

A low-angle shot of a white and teal Sound Transit train. The train is moving from left to right. The teal stripe is prominent. The windows are dark. The background shows a station platform with a glass roof structure.

# Proposed Asset Liability Management Policy Update

September 21, 2017

 **SOUNDTRANSIT**

## Asset Liability Management (ALM) Policy Designed to Reduce Net Financing Costs & Risk Exposure

- First adopted in 2004, and subsequently updated in 2005 and 2009.
- Staff will seek ALM policy approval from the Executive Committee and Board in November.
- ALM Goal: Manage the Agency's cash and Investment (assets), and debt (liabilities) on a consolidated basis to reduce net cost of capital and minimize risks.
- Policy has three components:
  - Investment Policy
  - Debt Policy
  - Swap Policy

# Summary of ALM Position as of 2Q17

- Investments: \$1.75 billion
  - \$1.26 billion unreserved funds
  - \$497 million reserved funds
- Debt:
  - \$2.3 billion outstanding
  - \$3.3 billion TIFIA loans
  - projected \$8.1 billion future debt
- Swaps: No swap agreements currently outstanding

## Investment Policy updated to keep current with RCW & add flexibility

- Adjusts restrictions, allocation limits and adds security lending to diversify the portfolios and to allow more flexibility consistent with RCW 39.58, 39.59, 43.250.
- Tightens the rating requirements for short term investments.
- Adds maturity requirements, strategic allocation of funds, and safety objective to clarify and strengthen guidance.

## Debt Policy updated to provide more comprehensive guidance & incorporate ST3

- Updates the debt coverage requirement to be consistent with the ST3 financial policies.
- Provides more guidance for refundings, including saving targets.
- Expands the types and features of common municipal debt.
  - Updated policy contemplates taxable bonds, revenue bonds, private placements and lines of credit.

## Swap Policy updated to conform with SEC regulations

- Expands the Swap Advisor requirement to reference the Qualified Independent Representative requirements from the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- Provides more guidance on counterparty exposure, including the maximum exposure to any individual counterparty.