



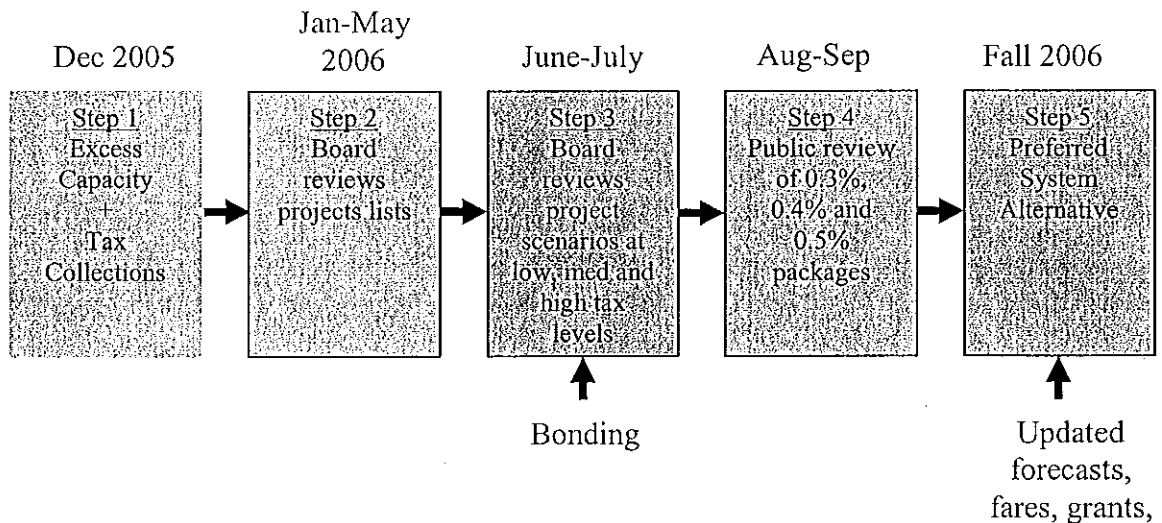
Additional Financial Plan Information
Expert Review Plan
July 20th, 2006

1) **Overview of Financial Model**

- Reviewed to Date
 - Financial Structure
 - Tax Base
 - Revenue Forecast Methodology
 - Forecast vs. actuals
 - Grant Assumptions
 - Farebox Assumptions
 - Inflation Forecast
 - Program Costs
 - Key Assumptions (bonding, interest rates etc)
 - ST2 Planning Assumptions and Approach

- University Link now included in baseline 2006 Financial Plan
 - Extend Link to UW by 2016
 - \$1.5 b. additional capital costs
 - More aggressive debt structure
 - \$750 m. FFGA
 - Reduce net coverage for North King to 1.15 policy (1.28 actual)
 - Peer review concluded plan was “sound”

- Where are we now?



2) Sensitivity Tests of financial variable

- All \$ in YOES
- Conducted on 0.4% Sales Tax Increase Scenario
- Program costs 2007-2030

Stress Test: Cost Growth				
	Program Costs	Minimum Net Coverage	Minimum Gross Coverage	2029 Cash Balance
Baseline	\$14,759 m	1.8	2.7	\$870m
\$1.7 b. cost increase	\$16,498 m	1.3	2.1	\$354 m
\$2.2 b cost increase	\$16,940 m.	1.2	2.0	\$198 m.

Initial Finding: Agency can sustain approximately \$2 b YOE (\$1 b 2005\$) cost increase and remain in strong financial condition.

Stress Test: Higher Inflation				
	Program Costs	Minimum Net Coverage	Minimum Gross Coverage	2029 Cash Balance
Baseline	\$14,759	1.8	2.7	\$870 m
0.1% Increase in all inflation projections	\$14,966	1.7	2.6	\$750 m
0.5% Increase in all inflation projections	\$15,820	1.4	2.3	\$360 m.
1.0% Increase in all inflation projections	\$16,959	1.1	1.9	\$102 m.

Initial Finding: Agency can sustain at least 0.5% increase in inflation each and every year over planning cycle and remain in strong financial condition.

Stress Test: 1 Year Schedule Delay				
	Program Costs	Minimum Net Coverage	Minimum Gross Coverage	2029 Cash Balance
Baseline	\$14,759	1.8	2.7	\$870 m
All projects 1 year delay	\$15,177	1.9	3.1	\$749

Initial Finding: Schedule delays improve agency financial condition, as long as rate of growth for revenues exceeds rate of inflation on construction costs.

3) Review of Key Assumptions

	Current Plan (U Link)	ST2 Plan
Sales Tax Growth@ (2007-2030)	5.2%	Same
MVET Growth Rate@ (2007-2028)	5.0%	Same
Borrowing Rate	5.0% until 2009 6.0% after 2009	Same
Debt Structure	Level until 2009, back loaded after 2009	*Level amortization
Interest deferral	5 years until 2009 10 years after 2009	*5 years
Debt Term	30 year	Same
Consumer Price Index@ (2007-2030)	3.7%	Same
Building Cost Index@ (2007-2030)	3.4%	Same
Right of Way Index@ (2007-2030)	4.5%	Same
Federal Grants	\$2.0 b.	\$2.0 b + associated ST grants
Reserves	2 months	Same
Interest on fund balances	3.0%	Same
Capital replacement	Yes	Yes

@Average annual growth rate

O&M Growth				
	Inflation	Ridership Growth Factor	Total Average Annual Growth	Period
Regional Express Bus	3.6%	1.4%	5.0%	2010-2020
Sounder commuter Rail	3.6%	0.6%	4.2%	2010-2020
Link light rail	3.8%	1.1%	4.9%	2017-2027

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