

OFFICIAL STATEMENT

	<b>RATINGS</b>	
<b>New Issue</b>	<b>Moody's:</b>	<b>Aaa</b>
<b>Book-Entry Only</b>	<b>Standard &amp; Poor's:</b>	<b>AAA</b>
	<b>Fitch:</b>	<b>AAA</b>
	<b>(See "Other Bond Information—Ratings on the Bonds.")</b>	

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2019A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2019B Bonds is not excluded from gross income for federal income tax purposes. See "Legal and Tax Information—Tax Matters-2019A Bonds" and "—Tax Matters-2019B Bonds."*

THE CITY OF SEATTLE, WASHINGTON

<b>\$35,870,000</b>	<b>\$11,100,000</b>
<b>LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2019A</b>	<b>LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2019B (TAXABLE)</b>

**DATED: DATE OF INITIAL DELIVERY**

**DUE: MAY 1, AS SHOWN ON PAGES i AND ii**

The City of Seattle, Washington (the "City"), will issue its Limited Tax General Obligation Improvement Bonds, 2019A (the "2019A Bonds"), and Limited Tax General Obligation Improvement Bonds, 2019B (Taxable) (the "2019B Bonds"), as fully registered bonds under a book-entry only system, registered in the name of the Securities Depository. In this Official Statement, the 2019A Bonds and 2019B Bonds together are referred to as the "Bonds," and the term "Series" may refer to either series of the Bonds.

The Depository Trust Company, New York, New York ("DTC"), will act as initial Securities Depository for the Bonds. Individual purchases of the Bonds will be made in Book-Entry Form, in the denomination of \$5,000 or any integral multiple thereof within a maturity of a Series of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds. Interest on the Bonds is payable semiannually on each May 1 and November 1, beginning November 1, 2019. The principal of and interest on the Bonds are payable by the City's Bond Registrar, currently the fiscal agent of the State of Washington (currently U.S. Bank National Association), to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in "Description of the Bonds—Registration and Book-Entry Form" and in Appendix D.

The 2019A Bonds are being issued to pay or reimburse all or a part of the costs of various elements of the City's capital improvement program and to pay the costs of issuing the 2019A Bonds. The 2019B Bonds are being issued to pay or reimburse all or part of the costs of various elements of the City's capital improvement program, to make funds available to its Affordable Rental Housing Program, and to pay the costs of issuing the 2019B Bonds. See "Use of Proceeds."

The Bonds are subject to redemption prior to maturity as described herein. See "Description of the Bonds—Redemption of Bonds."

The Bonds are general obligations of the City. For so long as any of the Bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the taxes pledged to the Bonds and the prompt payment of the principal of and interest on the Bonds. The Bonds do not constitute a debt of the State of Washington or any political subdivision thereof other than the City.

Each Series of the Bonds is offered for delivery by the underwriter of such Series when, as, and if issued, subject to the approving legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, Bond Counsel. The forms of Bond Counsel's approving legal opinions are attached hereto as Appendix A. Bond Counsel will also act as Disclosure Counsel to the City. It is expected that each Series of the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC for closing by Fast Automated Securities Transfer, on or about August 8, 2019.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.*

**Dated: July 25, 2019**

*The information within this Official Statement has been compiled from official and other sources considered reliable and, while not guaranteed as to accuracy, is believed by the City to be correct as of its date. The City makes no representation regarding the accuracy or completeness of the information in Appendix D—Book-Entry Transfer System, which has been obtained from DTC’s website, or other information provided by parties other than the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.*

*No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.*

*The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.*

*The presentation of certain information, including tables of receipts from taxes and other revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Information relating to debt and tax limitations is based on existing statutes and constitutional provisions. Changes in State law could alter these provisions.*

*The information set forth in the City’s Comprehensive Annual Financial Report (“CAFR”) that is included in Appendix B speaks only as of the date of the CAFR and is subject to revision or restatement in accordance with applicable accounting principles and procedures. The City specifically disclaims any obligation to update this information except to the extent described under “Continuing Disclosure Agreement.”*

*Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and “forward-looking statements.” No assurance can be given that the future results shown herein will be achieved, and actual results may differ materially from the forecasts shown. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe,” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. These forward-looking statements speak only as of the date they were prepared. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in “Continuing Disclosure Agreement.”*

*The CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor’s. CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds. Neither the City nor the successful purchaser takes responsibility for the accuracy of the CUSIP numbers.*

*The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality, or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Bonds is made only by means of this entire Official Statement.*

*The website of the City or any City department or agency is not part of this Official Statement, and investors should not rely on information presented on the City’s website, or any other website referenced herein, in determining whether to purchase the Bonds. Information appearing on any such website is not incorporated by reference in this Official Statement.*

**MATURITY SCHEDULE**

**\$35,870,000**

**THE CITY OF SEATTLE, WASHINGTON  
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2019A**

**SERIAL BONDS**

<b>Due May 1</b>	<b>Amounts</b>	<b>Interest</b>		<b>Prices</b>	<b>CUSIP Numbers</b>
		<b>Rates</b>	<b>Yields</b>		
2020	\$ 2,345,000	5.00%	1.10%	102.828	812627 GA9
2021	2,465,000	5.00%	1.13%	106.611	812627 GB7
2022	2,580,000	5.00%	1.15%	110.318	812627 GC5
2023	2,720,000	5.00%	1.17%	113.939	812627 GD3
2024	2,860,000	5.00%	1.19%	117.473	812627 GE1
2025	3,015,000	5.00%	1.23%	120.796	812627 GF8
2026	3,165,000	5.00%	1.31%	123.696	812627 GG6
2027	3,330,000	5.00%	1.38%	126.455	812627 GH4
2028	1,045,000	5.00%	1.46%	128.916	812627 GJ0
2029	1,105,000	5.00%	1.53%	131.258	812627 GK7
2030	775,000	5.00%	1.60%	130.521 <sup>(1)</sup>	812627 GL5
2031	820,000	5.00%	1.67%	129.790 <sup>(1)</sup>	812627 GM3
2032	855,000	4.00%	1.93%	118.281 <sup>(1)</sup>	812627 GN1
2033	890,000	4.00%	1.98%	117.795 <sup>(1)</sup>	812627 GP6
2034	925,000	4.00%	2.03%	117.312 <sup>(1)</sup>	812627 GQ4
2035	965,000	4.00%	2.13%	116.353 <sup>(1)</sup>	812627 GR2
2036	1,000,000	4.00%	2.22%	115.497 <sup>(1)</sup>	812627 GS0
2037	1,045,000	4.00%	2.31%	114.649 <sup>(1)</sup>	812627 GT8
2038	1,085,000	4.00%	2.40%	113.808 <sup>(1)</sup>	812627 GU5
2039	1,130,000	4.00%	2.44%	113.436 <sup>(1)</sup>	812627 GV3

**TERM BONDS**

<b>Due May 1</b>	<b>Amounts</b>	<b>Interest</b>		<b>Prices</b>	<b>CUSIP Numbers</b>
		<b>Rates</b>	<b>Yields</b>		
2044	\$ 785,000	4.00%	2.60%	111.964 <sup>(1)</sup>	812627 HA8
2049	965,000	4.00%	2.65%	111.509 <sup>(1)</sup>	812627 HF7

(1) Priced to the May 1, 2029, par call date.

**MATURITY SCHEDULE**

**\$11,100,000**

**THE CITY OF SEATTLE, WASHINGTON**

**LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2019B (TAXABLE)**

**SERIAL BONDS**

<b>Due May 1</b>	<b>Amounts</b>	<b>Interest Rates</b>	<b>Yields</b>	<b>Prices</b>	<b>CUSIP Numbers</b>
2020	\$ 440,000	2.00%	2.00%	100.00	812627 HG5
2021	450,000	2.00%	2.00%	100.00	812627 HH3
2022	460,000	2.02%	2.02%	100.00	812627 HJ9
2023	470,000	2.07%	2.07%	100.00	812627 HK6
2024	480,000	2.10%	2.10%	100.00	812627 HL4
2025	490,000	2.20%	2.20%	100.00	812627 HM2
2026	500,000	2.25%	2.25%	100.00	812627 HN0
2027	510,000	2.35%	2.35%	100.00	812627 HP5
2028	525,000	2.40%	2.40%	100.00	812627 HQ3
2029	540,000	2.45%	2.45%	100.00	812627 HR1
2030	550,000	2.55%	2.55%	100.00	812627 HS9
2031	565,000	2.60%	2.60%	100.00	812627 HT7
2032	580,000	2.65%	2.65%	100.00	812627 HU4
2033	595,000	2.70%	2.70%	100.00	812627 HV2
2034	610,000	2.75%	2.75%	100.00	812627 HW0
2035	625,000	2.80%	2.80%	100.00	812627 HX8

**TERM BONDS**

<b>Due May 1</b>	<b>Amounts</b>	<b>Interest Rates</b>	<b>Yields</b>	<b>Prices</b>	<b>CUSIP Numbers</b>
2037	\$ 1,315,000	2.90%	2.90%	100.00	812627 HZ3
2039	1,395,000	2.95%	2.95%	100.00	812627 JB4

**THE CITY OF SEATTLE**

**MAYOR AND CITY COUNCIL**

Jenny A. Durkan

Mayor

**Council Member**

**Term Expiration**

Sally Bagshaw

2019

Lorena González

2021

Bruce Harrell

2019

Lisa Herbold

2019

Abel Pacheco

2019

Debora Juarez

2019

Teresa Mosqueda

2021

Mike O'Brien

2019

Kshama Sawant

2019

**CITY ADMINISTRATION**

Glen M. Lee

Director of Finance

Pete Holmes

City Attorney

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Seattle, Washington

**MUNICIPAL ADVISOR**

Piper Jaffray & Co.  
Seattle, Washington

**BOND REGISTRAR**

Washington State Fiscal Agent  
(currently U.S. Bank National Association)

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## OFFICIAL STATEMENT

### THE CITY OF SEATTLE, WASHINGTON

**\$35,870,000**  
**LIMITED TAX GENERAL OBLIGATION**  
**IMPROVEMENT BONDS, 2019A**

**\$11,100,000**  
**LIMITED TAX GENERAL OBLIGATION**  
**IMPROVEMENT BONDS, 2019B (TAXABLE)**

### INTRODUCTION

The purpose of this Official Statement, which includes the cover, inside cover, and appendices, is to set forth certain information concerning The City of Seattle, Washington (the “City”), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the “State”), in connection with the offering of \$35,870,000 aggregate principal amount of its Limited Tax General Obligation Improvement Bonds, 2019A (the “2019A Bonds”), and \$11,100,000 aggregate principal amount of the City’s Limited Tax General Obligation Improvement Bonds, 2019B (Taxable) (the “2019B Bonds”). In this Official Statement, the 2019A Bonds and the 2019B Bonds together are referred to as the “Bonds,” and the term “Series” may refer to either series of the Bonds.

Appendix A to this Official Statement is the forms of legal opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation of Seattle, Washington (“Bond Counsel”). Appendix B is the City’s 2017 Comprehensive Annual Financial Report. Appendix C provides economic and demographic information for the City. Appendix D is a description provided on its website by The Depository Trust Company, New York, New York (“DTC”), of DTC procedures with respect to book-entry bonds. Capitalized terms that are not defined herein have the meanings set forth in the Bond Ordinance (defined below).

All of the summaries of provisions of the Washington State Constitution (the “State Constitution”) and laws of the State, of ordinances and resolutions of the City, and of other documents contained in this Official Statement, copies of which may be obtained from the City upon request, are subject to the complete provisions thereof and do not purport to be complete statements of such laws or documents. A full review should be made of the entire Official Statement. The offering of the Bonds to prospective investors is made only by means of the entire Official Statement.

### DESCRIPTION OF THE BONDS

#### **Authorization for the Bonds**

The Bonds are to be issued by the City pursuant to the State Constitution, Titles 35 and 39 of the Revised Code of Washington (“RCW”), and the Seattle City Charter. In addition, the Bonds are authorized by Ordinance 125715 (the “Bond Ordinance”), passed by the City Council on November 19, 2018, delegating to the Director of the Finance Division of the City’s Department of Finance and Administrative Services (the “Director of Finance”) the authority to execute for each Series, on behalf of the City, a certificate of bid award, a pricing certificate (“Pricing Certificate”), and other documents (collectively, the “Bond Documents”) in accordance with the parameters set forth in the Bond Ordinance.

#### **Principal Amounts, Dates, Interest Rates, and Maturities**

The Bonds will be dated the date of their initial issuance and delivery. The Bonds will mature on May 1 in the years and amounts set forth on pages i and ii of this Official Statement.

Interest on the Bonds is payable semiannually on each May 1 and November 1, beginning November 1, 2019, at the rates set forth on pages i and ii of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

## **Registration and Book-Entry Form**

*Book-Entry Form.* The Bonds initially will be issued in Book-Entry Form and registered in the name of the Securities Depository. The Bonds so registered will be held fully immobilized in Book-Entry Form by the Securities Depository in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar, currently U.S. Bank National Association in Seattle, Washington (or such other fiscal agent or agents as the State may from time to time designate), will have any responsibility or obligation to participants of the Securities Depository or the persons for whom they act as nominees with respect to the Bonds regarding the accuracy of any records maintained by the Securities Depository or its participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners under the Bond Ordinance (except such notice as is required to be given by the Bond Registrar to the Securities Depository). Registered ownership of a Bond initially held in Book-Entry Form, or any portion thereof, may not be transferred except (i) to any successor Securities Depository, (ii) to any substitute Securities Depository appointed by the City or such substitute Securities Depository's successor, or (iii) to any person if the Bond is no longer held in Book-Entry Form. For information about DTC and its book-entry system, see Appendix D—Book Entry Transfer System. The City makes no representation as to the accuracy or completeness of the information in Appendix D obtained from DTC. Purchasers of the Bonds should confirm this information with DTC or its participants.

*Termination of Book-Entry System.* Upon the resignation of the Securities Depository from its functions as depository, or upon a determination by the Director of Finance to discontinue utilizing the then-current Securities Depository, the City may appoint a substitute Securities Depository. If the Securities Depository resigns from its functions as depository and no substitute Securities Depository can be obtained, or if the Director of Finance determines not to utilize a Securities Depository, then the Bonds no longer will be held in Book-Entry Form and ownership may be transferred only as provided in the Bond Ordinance.

*Lost or Stolen Bonds.* In case any Bond is lost, stolen, or destroyed, the Bond Registrar may authenticate and deliver a new bond or bonds of like amount, date, tenor, and effect to the Registered Owner(s) thereof upon the Registered Owner(s)' paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such bond or bonds were actually lost, stolen, or destroyed and of Registered Ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

## **Payment of Bonds**

Principal of and interest on each Bond is payable in the manner set forth in the Letter of Representations. No Bonds of any Series will be subject to acceleration under any circumstances.

Interest on each Bond not held in Book-Entry Form is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The City, however, is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not held in Book-Entry Form is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

The Bond Ordinance defines "Record Date" as, in the case of each interest or principal payment date, the Bond Registrar's close of business on the 15th day of the month preceding the interest or principal payment date. With regard to redemption of a Bond prior to its maturity, the Record Date means the Bond Registrar's close of business on the day prior to the date on which the Bond Registrar sends the notice of redemption to the Registered Owner(s) of the affected Bonds.

## **Redemption of Bonds**

*Optional Redemption.* The Bonds of each Series maturing on and before May 1, 2029, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds of each Series maturing on and after May 1, 2030, prior to their stated maturity dates at any time on and after May 1, 2029, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

*Mandatory Redemption.* If not redeemed or purchased at the City’s option prior to maturity, the 2019A Bonds maturing on May 1 in the years 2044 and 2049 and the 2019B Bonds maturing on May 1 in the years 2037 and 2039, designated as Term Bonds, must be redeemed at a price equal to 100% of the principal amount to be redeemed plus accrued interest on May 1 in the years and principal amounts as follows:

**2019A TERM BONDS**

<b>2044 TERM BONDS</b>		<b>2049 TERM BONDS</b>	
<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>
2040	\$ 145,000	2045	\$ 180,000
2041	150,000	2046	185,000
2042	155,000	2047	190,000
2043	165,000	2048	200,000
2044 <sup>(1)</sup>	170,000	2049 <sup>(1)</sup>	210,000

**2019B TERM BONDS**

<b>2037 TERM BONDS</b>		<b>2039 TERM BONDS</b>	
<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>
2036	\$ 650,000	2038	\$ 685,000
2037 <sup>(1)</sup>	665,000	2039 <sup>(1)</sup>	710,000

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(1) Maturity.

If the City optionally redeems or purchases Term Bonds prior to maturity, the principal amount of that Term Bond so redeemed or purchased (irrespective of its redemption or purchase price) will be credited against the remaining mandatory redemption installment payments as directed by the Director of Finance. In the absence of direction by the Director of Finance, credit will be allocated to each mandatory redemption installment payment for that Bond on a *pro rata* basis.

*Selection of Bonds for Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the Director of Finance will select the Series and maturity or maturities to be redeemed. If less than all of the principal amount of a maturity of the selected Series is to be redeemed, if such Series is held in Book-Entry Form, the portion of such maturity to be redeemed will be selected for redemption by the Securities Depository in accordance with the Letter of Representations, and if the Series is not then held in Book-Entry Form, the portion of such maturity to be redeemed will be selected by the Bond Registrar randomly in such manner as the Bond Registrar determines.

All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any applicable Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there will be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

*Notice of Redemption.* The City must cause notice of any intended redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register on the Record Date, and that requirement will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Owner of any Bond. Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. See “—Registration and Book-Entry Form” and Appendix D.

*Rescission of Notice of Redemption.* In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of the Bonds by giving a notice of

rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is rescinded by the Director of Finance will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

### **Purchase**

The City reserves the right and option to purchase any or all of the Bonds at any time at any price acceptable to the City plus accrued interest to the date of purchase.

### **Failure to Pay Bonds**

If any Bond is not paid when properly presented at its maturity or redemption date, the City will be obligated to pay interest on that Bond at the same rate provided on that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

### **Refunding or Defeasance of Bonds**

The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source (i) to pay when due the principal of (including premium, if any) and interest on any Bond, or portion thereof, included in a refunding or defeasance plan (the “Defeased Bonds”), (ii) to redeem and retire, release, refund, or defease the Defeased Bonds, and (iii) to pay the costs of such refunding or defeasance. If money and/or Government Obligations (defined below) maturing at a time or times and in an amount sufficient, together with known earned income from the investment thereof, to redeem and retire, release, refund, or defease the Defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the “Trust Account”), then all right and interest of the Owners of the Defeased Bonds in the covenants of the Bond Ordinance and in the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter will cease and become void. Such Owners thereafter have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. After establishing and fully funding such a Trust Account, the Defeased Bonds will be deemed no longer outstanding and the Director of Finance may then apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes. Notice of refunding or defeasance will be given, and selection of Bonds for any partial refunding or defeasance will be conducted, in the manner set forth in the Bond Ordinance for the redemption of Bonds.

The term “Government Obligations” is defined in the Bond Ordinance to include any securities that are then permissible investments under the State law definition of “government obligations” under RCW 39.53.010. In the Pricing Certificate, the City has limited eligibility to the following types of securities (provided that such securities are then permissible under the applicable statute): (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

If the City defeases any 2019B Bonds, such 2019B Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. See “Legal and Tax Information—Tax Matters-2019B Bonds-Defeasance of 2019B Bonds.”

## **Defaults and Remedies; No Acceleration of the Bonds**

The Bond Ordinance does not enumerate events of default or remedies upon an event of default. In the event of a default, Bond owners would be permitted to pursue remedies permitted by State law. See “—Failure to Pay Bonds” above and “Security for the Bonds” below.

The Bonds are not subject to acceleration upon the occurrence of a default. The City, therefore, would be liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Registered Owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between Registered Owners of earlier and later maturing Bonds.

## **USE OF PROCEEDS**

### **Purpose**

*2019A Bonds.* The proceeds of the 2019A Bonds will be used (i) to pay or reimburse all or part of the costs of various elements of the City’s capital improvement program, including design, construction, renovation, improvement, or replacement of various capital facilities and street, road, bridge, transportation, and information technology projects of the City (all as specified in and subject to change pursuant to the Bond Ordinance), and (ii) to pay the costs of issuing the 2019A Bonds.

*2019B Bonds.* The proceeds of the 2019B Bonds will be used (i) to pay or reimburse all or part of the costs of design, construction, renovation, improvement, or replacement of certain elements of the City’s capital improvement program, namely certain costs related to the Overlook Walk and other elements of the redevelopment of the central waterfront area (the “Waterfront Seattle Program”), described below, (ii) to make funds available to a program of the City’s Office of Housing (the “Affordable Rental Housing Program”), described below, and (iii) to pay the costs of issuing the 2019B Bonds.

**WATERFRONT SEATTLE PROGRAM.** Proceeds of the 2019B Bonds are expected to be used to fund portions of the cost of the program, including the Overlook Walk, which costs will not be covered by the local improvement district described below under “Other Considerations—Considerations Related to Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program—Central Waterfront Local Improvement District.”

**AFFORDABLE RENTAL HOUSING PROGRAM.** Approximately \$10 million of proceeds of the 2019B Bonds are expected to be used by the Affordable Rental Housing Program to fund projects selected by the City’s Office of Housing. The Affordable Rental Housing Program is a program of the City’s Office of Housing that provides grants, loans, and other contributions to certain low-income housing projects developed within the City. The Office of Housing periodically publishes a Notice of Funding Availability (“NOFA”) for the Affordable Rental Housing Program, inviting applications from private developers and describing the specific funding priorities and requirements for each available fund source. The largest source of funds is typically a property tax levy lid lift for low-income housing, referred to as the Seattle Housing Levy. See Table 7—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2019, and Table 8—Voted Levy Lid Lifts in Effect in 2019. Other sources of funds include other local revenue sources, federal grants, and State grants. The City has not pledged, and does not expect to use, any payments received under the loans made with proceeds of the Bonds to be used to repay the Bonds.

## Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

	<u>2019A Bonds</u>	<u>2019B Bonds</u>	<u>Total</u>
<b>SOURCES OF FUNDS</b>			
Stated Principal Amount of Bonds	\$ 35,870,000	\$ 11,100,000	\$ 46,970,000
Original Issue Premium	6,207,964	-	6,207,964
Total Sources of Funds	<u>\$ 42,077,964</u>	<u>\$ 11,100,000</u>	<u>\$ 53,177,964</u>
<b>USES OF FUNDS</b>			
Project Funds Deposit	\$ 41,836,955	\$ 1,000,000	\$ 42,836,955
Office of Housing Deposit	-	10,000,000	10,000,000
Costs of Issuance <sup>(1)</sup>	241,009	100,000	341,009
Total Uses of Funds	<u>\$ 42,077,964</u>	<u>\$ 11,100,000</u>	<u>\$ 53,177,964</u>

(1) Includes legal, financial advisory, and rating agency fees, printing costs, underwriter's discount, other costs of issuing the Bonds, and additional proceeds received as rounding amounts.

## SECURITY FOR THE BONDS

The Bonds are general obligations of the City.

For so long as any of the Bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually, within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City, on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds.

The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the taxes pledged to each Series of the Bonds and the prompt payment of the principal of and interest on such Series of the Bonds.

State law does not specify a priority of payment for either voter-approved or nonvoted general obligation indebtedness over other operating expenses. Certain taxes and other money deposited in the City's governmental funds are restricted by State law and/or voter approval to be used for specific purposes and may not be available to pay debt service on the Bonds. Under the State's laws and the State Constitution, the excess levies approved by the voters for the purpose of retiring voter-approved general obligation indebtedness may not be diverted to any other purpose. State law notwithstanding, in the context of bankruptcy proceedings there can be no assurance that such restrictions would be observed. The City's authority to levy and collect taxes is subject to certain limitations, as more fully described under "General Fund Tax Revenue Sources—General Property Taxes."

*The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City or a debt of any proprietary or enterprise fund of the City (including the City's utilities) or of any public development authority chartered by the City.*

The Bonds are not subject to acceleration. See "Description of the Bonds—Defaults and Remedies; No Acceleration of the Bonds." Additionally, State law provides that the payment of general obligation bonds is enforceable in mandamus against the issuer. There is no express provision in the State Constitution or law on the priority of payment of debt service on general obligations incurred by a Washington municipality.

The rights and remedies of anyone seeking enforcement of the Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion. See “Legal and Tax Information—Limitations on Remedies and Municipal Bankruptcies.”

## FINANCIAL RESULTS

### 2018 Financial Results

The City completed its transition to a new financial accounting software system in 2018. As part of the implementation of the new system, the City adopted the “Direct Fund Model” of fund accounting. This method provides increased transparency for expenditure activity within the City’s primary funds. It also consolidates several non-major governmental funds within the General Fund. The primary result of this change is that items that were previously listed as transfers into or out of the General Fund will now be reflected as direct revenues or expenditures of the General Fund. The major adjustments to the General Fund balance sheet due to this change are reflected as increases to amounts due both to and from other funds within the City. The shift produces few major changes when aggregated at the “all governmental funds” level. Footnotes to Tables 1 and 2 provide an overview of the major impacts on a year-over-year basis due to the City’s shift to the Direct Fund Model.

In addition, implementation of the new system has resulted in some delays from the City’s usual timelines for submission of its annual financial information to the State Auditor. The City currently expects its annual audit for the fiscal year ended December 31, 2018, to be concluded on or about September 30, 2019.

On a preliminary basis, the City’s financial performance for the fiscal year ended December 31, 2018, improved somewhat compared to the results anticipated in the 2018 adopted budget and reflects continued economic strength within the City and the region.

*All Governmental Funds.* Revenues for all governmental funds increased by 8.2% in 2018 compared to 2017, while combined expenditures and net transfers out of these funds increased by 10.0%. A significant portion of the increase in expenditures was due to a one-time retroactive payment of approximately \$65 million associated with the settlement of the City’s contract with the Seattle Police Officers’ Guild (“SPOG”). The previous contract expired at the end of 2014 and the retroactive payment reflected salary and associated pension benefits accrued since that time. See “The City of Seattle—Labor Relations.” Excluding this one-time payment, expenditures for all governmental funds increased by 7.0%.

*General Fund.* Revenues to the General Fund increased by 9.6%, while expenditures and net transfers out of the General Fund increased by 14.8%. This increase in expenditures also reflects the previously mentioned retroactive payment associated with the settlement of the SPOG contract; excluding this one-time payment, expenditures and net transfers out of the General Fund increased by 10.1%.

Taxes make up the largest share of revenues to the General Fund and are estimated to have increased by 7.8% in 2018. Of this growth, approximately one quarter was a result of the City’s new sweetened beverage tax. See “General Fund Tax Revenue Sources—Other Taxes-Sweetened Beverage Tax.” Further description of and the estimated changes in the four largest tax revenue components are shown below under “General Fund Tax Revenue Sources.” Non-tax revenues are estimated to have increased in 2018 by approximately 16.6%. This significant increase is primarily due to consolidation of several funds under the Direct Fund Model and other one-time occurrences. Without the impact of these changes, non-tax revenues increased by approximately 3%, led by increases in licenses and permits, grants, shared revenues, and contributions, and program income, interest, and miscellaneous revenues. These increases were partially offset by decreases in revenue from charges for services.

The largest General Fund expenditure component is for Public Safety, which increased by an estimated 11.4% in 2018 compared to 2017 (0.7% without the retroactive SPOG contract payment). In 2017, the General Fund balance increased by \$52.7 million to \$495.1 million. In 2018, while revenues were greater than ongoing expenditures, as a result of using planning reserves to fund the \$65 million retroactive SPOG contract payment, the General Fund balance is expected to drop by approximately \$20.6 million to a projected balance of about \$474.5 million.

A description of the City’s budget process and information on the City’s 2019 Budget is provided under “The City of Seattle—Financial Management-Municipal Budget.”

**2013 Through Unaudited 2018 Financials**

The following tables provide a comparative balance sheet and comparative statement of revenues, expenditures, and changes in fund balance for the City’s General Fund and a comparative statement of revenues, expenditures, and changes in fund balance for all of the City’s governmental funds (including General, Transportation, Low-Income Housing, and Debt Service) based on the audits for the years 2013 through 2017 and on preliminary unaudited figures for 2018. Notes to Tables 1 through 3 are provided on the pages following the tables.



**TABLE 1**  
**GENERAL FUND COMPARATIVE BALANCE SHEET**  
**(Years Ended December 31) (\$000)**

	2018 <sup>(1)</sup>	2017	2016	2015	2014	2013
<b>Assets</b>						
Cash and Equity in Pooled Investments	\$ 438,290	\$ 406,761	\$ 359,510	\$ 300,584	\$ 216,746	\$ 237,739
Receivables, Net of Allowances	102,053	89,522	86,072	79,481	70,162	65,866
Due from Other Funds	94,976 <sup>(2)</sup>	17,084	20,244	16,976	15,910	17,365
Due from Other Governments	70,405	63,913	62,064	58,901	53,398	55,719
Interfund Loans and Advances <sup>(3)</sup>	-	72		12,267	38,105	5,545
Other Current Assets	15	285	352	422	416	320
Deposits with Vendor	-	-	-	-	2	2
Contracts and Notes-Noncurrent	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 705,739</b>	<b>\$ 577,637</b>	<b>\$ 528,242</b>	<b>\$ 468,631</b>	<b>\$ 394,739</b>	<b>\$ 382,556</b>
Deferred Outflows of Resources	-	-	-	7,775	7,775	7,771
<b>Total Assets and Deferred Outflows</b>	<b>\$ 705,739</b>	<b>\$ 577,637</b>	<b>\$ 528,242</b>	<b>\$ 476,406</b>	<b>\$ 402,514</b>	<b>\$ 390,327</b>
<b>Liabilities</b>						
Accounts Payable	\$ 122,518 <sup>(4)</sup>	\$ 34,280	\$ 36,675	\$ 35,355	\$ 32,781	\$ 40,767
Contracts Payable	159	126	86	303	273	184
Salaries, Benefits, and Taxes Payable	44,993	29,411	27,559	24,216	22,207	18,831
Due to Other Funds	52,150 <sup>(2)</sup>	8,183	12,839	15,193	11,275	4,080
Due to Other Governments	570	2,083	2,068	2,339	1,806	2,313
Revenues Collected in Advance	6,744	4,160	3,496	3,024	2,043	1,468
Other Current Liabilities	340	362	617	236	3,073	1,796
Interest Payable		-	-	-	4	4
Deposits Payable		-	-	-	(4)	(85)
Deferred Revenues		-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 227,473</b>	<b>\$ 78,605</b>	<b>\$ 83,340</b>	<b>\$ 80,666</b>	<b>\$ 73,458</b>	<b>\$ 69,358</b>
Deferred Inflows of Resources	3,793	3,950	3,771	11,813	11,921	12,009
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 231,266</b>	<b>\$ 82,555</b>	<b>\$ 87,112</b>	<b>\$ 92,479</b>	<b>\$ 85,379</b>	<b>\$ 81,367</b>
<b>Fund Balances</b>						
Nonspendable	\$ 382	\$ 350	\$ 401	\$ 474	\$ 474	\$ 375
Restricted	179,476	181,951	155,523	136,627	99,991	99,659
Committed	119,709	131,385	102,521	97,296	76,493	83,155
Assigned	27,494	29,172	28,646	5,767	5,685	5,325
Unassigned	147,411	152,224	155,290	143,763	134,492	120,446
<b>Total Fund Balances</b>	<b>\$ 474,472</b>	<b>\$ 495,082</b>	<b>\$ 442,381</b>	<b>\$ 383,927</b>	<b>\$ 317,135</b>	<b>\$ 308,960</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 705,738</b>	<b>\$ 577,637</b>	<b>\$ 529,492</b>	<b>\$ 476,406</b>	<b>\$ 402,514</b>	<b>\$ 390,327</b>

**NOTES TO TABLE:**

- (1) Preliminary, unaudited.
- (2) Increase in 2018 is due to the City's adoption of the Direct Fund Model of fund accounting which increases accounting activity within the General Fund.
- (3) Interfund loans are advances from the Emergency Subfund. Most of the outstanding loans from the Emergency Subfund were repaid in 2017.
- (4) Increase in 2018 is partially due to a one-time retroactive payment of approximately \$65 million associated with the settlement of the SPOG labor contract. See "The City of Seattle—Labor Relations." Additionally, the City's adoption of the Direct Fund Model of fund accounting increased the accounting activity that is reflected within the General Fund.

*Source: City of Seattle, Comprehensive Annual Financial Reports, 2013-2017; unaudited results for 2018*

**TABLE 2**  
**GENERAL FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Years Ended December 31) (\$000)**

	2018 <sup>(1)</sup>	2017	2016	2015	2014	2013
<b>Revenues</b>						
Taxes	\$ 1,193,693	\$ 1,107,598	\$ 1,047,643	\$ 987,815	\$ 926,003	\$ 866,464
Licenses and Permits	45,558	35,462	33,059	27,119	25,027	22,005
Grants, Shared Revenues, and Contributions	45,030	26,908	36,533	32,198	35,666	48,183
Charges for Services	63,597	69,373	61,386	61,637	61,080	50,587
Fines and Forfeits	31,218	30,300	32,096	32,769	31,960	41,043
Concessions, Parking Fees, and Space Rent	40,043	39,155	38,856	39,154	38,223	38,547
Program Income, Interest, and Miscellaneous Revenues	121,010	95,928	80,472	38,041	42,794	31,346
<b>Total Revenues</b>	<b>\$ 1,540,148</b>	<b>\$ 1,404,724</b>	<b>\$ 1,330,045</b>	<b>\$ 1,218,733</b>	<b>\$ 1,160,753</b>	<b>\$ 1,098,175</b>
<b>Expenditures</b>						
<b>Current</b>						
General Government	\$ 394,676 <sup>(2)</sup>	\$ 258,400	\$ 232,266	\$ 202,162	\$ 195,598	\$ 178,403
Judicial	32,892	31,658	31,519	29,351	29,158	27,642
Public Safety	680,154 <sup>(3)</sup>	610,762	588,834	528,582	519,122	492,509
Physical Environment	7,679 <sup>(4)</sup>	15,668	13,116	6,292	6,538	11,318
Transportation	43,309 <sup>(5)</sup>	12,041	9,890	9,240	9,779	11,321
Economic Environment	58,528 <sup>(6)</sup>	31,411	31,626	18,885	21,540	19,157
Health and Human Services	59,087 <sup>(7)</sup>	-	-	76	945	63
Culture and Recreation	195,483 <sup>(8)</sup>	83,033	80,620	75,092	72,371	69,559
<b>Capital Outlay</b>						
General Government	30,817	15,278	12,450	13,495	12,305	5,043
Public Safety	1,193	1,373	6,378	3,103	5,914	10,275
Physical Environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic Environment	488	53	7	-	6	-
Culture and Recreation	43,879	24,222	15,044	16,380	24,213	30,290
<b>Debt Service</b>						
Principal	1	3	2	2	3	4
Interest	4	1	1	2	1	-
Bond Issuance Cost	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,548,190</b>	<b>\$ 1,083,903</b>	<b>\$ 1,021,753</b>	<b>\$ 902,662</b>	<b>\$ 897,493</b>	<b>\$ 855,584</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,042)	\$ 320,821	\$ 308,292	\$ 316,071	\$ 263,260	\$ 242,591
<b>Other Financing Sources (Uses)</b>						
Long-Term Debt Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding Debt Issued	-	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
Sales of Capital Assets	2,065	7,550	96	18,275	-	22,748
Transfers In	14,745	27,698	48,771	21,924	20,027	16,762
Transfers Out	(27,968) <sup>(9)</sup>	(303,516)	(318,299)	(289,603)	(275,112)	(248,133)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (11,158)</b>	<b>\$ (268,268)</b>	<b>\$ (269,432)</b>	<b>\$ (249,404)</b>	<b>\$ (255,085)</b>	<b>\$ (208,623)</b>
Net Change in Fund Balance	\$ (19,200)	\$ 52,553	\$ 38,860	\$ 66,667	\$ 8,175	\$ 33,968
Fund Balances-Beginning of Year	495,082	442,382	383,927	317,135	308,960	274,992
Restatement/Prior-Year Adjustment	(1,410)	147	19,594 <sup>(10)</sup>	125 <sup>(11)</sup>	-	-
Fund Balances-Beginning of Year as Restated	\$ 493,672	\$ 442,529	\$ 403,521	\$ 317,260	\$ 308,960	\$ 274,992
Fund Balances-End of Year	\$ 474,472	\$ 495,082	\$ 442,382	\$ 383,927	\$ 317,135	\$ 308,960

**NOTES TO TABLE:**

- (1) Preliminary, unaudited.
- (2) Includes expenditures that were previously categorized as Physical Environment, Public Safety, and Transportation expenditures. Includes expenditures that were previously treated as transfers from the General Fund to the Construction and Expenses Fund and Human Services Fund.
- (3) Increase reflects one-time retroactive payment of approximately \$65 million associated with the settlement of the SPOG labor contract. See “The City of Seattle—Labor Relations.” Additionally, some expenditures that were previously categorized as Public Safety expenditures are now treated as General Government expenditures.
- (4) Reduction primarily reflects expenditures that are categorized as General Government expenditures in 2018.
- (5) Includes expenditures that were previously treated as transfers from the General Fund to the Transportation Fund. Additionally, some expenditures that were previously categorized as Transportation expenditures are now treated as General Government expenditures.
- (6) Includes expenditures that were previously treated as transfers from the General Fund to the Neighborhood Matching Fund and Human Services Fund.
- (7) Includes expenditures that were previously treated as transfers from the General Fund to the Department of Education and Early Learning (now partially funded directly by the General Fund) and the Human Services Fund.
- (8) Includes expenditures that were previously treated as transfers from the General Fund to the Parks Fund and Seattle Center Fund.
- (9) This reduction is due to items that are now treated as direct expenditures of the General Fund. See footnotes 2, 5, 6, 7, and 8 to this table.
- (10) Adjustment was due to City’s implementation of GASB 73; assets accumulated for the Firefighters’ Pension Fund and the Police Relief and Pension Fund were reported retroactively as assets of the City.
- (11) In 2015, several small, non-major governmental funds were closed and consolidated into the General Fund, resulting in a \$125,000 increase in the 2015 beginning balance for the General Fund.

*Source: City of Seattle, Comprehensive Annual Financial Reports, 2013-2017; unaudited results for 2018*

**TABLE 3**  
**ALL GOVERNMENTAL FUNDS**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**(Years Ended December 31) (\$000)**

	2018 <sup>(1)</sup>	2017	2016	2015	2014	2013 <sup>(2)</sup>
<b>Revenues</b>						
Taxes	\$1,607,406	\$1,517,424	\$1,422,194	\$1,233,133	\$1,149,120	\$1,083,499
Licenses and Permits	56,318	43,674	41,743	34,138	30,093	27,135
Grants, Shared Revenues, and Contributions	158,438	167,609	166,779	162,132	161,361	184,783
Charges for Services	301,773 <sup>(3)</sup>	248,711	254,412	225,056	221,187	200,847
Fines and Forfeits	45,126	42,971	46,154	39,009	37,142	41,107
Concessions, Parking Fees, and Space Rent	70,325	71,407	68,798	67,444	63,891	62,463
Program Income, Interest, and Miscellaneous Revenues	151,706 <sup>(3)</sup>	118,248	99,369	98,215	86,757	45,463
<b>Total Revenues</b>	<b>\$2,391,093</b>	<b>\$2,210,044</b>	<b>\$2,099,449</b>	<b>\$1,859,127</b>	<b>\$1,749,551</b>	<b>\$1,645,297</b>
<b>Expenditures</b>						
<b>Current</b>						
General Government	\$ 461,072 <sup>(4)</sup>	\$ 321,623 <sup>(5)</sup>	\$ 264,284	\$ 224,721	\$ 204,662	\$ 209,006
Judicial	32,892	31,658	31,519	29,351	29,158	27,642
Public Safety	681,245 <sup>(6)</sup>	611,790	590,681	577,106	525,778	504,836
Physical Environment	7,679	16,130	13,575	7,314	7,409	11,935
Transportation	232,570 <sup>(4)</sup>	195,895	227,666	155,689	114,737	97,676
Economic Environment	172,881 <sup>(4)</sup>	151,462	179,831	141,721	140,079	128,644
Health and Human Services	142,986 <sup>(4)</sup>	120,943	104,209	96,268	78,024	73,151
Culture and Recreation	305,942	317,961	305,986	268,979	245,358	276,197
<b>Capital Outlay</b>						
General Government	32,542	55,933	29,342	29,958	35,599	5,043
Public Safety	1,199	2,764	21,527	13,097	25,162	10,275
Physical Environment	-	-	-	-	-	-
Transportation	175,891	203,447	240,216	278,151	278,550	234,188
Economic Environment	495	110	7	-	6	-
Culture and Recreation	62,140	60,586	47,390	35,712	55,133	41,185
<b>Debt Service<sup>(7)</sup></b>						
Principal	80,576	57,883	53,308	50,709	61,745	56,194
Interest	43,821	35,551	32,768	28,999	26,571	26,206
Bond Issuance Cost	371	508	627	1,946	259	822
Other	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$2,434,301</b>	<b>\$2,184,244</b>	<b>\$2,142,936</b>	<b>\$1,939,721</b>	<b>\$1,828,230</b>	<b>\$1,703,000</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,209)	\$ 25,800	\$ (43,487)	\$ (80,594)	\$ (78,679)	\$ (57,703)
<b>Other Financing Sources (Uses)</b>						
Long-Term Debt Issued	\$ 44,275	\$ 93,880	\$ 145,139	\$ 350,255	\$ 50,455	\$ 101,115
Refunding Debt Issued	-	-	-	-	-	43,945
Premium on Bonds Issued	2,414	10,198	22,177	40,113	4,150	9,377
Payment to Refunded Bond Escrow Agent	2,063	(19,419)	(31,909)	(155,030)	-	(44,504)
Sales of Capital Assets	2,065	7,704	123	19,231	2,128	22,903
Transfers In	107,314	501,504	550,752	498,582	442,666	422,670
Transfers Out	(71,582)	(498,724)	(518,825)	(501,695)	(448,411)	(428,881)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 86,548</b>	<b>\$ 95,143</b>	<b>\$ 167,457</b>	<b>\$ 251,456</b>	<b>\$ 50,988</b>	<b>\$ 126,625</b>
Net Change in Fund Balance	\$ 43,339	\$ 120,943	\$ 123,970	\$ 170,862	\$ (27,691)	\$ 68,922
Fund Balances-Beginning of Year	1,119,579	994,245	870,272	679,565	707,256	638,334
Restatement/Prior Year Adjustment	(1,410)	147	-	19,845	-	-
Fund Balances-Beginning of Year as Restated	\$1,118,169	\$ 994,392	\$ 870,272	\$ 699,410	\$ 707,256	\$ 638,334
Fund Balances-End of Year	\$1,161,508	\$1,115,335	\$ 994,245	\$ 870,272	\$ 679,565	\$ 707,256

**NOTES TO TABLE:**

- (1) Preliminary, unaudited.
- (2) Restated.
- (3) Increase primarily reflects revenues that in prior years were treated as transfers to the General Fund.
- (4) Increase primarily reflects expenditures that in prior years were treated as transfers from the General Fund.
- (5) Increase primarily due to the creation of the Division of Homelessness Strategy Investment; expenditures previously spread among different categories.
- (6) Increase primarily reflects one-time retroactive payment of approximately \$65 million associated with the settlement of the SPOG labor contract. See "The City of Seattle—Labor Relations."
- (7) Debt Service in the Other Governmental Fund excludes \$34.4 million of debt service paid in 2016 by the following funds: Fleets and Facilities, Information Technology, Water, Drainage and Wastewater, and Solid Waste. It includes \$1.7 million paid by LID 6750.

*Source: City of Seattle, Comprehensive Annual Financial Reports, 2013-2017; unaudited results for 2018*

## GENERAL FUND TAX REVENUE SOURCES

The following table sets forth a breakdown of General Fund tax revenues for the years 2013 through preliminary 2018:

**TABLE 4**  
**GENERAL FUND TAX REVENUE SOURCES**  
**(\$000)**

	2018 <sup>(1)</sup>	2017	2016	2015	2014	2013
<b>Taxes</b>						
General Property	\$ 311,323	\$ 294,720	\$ 283,735	\$ 273,044	\$ 268,745	\$ 252,682
Retail Sales and Use	277,686 <sup>(2)</sup>	254,522	238,558	221,646 <sup>(3)</sup>	199,735	181,171
Business	319,893	302,371	285,723	277,947	265,830	251,373
Excise	84,222	83,447	82,774	80,219 <sup>(3)</sup>	57,739	54,159
Other Taxes	35,116 <sup>(4)</sup>	12,583	10,328	-	-	-
Penalties and Interest on Delinquent Taxes	-	-	-	-	4,024	3,468
Interfund Business <sup>(5)</sup>	165,453	159,955	146,525	134,959	129,929	123,611
<b>Total Taxes</b>	<b>\$1,193,693</b>	<b>\$1,107,598</b>	<b>\$1,047,643</b>	<b>\$ 987,815</b>	<b>\$ 926,002</b>	<b>\$ 866,464</b>

(1) Preliminary unaudited.

(2) The City estimates that between \$4 million and \$5 million of the increase in retail sales and use tax in 2018 was from an increase in revenue from remote sellers due to the enactment of the State Marketplace Fairness Act that went into effect on January 1, 2018. See “—Retail Sales and Use Taxes.”

(3) Increase between 2014 and 2015 is partially attributed to a voter-approved proposition in November 2014 to expand Metro bus services in the City, which is supported by a \$60 increase to vehicle license fees and a 0.1% increase in the sale tax rate collected.

(4) Includes \$22.2 million from the sweetened beverage tax that was first implemented in 2018. See “—Other Taxes-Sweetened Beverage Tax.”

(5) Business taxes on City-owned utilities (see “Business Taxes” below).

*Source: City of Seattle, Comprehensive Annual Financial Reports, 2013-2017; unaudited results for 2018*

Based on preliminary figures, the amounts for the four primary General Fund tax revenues sources (general property taxes, retail sales and use taxes, business taxes, and interfund business taxes) increased in 2018 from 2017 levels by approximately 5.6%, 9.1%, 5.8%, and 3.4%, respectively. Further descriptions of these major sources of General Fund tax revenues are provided below.

### General Property Taxes

The following provides a general description of the City’s authority with regard to *ad valorem* property taxes and limitations on that authority, the method of determining the assessed value of real and personal property, tax collection procedures, and tax collection information, based on current law.

*Authorized Property Taxes.* Under the State’s laws and the State Constitution, property taxes are classified as either “regular” property taxes or “excess” property taxes. The City is authorized to levy both types of taxes. The City adopts a levy ordinance each November, in conjunction with its annual budget process. It submits a levy amount request to the King County Assessor (the “Assessor”), who calculates the levy rate by spreading the levy amount on the tax rolls, following procedures established by the State Department of Revenue. The Assessor confirms that the levy is within applicable statutory and constitutional limitations and makes any necessary reductions before the County Treasurer may begin to collect the levy on behalf of the City. See “Property Tax Collection Procedure” below.

(i) *Regular Property Taxes.* Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts and commonly are imposed by taxing districts for general municipal purposes, although certain statutes authorize additional regular levies or levy increases for specified limited purposes. General

purpose levies may be used for the payment of debt service on limited tax general obligation indebtedness such as the Bonds, but State law does not prioritize use of property tax levies for this purpose over any other. In general, regular property taxes for general purposes do not require voter approval, though certain statutes authorizing limited purpose levies may require voter approval. Certain tax limitations may be exceeded upon voter approval.

- (ii) *Excess Property Taxes.* Excess property taxes are not subject to limitation as to rate or amount but must be authorized by a 60% approving popular vote meeting minimum voter turnout requirements. Excess levies may be imposed (a) by any taxing district for the repayment of bonds issued for capital purposes, excluding replacement of equipment, (b) by any taxing district for one year for any governmental purpose, or (c) without a popular vote when necessary to prevent impairment of the obligations of contracts when ordered to do so by a court of last resort. Excess levies for the repayment of bonds must meet a minimum voter turnout of 40% of the number who voted at the last November general election.

*Uniformity Requirement.* Article VII, Section 1, of the State Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district levying the tax. The State Constitution also provides that all real estate constitutes a single class, except for certain agricultural properties eligible for special use classification, which may be valued based on current use. It is possible that, because of overlapping taxing district boundaries, the maximum permissible levy might vary within the boundaries of a particular taxing district. In that event, to comply with the constitutional requirement for uniformity of taxation, the lowest permissible rate for any part of the taxing district would be applied to the entire taxing district. See Table 7—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2018, for an example of the levy rates of taxing districts that overlap within the City.

*Regular Property Tax Limitations.* The authority of a taxing district to levy taxes without a vote of the people for general purposes, including the payment of debt service on limited tax general obligation indebtedness such as the Bonds, is subject to the limitations described below.

Information relating to regular property tax limitations and requirements is based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations on the City. Under existing laws and circumstances, none of the property tax limitations currently affect the ability of the City to levy regular property taxes at rates sufficient to pay the debt service on its limited tax general obligation indebtedness such as the Bonds. The following list of tax limitations is not intended to be a comprehensive list of all possible overlapping levies or limitations.

- (i) *City Regular Property Tax Rate Limitations.* The City’s maximum regular property tax levy for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, is \$3.375 per \$1,000 of assessed value (RCW 84.52.043). The City also has authority to levy an additional \$0.225 per \$1,000 of assessed value under the “Firefighters’ Pension Fund Levy” (RCW 41.16.060), for a combined maximum levy rate of \$3.60 per \$1,000 of assessed value.

The additional Firefighters’ Pension Fund Levy may be applied to general municipal purposes only if it is not needed to fund certain legacy firefighter pension obligations.

Legislation passed in 2019, which becomes effective for the 2020 tax collection year, extends the authority beyond the date when all beneficiaries of the original legacy programs are deceased, clarifying an ambiguity in the law. However, it requires that levy proceeds be used for other post-employment benefits (“OPEB”) and other benefits for Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”) Plan 1 members and beneficiaries before being used for other City purposes. See “The City of Seattle—Pension Plans.” The City currently uses other available resources to fund its firefighter pension fund and OPEB expenses and does not currently utilize the Firefighters’ Pension Fund Levy authority.

The City’s regular levy rate for collection in 2019 is \$2.13558 per \$1,000 of assessed value. However, \$1.00971 per \$1,000 of this levy rate is statutorily restricted to purposes described in certain levy lid lift ballot measures. See Tables 7 and 8 and the discussion of “levy lid lift” ballot measures under “Regular Property Tax Amount Increase Limitation” below.



- (ii) *Aggregate Regular Property Tax Levy Rate Limitations.* Article VII, Section 2, of the State Constitution and RCW 84.52.050 limit the aggregate of all regular property tax levies imposed on any given tax parcel by the State and all overlapping taxing districts, except port districts and public utility districts, to 1% of the true and fair value of property. Within the 1% limitation, State statutes limit the levies by the State to not more than \$3.60 per \$1,000 of assessed value adjusted to the State equalized value (with the exception of collection year 2019, when the aggregate levy rate is \$2.40 per \$1,000 of assessed value, and collection years 2018, 2020, and 2021, when the aggregate levy rate is \$2.70 per \$1,000). State statutes also limit the aggregate of all regular levies by all taxing districts (other than the State and other than certain specified levies) to not more than \$5.90 per \$1,000 of assessed value. The specified levies excluded from the \$5.90 limitation include port or public utility district levies, excess property tax levies, levies for acquiring conservation futures, levies for emergency medical care or emergency medical services (“EMS”), levies to finance affordable housing for very-low-income housing, certain portions of levies by metropolitan park districts, certain levies imposed by ferry districts, levies for criminal justice purposes, certain portions of levies by fire protection districts and regional fire protection authorities, levies by counties for transit-related purposes, portions of certain levies by certain flood control zone districts, and levies by regional transit authorities.

The aggregate of all overlapping levy rates within the City that are subject to the \$5.90 limitation is \$3.23197 for the 2019 tax collection year. The aggregate of all overlapping levy rates within the City that are subject to the 1% limitation is \$6.47534 for the 2019 tax collection year.

Because various taxing districts may overlap, the aggregate levy rate applied to any two tax parcels within the City may not be identical. If the aggregate levy rate exceeds the aggregate rate limitation on any single parcel within a taxing district, the regular levy rates of each taxing district that includes that parcel may be reduced. Because of the constitutional requirement for uniformity of taxation within a taxing district (described above), any reduction affects the entire taxing district. If reductions are required, they are made by the Assessor, in accordance with State statutes and guidance from the State Department of Revenue setting forth a prioritization of regular levies. The regular “general purpose” levies of the State, counties, road districts, cities, towns, port districts, and public utility districts are considered “senior” levies; the regular levies of all other taxing districts (and certain special purposes levies that may be made by the City, including the Firefighters’ Pension Fund Levy) are considered “junior” tax levies. State statute prescribes the order in which the various junior tax levies are reduced or eliminated in order to comply with the aggregate rate limitations. Senior levies, such as the City’s general purpose levy, are not subject to reduction or elimination based on aggregate rate limitations.

- (iii) *Regular Property Tax Amount Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) also limits the amount of any regular levy for any particular year (other than certain levies by the State for collection in 2018 through 2021) to the highest amount that could have been levied in any prior year, multiplied by a specified percentage (the “limit factor”) plus an adjustment for new construction, annexations, certain improvements to property, and State-assessed property. The limit factor is defined as the greater of (a) the lesser of 101% or 100% plus inflation, or (b) if approved by a majority plus one vote of the governing body upon a finding of substantial need, any percentage up to 101%. If a taxing district levies less than its highest allowable levy, the amount not levied still may be included in the base for determining a subsequent year’s maximum amount limitation. The difference between the highest amount that could have been levied in any year and the amount actually levied is sometimes referred to as “banked” levy capacity.

The amount limitation may be exceeded upon approval of a simple majority of voters. This is known as a “levy lid lift.” A levy lid lift permits a levy amount increase greater than would otherwise be allowed, which increase may be effective indefinitely or for a limited period of time. Tax receipts from the incremental increase may be (but are not required to be) restricted in the ballot proposition to satisfy a limited purpose. A levy lid lift will not increase the levy if it would cause the taxing district’s levy to exceed the applicable maximum rate limitations or the aggregate rate limitations described above. The City has several levy lid lifts that have been approved by the voters and are currently in effect. The incremental tax rates for the levy lid lifts currently in effect are shown below in Table 7—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2019, and Table 8—Voted Levy Lid Lifts in Effect in 2019.

*Relationship Between Rate and Amount Limitations.* Because the regular property tax increase limitation applies to the total dollar amount levied rather than to the levy rate, increases in the assessed value of all property in the taxing

district (excluding new construction, improvements, and State-assessed property) that exceed the rate of growth in taxes allowed by the limit factor may result in decreased regular tax levy rates, unless voters authorize a higher levy or the taxing district uses banked levy capacity. Decreases in the assessed value of all property in the taxing district (including new construction, improvements, and State-assessed property) or increases in such assessed value that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates. Thus, as assessed values rise, the levy amount increase limitation may restrict levy growth. As assessed values fall, the levy rate limitation may restrict levy growth.

*Guaranty Fund Levies.* In addition to the City's general purpose regular levy and the aggregate \$5.90 per \$1,000 limitations described above, but within the constitutional 1% aggregate levy limitation, the City may impose a levy for the maintenance of a local improvement guaranty fund to secure debt of any local improvement district that may be created by the City. The amount of a guaranty fund levy in any given collection year may not exceed the greater of (i) 12% of the outstanding obligations guaranteed by the fund, or (ii) the total amount of delinquent assessments and interest accumulated on the delinquent assessments (RCW 35.54.060). The taxes levied for the maintenance of the guaranty fund will be in addition to and, if need be, in excess of all statutory and charter limitations applicable to tax levies in any city or town.

The City previously issued \$21,924,640.73 of Local Improvement District No. 6750 Bonds, 2006, of which \$4,975,000 principal amount is currently outstanding and guaranteed by the local improvement guaranty fund. The balance in the local improvement guaranty fund as of December 31, 2018, was \$907,078.48.

On January 29, 2019, the City Council adopted Ordinance 125760 (the "LID Ordinance"), creating Local Improvement District No. 6751 (the "Waterfront LID"). The City plans to issue local improvement district bonds (the "Waterfront LID Bonds") secured by the Guaranty Fund within the next two to three years, depending on the result of a challenge to the formation of the Waterfront LID and the timing of steps necessary to finalize the Waterfront LID assessment roll. The amount of Waterfront LID Bonds is authorized to be up to \$160 million, plus an amount for costs of issuance and to fund a Guaranty Fund deposit in an amount not to exceed approximately 10% of the par amount of the Waterfront LID Bonds. See "Other Considerations—Considerations Related to Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program—Waterfront Local Improvement District."

Nothing in State or local law prohibits the City from, in the future, creating additional local improvement districts and issuing additional local improvement district debt secured by the Guaranty Fund.

*Assessed Value Determination.* The Assessor determines the value of all real and personal property throughout King County (the "County") (including the City) that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

The assessed value of real property is equal to 100% of its fair market value, as determined by the Assessor using procedures prescribed by the State Department of Revenue. Three approaches may be used to determine the fair market value of real property: market data, replacement cost, and income-generating capacity. All property in the County is revalued each year based on market statistics and is subject to on-site appraisal and revaluation every six years. Although the intent is that the assessed value reflect 100% of market value, the infrequency of on-site appraisals can lead to assessed valuations that lag market and other adjustments. For purposes of the State property tax levies, the State Department of Revenue annually surveys each county to calculate a ratio of assessed values to fair market value, and determines an equalization ratio for each county. The State property tax levies are equalized across the State using these ratios. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals.

*Property Tax Collection Procedure.* Property taxes are levied in specific amounts by the respective taxing districts. The levy rate is calculated and fixed by the Assessor based upon the assessed value of the taxable property within the

taxing district. The Assessor is empowered to make adjustments according to statute and regulations promulgated by the State Department of Revenue to ensure compliance with the levy rate and amount limitations described above.

The method of giving notice of payment of taxes due, the accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by statute and regulation. The Assessor extends the taxes to be levied within each taxing district on a tax roll that contains the total amount of taxes levied and to be collected. The tax roll is delivered by January 15 of each year to the King County Treasury Division Manager (an appointed official), who creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account.

All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds \$50, one half may be paid by April 30 and the balance must be paid no later than October 31 of that year. Delinquent taxes are subject to interest at the rate of 12% per year computed on a monthly basis from the date of delinquency until paid. In addition, a penalty of 3% is imposed on June 1 of the year in which the tax is due and 8% on December 1 of that year. Penalties are credited to the account of the taxing district; interest on delinquent taxes is credited to the County's current expense fund.

The lien on property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation except for federal civil judgment liens and the possible application of the State "homestead exemption" described below. A federal lien on personal property that is filed before a State or local personal property tax is levied is senior to the State or local personal property tax lien. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to a lien for real property taxes that are levied after the judgment lien has been recorded. By law, the County may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency. State courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125,000 of proceeds of the forced sale of a family residence for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not. See also *Algonia v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982) (holding the homestead right superior to liens for improvement district assessments).

The following tables set forth financial information regarding the City's tax collection record and *ad valorem* levy rates and an example of representative overlapping levy rates for one levy code area of the City.

**TABLE 5  
CITY PROPERTY TAX COLLECTION RECORD**

<b>Collection Year</b>	<b>Total Assessed Value</b>	<b>Ad Valorem Tax Levy</b>	<b>Tax Collected Year Due<sup>(1)</sup></b>	<b>Total Collected As of 12/31/2018</b>
2019	\$ 244,938,709,301	\$ 544,009,712	N/A	N/A
2018	214,109,064,214	503,981,703	98.84%	98.92%
2017	186,325,342,799	486,947,806	98.71%	99.76%
2016	163,924,328,611	452,827,119	98.79%	99.92%
2015	145,091,711,416	379,042,833	98.72%	99.99%
2014	128,814,234,965	390,707,880	98.57%	99.88%

(1) Tax base used for regular (non-voted) property tax levies; equals total City assessed value shown under “Debt Information—Debt Capacity and Debt Service Summaries” less the value of certain property exempt from taxation.

Source: King County Department of Assessments, King County Finance and Business Operations Division, and City Department of Finance and Administrative Services

**TABLE 6  
AD VALOREM LEVY RATES AND LEVY AMOUNTS OF THE CITY**

<b>Collection Year</b>	<b>Levy Rates (per \$1,000 of Assessed Value)</b>			<b>Levy Amounts</b>		
	<b>General<sup>(1)</sup></b>	<b>UTGO Bonds</b>	<b>Total</b>	<b>General<sup>(1)</sup></b>	<b>UTGO Bonds</b>	<b>Total</b>
2019	2.13558	0.09358	2.22916	\$ 521,238,054	\$ 22,771,658	\$ 544,009,712
2018	2.21919	0.14290	2.36209	473,604,377	30,377,326	503,981,703
2017	2.45735	0.16592	2.62327	456,259,294	30,688,512	486,947,806
2016	2.59545	0.17757	2.77302	423,969,612	28,857,507	452,827,119
2015	2.49312	0.13040	2.62352	360,294,510	18,739,206	379,033,716

(1) The General Levy is subject to certain statutory limitations (see “General Property Taxes—Regular Property Tax Limitations”). The rate shown above includes nonvoted regular levies and voted levy lid lifts for various specified purposes, described below in Table 7. An additional voter-approved EMS levy, which is considered a separate special purpose levy, is not shown in this table.

Source: King County Department of Assessments

**TABLE 7**  
**REPRESENTATIVE OVERLAPPING LEVY RATES AND CITY-SPECIFIC TAX RATES WITHIN THE CITY<sup>(1)</sup>**  
**COLLECTION YEAR 2019**  
**(Per \$1,000 of Assessed Value)**

<b>Overlapping Rates Within City of Seattle</b>	<b>2019</b>
City of Seattle	\$2.22916
King County	1.21906
State School Fund <sup>(2)</sup>	2.62922
Port of Seattle	0.12266
Seattle School District No. 1	1.35033
Voted EMS	0.21762
County Flood Zone	0.09660
Seattle Park District <sup>(3)</sup>	0.21365
Sound Transit 3	0.20700
<b>Total Within City of Seattle</b>	<b>\$8.28530</b>
<b>City of Seattle - Specific Rates</b>	
Current Expense Base and Pension	\$1.12587
Voted Lid Lifts	
Low-Income Housing	0.16965
Families and Education	0.35307
Library	0.07389
Transportation	0.40082
I-122 Election Vouchers	0.01228
<b>Subtotal Voted Lid Lifts</b>	<b>\$1.00971</b>
Subject to \$3.60 Limit	\$2.13558
Voted Bonds	0.09358
<b>Total City Rates</b>	<b>\$2.22916</b>

- (1) Levy rate paid by taxpayers within the City’s levy code area with the largest assessed value. This table includes both regular and excess property tax levies and cannot be used to determine levy capacity within the \$5.90 or 1% aggregate levy rate limitations described under “General Property Taxes—Regular Property Tax Limitations.”
- (2) The aggregate State School Fund rate includes two levies: State School Fund Part 1, for \$1.91593, and State School Fund Part 2, for \$0.71329. The combined rate of \$2.62922, multiplied by the equalization ratio established by the Department of Revenue for the County for 2019 (91.3%) is equal to the maximum combined State levy rate of \$2.40 per \$1,000 of assessed value.
- (3) The Seattle Park District is a metropolitan park district with boundaries coterminous with those of the City. The district is a separate municipal corporation with its own statutory maximum levy rate of \$0.75 per \$1,000 of assessed value, though the actual levy imposed by the district is constrained under an interlocal agreement between the City and the district. The members of the City Council comprise the governing body of the park district

Source: King County Department of Assessments

**TABLE 8**  
**VOTED LEVY LID LIFTS IN EFFECT IN 2019**

<b>Lid Lifts</b>	<b>Term</b>	<b>Amount Expected to be Raised Over Levy Period</b>
Library <sup>(1)</sup>	2013-2019	\$ 122,630,099
Transportation	2016-2024	930,000,000
I-122 Election Vouchers	2016-2025	30,000,000
Low-Income Housing	2017-2023	290,000,000
Families, Education, Preschool and Promise	2019-2026	600,000,000

(1) Renewal of the Library levy in the amount of \$219.1 million over seven years will be on the August 6, 2019, primary ballot.

*Major Property Tax Payers.* The following table presents the property tax payers within the City with the highest 2018 assessed value for tax collection year 2019.

**TABLE 9**  
**2019 LARGEST PROPERTY TAXPAYERS**

<b>Taxpayer<sup>(1)</sup></b>	<b>Type of Business</b>	<b>Total Assessed Value<sup>(2)</sup></b>	<b>Percent of of Total Assessed Value</b>
Amazon	Electronic Commerce	\$ 2,545,587,715	1.04 %
Union Square Limited Partnership	Commercial Real Estate	1,046,601,127	0.43
FSP-RIC LLC	Commercial Real Estate	796,575,000	0.33
Altus Group US Inc.	Commercial Real Estate	774,836,600	0.32
Acom Development LLC (Amazon)	Commercial Real Estate	687,960,000	0.28
1201 Tab Owner LLC	Commercial Real Estate	671,093,730	0.27
TC 4 & Madison LLC	Commercial Real Estate	549,230,000	0.22
Iris Holdings LLC	Commercial Real Estate	518,782,700	0.21
Marvin F Poer & Co.	Commercial Real Estate	484,431,200	0.20
999 Third Avenue Property	Commercial Real Estate	457,306,976	0.19
Total		\$ 8,532,405,048	3.48 %
Total City Assessed Value for Tax Collection Year 2019		\$244,938,709,301	

(1) Includes taxpayers paying real and personal property taxes as property owners. Excludes governmental entities or taxpayers paying leasehold excise taxes based on rental payments for property they lease from governments.

(2) Includes the value of certain property exempt from taxation.

*Source: King County Department of Assessments*

### **Retail Sales and Use Taxes**

Under State law, the State imposes a State-wide sales and use tax on goods and services, and local governments (cities, counties, and certain other municipal corporations) are authorized to levy additional “local option” sales and use taxes for general governmental purposes. Local option sales and use taxes are imposed on the same goods and services as the State retail sales and use tax. Among the various items currently exempt from sales and use taxes are most personal services, motor vehicle fuel, most food sold for off-premises consumption, trade-ins, and purchases for resale. The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion. State law does not provide a general exemption for businesses, nonprofits, or governmental entities from payment of sales and use taxes. Receipts from certain local option retail sales and use taxes are restricted to a specific purpose.

A sales tax of 10.1% is charged on all gross retail sales in the City. The 10.1% is a composite of separate rates for several jurisdictions: 6.5% for the State, 0.85% for the City, 0.15% for the County for general purposes, 1.4% for the County to support public transportation, 0.9% for the Central Puget Sound Regional Transit Authority, 0.1% for the County to support chemical dependency or mental health programs, 0.1% for the support of criminal justice programs within the County, and 0.1% for the City for the Transportation Benefit District. The first 10% of the criminal justice tax revenues is allocated to the County. The remaining 90% of the criminal justice tax revenues is allocated to the County and cities within the County based on population.

In general, sales taxes are imposed on the purchase by consumers (including State and local governments) of a broad base of tangible personal property and selected services, including construction (labor and materials), machinery and supplies, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and the use of certain personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax).

Sales taxes on applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon the applicable rendering of service or use of personal property. The County collects any use tax imposed on the use of motor vehicles. Each seller (and the County) is required to hold taxes in trust until remitted to the State Department of Revenue, which usually occurs on a monthly basis. The State Department of Revenue administers and collects sales and use taxes from sellers, consumers, and the County and makes disbursements to the City on a monthly basis. Disbursements lag two months behind collections.

*Taxation of Internet Sales and Marketplace Fairness Act.* The State Marketplace Fairness Act went into effect on January 1, 2018, requiring remote sellers and marketplace facilitators with \$10,000 or more in retail sales in the State within a calendar year to elect either to collect and remit sales and use tax or to comply with the use tax notice and reporting requirements in State statute.

On June 21, 2018, the U.S. Supreme Court decided *South Dakota v. Wayfair* (“*Wayfair*”), upholding a similar South Dakota law. Prior to that decision, states could impose a sales tax collection obligation only on sellers with a physical presence in the state under federal law. Following the change in federal law set forth in *Wayfair*, the Department of Revenue determined that the “collect or report” election provision was in conflict with the authority requiring collection. Legislation adopted in 2019 (chapter 8, Laws of 2019) addressed this issue and conformed State nexus requirements in other State laws to follow the *Wayfair* decision. Therefore, remote sellers and marketplace facilitators that have \$100,000 or more of gross retail sales or 200 or more retail transactions in the State (the thresholds approved in *Wayfair*) during the current or prior calendar year are required to collect and remit sales tax on all taxable retail sales in the State. The 2019 legislation, effective March 14, 2019, eliminated the 200-transaction threshold. Remote sellers and marketplace facilitators that have \$100,000 or more in retail sales to Washington purchasers are required to collect and remit sales tax on all taxable retail sales in the State.

The City estimates that the change in law added between \$4 million and \$5 million of sales tax revenues in 2018 and forecasts that it will result in approximately \$2 million to \$3 million of additional new tax receipts in 2019.

*State-Shared Sales Tax Revenue for Affordable Housing.* During the 2019 Legislative session, the State adopted legislation authorizing cities to impose an additional local-option sales tax that will be credited against the State sales tax rate, resulting in no net change to the rate paid by retail consumers. This results in a pass-through of State sales taxes to the local jurisdiction, which must be used solely to provide housing or housing-related services to persons whose income is at or below 60% of area median income. The pass-through is limited to 20 years and is capped at an amount equal to the amount collected within the local jurisdiction at the rate of the pass-through during the period from July 1, 2018, through June 30, 2019. The City is currently considering the steps necessary to take advantage of this State funding.

## **Business Taxes**

The City imposes a business and occupation (“B&O”) tax for the act or privilege of engaging in business activities. The City imposes this B&O tax at varying rates, depending on the class of business, based on the value of products, gross proceeds of sales, or gross income of the business, as applicable. Certain businesses are exempted, and deductions and credits are allowed. State law limits the maximum rate at which cities may levy the B&O tax to 0.2%, but cities whose tax rates were higher than this level when the limit was imposed can maintain their current tax rates. Some additional rate increases are possible within the parameters set by State law, including voter approval. The City’s current rates range from 0.215% to 0.415%. The City’s tax is in addition to the B&O tax imposed by the State.

The City imposes a utility B&O tax on the investor-owned natural gas, telephone, and steam utilities operating in the City at the 6% maximum rate permitted under State law without a vote of the electors and a utility B&O tax on cable television utilities operating in the City at the rate of 10%.

The City imposes a utility B&O tax on the City-owned electric utility at the 6% maximum rate permitted under State law without a vote of the electors and a utility B&O tax on the City-owned drainage utility and solid waste utility at the rate of 11.5%, on the City-owned wastewater utility at the rate of 12%, and on the City-owned water utility at the rate of 15.54%. Under the City Charter, a City-owned utility may pay taxes to the City only if sufficient revenue is available after paying debt service and the cost of necessary betterments and replacements for the current year. These taxes are categorized as Interfund Business in Table 4.

## **Real Estate Excise Taxes**

The City imposes a real estate excise tax of 0.5% on sales of real property in the City. The proceeds may be used for qualifying capital projects and, until January 1, 2026, for certain affordable housing purposes. A portion of the revenue is used for the payment of certain of the City’s general obligation bonds issued to finance those projects. The City’s tax is in addition to the State real estate excise tax.

The State’s current real estate excise tax rate, through December 31, 2019, is 1.28% of the selling price. Beginning January 1, 2020, the State real estate excise tax will be imposed based on a graduated rate schedule, as follows: 1.1% on the first \$500,000 of the selling price; 1.28% on the portion of the selling price that is greater than \$500,000 but equal to or less than \$1.5 million; 2.75% on the portion of the selling price greater than \$1.5 million, but equal to or less than \$3.0 million; and 3% on the portion of the selling price that is greater than \$3.0 million. A rate of 1.28% is imposed on the sale of undeveloped land, timberland, agricultural land, and water or mineral rights, regardless of selling price. Beginning on January 1, 2022 and every four years thereafter, the Department of Revenue will adjust the selling price thresholds by a factor equal to the lesser of 5.0% or the growth in the Consumer Price Index for “shelter” over the those four years (but not less than 0%).

## **Other Taxes**

*Local Income Tax Proposal.* On July 10, 2017, the City Council adopted Ordinance 125339 establishing a progressive local income tax targeting high-income households. The tax was immediately challenged on State statutory and State constitutional grounds. On November 22, 2017, the Superior Court struck down the ordinance as lacking statutory authorization and declined to rule on any of the various constitutional challenges. The intermediate court of appeals overturned the lower court’s statutory ruling and held instead that the tax as written is unconstitutional. The City plans to seek Supreme Court review of this decision, and cannot predict when the suit will be resolved. Bond Counsel is providing no opinion regarding whether interest income arising from ownership of the Bonds would be subject to such a tax, if ultimately upheld.

*Sweetened Beverage Tax.* On January 1, 2018, the City began imposing a Sweetened Beverage Tax, adopted by Ordinance 125324 in June 2017, that taxes sweetened beverages distributed for retail sale in the City at the standard rate of \$0.0175 per ounce. There is a reduced rate of \$0.01 per ounce for certain manufacturers. This tax generated \$22.254 million in 2018 and is forecasted to generate \$23.970 million in 2019.



*Short-Term Rentals Tax.* In November 2017, the City Council adopted Ordinance 125442 imposing a tax, beginning January 1, 2019, on persons operating short-term rental businesses within the City. In 2018, after reaching a compromise with the Washington State Convention Center Public Facilities District (a separate municipal corporation with boundaries encompassing all of the County), the City repealed its ordinance in exchange for State legislation that permitted the district to collect a tax at a rate of up to 7% per night on short-term rental activity throughout the County, beginning January 1, 2019. This legislation requires the district to pay to the City an amount equal to the portion of revenues from its tax derived from short-term rental activity within the City. The amount expected to be paid to the City is projected to be approximately \$8.803 million in 2019.

### **Legislative Changes Affecting City Taxing Authority and Limitations**

Changes in tax legislation at the local, State, and national levels could affect City revenues. Certain authority of Washington local governments to impose taxes is granted by statute and, from time to time, the State Legislature does adjust those taxing powers and limitations. Local and State-wide initiative measures may also make changes to local government taxing powers and limitations. See “Initiative and Referendum” below. Legislation affecting the City’s taxing power and limitations (and those of overlapping taxing districts, which may affect the aggregate levy rates and limitations within the City) may be pending or may arise at any time.

### **DEBT INFORMATION**

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be incurred in accordance with detailed budget procedures and paid from identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur a current liability in excess of budgetary appropriations. In an emergency, the City Council may put a plan into effect and authorize indebtedness outside the current budget. All expenditures for emergency purposes must be paid from any available money in the fund properly chargeable with such expenditures.

### **Limitations on Indebtedness**

The State Constitution and statutes limit the City’s ability to incur indebtedness based on a percentage of the assessed value of the taxable property within the City at the time the indebtedness is incurred. Changes in assessed value subsequent to issuance have no effect on outstanding debt, but may limit the City’s ability to issue future debt. See “Debt Capacity and Debt Service Summaries” below.

*Non-Voted Debt.* The Bonds are issued as non-voted debt. State law provides that the City may, without a vote of the electors, incur general obligation debt in an amount not to exceed 1.5% of the assessed value of all taxable property within the City. The amount of non-voted debt plus the outstanding voter-approved debt for general municipal purposes also is subject to the aggregate debt limitation described below. Non-voted general obligation debt may be issued as follows: (i) pursuant to an ordinance specifying the amount and object of the expenditure of the proceeds, the City Council may borrow money for corporate purposes and issue bonds or notes within the constitutional and statutory limitations on indebtedness, (ii) the City may execute conditional sales contracts for the purchase of real or personal property, and (iii) the City may execute leases with or without an option to purchase.

*Voter-Approved Debt.* Subject to 60% approval at an election held within the City, the City additionally may incur general obligation debt in an amount not to exceed 2.5% of assessed value for general municipal purposes (when combined with any outstanding non-voted debt), 2.5% for certain utility purposes, and 2.5% for certain parks, open space, and economic development purposes. If the ballot proposition approving issuance of voter-approved debt also approves (upon the requisite minimum voter turnout) the levy of taxes without limitation in amounts sufficient to repay those voter-approved bonds, then the bonds will be payable from a special excess tax levy. Under the State’s laws and constitution, the levy for such purpose may not be used for any purpose other than the repayment of those voter-approved bonds.

*Aggregate Debt Limitations.* The combination of voted and non-voted general obligation debt for general municipal purposes may not exceed 2.5% of assessed value. The total of all voted and non-voted general obligation debt issued for all purposes may not exceed 7.5% of assessed value.

*Short-Term Obligations.* Within the limitations described above, State law permits municipal corporations to borrow money and to issue short-term obligations for any lawful purpose and in anticipation of the receipt of revenues, taxes, or grants, or the sale of bonds, if the bonds have been authorized by the governing body or the voters, as applicable. Short-term obligations issued in anticipation of taxes must be repaid within six months after the end of the fiscal year in which they are issued.

*City-Guaranteed Debt.* The City has entered into agreements with several public development authorities chartered by the City and other public entities to provide guarantees or contingent loan agreements with respect to debt issued by those authorities. The City includes the outstanding principal amount of such debt that it has guaranteed as a debt of the City for the purposes of calculating its legal debt capacity under the constitutional limitations described above. State law does not otherwise restrict the City from providing future similar guarantees for appropriate public purposes. The aggregate amount of such currently outstanding debt subject to City guarantees or contingent loan agreements are shown on Table 10—Estimated Legal Debt Capacity (notes 6 and 7).

### **Debt Payment Record**

The City always has met principal and interest payments on all of its general obligation bonds when due and has not issued refunding bonds for the purpose of preventing an impending default.

### **Future General Obligation Debt Obligations**

The City generally issues limited tax general obligation debt to fund its capital programs on an annual basis. Additionally, the City periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

In addition, the City may from time to time incur non-bond financial obligations through State and federal loan programs, leases, or interlocal agreements. The City also from time to time considers the use of its general obligation debt capacity to provide guarantees of debt issued by City-chartered public development authorities, consistent with the City's debt policies.

After this issuance, \$10 million will remain authorized under Ordinance 125456 but unissued for general municipal purposes. The authorization will expire on December 31, 2020, and the City has no plans to issue this amount prior to its expiration.

### **Debt Capacity and Debt Service Summaries**

Table 10 sets forth the computation of the City's estimated legal debt capacity based on debt outstanding as of December 31, 2018, and a total City assessed value for collection of taxes in 2019 of \$244,938,709,301. Giving effect to the issuance of the Bonds, there remains \$2,175,541,683 of unlimited tax general obligation debt capacity for general purposes and \$2,818,371,555 of limited tax general obligation debt capacity. The tables below show the annual principal and interest due on the Bonds and all outstanding general obligations of the City and the City's net direct and overlapping debt and debt ratios as of December 31, 2018.

**TABLE 10**  
**ESTIMATED LEGAL DEBT CAPACITY<sup>(1)</sup>**  
**(as of December 31, 2018)**

	General Capacity		Special Purpose Capacity		Total Capacity (7.5% of AV)
	A	B	Voter-Approved Open Space and Parks (2.5% of AV)	Voter-Approved Utility Purpose (2.5% of AV)	
Assessed Value as of February 25, 2019 <sup>(2)</sup> \$244,938,709,301					
2.5% of AV	\$ -	\$ 6,123,467,733	\$ 6,123,467,733	\$ 6,123,467,733	\$ 18,370,403,198
1.5% of AV	3,674,080,640	(3,674,080,640)			
	\$ 3,674,080,640	\$ 2,449,387,093	\$ 6,123,467,733	\$ 6,123,467,733	\$ 18,370,403,198
Debt Outstanding <sup>(3)</sup>					
The 2019A Bonds	\$ (35,870,000)	\$ -	\$ -	\$ -	\$ (35,870,000)
The 2019B Bonds	(11,100,000)				
Outstanding Bonds	(703,590,000)	(273,880,000)	-	-	(977,470,000)
Guarantees on PDA Bonds <sup>(4)</sup>	(39,300,000)	-	-	-	(39,300,000)
Public Works Assistance Account Loans <sup>(5)</sup>	(18,070,027)				(18,070,027)
Compensated Absences <sup>(6)</sup>	(69,299,632)	-	-	-	(69,299,632)
Total Debt Outstanding	\$ (877,229,659)	\$ (273,880,000)	\$ -	\$ -	\$ (1,140,009,659)
Available Net Assets in Redemption and Other Funds <sup>(7)</sup>	\$ 10,251,767	\$ 34,590	\$ -	\$ -	\$ 10,286,357
Compensated Absences for Sick Leave <sup>(5)</sup>	11,268,807	-	-	-	11,268,807
Net Debt Outstanding	\$ (855,709,085)	\$ (273,845,410)	\$ -	\$ -	\$ (1,129,554,495)
<b>Legal Debt Margin</b>	<b>\$ 2,818,371,555</b>	<b>\$ 2,175,541,683</b>	<b>\$ 6,123,467,733</b>	<b>\$ 6,123,467,733</b>	<b>\$ 17,240,848,703</b>

**FOOTNOTES TO TABLE:**

- (1) Legal debt limits are established in the State Constitution and by statutes, including RCW 39.36.020 and 35.42.200.
- (2) RCW 39.36.015 allows incorporated cities to use the “last assessment for city purposes.” This assessment was issued as of February 25, 2019, for taxes payable in 2019.
- (3) State law and the State Auditor’s Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating legal debt capacity, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.
- (4) Includes the principal amounts of City-guaranteed bonds issued by the following public development authorities (“PDA”) established by the City: the Seattle Indian Services Commission (“SISC”) and the Museum Development Authority. Under a 2012 Washington State Supreme Court decision, the total principal amount plus the amount of interest due and not yet paid is to be treated as “debt” when calculating the City’s legal debt capacity. Due to lack of clarity in that decision as to how interest should be calculated or when interest should be deemed to accrue, no amount for interest has been included in Table 10. In addition, since May 1, 2015, the City has provided funds under its guaranty of SISC debt. See “Seattle Indian Services Commission Debt Guaranty” below and Appendix B—The City’s 2017 Comprehensive Annual Financial Report—Note 15, Contingencies.
- (5) Includes City obligations to repay loans from the Washington State Public Works Assistance Account. This is a departure from State accounting procedures prescribed by the State Auditor that currently do not include amounts loaned by the State and federal governments in calculating debt capacity. However, the City’s bond counsel does include State and federal loans to the City, including Public Works Assistance Account indebtedness, as within the applicable constitutional debt limits. In 2018, the City entered into another such loan from the Washington State Public Works Assistance Account in the amount of approximately \$10 million.
- (6) As of December 31, 2018. The State Auditor’s Office requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt capacity. All compensated absences except the sick leave estimate meet this criterion. The City’s bond counsel does not include compensated absences as debt for the purpose of calculating the City’s debt capacity.
- (7) As of December 31, 2018. Excludes available net assets in the Local Improvement Guaranty Fund and the Interfund Notes Payable Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

*Seattle Indian Services Commission Debt Guaranty.* The SISC issued its Special Obligation Revenue Refunding Bonds, 2004 (the “SISC Bonds”), on November 1, 2004, in the amount of \$5.2 million. The outstanding amount as of December 31, 2018, is \$2.290 million. The SISC Bonds will be fully retired on November 1, 2024. The SISC Bonds include serial maturities and annual mandatory redemption payments on term bonds due on November 1 of each year and bear interest payable on May 1 and November 1 at fixed rates ranging from 4.20% to 4.50%. The SISC Bonds are not subject to acceleration under any circumstances. Pursuant to a Cooperation Agreement between the City and SISC dated March 1, 1994, as amended on September 1, 2004 (the “Cooperation Agreement”), in the event of an insufficiency to make a scheduled payment on any Debt Service Payment Date, the City is obligated to pay an amount necessary to make up such insufficiency. The City’s obligations are unconditional obligations of the City. In 2014, SISC experienced unforeseen conditions that left it unable to fulfill its debt obligations on bonds guaranteed by the City. The City made a payment under the Cooperation Agreement on May 1, 2015, and subsequently has budgeted to pay debt service on SISC Bonds on each May 1 and November 1, in accordance with the City’s unconditional obligation. As of December 31, 2018, remaining scheduled principal and interest payments with respect to the SISC Bonds guaranteed by the City total \$2.290 million and \$369,940, respectively. The City currently expects that it will continue to make the scheduled debt service payments through the life of the SISC Bonds. See Appendix B—The City’s 2017 Comprehensive Annual Financial Report—Note 15, Contingencies.

**TABLE 11**  
**SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**  
**LIMITED TAX GENERAL OBLIGATION BONDS**

	Outstanding <sup>(1)</sup>			2019A Bonds			2019B Bonds (Taxable)			Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2019	\$ 70,750,287	\$ 29,776,304	\$ 100,526,591	\$ -	\$ 391,264	\$ 391,264	\$ -	\$ 64,661	\$ 64,661	\$ 100,982,516
2020	64,875,287	26,890,782	91,766,068	2,345,000	1,638,425	3,983,425	440,000	276,059	716,059	96,465,552
2021	66,843,355	23,962,083	90,805,437	2,465,000	1,518,175	3,983,175	450,000	267,159	717,159	95,505,771
2022	60,558,256	21,144,787	81,703,043	2,580,000	1,392,050	3,972,050	460,000	258,013	718,013	86,393,105
2023	59,313,256	18,506,933	77,820,189	2,720,000	1,259,550	3,979,550	470,000	248,502	718,502	82,518,241
2024	60,477,442	15,781,879	76,259,321	2,860,000	1,120,050	3,980,050	480,000	238,598	718,598	80,957,969
2025	58,887,442	13,089,692	71,977,134	3,015,000	973,175	3,988,175	490,000	228,168	718,168	76,683,476
2026	42,282,442	10,377,822	52,660,264	3,165,000	818,675	3,983,675	500,000	217,153	717,153	57,361,091
2027	30,817,442	8,732,109	39,549,551	3,330,000	656,300	3,986,300	510,000	205,535	715,535	44,251,386
2028	29,657,442	7,512,488	37,169,930	1,045,000	546,925	1,591,925	525,000	193,243	718,243	39,480,097
2029	26,605,789	6,388,382	32,994,171	1,105,000	493,175	1,598,175	540,000	180,328	720,328	35,312,673
2030	26,245,789	5,347,624	31,593,413	775,000	446,175	1,221,175	550,000	166,700	716,700	33,531,288
2031	26,650,789	4,280,671	30,931,460	820,000	406,300	1,226,300	565,000	152,343	717,343	32,875,103
2032	17,875,000	3,302,619	21,177,619	855,000	368,700	1,223,700	580,000	137,313	717,313	23,118,632
2033	14,575,000	2,589,718	17,164,718	890,000	333,800	1,223,800	595,000	121,595	716,595	19,105,113
2034	13,505,000	1,997,601	15,502,601	925,000	297,500	1,222,500	610,000	105,175	715,175	17,440,276
2035	12,055,000	1,501,827	13,556,827	965,000	259,700	1,224,700	625,000	88,038	713,038	15,494,564
2036	9,005,000	1,095,568	10,100,568	1,000,000	220,400	1,220,400	650,000	69,863	719,863	12,040,830
2037	5,420,000	819,255	6,239,255	1,045,000	179,500	1,224,500	665,000	50,795	715,795	8,179,550
2038	3,175,000	608,105	3,783,105	1,085,000	136,900	1,221,900	685,000	31,049	716,049	5,721,054
2039	1,140,000	483,400	1,623,400	1,130,000	92,600	1,222,600	710,000	10,473	720,473	3,566,473
2040	1,190,000	437,800	1,627,800	145,000	67,100	212,100	-	-	-	1,839,900
2041	1,235,000	390,200	1,625,200	150,000	61,200	211,200	-	-	-	1,836,400
2042	1,285,000	340,800	1,625,800	155,000	55,100	210,100	-	-	-	1,835,900
2043	1,335,000	289,400	1,624,400	165,000	48,700	213,700	-	-	-	1,838,100
2044	1,390,000	236,000	1,626,000	170,000	42,000	212,000	-	-	-	1,838,000
2045	1,445,000	180,400	1,625,400	180,000	35,000	215,000	-	-	-	1,840,400
2046	1,500,000	122,600	1,622,600	185,000	27,700	212,700	-	-	-	1,835,300
2047	1,565,000	62,600	1,627,600	190,000	20,200	210,200	-	-	-	1,837,800
2048	-	-	-	200,000	12,400	212,400	-	-	-	212,400
2049	-	-	-	210,000	4,200	214,200	-	-	-	214,200
<b>Total</b>	<b>\$ 711,660,017</b>	<b>\$ 206,249,447</b>	<b>\$ 917,909,464</b>	<b>\$ 35,870,000</b>	<b>\$ 13,922,939</b>	<b>\$ 49,792,939</b>	<b>\$ 11,100,000</b>	<b>\$ 3,310,757</b>	<b>\$ 14,410,757</b>	<b>\$ 982,113,160</b>

(1) Includes debt service on Public Works Assistance Account loans. Does not include City-guarantees or contingent loan agreements with respect to debt issued by City-chartered PDAs. Reflects taxable rates on certain bonds issued as taxable bonds with a federal subsidy, but is not adjusted to reflect the receipt of any federal tax credit subsidy payment associated with those bonds. See "Other Considerations—Federal Sequestration and Other Federal Funding Considerations."

**TABLE 12**  
**NET DIRECT AND OVERLAPPING DEBT**

Outstanding Direct Debt <sup>(1)</sup>	
Unlimited Tax General Obligation Bonds	\$ 273,880,000
Limited Tax General Obligation Bonds <sup>(2)</sup>	703,590,000
The 2019A Bonds	35,870,000
The 2019B Bonds	11,100,000
Less: Cash and Investments in Debt Service Funds	<u>(10,286,357)</u>
<b>Net Direct Debt</b>	<b>\$ 1,014,153,643</b>
Estimated Overlapping Debt <sup>(3)</sup>	
King County <sup>(4)</sup>	\$ 276,749,579
Port of Seattle	146,333,082
Seattle School District No. 001	22,159,304
Highline School District No. 401	<u>46,312</u>
<b>Total Estimated Overlapping Debt</b>	<b>\$ 445,288,277</b>
<b>Total Net Direct and Estimated Overlapping Debt</b>	<b><u>\$ 1,459,441,920</u></b>

(1) As of December 31, 2018.

(2) Excludes the Public Works Assistance Account loans and City-guarantees or contingent loan agreements with respect to the debt issued by City-chartered PDAs. See Table 10—Estimated Legal Debt Capacity.

(3) Allocated to the City according to its share of 2019 total assessed values.

(4) Excludes limited tax general obligation indebtedness payable first from other revenues of the County, such as sales tax and sewer revenue.

**TABLE 13**  
**CITY BONDED DEBT RATIOS**

Total City Assessed Value for 2019 Collections <sup>(1)</sup>	\$244,938,709,301
2019 Population Estimate <sup>(2)</sup>	747,300
Assessed Valuation <sup>(3)</sup>	100% of True and Fair Value
Net Direct Debt to Assessed Value	0.41%
Net Direct and Overlapping Debt to Assessed Value	0.60%
Per Capita Assessed Value	\$327,765
Per Capita Net Direct Debt	\$1,357
Per Capita Net Direct and Overlapping Debt	\$1,953
Net Direct Debt	\$1,014,153,643
Net Direct and Overlapping	\$1,459,441,920

(1) Source: King County Assessor.

(2) Source: State of Washington Office of Financial Management.

(3) See “General Fund Tax Revenue Sources—General Property Taxes—Assessed Value Determination.”

## THE CITY OF SEATTLE

The following provides general information about the City.

### **Municipal Government**

Incorporated in 1869, the City is the largest city in the Pacific Northwest and is the County seat.

The City is a general purpose government that provides a broad range of services typical of local municipalities, such as streets, parks, libraries, human services, law enforcement, firefighting and emergency medical services, planning, zoning, animal control, municipal court, and utilities. The City owns and operates water, electric, solid waste, and drainage and wastewater utilities, although the County provides wastewater treatment service. The County also provides certain services throughout the County and within the City, including courts of general jurisdiction, felony prosecution and defense, jail, public health, and transit services.

The City is organized under the mayor-council form of government and operates under its City Charter. The Mayor, the city attorney, and the Municipal Court judges are all elected to four-year terms. The nine City Council members are elected to staggered four-year terms.

*Mayor.* The Mayor serves as the chief executive officer of the City. The Mayor presents to the City Council annual statements of the financial and governmental affairs of the City, budgets, and capital improvement plans. The Mayor signs, or causes to be signed on behalf of the City, all deeds, contracts, and other instruments.

*City Council.* As the policy-making legislative body of the City, the City Council sets tax levies and utility rates, makes appropriations, and adopts and approves the annual operating budget and capital improvement plans for the City. The City Council members serve on a full-time basis.

*Municipal Court.* The State Constitution provides for the existence of county superior courts as the courts of general jurisdiction and authorizes the State Legislature to create other courts of limited jurisdiction. The Seattle Municipal Court has limited jurisdiction over a variety of cases, including misdemeanor criminal cases, traffic and parking infractions, collection of fines, violation of no-contact or domestic violence protection orders, and civil actions for enforcement of City fire and housing codes. The Municipal Court has seven judges. Municipal Court employees report to the judges.

### **Financial Management**

City financial management functions are provided by the Department of Finance and Administrative Services.

*Accounting.* The accounting and reporting policies of the City conform to generally accepted accounting principles for municipal governments and are regulated by the State Auditor's Office, which maintains a resident staff at the City to perform a continual current audit as well as an annual, post-fiscal year audit of City financial operations. The Accounting Services Division of the Department of Finance and Administrative Services maintains general supervision over the accounting functions of the City.

*Auditing.* The State Auditor is required to examine the affairs of all local governments at least once every three years; the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, compliance with the State Constitution and laws of the State, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The City's Comprehensive Annual Financial Report for 2017 is attached as Appendix B.

The State Auditor's Office has authority to conduct independent performance audits of State and local government entities. The Office of the City Auditor also reviews the performance of a wide variety of City activities such as span of control, City-wide collections, special events permitting, and specific departmental activities.

*Municipal Budget.* City operations are guided by a budget prepared under the direction of the Mayor by the City Budget Office pursuant to State statute (chapter 35.32A RCW) and based in part on General Fund revenue forecasts

prepared by the City's Department of Finance and Administrative Services. The proposed budget is submitted to the City Council by the Mayor each year not later than 90 days prior to the beginning of the next fiscal year. Currently the fiscal year of the City is January 1 through December 31. The City Council considers the proposed budget, holds public hearings on its contents, and may alter and revise the budget at its discretion, subject to the State requirement that budgeted revenues must at least equal expenditures. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which may be amended or supplemented from time to time by ordinance. The Mayor may choose to approve the City Council's budget, veto it, or permit it to become law without the Mayor's signature. The Mayor does not have line-item veto power.

The 2019 budget was adopted on November 19, 2018. The City's adopted General Fund budget was approximately \$1.31 billion in 2018 and \$1.39 billion in 2019.

## **Investments**

*Authorized Investments.* Chapter 35.39 RCW permits the investment by cities and towns of their inactive funds or other funds in excess of current needs in the following: United States bonds, United States certificates of indebtedness, State bonds or warrants, general obligation or utility revenue bonds of its own or of any other city or town in the State, its own bonds or warrants of a local improvement district that are within the protection of the local improvement guaranty fund law, and any other investment authorized by law for any other taxing district. Under chapter 39.59 RCW, a city or town also may invest in the following: bonds of any local government in the State that have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the three highest credit ratings of a nationally recognized rating agency, registered warrants of a local government in the same county as the government making the investment; certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar-denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder; Federal Home Loan bank notes and bonds, Federal Land Bank bonds and Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve system; bankers' acceptances purchased on the secondary market; commercial paper purchased in the secondary market, provided that any local government of the State that invests in such commercial paper must adhere to the investment policies and procedures adopted by the Washington State Investment Board; and corporate notes purchased on the secondary market, provided that any local government of the State that invests in such notes must adhere to the investment policies and procedures adopted by the Washington State Investment Board.

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or used for the benefit of the general government in accordance with City ordinances or resolutions.

*Authorized Investments for Bond Proceeds.* Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe. In addition to the eligible investments discussed above, bond proceeds may also be invested, subject to certain restrictions, in mutual funds with portfolios consisting of (i) only United States government bonds or United States government-guaranteed bonds issued by federal agencies with average maturities of less than four years; bonds of the State or of any local government in the State that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; (ii) bonds of states and local governments or other issuers authorized by law for investment by local governments that have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency; or (iii) securities otherwise authorized by law for investment by local governments.

*City Investments.* The information in this section does not pertain to pension funds that are administered by the City (see "Pension Plans") and certain refunding bond proceeds that are administered by trustee service providers.



All cash-related transactions for the City, including its utilities, are administered by the Department of Finance and Administrative Services. City cash is deposited into a single bank account, and cash expenditures are paid from a consolidated disbursement account. Investments of temporarily idle cash may be made, according to existing City Council-approved policies, by the Treasury Division of the Department of Finance and Administrative Services in securities described above under “Authorized Investments.”

State statutes, City ordinances, and Department of Finance and Administrative Services policies require the City to minimize market risks by safekeeping all purchased securities according to governmental standards for public institutions and by maintaining safety and liquidity above consideration for returns. Current City investment policies require periodic reporting on the City’s investment portfolio to the Mayor and the City Council. The City’s investment operations are reviewed by the City Auditor and by the State Auditor.

As of December 31, 2018, the combined investment portfolios of the City, not including pensions, totaled \$2,468.6 million at market value. The City’s investment portfolios consist solely of City funds. As of December 31, 2018, the earnings yield on the City’s investment portfolios was 2.02%, and the weighted average maturity of the City’s investment portfolios was 1,214 days. Approximately 21%, or \$516 million, was invested in securities with maturities of three months or less. The City held no securities with maturities longer than 15 years.

Investments were allocated as follows:

U.S. Government and Agencies	40%
U.S. Government	18%
Taxable Municipals	15%
U.S. Government Agency Mortgage-Backed	12%
State Local Government Investment Pool	6%
Commercial Paper	5%
Repurchase Agreements	4%
Bank Deposit Notes	0%

(1) Includes FDIC-backed and U.S. Department of Housing and Urban Development securities.

Note: may not add to 100% due to rounding.

*Interfund Loans.* The City is authorized to make interfund loans from the City’s common investment portfolio to individual funds, bearing interest payable by the borrowing fund. The Director of Finance may approve interfund loans for a duration of up to 90 days and to establish a rate of interest on such loans. Loans of a longer duration require City Council approval. As of December 31, 2018, the City had outstanding four interfund loans totaling \$16.1 million, in amounts ranging from \$658,000 to \$5.7 million, including interfund loans for the Waterfront LID improvements to be reimbursed with proceeds of the Waterfront LID Bonds. See “Other Considerations—Considerations Related to Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program—Waterfront Local Improvement District.”

### **Risk Management**

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. Currently the City’s excess liability policy provides \$135 million limits above a \$6.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City’s hydroelectric dams. The City also purchases all risk property insurance, including earthquake and flood perils, that provide up to \$500 million in limits subject to a schedule of deductibles and sublimits. Earthquakes and floods are subject to annual aggregate limits of \$100 million. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy.

The City insures a primary level of fiduciary, crime liability, inland marine, and various commercial general liability, medical, accidental death and dismemberment, and miscellaneous exposures. Surety bonds are purchased for certain public officials and notaries.

## Pension Plans

The information below describes pension plans available to City employees generally. City employees are eligible for coverage by one of the following defined benefit pension plans: Seattle City Employees' Retirement System ("SCERS"), Firefighters' Pension Fund, Police Relief and Pension Fund, and LEOFF. The first three are administered by the City and are reported as pension trust funds as part of the City's reporting entity. The State administers LEOFF through the State Department of Retirement Systems ("DRS").

Pursuant to an agreement with various City labor unions, the City Council passed legislation in August 2016 that created a new defined benefit retirement plan, SCERS Plan 2 ("SCERS 2"), covering non-uniformed employees. The new plan is open to employees first hired on or after January 1, 2017. SCERS 2 includes, among other adjustments to SCERS Plan 1 ("SCERS 1"), a slight decrease in benefit levels, raising the minimum retirement age, and deferring retirement eligibility by increasing the age-plus-years-of-service required for retirement with full benefits. The City expects SCERS 2 to provide a more cost-effective method for the City to provide retirement benefits to its employees. It does not affect uniformed employees. The historical information provided in this section relates only to SCERS 1.

Additional detail on the existing plans is available from SCERS and DRS on their respective websites (SCERS: <http://www.seattle.gov/retirement/>; DRS: <http://www.drs.wa.gov/>).

Permanent non-uniformed City employees and certain grandfathered employees of the County (and a predecessor agency of the County) are eligible for membership in SCERS. Newly-hired uniformed police and fire personnel are generally eligible for membership in LEOFF. The Seattle Firefighters' Pension Fund and Police Relief and Pension Fund have been closed to new members since 1977.

*GASB 67/68 Reporting.* Governmental Accounting Standards Board ("GASB") Statements No. 67 ("GASB 67") and 68 ("GASB 68") modified the accounting and financial reporting of pensions by pension plans (GASB 67) and by state and local government employers (GASB 68), but did not alter the funding requirements under State law and City ordinance for members, employers, or the State. The SCERS annual report for the fiscal year ended December 31, 2017, and DRS's Comprehensive Annual Financial Reports for LEOFF for the fiscal year ended June 30, 2018, were prepared in accordance with GASB 67. The City's financial statements for the fiscal year ended December 31, 2017, were prepared in accordance with GASB 68. The City's Comprehensive Annual Financial Report for 2017 is attached as Appendix B.

*Seattle City Employees' Retirement System.* SCERS is a cost-sharing multiple-employer defined benefit public employee retirement plan, administered in accordance with Chapter 4.36 of the Seattle Municipal Code ("SMC"), by the Retirement System Board of Administration (the "Board"). The Board consists of seven members, including the Chair of the Finance Committee of the City Council, the City's Director of Finance, the City's Human Resources Director, two active members and one retired member of the system, and one outside board member who is appointed by the other six board members. Elected and appointed Board members serve for three-year terms.

SCERS is a pension trust fund of the City and provides retirement, death, and disability benefits under SCERS 1 and SCERS 2. Employees first entering the system on or after January 1, 2017, are enrolled in SCERS 2, with limited exceptions for certain exempt employees and those with service credit prior to January 1, 2017. Members already enrolled in SCERS 1 do not currently have an option to switch to SCERS 2.

Under SCERS 1, retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. Under SCERS 2, retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months. The benefit is actuarially reduced for early retirement.

According to the most recent actuarial valuation (with a valuation date as of January 1, 2019), which was completed on May 29, 2019 (the "2018 Actuarial Valuation"), there were 6,792 retirees and beneficiaries receiving benefits, and 9,388 active members of SCERS. There are an additional 1,332 terminated employees in SCERS who are vested and entitled to future benefits and another 1,303 who are not vested and not entitled to benefits beyond contributions and

accumulated interest. From January 1, 2018, to January 1, 2019, the net number of active members in SCERS increased by 1.5%, the net number of retirees receiving benefits increased by 3.6%, and the net number of vested terminated members increased by 3.6%.

Certain demographic data from the 2018 Actuarial Valuation are shown below:

**TABLE 14**  
**PLAN MEMBER DEMOGRAPHIC INFORMATION, SCERS**

<u>Age Range</u>	<u>Retirees and Beneficiaries</u> <u>Receiving Benefits</u>		<u>Active Employees</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<25	-		115	1.2%
25-39	-		2,534	27.0%
40-49	7 <sup>(1)</sup>	0.1% <sup>(1)</sup>	2,408	25.6%
50-59	292	4.4%	2,698	28.7%
60-69	2,506	37.4%	1,510	16.1%
70+	3,900	58.2%	123	1.3%

(1) Includes everyone under the age of 50.

*Source: 2018 Actuarial Valuation*

FINANCIAL CONDITION AND ACTUARIAL VALUATIONS. As a department of the City, SCERS is subject to the City’s internal control structure and is required by SMC 4.36.140.D to transmit a report to the City Council annually regarding the financial condition of SCERS (the “SCERS Annual Report”). The most recent SCERS Annual Report, for the years ended December 31, 2017, and December 31, 2016, was transmitted on July 26, 2018, by CliftonLarsonAllen LLP.

On July 17, 2014, the Washington State Auditor’s Office issued a finding of a significant deficiency in internal controls over financial reporting relating to SCERS account reconciliations as set forth in the financial statements for the year ending December 31, 2013. As described, the finding stated that general ledger accounts were not analyzed and reconciled with subsidiary information on a monthly basis. The City responded to this finding by stating that SCERS would work with the City’s central accounting unit to establish a common understanding of how investments and investment activities should be reflected in the City’s general ledger. A copy of that audit report is available on the State Auditor’s website ([www.sao.wa.gov](http://www.sao.wa.gov)).

Milliman Consultants and Actuaries, as consulting actuary, has evaluated the funding status of SCERS annually since 2010. The most recent actuarial report, the 2018 Actuarial Valuation (with a valuation date as of January 1, 2019), is available on the City’s website at <http://www.seattle.gov/retirement/about-us/board-of-administration#actuarialreports>. Since 2010, the City has had actuarial valuations prepared annually.

At its July 2018 meeting, the Board adopted new assumptions to be used for the 2018 Actuarial Valuation. The new assumptions are based on the 2018 Investigation of Experience Report. The adopted assumptions included a decrease in the investment return assumption, a decrease in the consumer price inflation assumption, and an overall increase in life expectancies. The following summarizes some key assumptions utilized in the 2018 Actuarial Valuation and compares those to the assumptions used in the prior actuarial valuation

**TABLE 15  
ACTUARIAL ASSUMPTIONS**

	<b>2018</b>	<b>2017</b>
Investment return	7.25%	7.50%
Price inflation	2.75%	3.25%
Wage growth (price inflation plus wage inflation)	3.50%	4.00%
Expected annual average membership growth	0.50%	0.50%
Interest on member contributions made on or after January 1, 2012 <sup>(1)</sup>	4.00%	4.75%

(1) Contributions made prior to January 1, 2012, are assumed to accrue interest at 5.75%.

*Source: 2018 and 2017 Actuarial Valuations*

As of January 1, 2019 (as set forth in the 2018 Actuarial Valuation), the actuarial value of net assets available for benefits was \$2,877 million and the actuarial accrued liability was \$4,217 million. An Unfunded Actuarial Accrued Liability (“UAAL”) exists to the extent that actuarial accrued liability exceeds plan assets. Per the 2018 Actuarial Valuation, the UAAL increased from \$1,186.6 million as of January 1, 2018, to \$1,339.3 million as of January 1, 2019. The funding ratio decreased from 69.9% as of January 1, 2018, to 68.2% as of January 1, 2019, which decrease is primarily due to the changes to assumptions previously described and investment performance that deviated significantly from expectations in the prior actuarial valuation. For the year ending December 31, 2018, SCERS assets experienced an investment loss of about 3.7% on a market basis (net of investment expenses), a rate of return much lower than the assumed rate of 7.50% for 2018. The result is an actuarial loss on assets for 2018, but only one-fifth of this gain will be recognized in the current year actuarial value of assets (“AVA”). Unlike most public pension systems, prior to January 1, 2011, all valuations were reported on a mark-to-market basis. Consequently, the full impact of annual asset gains or losses occurring in recent years was reflected in each actuarial valuation. To improve its ability to manage short-term market volatility, the City adopted a five-year asset smoothing methodology in 2011 that recognizes the asset gain or loss occurring in each year evenly over a five-year period. Under this methodology, combined with prior years’ asset gains and losses, the 2018 return was a positive 5.5% on an actuarial value basis.

The following table provides historical plan funding information for SCERS:

**TABLE 16**  
**HISTORICAL SCERS SCHEDULE OF FUNDING PROGRESS<sup>(1)</sup>**  
**(\$000,000)**

<b>Actuarial Valuation Date (January 1)<sup>(2)</sup></b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)<sup>(3)</sup></b>	<b>Unfunded AAL (UAAL)</b>	<b>Funding Ratio</b>	<b>Covered Payroll<sup>(4)</sup></b>	<b>UAAL as % of Covered Payroll</b>
2010	\$ 1,645.3	\$ 2,653.8	\$ (1,008.5)	62.0%	\$ 580.9	173.6 %
2011 <sup>(5)</sup>	2,013.7	2,709.0	(695.4)	74.3%	563.2	123.5 %
2012 <sup>(5)</sup>	1,954.3	2,859.3	(905.0)	68.3%	557.0	162.5 %
2013 <sup>(5)</sup>	1,920.1	3,025.3	(1,105.2)	63.5%	567.8	194.6 %
2014 <sup>(5)</sup>	2,094.3	3,260.1	(1,165.8)	64.2%	597.9	195.0 %
2015 <sup>(5)</sup>	2,266.7	3,432.6	(1,165.9)	66.0%	630.9	184.8 %
2016 <sup>(5)</sup>	2,397.1	3,605.1	(1,208.0)	66.5%	641.7	188.3 %
2017 <sup>(5)</sup>	2,564.1	3,766.4	(1,202.3)	68.1%	708.6	169.7 %
2018 <sup>(5)</sup>	2,755.2	3,941.8	(1,186.6)	69.9%	733.3	161.8 %
2019 <sup>(5)</sup>	2,877.4	4,216.7	(1,339.3)	68.2%	779.1	171.9 %

- (1) For accounting purposes under GASB 67/68, UAAL is replaced with net pension liabilities. However, because the City continues to set its contribution rates based on an actuarially required contribution based on the UAAL and funding ratios calculated under the pre-GASB 67/68 methodology, both methods are currently reported in the SCERS actuarial valuations and annual reports.
- (2) Actuarial valuations were performed biennially until 2010, after which the City began performing an actuarial valuation annually.
- (3) Actuarial present value of benefits less actuarial present value of future normal cost. Based on Entry Age Actuarial Cost Method, defined below under “SCERS Contribution Rates.”
- (4) Covered Payroll shown for the prior calendar year; includes compensation paid to all active employees on which contributions are calculated.
- (5) Beginning with the January 1, 2011, actuarial valuation, SCERS has used five-year asset smoothing.

*Source: 2018 Actuarial Valuation*

In accordance with GASB 67, the 2018 SCERS audited financial statements included a calculation of Total Pension Liability (“TPL”) and Net Pension Liability (“NPL”) based on the actuarial valuation dated as of January 1, 2018, rolled forward using generally accepted actuarial procedures (assuming a 7.25% investment rate of return and 3.50% salary increases) to December 31, 2018, as follows: TPL was calculated to be \$4,236.7 million, plan fiduciary net position (“Plan Net Position”) was calculated to be \$2,717.4 million, and NPL was calculated to be \$1,519.2 million, for a funding ratio (Plan Net Position as a percentage of TPL) of 64.1%.

**SCERS CONTRIBUTION RATES.** Member and employer contribution rates for SCERS 1 and SCERS 2 are established separately by Chapter 4.36 of the SMC. The SMC provides that the City contribution for SCERS 1 must match the normal contributions of SCERS 1 members and does not permit the employer rate to drop below the employee rate. There is no similar restriction in the SMC with respect to SCERS 2. The SMC also requires that the City contribute, in excess of the matching contributions, the amount determined by the most recent actuarial valuation that is required to fully fund the plan. Contribution rates are recommended annually by the Board, based on the system’s actuarial valuation. Benefit and contribution rates are set by the City Council.

The Actuarially Required Contribution (“ARC”) rate is based on amortizing the required contribution over 30 years, meaning that the total contribution rate must be sufficient to pay for the costs of benefits earned during the current year, as well as the annual cost of amortizing the plan’s UAAL over 30 years. The City Council may from time to time set the amortization period by resolution, and in 2013, it passed a resolution to close the 30-year amortization period for calculating UAAL as of the January 1, 2013, actuarial valuation.

As a result, for purposes of the 2018 Actuarial Valuation calculation, a 24-year amortization period was used. This policy may be revised by the City Council in future years. The 2018 Actuarial Valuation was prepared using the Entry Age Normal Cost (“EANC”) method. Under the EANC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of the individual’s projected compensation between entry age into the system and assumed exit age (e.g., termination or retirement).

Current and historical contribution rates for SCERS, based on a percentage of employee compensation (exclusive of overtime), are shown in the table below.

**TABLE 17  
EMPLOYER AND EMPLOYEE SCERS CONTRIBUTION RATES**

Calendar Years (beginning Jan. 1)	Employer Rate	Employee Rate	Total Contribution Rate	Total ARC <sup>(1)</sup>	% of Total ARC Contributed	Total ARC per GASB 27 <sup>(2)</sup>	% of Total ARC Contributed per GASB 27
2012	11.01%	10.03%	21.04%	21.04%	100%	21.87%	96%
2013	12.89%	10.03%	22.92%	22.92%	100%	24.05%	95%
2014	14.31%	10.03%	24.34%	24.34%	100%	25.63%	95%
2015	15.73%	10.03%	25.76%	25.76%	100%	26.38%	98%
2016	15.23%	10.03%	25.26%	25.26%	100%	N/A	N/A
2017	15.29%	10.03%	25.32%	25.32%	100%	N/A	N/A
2018	15.23% <sup>(3)</sup>	10.03%	25.26%	25.00%	101% <sup>(3)</sup>	N/A	N/A
2019	15.26% <sup>(3)</sup>	9.85% <sup>(4)</sup>	25.11%	24.40% <sup>(5)</sup>	103% <sup>(3)</sup>	N/A	N/A
2020	16.14%	9.65% <sup>(4)</sup>	25.79%	25.79% <sup>(5)</sup>	100%	N/A	N/A

(1) Reflects total actuarial required contribution (i.e., employer plus employee contribution rates). Since November 21, 2011, this rate has been used for City budgeting purposes.

(2) The primary difference between the Total ARC calculation and that calculated under GASB 27 is that the Total ARC calculation uses a 0.50% membership growth assumption, while GASB 27 specifies an assumption of no membership growth. The GASB rate calculations take into account the lag between the determination of the ARC and the expected contribution date associated with that determination (for example, contribution rates for calendar year 2012 were based on the ARC determined as part of the January 1, 2011, actuarial valuation). Beginning in 2016, GASB 27 was superseded by GASB 68, so this calculation is no longer performed.

(3) The City contribution rate is intentionally more than the total ARC in an effort to reduce the projected increase in future contribution rates. See Table 18.

(4) Reflects a blended employee contribution rate based on rates for SCERS 1 and SCERS 2 members.

(5) The ARC for 2019 and 2020 reflects a blended normal cost for SCERS 1 and SCERS 2.

*Source: Seattle Municipal Code; 2018 and 2019 Budgets; Annual Actuarial Valuation Reports*

In 2011, the City Council adopted Resolution 31334, affirming the City’s intent to fully fund the annual ARC each year with its budget. See Table 17—Employer and Employee SCERS Contribution Rates and Table 18—Projected Actuarially Required Total Contribution Rates for SCERS by Employer and Employee.”

The City’s contracts with all labor unions that represent SCERS members limit the ability of the City to pass on increases to pension contribution rates to the employee portion. Prior contracts permitted 1% increases in 2011 and 2012 to be reflected in the employee contribution rates, but have eliminated any additional cost-sharing. Future increases to pension contribution rates will be reflected in the City’s employer contribution.

As indicated in Table 17, the Total ARC is increasing to 25.79% as a percent of payroll beginning in January 1, 2020. This compares to the 24.40% Total ARC in the prior year. The employees’ share will average 9.65% between SCERS 1 and SCERS 2. The employer’s share needed to meet the Total ARC is increasing from 14.55% to 16.14%, the majority of which increase is due to the July 2018 adoption of new actuarial assumptions for the 2018 Actuarial Valuation (described above). These assumptions account for 0.98% of the increase in ARC. Another 0.40% is the result of net asset losses on the actuarial value of the

plan's assets due to lower than assumed investment returns during 2018. The 2019 employer contribution rate of 15.26% in 2019 is higher than the 14.55% needed to meet the Total ARC. The City is anticipating increasing its employer contribution rate for 2020 to at least 16.14%, in order to meet the projected Total ARC in 2020.

Projected total actuarially required contribution rates for SCERS reported in the 2018 Actuarial Valuation are shown in the table below:

**TABLE 18**  
**PROJECTED ACTUARIALLY REQUIRED TOTAL CONTRIBUTION RATES FOR SCERS**  
**BY EMPLOYER AND EMPLOYEE**

<b>Contribution Year<sup>(1)</sup></b>	<b>Assuming 7.25% Returns</b>	<b>Confidence Range<sup>(2)</sup></b>
2020	16.14%	16.14-16.14
2021	16.57%	15.72-17.37
2022	16.74%	14.90-18.49
2023	16.95%	13.86-19.90
2024	17.58%	13.00-21.97
2025	17.58%	11.16-23.64

(1) Contribution year lags valuation year by one. For example, contribution year 2020 is based on the 2018 Actuarial Valuation (as of January 1, 2019) results, amortized over 24 years beginning in 2019 if the contribution rate change takes place in 2020.

(2) Confidence range for asset returns between the 5th and 95th percentile.

*Source: 2018 Actuarial Valuation*

Employer contributions were \$112.1 million in 2017 and approximately \$116.4 million in 2018. The employer share for employees of each of the utility funds is allocated to and paid out of the funds of each respective utility.

**INVESTMENT OF SCERS PLAN FUNDS.** In accordance with chapter 35.39 RCW, the Board has established an investment policy for the systematic administration of SCERS funds. The investment of SCERS funds is governed primarily by the prudent investor rule, as set forth in RCW 35.39.060. SCERS invests retirement funds for the long term, anticipating both good and poor performing financial markets. Contributions into SCERS 1 and SCERS 2 are invested together.

The market value of SCERS' net assets decreased by \$135.4 million (-4.7%) during 2018, including member and employer contributions of \$194.1 million and net loss from investment activity totaling \$106.6 million. Deductions increased by \$13.4 million in 2018, primarily attributed to a \$11.2 million increase in retiree benefit payments.

Table 19 shows the historical market value of SCERS' assets (as of each December 31). Table 20 shows the historical investment returns on SCERS for the last ten years.

**TABLE 19**  
**SCERS MARKET VALUE OF ASSETS**

<b>Year</b> <b>(As of December 31)</b>	<b>Market Value of</b> <b>Assets (MVA)<sup>(1)</sup></b>
2009	\$ 1,645.3
2010	1,812.8
2011	1,753.5
2012	1,951.4
2013	2,216.9
2014	2,322.7
2015	2,313.0
2016	2,488.5
2017	2,852.9
2018	2,717.4

(1) In millions.

Source: SCERS Actuarial Valuations

**TABLE 20**  
**SCERS INVESTMENT RETURNS**

<b>Year</b> <b>(As of December 31)</b>	<b>One-Year</b> <b>Annualized Return</b>
2009	10.8% <sup>(1)</sup>
2010	12.7%
2011	-0.4%
2012	12.8%
2013	15.0%
2014	5.3%
2015	0.1%
2016	8.4%
2017	15.7%
2018	-3.7%

(1) Calculated before fees.

Source: SCERS Annual Reports



Table 21 below shows the historical distribution of SCERS investments over the last five years. Table 22 shows similar information for the past two years under a revised asset categorization.

**TABLE 21  
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS**

<b>Investment Categories (January 1)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Fixed Income	24.0%	22.9%	28.4%	24.2%	23.7%
Domestic and International Stocks	57.0%	57.4%	53.3%	60.0%	60.8%
Real Estate	10.8%	12.2%	12.8%	11.0%	10.6%
Alternative Investments	8.2%	7.4%	5.4%	4.8%	4.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: SCERS Actuarial Valuations

**TABLE 22  
HISTORICAL SCERS DISTRIBUTION:REVISED ASSET CATEGORIZATION**

<b>Investment Categories (January 1)</b>	<b>2019</b>	<b>2018</b>
Diversifying Strategies	2.0%	1.9%
Fixed Income	28.9%	24.6%
Infrastructure	0.9%	0.4%
Private Equity	8.1%	5.2%
Public Equity	48.8%	57.1%
Real Estate	11.3%	10.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

In accordance with SCERS' Investment Policy, the Board retains external investment managers to manage components of the SCERS portfolio. Managers have authority to determine investment strategy, security selection, and timing, subject to the Investment Policy, specific manager guidelines, legal restrictions, and other Board direction. Managers do not have authority to depart from their guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control.

The Investment Policy defines eligible investments to include securities lending transactions. Through a custodial agent, SCERS participates in a securities lending program whereby securities are lent from the system's investment portfolio on a collateralized basis to third parties (primarily financial institutions) for the purpose of generating additional income to the system. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent. Lending is limited to a volume of less than \$75 million.

*Firefighters' Pension Fund; Police Relief and Pension Fund.* The Firefighters' Pension Fund and the Police Relief and Pension Fund are single-employer pension plans that were established by the City in compliance with chapters 41.18 and 41.20 RCW.

All City law enforcement officers and firefighters serving before March 1, 1970, are participants in these plans and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Some disability benefits may be available to such persons hired between March 1, 1970, and September 30, 1977. Since the effective date of LEOFF in 1970, no payroll for employees was covered under these City plans, and the primary liability for pension benefits for these City plans shifted from the City to the State LEOFF plan described below. The City remains liable for all benefits of employees in service at that time plus certain future benefits in excess of LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan. However, because LEOFF benefits increase with the consumer price index (CPI-Seattle) while some City benefits increase with

wages of current active members, the City's projected liabilities vary according to differences between wage and CPI increase assumptions.

These pension plans provide retirement benefits, death benefits, and certain medical benefits for eligible active and retired employees. Retirement benefits are determined under chapters 41.18 and 41.26 RCW for the Firefighters' Pension Fund and under chapters 41.20 and 41.26 RCW for the Police Relief and Pension Fund. As of January 1, 2018, membership in these plans consisted of 648 fire employees and survivors and 721 police employees and survivors. See "Other Post-Employment Benefits" below for a discussion of medical benefits paid to retirees.

In 2015, GASB released Statement No. 73 ("GASB 73"), replacing accounting requirements previously mandated under GASB Statements Nos. 25 and 27 for public pension plans that are not within the scope of GASB 68. The City has determined that both the Firefighters' Pension Fund and the Police Relief and Pension Fund are outside the scope of GASB 67 and GASB 68, and therefore the accounting and financial reporting for these pension plans has been prepared in accordance with GASB 73.

These pension plans do not issue separate financial reports. The most recent actuarial valuations, dated January 1, 2018, use the EANC method and value plan assets at fair value. The actuarial valuation for the firefighters' pension fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.25%; investment rate of return, 6.00%; and projected salary increases, 2.75%. The actuarial valuation for the Police Relief and Pension Fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.25%; investment rate of return, 3.50%; and projected salary increases, 2.75%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the Firefighters' Pension Fund and adopted a policy of fully funding the actuarial accrued liability ("AAL") by the year 2018 (which was subsequently extended to 2028). In accordance with GASB 73, the plan had a TPL of \$98.6 million as of December 31, 2017, a decrease of \$1.7 million from the TPL of \$100.3 million as of December 31, 2016. As of January 1, 2018, the actuarial value of net assets available for benefits in the Firefighters' Pension Fund was \$19.1 million, and the AAL was \$76.3 million. As a result, the UAAL was \$57.2 million and the funded ratio was 24.9%. In the January 1, 2017, actuarial valuation, the UAAL was \$67.9 million and the funded ratio was 18.4%. The City's employer contribution to the fund in 2017 was \$10.0 million; there were no current member contributions. Under State law, partial funding of the Firefighters' Pension Fund may be provided by an annual property tax levy of up to \$0.225 per \$1,000 of assessed value within the City. The City does not currently levy this additional property tax, but makes contributions out of the General Fund levy. The fund also receives a share of the State tax on fire insurance premiums.

The City funds the Police Relief and Pension Fund as benefits become due. In accordance with GASB 73, the plan had a TPL of \$93.0 million as of December 31, 2017, a decrease of \$0.5 million from the TPL of \$93.5 million as of December 31, 2016. As of January 1, 2018, the actuarial value of net assets available for benefits in the Police Relief and Pension Fund was \$8.7 million, and the AAL was \$93.8 million. As a result, the UAAL was \$85.1 million and the funded ratio was 9.3%. In the January 1, 2017, actuarial valuation, the UAAL was \$87.4 million and the funded ratio was 6.4%. The City's employer contribution to the fund in 2017 was \$8.1 million; there were no current member contributions. The fund also receives police auction proceeds of unclaimed property.

*Law Enforcement Officers' and Fire Fighters' Retirement System.* Substantially all of the City's current uniformed firefighters and police officers are enrolled in LEOFF. LEOFF is a State-wide, multiple-employer defined benefit plan administered by the DRS. Contributions by employees, employers, and the State are based on gross wages. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. LEOFF participants who joined on or after October 1, 1977, are Plan 2 members. For all of the City's employees who are covered under LEOFF, the City contributed \$15.3 million in 2017 and \$14.7 million in 2016. The following table outlines the contribution rates of employees and employers under LEOFF.

**TABLE 23**  
**LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL**  
**(AS OF JULY 1, 2019)**

	<b>Plan 1</b>	<b>Plan 2</b>
Employer	0.18% <sup>(1)</sup>	5.33% <sup>(1)</sup>
Employee	0.00	8.59%
State	N/A	3.44%

(1) Includes a 0.18% DRS administrative expense rate.

*Source: Washington State Department of Retirement Systems*

While the City’s current contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The State Actuary’s website includes information regarding the values and funding levels for LEOFF.

According to the Office of the State Actuary’s June 30, 2017, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 131% and LEOFF Plan 2 had a funded ratio of 109%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.7% annual rate of investment return for LEOFF Plan 1 and a 7.5% annual rate of investment return for LEOFF Plan 2, 3.75% general salary increases, 3.0% consumer price index increase, and annual growth in membership of 1.25%. Liabilities were valued using the EANC method and assets were valued using the AVA, which defers a portion of the annual investment gains or losses over a period of up to eight years. As of December 31, 2017, the City reported an asset of \$181.3 million for its proportionate share of the NPL as follows: \$54.0 million for LEOFF Plan 1 and \$127.3 million for LEOFF Plan 2.

For additional information, see Note 11 to the City’s 2017 Comprehensive Annual Financial Report, which is attached as Appendix B.

**Other Post-Employment Benefits**

The City has liability for two types of OPEB: (i) an implicit rate subsidy for health insurance covering employees retiring under SCERS 1, SCERS 2, or LEOFF Plan 2 and dependents of employees retiring under LEOFF Plan 1, and (ii) medical benefits for eligible beneficiaries of the City’s Firefighters’ Pension Fund and Police Relief and Pension Fund. The implicit rate subsidy is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees.

For the fiscal year ending December 31, 2017, the City assessed its OPEB liability in order to satisfy the reporting requirements specified by GASB Statement No. 45 (“GASB 45”). For the fiscal year ending December 31, 2018, the City will assess its OPEB liability in accordance with GASB Statement No. 75 (“GASB 75”). While GASB 45 and GASB 75 require reporting and disclosure of the unfunded OPEB liability, they do not require that it be funded. The City will implement GASB Statements No. 74 and 75 for financial reporting for the fiscal year ended December 31, 2018.

The City funds its OPEB liabilities on a pay-as-you-go basis.

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS 1, SCERS 2, or LEOFF plans. The last valuation was as of January 1, 2018, and was the first valuation prepared in accordance with GASB 75. It showed the UAAL for the implicit rate subsidy decreased to \$61.1 million from \$65.7 million in the prior valuation. The City’s GASB 75 estimated annual expense in 2018 was calculated at \$5.5 million, which compares to the GASB 45 annual OPEB cost of \$7.0 million in 2017. The valuation of the OPEB liability associated with the City’s Firefighters’ Pension Fund and Police Relief and Pension Fund is updated annually. The most recent valuations were prepared in accordance with GASB 45. As of January 1, 2018, the UAAL for OPEB in the City’s Firefighters’ Pension Fund was \$287.3 million; the estimated annual cost for 2017 was \$16.2 million and the estimated annual contribution for 2017

was \$10.3 million. As of January 1, 2018, the UAAL for OPEB in the Police Relief and Pension Fund was \$318.7 million; the estimated annual cost for 2017 was \$22.1 million and the estimated annual contribution for 2017 was \$13.2 million.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2017 Comprehensive Annual Financial Report.

### **State Paid Family and Medical Leave Insurance**

Starting January 1, 2020, the State will be the fifth state in the nation to offer paid family and medical leave benefits to State workers, including State and local government employees. The Paid Family and Medical Leave program is a State-wide insurance program that ensures paid leave for State workers when they need time off to give or receive care. Eligible workers are those who have worked at least 820 hours (equivalent to 20.5 full-time weeks) in the qualifying period before the leave begins. The program will typically cover 12 weeks of leave (up to 18 weeks in certain circumstances). Workers receive between \$100 and \$1,000 per week, depending on their income. The program is funded by employer and employee premiums, and will be administered by the Employment Security Department. Assessments for premiums began on January 1, 2019, and benefits can be taken starting January 1, 2020.

As of January 1, 2019, the City began paying assessments for premiums based on a percentage of wages. The initial rate of this assessment is 0.4% of wages that are subject to the federal social security tax. The 2019 assessment is expected to be approximately \$4,750,000, of which approximately \$2,215,000 will be paid from the General Fund and \$1,279,000 will be paid by the City's various utilities.

### **State Long-Term Care Services and Supports Benefit Program**

In 2019, the State created a Long-Term Services and Supports ("LTSS") Trust Program, pursuant to House Bill 1087, which will provide certain long-term care benefits to eligible beneficiaries. All individuals employed in the State (including employees of local governments such as the City) may become eligible to receive the benefit when they have paid the LTSS trust premiums while working at least 500 hours per year for either ten years with at least five years uninterrupted, or three of the last six years. A program participant who may receive benefits must have been assessed by the State Department of Social and Health Services with needing assistance with at least three daily living tasks, must be at least 18 years old (and must not have been disabled before the age of 18), and must reside in the State. There is a lifetime cap on the benefit for any individual equal to 365 benefit units, which are assigned a dollar value adjusted annually at a rate not exceeding the CPI. Benefits may be accessed beginning January 1, 2025, and will be paid directly to LTSS providers on behalf of eligible beneficiaries. Administration of the LTSS Trust Program is divided among multiple existing State health and human services agencies and two newly created State bodies, the LTSS Trust Council and the LTSS Trust Commission.

The LTSS Trust Program will be funded through premiums assessed beginning January 1, 2022, at a rate of 0.58% of each employee's wages within the State. Rates will be adjusted every two years by the State Pension Funding Council (based on actuarial studies and valuations to be performed by the State Actuary) to maintain financial solvency of the LTSS Trust, but not to exceed 0.58%. Employers will be required to remit premiums on behalf of all employees other than employees who demonstrate that they have long-term care insurance. There is no employer contribution required under State law. Collective bargaining agreements existing on October 19, 2017, are not required to be reopened or to apply the LTSS Trust Program requirements until the existing agreement is reopened, renegotiated, or expires.

### **Labor Relations**

As of March 2019, the City had 37 separate departments and offices with approximately 13,410 regular and temporary employees. Twenty-five different unions and 51 bargaining units represent the approximately 75% of regular City employees whose employment is governed by 30 different collective bargaining agreements.

Of the 30 collective bargaining agreements, the City is in contract negotiations for 25 new agreements to replace those that expired December 31, 2018, which include the Seattle Fire Fighters, the Coalition of City Unions, and other non-Coalition unions. The contract negotiations with the Seattle Fire Chiefs also expired on December 31, 2018, and negotiations to replace that contract are expected to begin sometime after the conclusion of negotiations with the Seattle Fire Fighters. These open contracts cover almost 7,800 of the approximately 9,800 City employees, including

temporary workers, covered by collective bargaining agreements. There is no expected date by which the agreements that are currently in negotiations will be reached, and unions continue to operate under current or expired contracts.

The City has current collective bargaining agreements in place with SPOG (expires December 31, 2020), IBEW Local 77—Seattle City Light (expires January 22, 2021), IBEW Local 77—Seattle Department of Transportation (expires January 22, 2021), and the Seattle Police Management Association (expires December 31, 2019).

The agreement with SPOG was approved by the City Council on November 13, 2018, and replaces the prior contract which had expired in December 2014 and under which covered employees had been working since its expiration. As part of the agreement, the City made a one-time retroactive payment of approximately \$65 million related to salaries and pension benefits accrued during the four years since the expiration of the previous contract. See “Financial Results—2018 Financial Results.”

Additionally, on May 22, 2019, the U.S. District Court judge overseeing a 2012 consent decree entered in the U.S. Department of Justice’s inquiry into the Seattle Police Department entered an order finding that the new SPOG contract fails to adequately address police officer accountability and is not in compliance with the consent decree. The City is evaluating options for complying with the District Court’s order. The City estimates additional costs of approximately \$100,000 per month until resolution of the issue to the satisfaction of the court.

*United States Supreme Court Decision in Janus v. AFSCME.* The U.S. Supreme Court issued a decision in *Janus v. AFSCME* on June 27, 2018. The primary issue in *Janus* was whether public employees can be compelled to pay representation fees as a condition of employment. The Court held that “[n]either an agency fee nor any other payment to the union may be deducted from a nonmember’s wages, nor may any other attempt be made to collect such a payment, unless the employee affirmatively consents to pay.” In light of the *Janus* ruling and its inconsistency with the contracts in effect at the time of the ruling, the City has entered into Memoranda of Understanding with nearly all of the affected bargaining units addressing the provisions of the dues deduction article(s) in each collective bargaining agreement and expects new provisions compliant with *Janus* to be incorporated in the next round of contracts.

### **Emergency Management and Preparedness**

The City’s Office of Emergency Management (“OEM”) is responsible for coordinating the City’s resources and responsibilities in dealing with emergencies. The OEM prepares for emergencies, coordinates with regional, State, and federal response agencies, provides education to the community about emergency preparedness, plans for emergency recovery, and works to mitigate known hazards. It has identified and assessed many types of hazards that may impact the City, including geophysical hazards (*e.g.*, earthquakes, landslides, tsunamis, seismic seiches, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (*e.g.*, terrorism, active shooter incidents, breaches in cybersecurity, and civil disorder), transportation incidents, fires, hazardous materials, infrastructure failure, and unusual weather conditions (*e.g.*, floods, snow, water shortages, and wind storms). However, the City cannot anticipate all potential hazards and their effects, including any potential impact on the economy of the City or the region.

If a disaster were to damage or destroy a substantial portion of the taxable property within the City, the assessed value of such property could be reduced, which could result in a reduction of property tax revenues. Other revenue sources, such as sales tax and lodging tax, could also be reduced. In addition, substantial financial and operational resources of the City could be required during any emergency event or disaster and could be diverted to the subsequent repair of damage to City infrastructure.

The City’s emergency management program was assessed by a third-party team of emergency management professionals according to the Emergency Management Accreditation Program standards and was accredited in 2016. The City will seek reaccreditation in 2021.

*Climate Change.* There are potential risks to the City associated with changes to the climate over time and from increases in the frequency, timing, and severity of extreme weather events. The City is preparing for a changing climate and the resulting economic, infrastructure, health, and other community impacts by integrating consideration of climate change into decision making and identifying mitigation and adaptation actions to enhance the resilience of services and infrastructure. The City passed Resolution 31447 in June 2013 adopting a Climate Action Plan to provide long-term planning direction and guide climate protection and adaptation efforts through 2030. In April 2018, the

Mayor's Office and released an updated "Climate Action Plan" that focuses on a set of short- and long-term actions that provide a roadmap for the City to act on the leading contributors of greenhouse gases: transportation and buildings. It builds on prior studies and plans implemented by the Office of Sustainability and the Environment ("OSE") that detail strategies and actions that can be taken to improve the climate preparedness of City infrastructure and services and to facilitate coordination across City government. The OSE plans include sector-specific strategies for transportation; buildings, and energy (including specific energy consumption and greenhouse gas emissions reduction targets for City buildings); trees and green space; food access; a healthy environment; and environmental justice. The City has also developed more specific plans addressing utility operations (including drainage, water supply, solid waste, and the electric system) and community preparedness. The City cannot predict how or when various climate change risks may occur nor can it quantify the impact on the City, its population, or its operations. Over time, the costs could be significant and could have a material adverse effect on the City's finances by requiring greater expenditures to counteract the effects of climate change.

*Cybersecurity.* Cybersecurity threats continue to become more sophisticated and are increasingly capable of impacting the confidentiality, integrity, and availability of City systems and applications, including those of critical controls systems. Seattle Information Technology ("Seattle IT"), working in conjunction with various City departments, has and continues to institute processes, training, and controls to maintain the reliability of its systems and protect against cybersecurity threats as well as mitigate intrusions and plan for business continuity via data recovery. Cybersecurity incident response plans are reviewed regularly, and tabletop and other exercises are conducted annually to assess the effectiveness of those plans. Seattle IT and third-party professional services also conduct cybersecurity assessments with the intent to identify areas for continual improvement, and develop work plans to address issues and support the cybersecurity program. This includes technical vulnerability assessments, penetration testing, and National Institute of Standards and Technology ("NIST") 800-53a cybersecurity risk assessments. Seattle IT continuously reviews and updates processes and technologies to mature security practices according to the NIST Cybersecurity Framework. Cybersecurity risks create potential liability for exposure of nonpublic information and could create various other operational risks. The City cannot anticipate the precise nature of any particular breach or the resulting consequences, and currently self-insures for any cybersecurity-related losses.

## OTHER CONSIDERATIONS

### **Federal Sequestration and Other Federal Funding Considerations**

*Federal Sequestration.* The sequestration provisions of the Budget Control Act of 2011 ("Sequestration") went into effect on March 1, 2013, and are currently scheduled to remain in effect through federal fiscal year ("FFY") 2024. The City issued general obligation Build America Bonds in 2010, with respect to which the City is eligible for a tax credit subsidy payment of 35% of each interest payment due. As a result of Sequestration, the interest subsidy payments from the federal government that came due in FFY 2018 were reduced by 6.6% (\$69,631) and payments in FFY 2019 are expected to be reduced by 6.2% (a reduction of \$61,595 for the year). The City has budgeted sufficient cash in its general governmental funds to make timely debt service payments through its 2017 budget cycle, and does not expect Sequestration to materially adversely affect its ability to make debt service payments in the current or future years..

The City cannot predict whether the current Congress and administration will continue to implement Sequestration or other federal funding policies in the same manner as under the previous administration. Further, the City cannot predict whether Sequestration or other federal funding policies may be enacted or implemented in a way that negatively or disproportionately affects certain cities or regions that adopt policies that are inconsistent with the current federal administration's policy priorities.

*Other Federal Funding Considerations Relating to "Sanctuary Cities" Executive Order and Related Matters.* On March 29, 2017, the City filed a challenge to President Trump's January 25, 2017, Executive Order (the "Order") which directs reductions in or denial of federal funds to local jurisdictions that refuse to assist in federal immigration enforcement activities. Following resolution of a similar challenge against the Order by the Ninth Circuit Court of Appeals in *City and County of San Francisco v. Trump*, the district court deciding Seattle's case (*City of Seattle v. Trump*) granted the City declaratory judgment and ruled that the Order violates the U.S. Constitution. At this time, it is unclear how, whether, or when actions might be taken to reduce funding to any local jurisdiction pursuant to this Order. Nonetheless, the City expects that, if the administration were able to implement reductions, the City would

likely be one of many local jurisdictions affected. The City cannot predict the outcome of the multiple pending lawsuits and appeals challenging the Order.

Separate from the Order, the Department of Justice grants additional points to applicants for the Community Oriented Policing Services grant program that chose an “illegal immigration” focus area and that agreed to take certain immigration-related measures. In *Los Angeles v. Barr*, the Ninth Circuit recently ruled this policy to be lawful encouragement of immigration cooperation rather than illegal coercion. This decision is not yet final and may be subject to reconsideration by the Ninth Circuit or U.S. Supreme Court review. If the decision stands, the effect on the City’s federal grant applicants cannot be predicted.

The City expects that it would have the flexibility to respond to any direct financial reductions or eliminations of federal funding if they were to occur. There are several major transportation infrastructure projects underway (including projects funded in part with proceeds of the 2019A Bonds) for which the City has applied for or expects to receive federal funding, which could be restructured, deferred, or canceled. Some City projects or programs are supported by federal dollars granted to another agency or by way of partnership with other agencies potentially affected by the Order or other funding reduction, and the City uses some of its federal money to support other local agencies. Moreover, much of the City’s federal funding is provided on a reimbursable basis and there is a risk that the City could expend funds in 2018 or later on the expectation of federal reimbursement that could potentially be at risk for reduction or elimination. At this point, it is impossible to precisely identify how, whether, or when any such revenues could be affected by implementation of the Order or other federal funding reduction. Nonetheless, if reductions were to be implemented, any projects or programs previously supported by reduced federal funding could be resized and/or deferred, if necessary, including those funded in part with proceeds of the Bonds. Alternatively, funding from other sources could be redirected to those projects or programs.

The City cannot predict whether reductions in federal funding based on federal immigration policy may occur, when they could be implemented, what form they could take, or whether the City’s declaratory judgment (or other court rulings) would be effective at curtailing any such reductions. In summary, the City expects that it would be able to redirect funding or reduce expenditures in a manner that does not affect the City’s ability to repay the Bonds.

### **Considerations Related to Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program**

The Alaskan Way Viaduct Replacement Program (“AWVR Program”) consists of multiple projects, the most significant of which are the State’s replacement of the State Route 99 (“SR 99”) Alaskan Way Viaduct with the SR 99 Tunnel (the “State’s Viaduct Replacement Project”) and the Waterfront Seattle Program, each described below.

*City Contracts with the State.* The various projects comprising the AWVR Program are separate public projects by separate lead public agencies being implemented in a coordinated and phased manner pursuant to a series of written agreements. The City has a series of written agreements with the Washington State Department of Transportation (“WSDOT”) relating to the coordination of projects within the AWVR Program, covering various issues such as the protection, repair, and relocation of the City’s utility infrastructure impacted by or constructed as part of the State’s Viaduct Replacement Project. In general, these agreements provide that the City is responsible for relocating certain utility infrastructure that conflicts with the State’s projects and the State is responsible for avoiding damage and repairing or replacing damaged utility infrastructure as defined in the agreements. The City’s utilities have budgeted according to the agreements for the State’s Viaduct Replacement Project, plus necessary contingencies. The City has also entered into an agreement with WSDOT regarding the New Alaskan Way Roadway. The City is working with the State to closely coordinate the construction of the New Alaskan Way Roadway with the State’s Viaduct Replacement Project. Although the State is responsible for the cost of constructing the New Alaskan Way Roadway (after removal of the Alaskan Way Viaduct), the City will be responsible for the construction project.

*State’s Viaduct Replacement Project.* The State’s project to replace the Alaskan Way Viaduct with a bored tunnel has been completed and the SR 99 Tunnel was opened to vehicles in February 2019. The State expects to begin tolling the SR 99 Tunnel in late summer 2019. The SR 99 Tunnel construction was undertaken pursuant to a contract between WSDOT and a joint venture named Seattle Tunnel Partners. The City is not a party to that contract, and responsibility for any direct cost overruns will be governed by that contract; the City has no direct contractual liability. With the completion of the SR 99 Tunnel, the State has begun demolition of the decommissioned Alaskan Way Viaduct and Battery Street Tunnel, and has begun various surface street improvements near the tunnel’s entrances. This portion of the State’s Viaduct Replacement Project is expected to be completed in 2020.

*Waterfront Seattle Program.* The Waterfront Seattle Program consists of multiple projects to redevelop the City’s central waterfront, including seawall replacement, the creation of approximately 20 acres of new and improved parks and public space, and improved connectivity in and around the City’s central waterfront area. There is also coordination between the Waterfront Seattle Program and redevelopment projects undertaken by other public agencies in the central waterfront area, including the Pike Place Market Preservation and Development Authority.

The Waterfront Seattle Program includes or will include various City capital improvements that span the City’s central waterfront area from Pioneer Square to Belltown. The overall budget is approximately \$724 million, excluding seawall replacement and utility relocations and upgrades. The major elements of the seawall replacement project were completed in 2017 and were financed primarily with voter-approved bonds; the final portion of that project has been recently completed as part of the Waterfront Seattle Program. The State’s contribution for various improvements is expected to be approximately \$195 million, with certain costs relating to a pedestrian overpass connecting to the State ferry terminal still under negotiation.

The City’s funding plan for the remaining approximately \$529 million of the Waterfront Seattle Program (excluding the seawall) includes a mix of funding sources from various City revenues (*e.g.*, commercial parking tax, real estate excise tax), grant funding, approximately \$110 million in private philanthropy (currently being raised by the nonprofit Friends of the Waterfront), and approximately \$160 million in local improvement district assessments from the Waterfront Local Improvement District, described below. The various projects (other than the seawall replacement) will be phased, with the first elements nearing completion and construction finishing by late 2023.

*Waterfront Local Improvement District.* On January 29, 2019, the City Council adopted Ordinance 125760 (the “LID Ordinance”), creating Local Improvement District No. 6751 (the “Waterfront LID”). The Waterfront LID will impose and collect special assessments to pay for a portion (approximately \$160 million) of the estimated costs of specific improvements identified in the LID Ordinance, which include the Promenade, Overlook Walk, Pioneer Square Street Improvements, Union Street Pedestrian Connection, Pike/Pine Streetscape Improvements, and Waterfront Park. Two lawsuits challenging the formation of the Waterfront LID were filed, and were subsequently consolidated into a single action. The lawsuit is currently in the discovery phase, and the City cannot currently estimate when it will be resolved.

The LID improvements are to be undertaken as part of the Waterfront Seattle Program and are expected to be partially funded by the issuance of Waterfront LID Bonds, which will be payable from the special assessments and will not be a general obligation of the City. However, they are expected to be secured by the City’s LID Guaranty Fund. See “General Fund Tax Revenue Sources—General Property Taxes—Guaranty Fund Levies.” Special assessments will be imposed sufficient to pay or reimburse the City for up to \$160 million of the costs of these improvements, plus the costs of issuing the Waterfront LID Bonds and making a Guaranty Fund deposit. The City plans to issue the Waterfront LID Bonds within the next two to three years, depending on the result of the challenge to the formation of the Waterfront LID and the timing of steps necessary to finalize the Waterfront LID assessment roll. Interim financing for the LID improvements is being provided by means of an interfund loan authorized by the City Council.

## INITIATIVE AND REFERENDUM

### State-Wide Measures

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require that legislation passed by the State Legislature be referred to the voters. Any law approved in this manner by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referendum) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.



In recent years, several State-wide initiative petitions to repeal or reduce the growth of taxes and fees, including City taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts.

One such State-wide initiative, Initiative 976 (“I-976”), qualified for submission to the State Legislature in the 2019 legislative session and was not acted upon by the State Legislature prior to adjournment. I-976 is therefore expected to appear on the November 2019 State-wide ballot. I-976 purports to reduce vehicle license fees collected by the State and amends or repeals certain statutes that relate to vehicle license fees collected by local governments, such as the City. The City cannot predict whether any challenge may be filed preventing the measure from appearing on the ballot, whether it would pass if voted on, or what the effect of the measure might be (if any) on the City’s revenue from vehicle license fees. The State Office of Financial Management has prepared a fiscal note, which is available on its website, estimating the fiscal impact State-wide, if the measure were to go into effect as written.

Additional tax and fee initiative measures continue to be filed on a regular basis, but it cannot be predicted whether any more such initiatives might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

### **Local Measures**

Under the City Charter, Seattle voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and, through referendum, may prevent legislation passed by the City Council from becoming law.

## **LEGAL AND TAX INFORMATION**

### **No Litigation Affecting the Bonds**

There is no litigation pending with process properly served on the City questioning the validity of the Bonds or the power and authority of the City to issue the Bonds or the power and authority of the City to levy and collect the taxes pledged to the Bonds. There is no litigation pending or threatened which would materially affect the City’s ability to meet debt service requirements on the Bonds.

### **Other Litigation**

Because of the nature of its activities, the City is subject to certain pending legal actions which arise in the ordinary course of business of running a municipality, including various lawsuits and claims involving claims for money damages. (See Appendix B—The City’s 2017 Comprehensive Annual Financial Report—Note 15, Contingencies.) Based on its past experience and the information currently known, the City has concluded that its ability to pay principal of and interest on the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the City and the timing of any anticipated payments of judgments that might result from suits and claims.

### **Approval of Counsel**

Legal matters incident to the authorization, issuance, and sale of the Bonds by the City are subject to the approving legal opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, Bond Counsel. Forms of the opinions of Bond Counsel with respect to each Series of the Bonds are attached hereto as Appendix A. The opinions of Bond Counsel are given based on factual representations made to Bond Counsel and under existing law as of the date of initial delivery of the Bonds. Bond Counsel assumes no obligation to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention or any changes in law that may thereafter occur. The opinions of Bond Counsel are an expression of its professional judgment on the matters expressly addressed in its opinions and do not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

### **Limitations on Remedies and Municipal Bankruptcies**

Any remedies available to the owners of the Bonds are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

The rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and the exercise of judicial discretion in appropriate cases.

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Washington State law permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

The opinions to be delivered by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights. Copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix A.

### **Tax Matters—2019A Bonds**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2019A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2019A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2019A Bonds to assure that interest on the 2019A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the 2019A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019A Bonds. The City will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable 2019A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable 2019A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2019A Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2019A Bond to the Beneficial Owner. Purchasers of the 2019A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Bond Ordinance and the Tax Certificate relating to the 2019A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any 2019A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest on the 2019A Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the 2019A Bonds and the accrual or receipt of interest with respect to the 2019A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2019A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2019A Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2019A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2019A Bonds might be affected as a result of such an audit of

the 2019A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2019A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2019A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2019A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2019A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2019A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2019A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2019A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2019A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2019A BONDS.

### **Tax Matters—2019B Bonds**

The following discussion generally describes certain aspects of the principal U.S. federal tax treatment of U.S. persons that are Beneficial Owners (“Owners”) of 2019B Bonds who have purchased 2019B Bonds in the initial offering and who hold the 2019B Bonds as capital assets within the meaning of Section 1221 of the Code. For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations.

This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect). This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances, such as an Owner who may purchase 2019B Bonds in the secondary market, or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, non-U.S. persons, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, or dealers in securities. **Accordingly, before deciding whether to purchase any 2019B Bonds, prospective purchasers should consult their own tax advisors regarding the United States federal income tax consequences, as well as tax consequences under the laws of any state, local or foreign taxing jurisdiction or under any applicable tax treaty, of purchasing, holding, owning, and disposing of the 2019B Bonds.**

*In General.* Interest on the 2019B Bonds is not excludable from the gross income of the Owners for federal income tax purposes.

*Payments of Interest.* Interest paid on the 2019B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest payment; Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

*Recognition of Income Generally.* Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that

in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the 2019B Bonds under the Code.

*Defeasance of 2019B Bonds.* If the City defeased any 2019B Bonds, such 2019B Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the owner of a 2019B Bond would recognize a gain or loss on the 2019B Bond at the time of defeasance.

*Backup Withholding.* An Owner may, under certain circumstances, be subject to “backup withholding” with respect to interest on the 2019B Bonds. This withholding generally applies if the Owner of an 2019B Bond (a) fails to furnish the Bond Registrar or other payor with its taxpayer identification number; (b) furnishes the Bond Registrar or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Bond Registrar or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the Owner is not subject to backup withholding. Any amount withheld may be creditable against the Owner’s U.S. federal income tax liability and be refundable to the extent it exceeds the Owner’s U.S. federal income tax liability. The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the 2019B Bonds will be reported to the Owners and to the Internal Revenue Service.

*ERISA Considerations.* The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans should consult their own tax advisors with respect to the consequences of any investment in the 2019B Bonds.

#### **CONTINUING DISCLOSURE AGREEMENT**

*Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events.* To meet the requirements of paragraph (b)(5) of United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”), as applicable to a participating underwriter for the Bonds, the City will execute the Continuing Disclosure Agreement (the “CDA”) for the benefit of holders of the Bonds, as follows.

*Annual Financial Information.* The City will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB:

- (i) Annual financial information and operating data of the type included in this Official Statement as generally described below under “Type of Annual Information Undertaken to be Provided.” The timely filing of unaudited financial statements will satisfy the requirements and filing deadlines pertaining to the filing of annual financial statements described below under “Type of Annual Information Undertaken to be Provided,” provided that audited financial statements are to be filed if and when they are otherwise prepared and available to the City; and
- (ii) Timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:
  - (a) principal and interest payment delinquencies;
  - (b) non-payment related defaults, if material;
  - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) substitution of credit or liquidity providers, or their failure to perform;

- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the 2019A Bonds, or other material events affecting the tax status of the 2019A Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership, or similar event of the City, as such “Bankruptcy Events” are defined in the Rule;
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- (p) any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For purposes of this undertaking, the term “financial obligation” means a (i) debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The City also will provide or cause to be provided to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

*Type of Annual Financial Information Undertaken to be Provided.* The annual financial information that the City undertakes to provide will consist of:

- (i) annual financial statements of the City, prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by applicable State law;
- (ii) a statement of outstanding general obligation debt of the City;
- (iii) the assessed value of the property within the City subject to *ad valorem* taxation; and
- (iv) *ad valorem* tax levy rates and amounts and percentage of taxes collected.

Annual financial information, as described above, will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City’s fiscal year ended December 31, 2018. The annual financial information may be provided in a single document or in multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

*Amendment of CDA.* The CDA is subject to amendment after the primary offering of the Bonds without the consent of any Owner or holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12, including:

- (i) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identify, nature, or status of the City, or type of business conducted by the City;
- (ii) The undertaking, as amended, would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and
- (iii) The amendment does not materially impair the interests of holders, as determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar with federal securities laws), or by an approving vote of bondholders pursuant to the terms of the Bond Ordinance at the time of the amendment.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the CDA and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information to be provided.

*Termination of CDA.* The City's obligations under the CDA will terminate upon the legal defeasance, prior repayment, or payment in full of all of the then outstanding Bonds. In addition, the City's obligations under the CDA will terminate if those provisions of Rule 15c2-12 that require the City to comply with the CDA become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

*Remedy for Failure to Comply with CDA.* The City has agreed to proceed with due diligence to cause any material failure to comply with the CDA to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with the CDA will constitute a default in respect of the Bonds. The sole remedy of any Owner of a Bond will be to take such actions as that Owner deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the CDA.

*Compliance with Continuing Disclosure Undertakings of the City.* The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12. The City's review of its compliance during the past five years did not reveal any failure to comply, in a material respect, with any undertakings in effect during this time. In preparation for this offering, the City has begun an internal review and will be revising its internal procedures and training in preparation for compliance with the amendments to Rule 15c2-12, which are reflected in events (15) and (16) described in the undertaking for the Bonds.

## **OTHER BOND INFORMATION**

### **Ratings on the Bonds**

The Bonds have been rated "Aaa," "AAA," and "AAA" by Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings, respectively. In general, rating agencies base their ratings on rating materials furnished to them (which may include information provided by the City that is not included in this Official Statement) and on the rating agency's own investigations, studies, and assumptions. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the respective rating agencies. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

### **Municipal Advisor**

The City has retained Piper Jaffray & Co., Seattle, Washington, as municipal advisor (the “Municipal Advisor”) in connection with the preparation of the City’s financing plans and with respect to the authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the City, the Municipal Advisor may not participate in the underwriting of any City debt.

### **Purchaser of the Bonds**

The 2019A Bonds are being purchased by Janney Montgomery Scott LLC (the “Purchaser”) at a price of \$41,995,003.45 and will be reoffered at a price of \$42,077,964.30. The 2019B Bonds are being purchased by the Purchaser at a price of \$11,045,813.13 and will be reoffered at a price of \$11,100,000.

The Purchaser may offer and sell each Series of the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on pages i and ii hereof, and such initial offering prices may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices may be varied from time to time.

### **Conflicts of Interest**

Some of the fees of the Municipal Advisor and Bond Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel serves as counsel to the Municipal Advisor in matters unrelated to the Bonds. None of the members of the City Council or other officers of the City have any conflict of interest in the issuance of the Bonds that is prohibited by applicable law.

### **Official Statement**

This Official Statement is not to be construed as a contract with the owners of any of the Bonds.

THE CITY OF SEATTLE

By:                     /s/ Glen M. Lee                      
Glen M. Lee  
Director of Finance

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**APPENDIX A**  
**FORMS OF LEGAL OPINIONS**

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STRADLING YOCCA CARLSON & RAUTH

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SANTA MONICA  
COLORADO  
DENVER  
NEVADA  
LAS VEGAS  
RENO  
WASHINGTON  
SEATTLE

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington  
\$35,870,000 Limited Tax General Obligation Improvement Bonds, 2019A  
(the “2019A Bonds”)

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced 2019A Bonds, and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The 2019A Bonds are issued by the City pursuant to the laws of the State of Washington, and Ordinance 125715 (the “Bond Ordinance”) for general City purposes. The 2019A Bonds are being issued to pay or reimburse all or part of the costs of various elements of the City’s capital improvement program, including design, construction, renovation, improvement, or replacement of various capital facilities and street, road, bridge, transportation, and information technology projects of the City, and to pay the costs of issuing the 2019A Bonds.

Reference is made to the Bond Ordinance for the definitions of capitalized terms used and not otherwise defined herein.

Under the Internal Revenue Code of 1986, as amended (the “Code”), the City is required to comply with certain requirements after the date of issuance of the 2019A Bonds in order to maintain the exclusion of the interest on the 2019A Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of 2019A Bond proceeds and the facilities financed or refinanced with 2019A Bond proceeds, limitations on investing gross proceeds of the 2019A Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the 2019A Bonds. The City has covenanted in the Bond Ordinance to comply with those requirements, but if the City fails to comply with those requirements, interest on the 2019A Bonds could become taxable retroactive to the date of issuance of the 2019A Bonds. We have not undertaken and do not undertake to monitor the City’s compliance with these requirements.

As of the date of initial delivery of the 2019A Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

The City of Seattle, Washington

[Date]

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1. The City is a duly organized and legally existing first class city under the laws of the State of Washington.

2. The City has duly authorized and approved the Bond Ordinance, the 2019A Bonds have been duly authorized and executed by the City and the 2019A Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Ordinance and other ordinances and resolutions of the City relating thereto.

3. The 2019A Bonds constitute valid general obligations of the City, payable from tax revenue of the City to be levied within the constitutional and statutory limitations provided by law without the assent of the voters and from such other money as is lawfully available and pledged by the City, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles if equitable remedies are sought.

4. Assuming compliance by the City after the date of issuance of the 2019A Bonds with applicable requirements of the Code, under existing statutes, regulations, rulings and judicial decisions, the interest on the 2019A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the 2019A Bonds or otherwise used in connection with the 2019A Bonds.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
999 THIRD AVENUE, SUITE 3610  
SEATTLE, WA 98104  
TELEPHONE 206.829.3000

CALIFORNIA  
NEWPORT BEACH  
SACRAMENTO  
SAN DIEGO  
SAN FRANCISCO  
SANTA BARBARA  
SANTA MONICA  
COLORADO  
DENVER  
NEVADA  
LAS VEGAS  
RENO  
WASHINGTON  
SEATTLE

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington  
\$11,100,000 Limited Tax General Obligation Improvement Bonds, 2019B (Taxable)  
(the “2019B Bonds”)

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced 2019B Bonds, and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The 2019B Bonds are issued by the City pursuant to the laws of the State of Washington, and Ordinance 125715 (the “Bond Ordinance”) for general City purposes. The 2019B Bonds are being issued (i) to pay or reimburse all or part of the costs of design, construction, renovation, improvement, or replacement of certain elements of the City’s capital improvement program, namely the Central Waterfront Overlook Walk improvements and design costs related to the Overlook Walk project, (ii) to make funds available to a program of the City’s Office of Housing, and (iii) to pay the costs of issuing the 2019B Bonds.

Reference is made to the Bond Ordinance for the definitions of capitalized terms used and not otherwise defined herein.

As of the date of initial delivery of the 2019B Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington.
2. The City has duly authorized and approved the Bond Ordinance, the 2019B Bonds have been duly authorized and executed by the City and the 2019B Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Ordinance and other ordinances and resolutions of the City relating thereto.
3. The 2019B Bonds constitute valid general obligations of the City, payable from tax revenue of the City to be levied within the constitutional and statutory limitations provided by law without the assent of the voters and from such other money as is lawfully available and pledged by the

The City of Seattle, Washington  
[Date]  
Page 2

City, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles if equitable remedies are sought.

4. The City has declared its intention that interest on the 2019B Bonds not be excludable from gross income for federal income tax purposes.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the 2019B Bonds or otherwise used in connection with the 2019B Bonds.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

**APPENDIX B**

**THE CITY'S 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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The City of Seattle, Washington  
Comprehensive Annual Financial Report  
For the Year Ended December 31, 2017

*Cover Image: Courtesy of Seattle Municipal Archives  
Source: Record Series 1204-16  
Text added and cropped from original*

# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
December 31, 2017



**City of Seattle  
Washington**

Department of Finance and Administrative Services

# **Introduction**

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**Comprehensive Annual Financial Report**

*For the Year Ended December 31, 2017*

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**The City of Seattle**

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**OFFICIALS**  
As of January 1, 2018

**MAYOR AND CITY COUNCIL**

**Jenny A. Durkan**  
Mayor

**City Council**

Lisa Herbold District 1	Sally Bagshaw District 4	M. Lorena Gonzalez District 7
Bruce A. Harrell District 2	Rob Johnson District 5	Debra Juarez District 8
Teresa Mosqueda District 3	Mike O'Brien District 6	Kshama Sawant District 9

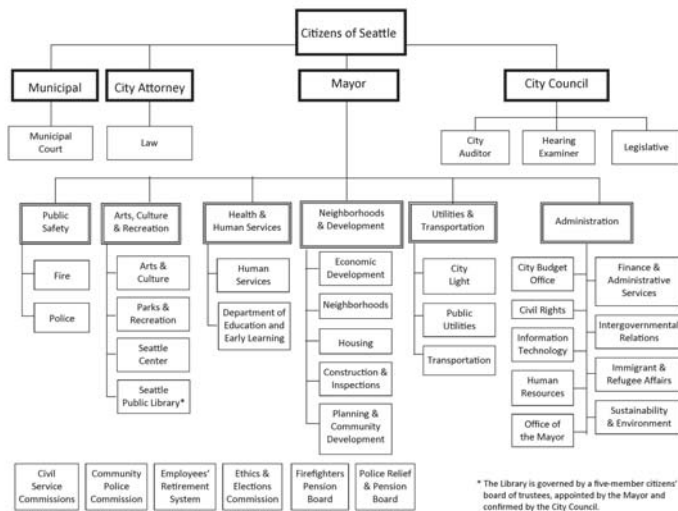
**Administration**

Fred Podesta  
Director Finance and Administrative Services

Glen Lee  
Finance Director

Janice Marsters  
Director, Citywide Accounting and Payroll Services

**CITY ORGANIZATIONAL CHART**





## Letter of Transmittal



September 30, 2018

The Honorable Mayor and  
Members of the City Council:

I am pleased to submit to you the 2017 Comprehensive Annual Financial Report (CAFR) of the City of Seattle, Washington. The Department of Finance and Administrative Services prepared this report to present the financial position of the City of Seattle as of December 31, 2017. In addition, the CAFR describes the results of its operations, the cash flows of its proprietary fund types, and changes in plan net position of its pension and private-purpose trust funds for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the State Auditor and the City Charter.

Washington State law requires an annual audit of the City of Seattle's (the City's) financial statements by the independently elected State Auditor. The State Auditor conducts his examination in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair presentation of the City's financial position, results of operations, the cash flows of its proprietary fund types, and changes in plan net position of its pension and private-purpose trust funds. In addition to the opinion on the City's financial statements, included in this report, the State Auditor also issues separate reports on internal control and compliance with laws and regulations that meet the requirements of the Single Audit Act under Title 2, CFR Part 200 (OMB Uniform Guidance). These reports are available in the City's separately issued Single Audit Report.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of the City's management staff. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles. This concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

Management's discussion and analysis (MD&A) immediately follows the State Auditor's report. It provides a summary and assessment of the City's most important financial developments to accompany the financial statements. This letter of transmittal complements the MD&A and should be read in conjunction with it.

### PROFILE OF THE GOVERNMENT

The City of Seattle was incorporated on December 2, 1889. The City is organized as a mayor-council form of government and operates under its City Charter adopted on March 12, 1946. In 2013, voters approved a district amendment shifting from nine at-large City Council positions to seven City Council positions elected by district and two at-large positions. As a result, all nine City Council positions were up for election in 2016.

The City of Seattle is a primary government for financial reporting purposes. Its governing body is elected by the citizens in a general, popular election. The CAFR includes financial summaries for all organizations and activities for which elected City officials exercise financial accountability. Certain organizations created by or related to the City, for which the City is not financially accountable, have been excluded from this report. ❧

## The City of Seattle

joint venture, component units, and contingent liabilities, which exist from relationships with organizations created by the City, are included in this report. The notes to the financial statements further discuss the City as a financial reporting entity.

The City provides a full range of services typical of local municipalities and operates four rate-funded utilities. The City constructs and maintains a street network, and electric, water, solid waste, and sewer and drainage systems. It provides police and fire protection as well as judicial services. It administers land use policy, and takes an active role in commercial and industrial development and environmental protection. The City designs and maintains many parks and golf courses, coordinates recreation activities, maintains libraries, fosters neighborhood livability, and works to preserve a satisfactory living environment for both the community and individuals.

### BUDGETS AND BUDGETARY ACCOUNTING

The City Council approves the City's operating budget and two separate but related fiscal plans: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The Adopted Budget allocates available resources on an annual basis between the City's programs, and ordains financial transactions that support the allocations and related financing decisions. Appropriations in the Budget are valid only for the fiscal year except for appropriations that support capital projects, grants, or endowments. The Budget also ordains changes to employee positions by department.

The CIP plan is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by funding source. It is revised and extended annually. The City Council adopts the CIP as a planning document and appropriates the multi-year expenditures identified in the CIP through the adoption of the annual budget or subsequent supplemental budgets. The CIP is consistent with the City's Comprehensive Plan and includes information required by the State's Growth Management Act.

The CDBG planning process allocates the annual grant awarded by the federal government to City departments and non-City organizations. Although this federally funded program has unique timetables and requirements, the City coordinates it with the annual budget and CIP processes to improve preparation and budget allocation decisions and streamline budget execution.

The Adopted Budget makes appropriations for operating and capital expenses at the budget control level within the departments. Grant-funded activities are controlled as prescribed by law and federal or state regulations.

### NATIONAL AND LOCAL ECONOMY

**U.S. Economy.** The nation's recovery from the Great Recession is now in its ninth year, making it the second longest expansion in the post-World War II period. The average length of post-war expansions is five years. Although employment growth during the recovery has been relatively strong, on many dimensions, including gross domestic product (GDP) growth, wage gains, and productivity, the recovery has disappointed. Real GDP growth has averaged 2.2 percent per year, the slowest pace of any post-war expansion.



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## Letter of Transmittal

The pace of economic growth accelerated in the second quarter of 2018, which saw real GDP increase at a 4.1% annual rate. Driving this acceleration were the federal tax cuts enacted in December 2017 and the Bipartisan Budget Act of 2018, which increased federal spending by approximately ten percent in both 2018 and 2019. In response to this fiscal stimulus, growth is expected to remain strong during the rest of 2018 and 2019.

Forecasters expect the economy to slow in 2020 as the effects of the federal fiscal stimulus fade and higher interest rates act to slow the economy. The Federal Reserve is expected to continue raising interest rates in order to normalize rates and keep inflation under control. Some forecasters think the forces driving the slowdown in 2020 could push the economy into recession. In a May 2018 Wall Street Journal survey, 59 percent of private-sector economists said the most likely end date for the current expansion is 2020.

**Seattle metropolitan area economy.** Since the Great Recession ended in June 2009, the Seattle metro area economy has outperformed the national economy by a considerable margin. This is reflected in the region's healthy job growth and low unemployment rate. Seattle metro area (King and Snohomish Counties) employment has grown at a 2.7 percent annual rate during the recovery, compared to 1.7 percent for the nation. In June 2018, the unemployment rate for the Seattle metro area was 3.7 percent, compared to 4.0 percent for the U.S and 4.7 percent for Washington state. The region has also outpaced the U.S. in both income and wage growth during the recovery.

Industries instrumental in the region's strong recovery include aerospace, professional, scientific, and technical services, software publishers, health services, and mail order and internet retail. Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2012 and has declined since then. The software industry, whose largest local employer is Microsoft, has added 13,200 jobs from its low point in late 2009. The industry making the greatest contribution to the recovery has been mail order and internet retail, which is dominated by Amazon.com. This industry has added approximately 35,000 jobs during the current expansion.

During the recovery, the region's growth has been concentrated in the city of Seattle, the region's major business and professional service center and home to Amazon.com's rapidly growing headquarters. Strong job growth in Seattle and the growing popularity of in-city living has led to a surge in construction activity focused in multi-family housing and office development. The value of permits issued for construction activity in Seattle increased from \$1.5 billion in 2010 to \$3.6 billion in 2016 and \$5.0 billion in 2017, the strongest year ever.

Seattle metro area employment growth peaked at 3.2 percent in both 2015 and 2016 before slowing to 2.5 percent in 2017. The slowdown was due in part to a loss of 6,000 aerospace jobs in 2017. With Amazon searching for a location for its second headquarters and signs that construction is near its peak, the region's economy is expected to continue slowing. The slowing will be gradual in 2018 and 2019, thanks to a strong national economy, but 2020 will see a sharper slow down as the national economy decelerates.

### CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

I would like to express my appreciation to the entire staff of Citywide Accounting Services, other members of the Department of Finance and Administrative Services, and other City departments who contributed to the

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## The City of Seattle

preparation of this report. Finally, I thank you for your interest and continuing support in planning and conducting the City's financial operations in a responsible manner.

Sincerely,



Glen M. Lee, City Finance Director  
Department of Finance and Administrative Services



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Seattle  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morrill*

Executive Director/CEO

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## Financial Section



Office of the Washington State Auditor  
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

September 25, 2018

Mayor and City Council  
City of Seattle  
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are major funds that collectively represent 99 percent, 98 percent, and 98 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.



## Independent Auditor's Report

- The Seattle City Employees' Retirement System, which represents 64 percent, 73 percent, and 28 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light, Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## The City of Seattle

### Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2016, from which such partial information was derived.

We and other auditors have previously audited the City's 2016 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information in our report dated August 11, 2017.

In our opinion, the summarized comparative information for the governmental activities and governmental funds presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated September 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



Pat McCarthy  
State Auditor  
Olympia, WA

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## Management's Discussion and Analysis

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## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The City of Seattle (City) presents this Management’s Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2017. This discussion and analysis focuses on significant financial issues, provides an overview of the City’s financial activity, highlights significant changes in the City’s financial position, and identifies material variances between the approved budget and actual spending.

The City encourages readers to consider the information presented here in conjunction with additional information provided in its letter of transmittal and the City’s basic financial statements following this section. All dollar amount are expressed in thousands unless otherwise indicated.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the City of Seattle’s basic financial statements which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements provide a broad overview of the City’s finances in a manner similar to that of private-sector business.

The Statement of Net Position presents information on all City assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the City’s financial health.

The Statement of Activities presents changes in net position during the current reporting period. All changes to net position are reported as of the date of the underlying event, rather than when cash is received or disbursed. Thus, some reported revenues and expenses result in cash flows in future periods. The Statement of Activities focuses on both the gross and the net cost of the various activities of the City. The report summarizes and simplifies analysis of the revenues and expenses of the various City activities and the degree to which activities are subsidized by general revenues.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental functions of the City include general government activities, judicial activities, public safety, physical environment, transportation, economic environment, health and human services, and culture and recreation. The business-type activities of the City include an electric utility, a water utility, a waste disposal utility, a sewer and drainage utility, operations of regulatory and long-range planning and enforcement of policies and codes that include construction and land use, fiber leasing, and parking facilities.

#### **Fund Financial Statements**

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City’s basic services are reported in the governmental funds. These statements, however, focus on near-term inflows and outflows of spendable resources, as well as fund balances at the end of the fiscal year. Such information may be useful in assessing the City’s near-term financing requirements.

Readers may better understand the long-term impact of the government’s near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

## Management's Discussion and Analysis

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service, capital projects, and permanent funds). Information for the two major governmental funds is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the nonmajor funds is presented in the aggregate. The City's major governmental funds are the General Fund and Transportation Fund. Information for each of the nonmajor governmental funds is provided in the combining statements in this report.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds.

- Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Seattle City Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are considered to be major enterprise funds. Information for nonmajor enterprise funds is presented in the aggregate. Information for each of the nonmajor enterprise funds is provided in the combining statements in this report.
- Internal service funds report activities that provide supplies and services for various City programs and activities. The City uses internal service funds to account for its finance and administrative services and information technology services. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Information for each of the internal service funds is provided in the combining statements in this report.

Proprietary fund statements follow the governmental fund statements in this report.

Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City's fiduciary funds include the Employees' Retirement Fund, the S. L. Denny Private-Purpose Trust Fund, and various agency funds.

### Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

### Required Supplementary Information

This report also contains other required supplementary information (RSI) on budgetary comparisons for major governmental funds and pension plan funding.

### Combining Statements

The combining statements referred to earlier in connection with the nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

### Statistical Information

The statistical section provides financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and the required supplementary information with the goal of providing the user with a better understanding of the City's economic condition.

## The City of Seattle

### FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2017 the City's net position totaled \$5.738 billion, with governmental activities accounting for 60.9 percent and business-type activities 39.1 percent, consistently reporting a 2 to 1 ratio year over year.
- Net investment in capital assets grew 3.5 percent, increasing \$189.7 million, to a total reported balance of \$5.645 billion for 2017. Of these assets the City's governmental activities controls \$3.365 billion, with the remaining \$2.280 billion supporting business-type activities.
- Restricted net position of \$780.0 million is available to meet the City's ongoing obligations to citizens and creditors. Governmental activities accounted for 72.8 percent of the \$95.4 million increase in the restricted balances. The City restricted significant resources for capital projects, low-income, transportation, and education programs, debt service and other purposes.
- The City's non-current liabilities account for 90.5 percent of all liabilities recorded. During 2017 these liabilities increased \$750.4 million, 9.8 percent between years. The City's business activities contributed significantly to the increase in the long-term liabilities with an increase to revenue bonds payable of \$469.6 million. The overall change in long-term liabilities is also reflected in the \$687.2 million deficit reported under the City's unrestricted net position.
- Expenses reported at the citywide level were up 7.2 percent year over year, totaling \$3.689 billion in 2017. Of the \$247.1 million increase in 2017's expenses 53.3 percent can be attributed to the growth in expenses related to governmental-activities. Expenses for all functions within the City's governmental activities totaled \$1.911 billion for 2017, a 7.4 percent increase over 2016's costs of \$1.779 billion.
- The City's governmental funds reported a combined ending fund balance of \$1,115.3 million for 2017, an increase of 12.2 percent from the prior year's restated balance of \$994.4 million. Of the total fund balance, 11.6 percent is reported as unassigned balance, totaling \$130.0 million for year-end 2017. The General Fund contributes \$152.2 million to unassigned fund balance which was then offset by the special revenue and capital project funds reporting a combined deficit of \$22.3 million in unassigned fund balances that offset the total across the City's governmental funds.
- Revenue generated by the City's governmental funds totaled \$2.210 billion for the fiscal year ended December 31, 2017, an increase of approximately \$110.6 million, or 5.3 percent from the prior year's balance of \$2.099 billion. The increase is primarily driven by \$95.2 million of additional tax collections in 2017, a 6.7 percent increase that pushed the total tax collection to \$1.517 billion in 2017.
- Expenditures in governmental funds amounted to \$2.184 billion, an increase of approximately \$41.3 million, or 2.0 percent, compared to \$2.143 billion in 2016. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$25.8 million. The City's General Fund reported an excess of revenues over expenditures totaling \$320.8 million, while the other major and nonmajor governmental funds reported a deficiency of revenues over expenditures totaling \$295 million.
- The City's governmental funds received a significant contribution from other financing sources and uses totaling \$95.1 million for 2017. These resources offset the operating deficit and directly contributed to the City's governmental fund balance which totals \$1,115.3 million at year end.
- The General Fund is the chief operating fund of the City. For 2017 the General Fund reported a balance of \$495.1 million, or 44.4 percent of the entire governmental fund balance. The General Fund accounts for 63.6 percent of revenues, and 49.6 percent of total governmental expenditures. The unassigned balance in the City's General Fund grew \$3.1 million, an 2.0 percent increase that pushed the General Fund's total unassigned balance to a record level, \$152.2 million for 2017.
- In 2017 the City issued \$100.1 million in General Obligation Bonds, and \$914.3 million of Revenue Bonds. Of the amount issued in 2017, \$19.4 million was used to partially refund general obligation bonds, and \$163.6 million of revenue bonds. The City's outstanding general obligation bonds totaled \$1.013 billion and the utility revenue bonds 4.226 billion at year end 2017.



## Management's Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net position for the City of Seattle.

#### Statement of Net Position

**Table A-1** **CONDENSED STATEMENT OF NET POSITION**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	Restated 2016
<b>ASSETS</b>						
Current and Other Assets	\$ 1,601,692	\$ 1,416,754	\$ 1,980,443	\$ 1,536,233	\$ 3,582,135	\$ 2,952,987
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	4,389,411	4,264,107	6,158,882	5,788,126	10,548,293	10,052,233
Total Assets	5,991,103	5,680,861	8,139,325	7,324,359	14,130,428	13,005,220
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	186,218	199,750	156,605	192,059	342,823	391,809
<b>LIABILITIES</b>						
Current Liabilities	369,099	372,400	431,972	416,478	801,071	788,878
Noncurrent Liabilities	2,265,286	1,998,338	5,403,343	4,919,917	7,668,629	6,918,255
Total Liabilities	2,634,385	2,370,738	5,835,315	5,336,395	8,469,700	7,707,133
<b>DEFERRED INFLOWS OF RESOURCES</b>	49,299	7,205	215,998	165,812	265,297	173,017
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,365,060	3,269,646	2,280,370	2,186,129	5,645,430	5,455,775
Restricted	694,502	625,046	85,527	59,575	780,029	684,621
Unrestricted	(565,925)	(392,023)	(121,280)	(231,495)	(687,205)	(623,518)
Total Net Position	\$ 3,493,637	\$ 3,502,669	\$ 2,244,617	\$ 2,014,209	\$ 5,738,254	\$ 5,516,878

At the close of the current fiscal year the City's total net position was 5.738 billion. The \$9.0 million net position decrease for governmental activities accounted for 4.1 percent of the City's total year over year change in net position.

The net position for the business-type activities also increased 11.4 percent between 2016 and 2017, from \$2.014 billion to \$2.245 billion. In 2017 the City's business activities contributed an additional \$230.4 million to the City's net position, and accounted for 104.1 percent to the City's overall increase in net position.

The City's net position reports an investment of \$5.645 billion in capital assets, such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other funding sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$780.0 million, or 13.6 percent, represents resources that are subject to external restrictions on how they may be used.

City's unrestricted net position reports a deficit of resources totaling \$687.2 million. This deficit is the direct result of the City's recognition of the net pension liability associated with the implementation of GASB statement 68. This deficit will require future resources to meet the government's obligation to citizens and creditors

## The City of Seattle

**Table A-2** **CHANGES IN NET POSITION RESULTING FROM CHANGES IN REVENUES AND EXPENSES**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 389,814	\$ 347,240	\$ 1,922,513	\$ 1,785,230	\$ 2,312,327	\$ 2,132,470
Operating Grants and Contributions	130,777	134,856	1,834	4,583	132,611	139,439
Capital Grants and Contributions	36,161	31,076	70,020	86,997	106,181	118,073
General Revenues						
Property Taxes	582,622	542,854	—	—	582,622	542,854
Sales Taxes	280,963	263,285	—	—	280,963	263,285
Business Taxes	516,881	482,850	—	—	516,881	482,850
Other Taxes	137,706	133,636	—	—	137,706	133,636
Other	25,972	8,889	17,963	60,907	43,935	69,796
Total Revenues	2,100,896	1,944,686	2,012,330	1,937,717	4,113,226	3,882,403
<b>Expenses</b>						
Governmental Activities						
General Government	222,089	226,438	—	—	222,089	226,438
Judicial	32,075	32,025	—	—	32,075	32,025
Public Safety	577,738	577,631	—	—	577,738	577,631
Physical Environment	15,539	12,559	—	—	15,539	12,559
Transportation	384,724	276,867	—	—	384,724	276,867
Economic Environment	147,005	175,132	—	—	147,005	175,132
Health and Human Services	119,463	104,687	—	—	119,463	104,687
Culture and Recreation	364,425	330,985	—	—	364,425	330,985
Interest on Long-Term Debt	47,777	42,942	—	—	47,777	42,942
Business-Type Activities						
Light	—	—	914,785	858,929	914,785	858,929
Water	—	—	235,142	227,988	235,142	227,988
Drainage and Wastewater	—	—	363,682	335,051	363,682	335,051
Solid Waste	—	—	192,062	167,957	192,062	167,957
Planning and Development	—	—	72,914	67,964	72,914	67,964
Downtown Parking Garage	—	—	—	5,222	—	5,222
Fiber Leasing	—	—	36	8	36	8
Total Expenses	1,910,835	1,779,266	1,778,621	1,663,119	3,689,456	3,442,385
Excess Before Special Item and Transfers	190,061	165,420	233,709	274,598	423,770	440,018
Special Item - Environmental Remediation	—	—	(9,619)	(66,187)	(9,619)	(66,187)
Transfers	(5,317)	15,469	6,321	(15,469)	1,004	—
Changes in Net Position	184,744	180,889	230,409	192,942	415,155	373,831
Net Position - Beginning of Year	3,502,669	3,321,778	2,014,208	1,821,264	5,516,877	5,143,042
Restatements/Prior-Year Adjustments	(193,776)	—	—	—	(193,776)	—
Net Position - Beginning of Year as Restated	3,308,893	3,321,778	2,014,208	1,821,264	5,323,101	5,143,042
Net Position - End of Year	\$ 3,493,637	\$ 3,502,667	\$ 2,244,617	\$ 2,014,206	\$ 5,738,254	\$ 5,516,873

#### Analysis of Changes in Net Position

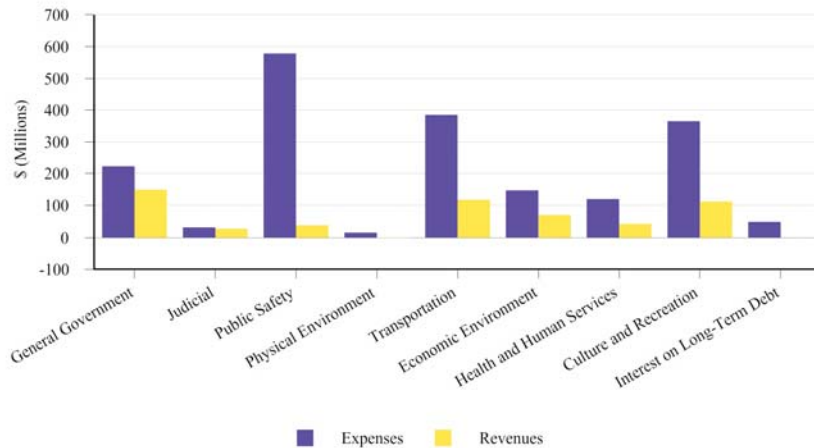
In 2017 the City's total net position increased by \$415.2 million, or 7.5 percent. The factors contributing to the increase are explained in the following discussion of governmental and business-type activities.



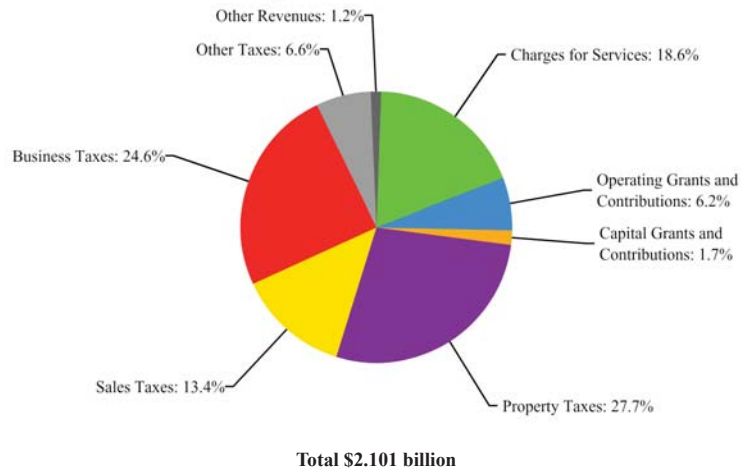
## Management's Discussion and Analysis

### Governmental Activities

**Expenditures and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



## The City of Seattle

**Governmental Activities.** The charts on the previous page present the City's governmental expenses and revenues by function and its revenue by source.

The City's revenues reported at the citywide level were up 5.9 percent year over year, totaling \$4.113 billion in 2017. Out of the \$230.8 million of additional revenues reported in 2017, the City's governmental activities accounted for 67.7 percent of the change. The following table lists the general revenues ranked by the size of their 2017 collections, and highlights the change in general revenues between the 2016 and 2017 financial statements.

2017 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Property Taxes	\$582.6	7.3%	\$39.8
2	Business Taxes	\$516.9	7.0%	\$34.0
3	Sales Taxes	\$281.0	6.7%	\$17.7
4	Excise Taxes	\$115.7	0.9%	\$1.0
5	Other Taxes	\$22.0	15.9%	\$3.0

The City's tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales and business tax contributing 89.4 percent of all general revenues, and 65.7 percent of the governmental activities general and program revenue combined.

The year over year growth in sales tax was 6.7 percent, or \$17.7 million, and contributed 11.3 percent of the total revenue growth in governmental activities. Excise taxes collected by the City contributed an additional \$1.0 million to the year over year increase, 7.4 percent of 2016's total revenue growth of \$156.2 million in governmental activities. Another continuing driver behind the General Fund's sales tax growth is the local construction boom, with 25 percent of sales tax receipts directly attributable to construction.

Direct program revenues collected supporting the City's governmental activities were \$556.8 million, or 29.1 percent of the City's expenses for governmental activities, with the remaining \$1.354 billion covered by the City's general resources. The City's charges for services are the largest component of reported program revenues, and comprise 70.0 percent of program revenue generated by governmental activities. For governmental activities charges for services contribute 18.6 percent of total revenues, with year over year revenues collected for service charges up \$42.6 million, a 12.3 percent increase that raises total service charge collection to \$389.8 million.

Expenses reported at the citywide level were up 7.2 percent year over year, totaling \$3.689 billion in 2017. Of the \$247.1 million increase in 2017's expenses 53.3 percent can be attributed to the growth in expenses related to governmental activities. Net program expenses for all functions within the City's governmental activities totaled \$1.911 billion for 2017, a 7.4 percent increase over 2016's costs of \$1.779 billion. The following table lists city functions and programs ranked by the size of their 2017 expenses, and highlights the growth in costs between the 2016 and 2017 financial statements.

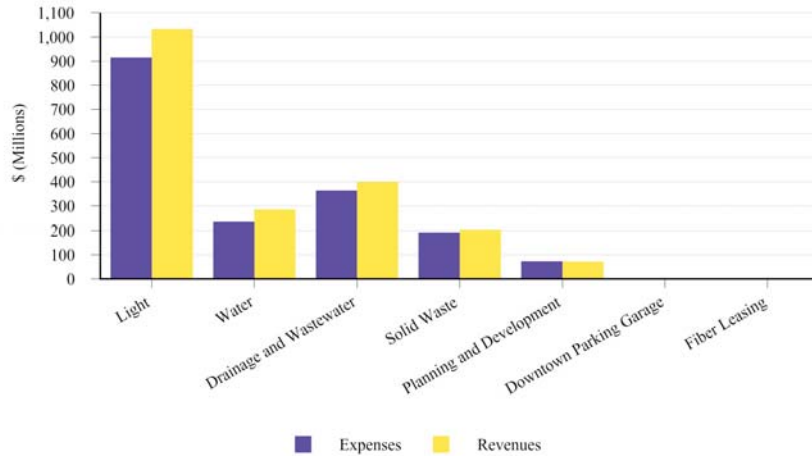
2017 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$577.7	0.0%	\$0.1
2	Culture and Recreation	\$364.4	10.1%	\$33.4
3	Transportation	\$384.7	39.0%	\$107.9
4	General Government	\$222.1	(1.9)%	\$(4.3)
5	Economic Environment	\$147.0	(16.1)%	\$(28.1)
6	Health and Human Services	\$119.5	14.1%	\$14.8

The City's largest governmental expense continues to be the public safety function, totaling \$577.7 million for 2017, contributing 15.7 percent of all citywide expenses, and 30.2 percent of expense in the City's governmental activities.

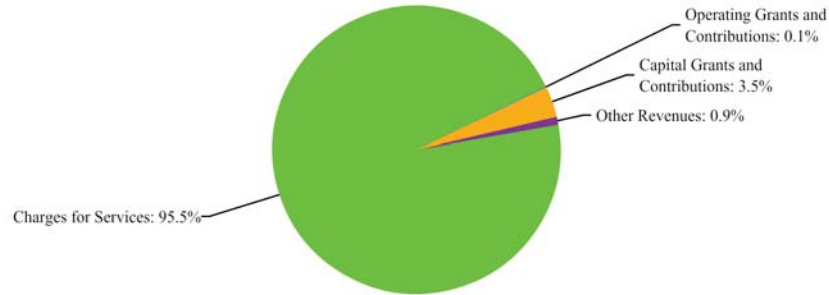
**Management's Discussion and Analysis**

**Business-Type Activities**

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



**Total \$2.012 billion**

**The City of Seattle**

**Business-Type Activities.** At year end the City's net position for business-type activities was \$2.245 billion, a 11.4 percent increase totaling \$230.4 million. Of this amount, \$46.4 million reflects the consolidation of internal service fund activities related to enterprise funds. Key factors for the change are described below:

The City Light Utility realized a \$120.4 million change in total net position for 2017. Primary causes include higher retail electric sales attributable to rate increases, including the 1.5 percent rate surcharge. The net position change was also impacted by lower net short-term wholesale power revenues, higher long-term purchased power, bad debt, administrative & general, taxes and depreciation.

Operating income generated \$137.2 million, up \$29.8 million, or 27.8 percent from 2016. Operating revenues were \$989.7 million, gaining 9.6 percent year over year. Operating expenses increased \$56.7 million. Retail power revenues were higher due to several factors including the 5.6 percent across-the-board rate increase effective January 1, 2017 and the RSA rate surcharge, effective August 1, 2016. Higher consumption due to the colder weather during the first two months of the year also contributed to higher revenues. Operating expenses saw an overall increase in part to a \$5 million increase in long-term purchased power - Bonneville and other. The Bonneville costs increase was the result of a change to Block power purchases only.

The Water Utility realized a \$51.2 million change in net position for 2017. Operating income increased to \$61.0 million, increasing \$6.3 million year over year. The operating revenues increased, \$11,533 thousand, a 4.6 percent increase from 2016. The higher operating revenues were driven by increases in direct service revenue of \$10.4 million and wholesale revenue of \$3.1 million resulting from increased consumption. For 2017, the increase in operating expenses, of \$5.2 million included \$2.2 million in general and administrative services, \$2.2 million in taxes, \$1.0 million in project delivery.

The Drainage and Waste Water Utility realized a \$30.7 million change in net position for 2017. Operating revenues generated \$400.3 million, a 6.7 percent increase from 2016. Operating expenses totaled \$344.6 million, an \$24.2 million or 7.6 percent increase year over year. The additional operating expenditures were 96 percent of the increase in operating revenues. For 2017 wastewater revenues had an average rate increase of 5.4 percent, generating an additional \$11.3 million revenue. Drainage revenues also increased \$11.8 million for an average rate increase of 10 percent. The income from the revenue gains were offset by an increase in the Utilities operating expense of \$8.8 million resulting from a 5.5 percent increase in King County's wastewater treatment rate. Overall the Utilities operations experienced a net increase in costs of \$24.2 million.

The Solid Waste Utility realized a \$11.9 million change in net position for 2017. Operating income generated \$209.6 million, a 14.1 percent increase from 2016. Operating expenses totaled \$191.1 million, increasing 11.9 percent increase adding \$20.3 million to operating expenses. There were several key factors affecting the increase in operating revenues. There was an 7.2 percent rate increase for residential and commercial garbage, and composting services effective April 1, 2017. This resulted in residential and commercial solid waste collection service revenue gains of \$12.3 million, including \$8.2 million in residential garbage collection and \$4.1 million in commercial collection revenue. Additionally, there was a \$7.0 million increase in the solid waste disposal services. These gains were offset by increasing in operating expenses of \$20.3 million with the largest being \$6 million in taxes due to increased revenues. Additional increases included \$4.6 million in depreciation and amortization; \$3.2 million increase in utility systems management; \$2.9 million in increase in solid waste collection; \$2.5 million increase in general and administrative; and \$1.7 million increase in field operations.

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF CITY FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Table A-3** REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
**Page 1 of 2** GOVERNMENTAL FUNDS  
(In Thousands)

	Major Funds			
	General Fund		Transportation Fund	
	2017	2016	2017	2016
<b>Revenues</b>				
Taxes	\$ 1,107,598	\$ 1,047,643	\$ 139,410	\$ 134,381
Licenses and Permits	35,462	33,059	8,212	7,241
Grants, Shared Revenues, and Contributions	26,908	36,533	33,369	35,080
Charges for Services	69,373	61,386	74,764	104,541
Fines and Forfeits	30,300	32,096	172	165
Parking Fees and Space Rent	39,155	38,856	244	259
Program Income, Interest, and Miscellaneous Revenues	95,928	80,472	698	825
<b>Total Revenues</b>	<b>1,404,724</b>	<b>1,330,045</b>	<b>256,869</b>	<b>282,492</b>
<b>Expenditures</b>	<b>1,083,903</b>	<b>1,021,753</b>	<b>382,407</b>	<b>404,971</b>
<b>Other Financing Sources and Uses</b>				
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—
Sales of Capital Assets	7,550	96	—	—
Transfers In (Out)	(275,818)	(269,528)	131,608	149,019
<b>Total Other Financing Sources and Uses</b>	<b>(268,268)</b>	<b>(269,432)</b>	<b>131,608</b>	<b>149,019</b>
<b>Fund Balances</b>				
Nonspendable	350	401	1	1
Restricted	181,951	155,523	5,890	923
Committed	131,385	102,522	97,717	96,614
Assigned	29,172	28,646	—	—
Unassigned	152,224	155,290	—	—
<b>Total Fund Balances</b>	<b>\$ 495,082</b>	<b>\$ 442,382</b>	<b>\$ 103,608</b>	<b>\$ 97,538</b>

## The City of Seattle

**Table A-3** REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
**Page 2 of 2** GOVERNMENTAL FUNDS  
(In Thousands)

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2017	2016	2017	2016
<b>Revenues</b>				
Taxes	\$ 239,967	\$ 211,486	\$ 30,411	\$ 28,614
Licenses and Permits	—	1,443	—	—
Grants, Shared Revenues, and Contributions	80,517	78,843	1,465	983
Charges for Services	104,625	88,486	—	—
Fines and Forfeits	12,497	13,878	—	—
Parking Fees and Space Rent	31,661	29,333	347	351
Program Income, Interest, and Miscellaneous Revenues	18,060	15,100	1,049	977
<b>Total Revenues</b>	<b>487,327</b>	<b>438,569</b>	<b>33,272</b>	<b>30,925</b>
<b>Expenditures</b>	<b>549,043</b>	<b>546,742</b>	<b>90,057</b>	<b>82,227</b>
<b>Other Financing Sources and Uses</b>				
Long-Term Debt Issued and Refunding Payments, Net	—	—	54	—
Sales of Capital Assets	77	27	—	—
Transfers In (Out)	145,290	179,645	56,626	51,150
<b>Total Other Financing Sources and Uses</b>	<b>145,367</b>	<b>179,672</b>	<b>56,680</b>	<b>51,150</b>
<b>Fund Balances</b>				
Nonspendable	693	688	—	—
Restricted	404,714	327,919	11,290	11,395
Committed	17,548	12,778	—	—
Assigned	11,963	9,819	—	—
Unassigned	(3,256)	(3,192)	—	—
<b>Total Fund Balances</b>	<b>\$ 431,662</b>	<b>\$ 348,012</b>	<b>\$ 11,290</b>	<b>\$ 11,395</b>

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2017	2016
	2017	2016	2017	2016		
<b>Revenues</b>						
Taxes	\$ 38	\$ 69	\$ —	\$ —	\$ 1,517,424	\$ 1,422,193
Licenses and Permits	—	—	—	—	43,674	41,743
Grants, Shared Revenues, and Contributions	25,350	15,339	—	—	167,609	166,778
Charges for Services	(51)	—	—	—	248,711	254,413
Fines and Forfeits	2	15	—	—	42,971	46,154
Parking Fees and Space Rent	—	—	—	—	71,407	68,799
Program Income, Interest, and Misc. Revenues	2,480	1,981	33	20	118,248	99,375
<b>Total Revenues</b>	<b>27,819</b>	<b>17,404</b>	<b>33</b>	<b>20</b>	<b>2,210,044</b>	<b>2,099,455</b>
<b>Expenditures</b>	<b>78,832</b>	<b>87,239</b>	<b>2</b>	<b>5</b>	<b>2,184,244</b>	<b>2,142,937</b>
<b>Other Financing Sources and Uses</b>						
Long-Term Debt Issued and Refunding Payments, Net	84,605	135,407	—	—	84,659	135,407
Sales of Capital Assets	77	—	—	—	7,704	123
Transfers In (Out)	(54,926)	(78,358)	—	—	2,780	31,928
<b>Total Other Financing Sources and Uses</b>	<b>29,756</b>	<b>57,049</b>	<b>—</b>	<b>—</b>	<b>95,143</b>	<b>167,458</b>
<b>Fund Balances</b>						
Nonspendable	—	—	2,050	2,050	3,094	3,140
Restricted	90,499	126,631	158	127	694,502	622,518
Committed	—	—	—	—	246,650	211,914
Assigned	—	—	—	—	41,135	38,465
Unassigned	(19,014)	(33,890)	—	—	129,954	118,208
<b>Total Fund Balances</b>	<b>\$ 71,485</b>	<b>\$ 92,741</b>	<b>\$ 2,208</b>	<b>\$ 2,177</b>	<b>\$ 1,115,335</b>	<b>\$ 994,245</b>

## Management's Discussion and Analysis

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance measures the City's net resources available for all purpose spending at the end of the fiscal year. Governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

In 2017 the City's governmental funds generated \$2.210 billion in revenues, and recorded \$2.184 billion in expenditures. The 5.3 percent growth in revenue is driven by an overall increase in tax collections of \$95.2 million. Year over year expenditures remained relatively consistent with the expenditure increase, raising 2.0 percent, \$41.9 million. The City's governmental funds received a significant contribution from other financing sources and uses, totaling \$95.1 million for 2017. These resources offset the operating deficit and directly contributed to the 12.2 percent increase in the City's governmental fund balance which totals \$1,115.3 million at year-end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2017.

The General Fund accounts for 63.6 percent of revenues, and 49.6 percent of total governmental expenditures. The General Fund is the chief operating fund of the City. For the City's implementation of GASB Statement No. 73 the City's Firemen's Pension Fund and the Police Relief and Pension Fund are now reported with the City's General Fund. This is in addition to the Library Fund which has been reporting as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2016 and 2017 in this discussion and analysis reflect these change unless noted otherwise. Table A-4 provides a summary of activities for the general subfunds at year-end 2017.

In 2017, one of the City's special revenue funds continued to meet the criteria for reporting as major governmental funds. The Transportation Operating Fund is included in the fund financial statement section of the CAFR alongside the presentation of the General Fund and the combined non-major governmental funds.

The Transportation Operating Fund, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the Transportation Operating Fund reports a fund balance of \$103.6 million, 6.2 percent greater than reported for 2016. While expenditures grew at 5.4 percent, revenues increased 9.1 percent. The \$256.9 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services. The \$25.6 million increase in revenue collections relates directly to the Transportation Operating Fund's 3.7 percent increase in overall tax collections, and 28.5 percent gain in revenues from charges for services. Transportation Operating Fund's expenditures account for nearly 17.5 percent of all governmental fund expenditures, totaling \$382.4 million for 2017. The Fund's other financing sources contributed \$131.6 million of additional resources in 2017, declining 11.0 percent from 2015's level, a \$16.4 million total decrease in other financing support that partially offsets the growth in revenues.

Revenues for the City's non-major governmental funds totaled \$548.5 million, increasing \$61.5 million, a 12.6 percent gain over 2016's collection of \$486.9 million. The overall net increase of revenue reported in the City's non-major governmental funds was a mix of both increases and decreases of revenues across the City's various non-major governmental fund types. The City's special revenue funds recorded an additional \$48.8 million of revenues for 2017, accounting for 88.9 percent of all non-major governmental fund revenues.

Expenditures for non-major governmental funds totaled \$717.9 million for 2016, a 0.2 percent increase year over year. Special revenue funds accounted for \$48.8 million of the total change, and had similar year over year growth in expenditures of 0.4 percent. The overall net increase reported in expenditures for non-major governmental funds was a mix of a large increase in current operating costs, \$19.8 million, and smaller increases in the capital outlay and debt service expenditures. The year over year changes in expenditure classes were consistent across the City's various non-major governmental fund types.

The overall fund balance for non-major governmental funds increased \$62.3 million. With special revenue funds contributing \$83.7 million to the Fund Balance, and the City's capital project funds consuming \$21.3 million of fund balance resources in 2016. The shifting income impacted overall ownership of the non-major governmental fund balance. In 2015 the capital project funds controlled 20.4 percent of the balance which dropped to 13.8 percent by year end 2016.

The total fund balance of the non-major governmental funds was \$516.6 million at year end 2017. Included in this amount are two capital project funds and one special revenue fund reporting deficit fund positions. Within the capital fund presentation the 2017 Multipurpose Long-Term General Obligation Bond reports a \$12.4 million deficit and Central Waterfront Improvement reports a \$21.5 million deficit for 2017. The one special revenue fund currently reporting a fund deficit is the Seattle StreetCar that ended the year with a \$3.2 million deficit balance.

## The City of Seattle

**Table A-4**  
Page 1 of 2  
**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY**  
**GENERAL FUND SUBFUNDS**  
**(In Thousands)**

	General	Judgment/ Claims	Municipal Jail	Arts Account	Cable Television Franchise
<b>Revenues</b>					
Taxes	\$ 1,029,112	\$ —	\$ —	\$ —	\$ 43
Licenses and Permits	26,244	—	—	—	9,219
Grants, Shared Revenues, and Contributions	22,317	—	—	50	—
Charges for Services	60,216	8,568	—	20	—
Fines and Forfeits	28,968	—	—	—	—
Parking Fees and Space Rent	38,351	—	—	69	—
Program Income, Interest, and Miscellaneous Revenues	8,881	—	—	144	145
<b>Total Revenues</b>	<b>1,214,089</b>	<b>8,568</b>	<b>—</b>	<b>283</b>	<b>9,407</b>
<b>Expenditures</b>	<b>852,620</b>	<b>18,822</b>	<b>—</b>	<b>8,124</b>	<b>9,713</b>
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	(354,178)	12,000	—	9,314	(640)
<b>Total Other Financing Sources and Uses</b>	<b>(354,178)</b>	<b>12,000</b>	<b>—</b>	<b>9,314</b>	<b>(640)</b>
<b>Fund Balances</b>					
Nonspendable	52	—	—	—	—
Restricted	806	—	—	—	—
Committed	15,343	5,228	—	4,107	2,804
Assigned	27,822	—	—	—	—
Unassigned	41,744	—	—	—	—
<b>Total Fund Balances</b>	<b>\$ 85,767</b>	<b>\$ 5,228</b>	<b>\$ —</b>	<b>\$ 4,107</b>	<b>\$ 2,804</b>
	<b>Cumulative Reserve</b>	<b>Neighborhood Matching</b>	<b>Bluefield Habitat Maintenance</b>	<b>Development Rights</b>	<b>Emergency</b>
<b>Revenues</b>					
Taxes	\$ 77,407	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	1,740	—	—	—	—
Charges for Services	229	—	—	—	—
Fines and Forfeits	3	—	—	—	—
Parking Fees and Space Rent	168	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	5,704	—	3	—	—
<b>Total Revenues</b>	<b>85,251</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>—</b>
<b>Expenditures</b>	<b>38,753</b>	<b>3,916</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	5,180	—	—	—	—
Transfers In (Out)	(13,276)	2,986	—	—	1,698
<b>Total Other Financing Sources and Uses</b>	<b>(8,096)</b>	<b>2,986</b>	<b>—</b>	<b>—</b>	<b>1,698</b>
<b>Fund Balances</b>					
Nonspendable	1	—	—	—	—
Restricted	125,895	—	—	—	—
Committed	33,122	1,934	215	23	—
Assigned	—	—	—	—	—
Unassigned	50,224	—	—	—	61,703
<b>Total Fund Balances</b>	<b>\$ 209,242</b>	<b>\$ 1,934</b>	<b>\$ 215</b>	<b>\$ 23</b>	<b>\$ 61,703</b>

## Management's Discussion and Analysis

**Table A-4** REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
**Page 2 of 2** GENERAL FUND SUBFUNDS  
(In Thousands)

	Transit Benefit	Special Employment Program	Industrial Insurance	Unemployment Compensation	Health Care
<b>Revenues</b>					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—
Charges for Services	—	42	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	5	133	32,034
<b>Total Revenues</b>	—	42	5	133	32,034
<b>Expenditures</b>	1,446	45	488	—	31,550
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	—	—	247	(733)	—
<b>Total Other Financing Sources and Uses</b>	—	—	247	(733)	—
<b>Fund Balances</b>					
Nonspendable	—	—	290	—	—
Restricted	—	—	—	—	43,944
Committed	—	122	5,502	1,487	30,339
Assigned	—	—	—	—	—
Unassigned	(1,446)	—	—	—	—
<b>Total Fund Balances</b>	\$ (1,446)	\$ 122	\$ 5,792	\$ 1,487	\$ 74,283

	Total General Fund					
	Group Term Life Insurance	Library	Firemen's Pension	Police Relief and Pension	2017	Restated 2016
<b>Revenues</b>						
Taxes	\$ —	\$ —	\$ 1,034	\$ —	\$ 1,107,596	\$ 1,047,643
Licenses and Permits	—	—	—	—	35,463	33,059
Grants, Shared Revenues, and Contributions	—	2,801	—	—	26,908	36,533
Charges for Services	—	297	—	—	69,372	61,386
Fines and Forfeits	—	1,328	—	—	30,299	32,096
Parking Fees and Space Rent	—	567	—	—	39,155	38,856
Program Income, Interest, and Miscellaneous Revenues	5,443	245	21,160	22,031	95,928	80,472
<b>Total Revenues</b>	5,443	5,238	22,194	22,031	1,404,721	1,330,045
<b>Expenditures</b>	5,350	75,133	18,527	19,415	1,083,902	1,021,753
<b>Other Financing Sources and Uses</b>						
Sales of Capital Assets	—	2,370	—	—	7,550	96
Transfers In (Out)	—	66,764	—	—	(275,818)	(269,528)
<b>Total Other Financing Sources and Uses</b>	—	69,134	—	—	(268,268)	(269,432)
<b>Fund Balances</b>						
Nonspendable	—	7	—	—	350	401
Restricted	—	11,305	—	—	181,950	155,523
Committed	549	2,849	19,065	8,697	131,386	102,521
Assigned	—	1,350	—	—	29,172	28,646
Unassigned	—	—	—	—	152,225	155,290
<b>Total Fund Balances</b>	\$ 549	\$ 15,511	\$ 19,065	\$ 8,697	\$ 495,083	\$ 442,381

## The City of Seattle

### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

**City Light Utility.** The Utility realized a change in net position of \$120.4 million in 2017 compared to \$85.3 million in 2016, a increase of \$35.1 million or 41.1 percent. Primary causes include higher retail electric sales attributable to rate increases, including the 1.5 percent rate surcharge. The net position change was also impacted by lower net short-term wholesale power revenues, and higher long-term purchased power, bad debt, administrative and general expenses, taxes and depreciation.

Net cash provided by operating activities increased 48.3 percent to \$371.9 million in 2017, compared to \$250.8 million in 2016. Although current assets, cash, and investments increased 77.2 percent to \$129.1 million in 2017. Increased operating cash inflows resulted was a result of several factors. The first a 5.6 percent system average rate increase effective in January 2017 and RSA rate surcharges. The higher cash inflows were offset by greater debt service payments, capital construction projects, and ongoing operations. Restricted assets increased by \$30.4 million, 13.7 percent, to \$252.4 million in 2017 compared to \$222.0 million in 2016. During 2017 construction funds increased by \$8.4 million and represent the balance of unspent proceeds from the 2016A Clean Renewable Energy Bonds issued in January 2016 and 2017C revenue bonds issued September 2017.

Capital assets, net of accumulated depreciation and amortization, were \$3.509 billion and \$3.215 billion in 2017 and 2016, a significant increase of \$294.8 million. The majority of the Utilities' capital asset additions were in the distribution plant and construction work-in-progress.

Total liabilities were \$3.144 billion in 2017 and \$2.903 billion in 2016, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$2.417 billion in 2017 and \$2.165 billion in 2016. The Department issued total new debt in the amount of \$309.6 million consisting of revenue bonds to fund a portion of the ongoing capital improvement program and refunding revenue bonds. Interest expense related to the utilities bonds remained relatively stable, reporting \$85.1 million in 2017 and \$84.4 million in 2016.

City Light's total net position was \$1.338 billion in 2017 and \$1.218 billion in 2016.

**Water Utility.** The Utility realized an operating income of \$61.0 million in 2017 compared to \$54.7 million in 2016. Operating revenues decreased by \$11,532.6 thousand and operating expenses increased by \$5.2 million between 2017 and 2016. The Utility realized a net income of \$51.2 million in 2017 compared to net income of \$43.3 million in 2016. The 18.4 percent growth in net income for 2017 was primarily due to increases in donated plant, capital contributions for other meters and services in capital grants.

Net cash provided by operating activities increased to \$124.1 million in 2017 from \$116.4 million in 2016, a decrease of 6.7 percent totaling \$7.8 million. Total operating and restricted cash and investments rose to \$217.9 million in 2017 compared to \$111.2 million in 2016, a increase of 95.9 percent totaling \$106.7 million. This resulted from a decrease in the Utilities restricted cash and equity in pooled investments of \$23.2 million, which was used to fund plant assets and construction in progress.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2017, amounted to \$1.305 billion, a 2.2 percent increase 2016. Major capital assets additions in 2017 included infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings.

The Water Utility had \$915.7 million in non-current outstanding revenue bonds in 2017 compared to \$856.4 million at year end 2016. The reduction in liabilities is directly due to annual interest and principal payments servicing the Utilities debt in 2016.

The increase in net investment in capital assets from additional utility plant assets in service and increases to the balance of construction in progress pushed the Water Utility's total net position to \$454.6 million in 2017 up from \$403.4 million in 2016.

**Drainage and Wastewater Utility.** The Utility realized an operating income of \$55.6 million in 2017 compared to \$54.6 million in 2016. Operating revenues increased by \$25.2 million, 6.7 percent, totaling \$400.3 million. Operating expenses increased 7.6 percent, growing \$24.2 million to total \$344.6 million for 2017.

The Utility realized a dramatic change in net income, increasing to \$30.7 million in 2017 compared to \$2.6 million in 2016. The dramatic change in net income is primarily due to an increase in average rates of 5.4%.

## Management's Discussion and Analysis

Net cash provided by operating activities increased 13.1 percent to \$98.0 million in 2017 compared to \$86.7 million in 2016. Total operating and restricted cash and investments were \$378.7 million in 2017 compared to \$175.2 million in 2016. This increase in cash and investments was primarily from increase operating income.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$1.109 billion in 2017 from \$1,062.2 million in 2016, a 4.4 percent increase.

The Drainage and Wastewater Utility had a noncurrent \$883.7 million outstanding revenue and refunding bond liabilities in 2017, as compared to \$717.7 million in 2016. Total liabilities, including revenue bonds, were \$1.244 billion in 2017 and \$1,044.2 million in 2016. The most significant factor affecting this change is the addition of revenue bonds.

Total net position for the Drainage and Wastewater Utility was \$363.2 million in 2017 and \$332.5 million in 2016.

**Solid Waste Utility.** The Utility realized an operating income of \$18.6 million in 2017 compared to \$12.9 million in 2016. Operating revenues increased by \$26.0 million and operating expenses remained relatively stable, increasing 11.9 percent or \$20.3 million between 2017 and 2016. The Utility realized a net income of \$11.9 million in 2017 compared to \$9.6 million in 2016. The increase in net income in 2016 is driven by the 7.2 percent rate increase for residential and commercial garbage, and composting services effective April 1, 2017.

Net cash provided by operating activities was \$41.0 million, a 71.6 percent decrease in 2017 compared to the \$23.9 million reported in 2016. Total operating and restricted cash and investments were \$108.3 million in 2017 and \$91.5 million in 2016. The \$16.7 million increase in operating and restricted cash and investments results from a variety of causes. \$12.2 million increase is attributed to a transfer of operating cash to the rate stabilization account of 6.6 million, and the issuance of revenue and refunding bonds in 2016 resulting in a \$5.0 million increase in available construction funds.

The Solid Waste Utility had noncurrent portion of \$215.2 million outstanding revenue bond liabilities in 2017 compared to \$223 million in 2016. This decrease is attributed to the regularly scheduled principal payments for existing bond debt.

Total net position for the Solid Waste Utility was \$32.9 million in 2017 and \$21.0 million in 2016.

## Fiduciary Funds

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the S. L. Denny Private-Purpose Trust Fund, and various agency funds. Due to the City's implementation of GASB 73 the City's Firemen's Pension Fund and the Police Relief and Pension Fund are reported with the City's General Fund for 2016 and 2015's restated presentation. The net position of the combined fiduciary funds at the end of 2017 is \$2.853 billion; SCERS represents 99.99 percent of this amount.

SCERS assets held in trust for the payment of future benefits does not exceed its proportionate share of the total pension liability as of December 31, 2017. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$364.4 million, or 14.6 percent, during 2017. For year ending 2017 the member and employer contributions totaled \$185.8 million; net income from investment activity totaled \$389.1 million. Total benefit payment for 2017 increased by \$10.3 million to \$179.2 million. In 2017 the number of retirees and beneficiaries receiving benefits was 6,382, which increased by 160, compared to 2016.

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund budgetary highlights, the Library Fund, which has its own legally adopted annual budget, is excluded from this discussion. The General Fund in the budgetary discussion below includes the General Operating Fund and sixteen additional Council authorized General Subfunds, see table A-4 for additional details on General Subfund activities. Its also important to note that for budgetary comparisons purposes the General Funds presentation on schedules C-1 and D-11 report actual expenditure and revenue totals without the elimination of reimbursements collected internally through the City's personnel compensation trust funds.

As reported in the budget to actuals schedules of the required supplementary information, the General Fund's original budget is comprised of the adopted budget and carryforward budgets from previous years. The final budget presentation adds the additional supplemental legislation for budget revisions and authorized budget transfers.

## The City of Seattle

City Council passed the 2017 Adopted Budget (Ordinance 124927) authorizing \$5.1 billion of total budget appropriations for entirety of the City's annual operations, approximately a 5.9 percent increase year over year. This includes appropriations for expenditures, expenses and transfers of general operating support. Both the City's governmental and business activities are included in this total budget.

### Expenditures and Other Financing Uses:

The 2016 annually adopted budget for current expenditures, capital outlay, and transfers out from the General Fund totaled \$1.454 billion. The annual budgeted amount of transfers out account for 25.7 percent of all budgeted resources in the General Fund.

The General Fund's 2017 adopted appropriations for expenditures totaled \$1.081 billion, with \$101.5 million in carryforward budget expenditures and \$64.3 million of budget revisions for a final expenditure budget of \$1.247 billion. Actual expenditures against those budgets in 2016 totaled \$903.3 million, of which the City's General Operating Fund accounted for 90.1 percent of those total expenditures.

The General Fund's carryforward budget expenditures of \$101.5 million are comprised of \$26.4 million from the General Operating Fund and \$75.1 million from the General Subfunds. Carryforward budgets for capital outlay account for 86.5 percent or \$87.8 million.

The General Fund's budgeted revisions of expenditures totaled \$64.3 million, comprised of \$56.0 million from the General Operating Fund and \$8.3 million from the General Subfunds. Revisions for current expenditure budgets accounted for 90.5 percent or \$58.2 million of the total budget revisions. All budget revisions are passed through City council ordinance.

### Revenues and Other Financing Sources:

The 2017 annually adopted budget estimated total revenues and transfers into the General Fund at \$1.440 billion. The annual budgeted amount of taxes accounts for 69.5 percent of all budgeted available resources in the General Fund. The General Fund actual tax collections totaled \$1.048 billion or 103.7 percent of the estimated amount.

The General Fund's 2017 adopted revenue estimates totaled \$1.408 billion, with \$25.0 million of carryforward budget revenues and \$18.7 million of budget revisions for a final revenue estimate \$1.452 billion. Actual revenue collections against those budgets estimates in 2016 totaled \$1.274 billion, of which the City's General Operating Fund accounted for 90.2 percent of those total expenditures.

The General Fund's carryforward revenue estimate of \$25.0 million is comprised of \$18.8 million from the General Operating Fund and \$6.2 million from the General Subfunds. Carryforward revenue budgets for grant activity account for 85.7 percent or \$21.4 million.

The General Fund's revised revenue estimates authorized by legislation totaled \$18.7 million, comprised of \$17.8 million from the General Operating Fund. Budget revisions associated with grant activity account for 92.1 percent or \$17.3 million.

When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2017's total appropriation budget for the General Fund was \$1.247 billion. The final revised budget for expenditures in the General Operating Fund in 2017 was \$860.7 million, with appropriations for transfers of general operating support accounting for an additional \$350.0 million of budgeted resources. For additional budget to actual details on all programs within the General Fund schedule D11 presents a compilation of programs from the General Operating Fund and the General Subfunds. The most significant program changes are highlighted below.

Executive department expenditures increased in-line with budget projections, increasing \$2.4 million or 5.5 percent year over year. An eighth executive office was added to the executive programs in 2016. The addition of the Office of Planning and Community Development resulted from the re-organization of the Department of Planning, accounts for 55.8 percent of the total increase in program costs. These \$1.3 million costs were previously budgeted and expensed in the City's non-major enterprise fund.

The General Fund's budget for the public safety function increased 4.2 percent in 2017, totaling \$601.7 million. The actual costs of current expenditures and capital outlay of the City's public safety function totaled \$612.6 million, consuming 101.8 percent of the resources budgeted for 2017, of which 99.8 percent is for current operations and 0.2 percent on capital outlay. The 4.2



## Management's Discussion and Analysis

percent year over year increase in current expenditures totaling \$23.7 million was in line with the budgeted increase. Detailed information on the City's two major public safety departments follows:

The Police Department's 2017 final budget was \$344.2 million, a 2.4 percent increase from the 2016 budget level. The Department expended 96.0 percent of its budget during the year, with actual expenditures increasing 2.5 percent, from \$322.3 million in 2016 to \$330.5 million in 2017. Overall expenditures were relatively stable. Although a significant change between the budgets of several divisions reflected organization changes. The Chief of Staff and the Professional Standards programs saw expenditures increase year over year by \$(32.7) million, while the Deputy Chief Operations and Special Operation Bureau reported \$41.6 million less in expenditures for 2017. Patrol operations were budgeted at \$121.9 million for all five city precincts, a 0.1 percent decrease from 2016's budget. Patrol operations for 2017 consumed 99.2 percent of the budgeted resources and accounted for 36.6 percent percent of the entire Department's annual operating costs.

The Fire Department's 2017 final budget was \$218.4 million, a 5.1 percent increase from the 2016 budget level of \$207.2 million. The Department expended 95.9 percent of its budget during the year, with actual expenditures increasing \$8.2 million, from \$198.8 million in 2016 to \$207.0 million in 2017. Fire Operations for 2017 consumed 96.8 percent of the \$167.9 million in budgeted resources and accounted for 81.1 percent of the entire Department's annual operating costs. Of the remaining budget, \$8.1 million will carryforward into 2018 for grant purposes.

For 2017 the General Fund reports budgeted revenues of \$1.555 billion, a 3.7 percent increase, \$58.1 million larger than 2016's total budget. The General Operating Fund alone accounts for 78.7 percent or \$1.147 billion of this total budget. For 2016 the General Operating Fund collected 100.2 percent of the budgeted revenue estimate.

## CAPITAL ASSETS

The following schedule shows the City's investment in capital assets.

**Table A-5 CAPITAL ASSETS AT YEAR END, NET OF DEPRECIATION  
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 590,619	\$ 573,101	\$ 175,446	\$ 169,536	\$ 766,065	\$ 742,637
Plant in Service, Excluding Land	—	—	5,135,222	4,871,176	5,135,222	4,871,176
Buildings and Improvements	1,489,189	1,529,177	—	—	1,489,189	1,529,177
Machinery and Equipment	181,695	192,837	138	72	181,833	192,909
Infrastructure	1,130,676	1,152,872	—	—	1,130,676	1,152,872
Construction in Progress	982,194	798,377	768,143	668,983	1,750,337	1,467,360
Other Capital Assets	15,038	17,743	79,933	78,359	94,971	96,102
<b>Total Capital Assets</b>	<b>\$ 4,389,411</b>	<b>\$ 4,264,107</b>	<b>\$ 6,158,882</b>	<b>\$ 5,788,126</b>	<b>\$ 10,548,293</b>	<b>\$ 10,052,233</b>

Capital assets, net of depreciation for governmental activities increased by \$125.3 million. Major increases included the following:

The Department of Transportation capitalized \$40.6 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). The Department of Parks and Recreation capitalized \$24.7 million for various community parks improvements.

Capital assets, net of depreciation, for business-type activities increased by \$370.8 million. Major increases included the following:

Seattle City Light capital assets, net of accumulated depreciation and amortization, increased by \$294.8 million in 2017. This increase was primarily comprised of \$16.6 million for hydroelectric production plant, \$91.8 million of distribution plant and \$24.4 million for transmission plant. There also continues significant construction efforts currently underway, with the overall reported increase in construction in progress totaling \$196.8 million for 2017.

## The City of Seattle

The Drainage and Wastewater Utility's net capital assets also increased, adding \$47.1 million in 2017. Reducing the combined sewer overflows in Henderson North sewer and implementation of the Seawall Replacement accounted for an additional \$86.7 million of capital activity coming into service in 2017.

The Water Utility's net capital asset for the year ended 2017 with a \$28.0 million increase. The increase is mostly due to infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings.

The Solid Waste Utility's net capital assets totaled \$227 million for 2017, a slight decrease over 2016. The increase of \$10.6 million in construction in progress and other plant assets was offset \$11.3 million in accumulated depreciation.

More detailed financial information about the City's capital asset activities is presented in Note 6 to the financial statements.

## DEBT ADMINISTRATION

At the end of the fiscal year 2017 the City had \$5.238 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.819 billion in 2016. This represents an increase of approximately \$41.9 million, 1 percent. The special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, had the outstanding balance of \$6.1 million. In 2017 LTGO and UTGO bonds were issued to finance various capital improvement projects including Alaskan Way Corridor, Seawall, Fire Stations, Precinct, Pike Place Market and other IT projects.

The City also issued revenue bonds: \$485.5 million for the Light Fund, \$234.1 million for the Wastewater Fund and \$194.7 million for the Water Fund to finance certain capital improvements and conservation programs. The City's bond ratings remained similar to the ratings for the previous year. The City's 2016 UTGO bonds were rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P), which are the highest possible ratings. The City's 2016 LTGO bonds were rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. Subsequently, however, the City's credit rating on its LTGO bonds was upgraded by the three rating agencies in 2017. As such, the City's 2017 LTGO bonds are now rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P). In addition, the City's utilities have stellar credit ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of the assessed value of taxable properties by state law. The 2017 assessed value based on the latest report for the City is \$214.109 billion. At the end of 2017 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.127 billion, well below the limit of \$16.058 billion, rendering the City's legal debt margin at \$14.930 billion for year-end 2017. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year end 2017 the LTGO net outstanding debt was \$859.1 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$107 million (\$76.9 million for governmental activities and \$30.1 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$235.9 million in estimated environmental liabilities. Other obligations were accrued for compensation absences related to sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWTL) Program which are serviced with revenues from two participating City departments, one with a governmental type fund and one whose PWTL activities are reported in two of its business-type funds.

More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statement.

## ECONOMIC FACTORS

**U.S. Economy.** The nation's recovery from the Great Recession is now nine years old, making it the third longest expansion in the post-World War II period. The average length of post-war expansions is five years. Although employment growth during the recovery has been relatively strong, on many dimensions, including gross domestic product (GDP) growth, wage gains, and productivity, the recovery has disappointed. Real GDP growth has averaged 2.1 percent per year, the slowest pace of any post-war expansion.

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## Management's Discussion and Analysis

Forecasters expect the economy to continue expanding at a modest pace, with real GDP growing at a two to two-and-a-half percent rate. Most forecasters do not see a recession on the horizon, at least in the short-term. Most expansions end when the economy overheats, which causes a rise in inflation, which in turn spurs the Federal Reserve to raise interest rates to slow the economy. Thanks in large part to the depth of the Great Recession and the weakness of the recovery, there are few signs that the economy is overheating. There is probably more risk to the U.S. recovery from forces outside of the U.S. than from domestic factors.

**Seattle metropolitan area economy.** Since the Great Recession ended in June 2009, the Seattle metro area economy has outperformed the national economy by a considerable margin. This is reflected in the region's healthy job growth and low unemployment rate. Seattle metro area (King and Snohomish Counties) employment has grown at a 2.7 percent annual rate during the recovery, compared to 1.7 percent for the nation. The region has also outpaced the U.S. in both income and wage growth during the recovery.

Industries instrumental in the region's recovery include aerospace, professional, scientific, and technical services, software publishers, health services, and mail order and internet retail. During the recovery, the region's growth has been concentrated in the city of Seattle, the region's major business and professional service center and home to Amazon.com's rapidly growing headquarters. Strong job growth in Seattle and the growing popularity of in-city living has led to a surge in construction activity focused in multi-family housing and office development. The value of permits issued for construction activity in Seattle increased from \$1.5 billion in 2010 to \$3.7 billion in 2016 and \$5.1 billion in 2017.

### Financial Contact

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Finance and Administrative Services, Citywide Accounting and Payroll Services Division, P.O. Box 94669, Seattle, WA 98124-4669 (Telephone 206-233-7825).

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## The City of Seattle

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# Government-wide Financial Statements

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The City of Seattle

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STATEMENT OF NET POSITION  
December 31, 2017  
(In Thousands)

	Primary Government				Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals		
			2017	2016	
<b>ASSETS</b>					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 1,051,488	\$ 487,574	\$ 1,539,062	\$ 1,322,426	\$ 5,807
Restricted Cash and Equity in Pooled Investments	7,968	—	7,968	4,691	69,091
Investments	—	—	—	—	—
Receivables, Net of Allowances	151,376	263,253	414,629	381,581	—
Internal Balances	28,911	(28,911)	—	—	—
Due from Other Governments	85,461	8,962	94,423	111,915	—
Inventories	4,356	40,902	45,258	45,603	—
Prepaid and Other Current Assets	6,373	489	6,862	6,409	—
<b>Total Current Assets</b>	<b>1,335,933</b>	<b>772,269</b>	<b>2,108,202</b>	<b>1,872,625</b>	<b>74,898</b>
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	73,330	682,561	755,891	446,654	—
Contracts and Notes	11,149	2	11,151	9,182	—
Conservation Costs, Net	—	290,969	290,969	284,624	—
Landfill Closure and Postclosure Costs, Net	—	20,239	20,239	10,994	—
Environmental Costs and Recoveries	—	83,408	83,408	72,938	—
Net Pension Asset	181,280	—	181,280	124,652	—
Regulatory Asset	—	17,379	17,379	16,775	—
Other Charges and Noncurrent Assets	—	113,616	113,616	114,541	—
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	590,619	175,446	766,065	742,637	—
Plant in Service, Excluding Land	—	5,135,222	5,135,222	4,871,176	—
Buildings and Improvements	1,489,189	—	1,489,189	1,529,177	—
Machinery and Equipment	181,695	138	181,833	192,909	1
Infrastructure	1,130,676	—	1,130,676	1,152,872	—
Construction in Progress	982,194	768,143	1,750,337	1,467,360	—
Other Capital Assets	15,038	79,933	94,971	96,102	—
<b>Total Noncurrent Assets</b>	<b>4,655,170</b>	<b>7,367,056</b>	<b>12,022,226</b>	<b>11,132,593</b>	<b>1</b>
<b>Total Assets</b>	<b>5,991,103</b>	<b>8,139,325</b>	<b>14,130,428</b>	<b>13,005,218</b>	<b>74,899</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>186,218</b>	<b>156,605</b>	<b>342,823</b>	<b>391,809</b>	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>6,177,321</b>	<b>8,295,930</b>	<b>14,473,251</b>	<b>13,397,027</b>	<b>74,899</b>

The accompanying notes are an integral part of these financial statements.

**Government-Wide Financial Statements**

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**STATEMENT OF NET POSITION**  
December 31, 2017  
(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2017	2016	
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	\$ 146,181	\$ 33,530	\$ 179,711	\$ 225,468	\$ 1,354
Salaries, Benefits, and Taxes Payable	50,044	26,877	76,921	67,255	
Contracts Payable	1,345	—	1,345	5,083	
Due to Other Governments	7,296	18,072	25,368	20,069	
Interest Payable	8,921	58,385	67,306	61,461	
Taxes Payable	75	11,618	11,693	9,595	
Deposits Payable	—	—	—	—	
Unearned Revenues	19,349	40,992	60,341	56,505	
Current Portion of Long-Term Debt					
Bonds Payable	85,040	191,825	276,865	260,090	
Compensated Absences Payable	22,543	2,674	25,217	24,045	
Notes and Contracts Payable	1,402	4,811	6,213	3,926	
Claims Payable	22,539	18,812	41,351	39,128	
Habitat Conservation Program Liability	—	—	710	968	
Landfill Closure and Postclosure Liability	—	1,605	1,605	1,643	
Other Current Liabilities	4,364	22,061	26,425	13,642	
<b>Total Current Liabilities</b>	<b>369,099</b>	<b>431,972</b>	<b>801,071</b>	<b>788,878</b>	<b>1,354</b>
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	1,009,911	4,432,049	5,441,960	4,980,938	
Bond Interest Payable	—	—	—	—	
Special Assessment Bonds with Governmental Commitment	6,075	—	6,075	7,505	
Compensated Absences Payable	77,975	28,927	106,902	100,161	
Claims Payable	55,105	246,468	301,573	280,554	
Notes and Contracts Payable	8,128	72,215	80,343	47,310	
Landfill Closure and Postclosure Liability	—	22,475	22,475	13,062	
Vendor Deposits Payable	148	1,702	1,850	2,853	
Habitat Conservation Program Liability	—	4,823	4,823	7,792	
Unearned Revenues	—	32,498	32,498	26,832	
Arbitrage Rebate Liability	—	—	—	—	
Unfunded Other Post Employment Benefits	153,995	17,128	171,123	149,826	
Net Pension Liability	951,462	544,207	1,495,669	1,297,983	
Other Noncurrent Liabilities	2,487	851	3,338	3,438	
<b>Total Noncurrent Liabilities</b>	<b>2,265,286</b>	<b>5,403,343</b>	<b>7,668,629</b>	<b>6,918,254</b>	<b>—</b>
<b>Total Liabilities</b>	<b>2,634,385</b>	<b>5,835,315</b>	<b>8,469,700</b>	<b>7,707,132</b>	<b>1,354</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>49,299</b>	<b>215,998</b>	<b>265,297</b>	<b>173,017</b>	

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF NET POSITION**  
December 31, 2017  
(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2017	2016	
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 3,365,060	\$ 2,280,370	\$ 5,645,430	\$ 5,455,775	\$ 1
Restricted for					
Debt Service	11,290	—	11,290	11,395	
Capital Projects	221,363	—	221,363	145,717	
Rate Stabilization Account	—	25,000	25,000	25,000	
Education and Development Services	80,525	—	80,525	53,174	
Special Deposits	—	—	—	—	
Conservation and Environmental Costs	—	8,275	8,275	8,148	
Bonneville Power Administration Projects	—	—	—	—	
External Infrastructure Costs	—	7,099	7,099	7,232	
Muckleshoot Settlement	—	—	—	—	
Other Charges	—	45,153	45,153	19,195	
Health Care Reserve	43,944	—	43,944	38,188	
Transportation Programs	61,942	—	61,942	29,834	
Low-Income Housing Programs	179,970	—	179,970	154,247	
Other Purposes	95,468	—	95,468	190,441	52,529
Nonexpendable	—	—	—	2,050	
Unrestricted	(565,925)	(121,280)	(687,205)	(623,518)	21,015
<b>Total Net Position</b>	<b>3,493,637</b>	<b>2,244,617</b>	<b>5,738,254</b>	<b>5,516,878</b>	<b>73,545</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 6,177,321</b>	<b>\$ 8,295,930</b>	<b>\$ 14,473,251</b>	<b>\$ 13,397,027</b>	<b>\$ 74,899</b>

The accompanying notes are an integral part of these financial statements.

**Government-Wide Financial Statements**

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**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017  
(In Thousands)

Functions/Programs	Program Expenses		Charges for Services	Program Revenues	
	Expenses	Indirect Expenses		Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 246,463	\$ (24,374)	\$ 119,548	\$ 29,122	\$ 362
Judicial	32,075	—	27,555	117	—
Public Safety	576,040	1,698	28,669	10,028	—
Physical Environment	15,539	—	10	(317)	—
Transportation	378,265	6,459	77,958	22,191	17,405
Economic Environment	147,005	—	53,196	14,923	1,414
Health and Human Services	119,463	—	745	42,311	—
Culture and Recreation	364,425	—	82,133	12,402	16,980
Interest on Long-Term Debt	47,777	—	—	—	—
Total Governmental Activities	1,927,052	(16,217)	389,814	130,777	36,161
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	912,006	2,779	987,812	(319)	45,308
Water	232,297	2,845	262,777	125	22,064
Drainage and Wastewater	362,690	992	396,283	1,566	2,648
Solid Waste	175,845	16,217	203,038	357	—
Planning and Development	67,115	5,799	72,595	105	—
Downtown Parking Garage	—	—	—	—	—
Fiber Leasing	36	—	8	—	—
Total Business-Type Activities	1,749,989	28,632	1,922,513	1,834	70,020
Total Government-Wide Activities	\$ 3,677,041	\$ 12,415	\$ 2,312,327	\$ 132,611	\$ 106,181
<b>COMPONENT UNITS</b>	\$ 6,256		\$ 344	\$ 3,167	\$ —

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017  
(In Thousands)

GOVERNMENTAL ACTIVITIES	Net Revenue (Expense) and Changes in Net Position				Component Units
	Primary Government		Comparative Totals		
	Governmental Activities	Business-Type Activities	2017	2016	
General Government	\$ (73,057)	\$ —	\$ (73,057)	\$ (100,271)	
Judicial	(4,403)	—	(4,403)	(2,282)	
Public Safety	(539,041)	—	(539,041)	(539,195)	
Physical Environment	(15,846)	—	(15,846)	(9,113)	
Transportation	(267,170)	—	(267,170)	(165,537)	
Economic Environment	(77,472)	—	(77,472)	(108,504)	
Health and Human Services	(76,407)	—	(76,407)	(64,041)	
Culture and Recreation	(252,910)	—	(252,910)	(234,207)	
Interest on Long-Term Debt	(47,777)	—	(47,777)	(42,942)	
Total Governmental Activities	(1,354,083)	—	(1,354,083)	(1,266,092)	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	—	118,016	118,016	83,275	
Water	—	49,824	49,824	41,914	
Drainage and Wastewater	—	36,815	36,815	67,248	
Solid Waste	—	11,333	11,333	9,708	
Planning and Development	—	(216)	(216)	11,413	
Downtown Parking Garage	—	—	—	133	
Fiber Leasing	—	(28)	(28)	—	
Total Business-Type Activities	—	215,744	215,744	213,691	
Total Government-Wide Activities	(1,354,083)	215,744	(1,138,339)	(1,052,401)	\$ (2,745)
<b>COMPONENT UNITS</b>					
General Revenues					
Property Taxes	582,622	—	582,622	542,853	
Sales Taxes	280,963	—	280,963	263,285	
Business Taxes	516,881	—	516,881	482,850	
Excise Taxes	115,674	—	115,674	114,627	
Other Taxes	22,032	—	22,032	19,009	
Penalties and Interest on Delinquent Taxes	—	—	—	—	
Unrestricted Investment Earnings (Loss)	18,339	18,046	36,385	21,887	9,494
Gain on Sale of Capital Assets	7,633	(83)	7,550	47,911	
Special Item - Environmental Remediation	—	(9,619)	(9,619)	(66,187)	
Transfers	(5,317)	6,321	1,004	—	
Total General Revenues (Loss), Special Item, and Transfers	1,538,827	14,665	1,553,492	1,426,235	9,494
Changes in Net Position	184,744	230,409	415,153	373,834	6,749
Net Position - Beginning of Year	3,502,669	2,014,208	5,516,877	5,143,044	66,796
Restatements/Prior-Year Adjustments	(193,776)	—	(193,776)	—	—
Net Position - Beginning of Year as Restated	3,308,893	2,014,208	5,323,101	5,143,044	66,796
Net Position - End of Year	\$ 3,493,637	\$ 2,244,617	\$ 5,738,254	\$ 5,516,878	\$ 73,545

The accompanying notes are an integral part of these financial statements.

**Government-Wide Financial Statements**

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**Fund Financial Statements**

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**MAJOR GOVERNMENTAL FUNDS**

The **General Fund** is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives the majority of its revenues from property, sales, business, and utility taxes.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, distribution, or use of motor vehicle fuel; property taxes, commercial parking taxes, and motor vehicle excise taxes designated for street purposes; and grants.

Descriptions for the nonmajor governmental funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

**Fund Financial Statements**

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Page 1 of 2

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017  
(In Thousands)**

	General Fund	Transportation	Other Governmental	Comparative Totals	
				2017	2016
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 406,761	\$ 73,706	\$ 560,962	\$ 1,041,429	\$ 957,581
Receivables, Net of Allowances	89,522	16,829	41,601	147,952	124,646
Due from Other Funds	17,084	23,157	10,722	50,963	86,289
Due from Other Governments	63,913	5,719	15,712	85,344	96,547
Interfund Loans and Advances	72	24,201	15,463	39,736	39,572
Other Current Assets	285	—	635	920	1,035
Total Assets	577,637	143,612	645,095	1,366,344	1,305,670
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	\$ 577,637	\$ 143,612	\$ 645,095	\$ 1,366,344	\$ 1,305,670
<b>LIABILITIES</b>					
Accounts Payable	\$ 34,280	\$ 23,152	\$ 28,175	\$ 85,607	\$ 113,889
Contracts Payable	126	719	500	1,345	5,083
Salaries, Benefits, and Taxes Payable	29,411	4,929	7,985	42,325	39,262
Due to Other Funds	8,183	2,572	25,773	36,528	75,998
Due to Other Governments	2,083	—	5,198	7,281	7,266
Revenues Collected in Advance	4,160	6,966	8,223	19,349	14,951
Interfund Loans and Advances	—	—	39,590	39,590	38,322
Other Current Liabilities	362	488	2,794	3,644	2,098
Total Liabilities	78,605	38,826	118,238	235,669	296,869
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 577,637	\$ 143,612	\$ 645,095	\$ 1,366,344	\$ 1,305,670

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017  
(In Thousands)**

	Comparative Totals	
	2017	Restated 2016
Governmental Fund Balance	\$ 1,115,335	\$ 994,242
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 3,663,566	\$ 3,344,900
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,587	9,600
Internal service funds are used by management to charge the costs of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Adjustments to reflect the consolidation of internal service fund (ISF) activities related to enterprise funds and prior-year adjustment (B-6) are added back to ISF total net position, and the latter amounts are included in governmental activities.	395,295	394,486
Net pension asset net of pension obligations	181,280	124,652
Deferred inflows and outflows of resources	81,171	172,041
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Claims Payable - Current	(13,853)	(13,298)
Accrued Interest Payable	(6,426)	(5,367)
Current Portion of Long-Term Debt	(59,414)	(56,411)
Compensated Absences Payable	(21,149)	(19,414)
General Obligation Bonds Payable	(725,188)	(715,581)
Less Bond Discount and Premium	(58,713)	(66,528)
Special Assessment Bonds	(6,075)	(7,505)
Net Pension Liability	(776,193)	(582,280)
Notes and Other Long-Term Liabilities	(13,881)	(14,662)
Compensated Absences - Long-Term	(66,115)	(62,659)
Claims Payable - Long-Term	(34,308)	(32,455)
Workers' Compensation	(27,495)	(25,050)
Arbitrage	—	—
Unfunded Other Post Employment Benefits	(147,787)	(129,818)
Net Adjustments	2,378,302	2,314,651
Net Position of Governmental Activities	\$ 3,493,637	\$ 3,308,893

The accompanying notes are an integral part of these financial statements.

## Fund Financial Statements

**B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	General Fund	Transportation	Other Governmental	Comparative Totals	
				2017	Restated 2016
<b>REVENUES</b>					
Taxes	\$ 1,107,598	\$ 139,410	\$ 270,416	\$ 1,517,424	\$ 1,422,194
Licenses and Permits	35,462	8,212	—	43,674	41,743
Grants, Shared Revenues, and Contributions	26,908	33,369	107,332	167,609	166,779
Charges for Services	69,373	74,764	104,574	248,711	254,412
Fines and Forfeits	30,300	172	12,499	42,971	46,154
Concessions, Parking Fees and Space Rent	39,155	244	32,008	71,407	68,798
Program Income, Interest, and Miscellaneous Revenues	95,928	698	21,622	118,248	99,369
<b>Total Revenues</b>	<b>1,404,724</b>	<b>256,869</b>	<b>548,451</b>	<b>2,210,044</b>	<b>2,099,449</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	258,400	—	63,223	321,623	264,284
Judicial	31,658	—	—	31,658	31,519
Public Safety	610,762	—	1,028	611,790	590,681
Physical Environment	15,668	—	462	16,130	13,575
Transportation	12,041	177,363	6,491	195,895	227,666
Economic Environment	31,411	—	120,051	151,462	179,831
Health and Human Services	—	—	120,943	120,943	104,209
Culture and Recreation	83,033	—	234,928	317,961	305,986
<b>Capital Outlay</b>					
General Government	15,278	—	40,655	55,933	29,342
Public Safety	1,373	—	1,391	2,764	21,527
Physical Environment	—	—	—	—	—
Transportation	—	203,447	—	203,447	240,216
Economic Environment	53	—	57	110	7
Culture and Recreation	24,222	—	36,364	60,586	47,390
<b>Debt Service</b>					
Principal	3	1,522	56,358	57,883	53,308
Interest	1	75	35,475	35,551	32,768
Bond Issuance Cost	—	—	508	508	627
Other	—	—	—	—	—
<b>Total Expenditures</b>	<b>1,083,903</b>	<b>382,407</b>	<b>717,934</b>	<b>2,184,244</b>	<b>2,142,936</b>
Excess (Deficiency) of Revenues over Expenditures	320,821	(125,538)	(169,483)	25,800	(43,487)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	93,880	93,880	145,139
Refunding Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	—	10,198	10,198	22,177
Payment to Refunded Bond Escrow Agent	—	—	(19,419)	(19,419)	(31,909)
Sales of Capital Assets	7,550	—	154	7,704	123
Transfers In	27,698	158,143	315,663	501,504	550,752
Transfers Out	(303,516)	(26,535)	(168,673)	(498,724)	(518,825)
<b>Total Other Financing Sources (Uses)</b>	<b>(268,268)</b>	<b>131,608</b>	<b>231,803</b>	<b>95,143</b>	<b>167,457</b>
<b>Net Change in Fund Balance</b>	<b>52,553</b>	<b>6,070</b>	<b>62,320</b>	<b>120,943</b>	<b>123,970</b>
Fund Balances - Beginning of Year	442,382	97,538	454,325	994,245	870,272
Restatements/Prior-Year Adjustments	147	—	—	147	—
<b>Fund Balances - Beginning of Year as Restated</b>	<b>442,529</b>	<b>97,538</b>	<b>454,325</b>	<b>994,392</b>	<b>870,272</b>
<b>Fund Balances - End of Year</b>	<b>\$ 495,082</b>	<b>\$ 103,608</b>	<b>\$ 516,645</b>	<b>\$ 1,115,335</b>	<b>\$ 994,242</b>

The accompanying notes are an integral part of these financial statements.

## The City of Seattle

**B-5 RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017  
(In Thousands)**

	Comparative Totals	
	2017	2016
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 120,943	\$ 123,970
Governmental funds report capital outlay as expenditures and proceeds from the disposition of capital assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over the estimated useful life and reported as depreciation expense and the gain or loss is reported as income.		
Depreciation expense for the year	(118,029)	(118,345)
Capital outlay reported as expenditures	242,344	275,669
Retirement and sale of capital assets	(125)	(6)
Capital assets received as donations	13,426	2,188
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These are comprised of:		
Unavailable resources - property taxes	749	(2,587)
Reduction of long-term receivable	(1,331)	(831)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premium, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the result of the differences in the treatment of long-term debt and related items:		
Proceeds of general obligation bonds	(93,880)	(144,691)
Premium on general obligation bonds	(10,198)	(22,177)
Proceeds from bond refunding	—	—
Principal payments bonds/notes	57,821	53,262
Amortization of bond premium	15,828	7,679
Amortization of loss on refunding	(1,362)	(1,549)
Minimum capital lease payments	165	29
Bond interest	(1,078)	612
Remittance to refunding escrow using refunding proceeds	19,419	31,908
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences	(5,190)	2,093
Injury and damage claims	(2,167)	6,526
Workers' compensation	(2,445)	2,076
Arbitrage	—	9
Unfunded OPEB liabilities	(17,969)	(16,598)
Net pension asset	(33,544)	3,506
Environmental liability	(1,043)	481
Loan to agencies	—	—
Debt guarantee of SISC 2004 bonds	416	433
Pension Expense - GASB68	(21,441)	(24,852)
WA State's LEOFF Contribution	9,399	9,344
Pension Expense - GASB 73	13,226	—
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to enterprise funds	(10,020)	(9,234)
Net revenue of internal service funds activities reported with governmental activities	10,830	1,975
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 184,744</b>	<b>\$ 180,890</b>
Initial Recording of Net Pension Liability/Asset Related Items	—	—
<b>Adjusted Total Change in Net Position of Governmental Activities</b>	<b>184,744</b>	<b>180,890</b>

The accompanying notes are an integral part of these financial statements.

## Fund Financial Statements

### MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 408,000 customers in the Seattle and certain surrounding communities. City Light also supplies electrical energy to other City agencies at rates prescribed by City ordinances.

The **Water Fund** accounts for the operations of the City-owned water utility. It maintains three separate sources of water supply, namely the Tolt and Cedar River watersheds, and Seattle wellfields; approximately 182 miles of supply mains, and distribution storage capacity of 339 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 1.4 million people.

The **Drainage and Wastewater Fund** accounts for the operations of the City-owned sewer and drainage utility facilities and pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal systems. The utility maintains about 1,893 miles of sewers and drainage mainlines, 75 percent of which are separate sanitary sewers and storm mainlines. In addition, the City manages 66 pumping stations.

The **Solid Waste Fund** accounts for the operations of two City-owned transfer stations and for the administration of contracts with private companies for the collection of residential refuse and commercial garbage. Private individuals and City-administered residential and commercial collectors bring solid waste to the transfer stations. Solid wastes collected at the transfer stations are compacted, loaded in containers, and hauled to the Argo cargo loading station. The containers at the Argo station are loaded on railcars and transported to a landfill in Arlington, Oregon, for final disposal.

Descriptions for the non-major enterprise funds and the internal service funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

## The City of Seattle

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### STATEMENT OF NET POSITION PROPRIETARY FUNDS December 31, 2017 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 129,131	\$ 72,868	\$ 54,637	\$ 39,106
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	86,240	89,277	13,644	15,317
Interest and Dividends	—	384	834	984
Unbilled	89,374	76,604	15,679	14,534
Energy Contracts, Notes, and Other Contracts	—	—	—	20
Due from Other Funds	2,316	5,052	747	908
Due from Other Governments	2,576	3,077	2,296	953
Materials and Supplies Inventory	33,619	35,984	5,741	5,667
Prepayments and Other Current Assets	365	3,242	72	72
<b>Total Current Assets</b>	<b>343,621</b>	<b>286,488</b>	<b>93,650</b>	<b>77,561</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	252,423	221,987	163,253	72,094
Notes and Contracts Receivable	—	—	—	375
Conservation Costs, Net	262,237	252,432	28,732	32,192
Landfill Closure and Postclosure Costs, Net	—	—	—	—
Environmental Costs and Recoveries	96,927	86,092	—	—
External Infrastructure Costs	—	—	—	—
Regulatory Asset	—	—	9,944	10,473
Other Charges	57,662	57,706	3,097	3,464
<i>Capital Assets</i>				
Land and Land Rights	76,553	75,025	48,319	45,138
Plant in Service, Excluding Land	4,593,145	4,410,258	2,009,173	1,921,380
Less Accumulated Depreciation	(1,823,394)	(1,735,289)	(791,510)	(771,218)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	589,347	392,461	36,971	79,611
Other Property, Net	73,799	72,226	1,663	1,663
<b>Total Noncurrent Assets</b>	<b>4,178,699</b>	<b>3,832,898</b>	<b>1,509,642</b>	<b>1,395,172</b>
<b>Total Assets</b>	<b>4,522,320</b>	<b>4,119,386</b>	<b>1,603,292</b>	<b>1,472,733</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>83,179</b>	<b>94,939</b>	<b>36,512</b>	<b>46,224</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 4,605,499</b>	<b>\$ 4,214,325</b>	<b>\$ 1,639,804</b>	<b>\$ 1,518,957</b>

The accompanying notes are an integral part of these financial statements.



**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 164,470	\$ 121,117	\$ 55,716	\$ 36,174
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	20,049	19,803	14,398	15,461
Interest and Dividends	295	504	—	116
Unbilled	21,416	19,399	236	236
Energy Contracts, Notes, and Other Contracts	1	56	—	—
Due from Other Funds	709	2,497	746	518
Due from Other Governments	2,688	9,722	1,005	1,041
Materials and Supplies Inventory	1,383	1,136	158	155
Prepayments and Other Current Assets	35	34	18	18
Total Current Assets	211,046	174,268	72,277	53,719
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	214,213	54,122	52,534	55,329
Notes and Contracts Receivable	2	1,049	—	—
Conservation Costs, Net	—	—	—	—
Landfill Closure and Postclosure Costs, Net	—	—	20,239	10,994
Environmental Costs and Recoveries	2,050	2,149	—	—
External Infrastructure Costs	18,448	18,742	—	—
Regulatory Asset	5,630	4,406	1,805	1,896
Other Charges	33,836	33,937	571	693
Capital Assets				
Land and Land Rights	23,691	22,490	26,883	26,883
Plant in Service, Excluding Land	1,319,572	1,194,642	247,059	252,386
Less Accumulated Depreciation	(358,505)	(340,989)	(60,318)	(59,995)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	122,607	184,074	10,904	6,038
Other Property, Net	2,027	2,027	2,444	2,444
Total Noncurrent Assets	1,383,571	1,176,649	302,121	296,668
Total Assets	1,594,617	1,350,917	374,398	350,387
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	20,176	28,026	7,162	8,908
Total Assets and Deferred Outflows of Resources	\$ 1,614,793	\$ 1,378,943	\$ 381,560	\$ 359,295

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 83,619	\$ 70,354	\$ 487,573	\$ 339,619
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	1,088	976	135,419	140,834
Interest and Dividends	—	79	1,129	2,067
Unbilled	—	—	126,705	110,773
Energy Contracts, Notes, and Other Contracts	—	—	1	76
Due from Other Funds	1,108	1,781	5,626	10,756
Due from Other Governments	398	551	8,963	15,344
Materials and Supplies Inventory	—	—	40,901	42,942
Prepayments and Other Current Assets	—	751	490	4,117
Total Current Assets	86,213	74,492	806,807	666,528
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	139	92	682,562	403,624
Notes and Contracts Receivable	—	—	2	1,424
Conservation Costs, Net	—	—	290,969	284,624
Landfill Closure and Postclosure Costs, Net	—	—	20,239	10,994
Environmental Costs and Recoveries	—	—	98,977	88,241
External Infrastructure Costs	—	—	18,448	18,742
Regulatory Asset	—	—	17,379	16,775
Other Charges	—	—	95,166	95,800
Capital Assets				
Land and Land Rights	—	—	175,446	169,536
Plant in Service, Excluding Land	—	—	8,168,949	7,778,666
Less Accumulated Depreciation	—	—	(3,033,727)	(2,907,491)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	14,430	14,360	14,430	14,360
Less Accumulated Depreciation	(14,292)	(14,288)	(14,292)	(14,288)
Construction in Progress	8,314	6,799	768,143	668,983
Other Property, Net	—	—	79,933	78,360
Total Noncurrent Assets	8,591	6,963	7,382,624	6,708,350
Total Assets	94,804	81,455	8,189,431	7,374,878
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	9,576	13,962	156,605	192,059
Total Assets and Deferred Outflows of Resources	\$ 104,380	\$ 95,417	\$ 8,346,036	\$ 7,566,937

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>ASSETS</b>		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 10,062	\$ 25,230
Restricted Cash and Equity in Pooled Investments	7,968	4,691
Receivables, Net of Allowances		
Accounts	489	577
Interest and Dividends	—	44
Unbilled	38	667
Energy Contracts, Notes, and Other Contracts	—	—
Due from Other Funds	19,894	17,296
Due from Other Governments	117	26
Materials and Supplies Inventory	4,356	2,660
Prepayments and Other Current Assets	5,452	1,256
<b>Total Current Assets</b>	<b>48,376</b>	<b>52,447</b>
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	73,330	43,031
Notes and Contracts Receivable	—	—
Conservation Costs, Net	—	—
Landfill Closure and Postclosure Costs, Net	—	—
Environmental Costs and Recoveries	—	—
External Infrastructure Costs	—	—
Regulatory Asset	—	—
Other Charges	—	—
Capital Assets		
Land and Land Rights	108,842	108,842
Plant in Service, Excluding Land	—	—
Less Accumulated Depreciation	—	—
Buildings and Improvements	724,331	717,228
Less Accumulated Depreciation	(261,273)	(244,860)
Machinery and Equipment	267,142	270,246
Less Accumulated Depreciation	(138,383)	(135,590)
Construction in Progress	24,187	9,357
Other Property, Net	1,001	208
<b>Total Noncurrent Assets</b>	<b>799,177</b>	<b>768,462</b>
<b>Total Assets</b>	<b>847,553</b>	<b>820,909</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>72,023</b>	<b>35,215</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 919,576</b>	<b>\$ 856,124</b>

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 60,387	\$ 72,336	\$ 6,486	\$ 7,486
Salaries, Benefits, and Payroll Taxes Payable	15,272	10,757	3,971	3,462
Compensated Absences Payable	1,500	2,572	418	390
Due to Other Funds	11,953	11,137	7,770	8,609
Due to Other Governments	—	—	125	—
Interest Payable	30,994	31,407	12,942	11,928
Taxes Payable	10,050	8,212	755	694
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	118,805	111,230	41,020	39,345
Claims Payable	10,936	8,611	2,028	2,151
Notes and Contracts Payable	—	—	2,050	1,125
Habitat Conservation Program Liability	—	—	711	968
Landfill Closure and Postclosure Liability	—	—	—	—
Unearned Revenues and Other Credits	27,132	28,814	4,004	4,307
Other Current Liabilities	20,761	10,304	504	44
<b>Total Current Liabilities</b>	<b>307,790</b>	<b>295,380</b>	<b>82,784</b>	<b>80,509</b>
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	15,708	15,782	4,411	4,355
Claims Payable	96,105	91,980	5,252	3,489
Public Works Trust Loan	—	—	28,877	23,654
Landfill Closure and Postclosure Liability	—	—	—	—
Vendor and Other Deposits Payable	—	—	—	—
Habitat Conservation Program Liability	—	—	4,823	7,792
Unearned Revenues and Other Credits	9,161	8,374	278	301
Unfunded Other Post Employment Benefits	8,601	7,935	2,824	2,719
Net Pension Liability	288,808	317,773	86,689	93,080
Other Noncurrent Liabilities	392	115	114	102
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,417,420	2,165,265	915,683	856,408
Bond Interest Payable	—	—	—	—
<b>Total Noncurrent Liabilities</b>	<b>2,836,195</b>	<b>2,607,224</b>	<b>1,048,951</b>	<b>991,900</b>
<b>Total Liabilities</b>	<b>3,143,985</b>	<b>2,902,604</b>	<b>1,131,735</b>	<b>1,072,409</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>123,596</b>	<b>94,180</b>	<b>53,509</b>	<b>43,183</b>

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 4,921	\$ 8,519	\$ 7,857	\$ 9,857
Salaries, Benefits, and Payroll Taxes Payable	4,067	3,611	1,499	1,226
Compensated Absences Payable	428	399	149	139
Due to Other Funds	11,540	12,637	3,006	2,049
Due to Other Governments	17,947	12,789	—	—
Interest Payable	12,155	8,166	2,294	2,399
Taxes Payable	239	405	574	239
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	25,225	21,570	6,775	6,545
Claims Payable	4,938	5,104	740	841
Notes and Contracts Payable	2,761	1,223	—	—
Habitat Conservation Program Liability	—	—	—	—
Landfill Closure and Postclosure Liability	—	—	1,605	1,643
Unearned Revenues and Other Credits	900	2,635	8,957	5,797
Other Current Liabilities	773	585	—	—
Total Current Liabilities	85,894	77,643	33,456	30,735
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	4,516	4,459	1,575	1,556
Claims Payable	141,268	136,978	17,084	11,023
Public Works Trust Loan	43,338	14,130	—	—
Landfill Closure and Postclosure Liability	—	—	22,475	13,062
Vendor and Other Deposits Payable	1,563	2,605	—	—
Habitat Conservation Program Liability	—	—	—	—
Unearned Revenues and Other Credits	—	—	—	—
Unfunded Other Post Employment Benefits	2,758	2,719	985	885
Net Pension Liability	81,147	87,690	29,618	31,901
Other Noncurrent Liabilities	242	266	—	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	883,717	717,709	215,229	223,028
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	1,158,549	966,556	286,966	281,455
Total Liabilities	1,244,443	1,044,199	320,422	312,190
<b>DEFERRED INFLOWS OF RESOURCES</b>	7,164	2,279	28,241	26,138

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 239	\$ 573	\$ 79,890	\$ 98,771
Salaries, Benefits, and Payroll Taxes Payable	2,068	1,971	26,877	21,027
Compensated Absences Payable	178	225	2,673	3,725
Due to Other Funds	2,323	953	36,592	35,385
Due to Other Governments	—	—	18,072	12,789
Interest Payable	—	1	58,385	53,901
Taxes Payable	—	—	11,618	9,550
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	—	—	191,825	178,690
Claims Payable	169	183	18,811	16,890
Notes and Contracts Payable	—	—	4,811	2,348
Habitat Conservation Program Liability	—	—	711	968
Landfill Closure and Postclosure Liability	—	—	1,605	1,643
Unearned Revenues and Other Credits	—	—	40,993	41,553
Other Current Liabilities	23	28	22,061	10,961
Total Current Liabilities	5,000	3,934	514,924	488,201
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	1,200	—	1,200
Compensated Absences Payable	2,716	2,697	28,926	28,849
Claims Payable	275	353	259,984	243,823
Public Works Trust Loan	—	—	72,215	37,784
Landfill Closure and Postclosure Liability	—	—	22,475	13,062
Vendor and Other Deposits Payable	139	92	1,702	2,697
Habitat Conservation Program Liability	—	—	4,823	7,792
Unearned Revenues and Other Credits	23,059	18,157	32,498	26,832
Unfunded Other Post Employment Benefits	1,959	1,859	17,127	16,117
Net Pension Liability	57,944	63,529	544,206	593,973
Other Noncurrent Liabilities	103	31	851	514
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	4,432,049	3,962,410
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	86,195	87,918	5,416,856	4,935,053
Total Liabilities	91,195	91,852	5,931,780	5,423,254
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,487	32	215,997	165,812

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 14,216	\$ 12,810
Salaries, Benefits, and Payroll Taxes Payable	7,718	6,967
Compensated Absences Payable	1,393	905
Due to Other Funds	2,815	2,958
Due to Other Governments	15	14
Interest Payable	2,494	2,193
Taxes Payable	75	45
General Obligation Bonds Due Within One Year	26,981	26,508
Revenue Bonds Due Within One Year	—	—
Claims Payable	355	418
Notes and Contracts Payable	—	—
Habitat Conservation Program Liability	—	—
Landfill Closure and Postclosure Liability	—	—
Unearned Revenues and Other Credits	—	—
Other Current Liabilities	282	146
Total Current Liabilities	56,344	52,964
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable	—	—
Compensated Absences Payable	11,860	8,654
Claims Payable	1,143	1,310
Public Works Trust Loan	—	—
Landfill Closure and Postclosure Liability	—	—
Vendor and Other Deposits Payable	148	156
Habitat Conservation Program Liability	—	—
Unearned Revenues and Other Credits	—	—
Unfunded Other Post Employment Benefits	6,208	3,893
Net Pension Liability	175,269	121,731
Other Noncurrent Liabilities	3	23
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	226,011	236,417
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—
Bond Interest Payable	—	—
Total Noncurrent Liabilities	420,642	372,184
Total Liabilities	476,986	425,148
<b>DEFERRED INFLOWS OF RESOURCES</b>	936	152

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2017	2016	2017	2016
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 1,382,845	\$ 1,310,525	\$ 473,343	\$ 435,254
Restricted for				
Rate Stabilization Account	25,000	25,000	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	8,275	8,148
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	4,770	4,640
Unrestricted	(69,927)	(117,984)	(31,828)	(44,677)
Total Net Position	1,337,918	1,217,541	454,560	403,365
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,605,499	\$ 4,214,325	\$ 1,639,804	\$ 1,518,957

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 379,865	\$ 403,957	\$ 35,863	\$ 29,523
Restricted for				
Rate Stabilization Account	—	—	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	—	—
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	7,099	7,232	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	40,141	14,555	244	—
Unrestricted	(63,919)	(93,279)	(3,210)	(8,556)
Total Net Position	363,186	332,465	32,897	20,967
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,614,793	\$ 1,378,943	\$ 381,560	\$ 359,295

**The City of Seattle**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 8,453	\$ 6,870	\$ 2,280,369	\$ 2,186,129
Restricted for				
Rate Stabilization Account	—	—	25,000	25,000
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	8,275	8,148
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	7,099	7,232
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	45,155	19,195
Unrestricted	1,245	(3,337)	(167,639)	(267,833)
Total Net Position	9,698	3,533	2,198,259	1,977,871
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 104,380	\$ 95,417	\$ 8,346,036	\$ 7,566,937
Total Net Position as above			\$ 2,198,259	\$ 1,977,871
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds			46,358	36,338
Net Position of Business-type Activities			\$ 2,244,617	\$ 2,014,209

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 476,206	\$ 464,045
Restricted for		
Rate Stabilization Account	—	—
Special Deposits and Other	—	—
Conservation and Environmental Costs	—	—
Bonneville Power Administration Projects	—	—
External Infrastructure Costs	—	—
Muckleshoot Settlement	—	—
Other Charges	—	—
Unrestricted	(34,552)	(33,221)
<b>Total Net Position</b>	<b>441,654</b>	<b>430,824</b>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 919,576	\$ 856,124

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 989,711	\$ 903,175	\$ 262,896	\$ 251,364
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	224,857	219,795	—	—
Short-Term Wholesale Power Purchases	15,223	15,048	—	—
Generation	40,072	36,803	—	—
Transmission	52,514	53,488	—	—
Distribution	60,402	63,522	—	—
Conservation and Other Power Expenses	57,792	53,466	—	—
Planning and Development	—	—	1,499	2,141
Utility Systems Management	—	—	15,741	15,350
Field Operations	—	—	30,218	29,502
Project Delivery	—	—	7,776	6,789
Customer Services	49,390	42,636	8,280	7,990
Wastewater Treatment	—	—	—	—
Solid Waste Collection	—	—	—	—
Operations and Maintenance	—	—	—	—
General and Administrative	128,687	104,998	43,698	41,534
City Business and Occupation Taxes	54,414	48,456	32,924	31,347
Other Taxes	40,351	36,747	10,746	10,143
Amortization of Landfill and Postclosure Costs	—	—	—	—
Depreciation and Other Amortization	128,768	120,807	51,003	51,844
Total Operating Expenses	852,470	795,766	201,885	196,640
Operating Income (Loss)	137,241	107,409	61,011	54,724
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	6,797	6,046	4,090	2,635
Interest Expense	(85,113)	(84,365)	(39,632)	(36,918)
Amortization of Bonds Premiums and Discounts, Net	16,084	15,333	4,625	4,158
Amortization of Refunding Gain (Loss)	(4,899)	(4,641)	(1,392)	(1,597)
Bond Issuance Costs	(1,511)	(1,435)	—	—
Gain (Loss) on Sale of Capital Assets	553	48	(1,020)	406
Contributions and Grants	(319)	2,529	125	265
Others, Net	6,236	6,001	1,324	1,190
Total Nonoperating Revenues (Expenses)	(62,172)	(60,484)	(31,880)	(29,861)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	75,069	46,925	29,131	24,863
Capital Contributions and Grants	45,308	38,399	22,064	18,393
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	—	—	—	—
Change in Net Position	120,377	85,324	51,195	43,256
Net Position - Beginning of Year	1,217,541	1,132,217	403,365	360,109
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	1,217,541	1,132,217	403,365	360,109
Net Position - End of Year	\$ 1,337,918	\$ 1,217,541	\$ 454,560	\$ 403,365

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 400,284	\$ 375,041	\$ 209,644	\$ 183,666
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	—	—	—	—
Short-Term Wholesale Power Purchases	—	—	—	—
Generation	—	—	—	—
Transmission	—	—	—	—
Distribution	—	—	—	—
Conservation and Other Power Expenses	—	—	—	—
Planning and Development	1,052	1,494	213	233
Utility Systems Management	15,656	12,371	8,619	5,409
Field Operations	30,466	28,860	9,359	7,627
Project Delivery	12,582	10,494	114	658
Customer Services	6,902	6,501	6,318	6,312
Wastewater Treatment	162,759	154,001	—	—
Solid Waste Collection	—	—	107,530	104,639
Operations and Maintenance	—	—	—	—
General and Administrative	31,618	30,135	18,888	16,410
City Business and Occupation Taxes	46,724	44,311	24,583	19,025
Other Taxes	5,230	4,836	3,213	2,820
Amortization of Landfill and Postclosure Costs	—	—	1,374	1,369
Depreciation and Other Amortization	31,657	27,403	10,855	6,283
Total Operating Expenses	344,646	320,406	191,066	170,785
Operating Income (Loss)	55,638	54,635	18,578	12,881
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	5,028	3,096	1,059	519
Interest Expense	(29,142)	(22,779)	(9,069)	(5,269)
Amortization of Bonds Premiums and Discounts, Net	2,924	2,127	1,024	913
Amortization of Refunding Gain (Loss)	(482)	(512)	(204)	(112)
Bond Issuance Costs	—	—	—	—
Gain (Loss) on Sale of Capital Assets	238	147	146	4
Contributions and Grants	1,566	1,054	357	604
Others, Net	1,922	777	39	84
Total Nonoperating Revenues (Expenses)	(17,946)	(16,090)	(6,648)	(3,257)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	37,692	38,545	11,930	9,624
Capital Contributions and Grants	2,648	30,205	—	—
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	(9,619)	(66,187)	—	—
Change in Net Position	30,721	2,563	11,930	9,624
Net Position - Beginning of Year	332,465	329,902	20,967	11,343
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	332,465	329,902	20,967	11,343
Net Position - End of Year	\$ 363,186	\$ 332,465	\$ 32,897	\$ 20,967

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 74,351	\$ 86,356	\$ 1,936,886	\$ 1,799,602
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	—	—	224,857	219,795
Short-Term Wholesale Power Purchases	—	—	15,223	15,048
Generation	—	—	40,072	36,803
Transmission	—	—	52,514	53,488
Distribution	—	—	60,402	63,522
Conservation and Other Power Expenses	—	—	57,792	53,466
Planning and Development	—	—	2,764	3,868
Utility Systems Management	—	—	40,016	33,130
Field Operations	—	—	70,043	65,989
Project Delivery	—	—	20,472	17,941
Customer Services	—	—	70,890	63,439
Wastewater Treatment	—	—	162,759	154,001
Solid Waste Collection	—	—	107,530	104,639
Operations and Maintenance	60,938	60,910	60,938	60,910
General and Administrative	14,702	11,720	237,593	204,797
City Business and Occupation Taxes	—	12	158,645	143,151
Other Taxes	—	25	59,540	54,571
Amortization of Landfill and Postclosure Costs	—	—	1,374	1,369
Depreciation and Other Amortization	32	1,751	222,315	208,088
Total Operating Expenses	75,672	74,418	1,665,739	1,558,015
Operating Income (Loss)	(1,321)	11,938	271,147	241,587
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	1,072	510	18,046	12,806
Interest Expense	(13)	(2,012)	(162,969)	(151,343)
Amortization of Bonds Premiums and Discounts, Net	—	148	24,657	22,679
Amortization of Refunding Gain (Loss)	—	198	(6,977)	(6,664)
Bond Issuance Costs	—	—	(1,511)	(1,435)
Gain (Loss) on Sale of Capital Assets	—	47,497	(83)	48,102
Contributions and Grants	105	131	1,834	4,583
Others, Net	2	2	9,523	8,054
Total Nonoperating Revenues (Expenses)	1,166	46,474	(117,480)	(63,218)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(155)	58,412	153,667	178,369
Capital Contributions and Grants	—	—	70,020	86,997
Transfers In	6,320	18,263	6,320	18,263
Transfers Out	—	(33,732)	—	(33,732)
Environmental Remediation	—	—	(9,619)	(66,187)
Change in Net Position	6,165	42,943	220,388	183,710
Net Position - Beginning of Year	3,533	(39,410)	1,977,871	1,794,161
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	3,533	(39,410)	1,977,871	1,794,161
Net Position - End of Year	\$ 9,698	\$ 3,533	2,198,259	1,977,871
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	—	—	46,358	36,338
Net Position of Business-Type Activities	—	—	\$ 2,244,617	\$ 2,014,209
Change in Net Position as above	—	—	\$ 220,388	\$ 183,710
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	—	—	10,020	9,234
Adjusted Change in Net Position of Business-Type Activities	\$ 230,408	\$ 192,944		

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>OPERATING REVENUES</b>		
Charges for Services and Other Revenues	\$ 413,134	\$ 311,591
<b>OPERATING EXPENSES</b>		
Long-Term Purchased Power	—	—
Short-Term Wholesale Power Purchases	—	—
Generation	—	—
Transmission	—	—
Distribution	—	—
Conservation and Other Power Expenses	—	—
Planning and Development	—	—
Utility Systems Management	—	—
Field Operations	—	—
Project Delivery	—	—
Customer Services	—	—
Wastewater Treatment	—	—
Solid Waste Collection	—	—
Operations and Maintenance	281,998	214,933
General and Administrative	65,414	32,198
City Business and Occupation Taxes	5	5
Other Taxes	602	516
Amortization of Landfill and Postclosure Costs	—	—
Depreciation and Other Amortization	40,307	37,851
Total Operating Expenses	388,326	285,503
Operating Income (Loss)	24,808	26,088
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and Interest Income	1,172	841
Interest Expense	(10,546)	(10,103)
Amortization of Bonds Premiums and Discounts, Net	3,814	3,751
Amortization of Refunding Gain (Loss)	(1,818)	(1,830)
Bond Issuance Costs	(32)	(6)
Gain (Loss) on Sale of Capital Assets	55	(308)
Contributions and Grants	—	—
Others, Net	12	28
Total Nonoperating Revenues (Expenses)	(7,343)	(7,627)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	17,465	18,461
Capital Contributions and Grants	2,465	(17,996)
Transfers In	—	5,700
Transfers Out	(9,100)	(22,158)
Environmental Remediation	—	—
Change in Net Position	10,830	(15,993)
Net Position - Beginning of Year	430,824	446,817
Prior-Year Adjustment	—	—
Net Position - Beginning of Year as Restated	430,824	446,817
Net Position - End of Year	\$ 441,654	\$ 430,824

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 957,243	\$ 871,771	\$ 270,799	\$ 257,434
Cash Paid to Suppliers	(327,197)	(353,029)	(40,174)	(31,926)
Cash Paid to Employees	(165,244)	(181,004)	(63,103)	(67,426)
Cash Paid for Taxes	(92,910)	(86,914)	(43,406)	(41,718)
Net Cash from Operating Activities	371,892	250,824	124,116	116,364
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(36,809)	(10,351)	—	—
Interest Paid on Long-Term Debt	(8,229)	(9,111)	—	—
Operating Grants Received	(319)	2,530	22	283
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	5,162	9,358	—	—
Payments to Vendors on Behalf of Customers for Conservation	(31,759)	(32,210)	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	—	—
Net Cash from Noncapital Financing Activities	(71,954)	(39,784)	22	283
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	485,530	360,240	223,549	3,562
Principal Payments on Long-Term Debt and Refunding	(104,365)	(97,099)	(147,562)	(42,442)
Capital Expenses and Other Charges Paid	(389,802)	(375,247)	(70,112)	(76,611)
Interest Paid on Long-Term Debt	(88,056)	(85,468)	(38,712)	(38,559)
Capital Fees and Grants Received	40,580	37,544	12,440	9,887
Payment to Trustee for Defeased Bonds	(163,588)	(178,818)	—	—
Interest Received for Suburban Infrastructure Improvements	2,323	2,526	—	—
Debt Issuance Costs	(1,511)	(1,435)	(718)	—
Proceeds from Sale of Capital Assets	794	404	1,415	519
Net Cash from Capital and Related Financing Activities	(218,095)	(337,353)	(19,700)	(143,644)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>				
Interest and Investment Income (Loss)	4,857	3,550	2,252	623
Net Cash from Investing Activities	4,857	3,550	2,252	623
Net Increase (Decrease) in Cash and Equity in Pooled Investments	86,700	(122,763)	106,690	(26,374)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	294,854	417,618	111,200	137,574
End of Year	\$ 381,554	\$ 294,855	\$ 217,890	\$ 111,200
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 129,131	\$ 72,868	\$ 54,637	\$ 39,106
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	252,423	221,987	163,253	72,094
Total Cash at the End of the Year	\$ 381,554	\$ 294,855	\$ 217,890	\$ 111,200

\* Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.



**Fund Financial Statements**

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**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 407,355	\$ 370,806	\$ 210,265	\$ 189,184
Cash Paid to Suppliers	(195,323)	(169,184)	(117,856)	(118,253)
Cash Paid to Employees	(61,860)	(66,269)	(25,017)	(25,139)
Cash Paid for Taxes	(52,176)	(48,702)	(26,403)	(21,907)
Net Cash from Operating Activities	97,996	86,651	40,989	23,885
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	—	—	—	—
Interest Paid on Long-Term Debt	—	—	—	—
Operating Grants Received	1,617	1,796	707	378
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	—	—	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	(4,987)	(958)	—	1,358
Net Cash from Noncapital Financing Activities	(3,370)	838	707	1,736
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	294,268	183,723	—	40,848
Principal Payments on Long-Term Debt and Refunding	(88,051)	(92,869)	(6,454)	(25,987)
Capital Expenses and Other Charges Paid	(78,190)	(116,611)	(10,401)	(24,752)
Interest Paid on Long-Term Debt	(29,362)	(27,236)	(9,424)	(9,824)
Capital Fees and Grants Received	7,484	11,361	—	—
Payment to Trustee for Defeased Bonds	—	—	—	—
Interest Received for Suburban Infrastructure Improvements	—	—	—	—
Debt Issuance Costs	(1,160)	(556)	—	(267)
Proceeds from Sale of Capital Assets	348	197	156	18
Net Cash from Capital and Related Financing Activities	105,337	(41,991)	(26,123)	(19,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>				
Interest and Investment Income (Loss)	3,481	1,261	1,174	491
Net Cash from Investing Activities	3,481	1,261	1,174	491
Net Increase (Decrease) in Cash and Equity in Pooled Investments	203,444	46,759	16,747	6,148
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	175,239	128,480	91,503	85,355
End of Year	\$ 378,683	\$ 175,239	\$ 108,250	\$ 91,503
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 164,470	\$ 121,117	\$ 55,716	\$ 36,174
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	214,213	54,122	52,534	55,329
Total Cash at the End of the Year	\$ 378,683	\$ 175,239	\$ 108,250	\$ 91,503

\* Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

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**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 80,015	\$ 86,628	\$ 1,925,677	\$ 1,775,823
Cash Paid to Suppliers	(36,873)	(36,086)	(717,423)	(708,478)
Cash Paid to Employees	(34,511)	(35,645)	(349,735)	(375,483)
Cash Paid for Taxes	—	(1,415)	(214,895)	(200,656)
Net Cash from Operating Activities	8,631	13,482	643,624	491,206
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(1,200)	(6,400)	(38,009)	(16,751)
Interest Paid on Long-Term Debt	—	—	(8,229)	(9,111)
Operating Grants Received	105	131	2,132	5,118
Transfers In	6,320	17,094	6,320	17,094
Transfers Out	—	(33,732)	—	(33,732)
Bonneville Receipts for Conservation	—	—	5,162	9,358
Payments to Vendors on Behalf of Customers for Conservation	—	—	(31,759)	(32,210)
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	(4,987)	400
Net Cash from Noncapital Financing Activities	5,225	(22,907)	(69,370)	(59,834)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	—	—	1,003,347	588,373
Principal Payments on Long-Term Debt and Refunding	—	(3,280)	(346,432)	(261,677)
Capital Expenses and Other Charges Paid	(1,615)	(2,101)	(550,120)	(595,322)
Interest Paid on Long-Term Debt	(1)	(2,676)	(165,555)	(163,763)
Capital Fees and Grants Received	—	—	60,504	58,792
Payment to Trustee for Defeased Bonds	—	(52,468)	(163,588)	(231,286)
Interest Received for Suburban Infrastructure Improvements	—	—	2,323	2,526
Debt Issuance Costs	—	—	(3,389)	(2,258)
Proceeds from Sale of Capital Assets	—	85,171	2,713	86,309
Net Cash from Capital and Related Financing Activities	(1,616)	24,646	(160,197)	(518,306)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>				
Interest and Investment Income (Loss)	1,072	504	12,836	6,429
Net Cash from Investing Activities	1,072	504	12,836	6,429
Net Increase (Decrease) in Cash and Equity in Pooled Investments	13,312	15,725	426,893	(80,505)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	70,446	54,721	743,242	823,748
End of Year	\$ 83,758	\$ 70,446	\$ 1,170,135	\$ 743,243
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 83,619	\$ 70,354	\$ 487,573	\$ 339,619
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	139	92	682,562	403,624
Total Cash at the End of the Year	\$ 83,758	\$ 70,446	\$ 1,170,135	\$ 743,243

\* Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

## Fund Financial Statements

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### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2017 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 412,431	\$ 304,672
Cash Paid to Suppliers	(192,432)	(99,984)
Cash Paid to Employees	(138,509)	(140,776)
Cash Paid for Taxes	(600)	(564)
Net Cash from Operating Activities	80,890	63,348
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt and Interfund Loans	—	—
Interest Paid on Long-Term Debt	—	—
Operating Grants Received	—	—
Transfers In	—	5,700
Transfers Out	(9,100)	(22,159)
Bonneville Receipts for Conservation	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—
Loans Provided to Other Funds	—	—
Payments for Environmental Liabilities	—	—
Net Cash from Noncapital Financing Activities	(9,100)	(16,459)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Bonds and Other Long-Term Debt	7,335	2,109
Principal Payments on Long-Term Debt and Refunding	(26,518)	(23,776)
Capital Expenses and Other Charges Paid	(28,987)	(35,333)
Interest Paid on Long-Term Debt	(10,244)	(10,302)
Capital Fees and Grants Received	2,465	—
Payment to Trustee for Defeased Bonds	—	—
Interest Received for Suburban Infrastructure Improvements	—	—
Debt Issuance Costs	(32)	(6)
Proceeds from Sale of Capital Assets	1,382	679
Net Cash from Capital and Related Financing Activities	(54,599)	(66,629)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>		
Interest and Investment Income (Loss)	1,218	839
Net Cash from Investing Activities	1,218	839
Net Increase (Decrease) in Cash and Equity in Pooled Investments	18,409	(18,901)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of Year	72,951	91,853
End of Year	\$ 91,360	\$ 72,952
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating Cash and Equity in Pooled Investments	\$ 10,062	\$ 25,230
Current Restricted Cash and Equity in Pooled Investments	7,968	4,691
Noncurrent Restricted Cash and Equity in Pooled Investments	73,330	43,031
Total Cash at the End of the Year	\$ 91,360	\$ 72,952

\* Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

## The City of Seattle

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### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2017 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 137,241	\$ 107,409	\$ 61,011	\$ 54,724
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	128,768	120,807	51,003	51,844
Depreciation Charged to O&M Accounts	7,375	6,509	—	—
Amortization of Other Liabilities and Other Operating Expenses	68,024	40,870	—	—
Nonoperating Revenues and Expenses	6,213	6,063	2,531	2,541
<b>Changes in Operating Assets and Liabilities</b>				
Accounts Receivable	3,037	(16,857)	1,672	(918)
Unbilled Receivables	(12,770)	(6,068)	(1,145)	(699)
Other Receivables	3,261	(1,898)	—	—
Due from Other Funds	2,737	—	162	(15)
Due from Other Governments	501	—	(595)	472
Materials and Supplies Inventory	8,073	(3,144)	(74)	(566)
Accounts Payable	(11,951)	(4,961)	(1,000)	(2,777)
Salaries, Benefits, and Payroll Taxes Payable	4,515	—	509	(1,188)
Compensated Absences Payable	(1,145)	(471)	84	(553)
Due to Other Funds	816	(2,937)	(839)	2,963
Due to Other Governments	—	—	125	—
Claims Payable	6,449	(2,684)	1,640	792
Taxes Payable	1,838	3,136	61	(52)
Unearned Revenues and Other Credits	(895)	—	—	(269)
Other Assets and Liabilities	17,542	4,908	3,417	4,301
Rate Stabilization	2,263	142	5,554	5,764
Total Adjustments	234,651	143,415	63,105	61,640
Net Cash from Operating Activities	\$ 371,892	\$ 250,824	\$ 124,116	\$ 116,364
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ 483	\$ 1,489	\$ 8,978	\$ 7,621
Amortization of Debt Related Costs, Net	11,185	10,693	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	11,978	10,168	—	—
Power Exchange Revenues	14,975	15,832	—	—
Power Exchange Expenses	(14,995)	(15,848)	—	—
Power Revenue Netted against Power Expenses	5,436	6,568	—	—
Power Expense Netted against Power Revenues	(9,846)	(5,910)	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 19,216	\$ 22,992	\$ 8,978	\$ 7,621

The accompanying notes are an integral part of these financial statements.

## Fund Financial Statements

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### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2017 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 55,638	\$ 54,635	\$ 18,578	\$ 12,881
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	31,657	27,403	10,855	6,283
Depreciation Charged to O&M Accounts	—	—	—	—
Amortization of Other Liabilities and Other Operating Expenses	2,762	10,643	—	795
Nonoperating Revenues and Expenses	3,287	1,972	713	676
Changes in Operating Assets and Liabilities				
Accounts Receivable	(246)	601	1,063	(2,230)
Unbilled Receivables	(2,017)	(687)	—	123
Other Receivables	—	—	—	—
Due from Other Funds	1,787	(1,632)	(228)	(281)
Due from Other Governments	6,281	(3,657)	(314)	169
Materials and Supplies Inventory	(246)	70	(3)	(53)
Accounts Payable	(3,599)	(2,178)	(2,000)	(3,985)
Salaries, Benefits, and Payroll Taxes Payable	456	(1,398)	273	(287)
Compensated Absences Payable	86	(140)	30	(40)
Due to Other Funds	(1,097)	4,387	957	155
Due to Other Governments	5,158	57	—	—
Claims Payable	(408)	1,088	5,961	1,441
Taxes Payable	(166)	95	335	(132)
Unearned Revenues and Other Credits	—	—	3,160	836
Other Assets and Liabilities	(1,337)	(4,608)	1,210	672
Rate Stabilization	—	—	399	6,862
Total Adjustments	42,358	32,016	22,411	11,004
Net Cash from Operating Activities	<u>\$ 97,996</u>	<u>\$ 86,651</u>	<u>\$ 40,989</u>	<u>\$ 23,885</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ —	\$ 17,948	\$ —	\$ —
Amortization of Debt Related Costs, Net	—	—	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	—	—	—	—
Power Exchange Revenues	—	—	—	—
Power Exchange Expenses	—	—	—	—
Power Revenue Netted against Power Expenses	—	—	—	—
Power Expense Netted against Power Revenues	—	—	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ 17,948</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

## The City of Seattle

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### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2017 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,321)	\$ 11,938	\$ 271,147	\$ 241,587
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	32	1,751	222,315	208,088
Depreciation Charged to O&M Accounts	—	—	7,375	6,509
Amortization of Other Liabilities and Other Operating Expenses	2,347	3,748	73,133	56,056
Nonoperating Revenues and Expenses	—	—	12,744	11,252
Changes in Operating Assets and Liabilities				
Accounts Receivable	(713)	(149)	4,813	(19,553)
Unbilled Receivables	—	—	(15,932)	(7,331)
Other Receivables	—	—	3,261	(1,898)
Due from Other Funds	1,352	345	5,810	(1,583)
Due from Other Governments	154	(192)	6,027	(3,208)
Materials and Supplies Inventory	—	—	7,750	(3,693)
Accounts Payable	(335)	(809)	(18,885)	(14,710)
Salaries, Benefits, and Payroll Taxes Payable	98	(1,252)	5,851	(4,125)
Compensated Absences Payable	(28)	(479)	(973)	(1,683)
Due to Other Funds	1,370	379	1,207	4,947
Due to Other Governments	—	—	5,283	57
Claims Payable	(92)	(97)	13,550	540
Taxes Payable	—	(85)	2,068	2,962
Unearned Revenues and Other Credits	4,902	(896)	7,167	(329)
Other Assets and Liabilities	865	(720)	21,697	4,553
Rate Stabilization	—	—	8,216	12,768
Total Adjustments	9,952	1,544	372,477	249,619
Net Cash from Operating Activities	<u>\$ 8,631</u>	<u>\$ 13,482</u>	<u>\$ 643,624</u>	<u>\$ 491,206</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ —	\$ —	\$ 9,461	\$ 27,058
Amortization of Debt Related Costs, Net	—	—	11,185	10,693
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	—	—	11,978	10,168
Power Exchange Revenues	—	—	14,975	15,832
Power Exchange Expenses	—	—	(14,995)	(15,848)
Power Revenue Netted against Power Expenses	—	—	5,436	6,568
Power Expense Netted against Power Revenues	—	—	(9,846)	(5,910)
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28,194</u>	<u>\$ 48,561</u>

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 24,808	\$ 26,088
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>		
Depreciation and Amortization	40,307	37,851
Depreciation Charged to O&M Accounts	—	—
Amortization of Other Liabilities and Other Operating Expenses	17,939	1,386
Nonoperating Revenues and Expenses	12	—
Changes in Operating Assets and Liabilities		
Accounts Receivable	84	(302)
Unbilled Receivables	629	(321)
Other Receivables	—	—
Due from Other Funds	(1,329)	(6,379)
Due from Other Governments	(91)	110
Materials and Supplies Inventory	(1,289)	1,382
Accounts Payable	1,406	1,291
Salaries, Benefits, and Payroll Taxes Payable	751	1,288
Compensated Absences Payable	3,696	2,569
Due to Other Funds	(1,414)	(196)
Due to Other Governments	1	(24)
Claims Payable	(228)	(433)
Taxes Payable	31	(44)
Unearned Revenues and Other Credits	—	—
Other Assets and Liabilities	(4,423)	(918)
Rate Stabilization	—	—
Total Adjustments	<u>56,082</u>	<u>37,260</u>
Net Cash from Operating Activities	<u>\$ 80,890</u>	<u>\$ 63,348</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
In-Kind Capital Contributions	\$ 8,075	\$ —
Amortization of Debt Related Costs, Net	1,964	1,914
Change in Valuation of Power Exchange Assets or Liabilities	—	—
Allowance for Funds Used During Construction	—	—
Power Exchange Revenues	—	—
Power Exchange Expenses	—	—
Power Revenue Netted against Power Expenses	—	—
Power Expense Netted against Power Revenues	—	—
Settlement from Nextel	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 10,039</u>	<u>\$ 1,914</u>

**The City of Seattle**

**FIDUCIARY FUNDS**

**PRIVATE-PURPOSE TRUST FUND**

The **S. L. Denny Fund** holds a nonexpendable gift. The investment income is available for aid to disabled firemen.

Descriptions for the pension trust funds and agency funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

**B-9 STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2017  
(In Thousands)**

	Employees' Retirement Fund	S. L. Denny Private-Purpose Trust	Agency Funds
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 5,513	\$ 222	\$ 7,512
Short-Term Investments	111,309	—	—
<b>Receivables</b>			
Members	4,327	—	—
Employers	5,657	—	—
Interest and Dividends	4,103	—	—
Sales Proceeds	162,413	—	—
Other	—	—	112
Total Receivables	176,500	—	112
<b>Investments at Fair Value</b>			
Fixed Income	676,019	—	—
Equity	1,604,859	—	—
Real Estate	304,854	—	—
Alternative Investments	230,045	—	—
Total Investments at Fair Value	2,815,777	—	—
Securities Lending Collateral	11,359	—	—
Total Assets	3,120,458	222	7,624
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	3,322	—	25
Salaries, Benefits, and Payroll Taxes Payable	—	—	1,410
Deposits Payable	—	—	6,169
Claims/Judgments Payable	—	—	20
Securities Lending Collateral	11,351	—	—
Investment Commitments Payable	252,914	—	—
Total Liabilities	267,587	—	7,624
Net Position Restricted for Pensions	\$ 2,852,871	\$ 222	\$ —

The accompanying notes are an integral part of these financial statements.

**The City of Seattle**

**B-10 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Employees' Retirement Fund	S.L. Denny Private-Purpose Trust
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer	\$ 112,103	\$ —
Plan Member	73,650	—
Total Contributions	185,753	—
<b>Investment Income</b>		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	363,468	—
Interest	13,471	3
Dividends	22,510	—
Total Investment Activities Income	399,449	3
Investment Activities Expenses		
Investment Management Fees	9,783	—
Investment Consultant Fees	295	—
Investment Custodial Fees	304	—
Total Investment Activities Expenses	10,382	—
Net Income from Investment Activities	389,067	3
From Securities Lending Activities		
Securities Lending Income	134	—
Borrower Rebates	(44)	—
Total Securities Lending Income	90	—
Securities Lending Expenses		
Management Fees	20	—
Total Securities Lending Expenses	20	—
Net Income from Securities Lending Activities	70	—
Total Net Investment Income	389,137	3
Other Income	—	—
Total Additions	574,890	3
<b>DEDUCTIONS</b>		
Benefits	179,227	—
Refund of Contributions	19,159	—
Administrative Expense	12,131	—
Total Deductions	210,517	—
Change in Net Position	364,373	3
Net Position - Beginning of Year	2,488,498	219
Net Position - End of Year	\$ 2,852,871	\$ 222

The accompanying notes are an integral part of these financial statements.

**Fund Financial Statements**

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**Notes to  
Financial Statements**

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The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Seattle are regulated by the Washington State Auditor's Office and conform to generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below.

#### REPORTING ENTITY

The City of Seattle (the primary government for financial reporting purposes) consists of the funds, departments, agencies, boards and commissions (referred to in this note as organizations) over which the City exercises financial accountability, and component units over which the City is not financially accountable but is required to be reported due to the nature and significance of its relationship with the City. Additional information on the component units may be found in Note 12. The City does not have other relationships with organizations of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

#### Indicators of Financial Accountability

The financial statements include the organizations for which the elected officials of the City of Seattle are financially accountable. Criteria indicating financial accountability include, but are not limited to, the following:

- Appointment by the City of a majority of voting members of the governing body of an organization, and
  - Ability of the City to impose its will on the daily operations of an organization, such as the power to remove appointed members at will; to modify or approve budgets, rates, or fees; or to make other substantive decisions; or
  - Provisions by the organization of specific financial benefits to the City; or
  - Imposition by any organization of specific financial burdens on the City, such as the assumption of deficits or provision of support;
- Or, fiscal dependency by the organization on the City, such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

#### Joint Venture

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility. The City participates in a joint venture with King County with regard to the Seattle-King County Work Force Development Council. Additional information on the existing joint venture may be found in Note 13.

#### Organizations Excluded: Related Organizations

Organizations for which the City has appointed a voting majority of the members of the governing body, but for which the City is not financially accountable, are as follows:

- Housing Authority of the City of Seattle
- City of Seattle Industrial Development Corporation
- Burke-Gilman Place Public Development Authority

## Notes to Financial Statements

### ACCOUNTING STANDARDS

In 2017, the City fully implemented GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement applies to pension plans that either do not have any dedicated assets associated with them or have assets that are not in an irrevocable trust meeting certain requirements. The Statement requires a liability for pension obligations, known as the Total Pension Liability to be recognized on the balance sheets of participating employers. The City's Firemen's Pension and Police Relief Pension were impacted by this statement. The application of this statement resulted in a net restatement to the 2017 beginning balance of (\$193,776) million.

In 2017, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement applies to Other Postemployment Benefits (OPEB) administered through trusts. This statement also includes requirements for reporting assets accumulated for providing defined benefit OPEB through OPEB plans that are not administered through trusts. The implementation of GASB Statement No. 74 has no impact on the City's financial statements.

In 2017, the City implemented GASB Statement No. 80, Blending requirements for Certain Component Units - An Amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 has no impact on the City's financial statements.

In 2017, the City implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 has no impact on the City's financial statements.

In 2017, the City implemented GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Pension information is reported in accordance with this statement.

In 2016, the City implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

In 2016, the City implemented GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement supersedes Statement No. 55 and reduces the GAAP hierarchy to two categories. It requires the City to follow GASB statements as applicable; for clarifications, the City is required to refer to the reference materials in this sequence - GASB Technical Bulletins, GASB Implementation Guides and Literature of the AICPA cleared by GASB. The implementation of GASB Statement No. 76 has no impact on the City's financial statements.

In 2016, the City implemented GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter tax abatement agreements to disclose the following information about the agreements: Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. The gross dollar amount of taxes abated during the period. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

In 2016, the City implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for

## The City of Seattle

financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report the financial position and activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on charges and fees for their services. Resources of fiduciary activities, which are not available to finance governmental programs, are excluded from the government-wide financial statements.

#### Statement of Net Position

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between government-wide (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources is net position. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted.

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, deferred inflow and outflow resources attributable to capital assets, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed bylaw through constitutional provisions or enabling legislation. Unrestricted net position is the amounts remaining that are not "net investment in capital assets" or "restricted."

#### Statement of Activities

The Statement of Activities displays the degree to which the direct expenses of a given function or segment is funded by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Direct expenses include depreciation on capital assets that are clearly associated with a given function. In general, expenses related to personnel functions are reported as indirect expenses. Program revenues are revenues derived directly from the program itself. These revenues include (1) charges for services, (2) grants and contributions, and (3) capital grants and contributions. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activities within governmental funds or within enterprise funds of the City are eliminated. The effects of interfund services provided and used between functions are not eliminated, such as the sale of utility services to the general government and to other funds. This avoids misstatement of program revenues of the selling function and expenses of the various users. Operating income or loss reported by internal service funds in the fund financial statements are allocated back to the City departments either as a reduction or addition to their expenses by function.

#### Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Major individual governmental funds and major individual enterprise funds are presented in separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds.



## Notes to Financial Statements

The Transportation Fund accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, disposition, or use of motor vehicle fuel; motor vehicle excise taxes designated for street purposes; and grants.

The City reports the following major proprietary funds:

The Light Fund accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Light Fund supplies electricity to approximately 423,000 customers in the Seattle area as well as to other city agencies.

The Water Fund accounts for operating the City's water utility. The Water Fund maintains approximately 1,873 miles of transmission and distribution system pipelines and 354.5 million gallons of distribution storage capacity in the Cedar and South Fork Tolt River watersheds. The distribution system serves a population of about 1.4 million people businesses in Seattle and the surrounding area.

The Drainage and Wastewater Fund accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities and pumping stations collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

The Solid Waste Fund accounts for the collection and disposal of residential and commercial garbage, compostables, and other recyclable materials; operation of transfer stations and hazardous waste facilities; and management of the post-closure maintenance and environmental monitoring of the City's two closed landfills. The collection and disposal or processing of garbage, yard waste, and recyclable materials is performed by private companies under contract with the Solid Waste Fund.

Additionally, the City reports the following fund types:

Internal service funds account for support services provided to other City departments, such as motor pool, office space, financial services, managing the design and construction phases of capital improvement projects, telecommunications, data communications, radio systems, and the fiber optic network.

Fiduciary funds account for assets held in a trustee or agency capacity. Fiduciary funds include pension trust fund for the Employees' Retirement Fund. The Employees' Retirement Fund receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees.

The S. L. Denny Fund, a private-purpose trust, which holds a nonexpendable gift. Investment income is available to aid disabled firemen.

The City uses agency funds to report assets that are held in a custodial relationship. Agency funds are not used to support the government's own programs and so these funds are excluded from the government-wide financial statements. The City reports the following as agency funds: Guaranty Deposits, Payroll Withholding, Multifamily Rental Housing Improvement, Salary, Voucher, and Pass-Through Grants Funds.

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

### Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, deferred outflows of resources, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Basis of accounting refers to the timing of when revenues, expenses, and transfers are recognized in the accounts and reported in the financial statements.

### Governmental Fund Financial Statements

Financial statements for governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by deferred inflows of resources. Property

## The City of Seattle

taxes, business and occupation taxes, and other taxpayer-assessed tax revenues that are due for the current year are considered measurable and available and are therefore recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Special assessments are recognized as revenues only to the extent that those individual installments are considered as current assets. Intergovernmental revenues received as reimbursements for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues received but not earned are recorded as unearned revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

Expenditures are recorded when the liability is incurred except for interest on long-term debt, judgments and claims, workers' compensation, and compensated absences, which are recorded when paid.

### Proprietary Fund Financial Statements

Financial statements for proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. Certain costs in the enterprise funds are reported as an asset and expensed in future years as the utility rates recover these costs.

The revenues of the four utilities, which are based upon service rates authorized by the City Council, are determined by monthly or bimonthly billings to customers. Amounts received but not earned at year-end are reported as unearned revenues. Earned but unbilled revenues are accrued.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal activity. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities, the Downtown Parking Garage, the Construction and Inspections Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of personnel services, contractual services, other supplies and expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Fiduciary Fund Financial Statements

Financial statements for the pension trust and private-purpose trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position of the retirement funds are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Agency funds, unlike the other types of fiduciary funds, report only assets and liabilities. Agency funds do not have a measurement focus since they do not report equity and cannot present an operating statement reporting changes in equity. They do, however, use the accrual basis of accounting to recognize receivables and payables.

### Prior-Year Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

### Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The City used significant estimates in determining reported allowance for doubtful accounts, unbilled revenues, power exchanges, asset life, claims payable, environmental liabilities, employee benefits, post-employment benefits, and other contingencies. Actual results may differ from those estimates.

## Notes to Financial Statements

### BUDGETS AND BUDGETARY ACCOUNTING

Budgetary accounts are integrated in the fund database for all budgeted funds, including capital improvement projects funds and the Community Development Block Grant (CDBG) Fund. However, the annual financial report includes budgetary comparisons for annually budgeted governmental operating funds only. Note 2, Stewardship, Compliance, and Accountability, discusses in detail the City's budgetary policies and processes.

### ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

#### Cash and Investments

The City is authorized to purchase U.S. Treasury and government agency securities, certificates of deposits, and other investment deposits issued by Washington State depositories that qualify under the Washington State Deposit Protection Act as defined by RCW 39.58, bankers' acceptances purchased in the secondary market, commercial paper purchased in the secondary market and having received the highest rating by at least two nationally recognized rating agencies, repurchase and reverse repurchase agreements with "primary dealers" that have executed master repurchase agreements, public funds in the local government investment pool (LGIP) in the State Treasury, and other securities as authorized by law.

The City and the City Employees' Retirement System are also allowed under state law to make securities lending transactions. Gross income from securities lending transactions, as well as the various fees paid to the institution that oversees the lending activity, is recorded in the operating statements. Assets and liabilities include the value of the collateral that is being held. Under the authority of RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Securities lent must be collateralized with cash or securities having 102 percent of the market value of the loaned securities. The City and the Retirement System cannot pledge or sell collateral securities without a borrower default.

Under the City's investment policy all temporary cash surpluses are invested, either directly or through a "sweep account." Pooled investments are reported on the combined balance sheets as Cash and Equity in Pooled Investments. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned.

Since the participating funds in the City's internal investment pool use the pool as if it were a demand deposit account, the proprietary fund equity in pooled investments is considered cash for cash flow reporting purposes.

Investments are recorded at fair value based on the market approach valuation technique. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Additional information on fair value measurement may be found in Note 3.

The City of Seattle has the following policies in managing its investments:

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.
- A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.
- All transactions are done on a delivery-versus-payment basis.
- The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule" promulgated under the Uniform Prudent Investor Act (UPIA) of 1994.
- Investments shall generally be held until maturity except for a security with declining credit may be sold early to minimize the loss of principal; a security swap that would improve the quality, yield, or duration of the portfolio; liquidity needs of the portfolio require that a security be sold early.

## The City of Seattle

The Seattle City Employees' Retirement System has its investment management policies set by the Retirement Board. State law allows the System to invest in longer term maturities and in a broader variety of securities, such as real estate and equity issues. The Board policies require that investments in any one corporation or organization may not exceed five percent of net position available for benefits. Less than five percent of plan assets can be invested in derivative securities. All derivatives are high quality non-leveraged securities consisting of collateralized mortgage obligations (CMOs), Treasury strips, convertible bonds, futures, options, etc. These derivatives cause little exposure to credit risk, market risk, or legal risk.

#### Receivables

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Notes and contracts receivable arise from a written agreement or contract with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/due from other funds.

#### Inventories and Supplies

Inventories and supplies consist of expendable materials and supplies held for consumption. These amounts are recorded as expenditures in governmental funds at the time these items are purchased. This is known as the purchase method. However, any significant inventories in a governmental fund may also be reported as assets, as allowed by GAAP, and are equally offset by a fund balance reserve to indicate that they do not constitute available spendable resources even though they are included in net current position. For proprietary funds these amounts are expensed as consumed. Unconsumed amounts are generally valued using the weighted-average cost method.

#### Capital Assets

The City classifies assets with an estimated useful life in excess of one year as capital assets. As a general rule, items with an initial individual cost of \$5,000 or more are capitalized. Additionally, construction in progress can be declared: complete, held for future use, or abandon. Associated costs related to these declarations are reclassified as: capital assets, assets held for future use, or expense, respectively. Furthermore, the cost of renewals and betterments are capitalized, while the cost of current maintenance and repairs are immediately expensed.

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs are established based on the City's street reports to the state. Works of art are valued at historical cost. In cases where the historical cost is not available, the method used is "backtrending," i.e., deflating the current replacement cost using the appropriate price index. Donated capital assets are valued at acquisition value (an entry price) at the time of donation. For proprietary funds, contributions of capital assets are reported under Capital Contributions and Grants in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Most capital assets are depreciated for the governmental funds. Annual depreciation is recorded in government-wide financial statements as an expense of the governmental function for which the assets are being used. Depreciation is computed using the straight-line method over estimated service lives as follows:

Utility plant in service	33 - 100 years
Buildings	25 - 50 years
Improvements other than buildings	25 - 50 years
Infrastructure	10 - 50 years
Machinery and equipment	2 - 25 years

## Notes to Financial Statements

In addition to the capital asset conventions followed by governmental funds, regulated enterprise funds use industry-specific accounting techniques such as: mass-asset accounting and recording provisions for cost-of-removal of capital assets. The result of these techniques can be the reporting of accumulated depreciation in excess of the costs of capital assets.

### Restricted Assets

In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes.

### Other Charges

Other charges include preliminary costs of projects and information systems and programmatic conservation costs. Costs related to projects that are ultimately constructed are transferred to utility plant while costs related to abandoned projects are expensed. Conservation program costs in the Light and Water Utilities which result in long-term benefits and reduce or postpone other capital expenditures are capitalized and amortized over their expected useful lives due to the Utilities' capital financing plans and rate-setting methodology. Costs of administering the overall program are expensed as incurred.

### Prepaid Items

In governmental funds the City accounts for prepayments using the consumption method and, therefore, it recognizes expenditures as prepaid items expire. The City recognizes a reservation of fund balance for prepaid items only when the amount in the fund is materially significant.

### Deferred Outflows/Inflows of Resources

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

### Accumulated Compensated Absences

Compensated absences consist of: vacation pay, sick pay, and other compensated absences. Vacation pay is comprised of unused vacation earned by employees. Vacation is earned based upon their date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation balances remaining at retirement or termination are considered vested and payable to the employee. Sick pay is comprised of unused sick pay earned by employees. Employees earn up to 12 days of sick leave per year; there is no limit to the amount of sick leave an employee can accumulate. Employees terminated due to retirement can receive a portion of their unused sick leave balance as a cash benefit payable to either the City's Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association, the City's 457 Plan and Trust, or the employee. Other compensated absences include compensatory time in lieu of overtime pay, merit credits earned by fire fighters, furlough earned by police, holiday earned by library and police employees, and other compensation earned by City employees under law or union contracts. Unused other compensated absences are vested and payable at retirement or termination. Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the Statement of Net Position. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method.

### Claims Payable

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are discounted at the City's average investment rate of return (Note 15 Contingencies).

## The City of Seattle

### Other Accrued Liabilities

Other accrued liabilities include deposits, interest payable on obligations, lease-purchase agreements, and revenues collected in advance.

### Interfund Activity and Contracts/Advances

Interfund activity and balances in the funds are eliminated or reclassified in the process of aggregating data for the Statement of Net Position and the Statement of Activities.

Interfund debt is recorded in the appropriate funds even though such debt may result in a noncurrent liability for a governmental fund because the debt is not a general obligation of the City.

### Unearned Revenues

Unearned revenues include amounts collected or billed in advance of providing the service. The balances consist primarily of contract revenues, grant funds received in advance of expenditures, portions of local improvement districts special assessments that are due in succeeding years in governmental funds, and the amounts loaned by the Housing and Community Development Revenue Sharing Fund, a special revenue fund, under authorized federal loan programs.

### Fund Balances

Fund balances are based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balances are classified according to these constraints as follows:

- Nonspendable fund balances are either not in spendable form or are legally or contractually required to remain intact;
- Restricted fund balances are restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments;
- Committed fund balances can only be used for specific purposes ordained by the City Council. The Council can by ordinance establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. These constraints are authorized, through the budgeting process, by the Director of the City Budget Office in accordance with SMC 3.14.100. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and
- Unassigned fund balances represent balances that are available for any purpose. These balances are only reported in the City's General Fund unless a deficit occurs in any other fund.

The flow assumption is to consider restricted amounts have been spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. The flow assumption of the City is to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

### General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended, or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2017, the RSA reported an ending fund balance of \$50.2 million.

The City maintains the Emergency Subfund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Subfund shall be accompanied with an ordinance approve by three-fourths of the City

**Notes to Financial Statements**

Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. The City may also choose to reimburse the Emergency Subfund during the year for any expenditure incurred, by transferring unexpended and unencumbered balance from another City fund or subfund, or from other reimbursements the City may receive. At the end of fiscal year 2017, the Emergency Subfund reported an ending fund balance of \$61.7 million.

A summary of governmental fund balances at December 31, 2017, is as follows:

**Table 1-1** **GOVERNMENTAL FUND**  
*(In Thousands)*

Fund Balances	General	Transportation	Other Governmental	Total
<b>Nonspendable</b>				
Not in spendable form *	\$ 350	\$ 1	\$ 693	\$ 1,044
Legally or contractually required to be maintained intact	—	—	2,050	2,050
<b>Restricted</b>				
General	806	—	4,335	5,141
Capital and Continuing Programs	125,896	—	95,467	221,363
Library	11,305	—	7,941	19,246
Transportation	—	5,890	56,052	61,942
Low-Income Housing	—	—	179,970	179,970
Health Care Reserve	43,944	—	—	43,944
Parks and Recreation	—	—	41,780	41,780
Legal Settlement	—	—	—	—
Pike Place Market Renovation	—	—	368	368
Seattle Center	—	—	2,769	2,769
Wheelchair Accessibility	—	—	3,078	3,078
Election Vouchers	—	—	—	—
Human Services	—	—	4,587	4,587
Office of Housing	—	—	—	—
Department of Education	—	—	80,525	80,525
Municipal Arts	—	—	10,704	10,704
Debt Service	—	—	11,290	11,290
General Trust	—	—	4,268	4,268
General Donation and Gift Trusts	—	—	3,369	3,369
Permanent Funds	—	—	158	158
<b>Committed</b>				
General	15,342	—	3,094	18,436
Capital and Continuing Programs	33,122	—	—	33,122
Library	2,849	—	—	2,849
Transportation	—	97,717	—	97,717
Low-Income Housing	—	—	—	—
Judgment and Claims	5,228	—	—	5,228
Cable Television Franchise	2,804	—	—	2,804
Neighborhood Marching	1,934	—	—	1,934
Bluefield Habitat Maintenance	215	—	—	215
Developmental Rights	23	—	—	23
Employee Benefit Trust Funds	7,660	—	—	7,660
Health Care Reserve	30,339	—	—	30,339
Seattle Center	—	—	4,881	4,881
Human Services	—	—	9,573	9,573
Municipal Arts	4,107	—	—	4,107
Fire and Police Pension	27,762	—	—	27,762
<b>Assigned</b>				
General	27,822	—	—	27,822
Library	1,350	—	—	1,350
Transportation	—	—	—	—
Parks and Recreation	—	—	6,292	6,292
Human Services	—	—	2,121	2,121
Office of Housing	—	—	3,550	3,550

**The City of Seattle**

Unassigned				
General	41,743	—	—	41,743
Capital and Continuing Programs	—	—	(19,014)	(19,014)
Library	—	—	—	—
Low-Income Housing	—	—	—	—
Revenue Stabilization Account	50,224	—	—	50,224
Emergency Subfund	61,703	—	—	61,703
Employee Benefit Trust Funds	(1,446)	—	—	(1,446)
Health Care Reserve	—	—	—	—
Parks and Recreation	—	—	—	—
Seattle Streetcar	—	—	(3,256)	(3,256)
Human Services	—	—	—	—
Office of Housing	—	—	—	—
<b>Total</b>	<b>\$ 495,082</b>	<b>\$ 103,608</b>	<b>\$ 516,645</b>	<b>\$ 1,115,335</b>

\* Resource that cannot be spent due to their form, such as inventory and prepaid items.

**(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**BUDGETARY INFORMATION**

The City budgets for the General Fund, the Library Fund, and some special revenue funds on an annual basis. The special revenue funds which have legally adopted annual budgets are the Park and Recreation Fund, the Transportation Fund, the Seattle Center Fund, the Human Services Operating Fund, the Office of Housing Fund, and the Low-Income Housing Fund.

The City Council approves the City's operating budget through the adopted budget ordinance. In addition, the City Council annually approves two separate but related financial planning documents: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The budget is designed to allocate available resources on a biennial basis among the City's public services and programs and provides for associated financing decisions. The budget appropriates fiscal year expenditures and establishes employee positions by department and fund except for project-oriented, multi-year appropriations made for capital projects, grants, or endowments.

**Table 2-1** **APPROPRIATION CHANGES – GENERAL FUND**  
*(In Thousands)*

	2017
Annual Budget	\$ 1,620,331
Carryovers	
Encumbrances	6,581
Continuing Appropriations	115,336
Intrafund Eliminations	(29,817)
Budget Revisions	84,257
Budget Transfers	4
<b>Total Budget</b>	<b>\$ 1,796,692</b>

The CIP plan is also proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multi-year expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

## Notes to Financial Statements

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to both City and non-City organizations. Legal authority is established each year by a separate appropriation ordinance for the Housing and Community Development Revenue Sharing Fund.

Budgetary control for the operating budget generally is maintained at the budget control level within departments with the following exceptions: the Library Fund has its total budget set at fund level by the City Council, but its actual expenditures are controlled by the Library Board; capital projects programmed in the CIP are controlled at the project or project-phase level or program depending on legal requirements; grant-funded activities are controlled as prescribed by law and federal regulations.

The City Council may by ordinance abrogate, decrease, or re-appropriate any unexpended budget authority during the year. The City Council, with a three-fourths vote, may also increase appropriations. Emergency Subfund appropriations related to settlement of claims, emergency conditions, or laws enacted since the annual operating budget ordinance require approval by two-thirds of the City Council.

The City Budget Office may approve the transfer of appropriations. Beginning in 2003 the following restrictions to budget transfers within a budget year were imposed by ordinance. Total budget transfers into a budget control level may not exceed 10 percent of its original budgeted allowance, and in no case may they be greater than \$500 thousand. Total transfers out may not exceed 25 percent of the original budgeted allowance. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services. Budget figures consist of the adopted annual budget, which includes appropriation carryovers from previous years, and any revisions adopted by ordinance during the year. The budgetary basis is substantially the same as the accounting basis in all governmental fund types except for the treatment of encumbrances that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year, and are included with expenditures.

### DEFICITS IN FUND BALANCES AND NET POSITION

The Central Waterfront Improvement Fund reported a deficit fund balance of \$17.7 million as of December 31, 2017. Ordinance 123142 created this fund with specific intent that multiple partnership, both intergovernmental and private be established for funding the urgent and necessary repairs to the Seawall and other infrastructure along the Waterfront. In recognition of this urgency, Ordinance 123761 permits this fund to use up to \$2.4 million at any one time from the City's cash pool. This ordinance was amended by Ordinance 124033 and Ordinance 124345 to increase the allowable amount of the inter-fund loan from the City's Consolidated Residual Cash Pool to \$31.2 million. At year end, \$22 million of the loan authorization was used to cover the funds deficit cash position. Ordinance 125188 amending to extend the duration of the inter-fund loan of \$32.2 million to be repaid no later than December 31, 2019.

The Parks Capital Fund reported a deficit fund balance of \$780 thousand as of December 31, 2017. Ordinance 124634 created this fund for depositing revenues received by the City from the Seattle Park District. The creation of this fund to which revenues may be deposited, and from which associated expenditures may be paid including capital costs for the purpose of accounting separately of the capital expenditures funded by the Seattle Park District or other sources. The fund also receives earnings on its positive cash balances and pay interest on its negative balances.

The Park District Loan Capital Sub Fund reported a deficit fund balance of \$10.8 thousand as of December 31, 2016. Ordinance 124652 created this fund to provide funding to Park District budgeted operational and capital programs in 2015. It also authorizes the City to enter into a loan agreement with the Seattle Park District. Inter-fund loans totaling \$7.5 million and \$2.5 million will be made to a sub-fund within the Parks and Recreation Fund and a sub-fund within the Parks Capital Fund. The Park District will use those resources to fund operational and capital projects in the Parks Department. The parks District will repay the loan of \$10.0 Million plus accrued interest over eight years.

2018 LTGO Bond Fund which approves the principal proceeds and any premium received from the sale and delivery of the bonds for paying the costs of various elements of the City's capital improvement program. At the end of 2017 the fund reported a deficit fund balance of \$509 thousand.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.3 million as of December 31, 2017. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the authorized inter-fund loan allowance

## The City of Seattle

from the City's Consolidated Residual Cash Pool to a maximum of \$3.7 million. This loan is to be repaid no later than December 31, 2018 from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Fiber Leasing Fund reported a deficit fund balance of \$39.0 thousand as of December 31, 2016. The fund was created by Ordinance 123931 with the intent to account for the activities associated with management's use of the City's excess fiber and fiber infrastructure. The reported deficit is the result of a partial contract settlement between the City and the Contractor.

### (3) CASH AND INVESTMENTS

#### CASH AND EQUITY IN POOLED INVESTMENTS

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of all City funds are combined into a common investment pool that is managed by FAS. Each fund's share of the pooled investments is included in the participating fund's balance sheet under the caption "Cash and Equity in Pooled Investments." The pool operates like a demand deposit account in that all City funds may deposit cash at any time and also withdraw cash up to their respective fund balance out of the pool without prior notice or penalty.

Custodial Credit Risk - Deposits. The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2017, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2017, the City held \$95,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

#### CITY TREASURY INVESTMENTS

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold all the City's investments in the City's name.

The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The City uses a combination of the market and cost approach for the valuation of pooled investments.

The City's overnight repurchase agreement with Wells Fargo Bank, N.A. is accounted for at cost. The City is a participant in the Local Government Investment Pool (LGIP) authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts the rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The LGIP



## Notes to Financial Statements

is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at <http://www.tre.wa.gov>.

The remainder of City's investments are purchases in the over-the-counter U.S. bond market. The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc. for securities pricing.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

The City's investments in U.S. Treasuries are Level 1 assets. The remainder of the City's investments are Level 2 assets. The City does not invest in Level 3 assets.

As of December 31, 2017, the City's investment pool held the following investments:

**Table 3-1**  
**INVESTMENTS AND MATURITIES**  
**TREASURY RESIDUAL POOLED INVESTMENTS**  
*(In Thousands)*

Investments	Value as of December 31, 2017	Fair Value Measurements Using			Measured at Amortized Cost	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Bank Note	\$ 47,988	\$ —	\$ 47,988	\$ —	\$ —	293
Commercial Paper	251,665	—	251,665	—	—	32
Local Government Investment Pool	120,655	—	—	—	120,655	1
Municipal Bonds	366,133	—	366,133	—	—	1,593
Repurchase Agreements	138,385	—	—	—	138,385	2
U.S. Government Agency Mortgage-Backed Securities	243,661	—	243,661	—	—	1,742
U.S. Government Agency Securities	693,622	—	693,622	—	—	1,199
U.S. Treasury and U.S. Government-Backed Securities	475,684	463,218	12,466	—	—	89
<b>Total</b>	<b>\$ 2,337,793</b>	<b>\$ 463,218</b>	<b>\$ 1,615,535</b>	<b>\$ —</b>	<b>\$ 259,040</b>	
Weighted Average Maturity of the City's Pooled Investments						896

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. To mitigate interest rate risk the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.

## The City of Seattle

The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75.0 percent and 125.0 percent of the benchmark.

To further mitigate interest rate risk a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, Demand Accounts, Repo, Sweep, and Commercial Paper.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investments must adhere to state statutes. State statute and the City's Statement of Investment Policy do not stipulate credit quality requirements for U.S. Government or U.S. Government Agency Obligations, but provide for minimum credit ratings for investments in municipal bonds, commercial paper and corporate notes. State statute limits the maximum maturity and percentage allocation of investments in commercial paper and corporate notes but not for municipals. The City's investment policy limits the maximum percentage allocation that can be invested in municipal bonds, commercial paper and bank notes. In addition, commercial paper, bank, and corporate note purchases must adhere to the investment policies and procedures adopted by the Washington State Investment Board (Policy No. 2.05.500 adopted 3/16/95 and revised again 9/15/16) that includes the following credit and maximum maturity constraints:

- A commercial paper issuer must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase (P-1, A-1+, A-1, F1+, F1, by Moody's, S&P and Fitch, respectively). If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial Paper investments may not have maturities exceeding 270 days. Any Commercial Paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of a NRSRO.
- Bank notes or corporate notes at the time of purchase must have a credit rating of not less than "A" by any nationally recognized rating agency and must mature within 5.5 years.
- Commercial paper, bank and corporate notes combined may not exceed 25% of the total portfolio.
- No single issuer of commercial paper may exceed 3% of the total portfolio.
- No single issuer of bank or corporate notes rated AA or better by all rating agencies may exceed 3% of the total portfolio.
- No single issuer of bank or corporate notes rated single A by all rating agencies may exceed 2% of the total portfolio.
- Investments in a single credit issuer, consisting of commercial paper, bank and corporate notes combined, may not exceed 3% of the total portfolio.

The City subscribes to asset-backed commercial paper research from Moody's Investors Service and public finance and non-U.S. bank research from Fitch Ratings. The City conducts internal due diligence of commercial paper, bank note and municipal issuers, and maintains an "approved list" of issuers. Finally, the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

**Concentration Risk.** State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. However, as noted under credit risk, the City's Statement of Investment Policy outlines maximum percentage allocations for municipal securities, commercial paper as well as bank notes and corporate notes.

## Notes to Financial Statements

**Table 3-2** **CONCENTRATION OF CREDIT RISK**  
(In Thousands)

Issuer	Fair Value	Percent of Total Investments
Autobahn FDG LLC ABCP	\$ 14,980	0.6%
BMW US CAP CP	24,982	1.1
Canadian NATL RR	40,976	1.8
CDP Financial Inc CP	10,491	0.4
Federal Farm Credit Bank, Federal Home Loan Bank	428,914	18.3
Federal Home Loan Mtg Corp, Farmer Mac, FN DUS MBS	186,194	8.0
Federal National Mortgage Assoc (Fannie Mae), FNA, and FNMA Dus Aces, FN Dus Pool	322,175	13.8
Henkel of Amer Inc CP	24,993	1.1
Kells FDG LLC ABCP	50,366	2.2
Kells FDG LLC CP	24,989	1.1
Municipal Bonds	366,133	15.7
OKB CP	39,900	1.7
Paccar Finl Corp CP	19,989	0.9
Royal Bank of Canada	19,979	0.9
Sweep-Rep	138,385	5.9
Toronto Dominion Bank	28,009	1.2
Us Treasury (HUD Debenture, US Treasury Bonds)	475,684	20.1
Washington State Treasurer's Investment Pool	120,654	5.2
<b>Total Investments</b>	<b>\$ 2,337,793</b>	<b>100.0%</b>

Custodial Credit Risk - Investments. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. In April 2016 the City transferred its custody relationship from BNY Mellon to Wells Fargo under the State of Washington's statewide custody provider program arranged by the State Treasurer's Office. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method. The City's contractual custodial agent.

By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Foreign Currency Risk. The City's pooled investments do not include securities denominated in foreign currencies.

### INVESTMENTS OF THE SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)

Investments of the Seattle City Employees' Retirement System are accounted for in the Employees' Retirement Fund, a fiduciary fund which is not included in the Citywide financial statements because its resources belong to the retirement system and do not support City programs.

The retirement fund investments are made in accordance with the Prudent Person Rule as defined by RCW 35.39.060.

## The City of Seattle

**Table 3-3** **SCERS' INVESTMENTS**  
(In Thousands)

INVESTMENTS BY FAIR VALUE LEVEL	Value as of December 31, 2017	Fair Value Measurements Using			Level 3 Inputs
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Equity	745,312	745,768	(472)		16
Fixed Income	503,457	109,723	393,734		—
<b>Total Investments by fair value level</b>	<b>1,248,769</b>	<b>855,491</b>	<b>393,262</b>		<b>16</b>
<b>INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)</b>					
Equity	868,953				
Fixed Income	176,524				
Real Estate	304,829				
Alternative Investments	230,045				
<b>Total Investments measured at the NAV</b>	<b>1,580,351</b>				
<b>Total Investments</b>	<b>2,829,120</b>				
Securities lending collateral	11,359				
<b>INVESTMENTS</b>					
Equity	868,953		— Daily, Monthly	1-30 Days	
Fixed Income	176,524		— Monthly	5-30 Days	
Real Estate	304,829	61,906	Quarterly, N/A	45 Days, N/A	
Alternative Investments	230,045	217,378	Monthly, N/A	75 Days, N/A	
<b>Total Investments measured at the NAV</b>	<b>1,580,351</b>	<b>279,284</b>			

Credit Risk. In accordance with its policy the Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments and applicable restrictions necessary for diversification and risk control. Managers do not have authority to depart from those guidelines.

SCERS' fixed income portfolio is primarily managed by four external money management firms. SCERS' investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

**Table 3-4** **SCERS' FIXED INCOME PORTFOLIO**  
(In Thousands)

Investment Type	Fair Value	Investment Maturities (In Years)			
		<1	1 - 5	6 - 10	>10
Agencies	\$ 1,936	\$ —	\$ 1,936	\$ —	\$ —
Derivatives	1,800	(261)	2,109	(48)	—
Asset Backed Security	39,887	—	18,894	19,458	1,536
Commingled Funds	—	—	—	—	—
Corporate Debt	307,815	21,002	101,628	156,468	28,718
Foreign Sovereign	29,142	331	7,055	13,456	8,300
Mortgage Backed Security	180,602	—	203	9,473	170,926
Municipal	4,622	89	—	708	3,825
Pooled Fund	—	—	—	—	—
Treasury Inflation Linked Securities	—	—	—	—	—
Treasury Notes and Bonds	110,215	1,774	45,569	32,454	30,418
<b>Total Fixed Income</b>	<b>\$ 676,019</b>	<b>\$ 22,935</b>	<b>\$ 177,394</b>	<b>\$ 231,969</b>	<b>\$ 243,723</b>
		<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 0</b>

## Notes to Financial Statements

Interest Rate Risk. SCERS' investment policy requires the Retirement Board to provide its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for risk control. Managers do not have authority to depart from those guidelines.

SCERS' investment policy does not limit fixed income investments based on ratings by nationally recognized rating agencies. Speculative investments are avoided based on the Prudent Person Rule as defined by RCW 35.39, and the policy specifies target percentages for diversification in order to minimize risk of large losses.

**Table 3-5 SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S**  
(In Thousands)

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
Agencies	1,936	—	1,936	—	—	—	—	—	—
Derivatives	1,800	—	—	—	—	—	—	—	1,800
Asset Backed Security	39,887	31,744	1,338	—	—	—	—	413	6,393
Commingled Funds	—	—	—	—	—	—	—	—	—
Corporate Debt	307,815	873	11,022	45,897	105,048	53,883	55,828	14,204	21,059
Foreign Sovereign	29,142	—	—	2,296	7,042	7,541	5,595	857	5,811
Mortgage Backed Security	180,602	1,817	80,026	497	515	—	—	—	97,747
Municipal	4,622	1,185	733	1,930	774	—	—	—	—
Pooled Fund	—	—	—	—	—	—	—	—	—
Treasury Inflation Linked Securities	—	—	—	—	—	—	—	—	—
Treasury Notes and Bonds	110,215	—	110,215	—	—	—	—	—	—
<b>Total Fixed Income</b>	<b>676,019</b>	<b>35,619</b>	<b>205,270</b>	<b>50,620</b>	<b>113,379</b>	<b>61,424</b>	<b>61,423</b>	<b>15,474</b>	<b>132,810</b>

**Table 3-6 SCERS' ASSET ALLOCATION**

Asset Class	Actual	Target
Cash and short-term Investments	(0.2)%	—%
Equity	60.2	57.0
Fixed Income	26.1	23.0
Alternative	2.3	5.0
Real Estate	11.6	15.0
<b>Total</b>	<b>100.0 %</b>	<b>100.0%</b>

Concentration of Credit Risk. The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net position value of a manager's portfolio. Managers do not have authority to depart from these guidelines.

Custodial Credit Risk. SCERS mitigates custodial credit risk by having its investment securities held by SCERS' custodian and registered in SCERS' name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates that will adversely impact the fair value of an investment. SCERS' currency risk exposure or exchange rate risk primarily resides within the international equity holdings. SCERS' investment managers maintain adequately diversified portfolios to limit foreign currency and security risk.

### SECURITIES LENDING TRANSACTIONS

## The City of Seattle

The City cash pool and the Seattle City Employees' Retirement System are allowed to engage in securities lending transactions similar to that instituted by the Washington State Treasurer's Office and other municipal corporations in the State of Washington.

Under the authority of RCW 41.28.005 and the SMC 4.36.130, the Seattle City Employees' Retirement System Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions whereby securities are lent for the purpose of generating additional income to SCERS. Gross income from securities lending transactions of SCERS as well as the various fees paid to the institution that oversees the lending activity is reported in the fund's operating statements. Assets and liabilities include the value of the collateral that is being held.

The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and is limited to a volume of less than \$75.0 million. The contractual agreement with the SCERS' custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay SCERS' income distribution by the securities' issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans.

SCERS invests cash collateral received; accordingly, any investment made with cash collateral is reported as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. As of December 31, 2017, the fair value of securities on loan was \$11.0 million. Associated cash collateral totaling \$11.4 million was received. The fair market value of reinvested collateral was \$11.4 million at December 31, 2017, which includes an unrealized gain totaling \$8,329.

**Table 3-7 SCERS' SECURITIES LENT AND COLLATERAL**  
(In Thousands)

Type of Securities Lent	2017		2016	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 1,940	\$ 1,982	\$ 1,274	\$ 1,292
U.S. Corporate Fixed Income	560	570	7,275	7,538
U.S. Equities	8,529	8,799	2,242	2,295
International Fixed Income	—	—	—	—
International Equity	—	—	—	—
<b>Total Securities Lent</b>	<b>\$ 11,029</b>	<b>\$ 11,351</b>	<b>\$ 10,791</b>	<b>\$ 11,125</b>
<b>Collateral</b>		<b>2017</b>		<b>2016</b>
Repurchase Agreements		\$ 11,359		\$ 11,131
Asset-Backed Securities		0		0
Payable/Receivable		(9)		(6)
<b>Total Collateral</b>		<b>\$ 11,350</b>		<b>\$ 11,125</b>
Fair Value of Collateral Held		\$ 11,350		\$ 11,125

### REVERSE REPURCHASE AGREEMENTS

RCW 35.39.030 and City investment policy allow the investment of City moneys in excess of current City needs in reverse repurchase agreements. However, at this time, the City does not engage itself in this type of investment strategy.

## (4) RECEIVABLES, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES



## Notes to Financial Statements

**Table 4-1** **TAX REVENUES AND RECEIVABLES**  
*(In Thousands)*

	December 31	December 31
	2017	2017
	Revenues	Receivables
Property Taxes	\$ 582,622	\$ 10,350
General Business and Occupation Taxes	516,881	74,638
Totals	\$ 1,099,503	\$ 84,988

### TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.35 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2017. In addition, the levy included \$1.28 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2017 levy was \$2.62 per \$1,000 of assessed value. Not included in this total are the levy for the newly authorized Seattle Metropolitan Park District (SMPD) and the King County levy for Medic One/Emergency Medical Services. The SMPD is a separate taxing authority under state law and was levied at a rate of \$0.28 per \$1,000 assessed value. The Medic One/Emergency Medical Services levy, from which the City receives a direct, proportional distribution of proceeds, was renewed by voters at election in November 2013 for collection in 2014 at \$0.335 per \$1,000 of assessed value. Due to assessed value growth, the rate in 2017 decreased to \$0.26 per \$1,000 of assessed value.

Property taxes are levied by the County Assessor and collected by the County Finance Director. Assessments are based on 100 percent of true and fair-market value. They are levied and become a lien on the first day of the levy year. They may be paid in two equal installments if the total amount exceeds \$30. The first half is due on April 30, or else the total amount becomes delinquent May 1. The balance is due October 31, becoming delinquent November 1. Delinquent taxes bear interest at the rate of one percent per month until paid and are subject to additional penalties of three percent and another eight percent on the total unpaid delinquent balance on June 1 and December 1, respectively. Foreclosure action is commenced on properties when taxes are delinquent for three years.

### INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between funds. The interfund balances are presented in the balance sheets for governmental funds and statements of net position for proprietary funds.

The following table shows the current interfund balances at December 31, 2017, as reported in the fund financial statements.

**Table 4-2** **DUE FROM AND TO OTHER FUNDS <sup>a</sup>**  
*(In Thousands)*

## The City of Seattle

Receivable Fund	Payable Fund(s)	Amount	
<b>General</b>	Drainage and Wastewater	\$ 4,131	
	Nonmajor Enterprise	3	
	Nonmajor Governmental	3,362	
	Internal Service	202	
	Low-Income Housing	—	
	Transportation	129	
	Light	4,722	
	Solid Waste	1,779	
	Water	2,756	
	Total General Fund	\$ 17,084	
	<b>Transportation</b>	Drainage and Wastewater	3,074
Nonmajor Enterprise		4	
General		4,344	
Nonmajor Governmental		12,470	
Internal Service		104	
Light		1,804	
Solid Waste		28	
Water		1,329	
Total Transportation Fund		\$ 23,157	
<b>Light</b>		Drainage and Wastewater	542
		General	55
	Nonmajor Governmental	236	
	Internal Service	297	
	Fiduciary	550	
	Solid Waste	294	
	Water	342	
	Total Light Fund	\$ 2,316	
<b>Water</b>	Drainage and Wastewater	486	
	Nonmajor Governmental	1	
	Internal Service	19	
	Light	91	
	Solid Waste	150	
	Total Water Fund	\$ 747	
<b>Solid Waste</b>	Drainage and Wastewater	686	
	Nonmajor Governmental	—	
	Internal Service	6	
	Light	32	
	Water	22	
	Total Solid Waste Fund	\$ 746	
	Nonmajor Governmental	4	
	Internal Service	22	
	Transportation	278	
	Light	268	
	Solid Waste	123	
Water	14		
Total Drainage and Wastewater Fund	\$ 709		

## Notes to Financial Statements

**Table 4-2** **DUE FROM AND TO OTHER FUNDS <sup>a</sup> (continued)**  
(In Thousands)

Receivable Fund	Payable Fund(s)	Amount
Nonmajor Governmental	Drainage and Wastewater	\$ 106
	Nonmajor Enterprise	5
	General	1,593
	Nonmajor Governmental	7,005
	Internal Service	390
	Fiduciary	—
	Low-Income Housing	—
	Transportation	74
	Light	1,468
	Solid Waste	41
	Water	40
	<b>Total Nonmajor Governmental Funds</b>	<b>\$ 10,722</b>
	Nonmajor Enterprise	Drainage and Wastewater
General		9
Solid Waste		1
Nonmajor Governmental		1
Internal Service		439
Light		102
Water		3
<b>Total Nonmajor Enterprise Funds</b>	<b>\$ 1,108</b>	
Internal Service	Drainage and Wastewater	1,961
	Nonmajor Enterprise	2,310
	General	2,173
	Nonmajor Governmental	2,697
	Internal Service	1,335
	Fiduciary	5
	Transportation	2,091
	Light	3,466
	Solid Waste	591
	Water	3,265
<b>Total Internal Service Funds</b>	<b>\$ 19,894</b>	
<b>Grand Total</b>	<b>\$ 76,483</b>	

<sup>a</sup> Some amounts may have rounding or classification differences with Balance Sheet or Statement of Net Position.

## The City of Seattle

**Table 4-3** **ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS**  
(In Thousands)

Advances, Notes, and Loans From	Advances, Notes, and Loans To	Amount
General Fund	Local Improvement District No. 6750	\$ 72
Parks and Recreation Fund	Seattle Metropolitan Parks District	6,980
Municipal Arts Fund	2018 Multipurpose Long-Term General Obligation Bond	483
2008 Parks Levy Fund	Parks Capital Fund	8,000
Transportation Fund	Central Waterfront Improvement Fund	22,001
	Seattle Streetcar	2,200
<b>Total City</b>		<b>\$ 39,736</b>

The interfund loan for the Central Waterfront Improvement Fund has been approved by the City Council through Ordinance 125188 and is to be repaid by December 31, 2019. The interfund loan to the Parks Capital Fund was approved by the City Council through Ordinance 125202 and is to be repaid no later than December 31, 2019. The advances to the Local Improvement District No. 6750, 2018 Multipurpose Long-Term General Obligation Bond, and the Seattle Streetcar were for the purpose of cash flow and are to be paid back in 2018. The loan to the Seattle Metropolitan Parks District Fund was approved by the Board of Commissioners of the Park District in their Resolution 3. The money is to be paid back over 8 years from property taxes.

**Table 4-4** **INTERFUND TRANSFERS**  
(In Thousands)

Transfers In	Transfers Out					Total
	General	Internal Service	Nonmajor Governmental	Nonmajor Enterprise	Transportation	
General Fund	\$ —	\$ 9,100	\$ 18,598	\$ —	\$ —	\$ 27,698
Internal Service	—	—	—	—	—	0
Nonmajor Enterprise	6,320	—	—	—	—	6,320
Nonmajor Governmental	241,733	—	47,395	—	26,535	315,663
Transportation	55,463	—	102,680	—	—	158,143
<b>Total Transfers</b>	<b>\$ 303,516</b>	<b>\$ 9,100</b>	<b>\$ 168,673</b>	<b>\$ 0</b>	<b>\$ 26,535</b>	<b>\$ 507,824</b>

Transfers are used to (1) move revenues from the fund wherein the statute or budget requires them to be collected to the fund wherein the statute or budget requires them to be expended, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) apply unrestricted revenues collected in the General Fund to various programs accounted for in other funds in accordance with budgetary authorizations.

### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

#### Governmental Activities

## Notes to Financial Statements

**Table 4-5** DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
GOVERNMENTAL FUNDS  
(In Thousands)

Deferred Outflows/Inflows of Resources	General	Transportation	Nonmajor Governmental	Total
Deferred Outflows of Resources				
Total Deferred Outflows of Resources	\$ —	\$ —	\$ —	\$ —
Deferred Inflows of Resources				
Property Taxes	\$ 3,950	\$ 1,178	\$ 2,357	\$ 7,485
Special Assessment	—	—	7,855	7,855
Total Deferred Inflows of Resources	\$ 3,950	\$ 1,178	\$ 10,212	\$ 15,340

### Special Assessment

The Local Improvement District 6750 Fund recorded a deferred outflow of resources which reflects the total expected future collections from the District. The assessment expected to be collected during the upcoming fiscal period is adjustment from the deferred outflow of resources and recognized as revenue within our government-wide presentation.

### Debt Service

The governmental funds loss on debt refunding of \$1.5 million, previously reported as an asset, is now reported as a Deferred Inflow of Resources on the government-wide financial statement and will continue to be amortized as a component of interest expense. The internal service funds also recorded a loss on debt refunding of \$1.8 million, previously reported as an asset, it's now reported as a deferred outflow of resources on the combined Statement of Net Position and will be amortized over the life of the bonds.

### Property Taxes

For 2017 total taxes outstanding of \$7.4 million were recorded as a tax receivable asset within our governmental funds. Unable to meet the revenue recognition criteria our governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of our governmental fund financial statements to government-wide financial statements shows an adjustment to remove the deferred inflow of resources recorded by the governmental funds, and record the tax revenues to the Statement of Activities.

### Pension Plans

As a result of implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015, the City recognized deferred inflows and outflows of resources related to its pension plans. Detailed information about these deferred inflows and outflows of resources can be acquired in Note 11.

## The City of Seattle

**Table 4-6** DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
GOVERNMENTAL ACTIVITIES  
(In Thousands)

Deferred Outflows/Inflows of Resources	Governmental Funds	Internal Service Funds	Government- Wide Adjustment	Total
Deferred Outflows of Resources				
Debt Service	\$ —	\$ 1,818	\$ 1,553	\$ 3,371
Pension Plans	—	70,205	112,642	182,847
Total Deferred Outflows of Resources	\$ —	\$ 72,023	\$ 114,195	\$ 186,218
Deferred Inflows of Resources				
Property Taxes	\$ 7,485	\$ —	\$ (7,453)	\$ 32
Special Assessment	7,855	—	(1,127)	6,728
Pension Plans	—	936	41,603	42,539
Total Deferred Inflows of Resources	\$ 15,340	\$ 936	\$ 33,023	\$ 49,299

### Business-Type Activities

**Table 4-7** DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
BUSINESS-TYPE ACTIVITIES  
(In Thousands)

Deferred Outflows/Inflows of Resources	City Light	Seattle Public Utilities			Construction & Inspections	Total
		Water	Drainage and Wastewater	Solid Waste		
Deferred Outflows of Resources						
Pension Plans	\$ 46,911	\$ 14,051	\$ 13,479	\$ 4,858	\$ 9,576	\$ 88,875
Charges on Advance Refunding	36,268	22,461	6,697	2,304	—	67,730
Total Deferred Outflows of Resources	\$ 83,179	\$ 36,512	\$ 20,176	\$ 7,162	\$ 9,576	\$ 156,605
Deferred Inflows of Resources						
Pension Plans	\$ 23,765	\$ 6,998	\$ 7,164	\$ 2,499	\$ 3,488	\$ 43,914
Revenue Stabilization Account	68,398	46,511	—	25,742	—	140,651
Regulatory Credits	31,433	—	—	—	—	31,433
Total Deferred Inflows of Resources	\$ 123,596	\$ 53,509	\$ 7,164	\$ 28,241	\$ 3,488	\$ 215,998

### Revenue Stabilization Account

Funding of revenue stabilization accounts (RSAs) from operating cash effectively defers operating revenues. For the City Light (SCL) the balance of the RSA was \$68.4 million and \$66.1 million for 2017 and 2016, respectively. For the Seattle Public Utilities the balance of the RSA was \$72.2 million and \$66.3 million for 2017 and 2016, respectively.

### Regulatory Credits

Regulatory credits are the result of SCL (as affirmed by Seattle City Council Resolution No. 30942) recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments. For SCL the balance of the credits were \$31.4 million and \$27.3 million for 2017 and 2016, respectively.

## Notes to Financial Statements

### (5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

Seattle City Light (SCL) engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve SCL's load obligations and using these resources to capture available economic value. SCL makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. SCL also makes recurring projections of resource availability at these points in time based on variables such as estimates of stream flows, availability of generating units, historic and forward market information, contract terms, and experience. On the basis of these projections, SCL purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements and to realize earnings from surplus energy resources. These transactions can be up to 24 months forward. Under these forward contracts, SCL commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future. Except for limited intraday and interday trading to take advantage of owned hydro storage, SCL does not take market positions in anticipation of generating revenue. Energy transactions in response to forecasted seasonal resource and demand variations require approval by SCL's Risk Oversight Council.

It is the City's policy to apply the normal purchase and normal sales exception of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as appropriate. Certain forward purchase and sale of electricity contracts meet the definition of a derivative instrument, but are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Accordingly, SCL considers these forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

The following table presents (in millions) the aggregate contract amounts, fair value, and unrealized gain (loss) of SCL's commodity derivative instruments qualifying as normal purchases and normal sales at December 31, 2017 and 2016:

2017	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 20.0	\$ 19.1	\$ 0.9
Purchases	3.3	3.1	(0.2)
<b>Total</b>	<b>\$ 23.3</b>	<b>\$ 22.2</b>	<b>\$ 0.7</b>
2016	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 23.3	\$ 26.6	\$ (3.3)
Purchases	2.2	2.4	0.2
<b>Total</b>	<b>\$ 25.5</b>	<b>\$ 29.0</b>	<b>\$ (3.1)</b>

Fair value measurements at December 31, 2017 and 2016 used an income valuation technique consisting of Kiodes Forward Curves, which is considered a level 2 input in accordance with GASB Statement No. 72, Fair Value Measurement and Application.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2017 and 2016. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and SCL maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

**Market Risk.** Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent

## The City of Seattle

that nonperformance by market participants of their contractual obligations and commitments affects the supply of, or demand for, the commodity. Because SCL is active in the wholesale energy market, it is subject to market risk.

**Credit Risk.** Credit risk relates to the potential losses that SCL would incur as a result of nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits are established. SCL seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default, applying credit limits and duration criteria to existing and prospective counterparties, and actively monitoring current credit exposures. SCL also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

SCL has concentrations of suppliers and customers in the electric industry including electric utilities, electric generators and transmission providers, financial institutions, and energy marketing and trading companies. In addition, SCL has concentrations of credit risk related to geographic location as it operates in the western United States. These concentrations of counterparties and concentrations of geographic location may impact SCL's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

**Other Operational and Event Risk.** There are other operational and event risks that can affect the supply of the commodity, and SCL's operations. Due to SCL's primary reliance on hydroelectric generation, the weather, including spring time snow melt, runoff, and rainfall, can significantly affect SCL's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, and overall economic trends.

**Notes to Financial Statements**

**(6) CAPITAL ASSETS**

**Table 6-1** **CHANGES IN CAPITAL ASSETS<sup>a</sup>**  
(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
<b>GOVERNMENTAL ACTIVITIES<sup>b</sup></b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 573,100	\$ 19,184	\$ 1,665	\$ 590,619
Construction in Progress	798,376	263,523	79,705	982,194
Other Capital Assets	13,187	—	2,998	10,189
Total Capital Assets Not Being Depreciated	1,384,663	282,707	84,368	1,583,002
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,384,213	31,197	23,067	2,392,343
Machinery and Equipment	458,818	11,450	16,744	453,524
Infrastructure	2,046,668	42,721	—	2,089,389
Other Capital Assets	9,103	935	380	9,658
Total Capital Assets Being Depreciated	4,898,802	86,303	40,191	4,944,914
Accumulated Depreciation				
Buildings and Improvements	855,033	61,007	12,886	903,154
Machinery and Equipment	265,981	20,285	14,437	271,829
Infrastructure	893,796	64,917	—	958,713
Other Capital Assets	4,546	614	351	4,809
Total Accumulated Depreciation	2,019,356	146,823	27,674	2,138,505
Total Capital Assets Being Depreciated, Net	2,879,446	(60,520)	12,517	2,806,409
Governmental Activities Capital Assets, Net	\$ 4,264,109	\$ 222,187	\$ 96,885	\$ 4,389,411
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 169,535	\$ 5,936	\$ 25	\$ 175,446
Construction in Progress	668,982	592,031	492,870	768,143
Other Capital Assets	6,133	0	—	6,133
Total Capital Assets Not Being Depreciated	844,650	597,967	492,895	949,722
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	7,778,666	492,064	101,781	8,168,949
Buildings	0	—	—	0
Machinery and Equipment	14,360	89	28	14,421
Other Capital Assets	73,596	2,362	795	75,163
Total Capital Assets Being Depreciated	7,866,622	494,515	102,604	8,258,533
Accumulated Depreciation				
Plant in Service, Excluding Land	2,907,490	227,702	101,465	3,033,727
Buildings	0	0	—	0
Machinery and Equipment	14,288	23	28	14,283
Other Capital Assets	1,370	8	15	1,363
Total Accumulated Depreciation	2,923,148	227,733	101,508	3,049,373
Total Capital Assets Being Depreciated, Net	4,943,474	266,782	1,096	5,209,160
Business-Type Activities Capital Assets, Net	\$ 5,788,124	\$ 864,749	\$ 493,991	\$ 6,158,882

<sup>a</sup> Some amounts may have rounding differences with Statement of Net Position.

<sup>b</sup> The capital assets for governmental activities include the capital assets of the internal service funds. Schedules H-1, H-2, and H-3 provide additional information on the capital assets of the governmental funds.

**The City of Seattle**

**Table 6-2** **DEPRECIATION EXPENSE BY FUNCTION**  
(In Thousands)

<b>GOVERNMENTAL ACTIVITIES</b>	
General Government	\$ 2,135
Public Safety	3,453
Transportation	70,422
Economic Environment	188
Culture and Recreation	41,869
Subtotal	118,067
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	28,756
Total Governmental Activities	\$ 146,823
<b>BUSINESS-TYPE ACTIVITIES</b>	
Light	\$ 139,078
Water	47,706
Solid Waste	11,333
Drainage and Wastewater	29,593
Planning and Development	23
Parking Garage	0
Total Business-Type Activities	\$ 227,733

**(7) COMPENSATED ABSENCES**

The following discussion on the general liabilities of the City and the tables for the other City funds present the accrued compensated absences at the end of 2017 and 2016. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2017 and 2016.

**GOVERNMENTAL ACTIVITIES**

**Governmental Funds**

Unpaid compensated absences associated with governmental fund operations of \$87.3 million and \$82.1 million at December 31, 2017 and 2016, respectively, have been recorded in the government-wide financial statements.

**Internal Service Funds**

**Table 7-1** **COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS**  
(In Thousands)

	2017	2016
Finance and Administrative Services	\$ 5,129	\$ 4,984
Information Technology	8,125	4,575
Totals	\$ 13,254	\$ 9,559

**BUSINESS-TYPE ACTIVITIES**

**Enterprise Funds**

## Notes to Financial Statements

**Table 7-2** **COMPENSATED ABSENCES IN ENTERPRISE FUNDS**  
(In Thousands)

	2017	2016
Light	\$ 17,209	\$ 18,388
Water	4,829	4,745
Drainage and Wastewater	4,944	4,858
Solid Waste	1,725	1,695
Planning and Development	2,895	2,922
Totals	<u>\$ 31,602</u>	<u>\$ 32,608</u>

### PENSION TRUST FUNDS

**Table 7-3** **COMPENSATED ABSENCES IN PENSION TRUST FUNDS**  
(In Thousands)

	2017	2016
Employees' Retirement	\$ 237	\$ 163
Totals	<u>\$ 237</u>	<u>\$ 163</u>

Table 9-9 of Note 9, Long-Term Debt, presents compensated absences in governmental activities and business-type activities in the aggregate and the amount estimated to be due within the year.

## (8) LEASES

### CAPITAL LEASES

The City leases certain office equipment under various capital lease agreements. The City's capital lease obligations and the related assets were recorded in the appropriate funds and government-wide financial statements. The net capital lease assets shown in the following table reflect those continuing to be financed through capital leases. The minimum capital lease payments reflect the remaining capital obligations on these assets.

**Table 8-1** **CAPITAL LEASES**  
(In Thousands)

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 298
Less Accumulated Depreciation	(197)
December 31, 2017	<u>\$ 101</u>
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2017	\$ 126
Total Minimum Lease Payments	126
Less Interest	(21)
Principal	<u>\$ 105</u>

## The City of Seattle

The outstanding principal portion of the minimum capital lease payments is also presented in Table 9-9 of Note 9, Long-Term Debt.

### OPERATING LEASES

#### Governmental Activities

The City, through its Facilities Operations Division, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show a periodic schedule of rental amounts. Facilities Operations Division paid rentals of approximately \$9.7 million and \$8.9 million in 2017 and 2016 on the lease commitments. There are no projected rent increases apart from lease agreements entered into by the City.

In addition, Seattle Center leases a building for office space and workshop on a type of lease called a "triple net lease" for its Technical Facilities Management. The original lease agreement expired on July 30, 2010 and renewed to 2015 and reviewed again for another five years with new expiration date of July 30, 2020. The renewed lease agreement requires a fixed rent of \$26.2 thousand per month subject to increases on each July 1 beginning in 2016 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid lease payments of \$317.2 thousand and \$311.5 thousand in 2017 and 2016, respectively. Rents are paid as they become due and payable.

The City leases office equipment under various non-cancelable long-term operating lease agreements. The minimum payments made for these operating leases totaled \$992.7 thousand in 2017.

Minimum payments under the leases are:

**Table 8-2** **OPERATING LEASE COMMITMENTS**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

Year Ending December 31	Minimum Lease Payments						Total
	Department of Finance & Admin Services	Seattle Center	Department of Parks & Recreation	Department of Planning & Development	Office of Art & Cultural Affairs	Department of Transportation	
2018	\$ 9,144	\$ 320	\$ 626	\$ 17	\$ —	\$ 12	\$ 10,119
2019	7,578	326	530	17	—	11	8,462
2020	5,149	333	111	17	—	—	5,610
2021	5,150	—	107	—	—	—	5,257
2022	4,834	—	56	—	—	—	4,890
2022-2026	15,618	—	—	—	—	—	15,618
Total	<u>\$ 47,473</u>	<u>\$ 979</u>	<u>\$ 1,430</u>	<u>\$ 51</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ 49,956</u>

The following schedule shows the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	For the Year Ended December 31, 2017	
	2017	2016
Minimum Rentals:	\$ 10,638	\$ 9,319
Less: Sublease Rentals	(58)	(57)
	<u>\$ 10,580</u>	<u>\$ 9,262</u>

## Notes to Financial Statements

### Business-Type Activities

Seattle City Light leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense for these operating leases totaled \$1.7 million in 2017 and \$1.6 million in 2016.

Seattle Public Utilities has non-cancelable operating lease commitments for real and personal property for its three funds: Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund. The minimum payments made respectively in 2017 and 2016 were: \$330.2 thousand and \$367.7 thousand for the Water Fund; \$97.6 thousand and \$106.6 thousand for the Drainage and Wastewater Fund, and \$176.3 thousand and \$205.3 thousand for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases for the years ending December 31, are:

**Table 8-3** **OPERATING LEASE COMMITMENTS  
BUSINESS-TYPE ACTIVITIES**  
*(In Thousands)*

Year Ending December 31	Minimum Payments				
	City Light	Water	Drainage & Wastewater	Solid Waste	Total
2018	\$ 1,531	\$ 120	\$ 46	\$ 7	\$ 1,704
2019	1,148	121	46	5	1,320
2020	960	121	47	5	1,133
2021	3	36	14	3	56
2022	—	12	—	—	12
2023 - 2027	—	59	—	—	59
2028 - 2031	—	35	—	—	35
Total	\$ 3,642	\$ 504	\$ 153	\$ 20	\$ 4,319

### LEASE REVENUES - GOVERNMENTAL ACTIVITIES

The Facilities Operations Division collects occupancy charges from the various tenants occupying real property owned or leased by the City. These tenants include other City departments, other government offices, social service agencies, and private businesses. Social service agencies frequently pay occupancy charges at reduced rates in consideration of offsetting benefits accruing to the City as a result of the services they provide to the public. Rental revenues derived from these activities are accounted for in the Finance and Administrative Services Fund, an internal service fund, and are shown in the following table.

**Table 8-4** **MAJOR SOURCES OF RENTAL INCOME ON REAL PROPERTY MANAGED BY  
FACILITIES OPERATIONS DIVISION**  
*(In Millions)*

	2017	2016
Non-City Property Occupied by City Departments	\$ 9.9	\$ 9.1
City-Owned Property Occupied by City Departments	54.1	53.7
City-Owned Property Leased to Non-City Tenants	2.4	2.4
Total	\$ 66.4	\$ 65.2

Additionally, in 2017 the SeaPark Garage and the Seattle Municipal Tower Building generated \$3.2 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

## The City of Seattle

### (9) LONG-TERM DEBT

#### GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, limited tax general obligation (LTGO) bonds and unlimited tax general obligation (UTGO) bonds.

The original amount of general obligation bonds issued for bonds outstanding at the end of 2017 was \$1.685 billion. The amount of bonds outstanding at December 31, 2017 was \$1.013 billion. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2017.

In June 2017, the City issued the following series of General Obligation Bonds: (1) \$73.1 million LTGO Improvement Bonds, 2017, Series A. The bonds mature from November 2017 through November 2047 with an average coupon rate of 4.4 percent; (2) \$14.6 million UTGO Refunding Bonds, 2017, maturing in December 2018 with an average coupon rate of 5.0 percent; (3) \$12.4 million LTGO Improvement Bonds, 2017, Series B (Taxable) with the final maturity date of November 1, 2037 with an average coupon rate of 3.1 percent. The proceeds of these LTGO and UTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Alaskan Way Corridor, Seawall, Fire Stations, and other IT projects. In addition, the 2017 UTGO bonds proceeds was used in whole for the refunding of the 2007 UTGO bonds.

City had no short-term general obligation debt at the end of 2017.

The following table presents the individual general obligation bonds outstanding as of December 31, 2017, and other relevant information on each outstanding bond issue.

**Table 9-1** **GENERAL OBLIGATION BONDS**  
*(In Thousands)*

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>a</sup>	
<b>LIMITD TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED</b>							
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	1,935	95,550	—
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	4,800	134,065	5,765
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	4,175	89,960	9,900
Improvement and Refunding, 2010, Series A <sup>b</sup>	03/31/10	08/01/10-30	3.039	66,510	—	—	66,510
Improvement and Refunding, 2010, Series B	03/31/10	08/01/10-31	3.125	135,395	11,565	61,945	73,450
Various Purpose, 2011	03/16/11	03/01/11-31	3.645	79,185	3,160	26,985	52,200
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	2.703	75,590	5,020	18,690	56,900
Improvement, 2013, Series A	06/04/13	10/01/14-33	2.375	42,315	4,505	17,320	24,995
Improvement and Refunding, 2013, Series B	06/04/13	01/01/14-25	1.427	55,075	7,645	27,045	28,030
Improvement and Refunding, 2014	04/10/14	11/1/14-05/1/34	2.497	62,770	7,505	21,425	41,345
Improvement and Refunding, 2015, Series A	05/21/15	12/1/15-06/01/35	2.401	160,945	6,820	14,265	146,680
Improvement and Refunding, 2015, Series B (Taxable)	05/21/15	04/1/16-35	3.452	28,175	1,130	2,250	25,925
Improvement and Refunding, 2016, Series A	05/25/16	04/1/17-36	2.188	103,660	5,825	5,825	97,835
Improvement and Refunding, 2016, Series B (Taxable)	05/25/16	04/1/17-36	2.801	6,070	245	245	5,825
Improvement and Refunding, 2017, Series A	6/14/2017	11/01/17-47	2.964	73,080	—	—	73,080
Improvement and Refunding, 2017, Series B (Taxable)	6/14/2017	11/01/17-37	3.038	12,400	—	—	12,400
Total Limited Tax General Obligation Bonds				\$1,236,410	\$ 64,330	\$ 515,570	\$ 720,840

## Notes to Financial Statements

**Table 9-1** **GENERAL OBLIGATION BONDS (continued)**  
(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>a</sup>	
<b>UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED</b>							
Refunding-Variou UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470%	\$ 53,865	\$ 285	\$ 53,865	\$ 0
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	15,055	60,870	0
Refunding-Variou UTGO Bonds, 2012	05/16/12	12/01/12-21	1.276	46,825	5,050	23,950	22,875
Improvement, 2013	06/04/13	12/01/14-42	3.280	50,000	1,000	3,805	46,195
Improvement, 2014	04/10/14	12/01/14-43	3.672	16,400	330	965	15,435
Improvement, 2015	05/21/15	12/01/16-44	3.575	169,135	3,040	5,935	163,200
Improvement, 2016	05/25/16	12/01/18-45	3.084	36,740	—	—	36,740
Improvement, 2017	6/14/2017	12/01/17-18	0.088	14,605	7,355	7,355	7,250
Total Unlimited Tax General Obligation Bonds				\$ 448,440	\$ 32,115	\$ 156,745	\$ 291,695
Total General Obligation Bonds				\$ 1,684,850	\$ 96,445	\$ 672,315	\$ 1,012,535

<sup>a</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.  
<sup>b</sup> Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds. However, starting in fiscal year 2014, the subsidy payments have been reduced as a result of sequestration mandated by the U.S Congress. The subsidy cuts are expected to last through fiscal year 2024.

The requirements to amortize the general obligation bonds as of December 31, 2017, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

**Table 9-2** **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
(In Thousands)

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 85,040	\$ 43,315	\$ —	\$ —	\$ 128,355
2019	77,510	39,326	—	—	116,836
2020	72,035	36,048	—	—	108,083
2021	74,735	32,702	—	—	107,437
2022	62,500	29,437	—	—	91,937
2023 - 2027	269,050	105,449	—	—	374,499
2028 - 2032	163,225	59,573	—	—	222,798
2033 - 2037	101,095	32,220	—	—	133,315
2038 - 2047	107,345	18,371	—	—	125,716
Total	\$ 1,012,535	\$ 396,441	\$ —	\$ —	\$ 1,408,976

### SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT

## The City of Seattle

The bonds are special fund obligations of the City, the debt service of which will be paid from collections from related local improvement district (LID) assessments levied against the benefited properties located within the boundaries of the LID. Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The amount of special assessment bonds outstanding at the end of 2017 was \$6.1 million. There were no new bond issues in 2017.

The following table shows more detail on the outstanding issue.

**Table 9-3** **SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**  
(In Thousands)

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date	
Local Improvement District No. 6750 Bonds, 2006	12/13/06	12/15/07-26	4.102	\$ 21,925	\$ 1,430	\$ 15,850	\$ 6,075

### Local Improvement District No. 6750 Assessment Collection Information

Calendar/Fiscal Year End Dec. 31	Assessment Installment Payments Billed <sup>a</sup>	Assessment Installment Payments Collected <sup>b</sup>	Unpaid Principal Balance of Assessments	Assessment Installments that are Delinquent <sup>c</sup>
2006	\$ —	\$ —	\$ —	\$ —
2007	1,243,211	2,469,222	21,031,677	—
2008	1,228,415	2,172,726	19,547,593	53,008
2009	1,221,349	2,433,616	18,261,638	149,411
2010	1,202,504	2,092,158	16,761,182	163,623
2011	1,199,958	1,991,483	15,535,847	152,307
2012	1,194,120	1,900,225	14,265,404	194,705
2013	1,189,621	2,046,315	13,038,066	264,692
2014	1,186,600	1,781,162	11,819,398	249,080
2015	1,186,600	1,996,091	10,572,835	291,124
2016	1,148,384	1,768,274	9,153,197	287,510
2017	1,126,841	1,492,796	7,854,542	359,974

<sup>a</sup> Represents installment payments due and billed in the current calendar year. Source: King County Report SLD270- "Current Install."

<sup>b</sup> Represents total amount received in respect of assessments in calendar year, including payments of assessment installments (consisting of both principal and interest) due and billed in current calendar year, plus amounts received as prepayments of outstanding principal balances of unpaid assessments and amounts received in respect of delinquent installments. Source: Seattle Oracle Financial System.

<sup>c</sup> Represents principal balance of assessments that is outstanding and unpaid, including amounts that are not yet due and payable at year-end. Source: King County Report SLD270 - "Future Install."

<sup>d</sup> Represents cumulative amount of the principal portion of installment payments that were due and billed in any calendar year, but which remained unpaid at year-end. Source: King County Report SLD270 - "Delinquent Install."

The requirements to amortize the special assessments with governmental commitment as of December 31, 2017, are shown below.



## Notes to Financial Statements

**Table 9-4** ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT  
(In Thousands)

Year Ending	Principal	Interest	Total
December 31			
2018	\$ —	\$ 257	\$ 257
2019	—	257	257
2020	—	257	257
2021	—	257	257
2022	—	257	257
2023 - 2025	—	771	771
2026	6,075	257	7,822
<b>Total</b>	<b>\$ 6,075</b>	<b>\$ 2,313</b>	<b>\$ 9,878</b>

### NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State's Public Works Trust Loan program administered by the Washington State Public Works Board, a division of the Department of Commerce (formerly Department of Community, Trade, and Economic Development). The notes were drawn at varying low annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support City road and bridge improvements. The City paid \$1.5 million and \$0.1 million in principal and interest, respectively, in 2017. The outstanding balance on the notes at December 31, 2017, is \$9.4 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2017.

**Table 9-5** ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SEATTLE DEPARTMENT OF TRANSPORTATION  
PUBLIC WORKS TRUST LOAN NOTES  
(In Thousands)

December 31	Principal	Interest	Total
2018	\$ 1,355	\$ 59	\$ 1,414
2019	1,275	45	1,320
2020	1,275	32	1,307
2021	973	19	992
2022	918	15	933
2023 - 2027	2,329	34	2,363
2028 - 2030	984	7	991
2031	316	1	317
<b>Total</b>	<b>\$ 9,425</b>	<b>\$ 212</b>	<b>\$ 9,637</b>

### REVENUE BONDS

The City also issues revenue bonds to provide financing for the capital programs of the four utilities of the City, namely, City Light and the utilities grouped under Seattle Public Utilities, which are Water, Drainage and Wastewater, and Solid Waste. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. The original amount of revenue bonds issued for bonds outstanding at the end of 2017 was approximately \$5.965 billion. The total outstanding amount at December 31, 2017, was \$4.226 billion. During 2017 an additional \$914.3 million of revenue bonds were issued.

## The City of Seattle

In January 2017, City Light issued \$100.0 million of tax exempt Municipal Light and Power (ML&P) Multi-Modal Revenue Bonds (2017A&B Bonds) and in September 2017 issued \$385.5 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2017C Bonds). The 2017A&B Bonds had coupon interest rates ranging from .97% to 1.38% during 2017 and mature serially from November 1, 2017 to November 1, 2046. The 2017A&B Multi-Modal Bonds bear interest rates at variable rates that fluctuate based on the London Interbank Offered Rate (LIBOR) plus a certain number of basis points. The 2017C Bonds had coupon interest rates ranging from 4.00% to 5.00% and mature serially from September 1, 2018 through September 1, 2043 with term bonds maturing annually from September 1, 2044 to September 1, 2047. The arbitrage yield was 4.033% for the 2017A&B Bonds and 2.63% for the 2017C Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds. Proceeds from the 2017A&B Bonds were used to finance certain capital improvement and conservation programs. Proceeds from the 2017C Bonds were used to refund \$145.1 million of the 2011A Bonds, to finance certain capital improvement and conservation programs, and to make a deposit to the reserve fund.

In January 2017, the Water Fund issued \$194,685,000 of Water System Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2018 and ending in 2046, at interest rates ranging from 4.0% to 5.0%. A portion of the proceeds were used to fully refund the 2006 bonds. As a result of the refunding, the fund reduced total debt service requirements by \$20.1 million resulting in an economic gain of \$16.4 million.

In June 2017, the Drainage Wastewater Fund issued \$234,125,000 of Drainage and Wastewater Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2018 and ending in 2047, at interest rates ranging from 4.0 percent and 5.0 percent. A portion of the proceeds were used to fully refund the remaining 2006 bonds. As a result of the refunding, the Fund reduced total debt service requirements by \$7.5 million resulting in an economic gain of \$5.5 million.

The following table presents the individual revenue bonds outstanding as of December 31, 2017, and other pertinent information on each outstanding bond issue.

**Table 9-6** REVENUE BONDS  
**Page 1 of 2** (In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates <sup>a</sup>	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>c</sup>	
<b>MUNICIPAL LIGHT AND POWER (ML&amp;P) BONDS</b>							
2008 Parity	12/30/08	04/01/09-29	5.522%	\$ 257,375	\$ 10,460	\$ 236,310	\$ 21,065
2010 Parity, Series A <sup>b</sup>	05/26/10	02/01/21-40	3.566	181,625	—	—	181,625
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	50,670	306,630	290,240
2010 Parity, Series C <sup>c</sup>	05/26/10	02/01/11-40	3.112	13,275	—	—	13,275
2011 Parity, Series A, Refunding	02/08/11	02/01/11-36	4.544	296,315	159,040	215,570	80,745
2011 Parity, Series B <sup>d</sup>	02/08/11	02/01/11-27	1.957	10,000	—	—	10,000
2012 Parity, Series A	07/17/12	06/01/41	3.147	293,280	17,245	49,385	243,895
2012 Parity, Series C <sup>d</sup>	07/17/12	06/01/33	0.586	43,000	—	—	43,000
2013 Parity	07/09/13	07/01/43	4.051	190,755	3,150	12,060	178,695
2014 Parity	11/05/14	09/01/44	3.098	265,210	7,320	33,060	232,150
2015 Parity, Series A	07/09/15	05/01/45	3.566	171,850	6,360	10,725	161,125
2015 Parity, Series B-1	07/23/15	05/01/45	.69-	50,000	—	—	50,000
2015 Parity, Series B-2	07/23/15	05/01/45	1.55	50,000	—	—	50,000
2016 Parity, Series A <sup>d</sup>	01/28/16	01/01/41	69-1.55 1.029	31,870	—	—	31,870
2016 Parity, Series B, Refunding	01/28/16	04/01/29	2.080	116,875	—	1,535	115,340
2016 Parity, Series C, Refunding	09/28/16	10/01/46	2.926	160,815	2,100	2,100	158,715
2017 Parity, Series A <sup>d</sup>	01/27/17	11/01/46	—	50,000	890	890	49,110
2017 Parity, Series B	01/27/17	11/01/46	974-1.3	50,000	890	890	49,110
2017 Parity, Series C, Refunding	09/28/17	09/01/47	316-1.3	385,530	—	—	385,530
<b>Total Light Bonds</b>				<b>3,214,645</b>	<b>258,125</b>	<b>869,155</b>	<b>2,345,490</b>

## Notes to Financial Statements

Table 9-6  
Page 2 of 2

### REVENUE BONDS (In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates <sup>a</sup>	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>a</sup>	
<b>MUNICIPAL WATER BONDS</b>							
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424%	189,970	112,990	189,970	0
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	6,340	198,410	6,670
2010 Parity, Series A <sup>b</sup>	01/21/10	08/01/19-40	3.718	109,080	—	—	109,080
2010 Parity, Series B, Refunding	01/21/10	08/01/10-27	3.298	81,760	5,970	40,875	40,885
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	11,845	46,210	192,560
2015 Parity, Refunding	06/10/15	11/1/15-45	3.183	340,840	9,275	26,505	314,335
2017 Parity, Refunding	01/25/17	08/01/17-46	2.992	194,685	—	—	194,685
Total Water Bonds				1,360,185	146,420	501,970	858,215
<b>MUNICIPAL DRAINAGE AND WASTEWATER BONDS</b>							
2006 Refunding	11/01/06	02/01/07-37	4.423%	121,765	70,215	121,765	—
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,875	82,670	1,975
2009 Parity, Series A <sup>b</sup>	12/17/09	11/01/17-39	3.538	102,535	3,025	3,025	99,510
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	2.907	36,680	905	25,205	11,475
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	7,270	34,640	187,450
2014 Parity & Refunding	06/17/14	05/01/15-44	3.578	133,180	1,930	5,590	127,590
2016 Parity & Refunding	06/22/16	10/1/16-46	2.921	160,910	1,570	1,780	159,130
2017 Parity & Refunding	06/28/17	07/01/18-47	3.148	234,125	—	—	234,125
Total Drainage and Wastewater Bonds				1,095,930	86,790	274,675	821,255
<b>SOLID WASTE BONDS</b>							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505%	82,175	2,800	81,360	815
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	1,245	6,455	39,295
2014 Revenue & Refunding	06/12/14	05/01/15-39	3.337	95,350	1,310	3,805	91,545
2015 Revenue	06/25/15	02/01/16-40	3.650	35,830	810	1,440	34,390
2016 Revenue & Refunding	06/30/16	12/01/16-41	2.793	35,335	380	380	34,955
Total Solid Waste Bonds				294,440	6,545	93,440	201,000
Total Utility Revenue Bonds				\$5,965,200	\$ 497,880	\$1,739,240	\$ 4,225,960

<sup>a</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

<sup>b</sup> Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>c</sup> Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>d</sup> Issued as taxable New Clean Renewable Energy Bonds.

<sup>e</sup> Interest rates for fixed rate Parity Bonds are the True Interest Costs. Interest rates for variable rate Parity Bonds are the minimum and maximum rates for the reporting year.

The requirements to amortize the revenue bonds as of December 31, 2017, are presented below.

## The City of Seattle

Table 9-7

### ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY REVENUE BONDS (In Thousands)

Year Ending December 31	Light		Water		Drainage and Wastewater		Solid Waste		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 118,805	\$ 100,484	\$ 41,020	\$ 40,273	\$ 25,225	\$ 36,620	\$ 6,775	\$ 9,103	\$ 378,305
2019	114,610	96,076	43,080	38,260	26,425	35,413	7,120	8,757	369,741
2020	114,105	90,338	45,625	36,100	27,575	34,170	7,045	8,405	363,363
2021	113,410	85,139	46,235	33,892	27,300	32,862	7,400	8,045	354,283
2022	113,035	79,637	48,725	31,594	28,610	31,509	7,775	7,668	348,553
2023 – 2027	526,525	314,339	231,010	121,865	155,485	135,476	45,250	31,976	1,561,926
2028 – 2032	344,855	215,036	186,220	70,790	168,780	96,620	56,540	20,094	1,158,935
2033 – 2037	363,700	143,175	125,615	35,510	155,560	60,084	45,180	8,317	937,141
2038 – 2042	351,290	68,528	60,900	12,514	127,110	28,792	17,915	1,034	668,083
2043 – 2047	185,155	15,183	29,785	2,704	79,185	6,952	—	—	318,964
Total	\$ 2,345,490	\$ 1,207,935	\$ 858,215	\$ 423,502	\$ 821,255	\$ 498,498	\$ 201,000	\$ 103,399	\$ 6,459,294

## NOTES AND CONTRACTS PAYABLE – BUSINESS-TYPE ACTIVITIES

Seattle Public Utilities (SPU) has various construction projects that are financed by low-interest loans issued by the State of Washington. The loan agreements require that SPU finance a portion of these projects from other sources. SPU's Water Fund as well as its Drainage & Wastewater Fund have availed of these loans to enhance and protect the City's water, drainage, and wastewater systems.

### Water

In 2008, the Fund entered into two loan agreements to borrow \$8.1 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent interest per year and a repayment of 18 to 19 years. Proceeds from these loans were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2017, these loans have an outstanding balance of \$3.7 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent per annum and payable in 19 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2017, this loan has an outstanding balance of \$1.6 million.

Also in 2009, the Fund entered into two loan agreements, totaling \$9.0 million, to borrow from the Washington State Department of Commerce under its Public Works Trust Loan program to be used to finance the Maple Leaf Reservoir project. The first loan, in the amount of \$5.9 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 19 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2017, these loans have an outstanding balance of \$7.4 million.

In 2014, the Fund entered into a loan agreement, totaling \$12.0 million, to borrow from the Washington State Department of Commerce under its Public Work Loan program at 1.5 percent per annum and payable in 20 years. Proceeds from this loan will be used to finance the Morse Lake Pump project. An initial draw on \$7.3 million was done in 2015. Subsequent draws on \$3.6 million were done in 2016. In 2017, an additional draw on \$1.2 million was done, and the Fund entered into the second portion of loan agreements to borrow \$6.1 million. As of December 31, 2017, this loan has an outstanding balance of \$18.2 million.

Amounts paid for all loans in 2017 were \$1,124,987 in principal and \$215,720 in interest. Total loans outstanding as of December 31, 2017 are \$30.9 million. The minimum debt service requirements to maturity are included in Table 9-8.

**Notes to Financial Statements**

**Drainage and Wastewater**

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under the Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2017, this loan has an outstanding balance of \$1.4 million.

In 2005, the Fund entered into a loan agreement with the Washington State Department of Ecology under its Public Works Trust Loan program to borrow up to \$2.7 million to support the construction of improvements of the High Point Natural Drainage Systems project. Amounts under this agreement accrue interest at 1.5 percent per annum and are to be repaid in 20 annual installments. As of December 31, 2017, the loan has an outstanding balance of \$1.7 million.

In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 19 years. As of December 31, 2017, the loan has an outstanding balance of \$1.6 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2011. As of December 31, 2017, the loan has an outstanding balance of \$4.7 million.

In 2009, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. Amounts borrowed under this agreement accrue interest at 2.9% per annum and are to be repaid by December 2020. As of December 31, 2017, the loan has an outstanding balance of \$0.2 million.

In 2011, the Fund was approved for a Public Works Trust Loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. As of December 31, 2017, the loan has an outstanding balance of \$3.0 million.

In 2012, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.9 million to support the design and construction of the storm water facility for the Capitol Hill Water Quality Project. Amounts borrowed under this agreement accrue interest at 2.6 percent per annum and are to be repaid over 20 years. As of December 31, 2017, the loan has an outstanding balance of \$1.6 million. In 2017, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$39.4 million for construction of storage facilities to reduce the frequency and volume of Henderson North Combined Sewer Overflow. Amounts borrowed under this agreement accrue interest at 2.4% per annum and are to be repaid by February 2037. The Fund has drawn \$32.0 million in 2017. As of December 31, 2017, the loan has an outstanding balance of \$32.0 million.

Amounts paid to all loans in 2017 were \$1,223,366 principal and \$177,584 in interest. Total loans outstanding as of December 31, 2017 are \$46.1 million. The minimum debt service requirements to maturity are included in Table 9-8.

**The City of Seattle**

**ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SEATTLE PUBLIC UTILITIES  
PUBLIC WORKS TRUST LOAN AND OTHER NOTES  
(In Thousands)**

Table 9-8

Year Ending December 31	Water		Drainage and Wastewater		Total
	Principal	Interest	Principal	Interest	
2018	\$ 2,050	\$ 774	\$ 2,761	\$ 1,213	\$ 6,798
2019	2,050	407	2,526	877	5,860
2020	2,050	379	2,569	831	5,829
2021	2,050	350	2,539	786	5,725
2022	2,050	321	2,582	741	5,694
2022 - 2027	9,588	1,173	12,599	2,998	26,358
2028 - 2032	6,783	593	11,001	1,786	20,163
2033 - 2037	4,306	184	9,522	637	14,649
Total	<u>\$ 30,927</u>	<u>\$ 4,181</u>	<u>\$ 46,099</u>	<u>\$ 9,869</u>	<u>\$ 91,076</u>

The following table shows the long-term liability activities during the year ended December 31, 2017.

## Notes to Financial Statements

**Table 9-9** **CHANGES IN LONG-TERM LIABILITIES <sup>a</sup>**  
(In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 1,008,895	\$ 100,085	\$ 96,445	\$ 1,012,535	\$ 85,040
Issuance Premiums and Discounts, Net	91,032	11,328	19,944	82,416	—
Special Assessment Bonds with Governmental Commitment <sup>b</sup>	7,505	—	1,430	6,075	—
Total Bonds Payable	1,107,432	111,413	117,819	1,101,026	85,040
Notes and Contracts					
Capital Leases	158	5	58	105	47
Other Notes and Contracts	10,945	—	1,520	9,425	1,355
Total Notes and Contracts	11,103	5	1,578	9,530	1,402
Compensated Absences	91,632	8,886	—	100,518	22,543
Claims Payable					
General Contamination Cleanup <sup>c</sup>	372	357	—	729	—
Workers' Compensation	26,792	2,202	—	28,994	8,927
General Liability	45,740	2,180	—	47,920	10,405
Health Care Claims	—	—	—	—	—
Total Claims Payable <sup>d</sup>	72,904	4,739	—	77,643	19,332
Arbitrage Rebate Liability	—	—	—	—	—
Unfunded Other Post Employment Benefits	133,710	20,285	—	153,995	—
Net Pension Liability	704,010	247,452	—	951,462	—
Other Noncurrent Liabilities	3,081	—	446	2,635	—
Total Long-Term Liabilities from Governmental Activities	<u>\$ 2,123,872</u>	<u>\$ 392,780</u>	<u>\$ 119,843</u>	<u>\$ 2,396,809</u>	<u>\$ 128,317</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 0	\$ —	\$ 0	\$ —	\$ —
Revenue Bonds	3,809,500	914,340	497,880	4,225,960	191,825
Issuance Premiums and Discounts, Net	331,600	101,736	35,422	397,914	—
Total Bonds Payable	4,141,100	1,016,076	533,302	4,623,874	191,825
Notes and Contracts - Other	40,133	36,893	—	77,026	4,811
Compensated Absences	32,574	—	973	31,601	2,674
Claims Payable					
General Contamination Cleanup <sup>c</sup>	218,147	17,022	—	235,169	9,189
Workers' Compensation	10,578	994	—	11,572	3,668
General Liability	18,053	486	—	18,539	5,955
Total Claims Payable <sup>d</sup>	246,778	18,502	0	265,280	18,812
Unearned Revenues	26,832	5,666	—	32,498	—
Habitat Conservation Program Liability	8,760	—	3,226	5,534	710
Landfill Closure and Postclosure Costs	14,705	9,374	0	24,079	1,605
Unfunded Other Post Employment Benefits	16,116	1,012	—	17,128	—
Net Pension Liability	593,973	0	49,766	544,207	—
Other Noncurrent Liabilities	3,211	—	658	2,553	—
Total Long-Term Liabilities from Business-Type Activities	<u>\$ 5,124,182</u>	<u>\$ 1,087,523</u>	<u>\$ 587,925</u>	<u>\$ 5,623,780</u>	<u>\$ 220,437</u>

<sup>a</sup> Some amounts may have rounding differences with the Statement of Net Position.

<sup>b</sup> The Special Assessment Bonds carry neither premiums nor discounts.

<sup>c</sup> See Note 10, Environmental Liabilities for a detailed discussion.

<sup>d</sup> See Note 15, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 16 also includes information on workers' compensation and health care.

## The City of Seattle

The City's internal service funds predominantly serve governmental funds. For this reason the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year compensated absences and claims payable of these funds amounted to approximately \$9.6 million and \$6.9 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loans), compensated absences, and workers' compensation other than those pertaining to the internal service funds are liquidated using the respective governmental funds of operating City departments, including those funded by the General Fund. General liability and health care claims relating to internal service funds are liquidated using the General Fund. Liabilities for compensated absences for governmental activities in governmental funds that have department operating budgets, though they are reported as a general obligation of the City, are paid from these funds when these compensated absences are used by the employees or cashed out by them at termination or retirement. Arbitrage rebate liabilities in governmental activities are paid as they become due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

In addition to paying for debt service on the bond issues for business-type City operations, each business-type fund liquidates its respective other long-term liabilities, with the exception of the Department of Construction and Inspections (DCI) for general liability. The General Fund pays for DCI's general liability, if any. Environmental liabilities of governmental activity funds are paid from the governmental funds while environmental liabilities of business-type activity funds are paid respectively from the utility funds. Purchased power obligations are obligations of City Light and therefore paid from the Light Fund. For further discussion on purchased power, see Note 14, Commitments.

### ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. In most cases, City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net position. In some cases, like for City Light and Water bonds in the past three years, proceeds are kept with the City as restricted cash until the refunded bonds are called, usually within 90 days. The following paragraph discusses the advance and current refunding activities that occurred in 2016.

#### General Government

The refunding portion of the \$103.7 million LTGO Improvement and Refunding Bonds, 2016 A, issued by the City on 5/25/2016, were used partially to refund the 2006 and 2009 LTGO bonds. The aggregate total debt service of the refunded bonds would require a cash flow of \$34.4 million to maturity. With this refunding, the aggregate total debt service of the refunding bonds require a cash flow of \$31.1 million, which results in a saving of \$3.3 million in debt service. The net present value of this saving is \$2.8 million.

#### City Light

The Department issued \$116.9 million of tax exempt Municipal Light and Power (ML&P) Refunding Revenue Bonds (2016 B Bonds) to refund \$122.8 million of the 2008 Bonds. In September, the Department also issued \$160.8 million tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2016 C Bonds), of which a portion of the proceeds were used to refund \$32.0 million of the 2010B Bonds. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2016A&B Bonds and the 2016C Bonds totaled \$22.1 million and \$1.8 million, and the aggregate economic gain on refunding totaled \$19.4 million and \$2.0 million at present value, respectively. The accounting loss on refunding for the 2016B Bonds was \$16.1 million and was \$3.0 million for the 2016C Bonds.

#### Drainage and Wastewater

The Department issued \$160.9 million of Drainage and Wastewater Improvement and Refunding Revenue Bonds, of which a portion of the proceeds were used to partially refund the 2008 bonds. As a result of this refunding, the Department reduced total debt service requirements by \$16.5 million resulting in an economic gain of \$12.8 million.

## Notes to Financial Statements

### Solid Waste

The Department issued \$35.3 million of Solid Waste Revenue and Refunding Bonds, of which \$19.9 million was used to refund the 2007 bond that was partially refunded in 2014.

The following is a schedule of outstanding bonds that are either refunded or defeased.

**Table 9-10 REFUNDED/DEFEASED BONDS**  
(In Thousands)

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Original Bond Issuance	LTD Amount Transferred To Trustee	Trustee Redemptions To Date 2017	Defeased Outstanding December 31
<b>GENERAL OBLIGATION BONDS</b>							
Limited Tax (Non-Voted)							
Various Purpose and Refunding, 2007, Refunded 5/21/15	05/02/07	10/01/07-28	4.251	95,550	13,823	12,515	—
Various Purpose and Refunding, 2008, Refunded 5/21/15	07/02/08	12/01/08-28	4.398	139,830	97,837	0	84,740
Various Purpose and Refunding, 2009, Refunded 5/25/16	03/25/09	11/01/09-05/ 01/34	3.574	99,860	24,090	—	24,090
Unlimited Tax (Voted)							
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	15,055	15,055	0
<b>REVENUE BONDS</b>							
Municipal Light and Power							
2008 Parity	12/30/08	04/01/09-29	5.522	257,375	122,785	—	122,785
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	32,020	—	32,020
Municipal Water							
2006 Parity	10/23/06	02/01/08-37	4.424	189,970	39,055	—	39,055
2008 Parity	12/15/08	02/01/09-38	4.978	205,080	149,770	—	149,770
Municipal Drainage and Wastewater							
2006 Parity	11/01/06	02/01/07-37	4.423	121,765	81,550	81,550	0
2008 Parity	04/16/08	06/01/08-38	4.830	84,645	68,380	—	68,380
Municipal Solid Waste							
2007 Parity	12/12/07	02/01/08-33	4.505	82,175	60,705	60,705	0
Total Refunded/Defeased Bonds				<u>\$ 1,933,990</u>	<u>\$ 705,070</u>	<u>\$ 169,825</u>	<u>\$ 520,840</u>

### ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$19.0 thousand on its general obligation bonds in 2011 and none thereafter. As of December 31, 2017, the City reported no arbitrage rebate liability on its general obligation bonds and \$392.0 thousand on its revenue bonds.

## (10) ENVIRONMENTAL LIABILITIES

## The City of Seattle

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island, discharges from storm drains, and combined sewer overflows. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The feasibility study will be issued in 2018. The City's ultimate liability is indeterminate.

- The Lower Duwamish Waterway Superfund Site. In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The City's involvement is attributable to its land ownership/use of property along the river, discharges from storm drains, and combined sewer overflows. The City is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012 and, in February 2013, issued the Proposed Plan for cleanup of the Lower Duwamish Waterway Superfund Site. In December 2014, the EPA indicated its preferred clean-up alternative, with an estimated cost of \$342.0 million, in the final Record of Decision. The City's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The original parties of the AOC have agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. The City has hired an allocator and the allocation process officially began in April 2014. The City agreed to administer the allocator's contract. Parties participating in the allocation process will share the cost of the allocator and the process.

The City was also responsible for investigation and cleanup at the Port of Seattle Terminal 117. The City agreed to pay 40 percent of the costs to clean up the uplands and river sediment parts of the site and 100 percent of the costs to clean up contamination in adjacent streets. The remedial work is now completed and monitoring is ongoing.

- South Park Marina. DOE has notified the City that it is a Potentially Liable Party for contamination at the South Park Marina, which is adjacent to Terminal 117. Negotiations with the property owner and with DOE are underway. The City's ultimate liability are indeterminate.
- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing has agreed to pay 67 percent of the costs for DOE's implementation of the order. The order requires completion and then implementation of a remedial investigation and feasibility study work plan. The final remedial investigation work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making all parties responsible for conducting and completing remedial action at the site. The City is responsible for 1/3 of the costs. The implementation of the work is ongoing. Boeing and the City will each pay 100 percent of costs for remedial action at their own facilities.
- Gas Works Park Sediment Site. In April 2002, the DOE named the City and another party, Puget Sound Energy, as partially responsible parties for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two remedial investigations and feasibility studies for the sediment site -one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20 percent of the Shared Costs incurred by Puget Sound Energy for the cleanup work. The remedial investigation and feasibility study include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the draft remedial investigation and feasibility study was submitted in March 2016. A revised draft remedial investigation and feasibility study is anticipated to be submitted to DOE in late 2018 or 2019 and include a Clean-up Action Plan.

## Notes to Financial Statements

- **South Park Landfill.** The City and a private developer are under an Agreed Order with the DOE to perform a remedial investigation and feasibility study and to draft a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. The City and developer submitted a draft Remedial Investigation and Feasibility Study report in April 2012 and a Draft Cleanup Action Plan in June 2014. The City and developer are negotiating with DOE to finalize the two reports. Negotiations are underway to finalize a Consent Decree for the site with other potentially liable parties, DOE, and the Attorney General's office. DOE approved an amendment of the Agreed Order to allow the City to construct an interim cleanup action on the City-owned portion of the landfill property. That interim cleanup is expected to be done in the 2019-2020 time frame. DOE also approved an interim cleanup action by the developer on his portion of site property. That cleanup was complete in 2015. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

The City has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price fluctuations, technology advances, or applicable laws or regulations.

The changes in the provision for environmental liability (in millions) at December 31, 2017 and 2016 are as follows:

	2017	2016
Beginning Environmental Liability, Net of Recovery	\$ 218.5	\$ 121.3
Payments or Amortization	(6.9)	(13.3)
Incurred Environmental Liability	24.3	110.5
Ending Environmental Liability, Net of Recovery	<u>\$ 235.9</u>	<u>\$ 218.5</u>

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2017 and 2016, is as follows:

	2017	2016
Environmental Liability, Current	\$ 9.2	\$ 7.1
Environmental Liability, Noncurrent	226.7	211.4
Total	<u>\$ 235.9</u>	<u>\$ 218.5</u>

Information on the City's environmental liability is also presented in Note 9, Long-Term Debt, Table 9-9.

## (11) PENSIONS, DEFERRED COMPENSATION, AND OTHER POSTEMPLOYMENT BENEFITS

## The City of Seattle

City of Seattle employees are covered in one of the following defined benefit pension plans: Seattle City Employees' Retirement System (SCERS), Firemen's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). The first three plans are considered part of the City's reporting entity and are reported as pension trust funds. The State of Washington through the Department of Retirement Systems (DRS) administers and reports LEOFF Plans 1 and 2.

### SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

#### Plan Description

The Seattle City Employees' Retirement System (SCERS) is a cost sharing multiple employer retirement plan established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36.

The System is administered by the Retirement System Board of Administration (the Board.) The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when these organizations were City of Seattle departments were allowed to continue their membership (there are currently fewer than 50 members in this category). There are currently 6,534 retirees and beneficiaries receiving benefits, and 9,283 active members of the System. There are 1,312 terminated, vested employees entitled to future benefits.

SCERS provides retirement, death, and disability benefits, post-retirement benefit increase including an automatic 1.5% annual cost-of-living adjustment (COLA) increase and a 65% restoration of purchasing power benefit. Retirement benefits vest after 5 years of credited service, while death and disability benefits vest after 10 years of credited service. Retirement benefits are calculated as 2 percent multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. City employees may retire at any age with 30 years of service, at age 52 or older with 20-29 years of service, at age 57 or older with 10-19 years of service, and at age 62 or older with 5 to 9 years of service. These benefit provisions and all other requirements are established and may be amended by City ordinances.

The City adopted a second tier for SCERS in 2016. Starting January 1, 2017, new eligible employees will join this second tier. The tier is a defined benefit plan much like the original tier but has a lower contribution rate for members and calculates final average salary based on the highest 60 consecutive months of services. Other changes related to the new tier can be found in the Seattle Municipal Code 4.36.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage.

The Seattle City Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website [http://www.seattle.gov/retirement/annual\\_report.htm](http://www.seattle.gov/retirement/annual_report.htm).

#### Summary of Significant Accounting Policies

##### Basis of Accounting

The Seattle City Employees' Retirement System is accounted for as a pension trust fund. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting as discussed in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.



## Notes to Financial Statements

Investments, including securities lending transactions as discussed in Note 3, are reported at fair value. Fair value is defined as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently. All investments are valued based on objective, observable, unadjusted quoted market prices in an active market on the measurement date, if available. In the absence of such data, valuations are based upon those of comparable securities in active markets. For illiquid or hard to value investments such as real estate, private equity, and other private investments, valuations are based upon data provided by the respective investment managers. These private asset valuations are generally based upon estimated current values and/or independent appraisals.

Investment income consists of realized and unrealized appreciation and (depreciation) in the fair value of investments, interest and dividend income earned, less investment expense, plus income from securities lending activities, less deduction for security lending expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Investments are made in accordance with the Prudent Person Rule as defined by the State of Washington RCW 35.39.060.

### Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

SCERS funding policy provides for periodic employee and employer contributions at actuarially determined rates expressed as percentages of annual covered payroll to accumulate sufficient assets to pay benefits when due. Funds accumulated and investment earnings are used to pay present and future benefit obligations and administrative expenses. The employer contribution rate is determined by the actuarial formula identified as the Entry-Age Actuarial Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total necessary contributions, including amounts necessary to pay administrative costs, are determined through annual actuarial valuations.

Actuarially determined contribution rates for 2015 were 10.03 percent for members and 15.73 percent for the employer. Plan member and employer contributions for 2015 are \$65,779,216 and \$101,153,403 respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

The actuarial valuation and measurement dates of the latest study is January 1, 2016 and December 31 2016 respectively. Based on this valuation, the Total Pension Liability (TPL) is \$3.793 billion; the Fiduciary Net Position (FNP) is \$2.488 billion; the Net Pension Liability (NPL) is \$1.305 billion; and the Funded Ratio was 64.0 percent for the plan.

An actuarial study with valuation date of January 1, 2017, is presently underway, and expected to be available at the Retirement Office after July 1, 2018.

### Information about the Net Pension Liability

#### Assumptions and Other Inputs

The net pension liability was determined by the actuarial valuation as of January 1, 2016, with the results rolled forward to the December 31, 2016, measurement date. The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2013.

Mortality rates were calculated and projected based on the RP-2000 mortality tables and using generational project of improvement using Projection Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## The City of Seattle

Best estimates of geometric real rates of return and target allocation for each major asset class as of December 31, 2016 are summarized in the following table:

**Table 11-1**

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity: Public	4.99%	48.0%
Equity: Private	6.25	9.0
Fixed Income: Broad	0.62	18.0
Fixed Income: Credit	3.79	5.0
Real Assets: Real Estate	3.25	12.0
Real Assets: Infrastructure	2.75	3.0
Diversifying Strategies	3.25	5.0
		<u>100.0%</u>

The above table reflects the expected (30 year) real rate of return for each major asset class. The expected inflation rate is projected at 3.25 percent for the same time period.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contribution will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be when the discount rate moves one percentage point lower and higher (in thousands).

	1% Lower 6.5%	Current Discount Rate 7.5%	1% Higher 8.5%
Net Pension Liability	\$ 1,764,959	\$ 1,304,140	\$ 916,659

## Notes to Financial Statements

### Changes in the Net Pension Liability

At December 31, 2016, the plan reported the collective net liability of \$1.305 billion, of which the City recorded \$1.304 billion for its proportionate share of the collective net pension liability. The City's proportion is based on the City's contributions to the plan. The following table shows the changes in the City's proportionate share of the net pension liability for the year ended December 31, 2016, which was rolled forward to come up with the net pension liability as of December 31, 2017.

**Table 11-2 SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 3,609,644,751	\$ 2,311,402,048	\$ 1,298,242,703
Changes for the Year			
Service Cost	106,376,035	—	106,376,035
Interest on Total Pension Liability	267,817,432	—	267,817,432
Effect of Plan Changes	—	—	—
Effect of Economic/Demographic	(7,648,398)	—	(7,648,398)
Effect of Assumptions Changes or Inputs	—	—	—
Benefit Payments	(168,849,021)	(168,849,021)	—
Refund Contributions	(16,445,050)	(16,445,050)	—
Administrative Expenses	—	(9,244,178)	9,244,178
Member Contributions	—	71,705,628	(71,705,628)
Employers Contributions	—	108,378,578	(108,378,578)
Net Investment Income	—	189,808,210	(189,808,210)
Balance at December 31, 2016	<u>\$ 3,790,895,749</u>	<u>\$ 2,486,756,215</u>	<u>\$ 1,304,139,534</u>

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2017, the City recognized its proportionate share of pension expense in the amount of \$176.0 million. At December 31, 2017, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the pension plan as follows (in thousands).

**Table 11-3**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,261	\$ 6,258
Change of Assumption	—	—
Net Difference Between Projected and Actual Earnings	103,488	—
Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	41,251	41,775
Contributions Made Subsequent to Measurement Date	111,653	—
Total	<u>\$ 257,653</u>	<u>\$ 48,033</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense in the fiscal years ended December 31 as follows (in thousands).

## The City of Seattle

**Table 11-4**

Year Ended December 31

<b>2017</b>	37,307
<b>2018</b>	37,307
<b>2019</b>	28,722
<b>2020</b>	(4,658)
<b>2021</b>	(710)
<b>Thereafter</b>	—

### FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

#### Plan Description

The Firemen's Pension and the Police Relief and Pension Funds are single-employer defined-benefit pension plans that were established by the City in compliance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20.

Since the effective date of the state LEOFF on March 1, 1970, no payroll for employees was covered under these pension plans, and the primary liability for pension benefits for these plans shifted from the City to the state LEOFF. However, the City was still liable for all benefits in pay status at that time plus any future benefits payable to active law enforcement officers and fire fighters on March 1, 1970, under the old City plan in excess of current LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan when payment begins. However, LEOFF retirement benefits increase with the consumer price index (CPI - Seattle) while some City benefits increase with wages of current active members. If wages go up faster than the CPI, the City becomes liable for this residual amount. Due to this leveraging effect, projection of the City of Seattle's liabilities is especially sensitive to the difference between wage and CPI increase assumptions.

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 768 fire and 688 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare. Total postemployment medical benefits for Firemen's Pension were \$10.3 million in 2017 and \$11.1 million in 2016; and for Police Relief and Pension, \$13.2 million in 2017 and \$13.5 million in 2016.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage as well as medical benefits for retirees under the Firemen's Pension and Police Relief and Pension plans.

The Firemen's Pension and Police Relief and Pension benefit provisions are established in the state statute, RCW 41.16, 41.18, and 41.20, and may be amended only by the state legislature. Retirement benefits are determined under RCW 41.18 and 41.26 for Firemen's Pension and RCW 41.20 and 41.26 for Police Relief and Pension. Medical benefit payments for both plans are based on estimates of current and expected experience.

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2016:



## Notes to Financial Statements

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	645	713
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	8	5
Active Plan Members, Non-vested	—	—

These pension plans do not issue separate financial reports.

### Summary of Significant Accounting Policies

The City fully implemented Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, Amendments to Certain Provisions of GASB Statements 67 and 68, for its fiscal year 2017.

In accordance with Statement No. 73, the City has determined that the Fireman's Pension and Police Relief Funds are not reported as governmental funds, and therefore accounted for as part of the General Fund. The financial statements for the Firemen's Pension and Police Relief and Pension Funds were prepared using the current financial resources measurement focus and the modified accrual basis of accounting as described in Note 1.

Investments are recorded at fair value as shown in Note 3. Fair value of investments is based on quoted market prices.

### Contributions and Reserves

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (AAL). An actuarial fund was established for the Firemen's Pension in July 1994 and is discussed in more detail below; the City funds the Police Relief and Pension Fund as benefits become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen's Pension Fund may be provided by an annual tax levy of up to \$0.225 per \$1,000 of assessed value of all taxable property of the City. The Firemen's Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the General Fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also receives police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by the General Fund and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and the General Fund. Contribution rates are not applicable to these plans.

There are no securities held by the City for these pension funds except for the Firemen's Pension Actuarial Account described below. No loans are provided by the funds to the City or other related parties.

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen's Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. In 2006 the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The level contributions were set aside in the Firemen's Pension Actuarial Account with a fund balance of \$14.0 million as of December 31, 2017. The funding policy does not fund for future medical liabilities. No similar program has been established for the Police Relief and Pension Fund.

The Total Pension Liability (TPL) as of December 31, 2017, based on the actuarial valuation as of January 1, 2017, was \$98.6 million for Firemen's Pension and \$92.9 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section, C-7.

### Information about the Total Pension Liability

#### Assumptions and Other Inputs

## The City of Seattle

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

Mortality rates were calculated and projected based on the PR-2000 Mortality Table and using generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

The expected inflation rate and salary increases including inflation are projected at 2.25 percent and 2.75 percent respectively.

#### Discount Rate

The discount rate used to measure total pension liability was 3.5 percent. GASB 73 requires the discount rate used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method) to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.44 percent as of December 31, 2017. Rounding this to the nearest .25 percent results in a discount rate of 3.50 percent.

#### Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the Total Pension Liability, calculated using the discount rate of 3.5 percent, as well as what the Total Pension Liability would be when the discount rate moves one percentage point lower and higher (in thousands).

		1% Lower 2.5%	Current Discount Rate 3.5%	1% Higher 4.5%
Fire Pension Plan	Total Pension Liability	\$ 107,893	\$ 98,573	\$ 90,546
Police Relief Pension	Total Pension Liability	100,497	92,956	86,397

### Changes in the Total Pension Liability

At December 31, 2017, the Firemen's Pension and the Police Relief and Pension plans reported the pension liability of \$98.6 million and \$93.0 million respectively.

	Total Pension Liability Firemen's Pension	Total Pension Liability Police Relief and Pension
Balance at December 31, 2016	\$ 100,317,174	\$ 93,459,068
Changes for the Year		
Service Cost	--	0
Interest on Total Pension Liability	3,622,840	3,400,808
Effect of Plan Changes	0	0
Effect of Economic/Demographic	0	0
Effect of Assumptions Changes or Inputs	2,118,458	1,689,315
Benefit Payments	(7,485,092)	(5,593,165)
Balance at December 31, 2017	<u>\$ 98,573,380</u>	<u>\$ 92,956,026</u>

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2017, the City recognized pension expenses in the amount of \$5.1 million and \$4.7 million for the Firemen's Pension and the Police Relief and Pension plans respectively. At December 31 2017, there were no deferred outflows of resources and deferred inflows of resources related to these pension plans.

## Notes to Financial Statements

### LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

Term of Service	Percent of FAS
20+	2.0 %
10 - 19	1.5
5 - 9	1.0

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

#### Contributions (LEOFF Plan 1)

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### Contributions (LEOFF Plan 2)

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

## The City of Seattle

Actual Contribution Rates	Employer	Employee
January - June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
Ports and Universities		
Administrative Fee	0.18%	8.41%
<b>Total</b>	<b>8.59%</b>	<b>8.41%</b>
July - December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities		
Administrative Fee	0.18%	8.75%
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The City's actual contributions to the plan were \$15.3 million for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62.2 million to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$9.43 million.

#### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3 percent total economic inflation; 3.75 percent salary inflation
- Salary increases: In addition to the base 3.75 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5 percent

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

#### Discount Rate

## Notes to Financial Statements

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Table 11-9

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.0%	1.7%
Tangible Assets	5.0	4.9
Real Estate	15.0	5.8
Global Equity	37.0	6.3
Private Equity	23.0	9.3
	<u>100%</u>	

### Sensitivity of NPL

The table below presents the City's proportionate share of the net pension liability/ (assets) calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate (in thousands).

	City's Proportionate Share of Net Pension Liability (Asset)		
	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Plan 1	(40,041)	(53,981)	(65,952)
Plan 2	27,544	(127,282)	(253,427)

### Pension Plan Fiduciary Net Position

## The City of Seattle

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported an asset of \$181.3 million for its proportionate share of the net pension liabilities/ (assets) as follows (in thousands):

	City's Proportionate Share of Net Pension Liability (Asset)
Plan 1	(53,981)
Plan 2	(127,282)

The amount of the liability/ (asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows (in thousands):

	Proportionate Share of Plan 2 Net Pension Liability (Asset)
Employer's Proportionate Share	\$ (127,282)
State's Proportionate Share Associated with the Employer	(82,565)
Total	<u>\$ (209,847)</u>

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share as of June 30, 2017	Proportionate Share as of June 30, 2016	Change in Proportion
Plan 1	3.55%	3.55%	— %
Plan 2	9.17%	9.3%	(0.13)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2017, the City recognized its proportionate share of pension expense as follows (in thousands):

## Notes to Financial Statements

	Pension Expense
Plan 1	\$ (8,624)
Plan 2	(3,386)
Total	<u>\$ (12,010)</u>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Table 11-10

	Plan 1		Plan 2	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —	\$ 5,594	\$ 4,827
Net difference between projected and actual investment earnings on pension plan investments	—	5,016	—	28,576
Changes of assumptions	—	—	153	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	—	—
Contributions subsequent to the measurement date	—	—	8,259	—
TOTAL	<u>\$ —</u>	<u>\$ 5,016</u>	<u>\$ 14,006</u>	<u>\$ 33,403</u>

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Table 11-11

Year ended December 31:	Plan 1		Plan 2	
2018	\$	(3,148)	\$	(13,206)
2019		849		2,895
2020		(339)		(2,039)
2021		(2,378)		(12,489)
2022		—		(503)
2023		—		(2,313)

### DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

Beginning in 2006 the Deferred Compensation Plan (DCP) was amended to allow separating employees to cash out accrued vacation balances into their DCP accounts. Eligible retiring employees may also cash out up to 35 percent of their sick leave balances into their DCP accounts. Vacation and sick leave cash-outs made to the DCP are considered contributions and are subject to the maximum annual contribution limit.

## The City of Seattle

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan. Under the plan, participants select investments from alternatives offered by the plan administrator, who is under contract with the City to manage the plan. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the plan and its administration.

The City placed the deferred compensation plan assets into trust for the exclusive benefit of plan participants and beneficiaries in accordance with GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

The City has little administrative involvement and does not perform the investing function for the plan. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City employees' deferred compensation plan created in accordance with IRC 457 is not reported in the financial statements of the City.

### OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### Plan Description and Funding Policy

Health Care Blended Premium Subsidy. The City of Seattle Health Care Blended Premium Subsidy plan is a single employer defined benefit OPEB plan. Employees retiring under City of Seattle or the LEOFF 2 retirement plans may continue their health insurance coverage under the City's health insurance plans for active employees. LEOFF 1 employees retiring under Washington State PERS are covered under the LEOFF 1 retiree health plan but are eligible to have their spouses and/or dependents covered under the City health insurance plans. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City of Seattle, Washington LEOFF 2 plan or Social Security may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The City provides implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The postemployment benefit provisions are established and may be amended by City ordinances.

Firemen's Pension and Police Relief and Pension Plans. The Firemen's Pension and Police Relief and Pension plans are single employer defined benefit OPEB plans and provide medical benefits for eligible retirees. The benefits are authorized under state statute, RCW 41.18 and 41.26 for Firemen's Pension, and RCW 41.20 and 41.26 for Police Relief and Pension, and may be amended by the state legislature. The City funds these benefits on a pay-as-you-go basis.

#### Annual OPEB Cost and Net OPEB Obligation

The amount of expected contributions and change in net obligation for the City of Seattle Healthcare Blended Premium Subsidy, Firemen's Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2017, which covers the last three years prior to the valuation date.

## Notes to Financial Statements

**Table 11-12 ANNUAL OPEB COST AND NET OPEB OBLIGATION  
For the Year Ended December 31, 2017**

	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)	Total
Annual Required Contribution	\$ 8,090,000	\$ 16,897,826	\$ 23,810,157	\$ 48,797,983
Interest on Net OPEB Obligation	1,671,000	1,657,509	2,003,538	5,332,047
Adjustment to Annual Required Contribution	(2,791,000)	(2,389,481)	(3,705,801)	(8,886,282)
Annual OPEB Cost (Expense)	6,970,000	16,165,854	22,107,894	45,243,748
Expected Contribution (Employer-Paid Benefits)	2,289,000 <sup>a</sup>	10,331,010 <sup>a</sup>	13,202,775 <sup>a</sup>	25,822,785
Increase in Net OPEB Obligation	4,681,000	5,834,844	8,905,119	19,420,963
Net OPEB Obligation – Beginning of Year	54,074,000	44,200,236	53,427,690	151,701,926
Net OPEB Obligation – End of Year	<u>\$ 58,755,000</u>	<u>\$ 50,035,080</u> <sup>a</sup>	<u>\$ 62,332,809</u> <sup>a</sup>	<u>\$ 171,122,889</u>

<sup>a</sup> Estimated employer contributions based upon expected benefit payments in 2017. Estimated amounts will be replaced at year end with actual amounts.

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for Healthcare Blended Premium Subsidy, Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years.

	Valuation Date	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	1/1/2015	12/31/2015	\$ 3,695,000	28.5%	\$ 49,382,000
	1/1/2015	12/31/2016	6,710,000	30.9	54,074,000
	1/1/2016	12/31/2017	6,970,000	32.8	58,755,000
Firemen's Pension (LEOFF1)	1/1/2015	12/31/2015	16,829,195	66.0	39,058,762
	1/1/2016	12/31/2016	16,244,474	69.0	44,200,236
	1/1/2017	12/31/2017	16,165,854 <sup>a</sup>	63.9	50,035,080
Police Relief and Pension (LEOFF1)	1/1/2015	12/31/2015	22,648,572	52.0	43,992,150
	1/1/2016	12/31/2016	22,938,540	62.0	53,427,690
	1/1/2017	12/31/2017	22,107,894 <sup>a</sup>	59.7	62,332,809

<sup>a</sup> Estimated employer contributions based upon expected benefit payments in 2017. Estimated amounts will be replaced at year end with actual amounts.

### Funded Status and Funding Progress

Based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the City's pay-as-you-go policy. Following is the funded status (in thousands) for each of the plans for the last three years:

## The City of Seattle

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2015	—	\$ 44,375	\$ 44,375	—	\$ 1,037,855	4.3%
	1/1/2016	—	65,739	65,739	—	1,125,664	5.8
	1/1/2017	—	70,061	70,061	—	1,153,806	6.1
Firemen's Pension (LEOFF1)	1/1/2015	—	320,273	320,273	—	N/A	N/A
	1/1/2016	—	311,364	311,364	—	N/A	N/A
	1/1/2017	—	301,276	301,276	—	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2015	—	358,269	358,269	—	N/A	N/A
	1/1/2016	—	357,024	357,024	—	N/A	N/A
	1/1/2017	—	330,871	330,871	—	N/A	N/A

### Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the time of the valuation and the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of any assets. Significant methods and assumptions are as follows:

**Table 11-13 OPEB INFORMATION**

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2017	1/1/2017	1/1/2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service, open	30-year, open as of 1/1/2012	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	30 years	20 years
Records and Data	City records	Supplied by the City	Supplied by the City
Replacement of Terminated Employees	Open to new retirees	Closed. No new members permitted.	Closed. No new members permitted.
Valuation of Assets	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.
Assumptions:			
Discount Rate	3.09%	3.50%	3.75%
Medical Inflation		7.3 %, grading down to 4.1% in 2070 and beyond.	7.3 % grading down to an ultimate of 4.1% in 2070.
Long-Term Care Inflation Rate	N/A	4.50%	4.50%
Dental Inflation Rate	N/A	Minimum of 5.0 % of medical inflation.	N/A

**Notes to Financial Statements**

Participation/Service Retirement	40% of actives who retire are assumed to participate.	All actives are assumed to retire at the valuation date.	All actives are assumed to retire at the valuation date.
Mortality	LEOFF employees are based on the actuarial RP-2000 Combined Healthy Table with male ages set back one year and female ages set forward one year. Rates are projected generationally Scale BB. For general service active employees are based on RP-2000 Table for Males, with ages set back six years and RP-2000 Table for Females with ages set back six years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back two years and RP-2000 Combined Healthy Females with ages set back one year. Rates are generations for both males and females using Projection Scale AA.	For active and service-retired members, used RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for males and forward one year for females. For disabled members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale BB, with ages set forward two years.	For active and service-retired members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale BB, with ages set back one year for males and forward one year for females. For disabled members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale AA, with ages set forward two years.

**Table 11-13 OPEB INFORMATION (continued)**

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Assumptions (continued):			
	45% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability.	N/A	N/A
Marital Status		N/A	N/A
Morbidity Factors		N/A	N/A
Traditional Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 138.64%.		
Preventive Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 133.11%.		
Group Health Standard and Deductible Plans	For the above two plans, because the retirees' spouses pay a lower premium for their health care coverage than the retirees, the net cost to the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy. Also note that the average loss ratios for the above The average medical claim for the Group Health Standard & Deductible plans is based on an average loss ratio (claim vs. premium) of 131.64% and 148.72% for retirees and spouses respectively		
Other Considerations	Active employees covered under the Group Health Standard or Deductible plans are assumed to elect the same plan at retirement, of those covered under the City of Seattle Traditional or Preventive plans, 50% are assumed to switch to the Group Health Standard plan and the remaining 50% are assumed to continue coverage under the same plan. Upon retirement, firefighters are assumed to be covered under the City of Seattle Preventive plan (50%) or Group Health Standard Plan (50%). It is assumed that children will have aged off of coverage and will have \$0 liability.	N/A	N/A

**The City of Seattle**

**(12) COMPONENT UNITS**

**DISCRETELY PRESENTED COMPONENT UNITS**

**Seattle Public Library Foundation**

The Seattle Public Library Foundation (Foundation) is a Washington non-profit corporation, a public charity organized exclusively for educational, charitable, and scientific purposes to benefit and support the Seattle Public Library. The Foundation provides goods, services, and facilities above the tax-based funding of the Seattle Public Library. The Foundation is located in Seattle, governed by a Board of Directors, and possesses all the requisite corporate powers to carry out the purposes for which it was formed.

The City is not financially accountable for the Foundation. The Foundation is considered a nonmajor component unit in accordance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14, and is presented discretely in the City's financial statements because (1) the economic resources received or held by the Foundation are entirely for the direct benefit of the Seattle Public Library; (2) the Seattle Public Library is legally entitled to access a majority of the economic resources received or held by the Foundation; and (3) the economic resources received or held by the Foundation are significant to the Seattle Public Library.

The Foundation reports on a fiscal year-end consistent with the City, the primary government. The Foundation issues its own audited financial statements. To obtain complete audited statements for all years, please contact: The Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, or by telephone at 206-386-4130.

**Seattle Investment Fund LLC**

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Twelve subsidiaries have been established since the program's inception. Financial results presented herewith for 2016 are unaudited at this time; detailed information on the program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104 or by telephone at 206-684-8090.

SIF is a limited liability corporation in accordance with RCW 35.21.735. It has no employees and administrative work is performed by the staff of the City's Office of Economic Development. The members of its Investment Committee and Advisory Board are selected by the Mayor and confirmed by the City Council. The City is not financially accountable for SIF, but under this structure the City may impose its will upon the organization. In accordance with GASB Statement No. 39, SIF is presented as a nonmajor discrete component unit of the City.

## Notes to Financial Statements

Table 12-1

### CONDENSED STATEMENT OF NET POSITION SEATTLE PUBLIC LIBRARY FOUNDATION AND SEATTLE INVESTMENT FUND LLC

December 31, 2017

(in Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2017	2016	2017	Restated 2016	2017	Restated 2016
<b>ASSETS</b>						
Cash and Other Assets	\$ 4,440	\$ 6,216	\$ 1,367	\$ 1,540	\$ 5,807	\$ 7,756
Investments	69,083	60,893	8	8	69,091	60,901
Capital Assets, Net	1	1	—	—	1	1
Total Assets	73,524	67,110	1,375	1,548	74,899	68,658
<b>LIABILITIES</b>						
Current Liabilities	1,322	1,596	32	266	1,354	1,862
Total Liabilities	1,322	1,596	32	266	1,354	1,862
<b>NET POSITION</b>						
Net Investment in Capital Assets	1	1	—	—	1	1
Restricted	52,529	47,571	—	—	52,529	47,571
Unrestricted	19,672	17,942	1,343	1,282	21,015	19,224
Total Net Position	<u>\$ 72,202</u>	<u>\$ 65,514</u>	<u>\$ 1,343</u>	<u>\$ 1,282</u>	<u>\$ 73,545</u>	<u>\$ 66,796</u>

## The City of Seattle

Table 12-2

### CONDENSED STATEMENT OF ACTIVITIES SEATTLE PUBLIC LIBRARY FOUNDATION AND SEATTLE INVESTMENT FUND LLC

For the Year Ended December 31, 2017

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2017	2016	2017	Restated 2016	2017	Restated 2016
<b>PROGRAM REVENUES</b>						
Contributions/Endowment Gain	\$ 3,167	\$ 11,675	\$ —	\$ —	\$ 3,167	\$ 11,675
Placement/Management Fee Income	—	—	344	344	344	344
Total Program Revenues	3,167	11,675	344	344	3,511	12,019
<b>GENERAL REVENUES</b>						
Investment Income	9,494	4,138	—	—	9,494	4,138
Total Program Support and Revenues	12,661	15,813	344	344	13,005	16,157
<b>EXPENSES</b>						
Support to Seattle Public Library	4,888	11,626	—	—	4,888	11,626
Management and General	666	698	283	498	949	1,196
Fundraising	419	402	—	—	419	402
Total Expenses	5,973	12,726	283	498	6,256	13,224
Change in Net Position	6,688	3,087	61	(154)	6,749	2,933
<b>NET POSITION</b>						
Net Position - Beginning of Year	65,514	62,427	1,282	1,436	66,796	63,863
Net Position - End of Year	<u>\$ 72,202</u>	<u>\$ 65,514</u>	<u>\$ 1,343</u>	<u>\$ 1,282</u>	<u>\$ 73,545</u>	<u>\$ 66,796</u>

### BLENDING COMPONENT UNIT

#### Seattle Park District

The Seattle Park District is a metropolitan park district authorized by Chapter 35.61 of the Revised Code of Washington. The Seattle Park District has the same boundaries as the City of Seattle. On August 5, 2014 voters in the City of Seattle approved Proposition 1 to use property taxes collected to provide funding for City parks and recreation including maintaining parklands and facilities, operating community centers and recreation programs, and developing new neighborhood parks on previously acquired sites. The Park District is governed by the Seattle City Council acting ex officio as the District Board. The Seattle Department of Parks and Recreation provides services on behalf of the Seattle Park District under an interlocal agreement between City and District through City Ordinance 124468.

The Seattle Park District is reported as a special revenue fund in the City's financial statement. Financial Reporting for this fund can be found in the nonmajor governmental funds combining statements located in this reports. In addition, separate financial statements are available from Seattle City Hall, 600 Fourth Avenue, 2nd Floor, Seattle, WA 98104 or by calling 206-684-8805.



## Notes to Financial Statements

### (13) JOINT VENTURES

#### SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor agency to receive the employment and training funds for the County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, the WDC can recover the funds in the following order: (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, King County and the City of Seattle who each will be responsible for one half of the disallowed amount. As of December 31, 2017, there are no outstanding program eligibility issues that may lead to a City of Seattle liability.

The WDC contracts with the City of Seattle which provides programs related to the WIA Youth In-School Program and Seattle Conservation Corps Program. For the year 2017, WDC paid \$105 thousand to the City of Seattle.

The WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA by accessing its website <http://www.seakingwdc.org/annual-reports/> or by telephone at 206-448-0474.

### (14) COMMITMENTS

#### Financial Guarantees

The City has extended nonexchange financial guarantees in the form of contingent loan agreements with other owner/developers of affordable housing. The City will provide credit support, such as assumption of monthly payments for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The City's program, managed by the Office of Housing currently has loan agreements outstanding of \$551.6 million. These agreements have maturity ranges up to 50 years. All projects are currently self-supporting and the City has not made any payments pursuant to these agreements. It is unlikely that the City will make any payments in relation to these guarantees based on available information at the end of December 31, 2017 and the standards prescribed under GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

#### Capital Improvement Program

The City adopted the 2017-2018 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$6.595 billion for the years 2017-2022. The adopted CIP for 2017 was \$1.108 billion, consisting of \$664.6 million for City-owned utilities and \$443.1 million for non-utility departments. The utility allocations are: \$410.2 million for City Light, \$88.6 million for Water, \$125.9 million for Drainage and Wastewater, \$11.1 million for Solid Waste, and \$28.8 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

#### CITY LIGHT (SCL)

Expenses associated with energy received under long-term purchased power agreements at December 31, 2017 and 2016 are shown in the following table.

## The City of Seattle

Table 14-1 LONG-TERM PURCHASED POWER  
(In Millions)

	2017	2016
Bonneville Block	\$ 103.8	\$ 80.0
Bonneville Slice	64.3	80.7
Lucky Peak, including royalties	9.3	6.9
British Columbia - High Ross Agreement	13.4	13.4
Grant County Public Utility District	1.9	2.3
Columbia Basin Hydropower	6.8	6.2
Bonneville South Fork Tolt billing credit	(3.3)	(3.3)
Renewable energy - State Line Wind	22.1	24.8
Renewable energy - other	7.7	8.7
Exchanges and loss returns energy at fair value	3.7	5.5
Long-term purchased power booked out	(4.9)	(5.4)
Total	<u>\$ 224.8</u>	<u>\$ 219.8</u>

#### Purchased and Wholesale Power

##### *Bonneville Power Administration*

SCL purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011 through September 30, 2028. Effective October 1, 2017 there was an amendment to the agreement whereby SCL no longer participates as a Slice customer and will now exclusively purchase Block. Block quantities are expected to be recalculated periodically during the term of the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

The terms of the Slice product specify that SCL will receive a percentage of the actual output of the Federal Columbia River Power System (the System). The percentage is adjusted annually with a Slice Adjustment Ratio no greater than 1.0 times the initial 3.65663 slice percentage, no later than 15 days prior to the first day of each federal fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.62643 percent, and the same as the previous fiscal year. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in both 2017 and 2016 in billing credits related to both the Block and Slice agreements as a result of the Court decision.

##### *Lucky Peak*

In 1984, SCL entered into a purchase power agreement with four irrigation districts to acquire 100 percent of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the FERC license expires in 2030. The agreement, which expires in 2038, obligates SCL to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

SCL incurred \$9.3 million and \$6.9 million in 2017 and 2016, respectively, including operations costs and royalty payments to the irrigation district. SCL provided and billed Lucky Peak \$0.3 million for operational and administrative services in both 2017 and 2016. These amounts are recorded as offsets to purchased power expense.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2017 and 2016, respectively. SCL's payables to Lucky Peak were \$0.8 million and \$0.1 million at December 31, 2017 and 2016, respectively.

##### *British Columbia-High Ross Agreement*



## Notes to Financial Statements

In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide SCL with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years. In addition to the direct costs of energy under the agreement, SCL incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 35 years through 2035.

### Renewable Energy Purchase and/or Exchanges

The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits as a percentage of total energy delivered to retail customers. The annual targets are: at least 9 percent by 2016, and at least 15 percent by 2020. SCL's 2017 and 2016 resource portfolio met the 9 percent target.

### Energy Exchange

Northern California Power Agency (NCPA) and SCL executed a long-term Capacity and Energy Exchange Agreement in March 1993. SCL delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement includes financial settlement and termination options. In a letter NCPA dated May 17, 2011, NCPA gave seven year's advance written notice to the Department terminating the agreement effective no later than May 31, 2018.

### Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2017 and 2016, were valued using Kiindex Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for U.S. Government Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

### Estimated Future Payments under Purchased Power, Transmission, and Related Contracts

SCL's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2018 through 2065, undiscounted, are shown in the following table.

**Table 14-2**  
**ESTIMATED FUTURE PAYMENTS UNDER**  
**PURCHASED POWER, TRANSMISSION, AND RELATED**  
**CONTRACTS**  
*(In Millions)*

Year Ending December 31	Estimated Payments <sup>a</sup>
2018	\$ 282.0
2019	290.7
2020	304.7
2021	287.6
2022	281.5
2023-2027	1,317.8
2028-2032	262.7
Thereafter (through 2065)	142.1
Total	\$ 3,169.1

## The City of Seattle

<sup>a</sup> 2018 to 2019 includes estimated REP recoveries from Bonneville.

<sup>b</sup> British Columbia - High Ross direct cost payment ends in 2020.

<sup>c</sup> BPA transmission contract expires July 31, 2025.

<sup>d</sup> BPA Block and Slice contract expires September 30, 2028.

### Federal Energy Regulatory Commission Fees

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$203.5 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the current license issued by FERC expires. The current Boundary FERC license and related issues are discussed below.

### New Boundary License

SCL's FERC license for the Boundary Project expired on September 30, 2011 and a new license was issued on March 20, 2013 with a 42 year life for a total cost of \$48.6 million. The terms and conditions of the new license have been evaluated. SCL is in the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

As part of the application process, SCL negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups, and other government agencies. The settlement sought to preserve SCL's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$371.0 million adjusted to 2017 dollars, of which \$42.9 million were expended through 2017. Projected mitigation cost estimates are subject to revision as more information becomes available.

### Skagit and South Fork Tolt Licensing Mitigation and Compliance

In 1995, the FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both licenses, SCL has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2017, to be \$136.3 million, of which \$122.1 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.9 million, of which \$1.3 million were expended through 2017. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2017 dollars. SCL's labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

Hydroelectric projects must satisfy the requirements of the Endangered Species Act (ESA) and the Clean Water Act in order to obtain a FERC license. ESA and related issues are discussed below.

### Endangered Species

Several fish species that inhabit waters where hydroelectric projects are owned by SCL, or where SCL purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all of SCL's hydroelectric projects, the ESA listings still affect operations of SCL's Boundary, Skagit, Tolt, and Cedar Falls hydroelectric projects.

## Notes to Financial Statements

Federal Regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, SCL's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for SCL's share of the Early Action program from inception in 1999 through December 31, 2017 are estimated to be \$13.2 million. \$1.1 million has been allocated for the program in the 2018 budget.

### Project Impact Payments

Effective August 2010, SCL renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of SCL's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$1.8 million and \$1.7 million to Pend Oreille County, and \$1.1 million to Whatcom County in 2017 and 2016, respectively.

## SEATTLE PUBLIC UTILITIES (SPU)

### Water Fund

#### Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed while allowing SPU to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$110.4 million (in 2017 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2017 is \$91.0 million. The remaining \$19.4 million to complete the HCP is comprised of an \$5.5 million liability and an estimate of \$13.92 million for construction and operating commitments. The construction activities will add to SPU's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

#### Distribution System Reservoirs

SPU is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying six reservoirs is expected to be approximately \$207.2 million through the year 2022; costs beyond 2022 are not estimable as of the date of this report. As of December 31, 2017 and 2016, total cumulative costs incurred were \$166.8 million and \$157.9 million, respectively.

#### Wholesale Water Supply Contracts

SPU has wholesale contracts with Cascade Water Alliance (CWA) and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. Two wholesale customers including CWA have block contracts which obligate the City to provide water up to a combined maximum of 41.85 Millions of Gallons per Day (MGD) per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA contract expires in 2063 while other wholesale contracts run through 2062. SPU also has a contract

## The City of Seattle

with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

### Drainage and Wastewater Fund

#### Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by the Fund were \$157 million and \$153.4 million for fiscal years 2017 and 2016, respectively.

### Solid Waste Fund

#### Contractual Obligations

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, food waste, and recycling. Effective March 30, 2009 SPU entered into new contracts with Waste Management and Recology CleanScapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential and commercial collection in 2017 and 2016 were \$78.7 million and \$77.8 million, respectively.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. (f/k/a Washington Waste Systems) for the disposal of non-recyclable City waste. This contract is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause on March 31, 2019. Total payments under the terms of this contract for waste disposal in 2017 and 2016 were \$15.0 million and \$13.2 million, respectively.

Effective April 1, 2014, the City entered into contracts with PacifiClean Environmental of Washington, LLC and Lenz Enterprises, Inc. to process yard and food waste into marketable products. The contracts are scheduled to end on March 31, 2020, however the city may, at its option, extend the contract in two year increments up to March 31, 2024. The City terminated the services with PacifiClean effective August 31, 2017 due to failed operations, prior to the end of the original contract term. The City awarded a new contract to Cedar Grove Composting, effective September 1, 2017, to provide additional services. Total payments under the terms of these contracts for 2017 and 2016 were \$4.4 million and \$4.5 million, respectively.

Effective April 1, 2009, the City commenced a contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables from both commercial and residential customers. The contract is scheduled to end on March 31, 2016 with an option to extend the contract for a three-year period at that time. The City elected to proceed with a solicitation process, and as a result, negotiated a new long term contract with Rabanco, LTD. This contract became effective April 1, 2016 and will expire March 31, 2021. The City may, at its option, extend the contract in three year increments up to March 31, 2027. Total payment, net of recycling revenue in 2017 and 2016 were \$0.3 million and \$1.0 million, respectively. This variance resulted from fluctuations in recycling commodity pricing.

#### Landfill Closure and Post-closure Care

At December 31, 2017, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to I-5 improvement projects. It is the City Council's policy to include Fund's share of all landfill closure and post-closure costs in the revenue requirements used to set future solid waste rates. Therefore, the Fund uses regulatory accounting and total estimated landfill closure and post-closure care costs are accrued and also reflected as a future costs in the accompanying financial statements, in accordance with generally accepted accounting principles.

These costs are being amortized as they are recovered from rate payers. These costs are regulatory assets even though the Fund chooses to present them separately on the Statement of Net Position. Actual costs for closure and post-closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2024.

## Notes to Financial Statements

In prior years, the Fund delivered its refuse to two leased disposal sites: the Midway and Kent- Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. SPU stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

### (15) CONTINGENCIES

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, failure to supply utilities, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has been self-insured for most of its general liability risks prior to January 1, 1999, for workers' compensation since 1972, and for employees' health care benefits starting in 2000.

In addition, the City purchases excess general liability insurance coverage on a year to year basis, effective January 1, 1999. The City's self-insured retention for each claim involving general liability was limited to \$6.5 million per occurrence of such claims in both 2017 and 2016. From June 1, 2014 through May 2016, the City's self-insured retention was \$60 million, and was increased to \$85 million for the policy year beginning on June 1, 2016. Effective June 1, 2017, the City's self-insured retention increased to \$100 million.

The City also purchased an all-risk comprehensive property insurance policy that provides \$500.0 million in limits, subject to various deductible levels depending upon the type of asset and value of the building. This includes \$100.0 million in earthquake and flood limits. Hydroelectric and other utility producing and processing projects owned by the City are not covered by the property policy. The City also purchased insurance for excess workers' compensation, fiduciary and crime liability, inland marine transportation, volunteers, and an assortment of commercial general liability, medical, accidental death and dismemberment, and other miscellaneous policies. Bonds are purchased for public officials, notaries public, pension exposures, and specific projects and activities as necessary.

The City purchased two annuity contracts for a total of \$0.5 million in to resolve litigations, entered into one settlement agreement which structured \$0.5 million of a \$3.5 million settlement, and received one large liability settlement for \$1.1 million. The City had no settled claims exceeding coverage in the last three years.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Seattle Department of Human Resources estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2017 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2016. The total undiscounted IBNR amount decreased by \$0.6 million in 2017, the IBNR amount was \$30.9 million in 2017 and \$31.5 million in 2016.

Estimated claims expenditures are budgeted by the individual governmental and proprietary funds. Actual workers' compensation claims are processed by the General Fund and reimbursed by the funds that incurred them. Operating funds pay health care premiums to the General Fund, and the latter pays for all actual health care costs. The General Fund initially pays for lawsuits, claims, and related expenses and then receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, and the retirement funds.

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.2 million and \$0.5 million in 2017 and 2016, respectively. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Claim liabilities recorded in the financial statements are discounted at 1.404 percent for 2017 and 1.137 percent for 2016, the City's average annual rates of return on investments. The total discounted liability at December 31, 2017, was \$107.1 million consisting of \$63.3 million for general liability, \$3.2 million for health care, and \$40.6 million for workers' compensation.

## The City of Seattle

**Table 15-1**

### RECONCILIATION OF CHANGES IN AGGREGATE LIABILITIES FOR CLAIMS (In Thousands)

	General Liability		Health Care		Workers' Compensation		Total City	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>UNDISCOUNTED</b>								
Balance - Beginning of Fiscal Year	\$ 63,810	\$ 65,216	\$ 2,966	\$ 4,379	\$ 38,592	\$ 41,310	\$ 105,368	\$ 110,905
Less Payments and Expenses During the Year	(23,954)	(21,180)	(172,651)	(162,137)	(15,932)	(14,394)	(212,537)	(197,711)
Plus Claims and Changes in Estimates	27,987	19,774	172,986	160,724	19,613	11,676	220,586	192,174
Balance - End of Fiscal Year	<u>\$ 67,843</u>	<u>\$ 63,810</u>	<u>\$ 3,301</u>	<u>\$ 2,966</u>	<u>\$ 42,273</u>	<u>\$ 38,592</u>	<u>\$ 113,417</u>	<u>\$ 105,368</u>
<b>UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 47,907	\$ 44,849	\$ 3,301	\$ 2,966	\$ 28,652	\$ 27,664	\$ 79,860	\$ 75,479
Business-Type Activities	19,882	18,905	—	—	13,621	10,928	33,503	29,833
Fiduciary Activities	54	56	—	—	—	—	54	56
Balance - End of Fiscal Year	<u>\$ 67,843</u>	<u>\$ 63,810</u>	<u>\$ 3,301</u>	<u>\$ 2,966</u>	<u>\$ 42,273</u>	<u>\$ 38,592</u>	<u>\$ 113,417</u>	<u>\$ 105,368</u>
<b>DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 44,671	\$ 42,828	\$ 3,250	\$ 2,925	\$ 27,495	\$ 26,778	\$ 75,416	\$ 72,531
Business-Type Activities	18,539	18,054	—	—	13,071	10,578	31,610	28,632
Fiduciary Activities	50	53	—	—	—	—	50	53
Balance - End of Fiscal Year	<u>\$ 63,260</u>	<u>\$ 60,935</u>	<u>\$ 3,250</u>	<u>\$ 2,925</u>	<u>\$ 40,566</u>	<u>\$ 37,356</u>	<u>\$ 107,076</u>	<u>\$ 101,216</u>

Pending litigations, claims, and other matters are as follows:

- City Light Energy Crisis Litigation. The City is involved in various legal proceedings relating to the enormous price spikes in energy costs in California and the rest of the West Coast in 2000 and 2001.
  - California Refund Case, Appeals and Related Litigation: In February 2011, the City agreed to a settlement, which was eventually approved by the trial court and by FERC. Under the settlement, the City has resolved this matter for \$9.0 million, none of which needed to be immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent Systems Operator to the California Parties, which was valued at approximately \$1.4 million at the time of the settlement agreement. The balance of over \$7.6 million is contingent upon the City recovering monies in the Pacific Northwest Refund Case, discussed below. To date, approximately \$2.3 million in cash settlements has been paid to the California plaintiffs.
  - Pacific Northwest Refund Case, and Appeals and Related Litigation: In a proceeding before FERC, various buyers of energy, including the City, sought refunds from various sellers on energy sales in the Pacific Northwest between December 1999 and June 2001. The case was tried at FERC between August and October of 2013. In March 2014, the FERC administrative law judge issued an Initial Decision denying all refunds. In May 2014, the City filed a brief objecting to the Initial Decision, and the parties are now awaiting a final decision from FERC. Prior to the FERC trial, the City settled refund claims with twelve entities, with a combined total settlement amount of \$4.6 million. In February 2015, after hearing argument in a related case, the Ninth Circuit sua sponte reactivated certain City Light appeals previously stayed at the Ninth Circuit that were primarily related to City Light's appeal of the FERC's determination that the Mobile-Sierra presumption applied to the contracts at issue and whether FERC had improperly excluded certain evidence that City Light had presented to overcome the Mobile-Sierra presumption. After a truncated briefing schedule, oral arguments were heard in June 2015. On December 17, 2015, the Ninth Circuit issued its opinion finding that the Mobile-Serra presumption does apply to the issues in this case. The Ninth Circuit also determined that it did not have jurisdiction over the evidentiary issues. On December 31, 2015, FERC issued its decision largely confirming the Initial

## Notes to Financial Statements

Decision issued by the administrative law judge on March 28, 2014. City Light filed its notice of appeal to the Ninth Circuit on February 22, 2016. On October 2016, City Light settled all remaining claims in this longstanding litigation for a non-material amount. On November 4, 2016, The Ninth Circuit granted City Lights' motion to voluntarily dismiss its appeal.

- **Sound Transit Condemnation Actions:** In 2016, City Light is a defendant in a series of condemnation actions by the Central Puget Sound Regional Transit Authority ("Sound Transit"). Sound Transit is working in concert with the City of Bellevue on multiple transportation projects which negatively affect City Light's East Side Lines transmission corridor, which is a 100 plus mile corridor between 150'-160' wide that runs contiguously from Maple Valley to City Light's Skagit Project in Skagit and Whatcom Counties. There are currently four condemnation actions for the specific area along 124th Street in Bellevue. City Light has contested Sound Transit's ability to condemn publicly owned property, but on December 20, 2016, a trial court hearing one of the condemnation actions entered an order denying City Light's motion for summary judgment contesting Sound Transit's Authority to condemn public property and simultaneously entered an order finding public use and necessity over portions of City Light's easement area. City Light appealed the decision to the Court of Appeal on December 21, 2016 and it has sought direct review by the Washington Supreme Court of the trial court's order denying City Light's motion for summary judgment. On February 13, 2017, another trial court hearing the second filed condemnation action entered an order on public use and necessity allowing Sound Transit to proceed with the condemnation in that action. On March 10, 2017, City Light filed a notice of appeal of that decision to the Washington State Supreme Court. On March 14, 2017, Sound Transit filed motions for public use and necessity in the two remaining condemnation actions. City Light filed oppositions in both cases. No decisions from the court's hearing those cases have been received to date. In the event the appeal is unsuccessful, the value of the land sought to be condemned by Sound Transit from City Light is significant, but indeterminate.
- **Deformation Mitigation for N. Thomas Street (North Portal):** City Light is moving five 13.8 kV and 26kV feeders in Thomas Street at 6th Avenue to protect them for deformation caused by the tunneling activities. City Light anticipates that the total costs for this work will be \$3.1 million. City Light has requested that WSDOT reimburse it for those costs, and has sent a proposed task order for that purpose, but, to date, WSDOT has not agreed to reimburse City Light. City Light's ultimate recovery amount is unknown.
- **Centralia Steam Plant Project Asbestos Claims:** In 2013, the City received notice of a lawsuit that had been filed against PacifiCorp (the successor in interest of the former operator of the Centralia Steam Plant Project) by an employee of a contractor who worked at the Project between April 26, 1971 and December 3, 1971. The claimant alleges he developed mesothelioma as a result of his exposure to asbestos during the time he worked at the Project. PacifiCorp provided notice to the City, and all the other former owners of the Project that, as a former owner of the Project, it could be liable for any liabilities resulting from the construction not covered by insurance in proportion to its ownership share. Based on the agreement for the construction and ownership of the Project, City Light owned 8 percent of the Project during the material times. Recently, the City received additional notice indicating that two additional decedent estates have filed lawsuits against the former operator alleging similar claims. The City is not named in any of the litigation. In 2016, the two of the lawsuits were settled without any involvement of the City, and the third lawsuit was dismissed on summary judgment based on the expiration of the construction statute of repose.
- **Beacon, Myrtle, Maple Leaf and West Seattle Reservoir Leaks:** In 2011 the designer of the Beacon, Myrtle, Maple Leaf and West Seattle reservoirs, notified SPU about possible seismic deficiencies in the designs for the four reservoirs, specifically that the structural calculations it had used did not meet the applicable building code requirements. In response, SPU undertook a rigorous and thorough seismic analysis, focusing first on the West Seattle reservoir, to understand the nature and severity of the seismic deficiencies. Based on that analysis, SPU hired an engineering firm to evaluate and undertake design repairs for the four reservoirs to correct any seismic issues. Repairs on the West Seattle reservoir are nearly complete. It is estimated that the total cost of the work, including analysis, design and construction, will be approximately \$25.0 million. To date, the designer has worked closely and cooperatively with SPU throughout the seismic review and retrofit design process, and negotiations between SPU and the designer are ongoing concerning payment of repair costs. In early 2015, SPU and the designer agreed on a partial settlement of \$3.2 million for the West Seattle reservoir repairs. In January 2016, SPU and the designer agreed on a partial settlement of \$5.5 million for the construction and design costs related to the Maple Leaf and Myrtle reservoirs. The designer also agreed in that partial settlement to make the final payment of \$850.0 thousand related to SPU costs associated with the Lighter Weight Roof Change. The Beacon Reservoir design of repairs is complete and construction project has been awarded to the same contractor who repaired the other three reservoirs. Design costs for Beacon are approximately \$135.0 thousand and the expected construction contract award is approximately \$7.3 million. Additional claims for costs such as construction management, materials lab and seismic expert

## The City of Seattle

design costs remain outstanding. SPU has also submitted its claim for its additional seismic deficiency review costs, internal design costs, and internal construction costs for all four reservoirs to the designer. The combined total of these costs for West Seattle are \$3.5 million. The actual costs to date, plus estimated costs to completion are projected for the Myrtle reservoir at \$557.8 thousand, the Maple Leaf reservoir at \$1.7 million, and the Beacon reservoir at \$2.7 million. SPU's ultimate recovery amount is unknown.

- **Western Avenue and Pioneer Square Water Mains:** SPU has filed a lawsuit against the State of Washington ("WSDOT") and its contractor Seattle Tunnel Partners ("STP") for damage to its water mains in Western Avenue, between Yesler Way and Madison Avenue, and elsewhere in Pioneer Square. As a result of the damage, the water main in Western Avenue had to be replaced. The amount of the claim arising from the Western Avenue water main is approximately \$11.0 million, and the claim arising from the damage to the other water mains in Pioneer Square could be significantly higher. WSDOT and STP have answered and denied that they are responsible and/or that the water mains have been damaged. WSDOT and STP tendered the claim to their insurer, which denied the claim, but has not responded further. The parties are now actively engaged in pretrial discovery. SPU's ultimate amount to be recovered is unknown.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes therein is remote or unknown. Other than the aforementioned cases and the claim liabilities recorded in the financial statements, there were and are no outstanding material judgments against the City.

### U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN PROGRAM

The City of Seattle participates in the HUD Section 108 loan program. In the Section 108 program HUD obtains funds from private investors at a very low cost (i.e., low interest rate). Low-cost funds are available because HUD guarantees repayment to the private investors. HUD, in turn, provides the low-cost funds to jurisdictions nationwide including the City of Seattle. The City re-lends the funds to private borrowers. HUD deposits the funds directly with the City's loan servicing agent, the Bank of New York. The Bank of New York disburses funds on behalf of the City to the private borrowers.

The Brownfields Economic Development Initiative Grant (BEDI) program is a federal grant that is directly linked to the Section 108 loan program. The City uses BEDI grant funds as a loan loss reserve and interest subsidy on Section 108 loans. The U.S. Treasury deposits the grant funds with the City. The City then disburses the grant funds to the loan servicing agent.

Pursuant to RCW 35.21.735 the City is expressly authorized to participate in the Section 108 loan program. The state statute and the City's contracts/agreements with HUD clarify that the City never pledges its full faith and credit. Future block grant funds are pledged to HUD in the event of borrower default. Each loan is secured by a deed of trust and/or bank-issued letter of credit that provides the City with security in the event of borrower default. Additionally, the BEDI grant funds may be used by the City to protect against loan default.

On December 31, 2017, seven projects remained outstanding with a combined total amount of \$9.8 million. BEDI grant funds amount to \$0.5 million, and are used as a loan loss reserve.

### GUARANTEES OF THE INDEBTEDNESS OF OTHERS

The City has guaranteed the following bonds issued by public development authorities chartered by the City which are not component units of the City. The guarantees extend through the life of the bonds.

In the event that these public development authorities have insufficient funds to make scheduled debt payments of the principal of and interest on these guaranteed bonds, the City is obligated to transfer sufficient funds to make the payment. Public development authorities for whom the City has made all or part of a debt service payment shall reimburse the City for all money drawn on their behalf.

#### *Museum Development Authority*

Special obligation refunding bonds. Series 2014 issued on April 29 2014, in the amount of \$44.4 million. The outstanding amount as of December 31, 2017 is \$39.0 million. The bonds will be fully retired by April 1, 2031.

**Notes to Financial Statements**

**Seattle Chinatown-International District Preservation and Development Authority**

Refunding bonds issued on September 26, 2007, in the amount of \$7.4 million. The outstanding amount as of December 31, 2017, was \$4.34 million. The bonds will be fully retired by August 1, 2026.

**Seattle Indian Services Commission**

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5.2 million. The outstanding amount as of December 31 2017 is \$2.62 million. The bonds will be fully retired on November 1, 2024.

**Event Notice Relating to Seattle Indian Services Commission**

In 2014 the Seattle Indian Services Commission experienced unforeseen conditions that leave it unable to fulfill its debt obligations on bonds guaranteed by the City. Due to the interruption and suspension of the Commission's pledged revenues for debt service the City is now obligated to temporarily service the Commission's debt.

The City's 2015 Adopted Budget and thereon includes funding to pay debt service on the Commission's guaranteed bonds in accordance with the City's unconditional obligation. Effective for fiscal year 2015 the City will transfer funds on behalf of the Commission to pay the scheduled debt payments of the principal and interest on its special obligation refunding bonds issued on November 1, 2004. The first debt service payment occurred on May 1, 2015 in the amount of \$75.0 thousand.

As of Dec 31, 2017, the Commission's remaining principal and interest amounts the City guaranteed are \$2.62 million and \$242.0 thousand respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City's consolidated cash pool (1.394 percent), the City has recognized a liability of \$2.9 million on the Government-Wide Financial Statements. Until the Commission's revenue conditions improve the City will continue to make the scheduled debt payments through the life of the bonds, with a final maturity date of November 1, 2024.

**(16) TAX ABATEMENTS**

**Table 16-1 Tax Abatement by Programs**  
**Page 1 of 2 For the Year Ended December 31, 2017**  
*(In Thousands)*

Primary Government		Other Governments		
City of Seattle		King County	State of Washington	
Multifamily Property Tax Exemption (MFTE)	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology

**The City of Seattle**

<b>1) Purpose of program.</b>	Supports mixed-income residential development in the urban centers, the MFTE program ensures affordability as the community grows.	Provides property tax abatements through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks.	Provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland.	Provides property tax abatements to encourage home improvements to single-family dwellings.	Provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.
<b>2) Tax being abated.</b>	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax	Sales and Use Tax
<b>3) Authority under which abatement agreements are entered into.</b>	SMC Chapter 5.73 and RCW Chapter 84.14, in addition, each owner of a participating MFTE property must enter a legally binding agreement with the City of Seattle, which is then recorded with King County. The agreement details the	Chapter 84.26 RCW, RCW 84.26.020(2) and RCW 84.26.050(2)	RCW 84.33.130 and RCW 84.34.010	RCW 84.36.400	Chapter 82.63 RCW

Notes to Financial Statements

4) Criteria to be eligible to receive abatement.

MFTE is to incentivize the creation of affordable housing by providing a property tax exemption on new multifamily buildings in exchange of setting aside 20-25 percent of the homes as income- and rent-restricted.

The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2).

Through four programs: Pubic Benefit Rating System (PBR5) enrollment and associated tax savings are based on a point system. Points are awarded for each PBR5 resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks. Timber Land enrollment requires a property to have between 5 and 20 acres of manageable forestland, and be zoned RA, F or A. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan. Farm and Agricultural Land enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes. Forestland enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.

Make improvement to single-family dwellings.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment.

The City of Seattle

Table 16-1  
Page 2 of 2  
Tax Abatement by Programs  
For the Year Ended December 31, 2017  
(In Thousands)

	Primary Government		Other Governments		
	City of Seattle		King County		
	Multifamily Property Tax Exemption (MFTE)	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	
5) How recipients' taxes are reduced.	The entire appraised value of a participating property's residential improvements is exempt.	An owner of property desiring special valuation shall apply to the assessor of the County in which the property is located. The application form shall include a statement that the applicant is aware of the potential tax liability involved when the property ceases to be eligible for special valuation. Applications shall be made no later than October 1 of the calendar year preceding the first assessment year for which classification is requested.	An owner of land desiring current use classification must submit an application to the County Assessor.	Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.	Eligible projects will receive a sales and use tax deferral certificate issued by Department of Revenues, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31, of the year in which the project is certified and for the following seven years.
6) How amount of abatement is determined.	The entire appraised value of a participating property's residential improvements is tax exempt. Therefore, the case by case value of the exemption is dependent on each individual property's appraised value.	The County Assessor shall, for 10 consecutive assessment years following the calendar year in which application is made, place a special valuation on property classified as eligible historic property. At the conclusion of special valuation, the cost shall be considered new construction.	A participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property.	Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement.	Vendors and contractors waive the sales and use tax for the approved businesses.



## Notes to Financial Statements

7) Provisions for recapturing abated taxes.	If a property fails to comply with affordability restriction, the Director of Housing has the authority to cancel a tax exemption, and the Assessor has the authority to impose fines, collect back taxes, and charge interest on back taxes.	When property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, additional taxes, applicable penalties and interest are collected.	When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.	N/A	If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.
8) Types of commitments made by the City other than to reduce taxes.	N/A	N/A	N/A	N/A	N/A
9) Gross amount of City's revenues being reduced.	\$ 3	\$ 3,046	\$ 145	\$ 753	\$ 19,415
		<b>Total Revenue Reduction</b>		<b>\$</b>	<b>23,362</b>

<sup>a</sup> For the MFTE program, any change in tax revenue to the City is not the direct result of the exemption but rather the associated deferral on adding the new construction value of MFTE properties to the King County property tax base until after each project's exemption period has terminated.

## The City of Seattle

On June 5, 2018, pursuant to City Council Ordinance 125459 and related Pricing Certificate, the city issued \$263.8 million Municipal Light and Power (ML&P) Improvement Revenue Bonds, 2018, Series A, with average coupon rates of 4.076% and a final maturity of January 1, 2048.

## (17) RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING PRINCIPLES, AND RECLASSIFICATIONS

### GOVERNMENTAL ACTIVITIES

For fiscal year 2017, the City fully implemented GASB 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, Amendments to Certain Provisions of GASB Statements 67 and 68. GASB73 requires a liability for pension obligations, known as the Total Pension Liability to be recognized on the balance sheets of participating employers. Therefore, the liability was recognized and reported retroactively for the City's Firemen's Pension and Police Relief and Pension plans in the government-wide financial statements. This adjustment resulted a restatement to the 2017 beginning net position of the Governmental Activities. The net effect to the 2017 beginning net position is a reduction of \$227.3 million, which comprises of the total pension liability of \$193.8 million and reversal of the net pension assets of 33.5 million recognized in fiscal year 2016 under GASB 25 and 27.

## (18) SUBSEQUENT EVENTS

On May 22, 2018, pursuant to City Council Bill 119110, the City issued (1) \$23.21 million of Limited Tax General Obligation (LTGO) Improvement Bonds A with an average coupon rate of 4.597 percent and a final maturity of December 1, 2038; (2) \$26.7 million of LTGO Improvement Taxable Bonds B with an average coupon rate of 3.612 percent and a final maturity of November 1, 2038.

**Required Supplementary  
Information**



## Required Supplementary Information

### SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

#### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The schedules of revenues, expenditures, and changes in fund balances – budget and actual are presented on a budgetary basis (Non-GAAP). A reconciliation of the budgetary fund balance to the GAAP fund balance is shown on the face of each schedule.

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations are included with expenditures in the City's budgetary basis of accounting.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011; the Library Fund no longer meets the definition for a special revenue fund and is now reported as part of the General Fund for the GAAP reporting. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund, C-1, is presented on the budgetary basis for the legally adopted budget of the General Fund.

## The City of Seattle

### C-1 GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2017 (In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 290,932	\$ 290,932	\$ 294,720	\$ 3,788
Retail Sales and Use Taxes	246,197	246,197	254,522	8,325
Business Taxes	307,206	307,206	302,371	(4,835)
Excise Taxes	75,095	75,095	83,447	8,352
Other Taxes	9,207	9,207	12,583	3,376
Interfund Business Taxes	155,410	155,410	159,955	4,545
Total Taxes	1,084,047	1,084,047	1,107,598	23,551
Licenses and Permits	45,876	45,876	35,462	(10,414)
Grants, Shared Revenues, and Contributions	37,817	49,043	24,107	(24,936)
Charges for Services	51,579	53,223	69,076	15,853
Fines and Forfeits	29,527	29,527	28,972	(555)
Parking Fees and Space Rent	43,231	43,231	38,588	(4,643)
Program Income, Interest, and Miscellaneous Revenues	249,280	249,838	301,915	52,077
Total Revenues	1,541,357	1,554,785	1,605,718	50,933
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	473,367	506,457	466,581	39,876
Judicial	31,983	31,983	31,658	325
Public Safety	566,867	590,417	611,201	(20,784)
Physical Environment	14,419	15,644	16,111	(467)
Transportation	12,500	12,500	12,041	459
Economic Environment	38,371	43,651	33,459	10,192
Health and Human Services	—	—	—	—
Culture and Recreation	11,987	12,196	11,074	1,122
Capital Outlay				
General Government	49,999	51,962	15,278	36,684
Public Safety	11,058	11,294	1,373	9,921
Physical Environment	2,826	2,826	—	2,826
Transportation	28,091	23,937	—	23,937
Economic Environment	220	220	53	167
Culture and Recreation	78,980	85,116	23,544	61,572
Debt Service				
Principal	—	—	—	—
Interest	—	—	—	—
Total Expenditures and Encumbrances	1,320,668	1,388,203	1,222,373	165,830
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	220,689	166,582	383,345	216,763
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	3,487	3,487	5,180	1,693
Transfers In	34,399	46,729	12,753	(33,976)
Transfers Out	(421,284)	(437,903)	(355,335)	82,568
Total Other Financing Sources (Uses)	(383,398)	(387,687)	(337,402)	50,285
Net Change in Fund Balance	<u>\$ (162,709)</u>	<u>\$ (221,105)</u>	45,943	<u>\$ 267,048</u>
Budgetary Fund Balance - Beginning of Year			338,448	
Net Change in Encumbrances			(756)	
Net Change in Unappropriable Reserves			(81,659)	
Budgetary Fund Balance - End of Year			301,976	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			170,224	
Encumbrances			7,371	
Reimbursements				
Budgeted as Revenues			206,232	
Budgeted as Expenditures			(206,232)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			15,511	
Fund Balance (GAAP) - End of Year			<u>\$ 495,082</u>	

**Required Supplementary Information**

C-2

**TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 96,984	\$ 96,984	\$ 96,396	\$ (588)
Retail Sales and Use Taxes	—	—	—	—
Business Taxes	41,048	41,048	43,014	1,966
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Interfund Business Taxes	—	—	—	—
Total Taxes	138,032	138,032	139,410	1,378
Licenses and Permits	(190)	(190)	8,212	8,402
Grants, Shared Revenues, and Contributions	42,305	62,838	33,369	(29,469)
Charges for Services	64,371	67,763	74,763	7,000
Fines and Forfeits	—	—	172	172
Parking Fees and Space Rent	(200)	(200)	244	444
Program Income, Interest, and Miscellaneous Revenues	25,206	25,206	698	(24,508)
Total Revenues	269,524	293,449	256,868	(36,581)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	172,381	175,764	181,775	(6,011)
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Transportation	852,184	887,118	203,447	683,671
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Debt Service				
Principal	1,522	1,522	1,522	—
Interest	75	75	75	—
Bond Issuance Cost	—	—	—	—
Other	—	—	—	—
Total Expenditures and Encumbrances	1,026,162	1,064,479	386,819	677,660
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(756,638)	(771,030)	(129,951)	641,079
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Sales of Capital Assets	—	—	—	—
Transfers In	392,452	394,275	159,145	(235,130)
Transfers Out	(100,893)	(102,026)	(26,535)	75,491
Total Other Financing Sources (Uses)	291,559	292,249	132,610	(159,639)
Net Change in Fund Balance	\$ (465,079)	\$ (478,781)	2,659	\$ 481,440
Budgetary Fund Balance - Beginning of Year			(29,386)	
Net Change in Encumbrances			3,410	
Net Change in Unappropriable Reserves			(76,523)	
Budgetary Fund Balance - End of Year			(99,840)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			203,448	
Encumbrances			—	
Reimbursements			—	
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			\$ 103,608	

**The City of Seattle**

**PENSION PLAN INFORMATION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Firemen's and Police Relief and Pension funds are both pension plans that fail to meet the requirements of GASB Statement 68. The Firemen's and Police Relief and Pension funds continue to apply GASB Statement 27 until GASB Statement 73 becomes effective, and the required supplementary information (C4, C5) reports the long-term actuarial data on the Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past six consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 11, Table 11-1.

Under GASB Statement 68, the City's cost-sharing multiple-employer plans are the Seattle City Employees' Retirement System (SCERS), the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF1) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF2). As required by GASB Statement 68 the required supplementary information (C6, C7) reports a 10 year Schedule of Proportionate Share of the Net Pension Liability as of the plan's measurement date of the collective net pension liability, and a 10 year Schedule of Employer Contribution as of the City's most recent fiscal year-end.

**Required Supplementary Information**

C-3 PENSION PLAN INFORMATION										
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS										
December 31, 2017										
<i>(In Thousands)</i>										
<i>Police Relief and Pension Fund</i>										
Year Ended	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Service Cost	\$ —	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	3,401	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	1,689	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(5,593)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in pension liability	(503)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	93,459	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending	92,956	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

<i>Firefighters' Pension Fund</i>										
Year Ended	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Service Cost	\$ —	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	3,623	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	2,118	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(7,485)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in pension liability	(1,744)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	100,317	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending	98,573	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

**The City of Seattle**

C-4 PENSION PLAN INFORMATION					
Page 1 of 3 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY					
Seattle City Employees' Retirement System					
December 31, 2016					
Last Ten Fiscal Years <sup>a</sup>					
<i>(In Thousands)</i>					
	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	99.93%	99.91%	99.89%	N/A	N/A
Employer's proportionate share of the net pension liability	1,304,140	1,297,983	1,106,800	N/A	N/A
Employer's covered employee payroll	708,562	638,354	626,403	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	184.05%	203.33%	176.69%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	65.60%	64.03%	67.70%	N/A	N/A
	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**Required Supplementary Information**

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**June 30, 2017**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	2017	2016	2015	2014	2013
Employer's proportion of the net pension asset	3.55 %	3.55 %	3.55 %	3.55 %	N/A
Employer's proportionate share of the net pension asset	(53,981)	(36,619)	(42,771)	(43,065)	N/A
Employer's covered employee payroll	2,023	2,542	3,930	4,905	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(2,668.36)%	(1,440.33)%	(1,088.29)%	(878.02)%	N/A
Plan fiduciary net position as a percentage of the total pension asset	135.96 %	123.74 %	127.36 %	126.91 %	N/A
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Employer's proportion of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**The City of Seattle**

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**June 30, 2017**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	2017	2016	2015	2014	2013
Employer's proportion of the net pension asset	9.17 %	9.36 %	9.31 %	9.40 %	N/A
Employer's proportionate share of the net pension asset	(127,282)	(54,489)	(95,637)	(125,076)	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	(82,565)	(35,523)	(64,124)	(82,876)	N/A
<b>Total</b>	(209,847)	(90,012)	(159,761)	(207,952)	N/A
Employer's covered employee payroll	283,991	273,333	268,461	255,273	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(44.82)%	(19.94)%	(35.62)%	(49.00)%	N/A
Plan fiduciary net position as a percentage of the total pension asset	113.36 %	106.04 %	111.67 %	116.75 %	N/A
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Employer's proportion of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**Required Supplementary Information**

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**PENSION PLAN INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Seattle City Employees' Retirement System  
December 31, 2017  
Last Ten Fiscal Years  
(In Thousands)**

	2017	2016	2015	2014	2013
Contractually required employer contributions	107,900	100,614	89,363	N/A	N/A
Contributions in relation to the statutory or contractually required contributions	108,500	100,614	89,363	N/A	N/A
Contribution deficiency (excess)	(600)	—	—	N/A	N/A
Covered employer payroll	708,562	638,354	626,403	N/A	N/A
Contributions as a percentage of covered employee payroll	15.31%	15.76%	14.27%	N/A	N/A
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Contractually required employer contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutory or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**The City of Seattle**

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Page 2 of 3

**PENSION PLAN INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1  
December 31, 2017  
Last Ten Fiscal Years<sup>a</sup>  
(In Thousands)**

	2017	2016	2015	2014	2013
Statutorily or contractually required contributions <sup>b</sup>	—	—	—	—	N/A
Contributions in relation to the statutory or contractually required contributions <sup>b</sup>	—	—	—	—	N/A
Contribution deficiency (excess)	—	—	—	—	N/A
Covered employer payroll	2,023	2,542	3,930	4,905	N/A
Contributions as a percentage of covered employee payroll	—%	—%	—%	—%	N/A
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Statutorily or contractually required contributions <sup>b</sup>	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutory or contractually required contributions <sup>b</sup>	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

<sup>b</sup> LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

**Required Supplementary Information**

**The City of Seattle**

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**PENSION PLAN INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2  
December 31, 2017  
Last Ten Fiscal Years <sup>a</sup>  
(In Thousands)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily or contractually required contributions	15,300	14,332	13,638	13,249	N/A
Contributions in relation to the statutorily or contractually required contributions	15,300	14,332	13,638	13,249	N/A
Contribution deficiency (excess)	—	—	—	—	N/A
Covered employer payroll	283,991	273,333	268,461	255,273	N/A
Contributions as a percentage of covered employee payroll	5.23%	5.24%	5.08%	5.19%	N/A
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

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**Combining and Individual  
Fund and Other  
Supplementary Information**

## **Nonmajor Governmental Funds**



## Nonmajor Governmental Funds

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

The **Parks and Recreation Fund** accounts for the operation of the City's parks system. The fund continues to receive monies for charter revenues as required by the City Charter. Required charter revenue to the fund is ten percent of all business and occupation taxes, related fines, penalties, and other licenses. In 2009, the City changed the charter revenue allocation from direct method of allocating ten percent actual revenue receipts periodically to an indirect method of transferring a fixed amount from the General Fund as adopted by the City Council each year. At the end of each year, an analysis is performed to ensure that Park and Recreation Fund receives monies equal to or exceeding the ten percent charter revenue requirement. Transfers-in are recognized for these cash transfers in this fund. The fund also receives usage fees.

The **Seattle Streetcar Fund** accounts for payments to King County, based on certain formulas, for operating and maintaining the City's streetcar. The fund is supported by revenues from sponsorship agreements; federal, state, county or other grants or transfers; private funding, donations, or gifts; property sales proceeds or other moneys supported by ordinance (Ordinance 122424).

The **Key Arena Settlement Proceeds Fund** accounts for all proceeds received pursuant to the settlement of the Key Arena litigation which shall be used and applied in accordance with appropriations by the City Council (Ordinance 122834).

The **Pike Place Market Renovation Fund** accounts for the proceeds of a six-year tax levy (Market Levy) approved by the voters in 2008 received on behalf of the Pike Place Market Preservation and Development Authority (PPMPDA) to pay for the cost of renovating the Pike Place Market owned by PPMPDA under the Levy Proceeds Agreement by and between the City and PPMPDA (Ordinance 122737). It also accounts for the proceeds of bonds issued in part by the 2009, 2010, and 2011 Multipurpose Long-Term General Obligation Bond as temporary financing for the Pike Place Market renovation, whose bonds and interest are being paid from the Market Levy proceeds at bond maturity and interest payment dates (Ordinances 122848, 123156, and 123480).

The **Seattle Center Fund** accounts for the operations of the Seattle Center. The Center is a 74-acre convention, performance, and family entertainment complex on the site of the 1962 Seattle World's Fair.

The **Wheelchair Accessible Service Fund** accounts for the collection and distribution of a 10-cent per ride surcharge for all rides originating in the City of Seattle with Transportation Network Companies, non-wheelchair-accessible taxis and for-hire companies. The funds are used to help owners and operators of wheelchair accessible taxi (WAT) services offset higher operational and maintenance costs (Ordinance 124524).

The **Election Vouchers Fund** accounts for the expenditures of the Seattle Ethics and Elections Commission in administering a publicly financed election program created by City of Seattle Initiative Measure 122 (voter approved on November 3, 2015). The fund receives revenues from the Measure 122 authorized property tax increase, the General fund, and other monies as authorized (Ordinance 124928).

The **Department of Education and Early Learning Fund** accounts for proceeds from the Families and Education Levy, the General Fund, and other resources as authorized. The mission of this department is to ensure that all Seattle children have the opportunity to succeed in school and in life, and to graduate from high school ready for college or a career (Ordinance 124650).

The **Human Services Operating Fund** accounts for grants and General Fund moneys for programs to aid low-income persons, youths, and the elderly.

The **Office of Housing Fund** accounts for activities pertaining to housing development, application for and compliance with conditions for housing loans and grants.

The **Low-Income Housing Fund** manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for a seven-year housing levy approved by the voters in 2009 to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. Operating costs in the administration of the levy are accounted for in the Office of Housing Fund, a nonmajor special revenue fund.

The **Housing and Community Development Revenue Sharing Fund** receives federal Community Development Block Grant and Urban Development Action Grant moneys to provide housing and community development assistance to low- and moderate-income persons.

## The City of Seattle

The **Education and Development Services Fund** accounts for a seven-year levy approved by the voters in 1997, in 2004, and again in 2011 to provide educational and developmental services to supplement the basic education activities financed by the State of Washington (Ordinances 118557, 121529, and 123567).

The **Preschool Levy Fund** accounts for the proceeds of a four-year tax levy approved by voters in 2014; the funding will provide high-quality preschool services for low-income Seattle children as Seattle Preschool Program (Ordinance 124509).

The **2012 Library Levy Fund** accounts for a seven-year levy approved by the voters in 2012, providing support for library services which include maintaining hours and access, increasing the size and quality of library collections both new book titles and digital media, technology replacements and upgrades, and regular maintenance and major repairs (Ordinance 123851).

The **School Zone Fixed Automated Cameras Fund** accounts for revenues generated from the use of school zone fixed automated cameras to enforce the school zone speed limits and improve safety for schoolchildren and other pedestrians (Ordinance 124230).

The **Seattle Metropolitan Parks District Fund** accounts for the independent taxing district created through voter approval and governed by the City Council. The purpose of the district is to fund maintenance, operations, and improvements of parks, community centers, pools and other recreation facilities and programs through its power to levy and impose various taxes and fees.

The **Business Improvement Areas Fund** accounts for moneys that businesses assess themselves for parking, festivals, and other nongovernmental activities.

The **Seattle Transportation Benefit Fund** accounts for the independent taxing district created and governed by the City Council. The purpose of the district is to fund transportation improvements within the boundaries of the City through an imposed \$20 vehicle registration fee. See Note 12, Component Units, for additional information pertaining to the district.

The **General Trust Fund** accounts for amounts received with restrictions under contractual agreements.

The **Municipal Arts Fund** receives at least one percent of the total cost of City capital construction projects. The City uses these moneys to buy visual arts.

The **General Donations and Gift Trust Fund** holds a variety of gifts and donations which have restrictions on their use. Programs eligible to receive support from this fund include the gift catalog, animal control, emergency medical assistance program, horse patrol, K-9 corps, climate action, and rescue of prostituted children.

#### DEBT SERVICE FUNDS

The **General Bond Interest and Redemption Fund** receives moneys from excess property tax levies to pay interest costs and principal redemptions on voter-approved general obligation bonds. It also receives moneys from the General Fund and other City funds to pay for interest costs and principal redemptions on councilmanic limited tax general obligation bonds.

The **Interfund Notes Payable - Local Improvement Districts (LIDs) Fund** accounts for the payments of interest and principal on interfund notes payable to the Cumulative Reserve Subfund, a General Fund subfund. The proceeds of the notes funded the activities of certain LID districts.

The **Local Improvement Guaranty Fund** receives surpluses and guarantees faithful compliance of bond covenants on completed or defeased LID bond funds. When required, it shall be funded by excess general property tax levies or by the General Fund. The City is legally obliged to maintain a fund level at 10 percent of net outstanding LID debt.

#### CAPITAL PROJECTS FUNDS

The **Public Safety Facilities and Equipment Fund** was established in December 1990 to account for the improvement of public safety equipment. In 1990 the fund received transfers of reimbursable appropriations from the Cumulative Reserve Subfund and expended \$1 million for the improvement and construction of certain facilities. In 1991 the fund received \$8 million from the sale of limited tax levy

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## Nonmajor Governmental Funds

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general obligation bonds. In 1996 the fund received \$17.6 million from the sale of limited tax general obligation bonds (Ordinances 115453, 116797, 118108, 118184, 118225, and 118364).

The **Shoreline Park Improvement Fund** accounts for Local Improvement subprogram moneys for shoreline and beach park improvements that were received as METRO mitigation grants related to the expansion of the West Point sewage treatment plant (Ordinance 115496).

The **Community Improvement Fund** accounts for moneys from community improvement contributions by METRO for public improvements in the Alki and Discovery Park areas to mitigate the negative construction impacts in those communities (Ordinance 115496).

The **Park Mitigation and Remediation Fund** account for monies received for development, renovation or improvements to Department of Parks and Recreation properties related to implementing the Arboretum Mitigation Plan to address impacts from the State's SR 520, I-5 To Medina: Bridge Replacement and HOV Project (Ordinance 124208).

The **Park Capital Projects Fund** was established in 2015. It accounts for revenues received by the City from which associated expenditures may be paid, including capital cost for the Seattle Park District or other sources (Ordinance 124634).

The **Open Spaces and Trails Bond Fund** was established in 1989. It accounts for \$41.8 million which is Seattle's portion of the King County general obligation bond issued to finance the preservation of greenbelts, natural areas, other undeveloped open spaces, and to acquire and develop recreational trails within the City (Ordinance 114900).

The **Seattle Center and Parks Multipurpose Levy Fund** was established to account for the 8-year \$72 million property tax levy approved by voters in 1999 for improvements to the Seattle Center Opera House, replacement of the Flag Pavilion with a new Festivals Pavilion, and the construction and remodeling of community centers (Ordinance 119522). It also accounts for the 8-year \$129.2 million property tax levy approved by the voters in 2000 for improving maintenance and programs of existing parks, including the Woodland Park Zoo; acquiring, developing, and maintaining new neighborhood parks, green spaces, playfields, trails, and boulevards; and recreational programming for funding safe out-of-school and senior activities (Ordinance 120024).

The **Seattle Center Redevelopment/Parks Community Center Fund** was established in 1991 to provide partial funding for certain needed improvements to the Seattle Center and full City funding for certain improvements to selected community centers. It received the proceeds of the \$14.75 million limited tax general obligation bond issue and grant moneys from Washington State Department of Community Development. The fund also received the proceeds of the \$3.22 million sale of limited tax general obligation bond anticipation notes to finance preconstruction costs for redevelopment of the Seattle Center Coliseum during 1993 (Ordinances 115844 and 116720).

The **Municipal Civic Center Fund** was established in 1998 to account for the planning, design, and construction of the new Municipal Courthouse and police headquarters, the new City Hall, Key Tower major improvements, and other capital projects relating to the Civic Center (Ordinance 119304).

The **2003 Fire Facilities Fund** was established to account for the 9-year additional property tax levy of \$167.2 million approved by the voters. The purpose of the levy is to pay all or part of the cost of neighborhood fire stations, support facilities, marine apparatus, emergency preparedness, and other emergency response facilities (Ordinance 121230).

The **Local Improvement Fund, District No. 6750** was established in 2006 to account for the construction of a streetcar line serving downtown Seattle, Denny Triangle, and South Lake Union, to be funded from proceeds of local improvement bonds and special assessments upon property in the local improvement district (Ordinance 121951).

The **2008 Multipurpose Long-Term General Obligation Bond Fund** was established in 2007 to account for capital costs related to the South Rainier Street Grade Separation, Spokane Street Viaduct, Mercer Corridor, and King Street Multimodal Terminal projects. Initial funds for these projects were provided from interfund loans to be repaid from proceeds of limited tax general obligation bonds issued in 2008 by the City (Ordinance 122417). The bond ordinance finally allocated the bond proceeds to the King Street Multimodal Terminal, Bridge Seismic, Rehabilitation and Replacement, Pay Stations, Fire Station projects, and the South Lake Union Property Proceeds Account (Ordinance 122553).

The **2009 Multipurpose Long-Term General Obligation Bond Fund** was established in 2008 to account for the proceeds of the bonds issued in March 2009 to provide funding for the costs of capital projects including the Alaskan Way Viaduct/Seawall, North Precinct,

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## The City of Seattle

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Northgate Land, Northgate Park, Rainer Beach Community Center, Trails, Bridge Rehabilitation, King and Spokane Streets projects, and the Municipal Jail (Ordinance 122848).

The **2010 Multipurpose Long-Term General Obligation Bond Fund** was established in 2010 to account for the proceeds of the bonds issued in March 2010 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation, Bridge Seismic Retrofit, Mercer Corridor-South Lake Union, Mercer Corridor West, King Street Station Multimodal Terminal, Alaskan Way Viaduct, Parking Pay Stations, Pike Place Market Renovation, Golf Course Improvements, and Tier-1 Storage Area Network (Ordinance 123156).

The **2011 Multipurpose Long-Term General Obligation Bond Fund** was established in 2011 to account for the proceeds of the bonds issued in March 2011 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation and Seismic Retrofit, Parking and Program Management, Facility Energy Retrofits, Rainier Beach Community Center, King Street Station Multimodal Terminal, Seattle Center Renovations, Pike Place Market Renovation, Golf Course Improvements, and Alaska Way Viaduct and Seawall (Ordinance 123480).

The **2012 Multipurpose Long-Term General Obligation Bond Fund** was established in 2012 to account for the proceeds of the bonds issued in May 2012 to provide funding for the costs of capital projects relating to Bridge Seismic Retrofit, the Mercer Corridor-South Lake Union, Mercer Corridor West, Linden Avenue North, Alaskan Way Viaduct Seawall, Alaskan Way Viaduct Parking and Program Management, Rainier Beach Community Center, Magnuson Park Building 30, and Library Information Technology Systems (Ordinance 123751).

The **2013 Multipurpose Long-Term General Obligation Bond Fund** was established in 2013 to account for the proceeds of bonds issued in June 2013 to provide funding for the costs of capital projects relating to Transportation Infrastructure, Recreational and Public Safety facilities, and Information Technology Systems (Ordinance 124053).

The **Alaskan Way Seawall Construction Fund** was established in 2013 to account for the issuance of and sale of unlimited tax general obligation bonds and bond anticipation notes, and authorized loans of resources from various City funds, to pay all or part of the costs of the design, construction, renovation, improvement and replacement of the Alaskan Way Seawall and associated public infrastructure (Ordinance 124125).

The **Central Waterfront Improvement Fund** was established in 2012 to account for capital costs related to the Alaskan Way Viaduct and Seawall Replacement Program, including costs associated with the design and construction of the Central Waterfront component, costs for city administration, and costs eligible for financing by a future Local Improvement District. The fund shall receive all revenues including, but not limited to, revenues from sponsorship agreements; federal, state, country or other grants or transfers; private funding, donations or gifts; property sales proceeds; and other monies as authorized by the City Council (Ordinance 123761).

The **2013 King County Parks Levy Fund** was established in 2013 to account for the issuance and sale of limited tax general obligation bonds to pay all or part of the City's capital improvement program, to refinance certain outstanding bonds of the Pike Place Market Preservation and Development Authority and the Seattle-Chinatown-International District Preservation and Development Authority, improvements to Benaroya Hall and to pay the cost of issuance of the bonds (Ordinance 124349).

The **2014 Multipurpose Long-Term General Obligation Bond** was established in 2014 to pay all or part of the cost of various City's capital improvement programs and other City purposes, to carry out the refunding for the Pike Place Market Preservation and Development Authority and the Seattle-Chinatown-International District Preservation and Development Authority, to pay the costs of the Benaroya Hall Music Center projects, and to pay other general obligation Bonds (Ordinance 124341).

The **2015 Multipurpose Long-Term General Obligation Bond** was established in 2014 to account for the proceeds of the issuance of bonds to provide funding for the cost of City's capital projects relating to acquisition of real property, right of way, other real property interest, improvements, designs, demolish, renovate, upgrade, construct, betterments and extensions of facilities and plants or systems and obtain any ancillary services (Ordinance 124648).

The **2016 Multipurpose Long-Term General Obligation Bond** was established in 2015 to pay all or part of the costs of various elements of the City's capital improvement program and other City purposes approved by ordinance, to provide a contribution to the Pike Place Market Preservation and Development Authority for the financing of certain improvements, and to pay the costs of issuance of the bonds (Ordinance 124924).

## Nonmajor Governmental Funds

The **2017 Multipurpose Long-Term General Obligation Bond** was established in 2016 to pay all or part of the costs of various elements of the City's capital improvement program and other City purposes approved by ordinance, and to authorize the loan of funds from the City Consolidated (Residual) cash pool in the amount of \$1.5 Million for bridge financing of the Haller Lake Improvement project (Ordinance 124925).

The **Garage Proceeds Disposition Fund** was established in 2016 to provide remedial action to the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2007, and providing for the defeasance and redemption of bonds that are currently outstanding. Creating a new fund for the expenditure of disposition of proceeds and authorizing the purchase of certain investments and the use of their proceeds (Ordinances 119155, 122286 and 125075).

### PERMANENT FUNDS

The **H. H. Dearborn Fund** holds a \$50,000 non-expendable gift to the City. The investment income is available for charitable purposes.

The **Beach Maintenance Trust Fund** received \$2.0 million appropriated from the City's Shoreline Park Improvement Fund. The earnings on this fund are used solely to maintain public beaches in Seattle.

## The City of Seattle

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SUMMARY BY FUND TYPE December 31, 2017 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2017	2016
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 456,575	\$ 11,149	\$ 91,030	\$ 2,208	\$ 560,962	\$ 553,491
Receivables, Net of Allowances	25,490	490	15,621	—	41,601	29,589
Due from Other Funds	9,511	350	861	—	10,722	14,865
Due from Other Governments	15,535	—	177	—	15,712	23,009
Interfund Loans and Advances	7,463	—	8,000	—	15,463	16,321
Other Current Assets	635	—	—	—	635	721
<b>Total Assets</b>	<b>515,209</b>	<b>11,989</b>	<b>115,689</b>	<b>2,208</b>	<b>645,095</b>	<b>637,996</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 515,209	\$ 11,989	\$ 115,689	\$ 2,208	\$ 645,095	\$ 637,996
<b>LIABILITIES</b>						
Accounts Payable	\$ 26,112	\$ —	\$ 2,063	\$ —	\$ 28,175	\$ 53,378
Contracts Payable	495	—	5	—	500	785
Salaries, Benefits, and Taxes Payable	7,982	—	3	—	7,985	7,277
Due to Other Funds	21,962	350	3,461	—	25,773	60,622
Due to Other Governments	5,198	—	—	—	5,198	5,198
Revenues Collected in Advance	8,119	—	104	—	8,223	7,274
Interfund Loans and Advances	9,034	—	30,556	—	39,590	38,322
Other Current Liabilities	2,708	—	86	—	2,794	1,037
<b>Total Liabilities</b>	<b>81,610</b>	<b>350</b>	<b>36,278</b>	<b>—</b>	<b>118,238</b>	<b>173,893</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	1,937	349	7,926	—	10,212	9,777
<b>FUND BALANCES</b>						
Nonspendable	693	—	—	2,050	2,743	2,739
Restricted	404,714	11,290	90,499	158	506,661	466,073
Committed	17,548	—	—	—	17,548	12,778
Assigned	11,963	—	—	—	11,963	9,819
Unassigned	(3,256)	—	(19,014)	—	(22,270)	(37,083)
<b>Total Fund Balances</b>	<b>431,662</b>	<b>11,290</b>	<b>71,485</b>	<b>2,208</b>	<b>516,645</b>	<b>454,326</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 515,209</b>	<b>\$ 11,989</b>	<b>\$ 115,689</b>	<b>\$ 2,208</b>	<b>\$ 645,095</b>	<b>\$ 637,996</b>

**Nonmajor Governmental Funds**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2017  
(In Thousands)**

	Parks and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation	Seattle Center	Wheelchair Accessibility
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 4,381	\$ 22	\$ 5	\$ 368	\$ 6,911	\$ 3,565
Receivables, Net of Allowances	5,179	103	(10)	13	4,460	523
Due from Other Funds	1,163	15	5	—	178	—
Due from Other Governments	274	3	—	—	—	—
Interfund Loans and Advances	6,980	—	—	—	—	—
Other Current Assets	380	—	—	—	255	—
Total Assets	18,357	143	—	381	11,804	4,088
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 18,357	\$ 143	\$ —	\$ 381	\$ 11,804	\$ 4,088
<b>LIABILITIES</b>						
Accounts Payable	\$ 1,025	\$ —	\$ —	\$ —	\$ 474	\$ 35
Contracts Payable	495	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	4,100	—	—	—	1,722	—
Due to Other Funds	1,307	199	—	—	569	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	1,364	1,000	—	—	1,113	—
Interfund Loans and Advances	—	2,200	—	—	—	—
Other Current Liabilities	1,677	—	—	—	2	975
Total Liabilities	9,968	3,399	—	—	3,880	1,010
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,357	\$ 143	\$ —	\$ 381	\$ 11,804	\$ 4,088
<b>FUND BALANCES</b>						
Nonspendable	419	—	—	—	274	—
Restricted	1,678	—	—	368	2,769	3,078
Committed	—	—	—	—	4,881	—
Assigned	6,292	—	—	—	—	—
Unassigned	—	(3,256)	—	—	—	—
Total Fund Balances	8,389	(3,256)	—	368	7,924	3,078
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,357	\$ 143	\$ —	\$ 381	\$ 11,804	\$ 4,088

**The City of Seattle**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2017  
(In Thousands)**

	Election Vouchers Fund	Education and Early Learning	Human Service Operating	Low-Income Housing	Office Of Housing	Housing Community Development Revenue Sharing
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 3,162	\$ 3,277	\$ 23,843	\$ 180,371	\$ 1,851	\$ 3,211
Receivables, Net of Allowances	81	—	6,928	1,170	71	4,764
Due from Other Funds	—	11	4,178	1,054	1,826	10
Due from Other Governments	—	252	6,198	933	74	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
Total Assets	3,243	3,540	41,147	183,528	3,822	7,985
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 3,243	\$ 3,540	\$ 41,147	\$ 183,528	\$ 3,822	\$ 7,985
<b>LIABILITIES</b>						
Accounts Payable	\$ 3	\$ 356	\$ 13,192	\$ 821	\$ —	\$ 338
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	345	1,518	—	216	—
Due to Other Funds	113	689	371	2,219	55	2,623
Due to Other Governments	—	—	5,198	—	—	—
Revenues Collected in Advance	—	—	4,587	—	—	55
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	—	52	1	1
Total Liabilities	116	1,390	24,866	3,092	272	3,017
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,243	\$ 3,540	\$ 41,147	\$ 183,528	\$ 3,822	\$ 7,985
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	—	2,150	4,587	179,970	—	4,968
Committed	3,094	—	9,573	—	—	—
Assigned	—	—	2,121	—	3,550	—
Unassigned	—	—	—	—	—	—
Total Fund Balances	3,094	2,150	16,281	179,970	3,550	4,968
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,243	\$ 3,540	\$ 41,147	\$ 183,528	\$ 3,822	\$ 7,985

### Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2017  
(In Thousands)**

	Education and Development Services	Preschool Levy 2014	2012 Library Levy	School Zone Automatic Camera Fund	Metropolitan Parks District	Business Improvement Areas
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 54,414	\$ 23,183	\$ 10,397	\$ 13,555	\$ 55,877	\$ 4,639
Receivables, Net of Allowances	616	244	325	—	990	—
Due from Other Funds	—	623	88	—	—	3
Due from Other Governments	—	—	—	—	62	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
Total Assets	55,030	24,050	10,810	13,555	56,929	4,642
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 55,030	\$ 24,050	\$ 10,810	\$ 13,555	\$ 56,929	\$ 4,642
<b>LIABILITIES</b>						
Accounts Payable	\$ 6	\$ 63	\$ 9	—	\$ 9,436	\$ 307
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	27	—	—	—
Due to Other Funds	—	6	2,595	339	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	6,834	—
Other Current Liabilities	—	—	—	—	—	—
Total Liabilities	6	69	2,631	339	16,270	307
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	455	175	238	—	557	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	54,569	23,806	7,941	13,216	40,102	4,335
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Fund Balances	54,569	23,806	7,941	13,216	40,102	4,335
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 55,030	\$ 24,050	\$ 10,810	\$ 13,555	\$ 56,929	\$ 4,642

### The City of Seattle

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2017  
(In Thousands)**

	Transportation Benefit District	General Trust	Municipal Arts	General Donation and Gift Trust	Comparative Totals	
					2017	2016
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 45,253	\$ 4,292	\$ 10,208	\$ 3,790	\$ 456,575	\$ 402,829
Receivables, Net of Allowances	—	—	—	33	25,490	14,069
Due from Other Funds	—	25	59	273	9,511	14,439
Due from Other Governments	7,739	—	—	—	15,535	22,924
Interfund Loans and Advances	—	—	483	—	7,463	7,396
Other Current Assets	—	—	—	—	635	721
Total Assets	52,992	4,317	10,750	4,096	515,209	462,378
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 52,992	\$ 4,317	\$ 10,750	\$ 4,096	\$ 515,209	\$ 462,378
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ 24	\$ 1	\$ 22	\$ 26,112	\$ 48,747
Contracts Payable	—	—	—	—	495	509
Salaries, Benefits, and Taxes Payable	—	1	45	8	7,982	7,275
Due to Other Funds	10,156	24	—	697	21,962	34,565
Due to Other Governments	—	—	—	—	5,198	5,198
Revenues Collected in Advance	—	—	—	—	8,119	7,173
Interfund Loans and Advances	—	—	—	—	9,034	8,321
Other Current Liabilities	—	—	—	—	2,708	1,023
Total Liabilities	10,156	49	46	727	81,610	112,811
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	1,937	1,554
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	693	689
Restricted	42,836	4,268	10,704	3,369	404,714	327,919
Committed	—	—	—	—	17,548	12,778
Assigned	—	—	—	—	11,963	9,819
Unassigned	—	—	—	—	(3,256)	(3,192)
Total Fund Balances	42,836	4,268	10,704	3,369	431,662	348,013
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 52,992	\$ 4,317	\$ 10,750	\$ 4,096	\$ 515,209	\$ 462,378

**Nonmajor Governmental Funds**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE  
December 31, 2017  
(In Thousands)**

	General Bond Interest and Redemption	Interfund Notes Payable Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2017	2016
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 10,251	\$ 8	\$ 890	\$ 11,149	\$ 11,267
Receivables, Net of Allowances	490	—	—	490	423
Due from Other Funds	350	—	—	350	—
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	—	—	—	—	—
Total Assets	11,091	8	890	11,989	11,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	\$ 11,091	\$ 8	\$ 890	\$ 11,989	\$ 11,690
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —
Contracts Payable	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—
Due to Other Funds	350	—	—	350	—
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—
Total Liabilities	350	—	—	350	—
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	349	—	—	349	295
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	10,392	8	890	11,290	11,395
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	10,392	8	890	11,290	11,395
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,091	\$ 8	\$ 890	\$ 11,989	\$ 11,690

**The City of Seattle**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2017  
(In Thousands)**

	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement	Park Mitigation Remediation	Parks Capital Projects
Cash and Equity in Pooled Investments	\$ 480	\$ 9	\$ 11	\$ 10,331	\$ 3,186
Receivables, Net of Allowances	—	—	—	—	5,971
Due from Other Funds	—	—	—	—	121
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	—	—	—	—	—
Total Assets	480	9	11	10,331	9,278
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	\$ 480	\$ 9	\$ 11	\$ 10,331	\$ 9,278
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ —	\$ —	\$ 189	\$ 1,663
Contracts Payable	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	1	—
Due to Other Funds	—	—	2	14	395
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	8,000
Other Current Liabilities	—	—	—	—	—
Total Liabilities	—	—	2	204	10,058
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	—	—	—	—	—
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	480	9	9	10,127	—
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	(780)
Total Fund Balances	480	9	9	10,127	(780)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 480	\$ 9	\$ 11	\$ 10,331	\$ 9,278

**Nonmajor Governmental Funds**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2017  
(In Thousands)**

	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy	Seattle Center Redevelopment Parks Community Center	Municipal Civic Center	2003 Fire Facilities
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 23	\$ 15,481	\$ 1,928	\$ 966	\$ 660
Receivables, Net of Allowances	—	1,345	5	—	—
Due from Other Funds	—	—	500	—	—
Due from Other Governments	—	177	—	—	—
Interfund Loans and Advances	—	8,000	—	—	—
Other Current Assets	—	—	—	—	—
Total Assets	23	25,003	2,433	966	660
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	\$ 23	\$ 25,003	\$ 2,433	\$ 966	\$ 660
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ 152	\$ 10	\$ —	\$ 29
Contracts Payable	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	(1)	—	—	—
Due to Other Funds	—	452	3	—	1
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	64	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—
Total Liabilities	—	667	13	—	30
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	—	71	—	—	—
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	23	24,265	2,420	966	630
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	23	24,265	2,420	966	630
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23	\$ 25,003	\$ 2,433	\$ 966	\$ 660

**The City of Seattle**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2017  
(In Thousands)**

	Garage Proceeds Disposition Fund	Local Improvement, District No. 6750	2008 Multipurpose Long-Term General Obligation Bond	2009 Multipurpose Long-Term General Obligation Bond	2010 Multipurpose Long-Term General Obligation Bond	2011 Multipurpose Long-Term General Obligation Bond
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 335	\$ 1	\$ 34	\$ —	\$ 25	\$ 351
Receivables, Net of Allowances	—	8,215	—	—	—	—
Due from Other Funds	—	—	—	—	—	1
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
Total Assets	335	8,216	34	—	25	352
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 335	\$ 8,216	\$ 34	\$ —	\$ 25	\$ 352
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—	—
Due to Other Funds	(34)	—	—	—	—	9
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	72	—	—	—	—
Other Current Liabilities	—	—	—	—	—	—
Total Liabilities	(34)	72	—	—	—	9
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	—	7,855	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	369	289	34	—	25	343
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Fund Balances	369	289	34	—	25	343
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 335	\$ 8,216	\$ 34	\$ —	\$ 25	\$ 352

### Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2017  
(In Thousands)**

	2012 Multipurpose Long-Term General Obligation Bond	2013 Multipurpose Long-Term General Obligation Bond	Alaskan Way Seawall Construction	Central Waterfront Improvement	2013 King County Parks Levy Fund	2014 Long-Term General Obligation Bond
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 248	\$ 146	\$ 4,106	\$ 4,080	\$ 4,576	\$ 164
Receivables, Net of Allowances	—	—	—	—	—	—
Due from Other Funds	—	3	—	236	—	—
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
Total Assets	248	149	4,106	4,316	4,576	164
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 248	\$ 149	\$ 4,106	\$ 4,316	\$ 4,576	\$ 164
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contracts Payable	—	5	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	3	—	—	—	—
Due to Other Funds	—	1	79	—	7	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	40	—	—
Interfund Loans and Advances	—	—	—	22,001	—	—
Other Current Liabilities	—	—	—	—	—	—
Total Liabilities	—	9	79	22,041	7	—
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	248	140	4,027	—	4,569	164
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	(17,725)	—	—
Total Fund Balances	248	140	4,027	(17,725)	4,569	164
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 248	\$ 149	\$ 4,106	\$ 4,316	\$ 4,576	\$ 164

### The City of Seattle

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2017  
(In Thousands)**

	2015 Multipurpose Long-Term General Obligation Bond	2016 Multipurpose Long-Term General Obligation Bond	2017 Multipurpose Long-Term General Obligation Bond	2018 Multipurpose Long-Term General Obligation Bond	Comparative Totals	
					2017	2016
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 2,201	\$ 17,537	\$ 24,151	\$ —	\$ 91,030	\$ 137,219
Receivables, Net of Allowances	—	—	85	—	15,621	15,095
Due from Other Funds	—	—	—	—	861	426
Due from Other Governments	—	—	—	—	177	85
Interfund Loans and Advances	—	—	—	—	8,000	8,925
Other Current Assets	—	—	—	—	—	—
Total Assets	2,201	17,537	24,236	—	115,689	161,750
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	\$ 2,201	\$ 17,537	\$ 24,236	\$ —	\$ 115,689	\$ 161,750
<b>LIABILITIES</b>						
Accounts Payable	\$ 6	\$ 13	\$ 1	\$ —	\$ 2,063	\$ 4,630
Contracts Payable	—	—	—	—	5	276
Salaries, Benefits, and Taxes Payable	—	—	—	—	3	2
Due to Other Funds	133	504	1,869	26	3,461	26,057
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	104	101
Interfund Loans and Advances	—	—	—	483	30,556	30,001
Other Current Liabilities	—	—	86	—	86	14
Total Liabilities	139	517	1,956	509	36,278	61,081
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	—	—	—	—	7,926	7,928
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	2,062	17,020	22,280	—	90,499	126,632
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	(509)	(19,014)	(33,891)
Total Fund Balances	2,062	17,020	22,280	(509)	71,485	92,741
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,201	\$ 17,537	\$ 24,236	\$ —	\$ 115,689	\$ 161,750



**Nonmajor Governmental Funds**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT  
December 31, 2017  
(In Thousands)**

	H. H. Dearborn	Beach Maintenance Trust	Comparative Totals	
			2017	2016
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 147	\$ 2,061	\$ 2,208	\$ 2,176
Receivables, Net of Allowances	—	—	—	2
Due from Other Funds	—	—	—	—
Due from Other Governments	—	—	—	—
Interfund Loans and Advances	—	—	—	—
Other Current Assets	—	—	—	—
Total Assets	147	2,061	2,208	2,178
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Assets and Deferred Outflows of Resources	\$ 147	\$ 2,061	\$ 2,208	\$ 2,178
<b>LIABILITIES</b>				
Accounts Payable	\$ —	\$ —	\$ —	\$ 1
Contracts Payable	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—
Due to Other Funds	—	—	—	—
Due to Other Governments	—	—	—	—
Revenues Collected in Advance	—	—	—	—
Interfund Loans and Advances	—	—	—	—
Other Current Liabilities	—	—	—	—
Total Liabilities	—	—	—	1
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	—	—	—	—
<b>FUND BALANCES</b>				
Nonspendable	50	2,000	2,050	2,050
Restricted	97	61	158	127
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total Fund Balances	147	2,061	2,208	2,177
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 147	\$ 2,061	\$ 2,208	\$ 2,178

**The City of Seattle**

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SUMMARY BY FUND TYPE  
For the Year Ended December 31, 2017  
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2017	2016
<b>REVENUES</b>						
Taxes	\$ 239,967	\$ 30,411	\$ 38	\$ —	\$ 270,416	\$ 240,169
Licenses and Permits	—	—	—	—	—	1,443
Grants, Shared Revenues, and Contributions	80,517	1,465	25,350	—	107,332	95,166
Charges for Services	104,625	—	(51)	—	104,574	88,486
Fines and Forfeits	12,497	—	2	—	12,499	13,893
Parking Fees and Space Rent	31,661	347	—	—	32,008	29,683
Program Income, Interest, and Miscellaneous Revenues	18,060	1,049	2,480	33	21,622	18,076
Total Revenues	487,327	33,272	27,819	33	548,451	486,916
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	63,223	—	—	—	63,223	32,018
Public Safety	1,028	—	—	—	1,028	1,847
Physical Environment	462	—	—	—	462	459
Transportation	6,491	—	—	—	6,491	54,845
Economic Environment	120,051	—	—	—	120,051	148,206
Health and Human Services	120,943	—	—	—	120,943	104,209
Culture and Recreation	234,926	—	—	2	234,928	225,366
Capital Outlay						
General Government	—	—	40,655	—	40,655	16,892
Public Safety	23	—	1,368	—	1,391	15,149
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	57	—	—	—	57	—
Culture and Recreation	1,763	—	34,601	—	36,364	32,346
Debt Service						
Principal	56	54,872	1,430	—	56,358	51,583
Interest	20	35,139	316	—	35,475	32,666
Bond Issuance Cost	—	46	462	—	508	627
Total Expenditures	549,043	90,057	78,832	2	717,934	716,213
Excess (Deficiency) of Revenues over Expenditures	(61,716)	(56,785)	(51,013)	31	(169,483)	(229,297)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	14,605	79,275	—	93,880	145,139
Premium on Bonds Issued	—	580	9,618	—	10,198	22,177
Payment to Refunded Bond Escrow Agent	—	(15,131)	(4,288)	—	(19,419)	(31,909)
Sales of Capital Assets	77	—	77	—	154	27
Transfers In	258,264	56,626	773	—	315,663	324,110
Transfers Out	(112,974)	—	(55,699)	—	(168,673)	(171,675)
Total Other Financing Sources (Uses)	145,367	56,680	29,756	—	231,803	287,869
Net Change in Fund Balance	83,651	(105)	(21,257)	31	62,320	58,572
Fund Balances - Beginning of Year	348,011	11,395	92,742	2,177	454,325	395,752
Fund Balances - End of Year	\$ 431,662	\$ 11,290	\$ 71,485	\$ 2,208	\$ 516,645	\$ 454,324

**Nonmajor Governmental Funds**

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2017  
(In Thousands)

	Parks and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation	Seattle Center	Wheelchair Accessibility
<b>REVENUES</b>						
Taxes	\$ —	\$ —	\$ —	\$ 13	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	568	6,226	—	—	—	—
Charges for Services	49,362	161	—	—	9,645	2,166
Fines and Forfeits	1	89	—	—	—	—
Parking Fees and Space Rent	8,006	21	—	—	23,437	—
Program Income, Interest, and Miscellaneous Revenues	148	—	—	26	220	32
Total Revenues	58,085	6,497	—	39	33,302	2,198
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	1,696	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	6,561	—	—	—	—
Economic Environment	—	—	—	—	—	642
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	156,123	—	38	—	44,010	—
Capital Outlay						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	258	—	—	—	176	—
Debt Service						
Principal	33	—	—	—	23	—
Interest	19	—	—	—	1	—
Bond Issuance Cost	—	—	—	—	—	—
Total Expenditures	156,433	6,561	38	1,696	44,210	642
Excess (Deficiency) of Revenues over Expenditures	(98,348)	(64)	(38)	(1,657)	(10,908)	1,556
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	77	—	—	—	—	—
Transfers In	101,411	—	—	—	12,557	—
Transfers Out	(2,310)	—	—	—	(625)	—
Total Other Financing Sources (Uses)	99,178	—	—	—	11,932	—
Net Change in Fund Balance	830	(64)	(38)	(1,657)	1,024	1,556
Fund Balances - Beginning of Year	7,559	(3,192)	38	2,025	6,900	1,522
Fund Balances - End of Year	\$ 8,389	\$ (3,256)	\$ —	\$ 368	\$ 7,924	\$ 3,078

**The City of Seattle**

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2017  
(In Thousands)

	Election Vouchers Fund	Education and Early Learning	Human Service Operating	Low-Income Housing	Office Of Housing	Housing Community Development Revenue Sharing
<b>REVENUES</b>						
Taxes	\$ 2,979	\$ —	\$ —	\$ 37,489	\$ 3,566	\$ —
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	3,770	54,833	3,762	812	8,262
Charges for Services	—	516	5,746	31,833	2,234	8
Fines and Forfeits	—	—	204	—	—	—
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	33	—	293	10,878	10	3,613
Total Revenues	3,012	4,286	61,076	83,962	6,622	11,883
<b>EXPENDITURES</b>						
Current						
General Government	1,862	—	59,665	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	28,615	58,532	5,838	6,967
Health and Human Services	—	56,621	61,402	—	—	—
Culture and Recreation	—	—	—	—	—	1,178
Capital Outlay						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	57	—	—
Culture and Recreation	—	—	—	—	—	—
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
Total Expenditures	1,862	56,621	149,682	58,589	5,838	8,145
Excess (Deficiency) of Revenues over Expenditures	1,150	(52,335)	(88,606)	25,373	784	3,738
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	52,395	91,155	—	532	—
Transfers Out	—	—	—	—	—	—
Total Other Financing Sources (Uses)	—	52,395	91,155	—	532	—
Net Change in Fund Balance	1,150	60	2,549	25,373	1,316	3,738
Fund Balances - Beginning of Year	1,944	2,090	13,732	154,597	2,234	1,230
Fund Balances - End of Year	\$ 3,094	\$ 2,150	\$ 16,281	\$ 179,970	\$ 3,550	\$ 4,968

### Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2017  
(In Thousands)**

	Education and Development Services	Preschool Levy 2014	2012 Library Levy	School Zone Automatic Camera Fund	Metropolitan Parks District	Business Improvement Areas
<b>REVENUES</b>						
Taxes	\$ 33,585	\$ 14,482	\$ 17,606	\$ —	\$ 50,925	\$ 20,986
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	—	12,203	—	—
Parking Fees and Space Rent	—	—	—	197	—	—
Program Income, Interest, and Miscellaneous Revenues	919	347	214	—	469	117
<b>Total Revenues</b>	<b>34,504</b>	<b>14,829</b>	<b>17,820</b>	<b>12,400</b>	<b>51,394</b>	<b>21,103</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	18,742
Health and Human Services	900	2,017	—	—	—	—
Culture and Recreation	—	—	4,196	—	26,335	—
<b>Capital Outlay</b>						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	—	—	1,329	—	—	—
<b>Debt Service</b>						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>900</b>	<b>2,017</b>	<b>5,525</b>	<b>—</b>	<b>26,335</b>	<b>18,742</b>
Excess (Deficiency) of Revenues over Expenditures	33,604	12,812	12,295	12,400	25,059	2,361
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	(32,209)	(9,739)	(15,073)	(8,046)	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>(32,209)</b>	<b>(9,739)</b>	<b>(15,073)</b>	<b>(8,046)</b>	<b>—</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>1,395</b>	<b>3,073</b>	<b>(2,778)</b>	<b>4,354</b>	<b>25,059</b>	<b>2,361</b>
Fund Balances - Beginning of Year	53,174	20,733	10,719	8,862	15,043	1,974
Fund Balances - End of Year	\$ 54,569	\$ 23,806	\$ 7,941	\$ 13,216	\$ 40,102	\$ 4,335

### The City of Seattle

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2017  
(In Thousands)**

	Transportation Benefit District	General Trust	Municipal Arts	General Donation and Gift Trust	Comparative Totals	
					2017	2016
<b>REVENUES</b>						
Taxes	58,336	—	—	—	239,967	211,486
Licenses and Permits	—	—	—	—	—	1,443
Grants, Shared Revenues, and Contributions	—	1,087	—	1,197	80,517	78,843
Charges for Services	—	—	2,954	—	104,625	88,486
Fines and Forfeits	—	—	—	—	12,497	13,878
Parking Fees and Space Rent	—	—	—	—	31,661	29,332
Program Income, Interest, and Miscellaneous Revenues	469	65	167	40	18,060	15,100
<b>Total Revenues</b>	<b>58,805</b>	<b>1,152</b>	<b>3,121</b>	<b>1,237</b>	<b>487,327</b>	<b>438,568</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	—	—	—	—	63,223	11,517
Public Safety	—	868	—	160	1,028	1,847
Physical Environment	—	—	—	462	462	459
Transportation	(70)	—	—	—	6,491	54,845
Economic Environment	—	—	—	715	120,051	148,206
Health and Human Services	—	—	—	3	120,943	104,209
Culture and Recreation	—	106	2,901	39	234,926	225,361
<b>Capital Outlay</b>						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	23	23	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	57
Culture and Recreation	—	—	—	—	1,763	241
<b>Debt Service</b>						
Principal	—	—	—	—	56	45
Interest	—	—	—	—	20	12
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>(70)</b>	<b>974</b>	<b>2,901</b>	<b>1,402</b>	<b>549,043</b>	<b>546,742</b>
Excess (Deficiency) of Revenues over Expenditures	58,875	178	220	(165)	(61,716)	(108,174)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	77	27
Transfers In	—	27	187	—	258,264	239,607
Transfers Out	(44,950)	—	—	(22)	(112,974)	(59,962)
<b>Total Other Financing Sources (Uses)</b>	<b>(44,950)</b>	<b>27</b>	<b>187</b>	<b>(22)</b>	<b>145,367</b>	<b>179,672</b>
<b>Net Change in Fund Balance</b>	<b>13,925</b>	<b>205</b>	<b>407</b>	<b>(187)</b>	<b>83,651</b>	<b>71,498</b>
Fund Balances - Beginning of Year	28,911	4,063	10,297	3,556	348,011	276,513
Fund Balances - End of Year	\$ 42,836	\$ 4,268	\$ 10,704	\$ 3,369	\$ 431,662	\$ 348,011

### Nonmajor Governmental Funds

**D-8** **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DEBT SERVICE**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	General Bond Interest and Redemption	Interfund Notes Payable - Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2017	2016
<b>REVENUES</b>					
Taxes	\$ 30,411	\$ —	\$ —	\$ 30,411	\$ 28,614
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	1,465	—	—	1,465	983
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	347	—	—	347	351
Program Income, Interest, and Miscellaneous Revenues	1,035	—	14	1,049	977
Total Revenues	33,258	—	14	33,272	30,925
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
<b>Capital Outlay</b>					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
<b>Debt Service</b>					
Principal	54,872	—	—	54,872	50,218
Interest	35,139	—	—	35,139	32,009
Bond Issuance Cost	46	—	—	46	—
Total Expenditures	90,057	—	—	90,057	82,227
Excess (Deficiency) of Revenues over Expenditures	(56,799)	—	14	(56,785)	(51,302)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	14,605	—	—	14,605	—
Premium on Bonds Issued	580	—	—	580	—
Payment to Refunded Bond Escrow Agent	(15,131)	—	—	(15,131)	—
Sales of Capital Assets	—	—	—	—	—
Transfers In	56,626	—	—	56,626	51,150
Transfers Out	—	—	—	—	—
Total Other Financing Sources (Uses)	56,680	—	—	56,680	51,150
Net Change in Fund Balance	(119)	—	14	(105)	(152)
Fund Balances - Beginning of Year	10,511	8	876	11,395	11,547
Fund Balances - End of Year	\$ 10,392	\$ 8	\$ 890	\$ 11,290	\$ 11,395

### The City of Seattle

**D-9** **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**Page 1 of 5**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement	Park Mitigation Remediation	Parks Capital Projects
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	15,100
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	27	—	1	207	75
Total Revenues	27	—	1	207	15,175
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
<b>Capital Outlay</b>					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
<b>Debt Service</b>					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—
Total Expenditures	—	—	22	3,605	15,908
Excess (Deficiency) of Revenues over Expenditures	27	—	(21)	(3,398)	(733)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—
Transfers In	—	—	—	—	—
Transfers Out	—	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—	—
Net Change in Fund Balance	27	—	(21)	(3,398)	(733)
Fund Balances - Beginning of Year	453	9	30	13,525	(47)
Fund Balances - End of Year	\$ 480	\$ 9	\$ 9	\$ 10,127	\$ (780)

**Nonmajor Governmental Funds**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES					
IN FUND BALANCES					
NONMAJOR GOVERNMENTAL FUNDS					
CAPITAL PROJECTS					
For the Year Ended December 31, 2017					
<i>(In Thousands)</i>					
	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy	Seattle Center Redevelopment / Parks Community Center	Municipal Civic Center	2003 Fire Facilities
<b>REVENUES</b>					
Taxes	\$ —	\$ 36	\$ —	\$ —	\$ 2
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	6,755	273	—	—
Charges for Services	—	(51)	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	1	294	29	15	34
<b>Total Revenues</b>	<b>1</b>	<b>7,034</b>	<b>302</b>	<b>15</b>	<b>36</b>
<b>EXPENDITURES</b>					
Current					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
Capital Outlay	—	—	—	—	—
General Government	—	—	—	22	—
Public Safety	—	—	—	—	1,373
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	32	8,891	424	—	—
Debt Service	—	—	—	—	—
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—
<b>Total Expenditures</b>	<b>32</b>	<b>8,891</b>	<b>424</b>	<b>22</b>	<b>1,373</b>
Excess (Deficiency) of Revenues over Expenditures	(31)	(1,857)	(122)	(7)	(1,337)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	77
Transfers In	—	—	773	—	—
Transfers Out	—	(2,185)	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>(2,185)</b>	<b>773</b>	<b>—</b>	<b>77</b>
Net Change in Fund Balance	(31)	(4,042)	651	(7)	(1,260)
Fund Balances - Beginning of Year	54	28,307	1,769	973	1,890
Fund Balances - End of Year	\$ 23	\$ 24,265	\$ 2,420	\$ 966	\$ 630

**The City of Seattle**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES						
IN FUND BALANCES						
NONMAJOR GOVERNMENTAL FUNDS						
CAPITAL PROJECTS						
For the Year Ended December 31, 2017						
<i>(In Thousands)</i>						
	Garage Proceeds Disposition Fund	Local Improvement, District No. 6750	2008 Multipurpose Long-Term General Obligation Bond	2009 Multipurpose Long-Term General Obligation Bond	2010 Multipurpose Long-Term General Obligation Bond	2011 Multipurpose Long-Term General Obligation Bond
<b>REVENUES</b>						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	1,244	—	—	—	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	2	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	361	253	—	2	21	17
<b>Total Revenues</b>	<b>361</b>	<b>1,499</b>	<b>—</b>	<b>2</b>	<b>21</b>	<b>17</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	—	—
Capital Outlay	—	—	—	—	—	—
General Government	8,393	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	—	35
Debt Service	—	1,430	—	—	—	—
Principal	—	316	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>8,393</b>	<b>1,746</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35</b>
Excess (Deficiency) of Revenues over Expenditures	(8,032)	(247)	—	2	21	(18)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	(13,720)	—	—	(116)	(127)	(482)
<b>Total Other Financing Sources (Uses)</b>	<b>(13,720)</b>	<b>—</b>	<b>—</b>	<b>(116)</b>	<b>(127)</b>	<b>(482)</b>
Net Change in Fund Balance	(21,752)	(247)	—	(114)	(106)	(500)
Fund Balances - Beginning of Year	22,121	536	34	114	131	843
Fund Balances - End of Year	\$ 369	\$ 289	\$ 34	\$ —	\$ 25	\$ 343

### Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS For the Year Ended December 31, 2017 (In Thousands)						
	2012 Multipurpose Long-Term General Obligation Bond	2013 Multipurpose Long-Term General Obligation Bond	Alaskan Way Seawall Construction	Central Waterfront Improvement	2013 King County Parks Levy Fund	2014 Long-Term General Obligation Bond
<b>REVENUES</b>						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	1,978	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	5	15	114	16	48	3
<b>Total Revenues</b>	<b>5</b>	<b>15</b>	<b>114</b>	<b>16</b>	<b>2,026</b>	<b>3</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	—	—
Capital Outlay						
General Government	—	—	—	2,282	—	3
Public Safety	—	(5)	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	32	417	867	(1,104)	607	34
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>32</b>	<b>412</b>	<b>867</b>	<b>1,178</b>	<b>607</b>	<b>37</b>
Excess (Deficiency) of Revenues over Expenditures	(27)	(397)	(753)	(1,162)	1,419	(34)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	(73)	(300)	(451)	4,923	—	(650)
Total Other Financing Sources (Uses)	(73)	(300)	(451)	4,923	—	(650)
Net Change in Fund Balance	(100)	(697)	(1,204)	3,761	1,419	(684)
Fund Balances - Beginning of Year	348	837	5,231	(21,486)	3,150	848
Fund Balances - End of Year	<u>\$ 248</u>	<u>\$ 140</u>	<u>\$ 4,027</u>	<u>\$ (17,725)</u>	<u>\$ 4,569</u>	<u>\$ 164</u>

### The City of Seattle

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS For the Year Ended December 31, 2017 (In Thousands)						
	2015 Multipurpose Long-Term General Obligation Bond	2016 Multipurpose Long-Term General Obligation Bond	2017 Multipurpose Long-Term General Obligation Bond	2018 Multipurpose Long-Term General Obligation Bond	Comparative Totals	
					2017	2016
<b>REVENUES</b>						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 38	\$ 69
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	25,350	15,340
Charges for Services	—	—	—	—	(51)	—
Fines and Forfeits	—	—	—	—	2	15
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	170	639	133	—	2,480	1,979
<b>Total Revenues</b>	<b>170</b>	<b>639</b>	<b>133</b>	<b>—</b>	<b>27,819</b>	<b>17,403</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	—	—	20,501
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	—	5
Capital Outlay						
General Government	666	10,286	19,003	—	40,655	16,892
Public Safety	—	—	—	—	1,368	15,149
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	31	—	4,800	—	34,601	32,100
Debt Service						
Principal	—	—	—	—	1,430	1,320
Interest	—	—	—	—	316	645
Bond Issuance Cost	—	—	462	—	462	627
<b>Total Expenditures</b>	<b>697</b>	<b>10,286</b>	<b>24,265</b>	<b>—</b>	<b>78,832</b>	<b>87,239</b>
Excess (Deficiency) of Revenues over Expenditures	(527)	(9,647)	(24,132)	—	(51,013)	(69,836)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	79,275	—	79,275	145,139
Premium on Bonds Issued	—	—	9,618	—	9,618	22,177
Payment to Refunded Bond Escrow Agent	—	—	(4,288)	—	(4,288)	(31,909)
Sales of Capital Assets	—	—	—	—	77	—
Transfers In	—	—	—	—	773	33,353
Transfers Out	(3,480)	(12,694)	(25,835)	(509)	(55,699)	(111,713)
Total Other Financing Sources (Uses)	(3,480)	(12,694)	58,770	(509)	29,756	57,047
Net Change in Fund Balance	(4,007)	(22,341)	34,638	(509)	(21,257)	(12,789)
Fund Balances - Beginning of Year	6,069	39,361	(12,358)	—	92,742	105,530
Fund Balances - End of Year	<u>\$ 2,062</u>	<u>\$ 17,020</u>	<u>\$ 22,280</u>	<u>\$ (509)</u>	<u>\$ 71,485</u>	<u>\$ 92,741</u>

**Nonmajor Governmental Funds**

**The City of Seattle**

**D-10 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT  
For the Year Ended December 31, 2017  
(In Thousands)**

	H. H. Dearborn	Beach Maintenance Trust	Comparative Totals	
			2017	2016
<b>REVENUES</b>				
Taxes	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—
Charges for Services	—	—	—	—
Fines and Forfeits	—	—	—	—
Parking Fees and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	2	31	33	20
<b>Total Revenues</b>	<b>2</b>	<b>31</b>	<b>33</b>	<b>20</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	2	2	—
<b>Capital Outlay</b>				
General Government	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	5
<b>Debt Service</b>				
Principal	—	—	—	—
Interest	—	—	—	—
Bond Issuance Cost	—	—	—	—
<b>Total Expenditures</b>	<b>—</b>	<b>2</b>	<b>2</b>	<b>5</b>
Excess (Deficiency) of Revenues over Expenditures	2	29	31	15
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>2</b>	<b>29</b>	<b>31</b>	<b>15</b>
Fund Balances - Beginning of Year	145	2,032	2,177	2,162
<b>Fund Balances - End of Year</b>	<b>\$ 147</b>	<b>\$ 2,061</b>	<b>\$ 2,208</b>	<b>\$ 2,177</b>

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**Budget and Actual**

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**Budget and Actual**

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**Page 1 of 4**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 290,932	\$ 294,717	\$ —	\$ 3,785
Retail Sales and Use Taxes	246,197	254,522	—	8,325
Business Taxes	307,206	302,371	—	(4,835)
Excise Taxes	75,095	83,447	—	8,352
Other Taxes	9,207	12,583	—	3,376
Interfund Business Taxes	155,410	159,955	—	4,545
Total Taxes	<u>1,084,047</u>	<u>1,107,595</u>	<u>—</u>	<u>23,548</u>
Licenses and Permits	45,876	35,462	—	(10,414)
Grants, Shared Revenues, and Contributions	49,043	24,107	—	(24,936)
Charges for Services	53,223	69,076	—	15,853
Fines and Forfeits	29,527	28,972	—	(555)
Parking Fees and Space Rent	43,231	38,588	—	(4,643)
Program Income, Interest, and Miscellaneous Revenues	249,838	301,915	—	52,077
Total Revenues	<u>1,554,785</u>	<u>1,605,715</u>	<u>—</u>	<u>50,930</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
CITY AUDITOR	5,779	2,236	338	3,205
CITY BUDGET OFFICE	7,138	6,265	25	848
CIVIL SERVICE COMMISSIONS	489	518	—	(29)
CRIMINAL JUSTICE				
Jail Services	19,917	18,626	—	1,291
Indigent Defense Services	8,233	7,793	—	440
Total Criminal Justice	<u>28,150</u>	<u>26,419</u>	<u>—</u>	<u>1,731</u>
ETHICS AND ELECTIONS	734	642	—	92
EXECUTIVE				
Sustainability and Environment	8,096	5,257	443	2,396
Mayor's Office	7,609	6,900	—	709
Economic Development	12,120	9,451	635	2,034
Intergovernmental Relations	2,874	2,493	85	296
Immigrant and Refugee Affairs	4,777	3,106	351	1,320
Community Police Commission	1,408	943	41	424
Civil Rights	10,858	8,773	1,225	860
Planning and Community Development	9,072	7,318	639	1,115
Total Executive	<u>56,814</u>	<u>44,241</u>	<u>3,419</u>	<u>9,154</u>
FINANCE AND ADMINISTRATIVE SERVICES	855	166	—	689

**The City of Seattle**

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**Page 2 of 4**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
<b>FINANCE GENERAL</b>				
Appropriations to Special Purpose Funds	\$ 53,923	\$ 52,395	\$ —	\$ 1,528
Reserves	50,856	31,747	—	19,109
Support to Operating Funds	49,834	49,833	—	1
Transferred Programs	—	—	—	—
Support to Parks Capital Expenditures	59	51	—	8
Total Finance General	<u>154,672</u>	<u>134,026</u>	<u>—</u>	<u>20,646</u>
<b>FIRE</b>				
Administration	13,154	12,766	—	388
Resource Management	12,505	12,419	—	86
Operations	170,595	167,888	—	2,707
Fire Prevention	8,935	8,850	—	85
Grants and Reimbursables	13,197	5,078	—	8,119
Total Department	<u>218,386</u>	<u>207,001</u>	<u>—</u>	<u>11,385</u>
HEARING EXAMINER	768	663	6	99
<b>LAW</b>				
Administration	2,598	2,598	—	—
Civil Law	15,558	14,692	—	866
Criminal Prosecution	8,702	7,944	—	758
Precinct Liaison	844	695	—	149
Total Department	<u>27,702</u>	<u>25,929</u>	<u>—</u>	<u>1,773</u>
LEGISLATIVE	16,849	15,175	231	1,443
LIBRARY	—	—	—	—
<b>MUNICIPAL COURT</b>				
Court Operations	17,898	17,823	—	75
Corporate Services	7,845	7,658	—	187
Court Compliance	6,240	6,181	—	59
Total Department	<u>31,983</u>	<u>31,662</u>	<u>—</u>	<u>321</u>
<b>NEIGHBORHOODS</b>				
Director's Office	3,382	3,171	97	114
Customer Service and Operations	—	—	—	—
Community Building	5,501	4,431	326	744
Office for Education	—	—	—	—
Youth Violence Prevention	—	—	—	—
Total Department	<u>8,883</u>	<u>7,602</u>	<u>423</u>	<u>858</u>

**Budget and Actual**

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**Page 3 of 4**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
HUMAN RESOURCES				
Employment and Training	\$ 5,901	\$ 5,621	\$ —	\$ 280
Employee Health Services	7,593	7,416	39	138
Citywide Personnel	4,761	4,770	—	(9)
Labor Relations and Class Compensation	1,804	1,798	—	6
Total Department	20,059	19,605	39	415
POLICE				
Chief of Police	22,976	14,585	18	8,373
Professional Accountability	3,330	3,273	—	57
Chief of Staff Program	28,334	27,758	156	420
Deputy Chief Operations	9,451	9,038	—	413
Special Operations Bureau	55,581	53,507	171	1,903
Professional Standards Program	18,854	18,790	53	11
West Precinct Patrol	30,362	30,148	—	214
North Precinct Patrol	33,069	32,932	—	137
South Precinct Patrol	18,488	18,280	—	208
East Precinct Patrol	23,841	23,685	—	156
Southwest Precinct Patrol	16,100	15,843	—	257
Criminal Investigation Administration	11,894	11,695	—	199
Violent Crimes Investigation	8,662	8,610	—	52
Narcotics Investigation	5,565	5,473	—	92
Coordinated Criminal Investigations	9,523	9,399	—	124
Special Victims Program	7,145	7,126	—	19
Field Support	40,979	40,332	—	647
Total Department	344,154	330,474	398	13,282
JUDGMENTS/CLAIMS	28,800	18,822	—	9,978
ARTS ACCOUNT	11,829	8,121	2,492	1,216
CABLE TELEVISION FRANCHISE	9,713	9,713	—	—
CUMULATIVE RESERVE				
Real Estate Excise Tax I	69,296	20,596	—	48,700
Real Estate Excise Tax II	40,678	10,508	—	30,170
Capital Projects Asset Preservation	14,382	5,320	—	9,062
Capital Projects Street Vacation	6,792	—	—	6,792
Unrestricted	19,814	2,329	—	17,485
Total Cumulative Reserve	150,962	38,753	—	112,209

**The City of Seattle**

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**Page 4 of 4**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
NEIGHBORHOOD MATCHING	\$ 8,948	\$ 3,916	\$ —	\$ 5,032
EMERGENCY	—	—	—	—
TRANSIT BENEFIT	5,874	5,830	—	44
SPECIAL EMPLOYMENT	100	45	—	55
INDUSTRIAL INSURANCE	19,996	19,337	—	659
UNEMPLOYMENT COMPENSATION	2,660	1,832	—	828
HEALTH CARE	218,604	211,985	—	6,619
GROUP TERM LIFE INSURANCE	6,799	6,084	—	715
FIREMEN'S PENSION	20,087	18,527	—	1,560
POLICE RELIEF AND PENSION	24,073	19,415	—	4,658
Total Expenditures and Encumbrances	1,431,860	1,215,004	7,371	209,485
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	122,925	390,711	(7,371)	(158,555)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	3,487	5,180	—	1,693
Transfers In	46,729	12,753	—	(33,976)
Transfers Out	(437,903)	(355,334)	—	82,569
Total Other Financing Sources (Uses)	(387,687)	(337,401)	—	50,286
Net Change in Fund Balance	\$ (264,762)	53,310	\$ (7,371)	\$ (108,269)
Fund Balance - Beginning of Year as Restated		426,257		
Fund Balance - End of Year		\$ 479,567		

**Budget and Actual**

D-12

**TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 96,984	\$ 96,396	\$ —	\$ (588)
Business Taxes	41,048	43,014	—	1,966
Other Taxes	—	—	—	—
Total Taxes	<u>138,032</u>	<u>139,410</u>	<u>—</u>	<u>1,378</u>
Licenses and Permits	(190)	8,212	—	8,402
Grants, Shared Revenues, and Contributions	62,838	33,369	—	(29,469)
Charges for Services	67,763	74,764	—	7,001
Fines and Forfeits	—	172	—	172
Parking Fees and Space Rent	(200)	244	—	444
Program Income, Interest, and Miscellaneous Revenues	<u>25,206</u>	<u>698</u>	<u>—</u>	<u>(24,508)</u>
Total Revenues	<u>293,449</u>	<u>256,869</u>	<u>—</u>	<u>(36,580)</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Bridges and Structures	11,683	10,861	568	254
Engineering Services	3,822	4,290	210	(678)
Mobility Operations	49,868	84,432	2,012	(36,576)
Right-of-Way Management	35,067	29,929	377	4,761
Street Maintenance	28,352	30,885	—	(2,533)
Urban Forestry	5,543	5,719	—	(176)
Department Management	2,659	2,633	243	(217)
General Expense	36,767	11,749	—	25,018
Major Maintenance/Replacement	101,995	54,899	—	47,096
Major Projects	25,306	53,175	—	(27,869)
Mobility Capital	<u>214,147</u>	<u>94,381</u>	<u>—</u>	<u>119,766</u>
Total Expenditures and Encumbrances	<u>515,209</u>	<u>382,953</u>	<u>3,410</u>	<u>128,846</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(221,760)	(126,084)	(3,410)	(165,426)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	—	—	—	—
Transfers In	394,275	158,143	—	236,132
Transfers Out	<u>(102,026)</u>	<u>(26,535)</u>	<u>—</u>	<u>(75,491)</u>
Total Other Financing Sources (Uses)	<u>292,249</u>	<u>131,608</u>	<u>—</u>	<u>160,641</u>
Net Change in Fund Balance	<u>\$ 70,489</u>	<u>5,524</u>	<u>\$ (3,410)</u>	<u>\$ (4,785)</u>
Fund Balance - Beginning of Year		<u>97,538</u>		
Fund Balance - End of Year		<u>\$ 103,062</u>		

**The City of Seattle**

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**LOW-INCOME HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
General Property Taxes	\$ 51,632	\$ 37,489	\$ —	\$ (14,143)
Grants, Shared Revenues, and Contributions	21,944	3,762	—	(18,182)
Charges for Services	(5,066)	31,833	—	36,899
Program Income, Interest, and Miscellaneous Revenues	<u>(7,044)</u>	<u>10,878</u>	<u>—</u>	<u>17,922</u>
Total Revenues	<u>61,466</u>	<u>83,962</u>	<u>—</u>	<u>22,496</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Community Development & Homeownership and Sustainability Administration and Management	3,194	1,085	—	2,109
Multifamily Production and Preservation	19,463	7,628	—	11,835
Single Family	<u>26,526</u>	<u>4,794</u>	<u>—</u>	<u>21,732</u>
Total Expenditures and Encumbrances	<u>229,436</u>	<u>58,588</u>	<u>—</u>	<u>170,848</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(167,970)	25,374	—	193,344
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	(15)	—	—	15
Total Other Financing Sources (Uses)	<u>(15)</u>	<u>—</u>	<u>—</u>	<u>15</u>
Net Change in Fund Balance	<u>\$ (167,985)</u>	<u>25,374</u>	<u>\$ —</u>	<u>\$ 193,359</u>
Fund Balance - Beginning of Year		<u>154,597</u>		
Fund Balance - End of Year		<u>\$ 179,971</u>		

**Budget and Actual**

D-14

**PARK AND RECREATION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ 452	\$ 568	\$ —	\$ 116
Charges for Services	37,859	49,362	—	11,503
Fines and Forfeits	—	1	—	1
Parking Fees and Space Rent	6,769	8,006	—	1,237
Program Income, Interest, and Miscellaneous Revenues	779	148	—	(631)
<b>Total Revenues</b>	<b>45,859</b>	<b>58,085</b>	<b>—</b>	<b>12,226</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Gasworks Park Contamination Remediation	1	—	—	1
Swimming, Boating, and Aquatics	10,232	10,227	—	5
Recreation Facilities and Programs	30,554	30,427	—	127
Facility and Structure Maintenance	17,771	17,464	—	307
Park Cleaning, Landscaping, and Restoration	33,893	33,186	—	707
Seattle Conservation Corps	5,203	5,110	—	93
Seattle Aquarium	—	—	—	—
Woodland Park Zoo	7,088	7,010	—	78
Planning, Development, and Acquisition	7,998	7,246	157	595
Judgments and Claims	668	668	—	—
Finance and Administration	16,345	14,758	—	1,587
Policy Direction and Leadership	4,899	4,854	—	45
Golf	10,660	10,015	—	645
Environmental Learning and Programs	1,254	1,223	—	31
Natural Resources Management	9,663	9,657	—	6
Regional Parks and Strategic Outreach	5,169	4,588	—	581
<b>Total Expenditures and Encumbrances</b>	<b>161,398</b>	<b>156,433</b>	<b>157</b>	<b>4,808</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(115,539)	(98,348)	(157)	17,034
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	—	77	—	77
Transfers In	115,897	101,411	—	(14,486)
Transfers Out	(4,796)	(2,310)	—	2,486
<b>Total Other Financing Sources (Uses)</b>	<b>111,101</b>	<b>99,178</b>	<b>—</b>	<b>(11,923)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (4,438)</b>	<b>830</b>	<b>\$ (157)</b>	<b>\$ 5,111</b>
Fund Balance - Beginning of Year		7,559		
Fund Balance - End of Year		<u>8,389</u>		

**The City of Seattle**

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**LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ 6,119	\$ 2,801	\$ —	\$ (3,318)
Charges for Services	230	297	—	67
Fines and Forfeits	1,336	1,328	—	(8)
Parking Fees and Space Rent	610	567	—	(43)
Program Income, Interest, and Miscellaneous Revenues	325	245	—	(80)
<b>Total Revenues</b>	<b>8,620</b>	<b>5,238</b>	<b>—</b>	<b>(3,382)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Administrative Services	11,971	9,748	—	2,223
City Librarian's Office	495	491	—	4
Library Capital Improvements	—	—	—	—
Library Services	57,822	56,636	67	1,119
Grants, Trusts, and Memorials	12,219	4,426	—	7,793
Bunn Projects - Principal and Interest	2,851	816	—	2,035
Information Technology	—	—	—	—
Human Resources	1,431	1,419	—	12
Marketing and Online Services	—	—	—	—
Strategic and Institutional Advance	1,814	1,598	—	216
<b>Total Expenditures and Encumbrances</b>	<b>88,603</b>	<b>75,134</b>	<b>67</b>	<b>13,402</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(79,983)	(69,896)	(67)	10,020
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	67,644	67,319	—	(325)
Transfers Out	(555)	(555)	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>67,089</b>	<b>66,764</b>	<b>—</b>	<b>(325)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (12,894)</b>	<b>(3,132)</b>	<b>\$ (67)</b>	<b>\$ 9,695</b>
Fund Balance - Beginning of Year		16,272		
Fund Balance - End of Year		<u>\$ 13,140</u>		

**Budget and Actual**

D-16

**SEATTLE CENTER FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ —	\$ —	\$ —	\$ —
Charges for Services	13,093	9,645	—	(3,448)
Parking Fees and Space Rent	17,158	23,437	—	6,279
Program Income, Interest, and Miscellaneous Revenues	(855)	220	—	1,075
<b>Total Revenues</b>	<b>29,396</b>	<b>33,302</b>	<b>—</b>	<b>3,906</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Access	1,194	1,135	—	59
Administration	8,960	8,339	27	594
Cultural Facilities	256	223	—	33
Commercial Events	2,168	2,008	—	160
Festivals	1,486	1,313	—	173
Campus Grounds	13,493	13,952	—	(459)
Judgments and Claims	223	223	—	—
Key Arena	10,434	9,954	—	480
McCaw Hall	4,959	4,708	—	251
Community Programs	2,471	2,355	—	116
<b>Total Expenditures and Encumbrances</b>	<b>45,644</b>	<b>44,210</b>	<b>27</b>	<b>1,407</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(16,248)	(10,908)	(27)	5,313
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Leases	—	—	—	—
Transfers In	13,044	12,557	—	(487)
Transfers Out	(625)	(625)	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>12,419</b>	<b>11,932</b>	<b>—</b>	<b>(487)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (3,829)</b>	<b>1,024</b>	<b>\$ (27)</b>	<b>\$ 4,826</b>
Fund Balance - Beginning of Year		6,900		
Fund Balance - End of Year		<u>\$ 7,924</u>		

**The City of Seattle**

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**HUMAN SERVICES OPERATING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
General Property Taxes	\$ —	\$ —	\$ —	\$ —
Grants, Shared Revenues, and Contributions	51,684	54,833	—	3,149
Charges for Services	(4,494)	5,746	—	10,240
Fines and Forfeits	—	204	—	204
Program Income, Interest, and Miscellaneous Revenues	(5)	293	—	298
<b>Total Revenues</b>	<b>47,185</b>	<b>61,076</b>	<b>—</b>	<b>13,891</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Youth and Family Empowerment	23,665	27,540	—	(3,875)
Transitional Living and Support	69,316	50,236	—	19,080
Aging and Disability Services	41,737	41,701	—	36
Leadership and Administration	17,580	17,619	—	(39)
Public Health Services	12,633	12,587	—	46
Community Support and Self-Sufficiency	1,610	—	—	1,610
<b>Total Expenditures and Encumbrances</b>	<b>166,541</b>	<b>149,683</b>	<b>—</b>	<b>16,858</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(119,356)	(88,607)	—	30,749
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	90,080	91,155	—	1,075
<b>Net Change in Fund Balance</b>	<b>\$ (29,276)</b>	<b>2,548</b>	<b>\$ —</b>	<b>\$ 31,824</b>
Fund Balance - Beginning of Year		13,732		
Fund Balance - End of Year		<u>\$ 16,280</u>		

**Budget and Actual**

**The City of Seattle**

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**OFFICE OF HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2017  
(In Thousands)**

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
General Property Taxes	\$ —	\$ 3,566	\$ —	\$ 3,566
Grants, Shared Revenues, and Contributions	(743)	812	—	1,555
Charges for Services	8,323	2,234	—	(6,089)
Parking Fees and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	(150)	10	—	160
Total Revenues	<u>7,430</u>	<u>6,622</u>	<u>—</u>	<u>(808)</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Office of Housing	7,486	5,838	482	1,166
HUD Challenge Grant	—	—	—	—
Total Expenditures and Encumbrances	<u>7,486</u>	<u>5,838</u>	<u>482</u>	<u>1,166</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	<u>(56)</u>	<u>784</u>	<u>(482)</u>	<u>358</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	(127)	532	—	659
Net Change in Fund Balance	<u>\$ (183)</u>	<u>1,316</u>	<u>\$ (482)</u>	<u>\$ 358</u>
Fund Balance - Beginning of Year		<u>2,234</u>		
Fund Balance - End of Year		<u>\$ 3,550</u>		

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## **Nonmajor Enterprise Funds**

**Nonmajor Enterprise Funds**

**NONMAJOR ENTERPRISE FUNDS**

The **Planning and Development Fund** accounts for building permit fees and moneys from the General Fund as well as the cost of enforcing the City's land use and building construction codes.

The **Downtown Parking Garage Fund** accounts for the proceeds from the sale of bonds to pay for the cost of effecting the beneficial transfer to the City of the parking garage at Pacific Place in downtown Seattle. This fund also accounts for the operation of the garage.

The **Fiber Leasing Fund** is used to account for the activities associated with management's use of the City's excess fiber and fiber infrastructure. The Fiber Leasing Fund receives revenues from sponsorship agreements; federal, state, county, or other grants or transfers, private funding, donations or gifts, and property sales proceeds (Ordinance 123931).

**The City of Seattle**

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**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS**

**December 31, 2017**

*(In Thousands)*

	Planning and Development		Downtown Parking Garage	
	2017	2016	2017	2016
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 83,607	\$ 70,311	\$ —	\$ 32
Receivables, Net of Allowances				
Accounts	1,088	947	—	—
Interest and Dividends	—	79	—	—
Due from Other Funds	1,108	612	—	1,169
Due from Other Governments	398	551	—	—
Materials and Supplies Inventory	—	—	—	—
Prepayments and Other Current Assets	—	751	—	—
<b>Total Current Assets</b>	<b>86,201</b>	<b>73,251</b>	<b>—</b>	<b>1,201</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	139	92	—	—
Capital Assets				
Land and Land Rights	—	—	—	—
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	14,430	14,360	—	—
Less Accumulated Depreciation	(14,292)	(14,288)	—	—
Construction in Progress	8,314	6,799	—	—
<b>Total Noncurrent Assets</b>	<b>8,591</b>	<b>6,963</b>	<b>—</b>	<b>—</b>
<b>Total Assets</b>	<b>94,792</b>	<b>80,214</b>	<b>—</b>	<b>1,201</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,576</b>	<b>13,962</b>	<b>—</b>	<b>—</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 104,368</b>	<b>\$ 94,176</b>	<b>\$ —</b>	<b>\$ 1,201</b>



**Nonmajor Enterprise Funds**

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**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
December 31, 2017  
(In Thousands)**

	Fiber Leasing		Comparative Totals	
	2017	2016	2017	2016
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 12	\$ 11	\$ 83,619	\$ 70,354
Receivables, Net of Allowances				
Accounts	—	29	1,088	976
Interest and Dividends	—	—	—	79
Due from Other Funds	—	—	1,108	1,781
Due from Other Governments	—	—	398	551
Materials and Supplies Inventory	—	—	—	—
Prepayments and Other Current Assets	—	—	—	751
<b>Total Current Assets</b>	<b>12</b>	<b>40</b>	<b>86,213</b>	<b>74,492</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	—	—	139	92
Capital Assets				
Land and Land Rights	—	—	—	—
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	14,430	14,360
Less Accumulated Depreciation	—	—	(14,292)	(14,288)
Construction in Progress	—	—	8,314	6,799
<b>Total Noncurrent Assets</b>	<b>—</b>	<b>—</b>	<b>8,591</b>	<b>6,963</b>
<b>Total Assets</b>	<b>12</b>	<b>40</b>	<b>94,804</b>	<b>81,455</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	—	—	9,576	13,962
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 12</b>	<b>\$ 40</b>	<b>\$ 104,380</b>	<b>\$ 95,417</b>

**The City of Seattle**

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**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
December 31, 2017  
(In Thousands)**

	Planning and Development		Downtown Parking Garage	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 239	\$ 573	\$ —	\$ —
Salaries, Benefits, and Payroll Taxes Payable	2,068	1,971	—	—
Compensated Absences Payable	178	225	—	—
Due to Other Funds	2,272	877	—	25
Due to Other Governments	—	—	—	—
Bond Interest Payable	—	—	—	1
Taxes Payable	—	—	—	—
General Obligation Bonds Due Within One Year	—	—	—	—
Claims Payable	169	183	—	—
Other Current Liabilities	23	28	—	—
<b>Total Current Liabilities</b>	<b>4,949</b>	<b>3,857</b>	<b>—</b>	<b>26</b>
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	2,716	2,697	—	—
Claims Payable	275	353	—	—
Vendor and Other Deposits Payable	139	92	—	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Bond Interest Payable	—	—	—	—
Unearned Revenues and Other Credits	23,059	18,157	—	—
Unfunded Other Post Employment Benefits	1,959	1,859	—	—
Net Pension Liability	57,944	63,529	—	—
Advances from Other Funds	—	—	—	1,200
Other Noncurrent Liabilities	103	31	—	—
<b>Total Noncurrent Liabilities</b>	<b>86,195</b>	<b>86,718</b>	<b>—</b>	<b>1,200</b>
<b>Total Liabilities</b>	<b>91,144</b>	<b>90,575</b>	<b>—</b>	<b>1,226</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,487</b>	<b>32</b>	<b>—</b>	<b>—</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	8,453	6,870	—	—
Unrestricted	1,284	(3,301)	—	(25)
<b>Total Net Position</b>	<b>9,737</b>	<b>3,569</b>	<b>—</b>	<b>(25)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 104,368</b>	<b>\$ 94,176</b>	<b>\$ —</b>	<b>\$ 1,201</b>

**Nonmajor Enterprise Funds**

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Page 4 of 4

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
December 31, 2017  
(In Thousands)**

	Fiber Leasing		Comparative Totals	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ —	\$ —	\$ 239	\$ 573
Salaries, Benefits, and Payroll Taxes Payable	—	—	2,068	1,971
Compensated Absences Payable	—	—	178	225
Due to Other Funds	51	51	2,323	953
Due to Other Governments	—	—	—	—
Bond Interest Payable	—	—	—	1
Taxes Payable	—	—	—	—
General Obligation Bonds Due Within One Year	—	—	—	—
Claims Payable	—	—	169	183
Other Current Liabilities	—	—	23	28
Total Current Liabilities	51	51	5,000	3,934
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	—	—	2,716	2,697
Claims Payable	—	—	275	353
Vendor and Other Deposits Payable	—	—	139	92
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Bond Interest Payable	—	—	—	—
Unearned Revenues and Other Credits	—	—	23,059	18,157
Unfunded Other Post Employment Benefits	—	—	1,959	1,859
Net Pension Liability	—	—	57,944	63,529
Advances from Other Funds	—	—	—	1,200
Other Noncurrent Liabilities	—	—	103	31
Total Noncurrent Liabilities	—	—	86,195	87,918
Total Liabilities	51	51	91,195	91,852
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	—	3,487	32
<b>NET POSITION</b>				
Net Investment in Capital Assets	—	—	8,453	6,870
Unrestricted	(39)	(11)	1,245	(3,337)
Total Net Position	(39)	(11)	9,698	3,533
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12	\$ 40	\$ 104,380	\$ 95,417

**The City of Seattle**

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Page 1 of 2

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Planning and Development		Downtown Parking Garage	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Fees	\$ 74,350	\$ 81,000	\$ —	\$ 5,355
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	60,910	58,929	—	1,981
General and Administrative	14,702	11,720	—	—
City Business and Occupation Taxes	—	—	—	12
Other Taxes	—	—	—	25
Depreciation and Amortization	32	191	—	1,560
Total Operating Expenses	75,644	70,840	—	3,578
Operating Income (Loss)	(1,294)	10,160	—	1,777
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	1,072	510	—	—
Interest Expense	(12)	(4)	—	(2,007)
Amortization of Bonds Premiums	—	—	—	148
Amortization of Refunding Gain (Loss)	—	—	—	198
Gain (Loss) on Sale of Capital Assets	—	—	—	47,497
Contributions and Grants	105	131	—	—
Others, Net	2	2	—	—
Total Nonoperating Revenues (Expenses)	1,167	639	—	45,836
Income (Loss) Before Capital Contributions and Grants and Transfers	(127)	10,799	—	47,613
Transfers In	6,295	7,094	25	11,169
Transfers Out	—	(1,029)	—	(32,703)
Change in Net Position	6,168	16,864	25	26,079
Net Position - Beginning of Year	3,569	(13,295)	(25)	(26,104)
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	3,569	(13,295)	(25)	(26,104)
Net Position - End of Year	\$ 9,737	\$ 3,569	\$ —	\$ (25)

**Nonmajor Enterprise Funds**

E-2 **COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
 Page 2 of 2 **IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Fiber Leasing		Comparative Totals	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Fees	\$ 1	\$ 1	\$ 74,351	\$ 86,356
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	28	—	60,938	60,910
General and Administrative	—	—	14,702	11,720
City Business and Occupation Taxes	—	—	—	12
Other Taxes	—	—	—	25
Depreciation and Amortization	—	—	32	1,751
Total Operating Expenses	28	—	75,672	74,418
Operating Income (Loss)	(27)	1	(1,321)	11,938
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	—	—	1,072	510
Interest Expense	(1)	(1)	(13)	(2,012)
Amortization of Bonds Premiums	—	—	—	148
Amortization of Refunding Gain (Loss)	—	—	—	198
Gain (Loss) on Sale of Capital Assets	—	—	—	47,497
Contributions and Grants	—	—	105	131
Others, Net	—	—	2	2
Total Nonoperating Revenues (Expenses)	(1)	(1)	1,166	46,474
Income (Loss) Before Capital Contributions and Grants and Transfers	(28)	—	(155)	58,412
Transfers In	—	—	6,320	18,263
Transfers Out	—	—	—	(33,732)
Change in Net Position	(28)	—	6,165	42,943
Net Position - Beginning of Year	(11)	(11)	3,533	(39,410)
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	(11)	(11)	3,533	(39,410)
Net Position - End of Year	\$ (39)	\$ (11)	\$ 9,698	\$ 3,533

**The City of Seattle**

E-3 **COMBINING STATEMENT OF CASH FLOWS**  
 Page 1 of 4 **NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Planning and Development		Downtown Parking Garage	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 78,845	\$ 80,061	\$ 1,169	\$ 6,566
Cash Paid to Suppliers	(36,848)	(33,293)	(25)	(2,793)
Cash Paid to Employees	(34,511)	(35,645)	—	—
Cash Paid for Taxes	—	—	—	(1,415)
Net Cash from Operating Activities	7,486	11,123	1,144	2,358
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants	105	131	—	—
Transfers In	6,295	7,094	25	10,000
Transfers Out	—	(1,029)	—	(32,703)
Proceeds from Interfund Loans	—	—	—	—
Principal Payments on Interfund Loans	—	—	(1,200)	(6,400)
Net Cash from Noncapital Financing Activities	6,400	6,196	(1,175)	(29,103)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Long-Term Debt	—	—	—	(3,280)
Capital Expenses and Other Charges Paid	(1,615)	(2,101)	—	—
Interest Paid on Long-Term Debt	—	—	—	(2,676)
Payment to Trustee for Defeased Bonds	—	—	—	(52,468)
Proceeds from Sales of Capital Assets	—	—	—	85,171
Net Cash from Capital and Related Financing Activities	(1,615)	(2,101)	—	26,747
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Investment Income (Loss)	1,072	510	—	(6)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	13,343	15,728	(31)	(4)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	70,403	54,675	32	36
End of Year	\$ 83,746	\$ 70,403	\$ 1	\$ 32
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 83,607	\$ 70,311	\$ —	\$ 32
Noncurrent Restricted Cash and Equity in Pooled Investments	139	92	—	—
Total Cash at the End of the Year	\$ 83,746	\$ 70,403	\$ —	\$ 32

**Nonmajor Enterprise Funds**

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Page 2 of 4  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Fiber Leasing		Comparative Totals	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 1	\$ 1	\$ 80,015	\$ 86,628
Cash Paid to Suppliers	—	—	(36,873)	(36,086)
Cash Paid to Employees	—	—	(34,511)	(35,645)
Cash Paid for Taxes	—	—	—	(1,415)
Net Cash from Operating Activities	1	1	8,631	13,482
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants	—	—	105	131
Transfers In	—	—	6,320	17,094
Transfers Out	—	—	—	(33,732)
Proceeds from Interfund Loans	—	—	—	—
Principal Payments on Interfund Loans	—	—	(1,200)	(6,400)
Net Cash from Noncapital Financing Activities	—	—	5,225	(22,907)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Long-Term Debt	—	—	—	(3,280)
Capital Expenses and Other Charges Paid	—	—	(1,615)	(2,101)
Interest Paid on Long-Term Debt	(1)	—	(1)	(2,676)
Payment to Trustee for Defeased Bonds	—	—	—	(52,468)
Proceeds from Sales of Capital Assets	—	—	—	85,171
Net Cash from Capital and Related Financing Activities	(1)	—	(1,616)	24,646
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Investment Income (Loss)	—	—	1,072	504
Net Increase (Decrease) in Cash and Equity in Pooled Investments	—	1	13,312	15,725
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	11	10	70,446	54,721
End of Year	\$ 11	\$ 11	\$ 83,758	\$ 70,446
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 12	\$ 11	\$ 83,619	\$ 70,354
Noncurrent Restricted Cash and Equity in Pooled Investments	—	—	139	92
Total Cash at the End of the Year	\$ 12	\$ 11	\$ 83,758	\$ 70,446

**The City of Seattle**

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Page 3 of 4  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Planning and Development		Downtown Parking Garage	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,294)	\$ 10,160	\$ —	\$ 1,777
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	32	191	—	1,560
Other Operating Expenses	2,347	3,748	—	—
Nonoperating Revenues and Expenses	—	—	—	—
<b>Changes in Operating Assets and Liabilities</b>				
Accounts Receivable	(741)	(196)	—	47
Unbilled Receivables	—	—	—	—
Due from Other Funds	183	345	1,169	—
Due from Other Governments	154	(192)	—	—
Accounts Payable	(335)	(49)	—	(760)
Salaries, Benefits, and Payroll Taxes Payable	98	(1,252)	—	—
Compensated Absences Payable	(28)	(479)	—	—
Due to Other Funds	1,395	540	(25)	(161)
Due to Other Governments	—	—	—	—
Claims Payable	(92)	(97)	—	—
Taxes Payable	—	—	—	(85)
Unearned Revenues	4,902	(896)	—	—
Other Assets and Liabilities	865	(700)	—	(20)
Total Adjustments	8,780	963	1,144	581
Net Cash from Operating Activities	\$ 7,486	\$ 11,123	\$ 1,144	\$ 2,358

**Nonmajor Enterprise Funds**

**The City of Seattle**

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Page 4 of 4

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Fiber Leasing		Comparative Totals	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (27)	\$ 1	\$ (1,321)	\$ 11,938
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	—	—	32	1,751
Other Operating Expenses	—	—	2,347	3,748
Nonoperating Revenues and Expenses	—	—	—	—
Changes in Operating Assets and Liabilities				
Accounts Receivable	28	—	(713)	(149)
Unbilled Receivables	—	—	—	—
Due from Other Funds	—	—	1,352	345
Due from Other Governments	—	—	154	(192)
Accounts Payable	—	—	(335)	(809)
Salaries, Benefits, and Payroll Taxes Payable	—	—	98	(1,252)
Compensated Absences Payable	—	—	(28)	(479)
Due to Other Funds	—	—	1,370	379
Due to Other Governments	—	—	—	—
Claims Payable	—	—	(92)	(97)
Taxes Payable	—	—	—	(85)
Unearned Revenues	—	—	4,902	(896)
Other Assets and Liabilities	—	—	865	(720)
Total Adjustments	28	—	9,952	1,544
Net Cash from Operating Activities	\$ 1	\$ 1	\$ 8,631	\$ 13,482

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## **Internal Service Funds**

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## Internal Service Funds

### INTERNAL SERVICE FUNDS

The **Finance and Administrative Services Fund** accounts for support services to other City departments in the areas of financial services, business technology, contracting and purchasing services, fleet management; building and related facility operations and maintenance; architecture, engineering, and space planning; and real estate management. Additional services provide for the City are regulatory services and operations; and the customer service bureau.

The **Information Technology Fund** accounts for support services provided by the Department of Information Technology to other City departments. The services include managing the City's information technology resources, including Citywide telecommunications, data communications, and the physical infrastructure that supports them; the City's telephone system, radio system, and fiber optic network; Citywide application infrastructure; and interactive media services.

## The City of Seattle

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Page 1 of 2

### COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS December 31, 2017 (In Thousands)

			Comparative Totals	
			2017	2016
	Finance and Administrative Services	Information Technology		
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Equity in Pooled Investments	\$ 7,192	\$ 2,870	\$ 10,062	\$ 25,230
Restricted Cash and Equity in Pooled Investments	7,968	—	7,968	4,691
Receivables, Net of Allowances				
Accounts	823	(334)	489	577
Interest and Dividends	—	—	—	44
Unbilled	38	—	38	667
Due from Other Funds	13,358	6,536	19,894	17,296
Due from Other Governments	25	92	117	26
Materials and Supplies Inventory	2,097	2,259	4,356	2,660
Prepayments and Other Current Assets	954	4,498	5,452	1,256
<b>Total Current Assets</b>	<b>32,455</b>	<b>15,921</b>	<b>48,376</b>	<b>52,447</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	2,076	71,254	73,330	43,031
Capital Assets				
Land and Land Rights	108,842	—	108,842	108,842
Buildings and Improvements	722,329	2,002	724,331	717,228
Less Accumulated Depreciation	(261,203)	(70)	(261,273)	(244,860)
Machinery and Equipment	189,388	77,754	267,142	270,246
Less Accumulated Depreciation	(97,465)	(40,918)	(138,383)	(135,590)
Construction in Progress	15,241	8,946	24,187	9,357
Other Capital Assets, Net	56	945	1,001	208
<b>Total Noncurrent Assets</b>	<b>679,264</b>	<b>119,913</b>	<b>799,177</b>	<b>768,462</b>
<b>Total Assets</b>	<b>711,719</b>	<b>135,834</b>	<b>847,553</b>	<b>820,909</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>16,848</b>	<b>55,175</b>	<b>72,023</b>	<b>35,215</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 728,567</b>	<b>\$ 191,009</b>	<b>\$ 919,576</b>	<b>\$ 856,124</b>

**Internal Service Funds**

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Page 2 of 2  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
December 31, 2017  
(In Thousands)

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 7,751	\$ 6,465	\$ 14,216	\$ 12,810
Salaries, Benefits, and Payroll Taxes Payable	3,171	4,547	7,718	6,967
Due to Other Funds	653	2,162	2,815	2,958
Due to Other Governments	15	—	15	14
Interest Payable	2,066	428	2,494	2,193
Taxes Payable	46	29	75	45
Current Portion of Long-Term Debt General Obligation Bonds Due Within One Year	20,051	6,930	26,981	26,508
Claims Payable	331	24	355	418
Compensated Absences Payable	371	1,022	1,393	905
Other Current Liabilities	156	126	282	146
Total Current Liabilities	34,611	21,733	56,344	52,964
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	4,758	7,102	11,860	8,654
Claims Payable	999	144	1,143	1,310
Vendor and Other Deposits Payable	148	—	148	156
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	201,057	24,954	226,011	236,417
Bond Interest Payable	—	—	—	—
Unfunded Other Post Employment Benefits	3,020	3,188	6,208	3,893
Net Pension Liability	87,178	88,091	175,269	121,731
Other Noncurrent Liabilities	3	—	3	23
Total Noncurrent Liabilities	297,163	123,479	420,642	372,184
Total Liabilities	331,774	145,212	476,986	425,148
<b>DEFERRED INFLOWS OF RESOURCES</b>	475	461	936	152
<b>NET POSITION</b>				
Net Investment in Capital Assets	454,206	22,000	476,206	464,045
Unrestricted	(57,888)	23,336	(34,552)	(33,221)
Total Net Position	396,318	45,336	441,654	430,824
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 728,567	\$ 191,009	\$ 919,576	\$ 856,124

**The City of Seattle**

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COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 107,157	\$ 205,159	\$ 312,316	\$ 212,880
Rents, Parking, and Concessions	100,818	—	100,818	98,711
Total Operating Revenues	207,975	205,159	413,134	311,591
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	130,488	151,510	281,998	214,933
General and Administrative	32,509	32,905	65,414	32,198
City Business and Occupation Taxes	5	—	5	5
Other Taxes	601	1	602	516
Depreciation and Amortization	30,139	10,168	40,307	37,851
Total Operating Expenses	193,742	194,584	388,326	285,503
Operating Income (Loss)	14,233	10,575	24,808	26,088
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	504	668	1,172	841
Interest Expense	(9,057)	(1,489)	(10,546)	(10,103)
Amortization of Bonds Premiums	4,313	(499)	3,814	3,751
Amortization of Refunding Loss	(1,818)	—	(1,818)	(1,830)
Bond Issuance Costs	—	(32)	(32)	(6)
Gain (Loss) on Sale of Capital Assets	1,382	(1,327)	55	(308)
Contributions and Grants	—	—	—	—
Others, Net	—	12	12	28
Total Nonoperating Revenues (Expenses)	(4,676)	(2,667)	(7,343)	(7,627)
Income (Loss) Before Contributions, Grants, and Transfers	9,557	7,908	17,465	18,461
Capital Contributions and Grants	2,465	—	2,465	(17,996)
Transfers In	—	—	—	5,700
Transfers Out	(9,100)	—	(9,100)	(22,158)
Change in Net Position	2,922	7,908	10,830	(15,993)
Net Position - Beginning of Year	393,394	37,430	430,824	446,817
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	393,394	37,430	430,824	446,817
Net Position - End of Year	\$ 396,316	\$ 45,338	\$ 441,654	\$ 430,824



**Internal Service Funds**

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**Page 1 of 2**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Finance and Administrative Services		Information Technology		Comparative Totals	
					2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	\$ 205,169	\$ 207,262	\$ 412,431	\$ 304,672		
Cash Paid to Suppliers	(87,742)	(104,690)	(192,432)	(99,984)		
Cash Paid to Employees	(72,044)	(66,465)	(138,509)	(140,776)		
Cash Paid for Taxes	(599)	(1)	(600)	(564)		
Net Cash from Operating Activities	44,784	36,106	80,890	63,348		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Loans Provided to Other Funds	—	—	—	—		
Operating Grants and Contributions Received	—	—	—	—		
Transfers In	—	—	—	5,700		
Transfers Out	(9,100)	—	(9,100)	(22,159)		
Net Cash from Noncapital Financing Activities	(9,100)	—	(9,100)	(16,459)		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Long-Term Debt	—	7,335	7,335	2,109		
Principal Payments on Long-Term Debt	(20,223)	(6,295)	(26,518)	(23,776)		
Capital Fees and Grants Received	2,465	—	2,465	—		
Capital Expenses and Other Charges Paid	(25,803)	(3,183)	(28,986)	(35,333)		
Interest Paid on Long-Term Debt	(8,953)	(1,291)	(10,244)	(10,302)		
Debt Issuance Costs	—	(32)	(32)	(6)		
Proceeds from Sale of Capital Assets	1,382	—	1,382	679		
Net Cash from Capital and Related Financing Activities	(51,132)	(3,466)	(54,598)	(66,629)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and Investment Income (Loss)	550	668	1,218	839		
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(14,898)	33,308	18,410	(18,901)		
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>						
Beginning of Year	32,135	40,816	72,951	91,853		
End of Year	\$ 17,237	\$ 74,124	\$ 91,361	\$ 72,952		
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>						
Current Assets Cash and Equity in Pooled Investments	\$ 7,192	\$ 2,870	\$ 10,062	\$ 25,230		
Current Restricted Cash and Equity in Pooled Investments	7,968	—	7,968	4,691		
Noncurrent Restricted Cash and Equity in Pooled Investments	2,076	71,254	73,330	43,031		
Total Cash at the End of the Year	\$ 17,236	\$ 74,124	\$ 91,360	\$ 72,952		

**The City of Seattle**

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**Page 2 of 2**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Finance and Administrative Services		Information Technology		Comparative Totals	
					2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 14,233	\$ 10,575	\$ 24,808	\$ 26,088		
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities</b>						
Depreciation and Amortization	30,139	10,168	40,307	37,851		
Other Operating Expenses	4,817	13,122	17,939	1,386		
Nonoperating Revenues and Expenses	—	12	12	—		
<b>Changes in Operating Assets and Liabilities</b>						
Accounts Receivable	(265)	351	86	(302)		
Unbilled Receivables	629	—	629	(321)		
Due from Other Funds	(3,151)	1,822	(1,329)	(6,379)		
Due from Other Governments	(20)	(71)	(91)	110		
Materials and Supplies Inventory	63	(1,352)	(1,289)	1,382		
Accounts Payable	(1,063)	2,469	1,406	1,291		
Salaries, Benefits, and Payroll Taxes Payable	222	529	751	1,288		
Compensated Absences Payable	146	3,550	3,696	2,569		
Due to Other Funds	(706)	(708)	(1,414)	(196)		
Due to Other Governments	1	—	1	(24)		
Claims Payable	(364)	136	(228)	(433)		
Taxes Payable	7	24	31	(44)		
Other Assets and Liabilities	96	(4,519)	(4,423)	(918)		
Total Adjustments	30,551	25,533	56,084	37,260		
Net Cash from Operating Activities	\$ 44,784	\$ 36,108	\$ 80,892	\$ 63,348		
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>						
In-Kind Capital Contributions	\$ 8,075	\$ —	\$ 8,075	\$ —		
Amortization of Debt Related Costs, Net	2,495	(531)	1,964	1,914		
Settlement from Nextel	—	—	—	—		

## **Fiduciary Funds**

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## Fiduciary Funds

### FIDUCIARY FUNDS

#### PENSION TRUST FUNDS

The **Employees' Retirement Fund** receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees. It also accounts for the investments and related earnings in the City's employee retirement plan.

#### AGENCY FUNDS

The **Guaranty Deposits Fund** holds temporary deposits of moneys from individuals or entities pending fulfillment of contractual agreements with the City.

The **Payroll Withholding Fund** receives City contributions and/or employee deductions for payroll taxes, such as Social Security (FICA), Medicare, and federal income tax; state retirement (LEOFF); savings bonds; and dependent child care. The contributions and deductions are paid to federal and state agencies and to other City funds.

The **Multifamily Rental Housing Improvement Fund** (MRHF) accounts for monies arising from a settlement agreement, and duly ordered by the Superior Court of the State of Washington to be administered by the City. Disbursements are made, upon approval of the MRHF Committee, to improve building maintenance for the multifamily rental housing stock in the City; and to provide educational services and resources on landlord and tenant rights and responsibilities.

The **Salary Fund** pays salaries to all active City employees. The funds that record the expenditures transfer moneys into this fund.

The **Voucher Fund** pays for all expenditures of the City except payroll, retirement benefits, and certain payments made by check or wire transfer. The funds that record the expenditures transfer moneys into this fund.

The **Pass-Through Grants Fund** was established in 2006 to account for grants which are the equivalent of pure cash conduits. The City has no administrative and no direct involvement with the grant programs.

The **FileLocal Agency Fund** was established in 2015 to account for revenues and expenditures related to the management of the Washington Multi-City Business License and Tax Portal Agency (FileLocal Agency). The FileLocal Agency maintains an internet web application gateway to increase efficiency for businesses in applying for local business licenses and filing local taxes. The City's expenditures include, but are not limited to, those required to provide loaned staff to manage the Agency. The Fund shall receive revenues from the FileLocal Agency (Ordinance 124626).

## The City of Seattle

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### COMBINING STATEMENT OF FIDUCIARY NET POSITION

#### PENSION TRUST FUNDS

December 31, 2017

*(In Thousands)*

	Employees' Retirement	
	2017	2016
<b>ASSETS</b>		
Cash and Equity in Pooled Investments	\$ 5,513	\$ 6,303
Short-Term Investments	111,309	336,427
Receivables		
Members	4,327	3,435
Employers	5,657	6,144
Interest and Dividends	4,103	3,487
Sales Proceeds	162,413	87,345
Other	—	—
Total Receivables	176,500	100,411
Investments at Fair Value		
Fixed Income	676,019	539,527
Equity	1,604,859	1,350,197
Real Estate	304,854	287,997
Alternative Investments	230,045	173,578
Total Investments at Fair Value	2,815,777	2,351,299
Securities Lending Collateral	11,359	11,131
Total Assets	3,120,458	2,805,571
<b>LIABILITIES</b>		
Accounts Payable and Other Liabilities	3,322	1,370
Securities Lending Collateral	11,351	11,125
Investment Commitments Payable	252,914	304,577
Total Liabilities	267,587	317,072
Net Position Held in Trust for Pension Benefits	\$ 2,852,871	\$ 2,488,499

**Fiduciary Funds**

G-2

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Employees' Retirement	
	2017	2016
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 112,103	\$ 108,454
Plan Member	73,650	71,756
Total Contributions	185,753	180,210
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	363,468	163,299
Interest	13,471	10,570
Dividends	22,510	24,781
Total Investment Activities Income	399,449	198,650
Investment Activities Expenses		
Investment Management Fees	9,783	8,186
Investment Consultant Fees	295	295
Investment Custodial Fees	304	426
Total Investment Activities Expenses	10,382	8,907
Net Income from Investment Activities	389,067	189,743
From Securities Lending Activities		
Securities Lending Income	134	100
Borrower Rebates	(44)	166
Total Securities Lending Income	90	266
Securities Lending Expenses		
Management Fees	20	66
Total Securities Lending Expenses	20	66
Net Income from Securities Lending Activities	70	200
Total Net Investment Income	389,137	189,943
Other Income	—	—
Total Additions	574,890	370,153
<b>DEDUCTIONS</b>		
Benefits	179,227	168,967
Refund of Contributions	19,159	16,457
Administrative Expense	12,131	9,251
Total Deductions	210,517	194,675
Change in Net Position	364,373	175,478
Net Position - Beginning of Year	2,488,498	2,313,021
Net Position - End of Year	\$ 2,852,871	\$ 2,488,498

**The City of Seattle**

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Page 1 of 2

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Balance January 1	Additions	Deductions	Balance December 31
<b>GUARANTY DEPOSITS FUND</b>				
<b>Assets</b>				
Cash	\$ 6,998	\$ 4,355	\$ 5,184	\$ 6,169
Total Assets	\$ 6,998	\$ 4,355	\$ 5,184	\$ 6,169
<b>Liabilities</b>				
Deposits Payable	\$ 6,998	\$ 1,759	\$ 2,588	\$ 6,169
Total Liabilities	\$ 6,998	\$ 1,759	\$ 2,588	\$ 6,169
<b>PAYROLL WITHHOLDING FUND</b>				
<b>Assets</b>				
Cash	\$ 1,691	\$ 344,402	\$ 345,007	\$ 1,086
Accounts Receivable	—	—	1	(1)
Total Assets	\$ 1,691	\$ 344,402	\$ 345,008	\$ 1,085
<b>Liabilities</b>				
Accounts Payable	\$ 192	\$ 13	\$ 209	\$ (4)
Salaries, Benefits, and Payroll Taxes Payable	1,483	344,397	344,810	1,070
Claims/Judgments Payable	16	5	1	20
Total Liabilities	\$ 1,691	\$ 344,415	\$ 345,020	\$ 1,086
<b>MULTIFAMILY RENTAL HOUSING IMPROVEMENT FUND</b>				
<b>Assets</b>				
Cash	\$ —	\$ —	\$ —	\$ —
Total Assets	\$ —	\$ —	\$ —	\$ —
<b>Liabilities</b>				
Accounts Payable	\$ —	\$ —	\$ —	\$ —
Total Liabilities	\$ —	\$ —	\$ —	\$ —
<b>SALARY FUND</b>				
<b>Assets</b>				
Cash	\$ (5)	\$ 764,878	\$ 764,533	\$ 340
Accounts Receivable	—	—	—	—
Total Assets	\$ (5)	\$ 764,878	\$ 764,533	\$ 340
<b>Liabilities</b>				
Accounts Payable	\$ —	\$ —	\$ —	\$ —
Salaries, Benefits, and Payroll Taxes Payable	(5)	765,460	765,115	340
Total Liabilities	\$ (5)	\$ 765,460	\$ 765,115	\$ 340

**Fiduciary Funds**

**The City of Seattle**

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Page 2 of 2

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended December 31, 2017**  
**(In Thousands)**

	Balance January 1	Additions	Deductions	Balance December 31
<b>VOUCHER FUND</b>				
<i>Assets</i>				
Cash	\$ 515	\$ 4,015,046	\$ 4,015,571	\$ (10)
Total Assets	<u>\$ 515</u>	<u>\$ 4,015,046</u>	<u>\$ 4,015,571</u>	<u>\$ (10)</u>
<i>Liabilities</i>				
Accounts Payable	\$ 515	\$ 4,054,368	\$ 4,054,893	\$ (10)
Total Liabilities	<u>\$ 515</u>	<u>\$ 4,054,368</u>	<u>\$ 4,054,893</u>	<u>\$ (10)</u>
<b>PASS-THROUGH GRANTS FUND</b>				
<i>Assets</i>				
Cash	\$ —	\$ —	\$ —	\$ —
Total Assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<i>Liabilities</i>				
Accounts Payable	\$ —	\$ —	\$ —	\$ —
Total Liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>FILE LOCAL AGENCY FUND</b>				
<i>Assets</i>				
Cash	\$ —	\$ 332	\$ 405	\$ (73)
Accounts Receivable	88	335	310	113
Total Assets	<u>\$ 88</u>	<u>\$ 667</u>	<u>\$ 715</u>	<u>\$ 40</u>
<i>Liabilities</i>				
Accounts Payable	\$ 88	\$ 52	\$ 101	\$ 39
Total Liabilities	<u>\$ 88</u>	<u>\$ 52</u>	<u>\$ 101</u>	<u>\$ 39</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<i>Assets</i>				
Cash and Equity in Pooled Investments	\$ 9,199	\$ 5,129,013	\$ 5,130,700	\$ 7,512
Accounts Receivable	88	335	311	112
Total Assets	<u>\$ 9,287</u>	<u>\$ 5,129,348</u>	<u>\$ 5,131,011</u>	<u>\$ 7,624</u>
<i>Liabilities</i>				
Accounts Payable	\$ 795	\$ 4,054,433	\$ 4,055,203	\$ 25
Salaries, Benefits, and Payroll Taxes Payable	1,478	1,109,857	1,109,925	1,410
Deposits Payable	6,998	1,759	2,588	6,169
Claims/Judgments Payable	16	5	1	20
Total Liabilities	<u>\$ 9,287</u>	<u>\$ 5,166,054</u>	<u>\$ 5,167,717</u>	<u>\$ 7,624</u>

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## **Statistics**

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**STATISTICAL INFORMATION**

The Statistical Section provides financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

**Financial Trends**

These tables contain information to help the reader understand how the City's financial performance and well-being have changed over time.

- S-1 Net Position by Component
- S-2 Changes in Net Position
- S-3 Fund Balances of Governmental Funds
- S-4 Changes in Fund Balances of Governmental Funds

**Revenue Capacity**

These tables contain information to help the reader assess the City's most significant local revenue sources.

- S-5 Tax Revenues by Source
- S-6 Assessed Value and Estimated Actual Value of Taxable Property
- S-7 Direct and Overlapping Property Tax Rates
- S-8 Principal Property Taxpayers
- S-9 Principal Revenue Sources
- S-10 Property Tax Levies and Collections

**Debt Capacity**

These tables contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- S-11 Ratios of Outstanding Debt by Type
- S-12 Ratios of Net General Bonded Debt Outstanding
- S-13 Direct and Overlapping Governmental Activities Debt
- S-14 Legal Debt Margin Information
- S-15 Pledged-Revenue Coverage

**Demographic and Economic Information**

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- S-16 Demographic and Economic Statistics
- S-17 Principal Industries

**Operating Information**

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- S-18 Full-Time-Equivalent City Government Employees by Department/Office
- S-19 Operating Indicators by Department/Office
- S-20 Capital Asset Statistics by Department/Office  
Miscellaneous Statistics

**The City of Seattle**

**Table S-1**

**NET POSITION BY COMPONENT**

**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2017	2016	2015	2014	2013
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 3,365,060	\$ 3,269,646	\$ 3,144,486	\$ 3,085,306	\$ 2,880,124
Restricted	694,502	625,046	556,406	448,935	460,885
Unrestricted	(565,925)	(392,023)	(379,114)	(16,363)	36,212
Total Governmental Activities Net Position	3,493,637	3,502,669	3,321,778	3,517,878	3,377,221
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	2,280,370	2,186,129	1,915,893	1,750,495	1,508,831
Restricted	85,527	59,575	59,194	58,039	57,404
Unrestricted	(121,280)	(231,495)	(153,822)	253,427	274,388
Total Business-Type Activities Net Position	2,244,617	2,014,209	1,821,265	2,061,961	1,840,623
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	5,645,430	5,455,775	5,060,379	4,835,801	4,388,955
Restricted	780,029	684,621	615,600	506,974	518,289
Unrestricted	(687,205)	(623,518)	(532,936)	237,064	310,600
Total Primary Government Net Position	\$ 5,738,254	\$ 5,516,878	\$ 5,143,043	\$ 5,579,839	\$ 5,217,844

	2012	2011	2010	2009	2008
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 2,783,738	\$ 2,627,462	\$ 2,513,808	\$ 2,350,564	\$ 2,184,161
Restricted	406,454	419,675	372,289	225,157	271,204
Unrestricted	(35,593)	(101,021)	(98,786)	146,711	194,962
Total Governmental Activities Net Position	3,154,599	2,946,116	2,787,311	2,722,432	2,650,327
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	1,391,130	1,243,622	1,228,030	1,257,195	1,128,319
Restricted	56,210	81,904	79,372	71,801	63,913
Unrestricted	215,405	205,493	106,013	49,827	166,634
Total Business-Type Activities Net Position	1,662,745	1,531,019	1,413,415	1,378,823	1,358,866
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	4,174,868	3,871,084	3,741,838	3,607,759	3,312,480
Restricted	462,664	501,579	451,661	296,958	335,117
Unrestricted	179,812	104,472	7,227	196,538	361,596
Total Primary Government Net Position	\$ 4,817,344	\$ 4,477,135	\$ 4,200,726	\$ 4,101,255	\$ 4,009,193

<sup>a</sup> In 2011, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, relating to financial statement Net Position classifications was incorrect. A restatement was made for 2010 to allow for comparability to 2011. Restatements were not made to the presentation for years 2004-2009.

**Statistics**

**Table S-2**  
**Page 1 of 4**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2017	2016	2015	2014	2013
<b>EXPENSES</b>					
<i>Governmental Activities</i>					
General Government	\$ 222,089	\$ 247,400	\$ 208,638	\$ 189,034	\$ 161,041
Judicial	32,075	32,025	28,477	28,874	33,517
Public Safety	577,738	576,208	531,523	568,843	515,129
Physical Environment	15,539	12,558	4,351	5,853	10,740
Transportation	384,724	271,601	221,443	222,199	165,742
Economic Environment	147,005	175,133	138,878	138,169	125,191
Health and Human Services	119,463	104,687	94,122	76,562	71,256
Culture and Recreation	364,425	330,984	286,395	275,566	267,043
Interest on Long-Term Debt	47,777	42,942	32,694	31,170	26,417
Total Governmental Activities Expenses	1,910,835	1,793,538	1,546,521	1,536,270	1,376,076
<i>Business-Type Activities</i>					
Light	914,785	853,871	837,860	798,161	780,930
Water	235,142	225,678	228,241	221,944	215,600
Drainage and Wastewater	363,682	332,686	316,487	298,633	290,147
Solid Waste	192,062	167,132	173,312	159,501	156,653
Planning and Development	72,914	64,248	64,673	58,304	53,080
Downtown Parking Garage	0	5,222	7,401	7,458	8,159
Fiber Leasing	36	8	35	27	54
Total Business-Type Activities Expenses	1,778,621	1,648,845	1,628,009	1,544,028	1,504,623
Total Primary Government Expenses	3,689,456	3,442,383	3,174,530	3,080,298	2,880,699
<b>PROGRAM REVENUES</b>					
<i>Governmental Activities</i>					
Charges for Services					
General Government	119,548	109,478	104,651	91,011	85,923
Judicial	27,555	29,578	30,030	31,256	40,545
Public Safety	28,669	24,472	26,227	25,733	19,245
Physical Environment	10	13	16	78	47
Transportation	77,958	70,878	67,948	101,074	100,830
Economic Environment	53,196	36,464	41,875	35,776	12,250
Health and Human Services	745	525	64	10	8
Culture and Recreation	82,133	75,832	70,360	72,873	67,116
Operating Grants and Contributions	130,777	134,856	136,981	123,986	135,407
Capital Grants and Contributions	36,161	31,076	29,358	37,895	42,468
Total Governmental Activities Program Revenues	556,752	513,172	507,510	519,692	503,839
<i>Business-Type Activities</i>					
Charges for Services					
Light	987,812	901,276	880,788	883,149	839,767
Water	262,777	251,244	251,977	242,786	235,114
Drainage and Wastewater	396,283	371,040	359,839	337,882	329,386
Solid Waste	203,038	177,061	174,365	157,495	159,741
Planning and Development	72,595	79,246	65,278	56,743	48,016
Downtown Parking Garage	0	5,355	7,885	7,434	7,019
Fiber Leasing	8	8	12	16	75
Operating Grants and Contributions	1,834	4,583	7,088	6,155	7,055
Capital Grants and Contributions	70,020	86,997	60,115	48,129	63,760
Total Business-Type Activities Program Revenues	1,994,367	1,876,810	1,807,347	1,739,789	1,689,933
Total Primary Government Program Revenues	2,551,119	2,389,982	2,314,857	2,259,481	2,193,772
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(1,354,083)	(1,280,367)	(1,039,011)	(1,016,578)	(872,237)
Business-Type Activities	215,746	227,965	179,338	195,761	185,310
Total Primary Government Net Expense	(1,138,337)	(1,052,402)	(859,673)	(820,817)	(686,927)

**The City of Seattle**

**Table S-2**  
**Page 2 of 4**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2012	2011	2010	2009	2008
<b>EXPENSES</b>					
<i>Governmental Activities</i>					
General Government	\$ 164,040	\$ 179,498	\$ 182,058	\$ 106,732	\$ 143,855
Judicial	26,121	25,623	26,298	27,526	26,762
Public Safety	475,747	471,205	476,861	473,527	455,701
Physical Environment	6,357	10,697	8,346	32,543	7,707
Transportation	133,511	111,038	122,376	137,015	127,872
Economic Environment	125,917	101,242	119,595	98,940	104,660
Health and Human Services	65,266	71,399	72,680	75,788	69,181
Culture and Recreation	239,003	245,671	258,639	249,160	257,578
Interest on Long-Term Debt	39,998	40,425	38,929	36,825	39,336
Total Governmental Activities Expenses	1,275,960	1,256,798	1,305,782	1,238,056	1,232,652
<i>Business-Type Activities</i>					
Light	731,459	723,665	730,758	733,405	791,837
Water	203,610	198,929	209,554	200,921	180,855
Drainage and Wastewater	272,423	269,224	245,589	244,295	231,318
Solid Waste	150,115	149,157	141,852	145,526	120,941
Planning and Development	46,542	44,087	47,699	55,954	56,882
Downtown Parking Garage	7,701	7,740	7,648	7,824	8,545
Fiber Leasing	—	—	—	—	—
Total Business-Type Activities Expenses	1,411,850	1,392,802	1,383,100	1,387,925	1,390,378
Total Primary Government Expenses	2,687,810	2,649,600	2,688,882	2,625,981	2,623,030
<b>PROGRAM REVENUES</b>					
<i>Governmental Activities</i>					
Charges for Services					
General Government	79,048	73,960	60,333	58,127	102,697
Judicial	33,748	33,048	31,078	28,376	22,032
Public Safety	19,277	18,939	18,848	22,740	16,254
Physical Environment	0	2	1,985	1,745	1,632
Transportation	81,972	64,331	55,680	62,230	44,093
Economic Environment	7,303	7,299	4,419	11,922	17,440
Health and Human Services	0	1,276	9	9	12
Culture and Recreation	53,450	50,273	54,886	58,977	59,586
Operating Grants and Contributions	130,377	136,679	118,619	104,382	95,236
Capital Grants and Contributions	48,092	47,503	56,377	36,834	31,527
Total Governmental Activities Program Revenues	453,267	433,310	402,234	385,342	390,509
<i>Business-Type Activities</i>					
Charges for Services					
Light	797,445	769,316	729,650	717,775	872,099
Water	213,164	194,342	194,987	190,283	163,996
Drainage and Wastewater	297,443	274,553	245,959	244,773	216,957
Solid Waste	156,927	154,159	146,944	135,393	124,353
Planning and Development	40,869	35,087	28,627	33,379	42,929
Downtown Parking Garage	6,588	5,937	6,580	6,862	6,530
Fiber Leasing	—	—	—	—	—
Operating Grants and Contributions	6,749	5,518	5,953	4,789	4,099
Capital Grants and Contributions	48,438	51,522	41,846	59,983	81,425
Total Business-Type Activities Program Revenues	1,567,623	1,490,434	1,400,546	1,393,237	1,512,388
Total Primary Government Program Revenues	2,020,890	1,923,744	1,802,780	1,778,579	1,902,897
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(822,693)	(823,488)	(903,548)	(852,714)	(842,143)
Business-Type Activities	155,773	97,632	17,446	5,312	122,010
Total Primary Government Net Expense	(666,920)	(725,856)	(886,102)	(847,402)	(720,133)



**Statistics**

Table S-2  
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**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2017	2016	2015	2014	2013
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 582,622	\$ 542,854	\$ 420,691	\$ 431,458	\$ 423,927
Sales Taxes	280,963	263,285	239,189	199,735	181,171
Business Taxes	516,881	482,850	454,086	431,437	408,913
Excise Taxes	115,674	114,627	101,098	65,364	61,524
Other Taxes	22,032	19,009	17,733	16,771	11,240
Penalties and Interest on Delinquent Taxes	—	—	—	4,091	3,596
Unrestricted Investment Earnings (Loss)	18,339	9,080	9,202	11,791	(1,663)
Gain (Loss) on Sale of Capital Assets	7,633	(191)	9,071	1,761	17,012
Transfers	(5,317)	15,469	(8,931)	(11,512)	(10,861)
Total Governmental Activities	1,538,827	1,446,983	1,242,139	1,150,896	1,094,859
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	18,046	12,806	13,938	16,254	4,204
Gain on Sale of Capital Assets	(83)	48,101	2,767	2,759	1,672
Special Item - Environmental Remediation	(9,619)	(66,187)	(4,975)	(4,949)	(24,169)
Transfers	6,321	(15,469)	8,931	11,512	10,861
Total Business-Type Activities	14,665	(20,749)	20,661	25,576	(7,432)
Total Primary Government	1,553,492	1,426,234	1,262,800	1,176,472	1,087,427
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	184,744	166,617	203,128	134,318	222,622
Business-Type Activities	230,411	207,216	199,999	221,337	177,878
Total Primary Government	\$ 415,155	\$ 373,833	\$ 403,127	\$ 355,655	\$ 400,500

**The City of Seattle**

Table S-2  
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**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2012	2011	2010	2009	2008
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 412,872	\$ 397,288	\$ 391,798	\$ 388,341	\$ 368,515
Sales Taxes	169,681	158,582	146,970	150,515	171,917
Business Taxes	358,931	339,703	331,570	329,572	330,369
Excise Taxes	54,637	35,203	28,815	27,710	36,091
Other Taxes	44,352	39,014	31,119	28,582	25,395
Penalties and Interest on Delinquent Taxes	2,795	3,240	3,475	3,867	2,410
Unrestricted Investment Earnings (Loss)	6,458	5,536	4,685	8,898	24,140
Gain (Loss) on Sale of Capital Assets	1,502	14,224	40,095	(2,422)	15,461
Transfers	(10,095)	(9,373)	(10,100)	(10,245)	(10,803)
Total Governmental Activities	1,041,133	983,417	968,427	924,818	963,495
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	11,789	11,078	8,796	4,837	13,530
Gain on Sale of Capital Assets	619	924	198	4,495	1,708
Special Item - Environmental Remediation	(37,066)	538	(1,948)	(4,289)	—
Transfers	10,095	9,373	10,100	10,245	10,803
Total Business-Type Activities	(14,563)	21,913	17,146	15,288	26,041
Total Primary Government	1,026,570	1,005,330	985,573	940,106	989,536
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	218,440	159,929	64,879	72,104	121,352
Business-Type Activities	141,210	119,545	34,592	20,600	148,051
Total Primary Government	\$ 359,650	\$ 279,474	\$ 99,471	\$ 92,704	\$ 269,403

**Statistics**

**Table S-3 FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

	2017	2016	2015	2014	2013
<b>GENERAL FUND</b>					
Nonspendable	\$ 350	\$ 401	\$ 474	\$ 473	\$ 375
Restricted	181,951	155,523	136,627	99,991	100
Committed	131,385	102,521	116,890	76,493	83
Assigned	29,172	28,646	5,767	5,685	5
Unassigned	152,224	155,290	143,763	134,492	120
Reserved	—	—	—	—	—
Unreserved	—	—	—	—	—
Total General Fund	<u>\$ 495,082</u>	<u>\$ 442,381</u>	<u>\$ 403,521</u>	<u>\$ 317,134</u>	<u>\$ 683</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 2,744	\$ 2,740	\$ 3,227	\$ 4,224	\$ 3,959
Restricted	512,551	466,996	417,732	346,891	359,172
Committed	115,265	109,392	68,947	60,612	49,829
Assigned	11,963	9,819	11,004	9,933	7,661
Unassigned	(22,270)	(37,083)	(34,159)	(59,231)	(22,328)
Reserved	—	—	—	—	—
Unreserved, Reported in					
Special Revenue Funds	—	—	—	—	—
Capital Projects Funds	—	—	—	—	—
Permanent Funds	—	—	—	—	—
Total All Other Governmental Funds	<u>\$ 620,253</u>	<u>\$ 551,864</u>	<u>\$ 466,751</u>	<u>\$ 362,429</u>	<u>\$ 398,293</u>
	2012	2011	2010	2009	2008
<b>GENERAL FUND</b>					
Nonspendable	\$ 555	\$ 572	\$ 401	\$ —	\$ —
Restricted	82,520	58,917	63,695	—	—
Committed	79,508	58,713	44,240	—	—
Assigned	6,417	6,808	17,958	—	—
Unassigned	105,992	79,765	53,147	—	—
Reserved	—	—	0	78,835	140,325
Unreserved	—	—	0	118,611	131,085
Total General Fund	<u>\$ 274,992</u>	<u>\$ 204,775</u>	<u>\$ 179,441</u>	<u>\$ 197,446</u>	<u>\$ 271,410</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 2,618	\$ 2,714	\$ 2,447	\$ —	\$ —
Restricted	321,884	358,710	306,545	—	—
Committed	40,248	60,156	41,379	—	—
Assigned	12,583	8,816	7,910	—	—
Unassigned	(13,991)	(12,064)	(11,911)	—	—
Reserved	—	—	0	319,104	261,463
Unreserved, Reported in					
Special Revenue Funds	—	—	0	40,157	96,337
Capital Projects Funds	—	—	—	—	—
Permanent Funds	—	—	—	101	121
Total All Other Governmental Funds	<u>\$ 363,342</u>	<u>\$ 418,332</u>	<u>\$ 346,370</u>	<u>\$ 359,362</u>	<u>\$ 357,921</u>

a Beginning in fiscal year 2010, fund balance categories were changed to conform to the requirements of GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

**The City of Seattle**

**Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Page 1 of 2**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

	2017	2016	2015	2014	2013
<b>REVENUES</b>					
Taxes	\$ 1,517,424	\$ 1,422,194	\$ 1,233,134	\$ 1,149,119	\$ 1,083,499
Licenses and Permits	43,674	41,743	34,137	30,093	27,135
Grants, Shared Revenues, and Contributions	167,609	166,779	162,132	161,361	184,784
Charges for Services	248,711	254,412	225,056	221,187	200,847
Fines and Forfeits	42,971	46,154	39,008	37,142	41,107
Parking Fees and Space Rent	71,407	68,798	67,444	63,891	62,463
Program Income, Interest, and Miscellaneous Revenues	118,248	99,369	98,215	86,757	45,462
Total Revenues	<u>2,210,044</u>	<u>2,099,449</u>	<u>1,859,126</u>	<u>1,749,550</u>	<u>1,645,297</u>
<b>EXPENDITURES</b>					
Current					
General Government	321,623	264,284	224,721	204,662	191,829
Judicial	31,658	31,519	29,352	29,158	27,642
Public Safety	611,790	590,681	577,106	525,778	494,011
Physical Environment	16,130	13,575	7,314	7,409	11,935
Transportation	195,895	227,666	155,690	114,737	97,676
Economic Environment	151,462	179,831	141,722	140,079	128,644
Health and Human Services	120,943	104,209	96,267	78,024	73,151
Culture and Recreation	317,961	305,986	268,977	245,358	231,694
Capital Outlay					
General Government	55,933	29,342	29,959	35,599	22,220
Judicial	—	—	—	—	—
Public Safety	2,764	21,527	13,097	25,161	21,100
Physical Environment	—	—	—	—	—
Transportation	203,447	240,216	278,151	278,550	234,188
Economic Environment	110	7	—	7	—
Culture and Recreation	60,586	47,390	35,712	55,132	85,690
Debt Service					
Principal	57,883	53,308	50,708	61,745	56,194
Advance Refunding to Escrow	—	—	—	—	—
Interest	35,551	32,768	28,998	26,571	26,206
Bond Issuance Cost	508	627	1,946	259	822
Other	—	—	—	—	—
Total Expenditures	<u>2,184,244</u>	<u>2,142,936</u>	<u>1,939,720</u>	<u>1,828,229</u>	<u>1,703,002</u>
Excess (Deficiency) of Revenues over Expenditures	25,800	(43,487)	(80,594)	(78,679)	(57,705)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	93,880	145,139	350,255	50,455	101,115
Refunding Debt Issued	—	—	—	—	43,945
Premium on Bonds Issued	10,198	22,177	40,113	4,150	9,377
Capital Leases Issued	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	(19,419)	(31,909)	(155,030)	—	(44,503)
Sales of Capital Assets	7,704	123	19,231	2,129	22,904
Transfers In	501,504	550,752	498,582	442,666	375,772
Transfers Out	(498,724)	(518,825)	(501,695)	(448,410)	(381,986)
Total Other Financing Sources (Uses)	<u>95,143</u>	<u>167,457</u>	<u>251,456</u>	<u>50,990</u>	<u>126,624</u>
Net Change in Fund Balance	<u>\$ 120,943</u>	<u>\$ 123,970</u>	<u>\$ 170,862</u>	<u>\$ (27,689)</u>	<u>\$ 68,919</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	4.81%	4.61%	4.87%	5.93%	6.26%

**Statistics**

**Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Page 2 of 2

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(In Thousands)

	2012	2011	2010	2009	2008
<b>REVENUES</b>					
Taxes	\$ 1,044,608	\$ 973,181	\$ 933,641	\$ 927,287	\$ 934,544
Licenses and Permits	25,238	22,966	26,514	28,298	29,091
Grants, Shared Revenues, and Contributions	177,775	167,813	179,842	173,231	133,772
Charges for Services	182,595	167,644	171,509	157,081	142,797
Fines and Forfeits	34,340	34,066	32,300	29,645	25,572
Parking Fees and Space Rent	57,107	51,004	46,858	42,404	37,961
Program Income, Interest, and Miscellaneous Revenues	43,649	39,706	26,037	34,011	102,077
Total Revenues	1,565,312	1,456,380	1,416,701	1,391,957	1,405,814
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	180,187	193,697	203,607	202,974	195,947
Judicial	26,654	25,855	26,300	26,812	26,584
Public Safety	461,235	451,734	445,002	431,413	421,105
Physical Environment	7,748	11,190	9,058	16,528	8,454
Transportation	92,212	90,966	93,381	111,531	107,532
Economic Environment	128,711	106,234	123,430	103,462	109,903
Health and Human Services	67,103	73,100	73,956	76,471	70,032
Culture and Recreation	216,508	211,523	233,284	223,340	215,458
<b>Capital Outlay</b>					
General Government	10,684	13,862	16,799	24,651	12,953
Judicial	—	—	—	—	—
Public Safety	27,743	8,320	21,815	20,781	12,643
Physical Environment	—	—	—	—	5
Transportation	228,272	167,590	169,636	179,231	100,636
Economic Environment	69	—	5	28	22
Culture and Recreation	55,507	50,383	63,521	72,905	72,322
<b>Debt Service</b>					
Principal	53,523	47,909	45,826	43,064	51,855
Advance Refunding to Escrow	—	—	—	6	35,152
Interest	25,339	26,754	24,596	24,191	35,738
Bond Issuance Cost	258	369	1,303	727	632
Other	305	—	—	—	—
Total Expenditures	1,582,058	1,479,486	1,551,519	1,558,115	1,476,973
Excess (Deficiency) of Revenues over Expenditures	(16,746)	(23,106)	(134,818)	(166,158)	(71,159)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	108,085	79,433	85,325	87,810	84,960
Refunding Debt Issued	—	0	115,185	4,390	54,870
Premium on Bonds Issued	21,140	5,181	13,270	8,152	7,545
Capital Leases Issued	—	—	—	20	—
Payment to Refunded Bond Escrow Agent	(91,574)	0	(125,170)	(4,735)	(56,920)
Sales of Capital Assets	2,282	41,161	21,310	624	408
Transfers In	334,611	292,224	298,519	371,345	350,078
Transfers Out	(342,571)	(297,597)	(304,618)	(373,971)	(332,266)
Total Other Financing Sources (Uses)	31,973	120,402	103,821	93,635	108,675
Net Change in Fund Balance	\$ 15,227	\$ 97,296	\$ (30,997)	\$ (72,523)	\$ 37,516
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	5.91%	5.28%	5.28%	6.72%	8.39%

**The City of Seattle**

**Table S-5**

**TAX REVENUES BY SOURCE**

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(In Thousands)

Year	General Property Tax	Retail Sales and Use Tax	Business Tax	Excise Tax	Other Taxes	Total Taxes
2008	\$ 368,362	\$ 171,917	\$ 332,779	\$ 36,091	\$ 25,395	\$ 934,544
2009	387,041	150,515	329,572	27,710	32,449	927,287
2010	391,692	146,970	331,570	28,815	34,594	933,641
2011	397,439	158,582	339,703	35,203	42,254	973,181
2012	420,763	169,681	358,931	54,637	44,352	1,048,364
2013	423,928	181,171	408,913	61,525	11,240	1,086,777
2014	431,458	199,735	431,437	65,364	16,771	1,144,764
2015	420,691	239,189	454,086	101,098	17,733	1,232,797
2016	542,854	263,285	482,850	114,627	19,009	1,422,625
2017	582,622	280,963	516,881	115,674	22,032	1,518,172

**Table S-6**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE**

**OF TAXABLE PROPERTY**

Last Ten Fiscal Years

Fiscal Year	Assessed and Estimated Actual Value <sup>a</sup> (In Thousands)			Total Direct Tax Rate	Average Annual Growth	Assessed Value Per Capita
	Real Property	Personal Property	Total <sup>b</sup>			
2008	\$ 116,641,027	\$ 4,980,103	\$ 121,621,130	2.774%	14.51%	\$ 205.164
2009	132,576,786	5,254,068	137,830,854	2.581	13.33	228.955
2010	118,370,062	5,314,253	123,684,315	2.925	(10.26)	203.208
2011	114,979,131	5,137,695	120,116,826	3.061	(2.88)	196.237
2012	111,723,359	5,073,531	116,796,890	3.276	(2.76)	189.452
2013	111,788,855	5,206,658	116,995,513	3.286	0.17	186.715
2014	122,999,095	5,206,658	128,205,753	3.048	9.58	200.165
2015	139,229,729	5,284,205	144,513,934	2.624	12.72	218.167
2016	157,548,324	5,757,604	163,305,928	3.067	13.00	237.778
2017	185,729,081	596,261	186,325,343	2.899	14.10	261.070

<sup>a</sup> Real property has been assessed at 100 percent of estimated actual value.

<sup>b</sup> Source: King County Assessor.

## Statistics

**Table S-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES <sup>a</sup>**  
**Last Ten Fiscal Years**  
*(In Mills or Dollars per Thousand of Assessed Value)*

Year of Levy	City of Seattle			Overlapping					Total	Dollars Levied <sup>d</sup> (\$1,000)	Annual Growth
	General Fund	Special Revenue Funds	Debt Service Funds	City Total	State	County <sup>b</sup>	School	Port of Seattle			
2008	1.697	0.904	0.173	2.774	2.132	1.663	1.895	0.224	8.688	\$1,056,632	7.2%
2009	1.551	0.896	0.134	2.581	1.963	1.513	1.718	0.197	7.972	1,098,723	4.0
2010	1.784	1.005	0.136	2.925	2.222	1.694	1.985	0.216	9.042	1,118,329	1.8
2011	1.875	1.038	0.148	3.061	2.280	1.751	2.342	0.224	9.658	1,160,092	3.7
2012	1.968	1.161	0.147	3.276	2.422	1.837	2.400	0.230	10.165	1,187,240	2.3
2013	1.902	1.246	0.138	3.286	2.567	1.976	2.447	0.233	10.509	1,229,506	3.6
2014	1.801	1.107	0.140	3.048	2.470	2.008	2.549	0.215	10.290	1,319,452	7.3
2015	1.625	0.868	0.130	2.623	2.285	1.789	2.391	0.189	9.277	1,345,016	1.9
2016	1.468	1.421	0.178	3.067	2.168	1.892	2.188	0.170	9.485	1,554,926	15.6
2017	1.346	1.387	0.166	2.899	2.032	2.013	2.151	0.153	9.248	1,723,142	10.8

a Source: King County Assessor and City of Seattle Budget Office.

For the purposes of this table the City's share of the Countywide Emergency Medical Service (EMS) levy, Flood Zone levy, and Sound Transit3 are included in the County's tax levy rate. EMS rate is 0.263, Flood Zone levy is 0.117, and Sound Transit3 is 0.250 in 2017.

c Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

**Table S-8 PRINCIPAL PROPERTY TAXPAYERS <sup>d</sup>**  
**Current Year and Nine Years Ago**

Taxpayer <sup>e</sup>	2017			2008		
	Assessed Valuation <sup>f</sup> (In Millions)	Percentage of Assessed Valuation	Rank	Assessed Valuation <sup>f</sup> (In Millions)	Percentage of Assessed Valuation	Rank
Amazon	\$ 2,155.5	1.01%	1			
Union Square Limited Partnership	1,031.1	0.48	2	614.2	0.45	1
Altus Group US Inc.	820.8	0.38	3			
GC Columbia (formerly Columbia Center Property)	678.4	0.32	4	515.6	0.37	2
Acorn Development LLC (Amazon)	667.8	0.31	5			
1201 Tab Owner LLC	652.0	0.30	6			
FSP-RIC LLC	570.5	0.27	7			
City Centre Associates JV	551.7	0.26	8	383.7	0.28	6
TB TS/RELP LLC 549800	504.7	0.21	9			
Iris Holdings LLC	461.6	0.22	10			
Wright-Rundstad & Company				508.3	0.37	3
Qwest Corporation, Inc.				438.0	0.32	4
The Boeing Company				417.3	0.30	5
Second and Union (Washington Mutual - Art Museum)				326.8	0.24	7
999 Thir Avenue Property				323.8	0.23	8
Martin Sellig				307.3	0.22	9
Block 24 Seattle LTD LP (Gerald Hines)				224.8	0.16	10

<sup>d</sup> Source: King County Assessor.

<sup>e</sup> The above listing includes taxpayers paying real and personal property taxes as property owners. It does not include taxpayers paying leasehold excise taxes based on rental payments for property they lease from other entities.

<sup>f</sup> Assessed valuations for taxes collected in the succeeding year.

## The City of Seattle

**Table S-9 PRINCIPAL REVENUE SOURCES**  
**Page 1 of 2**  
**Current Year and Nine Years Ago**  
*(In Thousands)*

Customer Name	CITY LIGHT <sup>a</sup>					
	2017			2008		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 26,781	3.06%	1	\$ 14,264	2.16%	3
NUCOR	26,233	3.00	2	17,213	3.14	1
City of Seattle	19,953	2.28	3	16,007	2.92	2
Boeing	16,250	1.86	4	12,015	2.19	4
King County <sup>b</sup>	11,882	1.36	5	7,601	1.39	6
Sabey Corporation	9,145	1.04	6	9,364	1.71	5
Federal Government	8,004	0.91	7	4,581	0.84	8
Ardagh Group	7,348	0.84	8	—	—	—
2001 6th LLC	6,718	0.77	9	3,335	0.61	10
Martin Selig	6,576	0.75	10	—	—	—
Saint Gobain	—	—	—	5,015	0.92	7
Unico Properties/Union Square Ltd	—	—	—	3,923	0.72	9
<b>Total Top Ten</b>	<b>\$ 138,890</b>	<b>15.87%</b>		<b>\$ 93,318</b>	<b>16.60%</b>	

a Seattle City Light billing records.

b Revenue for King County included Metro Transit due to the merger of King County and Metro Transit in 2004.

Customer Name	WATER <sup>c</sup>					
	2017			2008 <sup>d</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Cascade Water Alliance	\$ 23,026	8.76%	1	\$ 16,537	11.06%	1
Northshore Utility District	5,954	2.26	2	4,923	3.29	2
City of Seattle	4,663	1.77	3	2,198	1.47	6
University of Washington	4,457	1.70	4	2,008	1.34	7
Highline Water District	4,317	1.64	5	3,359	2.25	3
Soos Creek Water and Sewer District	3,463	1.32	6	2,893	1.93	5
Woodinville Water District	3,369	1.28	7	3,127	2.09	4
Port of Seattle	3,344	1.27	8	1,527	1.02	9
Seattle Housing Authority	2,437	0.93	9	—	—	—
King County Water District #20	2,222	0.85	10	1,795	1.20	8
City of Mercer Island	—	—	—	1,462	0.98	10
<b>Total Top Ten</b>	<b>\$ 57,252</b>	<b>21.78%</b>		<b>\$ 39,829</b>	<b>26.63%</b>	

c Source: Seattle Public Utilities (SPU) billing records.

d Using data from the 2008 CAFR.

Statistics

Table S-9  
Page 2 of 2  
PRINCIPAL REVENUE SOURCES  
Current Year and Nine Years Ago  
(In Thousands)

Customer Name	DRAINAGE AND WASTEWATER <sup>a</sup>					
	2017			2008 <sup>b</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 11,187	2.86%	1	\$ 5,405	2.51%	2
University of Washington	10,555	2.70	2	5,452	2.53	1
Seattle Housing Authority	5,599	1.43	3	1,744	0.81	4
King County	4,055	1.04	4	1,182	0.55	5
Marriott International Inc.	2,489	0.64	5	—	—	—
Seattle Public Schools	2,460	0.63	6	1,071	0.50	6
Equity Residential Prop.	2,023	0.52	7	—	—	—
BNSF Railway	1,871	0.48	8	699	0.32	8
Port of Seattle	1,376	0.35	9	1,896	0.88	3
Harborview Medical Center	1,311	0.34	10	875	0.41	7
The Boeing Company	—	—	—	680	0.32	9
Swedish Medical Center	—	—	—	674	0.31	10
Total Top Ten	\$ 42,926	10.99%		\$ 19,678	9.14%	

a Source: Seattle Public Utilities (SPU) billing records.  
b Using data from the 2008 CAFR.

Customer Name	SOLID WASTE <sup>c</sup>					
	2017			2008 <sup>d</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 1,288	0.61%	1	\$ 707	0.62%	1
Starbucks	883	0.42	2	—	—	—
Fred Meyer/QFC	873	0.42	3	—	—	—
Goodwill Industries	853	0.41	4	455	0.40	3
Swedish Medical Group	693	0.33	5	454	0.39	4
Seattle Housing Authority	583	0.29	6	455	0.4	2
King County	531	0.25	7	—	—	—
Seattle Pacific University	474	0.23	8	—	—	—
Safeway	469	0.22	9	—	—	—
Pike Place Market	466	0.22	10	331	0.29	6
University of Washington	—	—	—	412	0.36	5
Value Village	—	—	—	289	0.25	7
Harborview Medical Center	—	—	—	282	0.25	8
Clean Scapes	—	—	—	264	0.23	9
Charlie's Produce	—	—	—	252	0.22	10
Total Top Ten	\$ 7,113	3.40%		\$ 3,901	3.41%	

c Source: Seattle Public Utilities (SPU) billing records.  
d Using data from the 2008 CAFR.

The City of Seattle

Table S-10  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

Fiscal Year	Original Levy	Adjusted Levy <sup>a</sup>	Collected within the Fiscal Year of the Levy		Subsequent Adjustments to Date	Net Levy to Date	Subsequent Collections	Total Collections to Date	
			Amount	Percentage of Adjusted Levy				Amount	Percentage of Net Levy
2008	\$371,971,172	\$ 370,579,618	\$363,923,901	98.20%	\$ (67,331)	\$370,512,287	\$ 6,507,027	\$370,430,928	99.98%
2009	391,665,366	389,564,212	382,220,305	98.11	(103,717)	389,460,495	7,230,046	389,450,351	100.00
2010	396,716,770	394,203,623	387,023,382	98.18	104,576	394,308,199	7,229,306	394,252,688	99.99
2011	401,332,061	399,082,252	392,544,843	98.36	(124,717)	398,957,535	6,437,400	398,982,243	100.00
2012	417,706,022	415,720,650	408,919,797	98.36	(43,510)	415,677,140	6,670,152	415,589,949	99.98
2013	419,470,830	418,268,215	411,963,480	98.49	(36,890)	418,231,325	6,133,646	418,097,126	99.97
2014	433,746,570	432,690,228	426,568,295	98.59	48,381	432,738,609	5,175,197	431,743,492	99.77
2015	422,696,019	421,442,544	416,061,811	98.72	(52,578)	421,389,966	4,249,887	420,311,698	99.74
2016	546,747,717	543,787,180	537,159,839	98.78	—	543,787,180	—	537,159,839	98.78
2017	586,841,888	583,926,393	576,389,321	98.71	—	583,926,393	—	576,389,321	98.71

a Source King County Treasurer's Office.

## Statistics

**Table S-11 RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years  
(In Thousands, except Per Capita)**

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Premiums, Discounts, and Other Adjustments	Net General Obligation Bonds	Special Assessment Bonds	Notes and Contracts	Capital Leases
2008	721,160	22,222	743,382	19,205	19,738	—
2009	771,065	27,622	798,687	17,705	18,854	18
2010	801,695	37,260	838,955	15,735	16,582	14
2011	822,110	38,185	860,295	14,305	14,662	10
2012	772,950	56,070	829,020	13,005	18,748	6
2013	809,060	53,919	862,979	13,005	16,631	2
2014	816,060	55,218	871,278	10,395	14,580	105
2015	965,310	81,337	1,046,647	8,825	12,668	151
2016	1,008,895	91,032	1,099,927	7,505	10,945	158
2017	1,012,535	82,416	1,094,951	6,075	9,425	105

Fiscal Year	Business-Type Activities						
	Revenue Bonds						Net General Obligation Bonds and Revenue Bonds
	General Obligation Bonds	Light and Power Bonds	Water Bonds	Drainage and Wastewater Bonds	Solid Waste Bonds	Premiums, Discounts, and Other Adjustments	
2008	64,524	1,529,375	1,025,480	402,035	87,005	74,336	3,182,755
2009	63,319	1,383,050	903,985	513,070	80,470	69,123	3,013,017
2010	62,093	1,536,775	1,006,300	499,785	78,491	119,651	3,303,095
2011	60,846	1,680,095	977,160	486,610	122,165	126,463	3,453,339
2012	59,589	1,778,600	919,640	540,495	119,205	221,756	3,639,285
2013	58,327	1,863,325	887,010	525,280	115,875	215,007	3,664,824
2014	56,470	1,903,845	853,465	618,895	166,875	249,395	3,848,945
2015	53,520	2,070,780	851,565	600,680	197,810	281,073	4,055,428
2016	—	2,118,085	809,950	673,920	207,545	331,600	4,141,100
2017	—	2,345,490	858,215	821,255	201,000	397,914	4,623,874

Fiscal Year	Business-Type Activities	
	Notes and Contracts	
2008	20,240	
2009	23,861	
2010	34,107	
2011	36,222	
2012	34,753	
2013	35,606	
2014	33,889	
2015	38,907	
2016	40,133	
2017	77,026	

Fiscal Year	Primary Government			
	Total	Percentage of Personal Income <sup>a</sup>	Debt Per Capita	Total Personal Income <sup>a</sup>
2008	3,985,320	13.84	6,799	28,803,559
2009	3,872,142	13.26	6,532	29,201,816
2010	4,208,488	14.50	6,991	29,019,204
2011	4,378,833	14.60	7,194	29,987,391
2012	4,534,817	12.04	7,409	37,652,394
2013	4,593,047	11.42	7,450	40,204,185
2014	4,779,192	11.94	7,627	40,019,009
2015	5,162,626	11.84	8,060	43,597,181
2016	5,299,768	#DIV/0!	7,717	—
2017	5,811,456	N/A	8,143	N/A

<sup>a</sup> Personal income data is not available for 2016.

## The City of Seattle

**Table S-12 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				
	General Bonded Debt Outstanding (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita
2008	721,160	14,288	729,094	0.60%	1,230
2009	771,065	11,220	787,467	0.57	1,308
2010	801,695	9,804	829,151	0.67	1,362
2011	822,110	9,653	850,642	0.73	1,390
2012	772,950	9,719	819,301	0.70	1,329
2013	809,060	9,775	853,204	0.67	1,362
2014	816,060	10,131	861,147	0.59	1,344
2015	965,310	10,672	1,035,975	0.63	1,564
2016	1,008,895	10,511	1,089,416	0.58	1,586
2017	1,012,535	10,392	1,084,559	#DIV/0!	1,520

Fiscal Year	Business-Type Activities				
	General Bonded Debt Outstanding (In Thousands)	Premiums, Discounts, and Other Adjustments (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita
2008	64,524	3,961	68,485	0.06%	116
2009	63,319	3,763	67,082	0.05	111
2010	62,093	3,564	65,657	0.05	108
2011	60,846	3,366	64,212	0.05	105
2012	59,589	3,168	62,757	0.05	102
2013	58,327	2,970	61,297	0.05	98
2014	56,470	2,772	59,242	0.04	92
2015	53,520	2,574	56,094	0.03	85
2016	—	—	—	0.00	—
2017	—	—	—	#DIV/0!	—

Fiscal Year	Business-Type Activities		
	Annual Debt Service Payments (In Thousands)	Net Operating Income <sup>c</sup> (In Thousands)	Percentage of Debt Service to Net Operating Income
2008	4,654	4,119	112.99%
2009	4,625	4,351	106.30
2010	4,578	4,097	111.74
2011	4,520	3,282	137.72
2012	4,438	3,866	114.80
2013	4,337	3,863	112.27
2014	4,796	4,634	103.50
2015	5,773	4,843	119.20
2016	2,007	3,337	60.14
2017	—	—	#DIV/0!

Fiscal Year	Primary Government		
	General Bonded Debt Outstanding (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)
2008	811,867	14,288	797,579
2009	865,769	11,220	854,549
2010	904,612	9,804	894,808
2011	924,507	9,653	914,854
2012	891,777	9,719	882,058
2013	924,276	9,775	914,501
2014	930,520	10,131	920,389
2015	1,102,741	10,672	1,092,069
2016	1,099,927	10,511	1,089,416
2017	1,094,951	10,392	1,084,559

<sup>a</sup> Starting in 2011, estimated actual value of taxable property in the succeeding year is used for calculation.

<sup>b</sup> General obligation bond debt service for the Downtown Parking Garage was being paid for by user fee revenues derived from the garage. The ultimate recourse for the payment of these bonds was with the City's General Fund, but this ended with the sale of the Parking Garage in 2016.

<sup>c</sup> Excludes amortization.

Statistics

Table S-13 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT December 31, 2017

Governmental Unit	Net Debt Outstanding (In Thousands)	Percentage Applicable to Seattle <sup>a</sup>	Amount Applicable to Seattle (In Thousands)
<b>Debt Repaid with Property Taxes</b>			
King County <sup>b</sup>	805,702	40.05%	322,684
Port of Seattle	388,360	40.05	155,538
Seattle School District No. 001	22,815	99.56	22,715
Highline School District No. 401	420,028	0.01	42
Subtotal Overlapping Debt	1,636,905		500,979
City of Seattle Direct Debt	1,110,556	100.00	1,110,556
Total Direct and Overlapping Debt	\$ 2,747,461		\$ 1,611,535

a Percentage rates were provided by King County except for City of Seattle and were determined by the ratio of assessed valuation of property in the overlapping unit subject to taxation in the reporting unit to the total value of property subject to taxation in the overlapping unit.

b Excludes proprietary fund debt, public facilities debt financed from special taxes and hotel and motel tax-financed debt.

The City of Seattle

Table S-14 LEGAL DEBT MARGIN INFORMATION

	General Capacity <sup>a</sup>		Special Purpose Capacity <sup>a</sup>		Total Capacity
	Councilmanic (1.5% of Assessed Value)	Voter-Approved (2.5% of Assessed Value)	Open Spaces and Parks (2.5% of Assessed Value)	Utility Purposes (2.5% of Assessed Value)	
<b>Latest Certified Assessed Value \$214,109,064,214 <sup>b</sup></b>					
2.50% of Assessed Value	\$ —	\$ 5,352,726,605	\$ 5,352,726,605	\$ 5,352,726,605	\$ 16,058,179,816
1.50% of Assessed Value	3,211,635,963	(3,211,635,963)	—	—	—
	3,211,635,963	2,141,090,642	5,352,726,605	5,352,726,605	16,058,179,816
<b>Statutory Debt Limit Less Debt Outstanding <sup>c</sup></b>					
Bonds	(720,840,000)	(291,598,633)	—	—	(1,012,438,633)
Guarantee on PDA Bonds <sup>d</sup>	(41,620,000)	—	—	—	(41,620,000)
Public Works Trust Fund Loans <sup>e</sup>	(9,425,180)	—	—	—	(9,425,180)
Compensated Absences <sup>f</sup>	(87,263,603)	—	—	—	(87,263,603)
Total Debt Outstanding	(859,148,783)	(291,598,633)	—	—	(1,150,747,416)
<b>Add:</b>					
Available Net Position In Redemption Funds <sup>g</sup>	10,280,146	112,033	—	—	10,392,179
Compensated Absences for Sick Leave <sup>f</sup>	12,947,617	—	—	—	12,947,617
Net Debt Outstanding	(835,921,020)	(291,486,600)	—	—	(1,127,407,620)
<b>LEGAL DEBT MARGIN</b>	<b>\$ 2,375,714,943</b>	<b>\$ 1,849,604,042</b>	<b>\$ 5,352,726,605</b>	<b>\$ 5,352,726,605</b>	<b>\$ 14,930,772,196</b>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
2008	\$ 10,337,314,041	\$ 925,481,168	\$ 9,411,832,873	8.95%
2009	9,276,323,568	976,777,408	8,299,546,160	10.53
2010	9,008,761,941	1,005,384,736	8,003,377,205	11.16
2011	8,812,740,984	1,019,769,381	7,792,971,603	11.57
2012	8,826,489,180	986,832,122	7,839,657,058	11.18
2013	9,661,067,622	1,010,440,022	8,650,627,600	10.46
2014	10,881,878,356	1,011,446,510	9,870,431,846	9.29
2015	12,294,324,646	1,150,053,778	11,144,270,868	9.35
2016	13,974,400,710	1,127,451,915	12,846,948,795	8.07
2017	16,058,179,816	1,127,407,620	14,930,772,196	7.02

a Legal debt limits are established by the state constitution and by statutes, including RCW 39.36.020 and 35.42.200. The prescribed limits prohibit the City's debt from exceeding 1.5 percent of assessed value of taxable property without a vote of the people, and a total of 2.5 percent (statutory) and 5.0 percent (constitutional) of assessed value of taxable property for general municipal purposes with a vote of the people.

b RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued as of January 28, 2017 for taxes payable in 2017.

c State law and the State Auditor's Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating the legal debt margin, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.

d The City guarantees Public Development Authority bonds which create contingent obligations. Currently the City is contingently liable on debt issued by the Museum Development Authority, the Pike Place Market Preservation and Development Authority, the Seattle-Chinatown International District Preservation Development Authority, and the Seattle Indian Service Commission.

e Includes City Obligations to repay loans from the Washington State Public Works Assistance Account despite accounting procedures prescribed by the State Auditor that currently do not include amounts loaned by the State and federal governments in calculating debt capacity. However, the City's bond counsel does include State and federal loans to the City, including Public Works Assistance Account indebtedness, as within the applicable statutory and constitutional debt limits.

f The State Auditor requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt margin. All compensated absences except the sick leave estimate meet this criterion. The City's bond counsel does include compensated absences as debt for the purpose of calculating the City's debt capacity.

g Does not include available net position in the Local Improvement Guaranty Fund, Interfund Notes Payable Fund, and Local Improvement District No. 6750 Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

Table S-15

## PLEGGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	CITY LIGHT PARITY AND JUNIOR LIEN BONDS <sup>a</sup>								
	Utility Service Charges	Less Operating Expenses	Adjustments to Operating Revenue	Net Available Revenue	Junior Lien Bonds		Parity Bonds		Coverage
					Interest	Principal	Interest	Principal	
2008	798,108	519,471	—	278,637	1,622	5,840	63,596	64,620	2.05
2009	690,760	491,065	—	199,695	59	—	70,455	74,350	1.38
2010	702,053	491,641	—	210,412	—	—	51,012	67,360	1.78
2011	754,391	484,529	—	269,862	—	—	85,038	61,650	1.84
2012	795,238	489,098	—	306,140	—	—	80,129	88,995	1.81
2013	833,834	514,269	—	319,565	—	—	80,960	91,840	1.85
2014	872,836	531,464	—	341,372	—	—	85,086	99,670	1.85
2015	873,650	567,058	—	306,592	250	—	84,408	104,915	1.62
2016	903,175	795,766	224,519	331,928	1,038	—	88,060	107,450	0.55
2017	989,710	852,469	239,552	376,793	2,479	—	875,775	111,230	0.38

Fiscal Year	WATER <sup>b</sup>						
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Interest	Principal		
2008	164,405	81,909	82,496	36,266	19,985	1.47	
2009	191,370	76,073	115,297	41,883	28,495	1.64	
2010	195,204	79,487	115,717	47,325	25,425	1.59	
2011	194,573	78,141	116,432	49,412	29,140	1.48	
2012	213,474	78,339	135,135	47,245	31,425	1.72	
2013	235,594	89,291	146,303	44,793	32,630	1.89	
2014	242,947	94,500	148,447	43,369	33,545	1.93	
2015	251,977	97,937	154,040	45,343	37,330	1.86	
2016	251,364	106,063	145,301	40,348	41,615	1.77	
2017	262,896	108,333	154,563	40,479	39,345	1.94	

Fiscal Year	DRAINAGE AND WASTEWATER <sup>c</sup>						
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Interest	Principal		
2.008	224,109	167,338	56,771	9,872	13,401	2.44	
2.009	250,194	183,127	67,067	17,102	12,915	2.00	
2.01	249,734	188,250	61,484	17,234	12,541	2.06	
2.011	278,957	196,454	82,503	12,129	17,379	2.80	
2.012	304,002	199,592	104,410	18,017	12,472	3.42	
2.013	333,760	213,918	119,842	18,113	12,011	3.98	
2.014	342,000	216,415	125,585	26,466	15,825	2.97	
2.015	363,779	230,290	133,489	29,156	18,215	2.82	
2.016	375,041	246,488	128,553	28,561	19,080	2.70	
2.017	400,284	259,173	141,111	30,934	21,570	2.69	

Fiscal Year	SOLID WASTE <sup>d</sup>						
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Interest	Principal		
2008	124,353	90,616	33,737	3,048	4,690	4.36	
2009	135,641	116,262	19,379	4,206	6,535	1.80	
2010	146,980	118,270	28,710	3,865	1,980	4.91	
2011	154,200	121,558	32,642	3,773	2,075	5.58	
2012	156,927	121,980	34,947	6,079	2,960	3.87	
2013	159,742	125,991	33,751	5,708	3,330	3.73	
2014	157,498	122,948	34,550	6,976	3,495	3.30	
2015	174,788	131,138	43,650	7,732	4,895	3.46	
2016	183,666	139,731	43,935	9,448	5,750	2.89	
2017	209,644	146,641	63,003	9,419	6,545	3.95	

a Debt coverage ratios prior to 2005 were based on debt service amounts on parity bonds only; beginning in 2005 the debt service for Junior Lien bonds was included. In 2008, all Junior Lien bonds were redeemed. Starting in 2009, calculation of debt coverage ratios was based again on debt service amounts on parity bonds. Operating expenses do not include interest, depreciation, or amortization expenses, except in 2002, 2003, and 2004 when the effect of \$100 million amortization of deferred power costs were also considered in the calculation of coverage ratio.

b Operating expenses do not include City public utility taxes, depreciation and amortization, interest paid on revenue bonds, and drawdowns on the Bonneville Power Administration account. Coverage ratio was calculated based on the annual debt service requirement on senior lien bonds only.

c Debt service coverage ratio was based on average annual debt service. Interest and principal shown were calculated to match the requirements of bond covenants. Operating expenses do not include City utility taxes, depreciation and amortization, interest, and claims.

d Operating expenses do not include city public utility taxes, depreciation and amortization, interest paid on revenue bonds, amortization of debt expenses and loss, capitalized interest, and amortization of landfill and postclosure costs.

## The City of Seattle

Table S-16

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Year	Population <sup>a</sup>		Total Personal Income <sup>b</sup> (In Thousands)		Per Capita Income <sup>b</sup>		King County Average Annual Unemployment Rate <sup>c</sup>
	King County	Seattle	King County	Metropolitan Division <sup>d</sup>	King County	Metropolitan Division <sup>d</sup>	
2008	1,884,200	592,800	\$ 116,030,940	\$ 144,561,076	\$ 61,581	\$ 53,999	3.7%
2009	1,909,300	602,000	108,988,394	136,747,300	57,083	50,644	4.3
2010	1,933,400	608,660	112,234,690	140,402,380	58,050	51,370	7.9
2011	1,942,600	612,100	120,055,100	149,916,738	61,801	53,931	8.8
2012	1,957,000	616,500	132,840,302	164,223,321	67,880	52,627	8.1
2013	1,981,900	626,600	135,079,092	167,113,851	68,156	55,190	6.8
2014	2,017,250	640,500	143,260,986	177,417,334	71,018	62,481	8.1
2015	2,052,800	662,400	153,554,091	190,187,027	74,802	65,817	5.0
2016	2,105,100	686,800	166,006,277	205,002,309	78,859	69,786	4.1
2017	2,153,700	713,700	NA	NA	NA	NA	3.7

a As of April 1. Source: Washington State Office of Financial Management, "2017 Population Cities, Towns and Counties" estimates only.

b Source: U. S. Bureau of Economic Analysis. 2017 Personal Income not yet available.

c Source: U. S. Bureau of Economic Analysis includes Seattle, Bellevue, and Everett.

d Source: Washington State Employment Security Department, April 24, 2018



Statistics

Table S-17

PRINCIPAL INDUSTRIES <sup>ab</sup>  
Current Year and Nine Years Ago

Industry	2017			2008 <sup>c</sup>		
	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment	Rank
Professional and Business Services	227,500	16.3%	1	194,200	15.8%	1
Government (federal, state and local)	181,400	13.0	2	166,400	13.5	2
Educational and health services	179,300	12.8	3	142,300	11.6	3
Retail Trade	151,900	10.9	4	113,800	9.3	4
Leisure and Hospitality	140,800	10.1	5	113,400	9.2	5
Manufacturing	103,000	7.4	6	112,000	9.1	6
Information	102,900	7.4	7	79,800	6.5	7
Construction	74,400	5.3	8	7,900	6.0	9
Financial Activities	71,000	5.1	9	78,900	6.4	8
Wholesale Trade	64,800	4.6	10	64,400	5.2	10
Total Top Ten Industries	<u>1,297,000</u>	<u>92.9%</u>		<u>1,073,100</u>	<u>92.6%</u>	

<sup>a</sup> Source: Washington Employment Security Department Labor Market and Economic Analysis.

<sup>b</sup> Data is provided for King County, which includes the Seattle Metropolitan Area

<sup>c</sup> Industry categories for the historical comparison have been updated to match the categories currently used by the Washington Employment Security Department Labor Market and Economic Analysis and are provided by them.

The City of Seattle

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FULL-TIME-EQUIVALENT <sup>a</sup>  
CITY GOVERNMENT EMPLOYEES  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
<b>PUBLIC SAFETY</b>					
Community Police Commission	4.00	4.00	4.00	3.00	—
Fire	1,155.55	1,167.55	1,162.55	1,151.55	1,150.55
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	183.60	177.10	173.60	169.60	169.60
Municipal Court	213.10	214.10	213.60	213.10	212.60
Police	2,095.35	2,033.35	2,018.35	1,999.35	1,947.35
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
Public Safety	—	—	—	—	—
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	31.09	29.09	31.59	30.84	28.09
Library	556.10	556.10	558.40	558.40	558.40
Parks and Recreation	913.01	916.68	908.35	888.45	853.57
Seattle Center	241.73	241.13	241.13	242.66	241.62
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	328.00	331.60	327.60	344.60	341.35
Educational and Developmental Services Levy	—	—	—	9.00	9.00
Department of Education and Early Learning	58.50	54.00	52.50	—	—
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	35.50	31.00	27.50	25.50	22.50
Housing	42.50	43.50	43.50	37.00	37.50
Neighborhoods	53.00	47.00	40.00	46.00	42.50
Neighborhood Matching Subfund	9.00	8.00	8.00	7.00	6.00
Seattle Department of Construction and Inspections <sup>c</sup>	405.30	404.30	417.50	406.00	397.25
Office of Planning and Community Development	46.50	45.00	—	—	—
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,779.80	1,868.30	1,861.30	1,857.25	1,830.25
Seattle Public Utilities	1,359.05	1,460.05	1,438.05	1,446.55	1,401.05
Transportation	885.50	844.00	794.00	793.00	727.50
<b>ADMINISTRATION</b>					
City Auditor	9.50	9.50	9.50	9.50	9.50
City Budget	35.00	35.00	33.00	29.50	28.50
Civil Rights	27.25	34.25	31.25	23.50	23.00
Civil Service Commission	2.60	2.60	2.60	2.60	2.60
Employees' Retirement System	21.00	20.00	20.00	20.00	18.00
Ethics and Elections Commission	5.90	4.90	5.20	6.20	6.20
Finance and Administrative Services <sup>b</sup>	625.00	641.50	625.00	602.25	528.75
Hearing Examiner	4.63	4.63	4.63	4.63	4.63
Immigrant and Refugee Affairs	9.50	9.50	7.00	3.00	3.00
Information Technology	659.60	205.00	198.25	194.25	192.25
Intergovernmental Relations	10.50	10.50	11.50	10.50	10.50
Legislative	99.00	90.00	88.50	86.50	86.50
Mayor	44.00	44.00	35.50	28.50	28.50
Department of Human Resources <sup>d</sup>	158.75	148.25	143.55	92.75	103.75
Policy and Management <sup>e</sup>	—	—	—	—	—
Sustainability and Environment	19.50	17.25	15.25	12.00	10.00
Total Full-Time Equivalents	<u>12,134.91</u>	<u>11,759.73</u>	<u>11,559.25</u>	<u>11,361.53</u>	<u>11,039.36</u>

<sup>a</sup> Source - City of Seattle Adopted Budgets.

<sup>b</sup> Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

<sup>c</sup> The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

<sup>d</sup> Personnel was renamed the Seattle Department of Human Resources in 2014.

<sup>e</sup> The 2016 Adopted Budget renamed the Department of Planning and Development to the Department of Construction and Inspections. Planning staff and functions were transferred to a new Office of Planning and Community Development and additional staff were added.

## Statistics

**Table S-18**  
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**FULL-TIME-EQUIVALENT<sup>a</sup>**  
**CITY GOVERNMENT EMPLOYEES**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2012	2011	2010	2009	2008
<b>PUBLIC SAFETY</b>					
Community Police Commission	—	—	—	—	—
Fire	1,152.55	1,151.55	1,155.55	1,163.05	1,163.05
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	159.10	160.60	155.10	154.10	155.10
Municipal Court	214.10	214.10	222.10	235.60	234.60
Police	1,930.85	1,934.85	1,922.25	1,859.75	1,851.75
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
Public Safety	—	1.00	1.00	1.00	1.00
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	19.85	20.60	23.10	25.10	25.10
Library	509.00	503.20	511.82	527.46	533.41
Parks and Recreation	863.09	890.89	1,002.49	1,002.90	1,002.95
Seattle Center	245.12	245.12	257.77	271.53	278.30
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	316.10	322.60	326.35	337.85	323.85
Educational and Developmental Services Levy	9.00	—	—	—	—
Department of Education and Early Learning	—	—	—	—	—
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	24.00	22.00	20.00	19.50	24.60
Housing	37.50	38.50	40.50	41.00	41.50
Neighborhoods	40.50	74.75	86.50	88.00	87.00
Neighborhood Matching Subfund	6.00	—	—	—	—
Seattle Department of Construction and Inspections <sup>c</sup>	393.26	398.01	409.00	437.00	441.00
Office of Planning and Community Development	—	—	—	—	—
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,810.50	1,810.50	1,839.10	1,881.83	1,821.33
Seattle Public Utilities	1,411.05	1,420.75	1,449.25	1,481.00	1,458.06
Transportation	721.00	768.50	792.00	798.50	778.00
<b>ADMINISTRATION</b>					
City Auditor	9.00	8.00	8.00	8.00	9.00
City Budget	27.50	28.50	—	36.00	38.00
Civil Rights	22.50	21.50	22.50	22.50	22.50
Civil Service Commission	—	1.80	1.80	1.80	1.80
Employees' Retirement System	18.00	15.50	15.50	15.50	14.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.20
Finance and Administrative Services <sup>b</sup>	521.75	523.75	579.00	601.00	597.00
Hearing Examiner	4.63	4.63	4.63	4.75	4.75
Immigrant and Refugee Affairs	2.00	—	—	—	—
Information Technology	190.25	195.00	205.00	216.00	217.00
Intergovernmental Relations	10.50	11.50	11.50	10.50	10.50
Legislative	86.00	86.00	89.00	88.00	88.00
Mayor	28.50	28.50	28.50	24.50	25.50
Department of Human Resources <sup>d</sup>	103.25	104.25	115.00	128.00	123.50
Policy and Management <sup>e</sup>	—	—	—	18.00	18.50
Sustainability and Environment	14.75	11.00	8.00	7.00	7.00
<b>Total Full-Time Equivalents</b>	<b>10,913.40</b>	<b>11,029.65</b>	<b>11,314.51</b>	<b>11,518.92</b>	<b>11,410.35</b>

a Source - City of Seattle Adopted Budgets.

b Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

c The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were absorbed.

d Personnel was renamed the Seattle Department of Human Resources in 2014.

e The 2016 Adopted Budget renamed the Department of Planning and Development to the Department of Construction and Inspections. Planning staff and functions were transferred to a new Office of Planning and Community Development and additional staff were added.

## The City of Seattle

**Table S-19**  
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**OPERATING INDICATORS<sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$ 26,002,865	\$ 25,799,733	\$ 22,636,220	\$ 16,571,652	\$ 8,887,550
Per capita	\$ 36.47	\$ 37.57	\$ 34.18	\$ 25.87	\$ 14.18
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	8,218	7,161	7,387	6,674	7,573
Traffic criminal filings	619	660	678	802	1,048
DUI filings	1,255	1,269	1,099	1,074	1,111
Non-traffic infraction filings	3,173	4,019	4,710	2,182	2,190
Traffic infraction filings	32,854	34,401	47,931	41,467	42,091
Parking infractions	583,360	600,188	518,624	527,782	631,388
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	383,236	378,222	373,898	464,787	458,644
<b>Parks and Recreation</b>					
Park use permits issued					
Number	841	766	744	759	651
Amount	\$ 600,817	\$ 538,945	\$ 616,102	\$ 615,073	\$ 511,114
Facility use permits issued including pools					
Number	25,529	25,935	24,405	24,543	24,740
Amount	\$ 9,061,570	\$ 8,193,741	\$ 7,359,133	\$ 7,278,825	\$ 6,973,400
Facility use permits issued excluding pools					
Number	24,902	25,275	23,750	23,749	24,182
Amount	\$ 8,329,343	\$ 7,505,445	\$ 6,683,724	\$ 6,543,601	\$ 6,313,899
Picnic permits issued					
Number	3,920	4,245	4,323	4,027	3,967
Amount	\$ 427,769	\$ 421,821	\$ 422,861	\$ 386,272	\$ 381,309
Ball field usage					
Scheduled hours	198,082	186,021	147,311	170,014	161,571
Amount	\$ 3,496,685	\$ 2,803,130	\$ 2,662,171	\$ 2,797,013	\$ 2,477,333
Weddings					
Number	228	234	269	254	258
Amount	\$ 97,738	\$ 96,314	\$ 104,265	\$ 89,486	\$ 94,845
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Construction and Inspections</b>					
Permits					
Number issued	10,444	14,261	17,666	12,047	8,350
Value of issued permits	\$ 5,088,196,499	\$ 3,732,939,162	\$ 3,945,738,487	\$ 3,789,737,682	\$ 3,064,690,426
<b>UTILITIES</b>					
<b>City Light</b>					
Customers	454,500	447,332	422,809	415,056	408,055
Operating revenues	\$ 989,710,419	\$ 903,174,831	\$ 882,856,777	\$ 886,443,525	\$ 842,229,890
<b>Water</b>					
Population served	1,478,000	1,433,200	1,403,600	1,336,700	1,326,000
Billed water consumption, daily average, in gallons	118,402,270	115,447,224	118,900,570	113,863,391	113,107,019
Operating revenues	\$ 262,896,454	\$ 251,363,807	\$ 251,977,342	\$ 242,946,509	\$ 235,593,735
<b>Drainage and Wastewater</b>					
Operating revenues	\$ 400,284,279	\$ 375,041,044	\$ 363,778,513	\$ 341,999,940	\$ 333,760,233
<b>Solid Waste</b>					
Customers					
Residential garbage customers	165,482	181,940	164,381	160,063	163,413
Residential dumpsters customers	181,545	156,527	146,201	142,035	135,499
Commercial garbage customers	8,082	8,096	8,145	8,168	8,156
Operating revenues	\$ 209,643,613	\$ 183,666,276	\$ 174,787,770	\$ 157,497,819	\$ 159,741,503

a All figures are supplied by the named departments.

## Statistics

**Table S-19**  
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**OPERATING INDICATORS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2012	2011	2010	2009	2008
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$ 11,340,687	\$ 11,476,891	\$ 11,021,455	\$ 22,217,971	\$ 16,351,377
Per capita	\$ 18.40	\$ 18.86	\$ 18.11	\$ 36.91	\$ 27.52
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	8,162	8,481	9,908	10,724	9,461
Traffic criminal filings	953	1,109	4,752	5,344	5,124
DUI filings	1,369	1,667	1,343	1,422	1,167
Non-traffic infraction filings	3,122	4,787	5,501	6,111	6,437
Traffic infraction filings	36,872	46,136	55,108	57,960	69,949
Parking infractions	578,507	580,841	600,543	568,616	477,024
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	453,000	456,534	502,903	465,325	432,790
<b>Parks and Recreation</b>					
Park use permits issued					
Number	646	670	614	639	599
Amount	\$ 493,691	\$ 454,327	\$ 302,690	\$ 204,527	\$ 212,403
Facility use permits issued including pools					
Number	25,944	26,051	27,384	26,922	24,977
Amount	\$ 6,502,337	\$ 6,147,176	\$ 5,014,973	\$ 4,957,236	\$ 2,571,854
Facility use permits issued excluding pools					
Number	25,353	25,472	26,661	26,190	23,577
Amount	\$ 5,935,997	\$ 5,573,454	\$ 4,480,703	\$ 4,469,322	\$ 2,127,367
Picnic permits issued					
Number	3,664	3,463	3,658	3,547	3,420
Amount	\$ 363,842	\$ 345,209	\$ 303,075	\$ 249,110	\$ 228,965
Ball field usage					
Scheduled hours	147,142	128,352	125,891	161,937	147,911
Amount	\$ 2,668,292	\$ 2,480,476	\$ 1,909,705	\$ 1,457,708	\$ 1,444,393
Weddings					
Number	250	233	272	268	235
Amount	\$ 94,295	\$ 80,900	\$ 89,350	\$ 91,238	\$ 80,955
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Construction and Inspections</b>					
Permits					
Number issued	7,316	7,075	6,287	5,917	7,890
Value of issued permits	\$ 2,450,807,519	\$ 2,144,525,229	\$ 1,582,129,040	\$ 1,987,486,066	\$ 2,580,055,297
<b>UTILITIES</b>					
<b>City Light</b>					
Customers	402,608	400,351	398,858	394,731	387,715
Operating revenues	\$ 800,273,311	\$ 771,464,570	\$ 732,977,819	\$ 723,128,042	\$ 877,392,652
<b>Water</b>					
Population served	1,314,932	1,303,847	1,292,994	1,280,557	1,265,878
Billed water consumption, daily average, in gallons	112,036,939	110,200,000	110,424,484	122,038,356	117,406,451
Operating revenues	\$ 213,474,169	\$ 194,572,652	\$ 195,203,465	\$ 191,369,588	\$ 164,405,030
<b>Drainage and Wastewater</b>					
Operating revenues	\$ 304,001,717	\$ 278,956,907	\$ 249,733,795	\$ 250,194,607	\$ 224,109,335
<b>Solid Waste</b>					
Customers					
Residential garbage customers	164,241	166,637	165,541	167,047	166,914
Residential dumpsters customers	129,761	127,678	126,593	127,971	122,503
Commercial garbage customers	8,148	8,179	8,248	8,462	9,747
Operating revenues	\$ 156,926,774	\$ 154,200,068	\$ 150,905,931	\$ 135,641,160	\$ 124,353,043

a All figures are supplied by the named departments.

## The City of Seattle

**Table S-20**  
Page 1 of 4

**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Boats	7	7	6	7	6
Fire-fighting apparatus	221	214	216	216	184
Stations	33	33	33	33	33
Training towers	6	6	6	2	2
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
<b>Police</b>					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
<b>Vehicles</b>					
Patrol cars	369	302	280	280	272
Motocycles	40	37	37	37	37
Scooters	70	53	71	80	75
Trucks, vans, minibuses	89	91	89	91	89
Automobiles	248	236	213	196	194
Patrol boats	12	10	10	10	10
Bicycles	154	154	154	154	154
Horses	7	7	5	7	7
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	27	27	27	27	27
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	11,622,522	11,689,659	11,544,047	11,744,881	11,435,302
Collection, print and non-print	2,368,793	2,235,370	2,181,399	2,214,169	2,435,520
<b>Parks and Recreation</b>					
Major parks	14	14	14	14	14
Open space acres acquired since 1989	738	734	731	731	711
Total acreage	6,372	6,369	6,367	6,367	6,298
Children's play areas	160	160	160	158	138
Neighborhood playgrounds	39	39	39	40	43
Community playfields	42	42	42	38	38
Community recreation centers	27	27	27	27	25
Visual and performing arts centers	5	5	5	5	5
Theaters	1	1	1	1	1
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards	18	18	18	18	18
Golf courses (includes one pitch and putt)	5	5	5	5	5
Squares, plazas, triangles	64	64	64	64	64
Viewpoints	11	11	11	11	11
Bathing beaches (life-guarded)	9	9	9	9	9
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit <sup>b</sup>	—	—	—	—	—

a All figures are supplied by the named departments.

b As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

c Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.

d City redefined areas starting in 2008.

**Statistics**

**Table S-20**  
**Page 2 of 4**  
**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2012	2011	2010	2009	2008
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Boats	3	3	3	3	3
Fire-fighting apparatus	164	163	162	162	162
Stations	33	33	33	33	33
Training towers	2	2	2	2	2
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
<b>Police</b>					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
<b>Vehicles</b>					
Patrol cars	273	270	270	270	270
Motorcycles	37	37	37	37	37
Scoters	73	67	63	58	58
Trucks, vans, minibuses	87	88	86	84	84
Automobiles	194	194	194	194	194
Patrol boats	10	10	10	10	10
Bicycles	154	154	154	146	146
Horses	7	7	8	8	8
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	27	27	27	27	24
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	10,932,677	11,376,194	11,914,050	10,025,029	9,085,490
Collection, print and non-print	2,403,693	2,280,511	2,294,601	2,446,355	2,352,381
<b>Parks and Recreation</b>					
Major parks	14	14	13	13	13
Open space acres acquired since 1989	695	665	663	654	638
Total acreage	6,251	6,188	6,185	6,171	6,155
Children's play areas	136	135	133	131	130
Neighborhood playgrounds	41	40	38	38	38
Community playfields	38	38	38	33	33
Community recreation centers	24	26	26	26	26
Visual and performing arts centers	6	6	6	6	6
Theaters	2	2	2	2	2
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards	18	18	18	18	18
Golf courses (includes one pitch and putt)	5	5	5	5	5
Squares, plazas, triangles	64	64	64	62	62
Viewpoints	11	11	9	8	8
Bathing beaches (life-guarded)	9	9	9	9	9
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit <sup>b</sup>	—	0	10,588	10,216	10,655

a All figures are supplied by the named departments.  
b As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.  
c Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.  
d City redefined areas starting in 2008.

**The City of Seattle**

**Table S-20**  
**Page 3 of 4**  
**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	2,058,100	2,014,100	2,014,100	1,975,100	1,991,600
Peak load (KW) <sup>a</sup>	1,870,000	1,785,000	1,689,000	1,866,792	1,840,792
Total system load (1,000 KWh) <sup>a</sup>	9,973,100	9,696,583	9,687,222	9,911,624	10,048,700
Meters	454,712	445,625	430,148	422,613	406,274
<b>Water</b>					
Reservoirs, standpipes, tanks	29	29	29	29	26
Fire hydrants	18,664	18,664	18,000	18,000	18,655
<b>Water mains</b>					
Supply, in miles	193	198	193	193	182
Water storage, in thousand gallons	325,350	326,100	354,500	354,500	398,369
Meters	195,331	194,580	192,633	191,403	187,159
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	474	473	475	474	472
Sanitary sewers, life-to-date, in miles	948	949	947	947	949
Storm drains, life-to-date, in miles	486	485	483	481	479
Pumping stations	67	67	68	68	67
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in lane-miles (12 ft)	1,548	1,548	1,547	1,547	1,540
Non-arterial streets (paved and unpaved), in lane-miles (12 ft)	2,396	2,396	2,407	2,407	2,412
Sidewalks, in miles	2,238	2,326	2,303	2,230	2,230
Stairways	498	498	492	509	505
Length of stairways, in feet	34,923	34,923	35,653	36,269	35,112
Number of stairway treads	23,585	23,585	23,503	23,344	24,050
<b>Street trees</b>					
City-maintained	41,000	41,000	41,000	41,000	41,000
Maintained by property owners	150,000	150,000	150,000	125,000	125,000
Total platted streets, in centerline miles	1,675	1,675	1,677	1,677	1,677
Traffic signals	1,085	1,077	1,071	1,041	1,070
<b>Parking meters</b>					
Downtown	—	—	—	0	6
Outlying	—	—	—	0	4
<b>Parking pay stations</b>					
Downtown <sup>d</sup>	690	689	880	892	961
Outlying <sup>d</sup>	950	1,006	1,141	1,112	1,174
<b>Bridges (movable) - City-owned and -operated</b>					
	4	4	4	4	4
<b>Bridges (fixed)</b>					
City maintenance	98	96	96	93	99
Partial City maintenance	40	51	51	54	32
Retaining walls/seawalls	593	587	582	580	592

a All figures are supplied by the named departments.  
b As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.  
c Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.  
d City redefined areas starting in 2008.

## Statistics

**Table S-20**  
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**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2012	2011	2010	2009	2008
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	1,991,600	1,920,700	1,920,700	1,920,700	1,920,700
Peak load (KW) <sup>c</sup>	1,804,708	1,748,833	1,846,708	1,859,875	1,904,735
Total system load (1,000 KWh) <sup>c</sup>	10,082,024	10,202,992	9,910,754	10,182,404	10,376,759
Meters	407,614	406,195	402,854	394,455	391,022
<b>Water</b>					
Reservoirs, standpipes, tanks	27	27	27	30	30
Fire hydrants	18,550	18,503	18,473	18,436	18,398
Water mains					
Supply, in miles	182	187	187	224	182
Water storage, in thousand gallons	338,869	338,869	302,880	370,000	377,080
Meters	188,883	188,457	188,226	187,154	185,395
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	471	471	472	473	444
Sanitary sewers, life-to-date, in miles	948	957	956	958	985
Storm drains, life-to-date, in miles	474	473	470	473	472
Pumping stations	67	66	67	65	68
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in lane-miles (12 ft)	1,540	1,537	1,531	1,531	1,531
Non-arterial streets (paved and unpaved), in lane-miles (12 ft)	2,412	2,411	2,412	2,412	2,412
Sidewalks, in miles	2,256	2,262	2,262	2,258	2,256
Stairways	507	507	498	494	482
Length of stairways, in feet	35,122	35,061	35,181	35,215	34,775
Number of stairway treads	24,050	24,009	23,950	23,666	23,407
Street trees					
City-maintained	41,000	40,000	40,000	40,000	35,000
Maintained by property owners	125,000	125,000	125,000	125,000	105,000
Total platted streets, in centerline miles	1,677	1,666	1,666	1,666	1,666
Traffic signals	1,060	1,053	1,040	1030	1,001
Parking meters					
Downtown	93	231	941	941	700
Outlying	26	85	97	97	300
Parking pay stations					
Downtown <sup>d</sup>	973	998	856	850	1215
Outlying <sup>d</sup>	1,198	1,227	1315	1127	630
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	95	90	88	88	88
Partial City maintenance	44	44	54	55	55
Retaining walls/seawalls	592	592	592	582	582

a All figures are supplied by the named departments.

b As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

c Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.

d City redefined areas starting in 2008.

## The City of Seattle

Page 1 of 3

**MISCELLANEOUS STATISTICS**  
**December 31, 2017 - Unless Otherwise Indicated**

### CITY GOVERNMENT

Date of incorporation December 2, 1869  
Present charter adopted March 12, 1946

Form: Mayor-Council (Nonpartisan)

### GEOGRAPHIC DATA

Location:  
Between Puget Sound and Lake Washington  
125 nautical miles from Pacific Ocean  
110 miles south of Canadian border

Altitude:  
Sea level 521 feet  
Average elevation 10 feet

Land area 83.1 square miles

Climate

Temperature (in Fahrenheit)

30-year average, mean annual 52.6  
January 2017 average high 43.7  
January 2017 average low 32.0  
July 2017 average high 78.3  
July 2017 average low 56.3

Rainfall (in inches)

30-year average, mean annual 38.84  
2017 total 47.87

### POPULATION

Year	City of Seattle	Seattle Metropolitan Area <sup>ab</sup>
1950	467,591	844,572
1960	557,087	1,107,203
1970	530,831	1,424,611
1980	493,846	1,607,618
1990	516,259	1,972,947
2000	563,374	2,279,100
2010	608,660	2,644,500
2011	612,100	2,659,600
2012	616,500	2,679,900
2013	626,600	2,712,400
2014	640,500	2,758,250
2015	662,400	2,810,400
2016	686,800	2,877,960
2017	713,700	2,943,100
King County		2,153,700
Percentage in Seattle		33.1%

a Source: Washington State Office of Financial Management

b Based on population in King and Snohomish Counties.

**Statistics**

Page 2 of 3

**MISCELLANEOUS STATISTICS  
December 31, 2017 - Unless Otherwise Indicated**

**ELECTIONS (November 8)**

Active registered voters	456,871
Percentage voted last general election	49.98%
Total voted	228,325

**PENSION BENEFICIARIES**

Employees' Retirement	6,382
Firemen's Pension	645
Police Pension	713

**VITAL STATISTICS**

Rates per thousand of residents	
Births (2016)	11.9
Deaths (2016)	Not Available

**PUBLIC EDUCATION (2016-17 School Year)**

Enrollment (October 1)	53,380
Teachers (October 1)	3,244
Schools	
Regular elementary schools	62
Regular middle schools	12
Regular high schools	11
K-8 schools	10
Alternative/Non-traditional schools	8
Total number of schools	<u>103</u>

**PROPERTY TAXES**

Tax levy (City)	\$486,947,806
-----------------	---------------

**EXAMPLE – PROPERTY TAX ASSESSMENTS**

Real value of property	\$348,000
Assessed value	\$348,000

Property Tax Levied By	Dollars Per Thousand	Tax Due
City of Seattle	\$ 2.89830	\$ 1,008.61
Emergency Medical Services		
State of Washington	2.03205	707.15
School District No. 1	2.15095	748.53
King County	1.89599	659.80
Port of Seattle	0.15334	53.36
King County Ferry District		
King County Flood Control Zone	0.11740	40.86
Totals	<u>\$ 9.24803</u>	<u>\$ 3,218.31</u>

**The City of Seattle**

Page 3 of 3

**MISCELLANEOUS STATISTICS  
December 31, 2017 - Unless Otherwise Indicated**

**PORT OF SEATTLE**

**Bonded Indebtedness**

General obligation bonds	\$ 388,360,000
Revenue bonds	2,828,335,000
Passenger facility charges bonds	97,570,000
Commercial Paper	19,655,000

**Waterfront (mileage)**

Salt water	13.4
Fresh water	0.7

**Value of Land Facilities**

Waterfront	\$ 2,176,692,067
Sea-Tac International Airport	\$ 5,892,503,117

**Marine Container Facilities/Capacities**

4 container terminals with 11 berths covering 520 acres  
 1.39 million TEU's (20-ft. equivalent unit containers)  
 1 grain facility, 1 general cargo facility, 1 barge terminal  
 2 cruise terminals

**Sea-Tac International Airport**

Scheduled passenger airlines	31
Cargo airlines	7
Charter airlines	4
Loading bridges	60

**2017 Port Activity (in millions)**

Import	\$ 2,822
Export	\$ 7,219

**APPENDIX C**  
**DEMOGRAPHIC AND ECONOMIC INFORMATION**

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## DEMOGRAPHIC AND ECONOMIC INFORMATION

Seattle is the largest city in the Pacific Northwest and the eighteenth largest city in the United States in terms of population. It serves as the King County seat and is the center of the County's economic activity. King County is the largest county in the State in terms of population, number of cities, and employment, and the twelfth most populous county in the United States. Of the State's population, nearly 30% reside in the County, and of the County's population, 34% live in Seattle.

### Population

Historical and current population figures for the State, the County, and Seattle are given below.

<b>POPULATION</b>			
<b>Year</b>	<b>Washington</b>	<b>King County</b>	<b>Seattle</b>
1980 <sup>(1)</sup>	4,130,163	1,269,749	493,846
1990 <sup>(1)</sup>	4,866,692	1,507,319	516,259
2000 <sup>(1)</sup>	5,894,121	1,737,034	563,374
2010 <sup>(1)</sup>	6,724,540	1,931,249	608,660
2014 <sup>(2)</sup>	6,968,170	2,017,250	640,500
2015 <sup>(2)</sup>	7,061,410	2,052,800	662,400
2016 <sup>(2)</sup>	7,183,700	2,105,000	686,800
2017 <sup>(2)</sup>	7,310,300	2,153,700	713,700
2018 <sup>(2)</sup>	7,427,570	2,190,200	730,400
2019 <sup>(2)</sup>	7,546,410	2,226,300	747,300

(1) Source: U.S. Department of Commerce, Bureau of Census

(2) Source: State of Washington, Office of Financial Management

### Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division (the cities of Seattle, Bellevue, and Everett), the County, the State, and the U.S.

	<b>PER CAPITA INCOME</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Seattle MD	\$ 60,219	\$ 65,033	\$ 68,094	\$ 69,786	\$ 75,078
King County	66,073	71,882	75,518	77,213	83,383
State of Washington	47,814	50,890	53,064	54,579	57,896
U.S.	44,493	46,494	48,451	49,246	51,640

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

## Construction

The table below lists the value of housing construction for which building permits have been issued by entities within the County. The value of public construction is not included in this table.

### CITY OF SEATTLE RESIDENTIAL BUILDING PERMIT VALUES

Year	New Single Family Units		New Multi-Family Units		Total Value(\$)
	Number	Value(\$)	Number	Value(\$)	
2014	898	227,307,102	6,547	881,734,102	1,109,041,204
2015	810	215,818,201	10,530	1,684,630,374	1,900,448,575
2016	797	216,693,139	9,202	1,242,951,877	1,459,645,016
2017	593	162,452,219	9,294	1,562,063,391	1,724,515,610
2018	523	141,737,845	7,395	892,514,843	1,034,252,688
2018 <sup>(1)</sup>	235	64,037,552	2,520	369,945,110	433,982,662
2019 <sup>(1)</sup>	211	56,926,257	4,612	646,441,442	703,367,699

(1) Through May.

Source: U.S. Bureau of the Census

## Retail Activity

The following table presents taxable retail sales in King County and Seattle.

### KING COUNTY AND THE CITY OF SEATTLE TAXABLE RETAIL SALES

Year	King County	City of Seattle
2014	\$ 49,638,174,066	\$ 19,995,171,842
2015	54,890,159,770	22,407,443,037
2016	59,530,882,870	24,287,539,378
2017	62,910,608,935	26,005,147,210
2018	69,018,354,390	28,292,069,881

Source: Washington State Department of Revenue and Quarterly Business Review

## Industry and Employment

The following table presents major Puget Sound-area employers and their State-wide employment data.

### PUGET SOUND AREA MAJOR EMPLOYERS

<u>Employer</u>	<u>Full-Time Employees In State</u>
The Boeing Company	69,830
Joint Base Lewis-McChord	54,000
Amazon.com Inc.	52,000
Microsoft Corp.	51,360
University of Washington	46,820
Navy Region Northwest	46,010
Providence Health & Services	43,000
Safeway Inc. & Albertsons LLC	21,320
Walmart Inc.	19,410
Costco Wholesale Corp.	18,010
Multicare Health System	17,170
Fred Meyer Stores	16,070
King County Government	15,600 <sup>(1)</sup>
Starbucks Coffee Co.	14,130
City of Seattle	13,410 <sup>(2)</sup>
CHI Franciscan Health	12,370
Seattle Public Schools	11,430
Alaska Air Group Inc.	9,590
Nordstrom, Inc.	9,200
Virginia Mason Health System	8,760
Washington State University	8,250
T-Mobile US Inc.	7,900
Kaiser Permanente	7,670
Expedia Group Inc.	4,300
Spokane Public Schools	4,200

(1) Source: King County.

(2) Source: City of Seattle.

Source: *Puget Sound Book of Lists, as of June 28, 2019*

**KING COUNTY**  
**RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT**  
**AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT<sup>(1)</sup>**

	<b>Annual Average</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Civilian Labor Force	1,158,195	1,178,040	1,204,360	1,230,207	1,258,687
Total Employment	1,103,941	1,127,580	1,156,939	1,184,707	1,215,220
Total Unemployment	54,254	50,460	47,421	45,500	43,467
Percent of Labor Force	4.7%	4.3%	3.9%	3.7%	3.5%
<b>NAICS INDUSTRY</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total Nonfarm	1,278,033	1,311,575	1,358,517	1,401,333	1,357,433
Total Private	1,108,425	1,137,442	1,180,175	1,219,450	1,179,242
Goods Producing	168,283	174,908	176,800	178,550	177,692
Mining and Logging	458	575	500	575	525
Construction	60,792	66,800	70,833	75,108	71,217
Manufacturing	107,025	107,542	105,475	102,892	105,967
Service Providing	1,109,750	1,136,667	1,181,717	1,222,783	1,179,742
Trade, Transportation, and Utilities	235,758	244,433	254,642	269,508	254,142
Information	85,583	89,058	95,967	102,983	96,200
Financial Activities	72,000	69,675	70,758	71,208	70,642
Professional and Business Services	207,933	215,733	222,667	228,183	222,750
Educational and Health Services	167,983	167,008	174,592	179,092	174,042
Leisure and Hospitality	124,883	130,108	136,425	141,392	135,683
Other Services	46,000	46,517	48,325	48,533	48,092
Government	169,608	174,133	178,342	181,883	178,192
Workers in Labor/Management Disputes	0	0	0	0	0
	<b>May 2019</b>				
Civilian Labor Force	1,280,487				
Total Employment	1,243,200				
Total Unemployment	37,287				
Percent of Labor Force	2.9%				

(1) Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department

**APPENDIX D**  
**BOOK-ENTRY TRANSFER SYSTEM**

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## BOOK-ENTRY TRANSFER SYSTEM

*The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the “Beneficial Owners”) should confirm the following with DTC or its participants (the “Participants”).*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners

may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

*The following information has been provided by the City.*

The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners of Bonds under the Bond Ordinance, registering the transfer of Bonds, obtaining any consent or other action to be taken by Registered Owners of Bonds, and for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or such participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be given to Registered Owners of Bonds under the Bond Ordinance; (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner of the Bonds.