



Sound Transit 2015 Green Bond Annual Report

 **SOUNDTRANSIT**

AUGUST 2016



On September 10, 2015, Sound Transit showed its commitment to sustainability by issuing nearly \$1 billion in Green Bonds, the world's largest municipal sale of such bonds.

The sale was a great success with participation from green investors exceeding underwriters' expectations. The sale attracted investors that had never before bought bonds from Sound Transit. Later, we were pleased to learn that Sound Transit had received Environmental Finance's Municipal Bond of the Year award for 2016.

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Attracting green buyers and showing our leadership and commitment to sustainability were main reasons behind Sound Transit's pursuit of the Green Bond designation. We also sought to help the growing green bond market by issuing a large, best in class deal in the municipal and transit sectors and to expand our investor base beyond traditional buyers.

Sound Transit is headquartered in Seattle Washington and serves a broad region with Link light rail and Sounder commuter trains as well as ST Express buses. When Sound Transit's ongoing construction is complete in 2023, central Puget Sound will have a regional light rail network of about 50 miles.

A detailed look at Sound Transit's annual sustainability results and how we used the proceeds of the Green Bonds is included in this report. In addition, KPMG will issue a post-issuance report, confirming that proceeds from the bond were directed in the way stated in the pre-issuance documentation. The KPMG Report will be issued concurrently with this report.

Thank you for your interest.

Brian McCartan
Chief Financial Officer at Sound Transit



Introduction

Green Bonds proceeds are being used to finance or refinance projects that adhere to Sound Transit's Sustainability Plan, which includes reducing car trips by carrying more transit riders, supporting smart regional growth, fostering transit-oriented development and improved transit access, designing and building greener projects and operating fleets and facilities more efficiently.

Proceeds from the bonds included approximately \$600 million of new money to reimburse prior costs, \$440 million to refinance the Series 2007 bonds and \$1.8 million in costs of issuance. The following criteria initially set forth in the Sustainalytics second party opinion, included as Appendix E of the Series 2015 Official Statement, and developed in accordance with the International Capital Market Association's Green Bond Principles, 2015 was used to select the eligible projects:

- **Expansion of the transit system:** Includes the planning, permitting, design and construction of Sound Transit's system.
- **Transit operations, maintenance and improvements:**
 - Operations related projects such as fare collection systems, communication systems, signaling and transit centers.
 - Maintenance related projects such as storage, layover, maintenance facilities, maintenance related electronic and electrical systems and refurbishments.
 - Projects that improve commuter safety, comfort and transit access such as signage and noise reducing walls, pedestrian bridges, car and bike parking and HOV lanes.
- **Transit planning and evaluation:** Assessments include environmental, capital investments transit alternatives.

Improving regional quality of life

Sound Transit's mission to plan, build and operate the regional transit system is essential to Central Puget Sound's sustainable future. The Sound Transit 2 system under development and the proposed Sound Transit 3 expansion plan enable more people to travel affordably and reliably on environmentally-friendly buses and trains throughout the region's growing communities.

What does sustainability mean to Sound Transit?

Sustainability is making long-term investments and choices that keep the region's environment, communities and economy healthy. Sound Transit organizes its sustainability efforts around the following principles:

1. Help **people** move freely and affordably by providing regional transit.
2. Promote stewardship to conserve the **planet's** natural environment.
3. Support local economic **prosperity** by enabling residents and businesses to save time and money.

Sound Transit implements sustainability through a robust Environmental and Sustainability Management System (ESMS). This system holds the agency accountable for controlling potential environmental impacts, achieving annual ESMS targets and demonstrating continual improvement in performance. Sound Transit is among a select number of transit agencies nationwide to achieve international ISO 14001 certification of its ESMS.

Agency Sustainability Results

2015 Priorities	2015 Results
Increase revenue fleet fuel efficiency and reduce vehicle pollution	3% reduction in total fleet energy use
	1% reduction in total greenhouse gas emissions
	3-21% reduction in criteria air pollution, depending on the pollutant
	138,609 tons of CO ₂ e of regional greenhouse gas emissions savings from Sound Transit ridership (not including Land Use benefits)
	For every ton of greenhouse gas Sound Transit emits, the region avoided 2.2 tons of emissions
Optimize facility energy efficiency and clean energy generation	84% of electricity or energy consumption is from renewable resources
	5% increase in facility energy use (including full operations at new facilities)
Reduce construction pollution	3 General Contractor/Construction Manager and Design Build contracts that include Sustainability Practice Plans
	0 fineable actions or other compliance violations related to storm water treatment
	80% or higher recycling rate for construction and demolition materials
Make informed decisions that consider environmental and social impacts	4 formal total cost of ownership analyses performed
Advance sustainability in early planning and design	9 design processes that include budgets for sustainable design, green infrastructure, access and TOD readiness
	25+ external partnerships to enhance sustainable planning (not including partner agencies and jurisdictions)

Performance from 2011 through 2015

- Energy fleet use increased by an compound average growth rate (CAGR) of 1.7%, it decreased by 5.4% CAGR per Passenger Mile Traveled*
- Greenhouse gas emission Agency wide increased by .33% CAGR but decreased by 6.94% CAGR per Passenger Mile Traveled
- Ridership increased by 7.6% CAGR

* Passenger Mile Traveled represents both a measure of boardings and vehicle revenue miles, tracking both growth in service and increases in ridership. Using passenger miles traveled to normalize data allows Sound Transit to compare resource use over time using a single, consistent metric.

Environmental Policy

Attached as Appendix A, the Environmental Policy shows the depth and breadth of Sound Transit's commitment to improving regional quality of life and making lasting change. You can find additional information at soundtransit.org/About-Sound-Transit/Environment-and-sustainability

THE SERIES 2015 BONDS

SOURCES:

- \$942,840,000 par
- \$92,069,845 net premium
- \$7,117,019 Series 2007A accrued interest

TOTAL SOURCES: \$1,042,026,865

USES:

- \$600,022,856 new money used to reimburse prior expenditures
- \$440,200,840 to refund the Series 2007A Bonds
- \$1,803,168 cost of issuance

TOTAL USES: 1,042,026,865

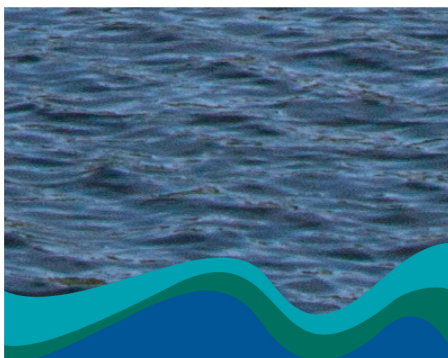
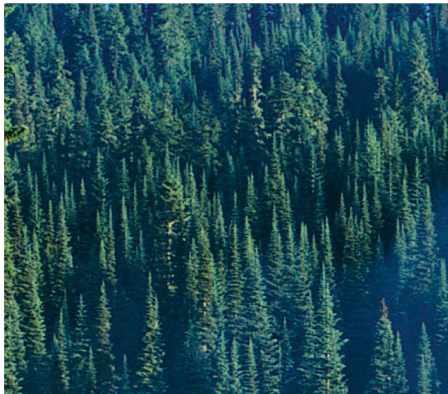
How The Money Was Spent:

Project Code	Project Name	Expected Ridership	Life to Date from the Transit Improvement Plan (TIP)	Series 2015 Bond Allocation – New Money (approx.)	Series 2015 Allocation Refinancing the 2007A bonds
400007	First Hill Streetcar	Began Service in early 2016 – More than 3,000 daily riders expected	\$132,279,000	\$87,787,000	
400008	Tacoma Link Extension	980,000 up from 960,000 in 2014 for current Tacoma Link	\$6,951,000	\$374,000	
400009	Operations and Maintenance Satellite Facility	N/A	\$30,745,000	\$25,774,000	
4X100	Northgate Link Extension	50,000 daily in 2030	\$620,769,000	\$32,154,000	
4X115	Lynnwood Link Extension	63,000 – 74,000 per day in 2035	\$51,784,000	\$7,626,000	
4X200	University Link Extension	71,000 daily in 2030	\$1,463,828,000	\$349,964,000	\$15,800,000
		Opened in March 2016-currently experiencing higher than expected ridership			
4X300	Initial Segment	Annual Ridership for Central Link System in 2015 11.7 million up from 10.9 million in 2014	\$2,068,518,000	\$15,239,000	\$381,700,000
4X400	Airport Link	Annual Ridership for Central Link System in 2015 11.7 million up from 10.9 million in 2014	\$261,104,000	\$537,000	\$66,200,000
4X420	South 200th Link Extension	5,400 by 2018 Expected to open 2016	\$283,451,000	\$49,563,000	
4X445	Federal Way Link Extension	25,000 – 27,000 daily in 2035	\$19,985,000	\$929,000	
4X500	Tacoma Link	980,000 up from 960,000 in 2014 for current Tacoma Link	\$77,097,000		\$200,000

Sounder and ST Express

Ridership	Life to Date from TIP	Series 2015 Bond Allocation – New Money (approx.)	Series 2015 Allocation Refinancing the 2005A bonds
22.1 million people in 2015 up from 21 million in 2014	\$882,000,000	\$38,815,000	
Total	\$5,898,511,000	\$608,762,000	\$463,900,000

Appendix A: The Environmental Policy



ENVIRONMENTAL & SUSTAINABILITY MANAGEMENT SYSTEM (ESMS)

Sound Transit manages and improves environmental performance through a system certified to international environmental standards (ISO 14001).

SUSTAINABILITY INITIATIVE

The Sound Transit Board authorized the establishment of a Sustainability Initiative in 2007. It requires that sustainable practices be incorporated throughout all Sound Transit activities. It also requires that targets be established as part of the ESMS and that progress reports be provided to the Board. The agency's CEO subsequently issued an Executive Order directing staff to implement the Sustainability Initiative.

The ESMS is managed by an intra-agency Steering Committee. Additional information is available on www.soundtransit.org and the agency's intranet. Questions or comments can be sent to esms@soundtransit.org

Sound Transit protecting the environment

Sound Transit integrates environmental ethics and sustainable business practices into planning, designing, constructing and operating new and existing transit systems and facilities.

Environmental stewardship is a responsibility of all employees. Sound Transit's Environmental Policy was adopted by the Sound Transit Board in April 2004.

SOUND TRANSIT ENVIRONMENTAL POLICY

Sound Transit is committed to the protection of the environment for present and future generations as we provide high capacity transit to the Puget Sound region. Sound Transit has been a catalyst and model for engaging federal and state partners to resolve environmental issues that apply to our program. We will continue to be an environmental leader in the State of Washington through the integration of the following principles into our daily business practices:

- We will fully comply with all environmental laws and regulations. We will strive to exceed compliance by the continual improvement of our environmental performance through cost-effective innovation and self-assessment.
- We will restore the environment by providing mitigation and corrective action, and will monitor to ensure that environmental commitments are implemented. We will improve our ability to manage and account for environmental risk.
- We will avoid environmental degradation by minimizing releases to air, water and land. We will prevent pollution and conserve resources by reducing waste, reusing materials, recycling and preferentially purchasing materials with recycled content.
- We will increase the awareness of environmental issues among agency employees through education and training. We will continue to educate the public about the environmental benefits of our transit system. We will build relationships with our contractors, vendors, consultants and transit partners during planning, design, construction and operation to protect and enhance the environment.
- In order to implement this Policy, Sound Transit has established and maintains an Environmental & Sustainability Management System (ESMS) with environmental objectives and targets that are measurable, meaningful and understandable. The goals and progress of this Policy and the ESMS are communicated to agency board members, officers, employees and the public.



