

Sound Transit

2020 Green Bond Annual Report

October 2021



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. Both the Series 2015 bond issue and the Series 2016 bonds are fully compliant with International Capital Market Association (ICMA) Green Bond Principles 2015 and validated 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.

This report focuses on the Bonds outstanding at the end of 2020. In 2021 the Agency is planning on issuing additional Green Bonds which will be discussed in the 2021 report.

Sound Transit is headquartered in Seattle Washington and serves a broad region with Link light rail and Sound 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. The usage of mass transit reduces the greenhouse emissions in the region.

The global COVID-19 pandemic and the related stay at home orders had a significant impact on ridership. Sound Transit provided 15.9 million rides in 2020, a decrease from 2019 of 67%.

During 2020 Sound Transit broke ground on the Federal Way Link Extension which is scheduled to begin revenue service in 2024 and is a green bond allocated project. This milestone is an exciting step in Sound Transit's build out of the light rail system.

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.

Thank you for your interest,

Tracy Butler

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 Sustainability 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 voter approved plan will 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 Sound Transit's core mission connecting more people to more places – efficiently, affordably, reliably and in an environmentally friendly manner. Investing in transit builds a better future, cleans the environment, and supports both healthy communities and vibrant economies. At Sound Transit, sustainability is about more than the natural environment. Sustainability is a holistic goal that protects and enhances people, planet and prosperity:

At Sound Transit, we think about how to deliver our mission with respect to:

1. We help **People** move freely, affordably and healthily by providing regional transit service.
2. We promote stewardship that conserves the **Planet's** natural environment.
3. We support community **Prosperity** by providing affordable mobility and access to opportunity.

Sound Transit implements sustainability initiatives through a robust Environmental and Sustainability Management System (ESMS). This tool helps the agency control environmental impacts, monitor compliance with environmental regulations, achieve annual environmental and sustainability targets and demonstrate continuous performance improvement. Since 2007, Sound Transit has been among a select number of transit agencies nationwide to achieve international ISO 14001 certification of its ESMS.

2020 Key Performance Indicators

The table below presents the Key Performance Indicators (KPIs), as defined in the 2019 Sustainability Plan. The table also shows the KPI's in relation to their associated Priorities, Long-term goals and Short-term goals, per the Plan. The KPIs reflect current progress compared to the 2019 Sustainability Plan's baseline year of 2018. Note that the KPIs below are a subset of the 2019 Sustainability Plan's metrics. Note: Multiple Key Performance Indicators were significantly impacted by reduced ridership, reduced resource use, and/or employee's working remotely due to the COVID-19 pandemic as noted by *.

Priority: People

Long-term goals: Social equity addressed and implemented as an agency value

Applicable short-term goals	Key performance indicator	2018 Baseline value	2020 Value and/or percent change
Contribute to a revolving loan fund for affordable housing revolving loan fund	# of dollars contributed to affordable housing	Contributions began in 2019	\$4 million
Build staff awareness and capacity to integrate equity into all business lines	% of staff trained in equity and inclusion	37% of staff trained	<ul style="list-style-type: none"> • 93% of staff completed Equal Employment Opportunity (EEO) Training • 52% of staff completed Inclusion Competency Trainings • 15% of staff attended the Undoing Institutionalized Racism Workshop
Meet or exceed workforce diversity goals for construction contractors. Goals: <ul style="list-style-type: none"> • 21% people of color • 12% women • 20% apprentices 	% of hours worked by diverse communities	<ul style="list-style-type: none"> • 29% people of color • 7% women • 20% apprentices 	<ul style="list-style-type: none"> • 32% by people of color • 7% by women • 18% by apprentices

Long-term goals: All staff champion sustainability

Certify key staff to green design and building management professional accreditations	# of staff trained to sustainable professional accreditations	<ul style="list-style-type: none"> • 22 new Envision Sustainability Professionals • 17 new LEED Accredited Professionals • 5 other new sustainability certifications 	<ul style="list-style-type: none"> • 34 Envision Sustainability Professionals • 22 LEED Accredited Professionals • 12 other new sustainability certifications
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Priority: Prosperity

Long-term goals: Build resilience to climate change and natural or manmade disasters

Applicable short-term goals	Key performance indicator	2018 Baseline value	2020 Value and/or percent change
Develop staff awareness of individual roles in emergency prepared	% of staff trained in emergency preparedness	Training began in 2018	68% of staff trained
Conduct a Climate Vulnerability Assessment as part of each major system capital expansion project	% of projects that include Climate Change Vulnerability Assessments	Assessments begin in 2019	100% of eligible projects

Long-term goals: Maximize operational efficiency

Divert 50 percent of office waste to recycling or compost	% of waste diverted	35%	31%, impacted by the pandemic
Include green methods or features in at least 75 percent of all new agency procurements	% increase in # of and dollar value of procurements	<ul style="list-style-type: none"> • 15% of new procurements • \$299M in value 	<ul style="list-style-type: none"> • 20 procurements – 43% overall and a 187% increase since 2018 • \$128M in value – 57% change since 2018

Priority: Planet

Long-term goals: Achieve carbon free operations

Applicable short-term goals	Key performance indicator	2018 Baseline value	2020 Value and/or percent change
Reduce greenhouse gas emissions by 10 percent	% change in greenhouse gas emissions	66,206 tonnes of CO2e	49,199 tonnes of CO2e; 26% reduction since 2018*
	% change in criteria air pollutants	<ul style="list-style-type: none"> • Particulate Matter: 11,078 lbs • Volatile Organic Compounds: 15,485 lbs • NOx: 399,828 lbs • CO: 193,411 lbs • SOx: 9,986 lbs 	<ul style="list-style-type: none"> • Particulate Matter: 9,443 lbs; 15% decrease since 2018* • Volatile Organic Compounds: 16,201 lbs; 5% increase since 2018* • NOx: 384,164 lbs; 4% decrease since 2018* • CO: 217,200 lbs; 12% increase since 2018* • SOx: 8,077 lbs; 19% decrease since 2018*
Increase production from solar panels to 750 KW	# of kW of renewable energy production	<ul style="list-style-type: none"> • 76,257 kWh produced • 2.1 KW installed 	<ul style="list-style-type: none"> • 48,460 kWh produced
Purchase available cost-effective, carbon-free electricity	% change in renewable electricity procurement	84% electricity from clean and renewable sources	89% electricity from renewables in 2019; 6% increase since 2018
Decrease total energy use 5 percent for all facilities built before 2018	% of facility energy reduced	170,648 MMBtu	152,390 MMBtu; 11% reduction since 2018*

Long-term goals: Enhance ecosystem functions

Achieve 100 percent environmental compliance (zero fineable violations)	# of fineable environmental compliance violations	Four	Two
Reduce total water use by 10 percent at all existing facilities and sites established before 2018	% change in agency water use	27,521 CCF used	30,626 CCF used; 11% increase since 2018

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](https://www.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**THE SERIES 2016 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

The table above reflects green bonds issued through the end of 2020. Please note that additional green bonds will be issued in 2021 and will be discussed in the 2021 Green Bond Report.

How the money was spent:

Project code	Project name	Expected average weekday boardings	Life to date from the TIP	Allocation of prior Green Bonds (approx.)
400007	First Hill Streetcar		132,730,000	129,710,000
400008	Hilltop Tacoma Link Extension	2,000 in 2026	151,049,000	374,000
400009	Operations & Maintenance Facility East	N/A	363,273,000	25,774,000
4X100	Northgate Link Extension	16,000 in 2022	1,685,895,000	144,632,000
4X115	Lynnwood Link Extension	33,500 in 2026	1,048,737,000	7,626,000
4X200	University Link Extension	2,602	1,515,163,000	559,028,000
4X300	Initial Segment	8,912	2,068,518,000	396,939,000
4X400	Airport Link	1,245	261,104,000	66,737,000
4X420	South 200th Link Extension	741	329,376,000	180,880,000
4X445	Federal Way Link Extension	17,500 in 2026	662,836,000	929,000
4x500	Tacoma Link	1,470	77,097,000	200,000
N/A	Sounder and ST Express	25,870	1,573,394,712	3,282,000
		Total	9,869,172,712	1,516,111,000

You can find additional information about Sound Transit's Green Bonds at [soundtransit.org/sustainability/green-bonds](https://www.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/ESMS/default.aspx>. Send questions or comments to esms@soundtransit.org

