Proposed Bond Transactions

Board of Director's Meeting

9/23/2021

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Why we are here

Request approval of the following actions

R2021-12

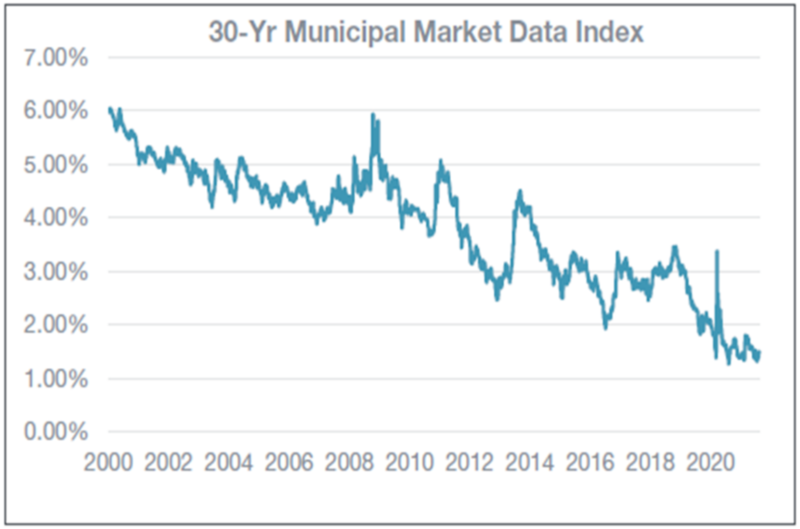
1. Authorize use of cash to pay off approximately $823 million eligible bonds

R2021-13

2. Issue approximately $720 million new bonds
3. Refund approximately $85 million fixed rate bonds
4. Reprice approximately $75 million existing variable rate debt that are due for mandatory repricing

Proposed actions create significant cost savings

- Responding to Board's direction to reduce cost and expand financial capacity
- Interest rates are near all-time lows, providing an opportunity to create significant savings ($100-$200 million)
- These actions significantly decrease debt service costs while not increasing the total amount of agency debt



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Debt Profile and Opportunities

- $2.1 billion (excluding TIFIA loans) bonds including approximately $2 billion of fixed rate bonds and $150 million of variable rate bonds.
- We continuously seek opportunities to minimize Agency's financing costs. Actions are proposed if they are financially beneficial to the agency and its program as a whole.
- Currently, $1 billion of bonds meet the criteria and are in the proposed actions. Average interest rate of outstanding debts is projected to be 2.3% (down from 3.6%), as a result of these proposed actions along with recent TIFIA transactions.

Key Agency Commitments

- Dedicate and pledge all sales tax, rental car tax, and MVET to the payment of bonds before all other Board approved expenditures
- Additional Bonds can only be issued if pledged revenues provide at least 1.5 times coverage to maximum debt service
- Provide ongoing disclosure to bond holders

Flow of funds – proposed bonds are parity bonds

Local Option Taxes and Pledged Taxes

1996 MVET (0.3%) Until 2028	ST3 MVET (0.8%)	Rental Car Tax (0.8%)	Sales Tax (1.4%)

Prior Bonds (1-2nd Priority)

Parity Bonds (3-4th Priority)

First Tier Junior Obligations ("Open") (5-6th Priority)

Second Tier Junior Obligations (Incl. TIFIA) (7-9th Priority)

Operations & Maintenance; Any Lawful Purpose (10th Priority)

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2021 Bonds to be Sold as "Green Bonds"

Sound Transit has been one of the largest issuers of municipal Green Bonds nationally since its first issue in 2015

- Much of Sound Transit's capital program qualifies as "sustainable" community infrastructure

Green Bonds offer investors the opportunity to participate in the financing of "green" projects that have positive environmental and climate benefits

Green Bonds attracts broader investor base therefore has the potential to increase demand and lower the Agency's borrowing cost

Action 1: Pay off eligible high interest rate debt to reduce costs

1. Use available cash to pay off approximately $823 million fixed rate bonds

2. Interest rates on these bonds are approximately 2-4% higher than current market rate

Action 2: Issue new bonds to lock in low interest rates

Approximately $720 million fixed rate tax exempt bonds with two final maturities

- 11/1/2030 final maturity, with expected interest rate of approximately 0.7%
- 11/1/2050 final maturity, with expected interest rate of approximately 2.4%

Anticipated benefits: ~$100 million in debt service savings and increase in financial capacity

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Action 3: *Create additional savings through refinancing of existing debt*

Approximately $85M fixed rate tax exempt bonds (series 2012P-1)

- 2/1/2028 final maturity
- Expected interest rate of approximately 0.6%

Anticipated benefits: ~$17 million in interest cost reduction and increase in financial capacity

Action 4: Diversity debt portfolio and reduce cost with variable rate debt

Repricing of approximately $75 million existing variable rate debt (series 2015S-2A)

- Variable rate bonds diversify debt portfolio and potentially lower overall cost of borrowing
- In the past three years, the average variable rate has been approximately 1.2% (2.3% lower than fixed rate)
- Expected interest rate: 0.3%

No change to cost or capacity as this is currently assumed in the financial plan

Key Dates

	Variable Rate Bonds	Fixed Rate Bonds
Board Approval	9/23/21	9/23/21
Pricing	10/5/21	10/19/21
Closing	10/21/21	11/4/21

Thank you.

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