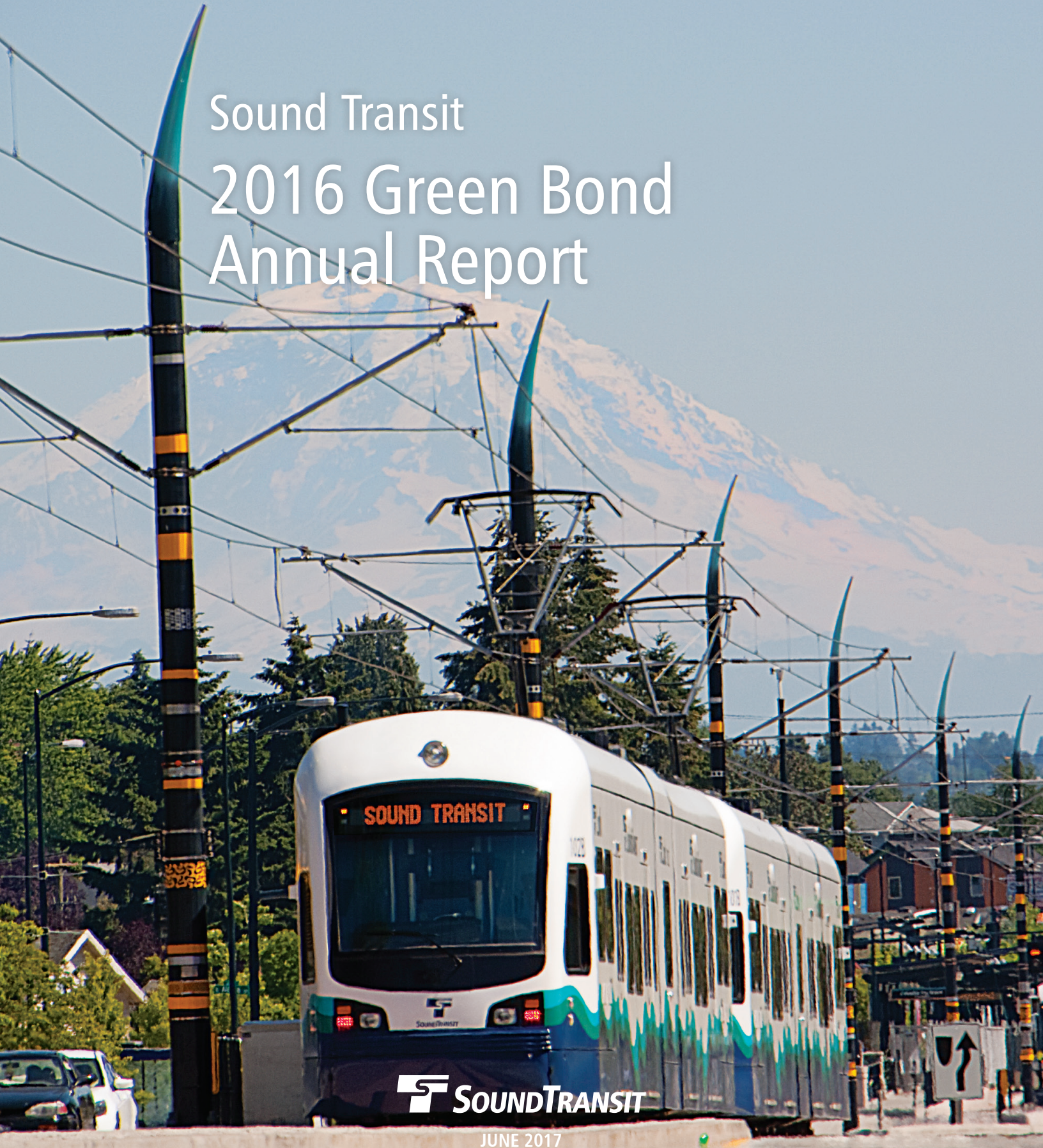


Sound Transit 2016 Green Bond Annual Report



 **SOUNDTRANSIT**

JUNE 2017

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***On December 19, 2016,
Sound Transit showed its
continued commitment to
sustainability by issuing
its second Green Bond.***



On Dec. 19, 2016, Sound Transit showed its continued commitment to sustainability by issuing its second Green Bond issuance. The sale of \$477 million of Green Bonds helped fund voter-approved transit projects, specifically focusing on the expansion of the Link light rail system in the Puget Sound region.

Sound Transit's credibility as a green bond issuer derives in part from its construction and operation of transit services that are more sustainable than other transportation options. As with the Series 2015 bond issue, the Series 2016 bond issue is fully compliant with International Capital Market Association (ICMA) Green Bond Principles and was validated at the time of issuance through an independent opinion commissioned from Sustainalytics, a provider of environmental social and governance (ESG) research and analysis that assess the robustness and credibility of Green Bonds.

With the passage of Sound Transit 3, a ballot measure that will continue to improve and expand the regional mass transit system by connecting major cities with light rail, bus rapid transit, express bus and commuter rail, voters in the region have signaled their commitment to sustainable solutions to the region's growth.

With the opening of the University Link light rail extension, which extended light rail to the University of Washington, and the South 200th light rail extension, which extended light rail to Angle Lake Station, south of Sea-Tac Airport, ridership system-wide jumped 23 percent in 2016 with light rail ridership increasing 65.8 percent.

Sound Transit, headquartered in Seattle, 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 completed, Central Puget Sound will have a regional light rail network of about 116 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 Series 2016 bonds 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 Bond proceeds are being used to finance 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 \$477 million to reimburse prior costs incurred in the construction of Sound Transit’s regional transportation system and \$1.8 million in issuance costs. The following criteria set forth in the Sustainalytics second party opinion, included as Appendix E of the Series 2016 Official Statement, was developed in accordance with the International Capital Market Association’s Green Bond Principles.

- **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 and transit alternatives.

Improving regional quality of life

Sound Transit’s mission to plan, build and operate the regional transit system is essential to Puget Sound’s sustainable future. The Sound Transit 2 system under development and the Sound Transit 3 expansion, approved by voters on Nov. 8, 2016, 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 about making long-term investments and choices that keep the region’s environment, communities and economy healthy. For Sound Transit, sustainability is about fulfilling the agency’s mission as a provider, as well as how that mission is accomplished. Sound Transit organizes its sustainability efforts to:

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 environmental and sustainability targets and demonstrating continual improvement in performance. Since 2007, Sound Transit has been among a select number of transit agencies nationwide to achieve international ISO 14001 certification of its ESMS.

Measuring Progress on the 2015 Sustainability Plan's Priorities

2015 Priorities	2016 Results
Increase revenue fleet fuel efficiency and reduce vehicle pollution	14% reduction in total fleet energy use since 2014
	12% reduction in total greenhouse gas emissions since 2014 (Goal: 5% by 2017)
	20-66% reduction in criteria air pollutants since 2014, depending on pollutant (Goal: 15% by 2017)
	More than 445,000 tonnes of CO2e of regional greenhouse gas emissions savings from Sound Transit ridership
Optimize facility energy efficiency and clean energy generation	81 % of electricity or energy consumption from renewable sources
	15% reduction in facility energy use (Goal: 15% reduction in buildings built before 2015)
Reduce construction pollution	5 General Contractor/Construction Manager and Design Build contracts that include Sustainable Practice Plans
	1 finable other compliance violations related to storm water treatment out of 25 permits issued
	80% or higher recycling rate for construction and demolition materials
Make informed decisions that consider environmental and social impacts	12 formal total cost of ownership analyses performed
	4 major project and procurement reports that include sustainability topics
Advance sustainability in early planning and design	7 major capital projects include budgets for sustainable design, green infrastructure, access and transit-oriented development readiness
	4 new external partnerships to enhance sustainable planning (not including partner agencies and jurisdictions)
	25+ external partnerships to enhance sustainable planning (not including partner agencies and jurisdictions)
Procure and use green products and services	81% of agency procurements assessed for green methods and features (Goal: 100% by 2017)
	48% of new procurements include green methods and features (Goal: 50% by 2017)

Performance from 2011 through 2016

- Revenue fleet energy use increased by an compound average growth rate (CAGR) of 1.9%, it decreased by 4.9% CAGR per Passenger Mile Traveled*
- Greenhouse gas emissions Agency wide increased by .9% CAGR but decreased by 6.3% CAGR per Passenger Mile Traveled
- Ridership increased by 11.3% 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:

- \$400,000,000 par
- \$78,790,807 net premium

TOTAL SOURCES: \$478,790,807

USES:

- \$477,023,028 new money used to reimburse prior expenditures
- \$1,767,779 cost of issuance

TOTAL USES: \$478,790,807

How The Money Was Spent:

Project Code	Project Name	Expected Ridership	Life to Date from the TIP	Allocation of Prior Green Bonds (approx.)	Series 2016 Allocation (approx.)
400007	First Hill Streetcar	Began Service in early 2016 – Average of 3,000 weekday riders	\$132,292,000	\$87,787,000	\$41,923,000
400008	Tacoma Link Extension	940,000 down from 980,000 in 2014 for current Tacoma Link	\$10,361,000	\$374,000	
400009	Operations and Maintenance Satellite Facility	N/A	\$34,358,000	\$25,774,000	
4X100	Northgate Link Extension	60,000 daily in 2030	\$788,771,000	\$32,154,000	\$112,478,000
4X115	Lynnwood Link Extension	63,000 – 74,000 each weekday day in 2035	\$90,024,000	\$7,626,000	
4X200	University Link Extension	Opened in March 2016 System-wide light rail ridership 19.1 million up 65.8% from 11.5 million in 2015	\$1,499,548,000	\$365,764,000	\$193,264,000
4X300	Initial Segment	System-wide light rail ridership 19.1 million up 65.8% from 11.5 million in 2015	\$2,068,518,000	\$396,939,000	
4X400	Airport Link	System-wide light rail ridership 19.1 million up 65.8% from 11.5 million in 2015	\$261,104,000	\$66,737,000	
4X420	South 200th Link Extension	Opened in September 2016 System-wide light rail ridership 19.1 million up 65.8% from 11.5 million in 2015	\$319,400,000	\$49,563,000	\$131,317,000
4X445	Federal Way Link Extension	25,000 – 27,000 daily in 2035	\$35,412,000	\$929,000	
4X500	Tacoma Link	940,000 down from 980,000 in 2014 for current Tacoma Link	\$77,097,000	\$200,000	

Sounder and ST Express

Ridership	Life to Date	Allocation of Prior Bonds	Series 2016 Allocation (approx.)
22.8 million people in 2016 up from 22.2 million in 2015	\$1,022,000,000	\$38,815,000	
Total	\$6,338,885,000	\$1,072,662,000	\$478,982,000

You can find additional information about Sound Transit's Green Bonds at soundtransit.org/sustainability/green-bonds

Appendix A: The Environmental Policy



Sound Transit integrates environmental ethics and sustainable business practices into planning, design, construction and operations. Sound Transit's Environmental Policy was adopted by the Sound Transit Board in April 2004. Environmental stewardship is a responsibility of all employees, contractors and consultants.

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.



ENVIRONMENTAL & SUSTAINABILITY MANAGEMENT SYSTEM (ESMS) Sound Transit manages and improves environmental performance through a system certified to the ISO 14001 international environmental standard. **SUSTAINABILITY INITIATIVE** The Sound Transit Board authorized the Sustainability Initiative in 2007. The initiative requires that sustainable practices be incorporated throughout all Sound Transit activities. It also requires that targets be established as part of the ESMS program and that progress reports be provided to the Board. The 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 soundtransit.org and <https://sharepoint.soundtransit.org/sites/legal/EC/EMS/default.aspx>. Send questions or comments to esms@soundtransit.org



