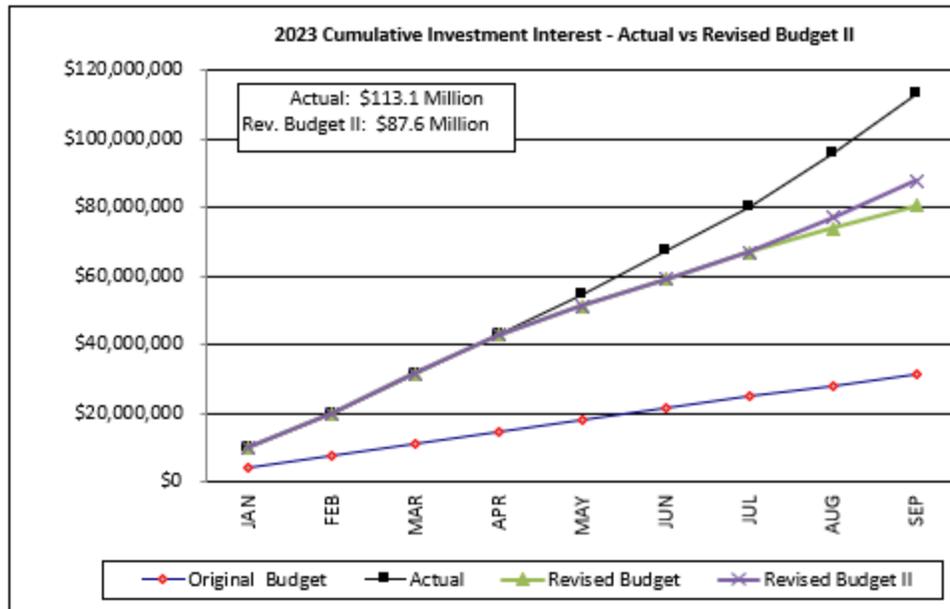
Cash and Investments (\$M)	Book Value	Average Duration	Benchmark Duration	Current Yield	Qtrly Yield Change
Unrestricted					
State Investment Pool	650.1	0.01		5.39%	0.19
Operating account/Uncleared checks**	(12.8)	0.01		4.50%	0.00
King County Investment Pool	16.3	0.64		3.48%	0.32
ST Internal Investments	3,494.8	1.26		4.42%	0.56
Total Unrestricted	4,148.3	1.06	0.91	4.57%	0.45
Restricted					
Operating/Contingency (internal)	125.8	0.01		5.39%	0.19
Capital Replacement (internal)	366.7	2.90	2.87	2.52%	0.30
Emergency Loss Reserve (internal)	55.4	0.01		5.39%	0.19
Debt Service Accounts	97.0	0.01		5.39%	0.19
BNSF Escrow	8.0	0.01		0.03%	0.00
OCIP Collateral	0.6	1.06		4.60%	0.00
Link Risk Fund	0.5	0.64		3.43%	0.32
Prior Debt Service Reserve	8.8	2.96	3.09	4.88%	2.57
Affordable Housing Revolving Fund	20.1	0.01		5.39%	0.19
Zurich Collateral	0.4	0.01		0.00%	0.00
FTA Grant Recovery	5.0	0.01		5.39%	0.19
Total Restricted	688.5	1.59	N/A*	3.78%	0.31
Total	4,836.8	1.14		4.46%	0.46

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

Q3 2023 Investment Overview

Investment Performance Portfolio Composition





Asset Allocation Compliance

Asset Class	\$ Par Value	Percentage Allocation	Policy Limit
U.S. Treasuries	2,238,475,000	46.03%	100%
U.S. Government Agencies-Primary	1,107,770,000	22.78%	75%
U.S. Government Agencies-Secondary	24,800,000	0.51%	10%
Certificates of Deposit	0	0.00%	20%
Supranationals	81,000,000	1.67%	10%
Corporate Notes	357,403,000	7.35%	25%
King County Investment Pool	16,809,741	0.35%	50%
State Investment Pool	955,791,377	19.66%	100%
Commerical Paper	37,925,000	0.78%	25%
Taxable Municipal/G.O. Bonds	42,785,000	0.88%	20%
	4,862,759,118	100.00%	

3Q 2023 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. The Agency will redeem a portion of its floating rate notes in Q4.

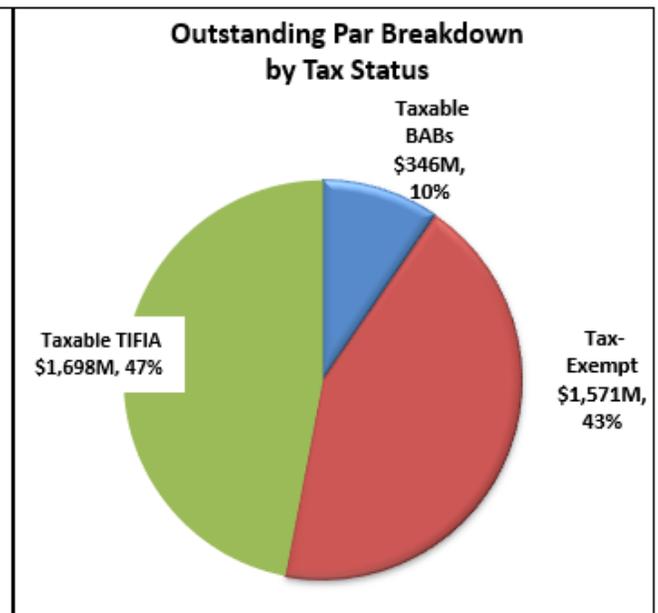
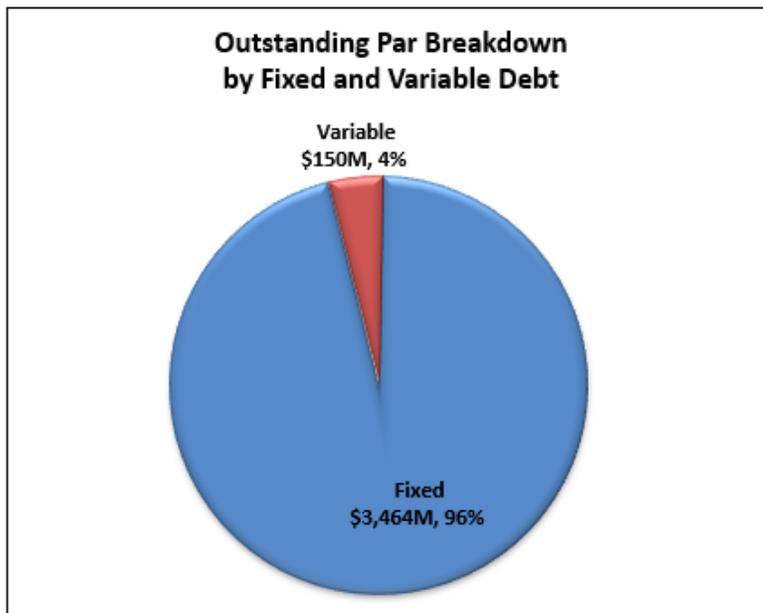
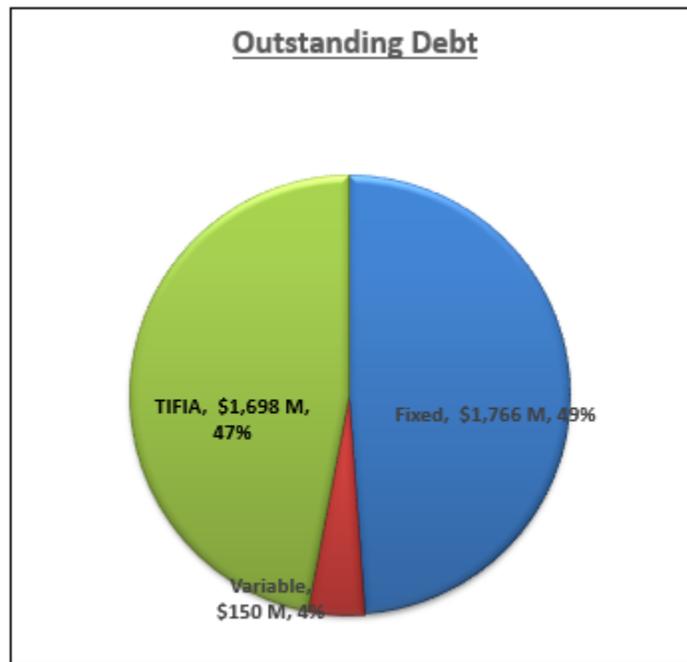
Debt Summary

- The 20-year MMD ended the quarter at 4.15%, 88 basis points higher than the June 30, 2023 rate. During the quarter, rates experienced continued volatility with a high of 4.17% in late September and a low of 3.20% in late July. Market rates remained volatile due to mixed economic news throughout the quarter.
- The average Q3 2023 spread between the 20-year AAA MMD and the 20-year A MMD was 53 basis points as of 09/30/23, which is 2 basis points lower than what was measured on 06/30/23.

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	\$154,080,000	5.03%
2009P-2T (BABs)	9/29/2009	2/1/2028	\$76,845,000	\$45,725,000	3.36%
2012P-1	8/22/2012	2/1/2028	\$216,165,000	\$0	2.62%
Total Prior Bonds			\$426,845,000	\$199,805,000	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%
2012S-1	8/22/2012	11/1/2030	\$97,545,000	\$0	2.73%
2015S-1	9/10/2015	11/1/2050	\$792,840,000	\$22,185,000	3.89%
2015S-2A*	9/10/2015	11/1/2045	\$75,000,000	\$75,000,000	1.44%
2015S-2B*	9/10/2015	11/1/2045	\$75,000,000	\$75,000,000	1.56%
2016S-1	12/19/2016	11/1/2046	\$400,000,000	\$383,960,000	3.60%
2021S-1	11/4/2021	11/1/2050	\$869,360,000	\$860,335,000	2.31%
Total Parity Bonds			\$2,512,200,000	\$1,716,480,000	2.78%
Total Prior & Parity Bonds			\$2,939,045,000	\$1,916,285,000	2.98%
*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	Int Rate
East Link	9/10/2021	11/1/2058	\$1,330,000,000	\$994,646,917	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	\$0	1.91%
Redmond	9/10/2021	11/1/2059	\$520,981,378	\$0	1.91%
Federal Way	9/10/2021	11/1/2059	\$629,472,431	\$0	1.91%
HTLE Project	5/2/2023	5/1/2058	\$93,306,180	\$0	3.79%
NE 130th Street Infi	5/2/2023	5/1/2061	\$79,250,877	\$0	3.79%
Sounder Access R	5/2/2023	11/1/2061	\$154,152,530	\$0	3.79%
Total TIFIA Loans			\$4,167,957,075	\$1,697,577,432	1.91%
Total Outstanding Debt				\$3,613,862,432	2.48%

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 09/30/2023			
	Prior	Parity	TIFIA
Moody's	Aaa	Aa1	
S&P	AAA	AAA	AA+
Fitch			AA+

Q3 2023 Variable Rate Comparison and Pricing Estimate

Actual - Sound Transit Q3 Series 2015S-2A Borrowing Cost

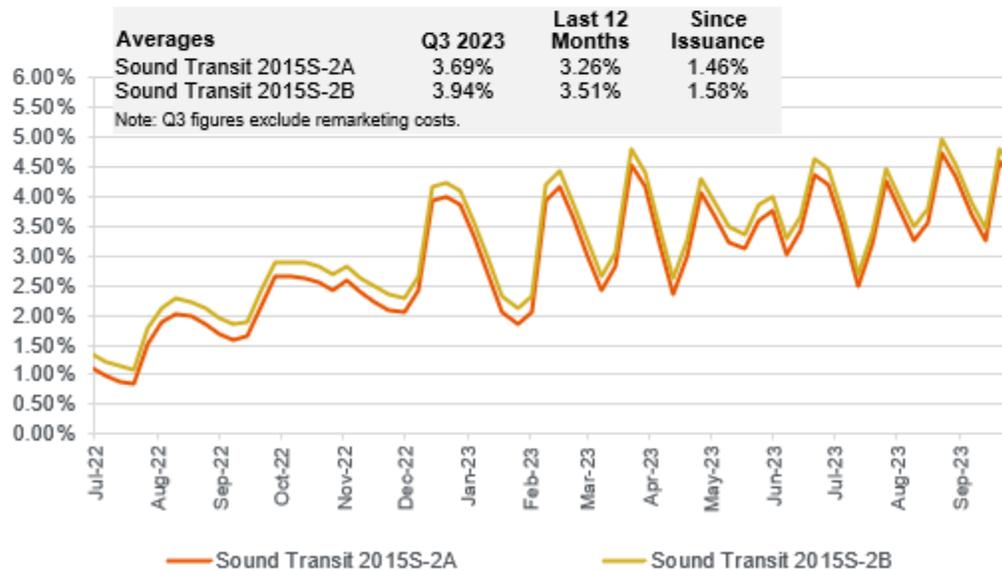
Q3 SIFMA Average	3.49%
Index Spread	0.20%
Remarketing Cost	<u>0.08%</u>
Total FRN Cost	3.77%

Actual - Sound Transit Q3 Series 2015S-2B Borrowing Cost

Q3 SIFMA Average	3.49%
Index Spread	0.45%
Remarketing Cost	<u>0.04%</u>
Total FRN Cost	3.98%

Estimated - Sound Transit VRDB Q3 Borrowing Cost

Q3 SIFMA Average	3.49%
Estimated LOC Cost*	0.35%
Remarketing Agent Fee	<u>0.06%</u>
Total VRDB Cost	3.90%



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.