



2011 Revenue Forecast

***Executive Committee
August 5, 2010***

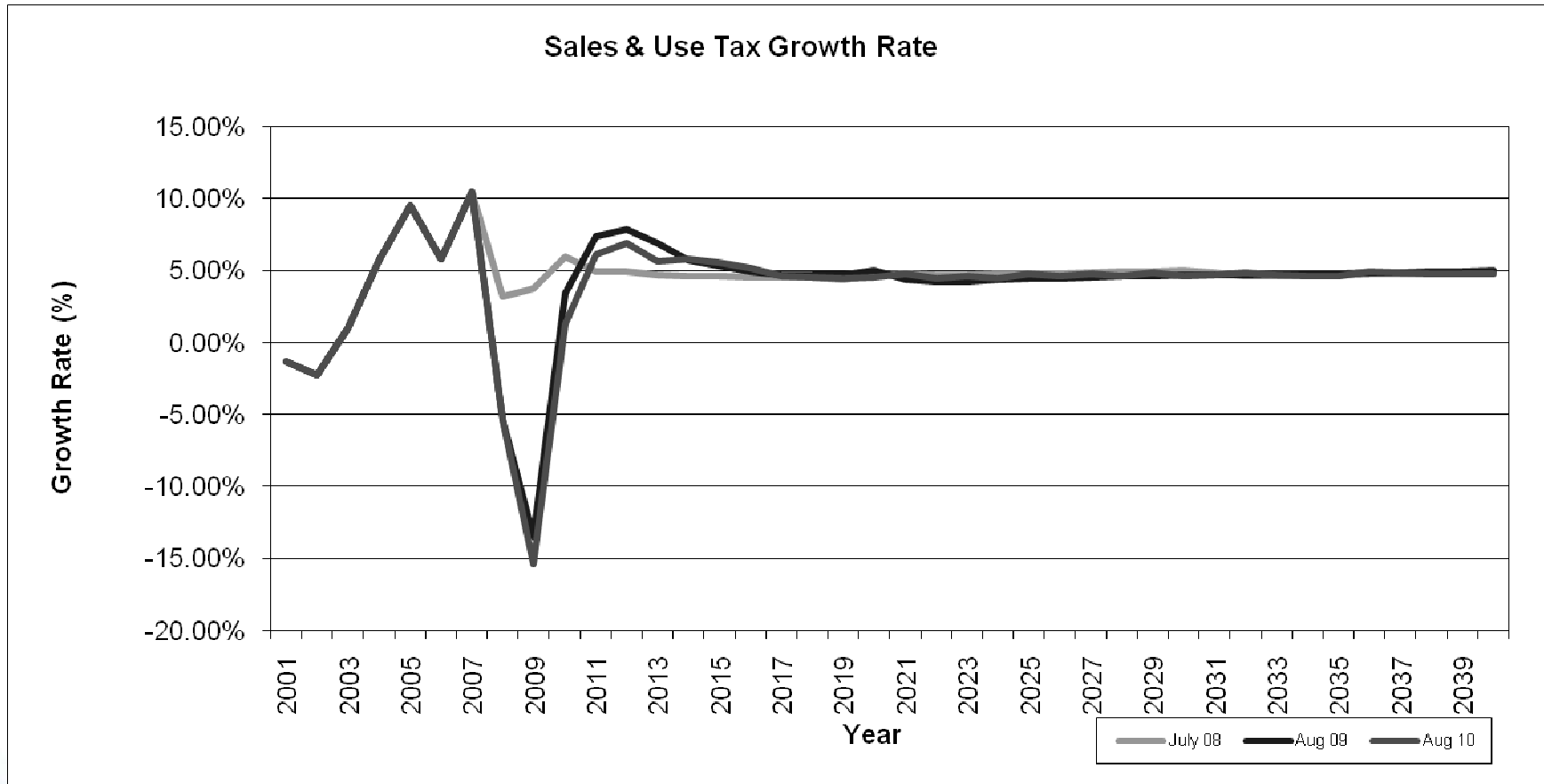
National Economic Outlook

- Slower rebound than anticipated from “great recession”
 - GDP 1Q 5%, 2Q 2.4%
 - Employment growth slow, 9.5% unemployment
 - Retail Sales 4.2% 1Q, 2.7% latest month

Puget Sound Economic Outlook

- *Key Factors Impacting the Forecast -*
 - Taxable Retail Sales down versus August 2009 forecast due to lower personal income gains
 - *Versus the Prior Forecast 2010 Retails Sales are down 2.5%; and over the long term down 4.0%*
 - A rapid recovery is hindered by: Cautious consumers, tight credit, a sluggish housing market, and curtailed local government spending.
 - The languishing labor market is not expected to recover to 2008 levels until mid-year 2013
- On the brighter side –
 - The region added 3,600 jobs in Q1 2010, most likely marking the beginning of the end of the “Great Recession”.
 - Over the long term the Puget Sound economy is expected to out perform the nation by 0.4% annually – with employment growth at 1.9% vs. 1.5%.
 - Double dip recession not considered likely.

Current Sales Tax Forecast



Sales Tax (2009-2023, \$ M YOY)

Sales Tax

	Jul-08	Aug-09	Aug-10
Snohomish	1,776	1,330	1,275
North King	3,783	3,242	3,195
South King	2,499	2,047	1,715
East King	3,720	2,959	2,747
Pierce	2,324	1,850	1,742
Total	14,102	11,428	10,675

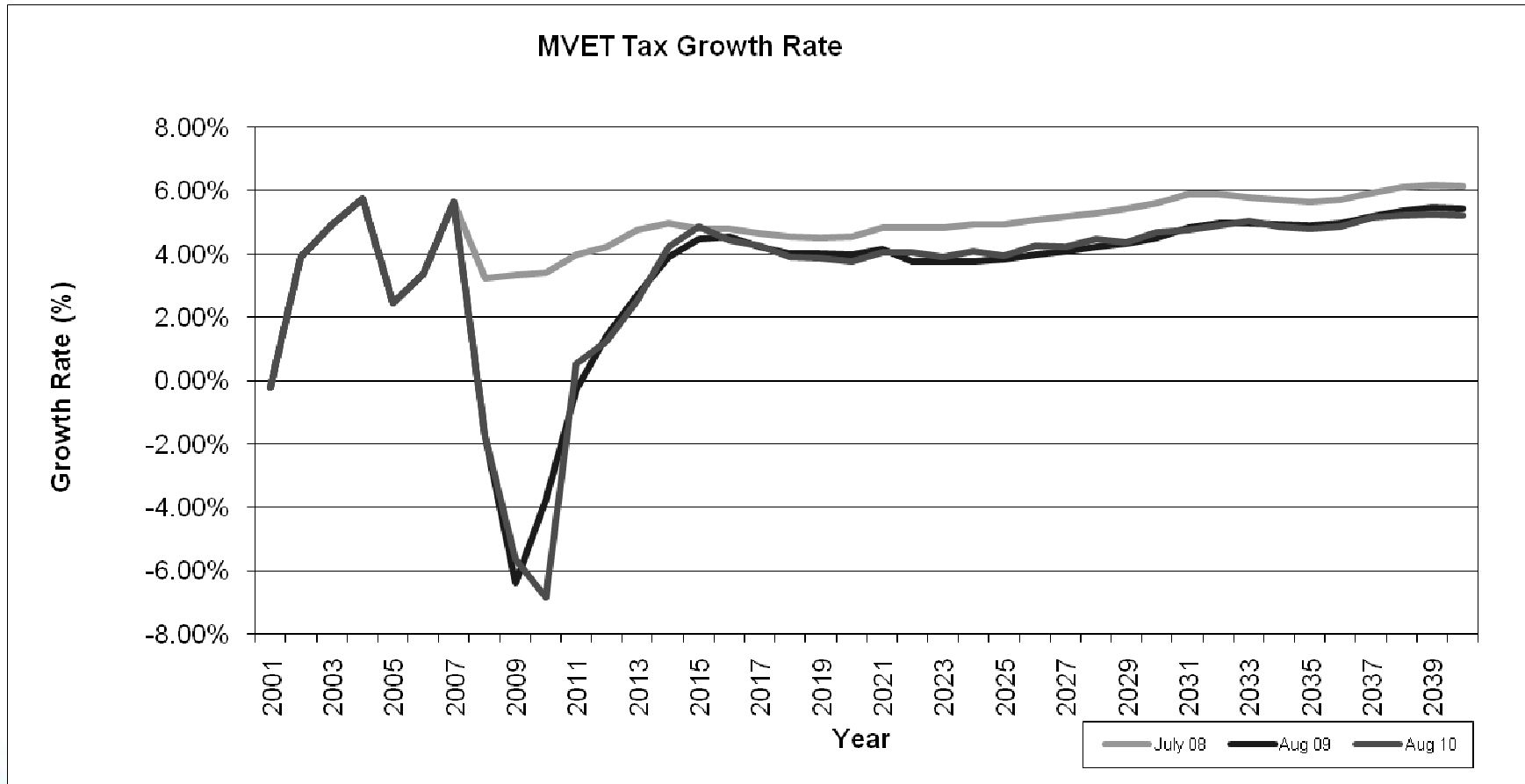
\$ Change Since July '08

	Aug-09	Aug-10
	(446)	(501)
	(541)	(588)
	(452)	(784)
	(761)	(973)
	(474)	(582)
	(2,674)	(3,428)

% Change Since July '08

	Aug-09	Aug-10
	(25.1%)	(28.2%)
	(14.3%)	(15.5%)
	(18.1%)	(31.4%)
	(20.5%)	(26.2%)
	(20.4%)	(25.0%)
	(19.0%)	(24.3%)

Current MVET Forecast



MVET

(2009-2023, M \$ YOY)

MVET

	Jul-08	Aug-09	Aug-10	Aug-09	Aug-10	Aug-09	Aug-10
Snohomish	264	179	182	(86)	(82)	(32.4%)	(31.0%)
North King	310	235	237	(75)	(73)	(24.1%)	(23.6%)
South King	245	182	177	(63)	(67)	(25.6%)	(27.6%)
East King	414	307	294	(107)	(120)	(25.8%)	(28.9%)
Pierce	359	256	248	(103)	(111)	(28.7%)	(30.8%)
Total	1,592	1,159	1,139	(433)	(453)	(27.2%)	(28.5%)

Total Tax Revenue (2009-2023, \$ M YOY)

Total Tax Revenue *

	Jul-08	Aug-09	Aug-10		Aug-09	Aug-10		Aug-09	Aug-10
Snohomish	2,041	1,509	1,458		(532)	(583)		(26.1%)	(28.5%)
North King	4,111	3,494	3,451		(617)	(660)		(15.0%)	(16.1%)
South King	2,757	2,241	1,906		(515)	(851)		(18.7%)	(30.9%)
East King	4,150	3,281	3,058		(868)	(1,092)		(20.9%)	(26.3%)
Pierce	2,684	2,107	1,991		(577)	(692)		(21.5%)	(25.8%)
Total	15,742	12,633	11,865		(3,109)	(3,877)		(19.7%)	(24.6%)

** Includes Car Rental Tax*

How Did We Absorb initial \$3.1 b. Loss?

- **\$3.1 billion revenue loss**
 - ~\$2.1 reduction in project reserves/cost estimates
 - ~\$400 million lower inflation contingency
 - ~\$500 million lower net coverage (financial contingency)
 - \$90 million reduction in admin costs
- **White Paper**
 - Manage to low end of cost estimates
 - Save operating costs
 - Advance Design
 - Optimize schedule, continually monitor

How Will We Absorb Additional \$767 m Loss?

- Additional 5% drop (\$767 m) will require program adjustments for agency and subareas
 - CEO submit Proposed 2011 Budget
 - Updated Financial Plan in September
 - Board review Sept-Nov
- Toolbox
 - Scope
 - Schedule
 - Operating Costs
 - Additional revenues, innovative financing