Financial Plan Model Review and Update
June 2004

Regional Transportation Investment District

Financial Plan Model Development
Review and Update

Elements of any financial plan model

- Revenue projections
- Project expenditure levels and timing
- Potential bonding capacity

The following factors interact and determine the bonding capacity:

- Revenue projections
- Desired credit quality
- Interest rates

For example if:

	Scenario 1	Scenario 2
Revenue projections are:	↑	↔
Desired credit quality:	↔	↔
Overall interest rates are:	↔	↑
Bond Capacity will be:	↑	↓

Looking back: How did we start the process?

Step 1:

Sources of Funds

- Several tax and fee rates were considered
  - Sales Tax
  - Vehicle Fees
  - MVET
  - Local Option Gas Tax

Step 2:

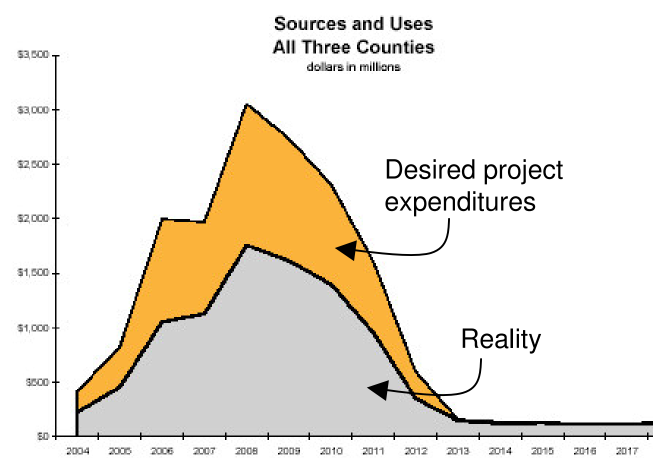
Uses of funds

- A base case of projects was developed for each county with assumed cash flow requirements for each project.

Step 3:

Discovery

- It was discovered that the various revenue packages did not completely fund the desired project list(s).



We entered an iterative process

Several Iterations:

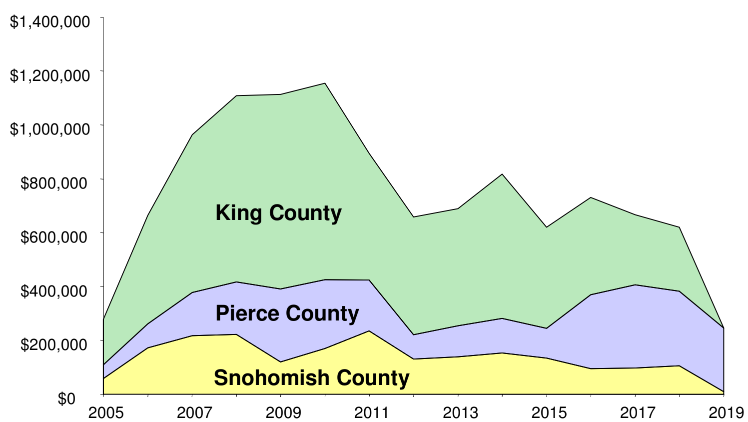
Project lists were revised – reduced and re-aged

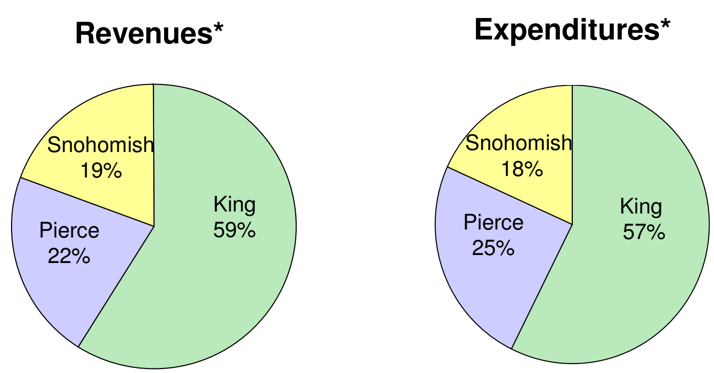
Revenue sources were agreed upon

Roads & Transit Investments	Joint Ballot
✓ 0.2% Sales tax ✓ $75 Vehicle fee ✓ 2.8¢ Local option gas tax ✓ 0.3% MVET	✓ 0.1% Sales tax

Bringing us to where we are today

Project Expenditure Supported by the Agreed Upon Revenue Sources (Excluding 0.1% Joint Ballot) $11.2 billion





**2005-19 totals using nominal dollars*

How did we get to this last step…

- ☑ **Economic and Revenue Forecast Review and Update**
  March 12, 2004
- ☑ **Selection of Revenue Package for the Plan**
  April 29, 2004
- ☑ **Project(s) adjustments to cash-flow needs and timing**
  May 2004
- ☑ **Review of Financial Model and Underlying Assumptions**
  May 2004

Who reviewed the RTID financial plan model and assumptions?

Merrill Lynch

- *Greg Sundberg*
- *Paul Bloom*
- *Jeff Brown*
- *Isaac Sine*

Lehman Brothers Inc.

- *Richard King*
- *Robert Campbell*
- *Sean Keatts*

Morgan Stanley

- *Beth deHamel*

Citigroup Global Markets Inc.

- *Thomas Boast*
- *Tim Rattigan*

Seattle Northwest Securities Corporation

- *Maud Daudon*
- *Bill Starkey*

Hattori and Associates

- *Jim Hattori*

What did we learn from this review?

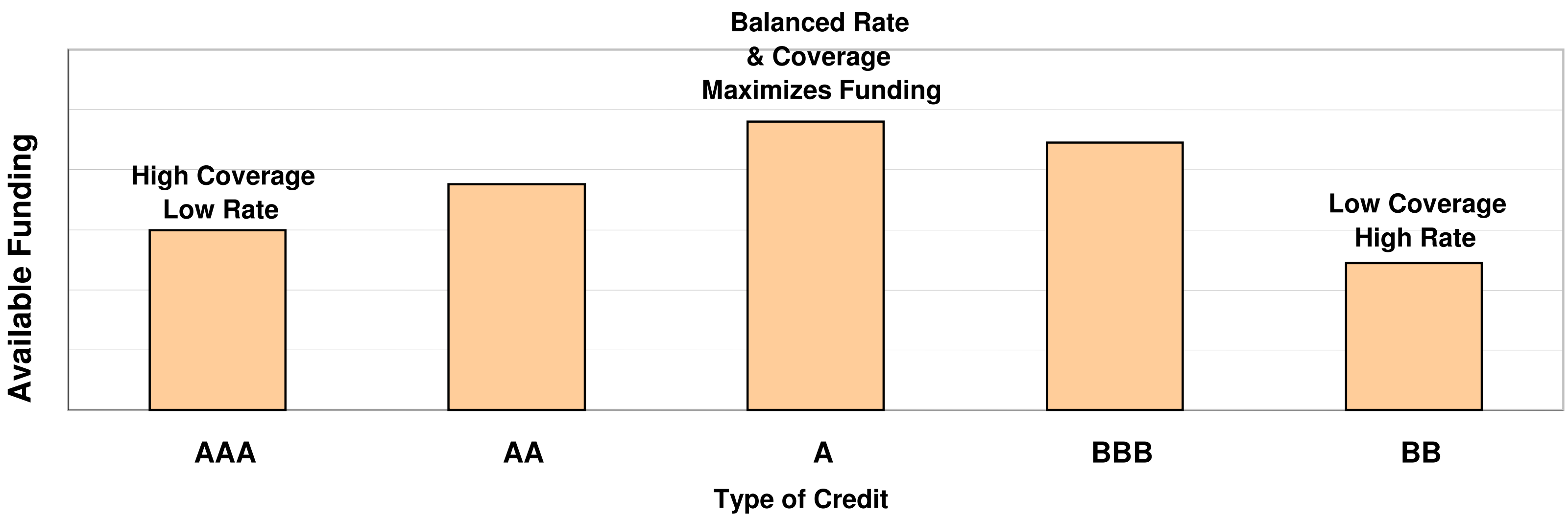
Technical Changes

- **The model was generally viewed as complete and acceptable.**
- **The review process revealed the following improvements to be made, resulting in no net change to previous funding estimates.**
    - ✓ Expand debt from 25- to 30-year terms
    - ✓Raise debt service coverage with $2 billion of state-backed bonding from 1.15 to 1.20 and apply this coverage to the prior year revenue instead of the current year revenue
    - ✓ Raise interest rate assumptions for 2005-2007 from an average of 5.14% to a rate of 5.50%

What did we learn from this review?

Policy Issue #1: Credit Quality

Desired credit quality has significant impact on amount of funding available.



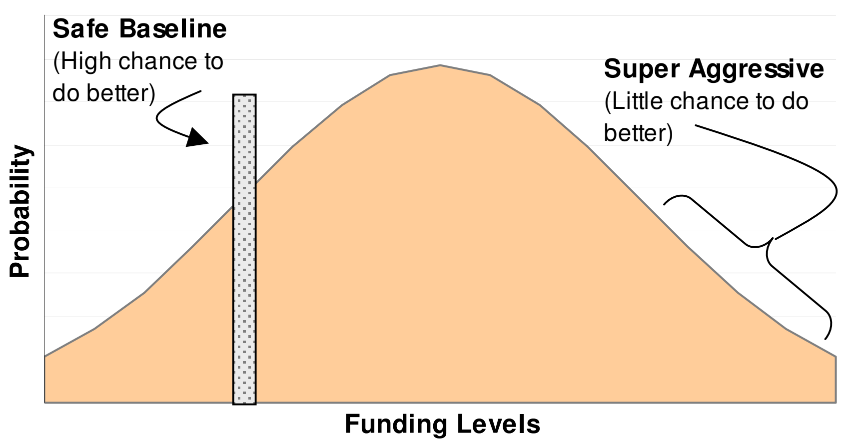
- RTID draft plan assumed A rating.
- Other financial policies will need to be determined after ballot

What did we learn from this review?

Policy Issue #2: Don't over-promise

- Uncertainty about future project costs, revenues and interest rates.
- What actions will occur if funds are insufficient?
- How to interpret 20% rule?
- What actions will occur if things turn out better?

Funding Levels From Alternative Scenarios



What did we learn from this review?

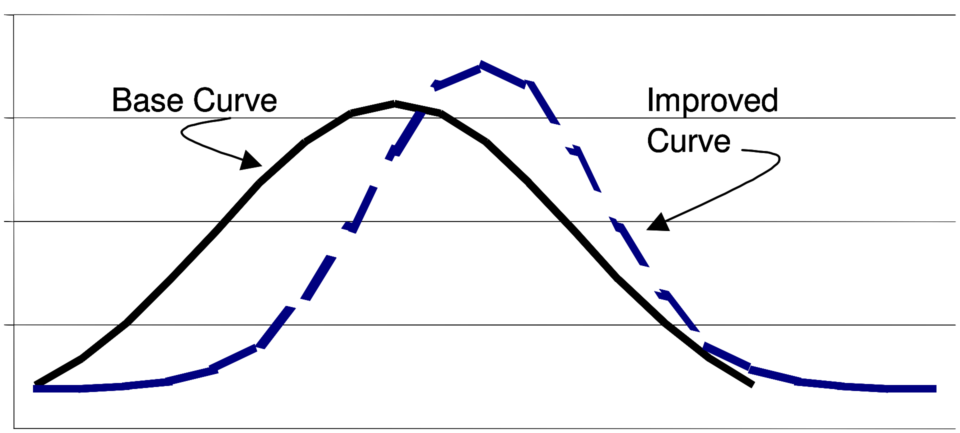
Policy Issue #3: Smart financial management

The amount of projects that can be built is never certain (cost, rates, inflation).

If we do financing optimally, RTID can:

- Raise the mean/expected amount of projects
- Decrease the uncertainty

Integration of financing with construction



Expenditure Amount