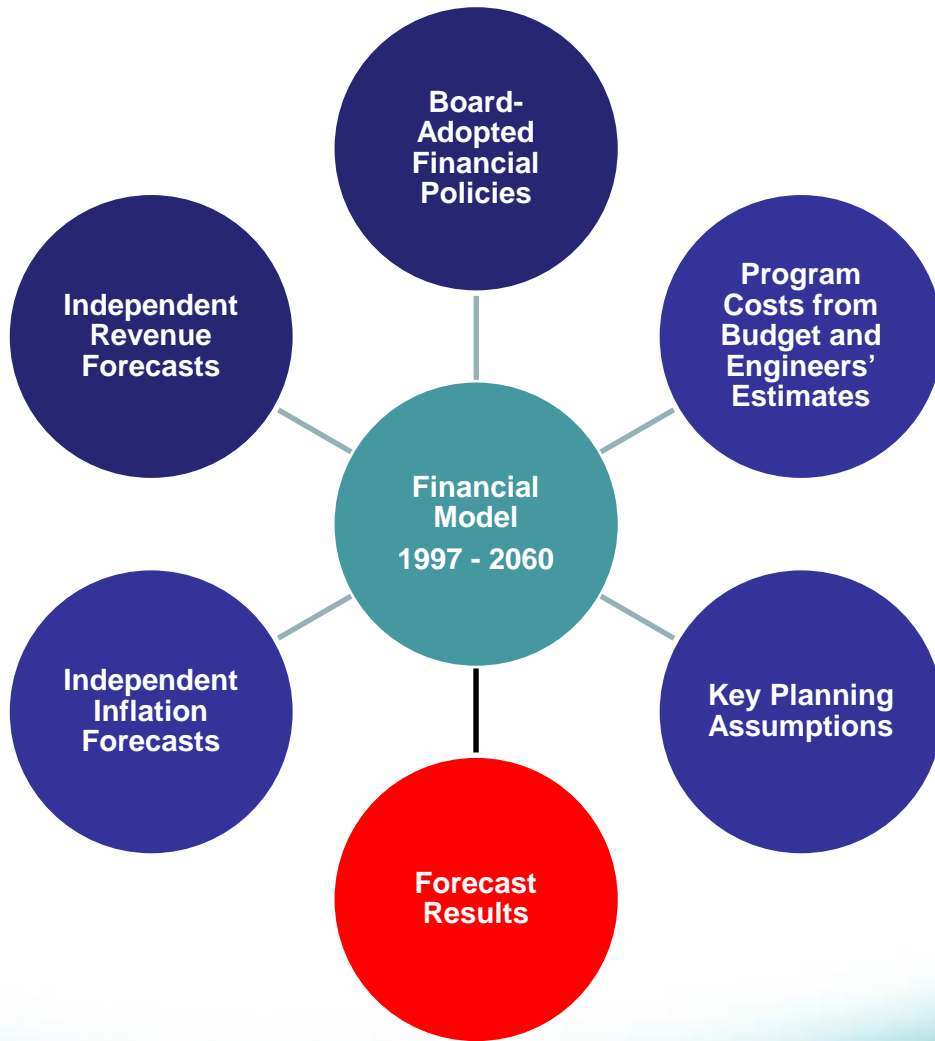




October 2017 Financial Plan ***Executive Committee***

November 2, 2017

Updated Financial Forecast



- Updated financial forecast captures latest capital, operating and revenue estimates
- Capital and operating program fully funded under current forecast

Key Challenges

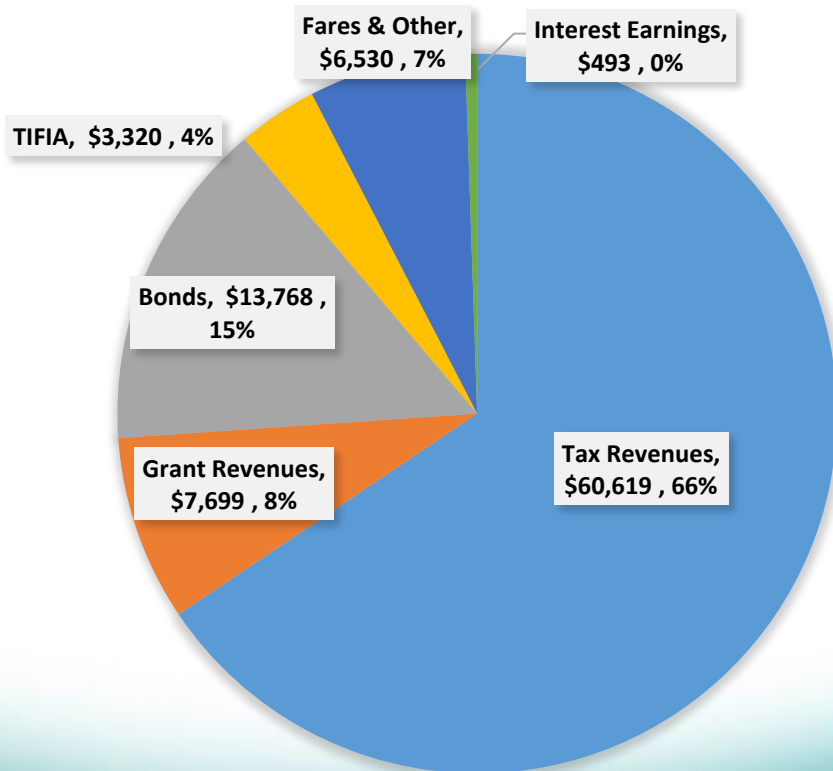
- Potential elimination of Full Funding Grant program
 - Lynnwood \$1.17 billion
 - Federal Way \$500 million
 - \$3.3 billion other FFGAs
- Potential legislative action on MVET
 - Fiscal impact of \$2-12 billion
- Maintaining scope discipline on capital projects
 - Financial plan forecast assumes funds 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

October 2017 Financial Plan

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

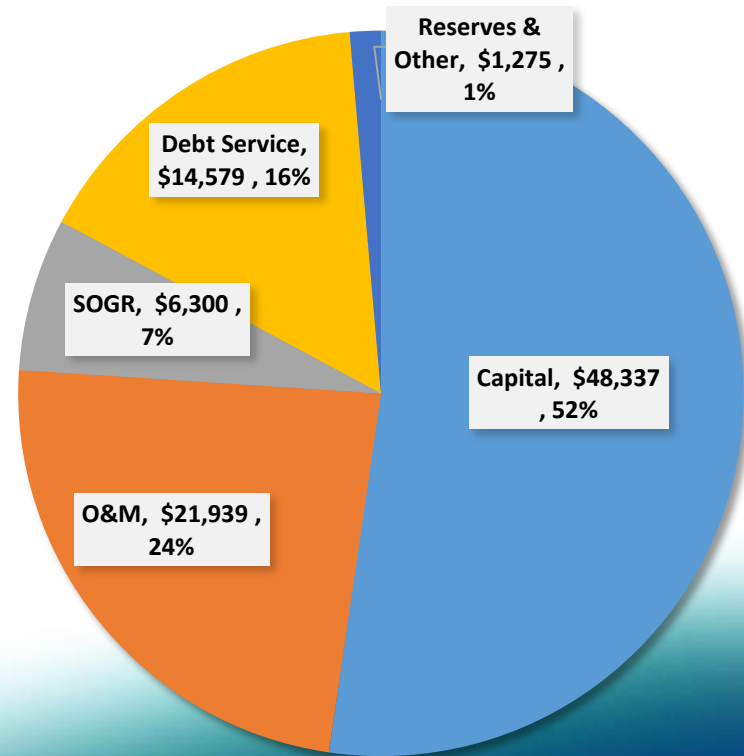
Sources of Funds

(In Millions YOE\$)



Uses of Funds

(In Millions YOE\$)



Local Taxes: Forecast Reflects Strong Near Term Regional Economy

- Sales Tax, MVET, Property, Rental Car taxes
 - \$61 billion 2017-2041
- Forecasts assume strong near term growth, returning to lower average growth trend after 2018
 - 2019-2041: 3.35%
- Key Risk: Near-term recession
- Opportunity: Marketplace Fairness Revenue not yet included in plan
 - awaiting court outcomes

Updated Inflation Forecast Assume Higher Near-term Cost Growth

- Vibrant economy = strong tax revenues but also higher project cost
- \$617 million added to YOE\$ capital costs in Financial Plan to reflect higher inflation 2016-2018

		Avg Increase 2017-2018	
		2016 Indices	2017 Indices
CPI		2.29%	2.52%
CCI		4.26%	5.14%
ROW		5.95%	11.05%

		Avg Increase 2019-2040	
		2016 Indices	2017 Indices
		2.28%	2.38%
		3.69%	3.53%
		4.53%	4.71%

- Key Risk: prolonged inflation drives up long term costs

Plan Continues to Assume Strong Federal Partnership

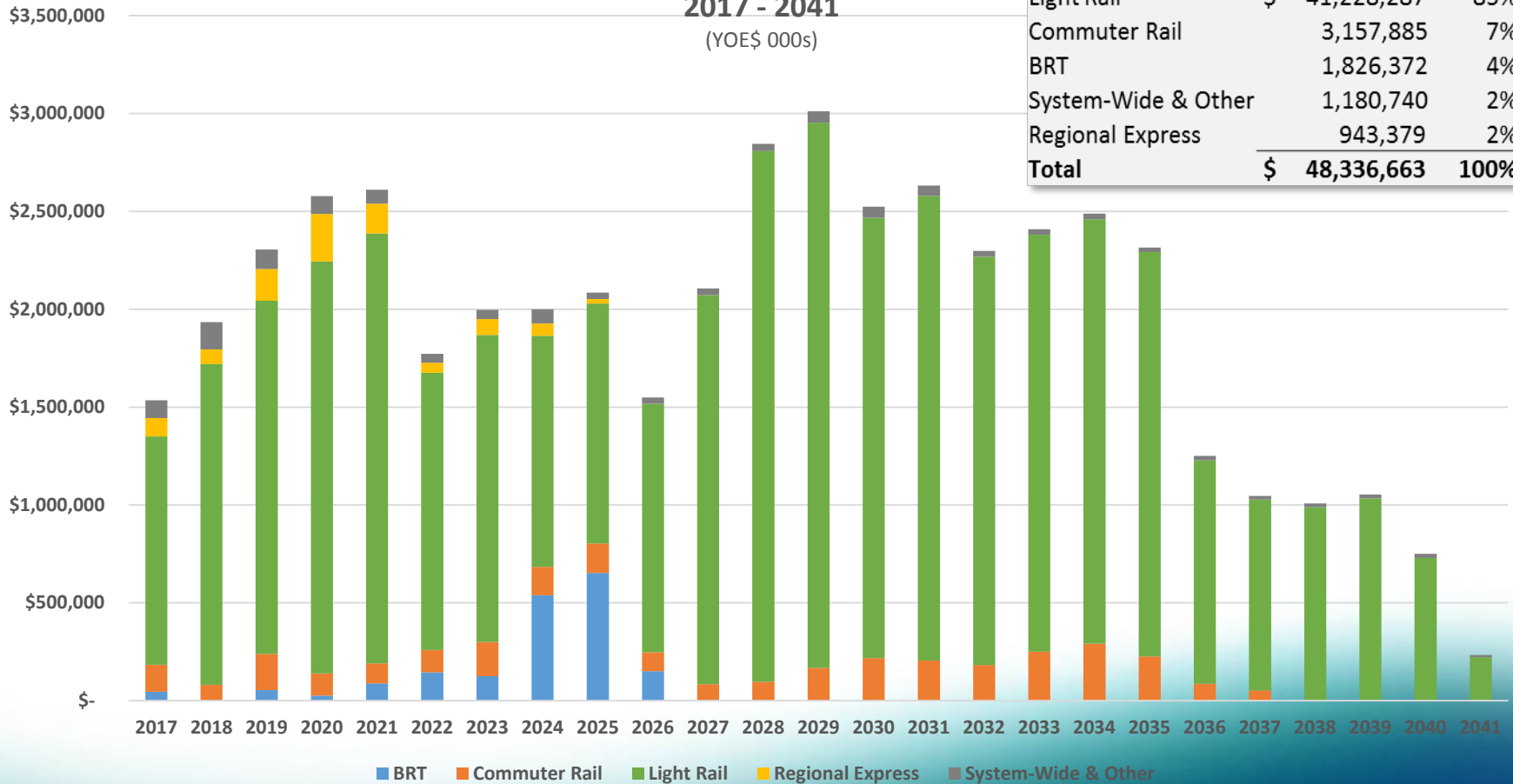
- \$7.7 Billion federal grant program 2017-2041
 - \$1.2 B Lynnwood
 - \$3.8 B other FFGAs
 - \$500 M Federal Way
 - \$2.2 B other grants



- Key Risks: Elimination of Federal New Starts program

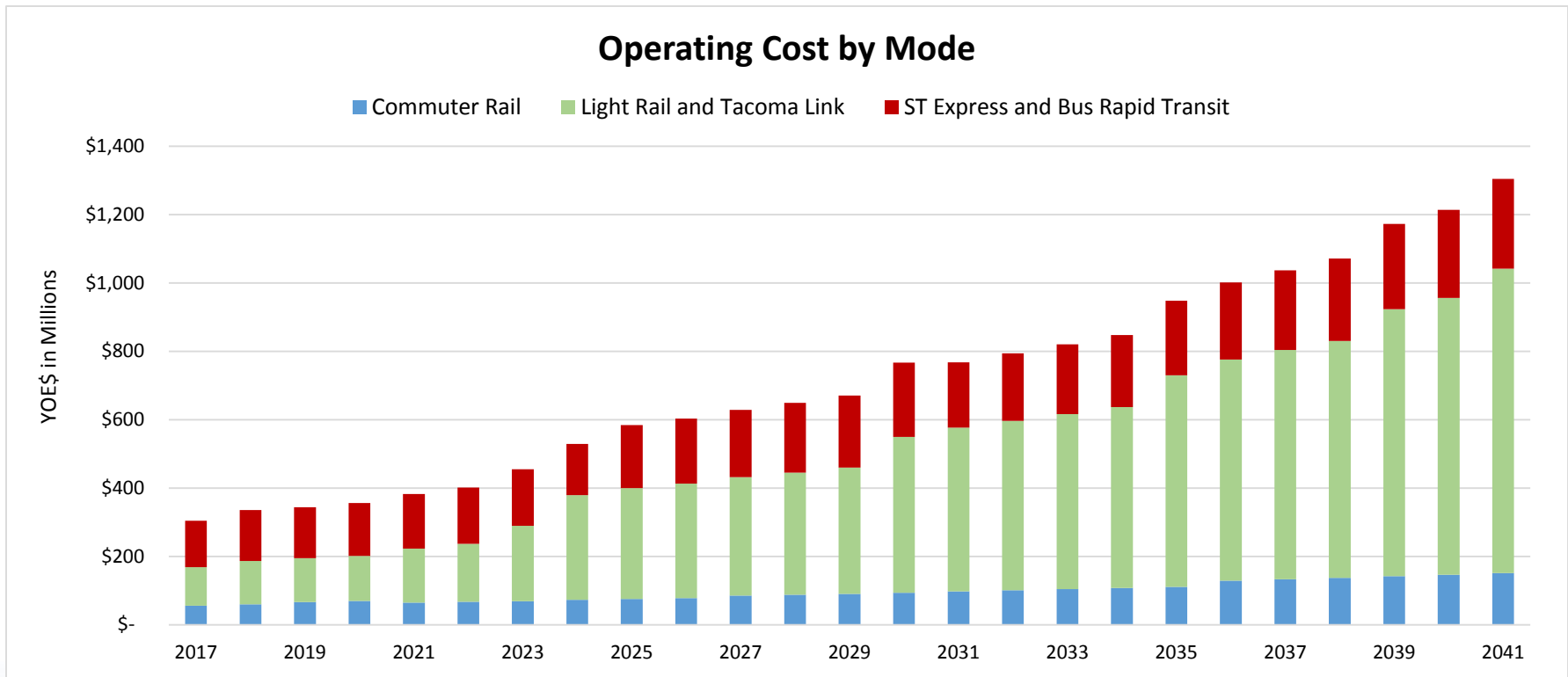
Forecasted Revenues Fully Fund Voter Approved Capital Program

Capital Expense
2017 - 2041
(YOES\$ 000s)



Forecasted Revenues Fully Fund Robust Operating Growth

- Ridership grows to 190 million by 2041

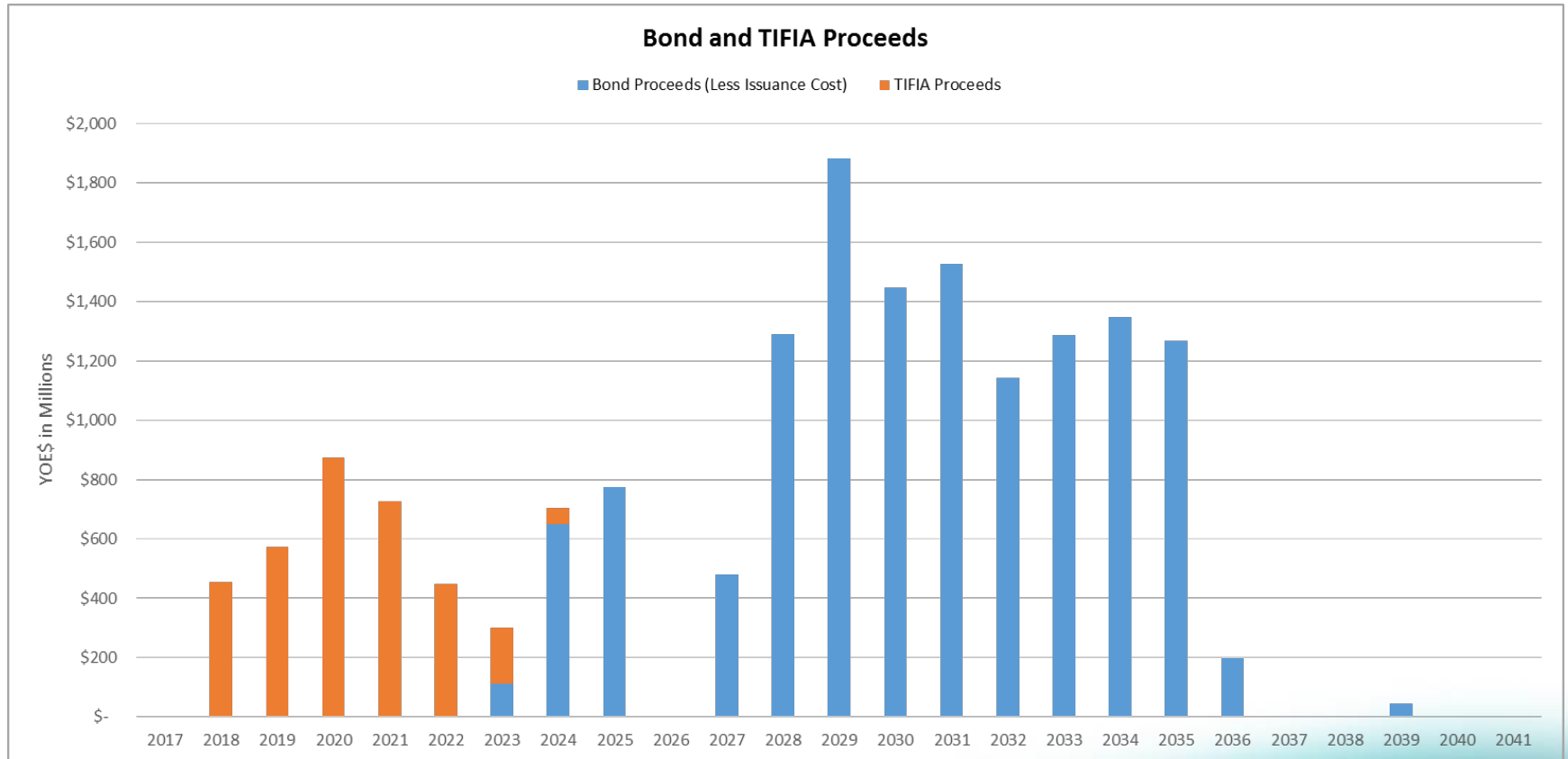


Bonds Fund 30% of Capital Program

- \$13.8 billion of bonds* issued 2017-2041
- Assumed interest rates:
 - 2017-2021 4.00%
 - 2020-2041 5.25%
- Plan already includes TIFIA loans for
 - East Link \$1.33 billion at 2.38% ✓
 - Northgate (Master Credit Agreement (MCA) \$615.3 million at 3.13% ✓
 - OMFE (MCA) \$87.7 million at 2.73% ✓
 - Lynnwood (MCA) \$657.9 million at 3.95%
 - Federal Way (MCA) \$629.5 million at 3.95%
- Opportunity:
 - Potential for lower borrowing costs than assumed in Plan
 - RRIF program

* Exclude TIFIA

Current Plans Utilize TIFIA For Borrowing Through 2022; external borrowing post 2023 and beyond

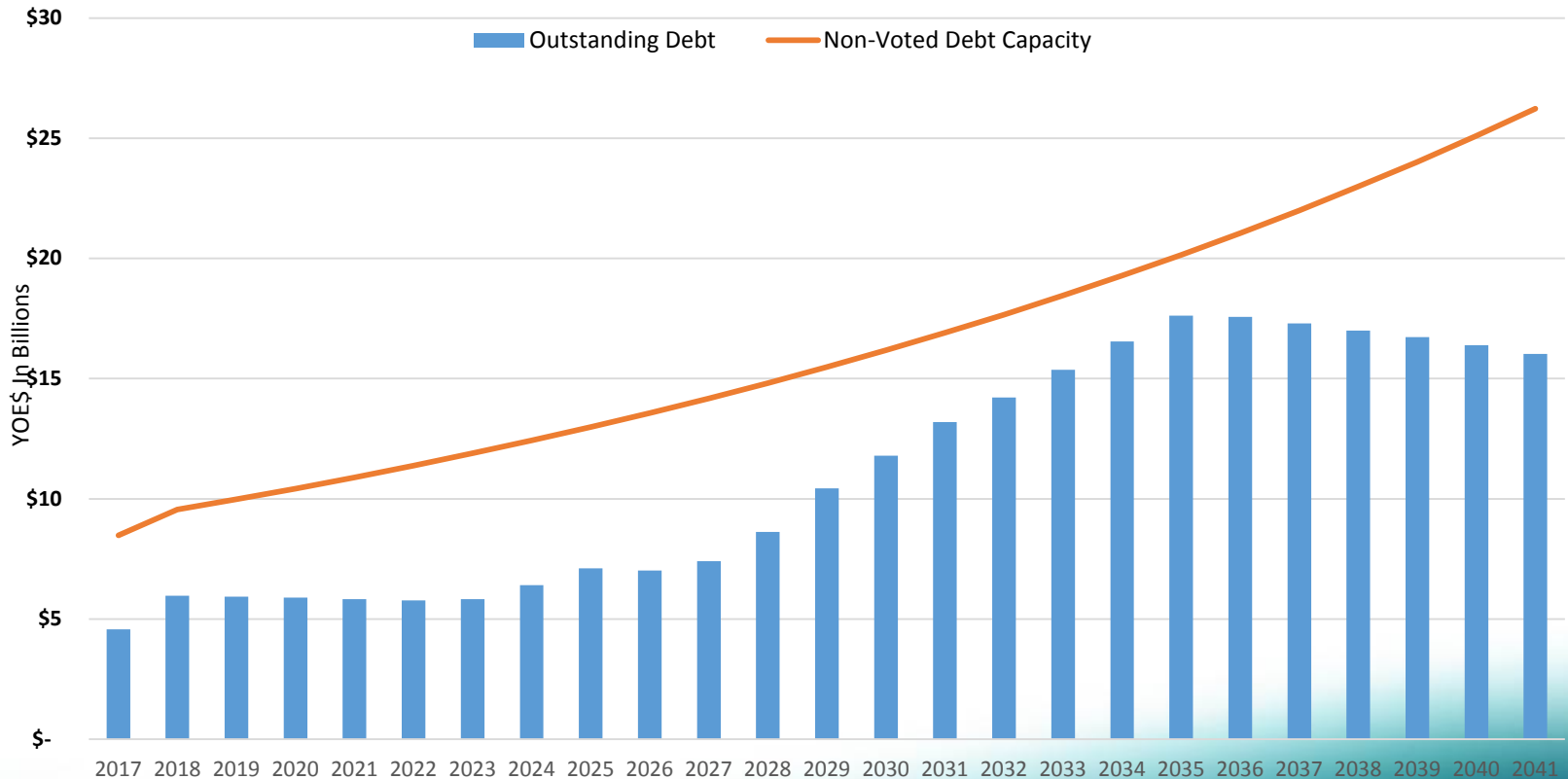


RESULTS: Agency Remains in Strong Financial Condition, Consistent with its AAA/AAA Rating

- 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 capacity: ~\$2 billion of additional debt
 - Smaller if assessed property value growth declines
 - Higher if assessed property value grows faster than forecast
- Legal debt limit key constraint under current forecast

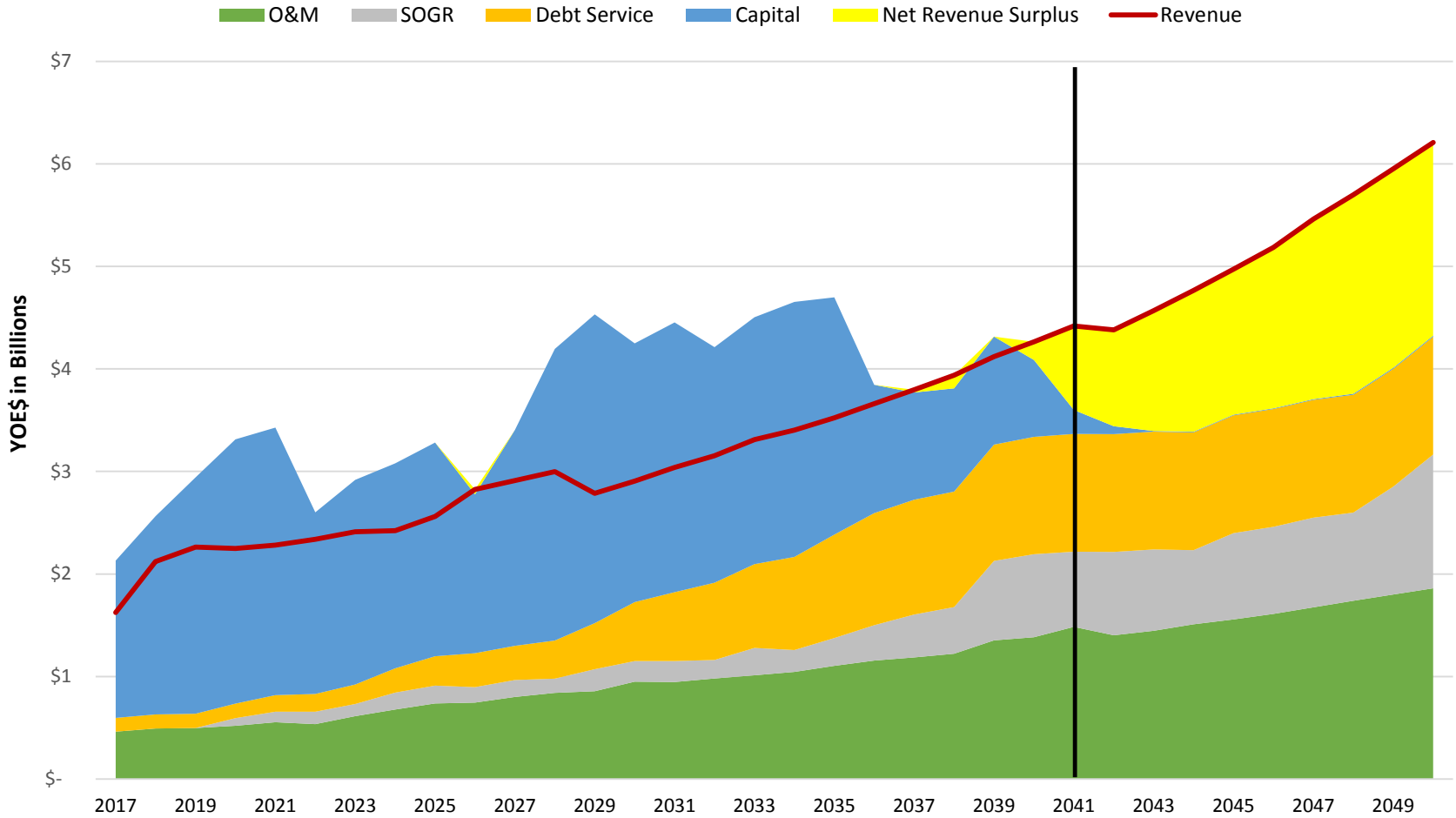
RESULTS: Legal Debt Capacity Limits Agency Debt Issuance

Outstanding Debt and Capacity



Financial Plan Snapshot

Revenues and Expenditures



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
- 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