

## **ADDENDUM TO OFFICIAL STATEMENT**

### **THE CITY OF SEATTLE, WASHINGTON**

**\$23,230,000**

**LIMITED TAX GENERAL OBLIGATION  
IMPROVEMENT BONDS, 2018A**

**\$26,745,000**

**LIMITED TAX GENERAL OBLIGATION  
IMPROVEMENT BONDS, 2018B (TAXABLE)**

The section titled “Legal and Tax Information—Tax Matters-2018B Bonds” in the above-referenced Official Statement, dated May 8, 2018, did not include language with regard to the premium associated with certain maturities of the taxable 2018B Bonds. The following language is hereby added to this section:

*Premium Bonds.* The amount by which a Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable 2018B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Beneficial Owner’s basis in the applicable 2018B Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2018B Bond premium may result in the Beneficial Owner of a 2018B Bond realizing a taxable gain when a 2018B Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2018B Bond to the Beneficial Owner. Beneficial Owners of the 2018B Bonds that have a basis in the 2018B Bonds that is greater than the principal amount of the 2018B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

*Addendum dated May 14, 2018*

## OFFICIAL STATEMENT

New Issue  
Book-Entry Only

**RATINGS**  
**Moody's:** Aaa  
**Standard & Poor's:** AAA  
**Fitch:** AAA

(See "Other Bond Information—Ratings on the Bonds.")

*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 2018A 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 2018B Bonds is not excluded from gross income for federal income tax purposes. See "Legal and Tax Information—Tax Matters-2018A Bonds" and "—Tax Matters-2018B Bonds."*

### THE CITY OF SEATTLE, WASHINGTON

**\$23,230,000**

**LIMITED TAX GENERAL OBLIGATION  
IMPROVEMENT BONDS, 2018A**

**\$26,745,000**

**LIMITED TAX GENERAL OBLIGATION  
IMPROVEMENT BONDS, 2018B (TAXABLE)**

**DATED: DATE OF INITIAL DELIVERY**

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

The City of Seattle, Washington (the "City"), will issue its Limited Tax General Obligation Improvement Bonds, 2018A (the "2018A Bonds"), an Limited Tax General Obligation Improvement Bonds, 2018B (Taxable) (the "2018B Bonds"), as fully registered bonds under a book-entry only system, registered in the name of the Securities Depository. In this Official Statement, the 2018A Bonds and 2018B 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 June 1 and December 1, beginning December 1, 2018. 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 2018A 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 2018A Bonds. The 2018B 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 2018B 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 opinions are attached hereto as Appendix A. 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 May 22, 2018.

*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: May 8, 2018**

*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 bidder(s) take 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

**\$23,230,000**

**THE CITY OF SEATTLE, WASHINGTON**

**LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2018A**

## SERIAL BONDS

Due December 1	Amounts	Interest		Prices	CUSIP Numbers
		Rates	Yields		
2019	\$ 1,900,000	5.00%	1.82%	104.760	812627 EL7
2020	2,000,000	5.00%	1.92%	107.555	812627 EM5
2021	2,095,000	5.00%	2.00%	110.161	812627 EN3
2022	2,210,000	5.00%	2.10%	112.455	812627 EP8
2023	2,320,000	5.00%	2.18%	114.603	812627 EQ6
2024	2,435,000	5.00%	2.28%	116.403	812627 ER4
2025	2,555,000	5.00%	2.36%	118.103	812627 ES2
2026	2,395,000	5.00%	2.40%	119.936	812627 ET0
2027	350,000	5.00%	2.46%	121.450	812627 EU7
2028	360,000	5.00%	2.50%	121.072 <sup>(1)</sup>	812627 EV5
2029	380,000	5.00%	2.55%	120.601 <sup>(1)</sup>	812627 EW3
2030	400,000	4.00%	2.75%	110.411 <sup>(1)</sup>	812627 EX1
2031	415,000	4.00%	2.81%	109.883 <sup>(1)</sup>	812627 EY9
2032	430,000	4.00%	2.95%	108.663 <sup>(1)</sup>	812627 EZ6
2033	450,000	4.00%	3.00%	108.231 <sup>(1)</sup>	812627 FA0
2034	470,000	4.00%	3.10%	107.373 <sup>(1)</sup>	812627 FB8

## TERM BONDS

Due December 1	Amounts	Interest		Prices	CUSIP Numbers
		Rates	Yields		
2036	\$ 990,000	4.00%	3.20%	106.522 <sup>(1)</sup>	812627 FC6
2038	1,075,000	4.00%	3.25%	106.100 <sup>(1)</sup>	812627 FD4

(1) Calculated to the December 1, 2027, par call date.

# MATURITY SCHEDULE

\$26,745,000<sup>(1)</sup>

THE CITY OF SEATTLE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2018B (TAXABLE)

Due December 1	Amounts	Interest	Yields	Prices	CUSIP Numbers
		Rates			
2019	\$ 1,150,000	4.000%	2.500%	102.230	812627 FE2
2020	1,190,000	4.000%	2.750%	103.028	812627 FF9
2021	1,245,000	4.000%	2.850%	103.830	812627 FG7
2022	1,290,000	4.000%	3.000%	104.201	812627 FH5
2023	1,340,000	4.000%	3.050%	104.796	812627 FJ1
2024	1,395,000	3.150%	3.150%	100.000	812627 FK8
2025	1,440,000	3.250%	3.250%	100.000	812627 FL6
2026	1,485,000	3.300%	3.300%	100.000	812627 FM4
2027	1,535,000	3.350%	3.350%	100.000	812627 FN2
2028	1,590,000	3.375%	3.375%	100.000	812627 FP7
2029	1,115,000	3.400%	3.400%	100.000	812627 FQ5
2030	1,150,000	3.450%	3.450%	100.000	812627 FR3
2031	1,190,000	3.500%	3.500%	100.000	812627 FS1
2032	1,230,000	3.550%	3.550%	100.000	812627 FT9
2033	1,275,000	3.600%	3.600%	100.000	812627 FU6
2034	1,325,000	3.650%	3.650%	100.000	812627 FV4
2035	1,370,000	3.700%	3.700%	100.000	812627 FW2
2036	1,425,000	3.750%	3.750%	100.000	812627 FX0
2037	1,475,000	3.800%	3.800%	100.000	812627 FY8
2038	1,530,000	3.850%	3.850%	100.000	812627 FZ5

**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

Rob Johnson

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**

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**

**\$23,230,000**  
**LIMITED TAX GENERAL OBLIGATION**  
**IMPROVEMENT BONDS, 2018A**

**\$26,745,000**  
**LIMITED TAX GENERAL OBLIGATION**  
**IMPROVEMENT BONDS, 2018B (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 \$23,230,000 aggregate principal amount of its Limited Tax General Obligation Improvement Bonds, 2018A (the “2018A Bonds”), and \$26,745,000 aggregate principal amount of the City’s Limited Tax General Obligation Improvement Bonds, 2018B (Taxable) (the “2018B Bonds”). In this Official Statement, the 2018A Bonds and the 2018B 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 2016 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 125456 (the “Bond Ordinance”), passed by the City Council on November 28, 2017, 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 bid award and pricing certificate (each, a “Pricing Certificate”) and other documents (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 December 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 June 1 and December 1, beginning December 1, 2018, 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 maturing on and before December 1, 2027, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds maturing on and after December 1, 2028, prior to their stated maturity dates at any time on and after December 1, 2027, 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 Term Bonds maturing on December 1 in the years 2036 and 2038 must be redeemed, at a price equal to 100% of the principal amount to be redeemed plus accrued interest, on December 1 in the years and principal amounts as follows:

<b>2036 TERM BONDS</b>		<b>2038 TERM BONDS</b>	
<b><u>Years</u></b>	<b><u>Amounts</u></b>	<b><u>Years</u></b>	<b><u>Amounts</u></b>
2035	\$ 485,000	2037	\$ 530,000
2036 <sup>(1)</sup>	505,000	2038 <sup>(1)</sup>	545,000

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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 2018B Bonds, such 2018B 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-2018B Bonds-Defeasance of 2018B 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

*2018A Bonds.* The proceeds of the 2018A Bonds will be used 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, fire, transportation, and information technology projects of the City (all as specified in and subject to change pursuant to the Bond Ordinance), and to pay the costs of issuing the 2018A Bonds.

*2018B Bonds.* The proceeds of the 2018B 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 the King Street Station improvements and design costs related to the Overlook Walk project, 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 2018B Bonds.

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 2018, and Table 8—Voted Levy Lid Lifts in Effect in 2018. Other sources of funds include federal and State grants.

In the Bond Ordinance, the City Council authorized the issuance of not to exceed \$29 million to provide additional funding to this program. Approximately \$19 million of proceeds of the 2018B Bonds are expected to be used by the Affordable Rental Housing Program to fund projects selected by the City’s Office of Housing. 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. The City expects to issue the remaining authorized debt for this purpose within the next few years.

The Overlook Walk project is one element of the City’s development of the central waterfront area (the “Waterfront Seattle Program”), which is further described under “Other Considerations—Considerations Related to Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program” below.

## Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

	2018A Bonds	2018B Bonds	Total
<b>SOURCES OF FUNDS</b>			
Stated Principal Amount of Bonds	\$ 23,230,000	\$ 26,745,000	\$ 49,975,000
Original Issue Premium	2,958,833	227,821	3,186,654
Total Sources of Funds	<u>\$ 26,188,833</u>	<u>\$ 26,972,821</u>	<u>\$ 53,161,654</u>
<b>USES OF FUNDS</b>			
Project Funds Deposit	\$ 26,067,810	\$ 7,680,000	\$ 33,747,810
Office of Housing Deposit	-	19,000,000	19,000,000
Costs of Issuance <sup>(1)</sup>	121,023	292,821	413,844
Total Uses of Funds	<u>\$ 26,188,833</u>	<u>\$ 26,972,821</u>	<u>\$ 53,161,654</u>

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

## 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**

### **Preliminary 2017 Results**

On a preliminary basis, the City’s financial performance for the fiscal year ended December 31, 2017, improved somewhat compared to the results anticipated in the 2017 adopted budget and reflects continued economic strength within the City and the region. General Fund revenues are estimated to have increased by 4.2% in 2017 compared to 2016. Taxes make up the largest share of revenues to the General Fund and are estimated to have increased by 3.9% in 2017. 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 2017 by approximately 5.6%, led by increases in licenses and permits, charges for services, and program income, interest, and miscellaneous revenues. These increases were partially offset by decreases in revenue from charges for services, fines and forfeits, and concessions, parking fees, and space rent.

Expenditures and net transfers out of the General Fund are estimated to have increased by approximately 5.4%. The largest General Fund expenditure component is for Public Safety, which increased by an estimated 3.7% in 2017 compared to 2016. In 2016, the General Fund balance increased by over \$58 million to approximately \$442.4 million. The 2017 General Fund balance is expected to continue this positive trend, with a projected balance of more than \$476 million.

A description of the City’s budget process and information on the City’s 2018 Budget is provided under “The City of Seattle—Financial Management-Municipal Budget.”

### **2012 Through 2017 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 2012 through 2016 and on preliminary unaudited figures for 2017.

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

	2017 <sup>(1)</sup>	2016	2015	2014	2013	2012
<b>Assets</b>						
Cash and Equity in Pooled Investments	\$ 406,761	\$ 359,510	\$ 300,584	\$ 216,746	\$ 237,739	\$ 195,159
Receivables, Net of Allowances	80,610	86,072	79,481	70,162	65,866	60,908
Due from Other Funds	12,517	20,244	16,976	15,910	17,365	11,905
Due from Other Governments	58,112	62,064	58,901	53,398	55,719	58,425
Interfund Loans and Advances	72 <sup>(2)</sup>	1,250	12,267	38,105	5,545	5,731
Other Current Assets	285	352	422	416	320	515
Deposits with Vendor	-	-	-	2	2	2
Contracts and Notes-Noncurrent	-	-	-	-	-	7,741
<b>Total Assets</b>	<b>\$ 558,357</b>	<b>\$ 529,492</b>	<b>\$ 468,631</b>	<b>\$ 394,739</b>	<b>\$ 382,556</b>	<b>\$ 340,386</b>
Deferred Outflows of Resources	-	-	7,775	7,775	7,771	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 558,357</b>	<b>\$ 529,492</b>	<b>\$ 476,406</b>	<b>\$ 402,514</b>	<b>\$ 390,327</b>	<b>\$ 340,386</b>
<b>Liabilities</b>						
Accounts Payable	\$ 34,250	\$ 36,675	\$ 35,355	\$ 32,781	\$ 40,767	\$ 27,222
Contracts Payable	126	86	303	273	184	139
Salaries, Benefits, and Taxes Payable	29,411	27,559	24,216	22,207	18,831	14,853
Due to Other Funds	8,175	12,839	15,193	11,275	4,080	5,845
Due to Other Governments	2,083	2,068	2,339	1,806	2,313	2,853
Revenues Collected in Advance	4,160	3,496	3,024	2,043	1,468	1,330
Other Current Liabilities	362	617	236	3,073	1,796	241
Interest Payable	-	-	-	4	4	752
Deposits Payable	-	-	-	(4)	(85)	66
Deferred Revenues	-	-	-	-	-	12,093
<b>Total Liabilities</b>	<b>\$ 78,567</b>	<b>\$ 83,340</b>	<b>\$ 80,666</b>	<b>\$ 73,458</b>	<b>\$ 69,358</b>	<b>\$ 65,394</b>
Deferred Inflows of Resources	3,771	3,771	11,813	11,921	12,009	-
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 82,338</b>	<b>\$ 87,112</b>	<b>\$ 92,479</b>	<b>\$ 85,379</b>	<b>\$ 81,367</b>	<b>\$ 65,394</b>
<b>Fund Balances</b>						
Nonspendable	\$ 350	\$ 401	\$ 474	\$ 474	\$ 375	\$ 555
Restricted	183,776	155,523	136,627	99,991	99,659	82,520
Committed	129,447	102,521	97,296	76,493	83,155	79,508
Assigned	30,069	28,646	5,767	5,685	5,325	6,417
Unassigned	132,376	155,290	143,763	134,492	120,446	105,992
<b>Total Fund Balances</b>	<b>\$ 476,018</b>	<b>\$ 442,381</b>	<b>\$ 383,927</b>	<b>\$ 317,135</b>	<b>\$ 308,960</b>	<b>\$ 274,992</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 558,356</b>	<b>\$ 529,492</b>	<b>\$ 476,406</b>	<b>\$ 402,514</b>	<b>\$ 390,327</b>	<b>\$ 340,386</b>

(1) Preliminary, unaudited.

(2) Interfund loans are advances from the Emergency Subfund. In 2017, most of the outstanding loans from the Emergency Subfund have been repaid.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2012-2016; unaudited results for 2017

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

	2017 <sup>(1)</sup>	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 1,088,453	\$ 1,047,643	\$ 987,815	\$ 926,003	\$ 866,464
Licenses and Permits	35,521	33,059	27,119	25,027	22,005
Grants, Shared Revenues, and Contributions	26,888	36,533	32,198	35,666	48,183
Charges for Services	69,246	61,386	61,637	61,080	50,587
Fines and Forfeits	30,300	32,096	32,769	31,960	41,043
Concessions, Parking Fees, and Space Rent	39,155	38,856	39,154	38,223	38,547
Program Income, Interest, and Miscellaneous Revenues	96,999	80,472	38,041	42,794	31,346
Total Revenues	\$ 1,386,562	\$ 1,330,045	\$ 1,218,733	\$ 1,160,753	\$ 1,098,175
<b>Expenditures</b>					
Current					
General Government	\$ 259,603	\$ 232,266	\$ 202,162	\$ 195,598	\$ 178,403
Judicial	31,658	31,519	29,351	29,158	27,642
Public Safety	610,744	588,834	528,582	519,122	492,509
Physical Environment	15,668	13,116	6,292	6,538	11,318
Transportation	12,041	9,890	9,240	9,779	11,321
Economic Environment	31,383	31,626	18,885	21,540	19,157
Health and Human Services	-	-	76	945	63
Culture and Recreation	83,033	80,620	75,092	72,371	69,559
Capital Outlay					
General Government	15,278	12,450	13,495	12,305	5,043
Public Safety	1,373	6,378	3,103	5,914	10,275
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	53	7	-	6	-
Culture and Recreation	24,222	15,044	16,380	24,213	30,290
Debt Service					
Principal	3	2	2	3	4
Interest	1	1	2	1	-
Bond Issuance Cost	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	\$ 1,085,060	\$ 1,021,753	\$ 902,662	\$ 897,493	\$ 855,584
Excess (Deficiency) of Revenues Over Expenditures	\$ 301,502	\$ 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	7,550	96	18,275	-	22,748
Transfers In	27,952	48,771	21,924	20,027	16,762
Transfers Out	(303,516)	(318,299)	(289,603)	(275,112)	(248,133)
Total Other Financing Sources (Uses)	\$ (268,014)	\$ (269,432)	\$ (249,404)	\$ (255,085)	\$ (208,623)
Net Change in Fund Balance	\$ 33,488	\$ 38,860	\$ 66,667	\$ 8,175	\$ 33,968
Fund Balances-Beginning of Year	442,381	383,927	317,135	308,960	274,992
Restatement/Prior-Year Adjustment	148	19,594 <sup>(2)</sup>	125 <sup>(3)</sup>	-	-
Fund Balances-Beginning of Year as Restated	\$ 442,529	\$ 403,521	\$ 317,260	\$ 308,960	\$ 274,992
Fund Balances-End of Year	\$ 476,017	\$ 442,381	\$ 383,927	\$ 317,135	\$ 308,960

(1) Preliminary, unaudited.

(2) 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.

(3) 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, 2012-2016; unaudited results for 2017



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

	2017 <sup>(1)</sup>	2016	2015	2014	2013 <sup>(2)</sup>	2012 <sup>(2)</sup>
<b>Revenues</b>						
Taxes	\$ 1,497,703	\$ 1,422,194	\$ 1,233,133	\$ 1,149,120	\$ 1,083,499	\$ 1,044,608
Licenses and Permits	43,733	41,743	34,138	30,093	27,135	25,238
Grants, Shared Revenues, and Contributions	166,813	166,779	162,132	161,361	184,783	177,775
Charges for Services	248,583	254,412	225,056	221,187	200,847	182,595
Fines and Forfeits	42,971	46,154	39,009	37,142	41,107	34,340
Concessions, Parking Fees, and Space Rent	71,408	68,798	67,444	63,891	62,463	57,107
Program Income, Interest, and Miscellaneous Revenues	119,321	99,369	98,215	86,757	45,463	43,649
Total Revenues	\$ 2,190,532	\$ 2,099,449	\$ 1,859,127	\$ 1,749,551	\$ 1,645,297	\$ 1,565,312
<b>Expenditures</b>						
Current						
General Government	\$ 322,828 <sup>(3)</sup>	\$ 264,284	\$ 224,721	\$ 204,662	\$ 209,006	\$ 180,187
Judicial	31,658	31,519	29,351	29,158	27,642	26,654
Public Safety	611,727	590,681	577,106	525,778	504,836	461,235
Physical Environment	16,130	13,575	7,314	7,409	11,935	7,748
Transportation	193,179	227,666	155,689	114,737	97,676	92,212
Economic Environment	151,490	179,831	141,721	140,079	128,644	128,711
Health and Human Services	119,120	104,209	96,268	78,024	73,151	67,103
Culture and Recreation	322,319	305,986	268,979	245,358	276,197	216,508
Capital Outlay						
General Government	55,933	29,342	29,958	35,599	5,043	10,684
Public Safety	2,811	21,527	13,097	25,162	10,275	27,743
Physical Environment	-	-	-	-	-	-
Transportation	205,781	240,216	278,151	278,550	234,188	228,272
Economic Environment	53	7	-	6	-	69
Culture and Recreation	58,136	47,390	35,712	55,133	41,185	55,507
Debt Service <sup>(4)</sup>						
Principal	57,883	53,308	50,709	61,745	56,194	53,523
Interest	35,551	32,768	28,999	26,571	26,206	25,339
Bond Issuance Cost	508	627	1,946	259	822	258
Other	-	-	-	-	-	305
Total Expenditures	\$ 2,185,107	\$ 2,142,936	\$ 1,939,721	\$ 1,828,230	\$ 1,703,000	\$ 1,582,058
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,425	\$ (43,487)	\$ (80,594)	\$ (78,679)	\$ (57,703)	\$ (16,746)
<b>Other Financing Sources (Uses)</b>						
Long-Term Debt Issued	\$ 93,880	\$ 145,139	\$ 350,255	\$ 50,455	\$ 101,115	\$ 108,085
Refunding Debt Issued	-	-	-	-	43,945	-
Premium on Bonds Issued	10,198	22,177	40,113	4,150	9,377	21,140
Payment to Refunded Bond Escrow Agent	(19,419)	(31,909)	(155,030)	-	(44,504)	(91,574)
Sales of Capital Assets	7,791	123	19,231	2,128	22,903	2,282
Transfers In	502,760	550,752	498,582	442,666	422,670	334,611
Transfers Out	(499,654)	(518,825)	(501,695)	(448,411)	(428,881)	(342,571)
Total Other Financing Sources (Uses)	\$ 95,556	\$ 167,457	\$ 251,456	\$ 50,988	\$ 126,625	\$ 31,973
Net Change in Fund Balance	\$ 100,981	\$ 123,970	\$ 170,862	\$ (27,691)	\$ 68,922	\$ 15,227
Fund Balances-Beginning of Year	994,242	870,272	679,565	707,256	638,334	623,107
Restatement/Prior Year Adjustment	150	-	19,845	-	-	-
Fund Balances-Beginning of Year as Restated	\$ 994,392	\$ 870,272	\$ 699,410	\$ 707,256	\$ 638,334	\$ 623,107
Fund Balances-End of Year	\$ 1,095,373	\$ 994,242	\$ 870,272	\$ 679,565	\$ 707,256	\$ 638,334

(1) Preliminary, unaudited.

(2) Restated.

(3) Increase primarily due to the creation of the Division of Homelessness Strategy Investment; expenditures previously spread among different categories.

(4) 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, 2012-2016; unaudited results for 2017

## GENERAL FUND TAX REVENUE SOURCES

The following table sets forth a breakdown of General Fund tax revenues for the years 2012 through 2017:

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

	2017 <sup>(1)</sup>	2016	2015	2014	2013	2012
<b>Taxes</b>						
General Property	\$ 294,767	\$ 283,735	\$ 273,044	\$ 268,745	\$ 252,682	\$ 259,954
Retail Sales and Use	249,215	238,558	221,646 <sup>(2)</sup>	199,735	181,171	169,681
Business	307,067	285,723	277,947	265,830	251,373	243,784
Excise	82,968	82,774	80,219 <sup>(2)</sup>	57,739	54,159	54,797
Other Taxes	-	10,328 <sup>(3)</sup>	-	-	-	-
Penalties and Interest on Delinquent Taxes	2,619	-	-	4,024	3,468	2,648
Interfund Business <sup>(4)</sup>	153,389	146,525	134,959	129,929	123,611	115,147
<b>Total Taxes</b>	<b>\$ 1,090,025</b>	<b>\$ 1,047,643</b>	<b>\$ 987,815</b>	<b>\$ 926,002</b>	<b>\$ 866,464</b>	<b>\$ 846,011</b>

(1) Preliminary unaudited.

(2) 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.

(3) Other Taxes revenue was listed in 2016, but was allocated to other categories (Charges for Services, Fines and Forfeits) in 2017.

(4) Reclassification in 2015 through 2017.

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

*Source: City of Seattle, Comprehensive Annual Financial Reports, 2016-2016; unaudited results for 2017*

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) varied in 2017 from 2016 levels by approximately 3.9%, 4.5%, 7.5%, and 4.7%, 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.

**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. See “Description of the Bonds—Authorization for the Bonds.”

*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 effective aggregate maximum regular property tax levy for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, is \$3.60 per \$1,000 of assessed value. This maximum rate is derived from two statutes: RCW 84.52.043 and RCW 41.16.060. RCW 84.52.043 limits the general regular property tax levy of the City to \$3.375 per \$1,000. RCW 41.16.060 allows an additional \$0.225 per \$1,000 to be levied for general municipal purposes, only if an actuarial report establishes that the levy is not required to fund certain firefighter pension programs. Based on the most recent actuarial valuation of the City’s firefighter pension programs, the City is not required to and did not levy this additional tax for 2018 collection. See “The City of Seattle—Pension Plans.” It would therefore be available to the City for general municipal purposes as an additional levy.

The City’s regular levy rate for collection in 2018 is \$2.21919 per \$1,000 of assessed value. However, \$1.11177 per \$1,000 of this levy 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 (with the exception of collection years 2018 through 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 \$3.42075 for the 2018 tax collection year. The aggregate of all overlapping levy rates within the City that are subject to the 1% limitation is \$7.00606 for the 2018 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 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 are considered “junior” levies. State statute prescribes the order in which the levies of the various junior taxing districts 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 2018, and Table 8—Voted Levy Lid Lifts in Effect in 2018.

*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.* Outside of the \$3.60 per \$1,000 and \$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 \$6,075,000 principal amount is currently outstanding and guaranteed by the local improvement guaranty fund. The City may in the future create additional local improvement districts and issue local improvement district debt secured by the Guaranty Fund.

In 2018, the City Council is expected to consider a resolution declaring its intent to create a local improvement district to collect special assessments to pay for a portion (approximately \$200 million) of the total estimated costs of specific improvements that are to be undertaken as part of the overall Waterfront Seattle Program, and to finance such improvements by the issuance of local improvement district bonds, which may or may not be secured by the Guaranty Fund. See “Other Considerations—Considerations Related to Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program.”

*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 *Algona 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*</b>	<b>Total Collected As of 12/31/17*</b>
2018	\$ 214,109,064,214	\$ 503,981,703	N/A	N/A
2017	186,325,342,799	486,947,806	98.71%	98.80%
2016	163,924,328,611	452,827,119	98.79%	99.77%
2015	145,091,711,416	379,042,833	98.72%	99.90%
2014	128,814,234,965	390,707,880	98.57%	99.87%

(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>
2018	<b>2.21919</b>	<b>0.14290</b>	<b>2.36209</b>	<b>\$ 473,604,377</b>	<b>\$30,377,326</b>	<b>\$ 503,981,703</b>
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
2014	2.90871	0.13964	3.04835	372,996,577	17,792,381	390,788,958

(1) The General Levy is subject to the \$3.60 rate limit (see "General Property Taxes—Regular Property Tax Limitations") and currently includes nonvoted regular levies and voted levy lid lifts for various specified purposes, described below in Table 7. A voter-approved EMS levy, which is considered a separate levy and is not included in the \$3.60 per \$1,000 limit, 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,**  
**COLLECTION YEAR 2018**  
**(Per \$1,000 of Assessed Value)**

<b>Overlapping Rates Within City of Seattle</b>	<b>2018</b>
City of Seattle	\$2.36209
King County	1.32735
State School Fund <sup>(1)</sup>	2.91820
Port of Seattle	0.13518
Seattle School District No. 1	2.01161
Voted EMS	0.23940
County Flood Zone	0.10708
Seattle Park District <sup>(2)</sup>	0.23371
Sound Transit 3 <sup>(3)</sup>	0.22745
<b>Total Within City of Seattle</b>	<b>\$9.56207</b>
<b>City of Seattle - Specific Rates</b>	
Current Expense Base and Pension	\$1.24516
Voted Lid Lifts	
Low-Income Housing	0.19415
Families and Education	0.15969
Library	0.08373
Transportation	0.45414
Pre-K Early Learning	0.06826
I-122 Election Vouchers	0.01406
Subtotal Voted Lid Lifts	\$0.97403
Subject to \$3.60 Limit	\$2.21919
Voted Bonds	0.14290
<b>Total City Rates</b>	<b>\$2.36209</b>

(1) The aggregate State School Fund rate includes two levies: State School Fund Part 1, for \$1.90859, and State School Fund Part 2, for \$1.00961. Part 2 was enacted by the State Legislature in 2017, with tax collections beginning in 2018, to address funding a program of basic education in response to *McCleary et al. v. State*.

(2) The Seattle Park District, a metropolitan park district with boundaries coterminous with those of the City, was formed in 2014 and collected its first property tax levy in 2016. 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.

(3) At the November 8, 2016, general election, City voters approved a ballot measure that provides funding for the Central Puget Sound Regional Transit Authority ("Sound Transit") to expand light rail, commuter rail, and bus service in King, Pierce, and Snohomish Counties. The measure allowed Sound Transit to impose a maximum property tax levy of \$0.25 or less per \$1,000 of assessed value beginning in 2017.

Note: 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."

Source: King County Department of Assessments

**TABLE 8**  
**VOTED LEVY LID LIFTS IN EFFECT IN 2018**

<b>Lid Lifts</b>	<b>Term</b>	<b>Amount Expected to be Raised Over Levy Period</b>
Families and Education	2012-2018	\$ 231,561,694
Library	2013-2019	122,630,099
Pre-K Learning	2015-2018	58,266,518
Transportation	2016-2024	930,000,000
I-122 Election Vouchers	2016-2025	30,000,000
Low-Income Housing	2017-2023	290,000,000

*Major Property Tax Payers.* The following table presents the property tax payers within the City with the highest 2017 assessed value for tax collection year 2018.

**TABLE 9**  
**2018 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	\$ 2,155,540,224	1.01 %
Union Square Limited Partnership	Commercial Real Estate	1,031,092,306	0.48
Altus Group US Inc.	Commercial Real Estate	820,758,900	0.38
GC Columbia (formerly Columbia Center Property)	Commercial Real Estate	678,384,000	0.32
Acom Development LLC (Amazon)	Commercial Real Estate	667,763,000	0.31
1201 Tab Owner LLC	Commercial Real Estate	651,986,784	0.30
FSP-RIC LLC	Commercial Real Estate	570,497,000	0.27
City Centre Associates JV	Commercial Real Estate	551,742,213	0.26
TB TS/RELP LLC 549800	Commercial Real Estate	504,658,000	0.24
Iris Holdings LLC	Commercial Real Estate	461,633,900	0.22
Total		\$ 8,094,056,327	3.78 %
Total City Assessed Value for Tax Collection Year 2018		\$ 214,109,064,214	

(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.

### **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 are used for qualifying capital projects. 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 current State real estate excise tax of 1.28%.

### **Other Taxes**

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 City is appealing the lower court ruling. The City 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.

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. It is projected that this tax will generate \$14.8 million in 2018.

In November 2017, the City Council rejected a \$25 million per year proposal for an employee-hours tax (commonly referred to as an employee head tax), but did adopt Resolution 31782 to establish the Progressive Revenue Taskforce on Housing and Homelessness (the "Taskforce"), which was charged with exploring potential new progressive revenue sources, including an employee-hours tax, and to identify investments using the new revenues to assist persons who are or at risk of becoming homeless obtain or retain stable housing. On April 23, 2018, consistent with recommendations by the Taskforce in a report issued on March 9, 2018, the City Council introduced proposed legislation, Council Bill 119244, which would establish a \$500 per full-time equivalent employee-hours tax for the first two years (2019 and 2020) and thereafter a 0.7% payroll tax, designed to collect \$75 million per year with a goal to begin collection on January 1, 2019, and Resolution 31810, which would establish a five-year spending plan for the tax proceeds. The proposed legislation to establish the tax includes various exemptions, including for state and local governments, non-profit entities, and small businesses with gross proceeds up to \$20 million. The proposed legislation is scheduled for a vote by the full City Council on May 14, 2018.

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 at the rate of \$14 per night per dwelling unit and \$8 per night per guest room. Ordinance 125442 included a provision recognizing the intent of the City to monitor proposals for any taxes imposed on the short-term rental industry by the Washington State Convention Center Public Facilities District, King County, or the State to ensure that the short-term rental industry is not subject to taxes in addition to the City tax. In March 2018, the Governor signed House Bill (HB) 2015, which is effective October 1, 2018, and authorizes the Washington State Convention Center Public Facilities District, King County, to impose a tax on short-term rentals at a rate of up to 7% in the City, if the City repeals its tax. In that case, the Washington State Convention Center Public Facilities District, King County, would be required to pay the City an amount equal to the portion of revenues derived from short-term rental activity within the City. It is unclear whether, when, and at what rate the Washington State Convention Center Public Facilities District, King County, may impose a tax, and if it does, whether the City would repeal its tax.

### **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. 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 Financing**

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.

### **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, 2017, and a total City assessed value for collection of taxes in 2018 of \$214,109,064,214. Giving effect to the issuance of the Bonds, there remains \$1,849,507,675 of unlimited tax general obligation debt capacity for general purposes and \$2,325,739,943 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, 2017.

**TABLE 10**  
**ESTIMATED LEGAL DEBT CAPACITY<sup>(1)</sup>**  
**(as of December 31, 2017)**

		<b>General Capacity</b>		<b>Special Purpose Capacity</b>		
Assessed Value as of February 15, 2018 <sup>(2)</sup>		<b>A</b>	<b>B</b>			
\$214,109,064,214		<b>Non-voted (1.5% of AV)</b>	<b>Voted (2.5% of Net, of Column A)</b>	<b>Voter-Approved Open Space and Parks (2.5% of AV)</b>	<b>Voter-Approved Utility Purpose (2.5% of AV)</b>	<b>Total Capacity (7.5% of AV)</b>
	2.5% of AV	\$ -	\$ 5,352,726,605	\$ 5,352,726,605	\$ 5,352,726,605	\$ 16,058,179,816
	1.5% of AV	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
Debt Outstanding <sup>(3)</sup>						
	The 2018A Bonds	\$ (23,230,000)	\$ -	\$ -	\$ -	\$ (23,230,000)
	The 2018B Bonds	(26,745,000)				
	Outstanding Bonds	(720,840,000)	(291,695,000)	-	-	(1,012,535,000)
	Guarantees on PDA Bonds <sup>(4)</sup>	(41,620,000)	-	-	-	(41,620,000)
	Public Works Trust Fund Loans <sup>(5)</sup>	(9,425,180)				(9,425,180)
	Compensated Absences <sup>(6)</sup>	(87,263,603)	-	-	-	(87,263,603)
Total Debt Outstanding		\$ (909,123,783)	\$ (291,695,000)	\$ -	\$ -	\$ (1,174,073,783)
Available Net Assets in						
	Redemption and Other Funds <sup>(7)</sup>	\$ 10,280,146	\$ 112,033	\$ -	\$ -	\$ 10,392,179
	Compensated Absences for Sick Leave <sup>(6)</sup>	12,947,617	-	-	-	12,947,617
Net Debt Outstanding		\$ (885,896,020)	\$ (291,582,967)	\$ -	\$ -	\$ (1,177,478,987)
<b>Legal Debt Margin</b>		<b>\$ 2,325,739,943</b>	<b>\$ 1,849,507,675</b>	<b>\$ 5,352,726,605</b>	<b>\$ 5,352,726,605</b>	<b>\$ 14,880,700,829</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 15, 2018, for taxes payable in 2018.
- (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 2016 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. The City is in the process of entering into another such loan from the Washington State Public Works Assistance Account in the amount of approximately \$10 million. This loan will be considered for approval by the City Council sometime in 2018.
- (6) Preliminary numbers as of December 31, 2017. 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) Preliminary numbers as of December 31, 2017. 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, 2017, is \$2.62 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 4.10% to 4.70%. 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, 2017, remaining scheduled principal and interest payments with respect to the SISC Bonds guaranteed by the City total \$2.62 million and \$484,058, 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 2016 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>			The 2018A Bonds			The 2018B Bonds (Taxable)			Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2018	\$ 68,580,163	\$ 30,813,704	\$ 99,393,867	\$ -	\$ 587,580	\$ 587,580	\$ -	\$ 509,081	\$ 509,081	\$ 100,490,528
2019	67,700,287	27,687,426	95,387,713	1,900,000	1,119,200	3,019,200	1,150,000	969,678	2,119,678	100,526,591
2020	61,685,287	24,942,904	86,628,191	2,000,000	1,024,200	3,024,200	1,190,000	923,678	2,113,678	91,766,068
2021	63,503,355	22,161,805	85,665,160	2,095,000	924,200	3,019,200	1,245,000	876,078	2,121,078	90,805,437
2022	57,058,256	19,499,059	76,557,315	2,210,000	819,450	3,029,450	1,290,000	826,278	2,116,278	81,703,043
2023	55,653,256	17,023,306	72,676,562	2,320,000	708,950	3,028,950	1,340,000	774,678	2,114,678	77,820,189
2024	56,647,442	14,467,852	71,115,294	2,435,000	592,950	3,027,950	1,395,000	721,078	2,116,078	76,259,321
2025	54,892,442	11,941,357	66,833,799	2,555,000	471,200	3,026,200	1,440,000	677,135	2,117,135	71,977,134
2026	38,402,442	9,404,037	47,806,479	2,395,000	343,450	2,738,450	1,485,000	630,335	2,115,335	52,660,264
2027	28,932,442	7,927,079	36,859,521	350,000	223,700	573,700	1,535,000	581,330	2,116,330	39,549,551
2028	27,707,442	6,776,380	34,483,822	360,000	206,200	566,200	1,590,000	529,908	2,119,908	37,169,930
2029	25,110,789	5,723,937	30,834,726	380,000	188,200	568,200	1,115,000	476,245	1,591,245	32,994,171
2030	24,695,789	4,740,089	29,435,878	400,000	169,200	569,200	1,150,000	438,335	1,588,335	31,593,413
2031	25,045,789	3,728,811	28,774,600	415,000	153,200	568,200	1,190,000	398,660	1,588,660	30,931,460
2032	16,215,000	2,809,009	19,024,009	430,000	136,600	566,600	1,230,000	357,010	1,587,010	21,177,619
2033	12,850,000	2,156,973	15,006,973	450,000	119,400	569,400	1,275,000	313,345	1,588,345	17,164,718
2034	11,710,000	1,628,756	13,338,756	470,000	101,400	571,400	1,325,000	267,445	1,592,445	15,502,601
2035	10,200,000	1,200,144	11,400,144	485,000	82,600	567,600	1,370,000	219,083	1,589,083	13,556,827
2036	7,075,000	863,975	7,938,975	505,000	63,200	568,200	1,425,000	168,393	1,593,393	10,100,568
2037	3,415,000	661,300	4,076,300	530,000	43,000	573,000	1,475,000	114,955	1,589,955	6,239,255
2038	1,100,000	527,400	1,627,400	545,000	21,800	566,800	1,530,000	58,905	1,588,905	3,783,105
2039	1,140,000	483,400	1,623,400	-	-	-	-	-	-	1,623,400
2040	1,190,000	437,800	1,627,800	-	-	-	-	-	-	1,627,800
2041	1,235,000	390,200	1,625,200	-	-	-	-	-	-	1,625,200
2042	1,285,000	340,800	1,625,800	-	-	-	-	-	-	1,625,800
2043	1,335,000	289,400	1,624,400	-	-	-	-	-	-	1,624,400
2044	1,390,000	236,000	1,626,000	-	-	-	-	-	-	1,626,000
2045	1,445,000	180,400	1,625,400	-	-	-	-	-	-	1,625,400
2046	1,500,000	122,600	1,622,600	-	-	-	-	-	-	1,622,600
2047	1,565,000	62,600	1,627,600	-	-	-	-	-	-	1,627,600
Total	\$ 730,265,180	\$ 219,228,504	\$ 949,493,683	\$ 23,230,000	\$ 8,099,680	\$ 31,329,680	\$ 26,745,000	\$ 10,831,628	\$ 37,576,628	\$1,018,399,992

(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	\$ 291,695,000
Limited Tax General Obligation Bonds <sup>(2)</sup>	720,840,000
The 2018A Bonds	23,230,000
The 2018B Bonds	26,745,000
Less: Cash and Investments in Debt Service Funds	<u>(10,392,179)</u>
<b>Net Direct Debt</b>	<b>\$ 1,052,117,821</b>
Estimated Overlapping Debt <sup>(3)</sup>	
King County <sup>(4)</sup>	\$ 296,932,911
Port of Seattle	153,484,664
Seattle School District No. 001	24,011,009
Highline School District No. 401	<u>29,717</u>
<b>Total Estimated Overlapping Debt</b>	<b>\$ 474,458,302</b>
<b>Total Net Direct and Estimated Overlapping Debt</b>	<b>\$ 1,526,576,123</b>

(1) As of December 31, 2017.

(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 2018 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 2018 Collections <sup>(1)</sup>	\$214,109,064,214
2017 Population Estimate <sup>(2)</sup>	713,700
Assessed Valuation <sup>(3)</sup>	100% of True and Fair Value
Net Direct Debt to Assessed Value	0.49%
Net Direct and Overlapping Debt to Assessed Value	0.71%
Per Capita Assessed Value	\$299,999
Per Capita Net Direct Debt	\$1,474
Per Capita Net Direct and Overlapping Debt	\$2,139
Net Direct Debt	\$1,052,117,821
Net Direct and Overlapping	\$1,526,576,123

(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 2016 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 2018 budget was adopted on November 20, 2017. The City's adopted General Subfund budget was approximately \$1.22 billion in 2017 and is approximately \$1.27 billion in 2018.

## **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, 2017, the combined investment portfolios of the City, not including pensions, totaled \$2,352.2 million at par value. The City’s investment portfolios consist solely of City funds. As of December 31, 2017, the earnings yield on the City’s investment portfolios was 1.56%, and the average maturity of the City’s investment portfolios was 941 days. Approximately 41.0%, or \$965.3 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	29%
U.S. Government	20%
Commercial Paper	16%
Taxable Municipals	15%
U.S. Government Agency Mortgage-Backed	10%
State Local Government Investment Pool	5%
Bank Deposit Notes	2%
Repurchase Agreements	2%

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(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, 2017, the City has outstanding nine interfund loans totaling \$59.3 million, in amounts ranging from \$0.5 million to \$18.2 million.

## **Risk Management**

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. The policies provide \$40 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. 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, notary publics, and workers who are permanently and totally disabled from a workplace injury or occupational disease.

## **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 Law Enforcement Officers’ and Fire

Fighters' Retirement System ("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.

*Change in Accounting Standards.* In 2012, the Governmental Accounting Standards Board ("GASB") approved Statement No. 67 ("GASB 67") and Statement No. 68 ("GASB 68"), which modified the accounting and financial reporting of pensions by pension plans (GASB 67) and by state and local government employers (GASB 68). GASB 67 affects the financial reporting requirements for the pension systems and does not change the funding requirements for members, employers, or the State. Under GASB 67, pension plans are required to report Total Pension Liability ("TPL") and Net Pension Liability ("NPL") instead of the previously required Unfunded Actuarial Accrued Liability ("UAAL"). GASB 67 requires multi-employer plans to provide a schedule in the notes to the financial statements that displays the proportionate share of contributions per employer, to be used in determining the proportionate share of the NPL that the employer recognizes on its financial statements under GASB 68. GASB 68 requires employers to report any NPL, including a proportionate share of the multiple-employer plans to which they contribute, as a liability in their Statement of Net Position.

The SCERS Annual Report (for the fiscal year ended December 31, 2015) and the State Department of Retirement Systems' Comprehensive Annual Financial Reports for LEOFF (for the fiscal year ended June 30, 2015) were prepared in accordance with GASB 67.

The City's financial statements for the fiscal year ended December 31, 2016, were prepared in accordance with GASB 68. The City's Comprehensive Annual Financial Report for 2016 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, 2017), which was completed on June 30, 2017 (the “2016 Actuarial Valuation”), there were 6,382 retirees and beneficiaries receiving benefits, and 9,151 active members of SCERS 1. There are an additional 1,394 terminated employees in SCERS 1 who are vested and entitled to future benefits and another 958 who are not vested and not entitled to benefits beyond contributions and accumulated interest. From January 1, 2016, to January 1, 2017, the net number of active members in SCERS 1 increased by 3.0%, the net number of retirees receiving benefits increased by 2.6%, and the net number of vested terminated members increased by 2.7%. Information regarding enrollment in SCERS 2 is not available, as the plan opened on January 1, 2017.

Certain demographic data from the 2016 Actuarial Valuation are shown below:

**TABLE 14**  
**PLAN MEMBER DEMOGRAPHIC INFORMATION, SCERS 1**

<b>Age Range</b>	<b>Retirees and Beneficiaries Receiving Benefits</b>		<b>Active Employees</b>	
	<b>Number<sup>(1)</sup></b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<25	-		90	1.0%
25-39	-		2,239	24.5%
40-49	10 <sup>(2)</sup>	0.2% <sup>(2)</sup>	2,283	24.9%
50-59	304	4.8%	2,758	30.1%
60-69	2,341	37.2%	1,653	18.1%
70+	3,633	57.8%	128	1.4%

(1) Does not include 91 survivors receiving Option B or Option C benefits for a certain period.

(2) Includes everyone under the age of 50.

*Source: 2016 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 most recent such audited report, for the years ended December 31, 2016, and December 31, 2015, was transmitted on July 7, 2017, by CliftonLarsonAllen LLP (the “2016 SCERS Annual Report”).

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 is the 2016 Actuarial Valuation (with a valuation date as of January 1, 2017). The next actuarial valuation (with a valuation date as of January 1, 2018) is expected to be completed by mid-2018. Historically, the City prepared actuarial valuations biennially, but has prepared them annually since 2010.

As of January 1, 2017 (as set forth in the 2016 Actuarial Valuation), the actuarial value of net assets available for benefits was \$2.564 billion and the actuarial accrued liability was \$3.766 billion. The 2016 Actuarial Valuation utilized the following assumptions:

Investment return	7.50%
Price inflation	3.25%
Expected annual average membership growth	0.50%
Wage inflation	4.00%
Interest on member contributions made prior to January 1, 2012 <sup>(1)</sup>	5.75%

(1) Contributions made on or after January 1, 2012, are assumed to accrue interest at 4.75%.

A UAAL exists to the extent that actuarial accrued liability exceeds plan assets. The UAAL decreased from \$1,208.0 million as of January 1, 2016, to \$1,202.3 million as of January 1, 2017. The funding ratio increased from 66.5% as of January 1, 2016, to 68.1% as of January 1, 2017, which increase is primarily due to the UAAL amortization payment made by the City during the prior year. For the year ending December 31, 2016, SCERS assets returned about 8.4% on a market basis (net of investment expenses), a rate of return greater than the assumed rate of 7.50%. The result is an actuarial gain on assets for 2016, 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.

The following table provides historical plan funding information for SCERS 1:

**TABLE 15**  
**HISTORICAL SCERS 1 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>
2008	\$ 2,119.4	\$ 2,294.6	\$ (175.2)	92.4%	\$ 501.9	34.9 %
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 %

(1) For accounting purposes under GASB 67/68, UAAL is replaced with NPL. However, because the City continues to set its contribution rates based on an actuarially required contribution ("ARC") 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: 2016 Actuarial Valuation*

In accordance with GASB 67, the SCERS 2016 Annual Report calculated TPL and NPL based on the actuarial valuation dated as of January 1, 2017, rolled forward using generally accepted actuarial procedures (assuming a 7.50% investment rate of return and 4.00% salary increases) to December 31, 2016, as follows:

TPL was calculated to be \$3,793.6 million; plan fiduciary net position (“Plan Net Position”) was calculated to be \$2,488.5 million, and NPL was calculated to be \$1,305.0 million, for a funding ratio (Plan Net Position as a percentage of TPL) of 65.6%.

**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 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 a result, for purposes of the 2016 Actuarial Valuation calculation, a 26-year amortization period was used. This policy may be revised by the City Council in future years. The 2016 Actuarial Valuation was prepared using the Entry Age Actuarial Cost Method. Under this 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 1, based on a percentage of employee compensation (exclusive of overtime), are shown in the table below. The employee rate for SCERS 2 beginning on January 1, 2017, is 7.0% and the employer rate is 14.42%.

**TABLE 16**  
**EMPLOYER AND EMPLOYEE SCERS 1 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
2011	9.03%	9.03%	18.06%	25.03%	72%	22.14%	82%
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%	10.03%	25.26% <sup>(3)</sup>	25.00%	100%	N/A	N/A

(1) Reflects total actuarial required contribution (*i.e.*, employer plus employee contribution rates). Beginning November 21, 2011, this rate is 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 specifies no membership growth assumption. 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 will no longer be performed.

(3) The City is intentionally contributing more than the total ARC in 2018 to reduce the projected increase in future contribution rates. See Table 17.

*Source: Seattle Municipal Code; 2017 Budget; Annual Actuarial Valuation Reports*

In 2011, the City failed to increase contribution rates sufficiently to fund the ARC. The City limited its contribution to matching the employee contribution (which was capped pursuant to certain collective bargaining agreements described in the following paragraph), without regard to any amortization of UAAL. This resulted in an increase in unfunded liability, underfunded the pension obligations, and deferred pension funding. On November 21, 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 by Employer and Employee.”

The City's contracts with all labor unions that represent SCERS members describe how contribution rates would be changed in the event that higher contributions are needed to improve the funding status of the system. Under these contracts, the City and employees will share in any contribution rate increase equally, up to a maximum increase of 2% in the employee contribution. The 2% employee contribution rate increase was implemented via 1% increases in 2011 and 2012. This contractual restriction shifts the risk of future increases to the City's employer contribution.

Projected total actuarially required contribution rates for SCERS 1 reported in the 2016 Actuarial Valuation are shown in the table below:

**TABLE 17**  
**PROJECTED ACTUARIALY REQUIRED TOTAL CONTRIBUTION RATES FOR SCERS 1**  
**BY EMPLOYER AND EMPLOYEE**

<b>Contribution Year<sup>(1)</sup></b>	<b>Assuming 7.50% Returns</b>	<b>Confidence Range<sup>(2)</sup></b>
2018	25.00%	25.00-25.00
2019	25.08%	25.82-24.35
2020	25.41%	27.05-23.86
2021	25.67%	28.47-23.10
2022	25.63%	29.85-21.86
2023	25.63%	31.52-20.45

(1) Contribution year lags valuation year by one. For example, contribution year 2018 is based on the 2016 Actuarial Valuation (as of January 1, 2017) results, amortized over 26 years beginning in 2017 if the contribution rate change takes place in 2017.

(2) Confidence range if asset return at 95th percentile and if asset return at 5th percentile.

*Source: 2016 Actuarial Valuation*

Employer contributions were \$108.5 million in 2016 and approximately \$112.1 million in 2017. 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.

SCERS' net assets increased by \$175.5 million (7.6%) during 2016, including member and employer contributions of \$180.2 million and net revenue from investment activity totaling \$189.9 million. Expenses increased by \$11.0 million in 2016, primarily attributed to a \$9.6 million increase in retiree benefit payments.



Table 18 shows the historical market value of SCERS' net assets (as of each December 31). Table 19 shows the revenue or loss from investment activity for the last ten years.

**TABLE 18**  
**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>
2007	\$ 2,119.4
2008	1,477.4
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	2,479.8

(1) In millions.

Source: SCERS Actuarial Valuations

**TABLE 19**  
**SCERS INVESTMENT RETURNS**

<b>Year</b> <b>(As of December 31)</b>	<b>Net Investment Income (Loss)</b>	
	<b>Amount<sup>(1)</sup></b>	<b>%<sup>(2)</sup></b>
2007	\$ 138.8	7.3%
2008	(619.7)	(26.8%)
2009	194.7	10.8%
2010	208.5	13.2%
2011	(15.8)	0.0%
2012	230.7	14.0%
2013	289.8	15.5%
2014	122.5	5.7%
2015	7.1	0.3%
2016	189.9	8.6%

(1) In millions.

(2) Represents one-year return on asset classes.

Source: SCERS Annual Reports

The table below shows the historical distribution of SCERS investments over the last five years:

**TABLE 20**  
**HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS**

<b>Investment Categories (January 1)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fixed Income	22.9%	28.4%	24.2%	23.7%	23.1%
Domestic and International Stocks <sup>(1)</sup>	57.4%	53.3%	60.0%	60.8%	59.4%
Real Estate	12.2%	12.8%	11.0%	10.6%	11.3%
Alternative Investments	7.4%	5.4%	4.8%	4.9%	6.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) The numbers shown in Table 20 for “Domestic and International Stocks” for the years 2013, 2014, and 2015 were incorrect in the Preliminary Official Statement. The numbers have been corrected in this table.

*Source: SCERS Actuarial Valuations*

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, 2017, membership in these plans consisted of 675 fire employees and survivors and 745 police employees and survivors. See “Other Post-Employment Benefits” below for a discussion of medical benefits paid to retirees.

These pension plans do not issue separate financial reports. The most recent actuarial valuations, dated January 1, 2017, use the Entry Age Normal (“EAN”) Actuarial Cost 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, 3.75%; 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). For 2017, the City funded 100% of the ARC but only a portion of the projected payment necessary to fully fund the AAL by 2028. The City's 2018 budget also anticipates fully funding the ARC and making partial payments toward the full funding of the AAL. As of January 1, 2017, the actuarial value of net assets available for benefits in the Firefighters' Pension Fund was \$15.3 million, and the AAL was \$83.2 million. As a result, the UAAL was \$67.9 million and the funded ratio was 18.4%. The City's employer contribution to the fund in 2016 was \$6.9 million, representing 140% of the ARC; 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. As of January 1, 2017, the actuarial value of net assets available for benefits in the Police Relief and Pension Fund was \$6.0 million, and the AAL was \$93.4 million. As a result, the UAAL was \$87.4 million and the funded ratio was 6.4%. The City's employer contribution to the fund in 2016 was \$7.8 million, representing 127% of the ARC; 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 \$14.7 million in 2016 and \$14.2 million in 2015. The following table outlines the contribution rates of employees and employers under LEOFF.

**TABLE 21**  
**LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL**  
**(AS OF JULY 1, 2017)**

	<b>From January 1, 2017 Through June 30, 2017</b>		<b>As of July 1, 2017</b>	
	<b>Plan 1</b>	<b>Plan 2</b>	<b>Plan 1</b>	<b>Plan 2</b>
Employer	0.18% <sup>(1)</sup>	5.23% <sup>(1)</sup>	0.18% <sup>(1)</sup>	5.43% <sup>(1)</sup>
Employee	0.00	8.41%	0.00	8.75%
State	N/A	3.36%	N/A	3.50%

(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 of LEOFF. For additional information, see Note 11 to the City's 2016 Comprehensive Annual Financial Report, which may be obtained from the Department of Finance and Administrative Services and is available at <http://www.seattle.gov/cafrs/default.htm>.

According to the Office of the State Actuary's June 30, 2016, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 126% and LEOFF Plan 2 had a funded ratio of 105%. 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 EAN Actuarial Cost 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.

### **Other Post-Employment Benefits**

The City has liability for two types of other post-employment benefits (“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. The City has assessed its OPEB liability in order to satisfy the expanded reporting requirements specified by GASB Statement No. 45 (“GASB 45”). While GASB 45 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. The City funds its OPEB 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, 2017, and showed the UAAL for the implicit rate subsidy was \$70.1 million; the City’s estimated annual cost in 2017 was \$7.0 million and the City’s estimated contribution in 2017 was \$2.3 million. The valuation of the OPEB liability associated with the City’s Firefighters’ Pension Fund and Police Relief and Pension Fund is updated annually. As of January 1, 2017, the UAAL for OPEB in the City’s Firefighters’ Pension Fund was \$301.3 million; the estimated annual cost for 2017 was \$16.2 million and the estimated annual contribution for 2017 was \$11.5 million. As of January 1, 2017, the UAAL for OPEB in the Police Relief and Pension Fund was \$330.9 million; the estimated annual cost for 2017 was \$22.1 million and the estimated annual contribution for 2017 was \$14.0 million.

For additional information regarding the City’s OPEB liability, see Note 11 to the City’s 2016 Comprehensive Annual Financial Report.

### **Labor Relations**

As of March 2018, the City had 36 separate departments and offices with approximately 13,660 regular and temporary employees. Twenty-three different unions and 50 bargaining units represent approximately 74% of the City’s regular employees.

In 2016, the City adopted legislation approving an agreement reached in 2015 with the Coalition of City Unions (comprising bargaining units representing the majority of City employees) and other non-Coalition unions. All of the agreements with the bargaining units comprising the Coalition of City Unions and with the other non-Coalition unions have been fully implemented. These agreements are effective through December 31, 2018. The City has completed negotiations with the Seattle Police Management Association (agreement expires December 31, 2019), the Seattle Fire Chiefs (expires December 31, 2018, and IBEW Local 77 Seattle City Light and Seattle Department of Transportation (expire January 22, 2021).

In 2018, the City will open contract negotiations with the Coalition of City Unions and other non-Coalition unions, the Seattle Fire Fighters, and the Seattle Fire Chiefs. The City is in mediation with the Seattle Police Officers’ Guild, whose contract expired in 2014. Under Washington State law, police are prohibited from striking, so if negotiations or mediation fail, the parties would be subject to arbitration. Members of the Seattle Police Officers’ Guild continue to work under the terms of the expired contract.

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.

All of the agreements with bargaining units whose members are SCERS participants (which excludes the Seattle Police Management Association, Seattle Police Officers' Guild, and Seattle Fire Chiefs' Association) contain or will contain a provision for the implementation of SCERS 2 as of January 1, 2017. See "Pension Plans."

### **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.

*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 November 2017, the City's Office of Sustainability and the Environment ("OSE") released a report, "Preparing for Climate Change," that focuses on strategies and actions that can be taken over the next five years to improve the climate preparedness of City infrastructure and services and will help facilitate coordination across City government. The report includes sector-specific strategies for transportation; land use and buildings; city buildings; parks; drainage, and water supply; electricity 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 cyber security assessments with the intent to identify areas for continual improvement, and develop work plans to address issues and support the cyber security program. This includes technical vulnerability assessments, penetration testing, and National Institute of Standards ("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.

## 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 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 2017 were reduced by 6.9% (\$72,796) and payments in 2018 will be reduced by 6.6% (a reduction of approximately \$69,631 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 (the “Complaint”) 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. The Complaint argues that the Order violates the 10th Amendment and the Spending Clause (Art. I, §8, cl. 1) of the U.S. Constitution. The Order has also been challenged by multiple other local jurisdictions. A nation-wide preliminary injunction was entered against its implementation on April 25, 2017, by the U.S. District Court for the Northern District of California in the case of *County of Santa Clara v. Trump*. On November 20, 2017, the District Court granted summary judgment in favor of the plaintiffs, thus making the preliminary injunction permanent. The court’s order is currently on appeal to the Ninth Circuit Court of Appeals. Because the issues in *County of Santa Clara* are nearly identical to those in Seattle’s case (*City of Seattle v. Trump*), the parties in Seattle’s case agreed to stay the case pending the final conclusion of the *County of Santa Clara* case.

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 Ninth Circuit Court of Appeals lifts the injunction and 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 its lawsuit or the effect of any other pending lawsuits or appeals challenging the Order.

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 2018A 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, 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 pursuant to the Order. At this point, it is impossible to precisely identify how, whether, or when any such revenues could be affected by implementation of the Order, pending appeal. 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 may occur, when they could be implemented, what form they could take, or whether the City’s lawsuit (or other pending lawsuits) 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**

*Alaskan Way Viaduct Replacement Program and Waterfront Seattle Program.* The Alaskan Way Viaduct Replacement Program (“AWVR Program”) consists of multiple projects to remove and replace the State Route 99 Alaskan Way Viaduct with a bored tunnel, including the Waterfront Seattle Program, which is a City program consisting of multiple projects that replace an existing seawall and will create 20 acres of new and improved parks and public space and connectivity in and around the City’s central waterfront area (“Waterfront Seattle Program”). 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. There is also coordination between the Waterfront Seattle Program and other redevelopment projects undertaken by other public agencies in the central waterfront area, such as the recently completed Pike Place Market Preservation and Development Authority’s MarketFront Project.

*State’s Bored Tunnel Project.* The State’s project to replace the Alaskan Way viaduct with a bored tunnel (the “State’s Bored Tunnel Project”) is currently scheduled for completion in late 2018. The State’s Bored Tunnel Project is being undertaken pursuant to a contract between the Washington State Department of Transportation (“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.

*State’s Alaskan Way Viaduct Demolition and Battery Street Tunnel Decommissioning Project.* Upon completion of the State’s Bored Tunnel Project, the State will undertake the Alaskan Way Viaduct Demolition and Battery Street Tunnel Decommissioning Project (“State’s Demolition Project”), which is scheduled to begin in early 2019, along with various work to make the final connections necessary to open the State’s bored tunnel to traffic and to complete surface street improvements near the tunnel’s entrances.

*City Contracts with the State.* The City has a series of written agreements with 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 Bored Tunnel or Demolition Projects. 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 Bored Tunnel and Demolition Projects, 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 Alaskan Way Viaduct Demolition 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.

*Waterfront Seattle Program.* This Program includes or will include various City capital improvements that span the City’s central waterfront area from Pioneer Square to Belltown. It includes the rebuilt Elliott Bay Seawall, and will include 20 acres of new and improved public space, improved connections between center city neighborhoods and Elliott Bay, critical utility infrastructure, and new Alaskan Way and Elliott Way surface streets to serve all modes of travel. The budget for the Program projects, except the Seawall Project, is approximately \$688 million. The City’s funding plan for the Program, except the Seawall Project, includes a mix of funding sources from various City revenues (e.g. commercial parking tax, real estate excise tax), grant funding, WSDOT funding, philanthropy (approximately \$100 million) to be raised by Friends of the Waterfront, and proposed local improvement district assessments (see “—Central Waterfront Local Improvement District” below). Construction of the various projects in the Program will be phased and construction of the first elements are anticipated to begin in mid-2019.

*Status of City’s Seawall Project.* Construction of the major elements of the City’s Seawall Project was completed in 2017. The final component of the Seawall Project will be constructed in conjunction with the Waterfront Seattle Program on a timeline that is yet to be determined.

*Central Waterfront Local Improvement District.* The City is pursuing the creation of a local improvement district (“LID”) to finance a portion of the costs of certain improvements that are part of the Waterfront Seattle Program. A Preliminary Local Improvement District Feasibility Study was completed in August 2017, studying the feasibility of financing all or a portion of the following projects which are elements of the Seattle Waterfront Program, through formation of a local improvement district: Promenade; Overlook Walk; Pioneer Square Street Improvements; Union

Street Pedestrian Connection; Pike/Pine Streetscape Improvements; Waterfront Park; and Bell Street Park Extension. A special benefit study and estimated preliminary assessments are anticipated to be released in the second quarter of 2018.

Over the course of 2018, the City Council is expected to begin the LID formation process, which includes: consideration of a resolution declaring its intent to form the central waterfront local improvement district; holding public hearings to receive any objections and consider any protests regarding the LID formation; and consideration of an ordinance approving the formation of the LID. As currently proposed, the share of the local improvement district costs to be borne by special assessments is estimated to be approximately \$200 million. Under State law, the owners of property within the proposed local improvement district have an opportunity to protest or challenge the formation of a local improvement district. If a local improvement district is formed, the City would then consider the need for interim financing pending the issuance of local improvement district bonds to finance the proposed improvements. Local improvement district bonds, payable from the special assessments, would then likely be issued within the following two to five years.

## **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. Tax and fee initiative measures continue to be filed, 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 2016 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—2018A Bonds**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2018A 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.

The difference between the issue price of a 2018A Bond (the first price at which a substantial amount of the 2018A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2018A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2018A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the 2018A Bond is excluded from gross income of such Beneficial Owner for federal income tax purposes and is not an item of tax preference for purposes of 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 2018A 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 2018A Bonds to assure that interest on the 2018A

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 2018A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2018A 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 2018A 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 2018A 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 2018A Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2018A Bond to the Beneficial Owner. Purchasers of the 2018A 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 2018A 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 2018A 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 2018A 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 2018A Bonds and the accrual or receipt of interest with respect to the 2018A 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 2018A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2018A 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 2018A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2018A Bonds might be affected as a result of such an audit of the 2018A 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 2018A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2018A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2018A 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 2018A 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 2018A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2018A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2018A 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 2018A 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 2018A BONDS.

### **Tax Matters—2018B 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 2018B Bonds who have purchased 2018B Bonds in the initial offering and who hold the 2018B 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 2018B 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 2018B 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 2018B Bonds.**

*In General.* Interest on the 2018B Bonds is not excludable from the gross income of the Owners for federal income tax purposes.

*Payments of Interest.* Interest paid on the 2018B 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.

*Defeasance of 2018B Bonds.* If the City defeased any 2018B Bonds, such 2018B 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 2018B Bond would recognize a gain or loss on the 2018B 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 2018B Bonds. This withholding generally applies if the Owner of an 2018B 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 2018B 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 2018B 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 2018A Bonds, or other material events affecting the tax status of the 2018A 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; and
  - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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, 2017. 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 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. 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 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 any other obligated person to comply with the CDA will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder 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.

## **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.

#### **Purchasers of the Bonds**

The 2018A Bonds are being purchased by Morgan Stanley & Co., LLC, at a price of \$26,157,578.36 and will be reoffered at a price of \$26,188,832.70. The 2018B Bonds are being purchased by BOK Financial Securities, Inc. at a price of \$26,771,544.01 and will be reoffered at a price of \$26,972,821.00.

The underwriter for each Series of the Bonds (each, a “Purchaser”) may offer and sell such 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 respective Purchaser. After the initial public offering, the public offering prices may be varied from time to time.

Morgan Stanley & Co. LLC., the underwriter of the 2018A Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2018A Bonds.

#### **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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RENO  
WASHINGTON  
SEATTLE

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington  
\$23,230,000 Limited Tax General Obligation Improvement Bonds, 2018A (the “2018A Bonds”)

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced 2018A 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 2018A Bonds are issued by the City pursuant to the laws of the State of Washington, and Ordinance 125457 (the “Bond Ordinance”) for general City purposes. The 2018A 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, including design, construction, renovation, improvement, or replacement of various capital facilities and street, road, bridge, fire, transportation and information technology projects of the City, and to pay the costs of issuing the 2018A 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 2018A Bonds in order to maintain the exclusion of the interest on the 2018A Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of 2018A Bond proceeds and the facilities financed or refinanced with 2018A Bond proceeds, limitations on investing gross proceeds of the 2018A Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the 2018A 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 2018A Bonds could become taxable retroactive to the date of issuance of the 2018A 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 2018A 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 2018A Bonds have been duly authorized and executed by the City and the 2018A 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 2018A 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 2018A Bonds with applicable requirements of the Code, under existing statutes, regulations, rulings and judicial decisions, the interest on the 2018A 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 2018A Bonds or otherwise used in connection with the 2018A 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

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RENO  
WASHINGTON  
SEATTLE

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington  
\$26,745,000 Limited Tax General Obligation Improvement Bonds, 2018B (Taxable) (the  
“2018B Bonds”)

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced 2018B 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 2018B Bonds are issued by the City pursuant to the laws of the State of Washington, and Ordinance 125457 (the “Bond Ordinance”) for general City purposes. The 2018B 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 King Street Station 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 2018B 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 2018B 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 2018B Bonds have been duly authorized and executed by the City and the 2018B 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 2018B 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. The City has declared its intention that interest on the 2018B 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 2018B Bonds or otherwise used in connection with the 2018B Bonds.

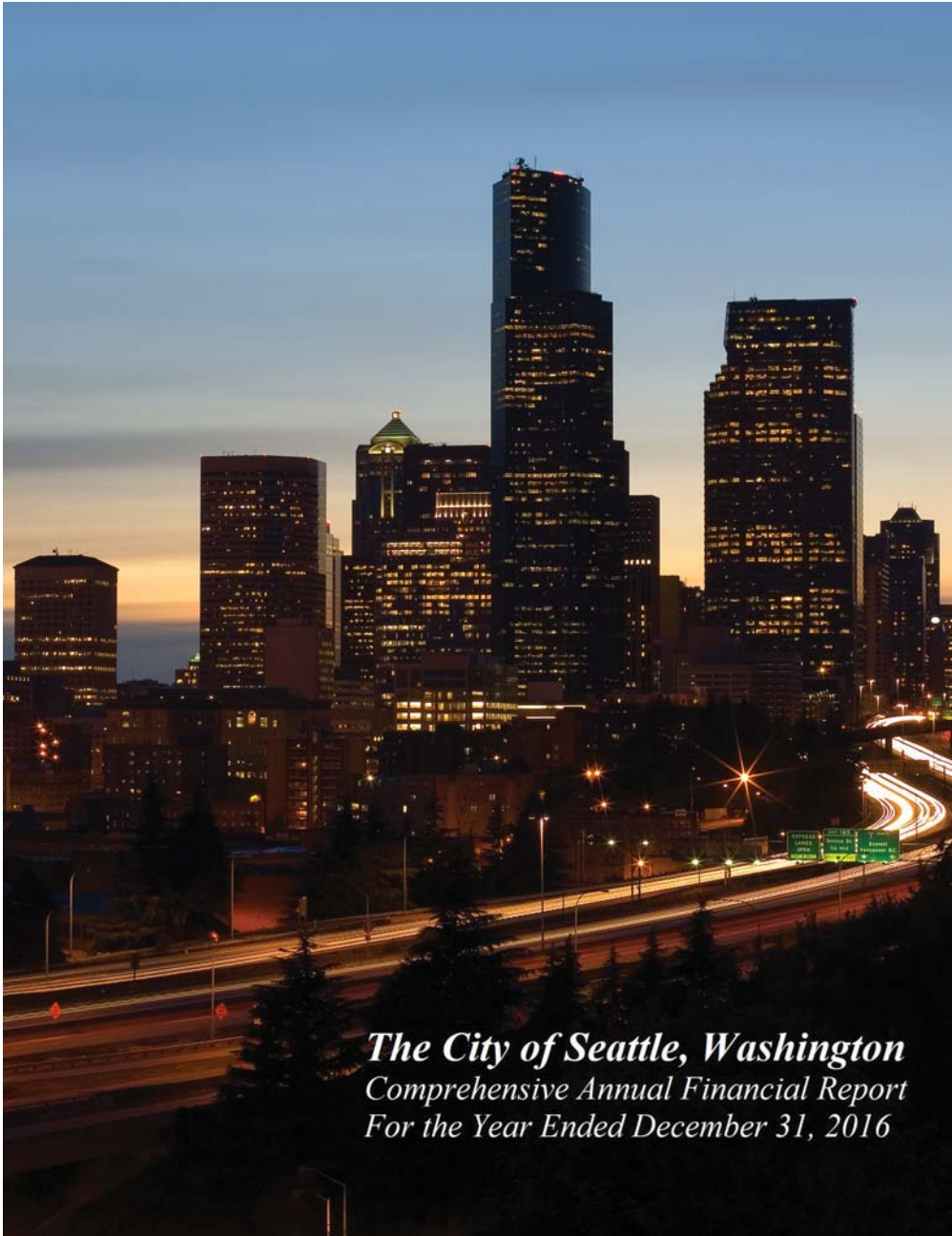
We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

**APPENDIX B**

**THE CITY'S 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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*The City of Seattle, Washington  
Comprehensive Annual Financial Report  
For the Year Ended December 31, 2016*

Cover Image: Interstate 5 in Washington as it passes through downtown Seattle  
Source: <https://en.wikipedia.org/wiki/Seattle#/media/File:SeattleSkyline.jpg>  
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# **Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
December 31, 2016



**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, 2016

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## CITY OF SEATTLE ELECTED OFFICIALS

As of January 1, 2017

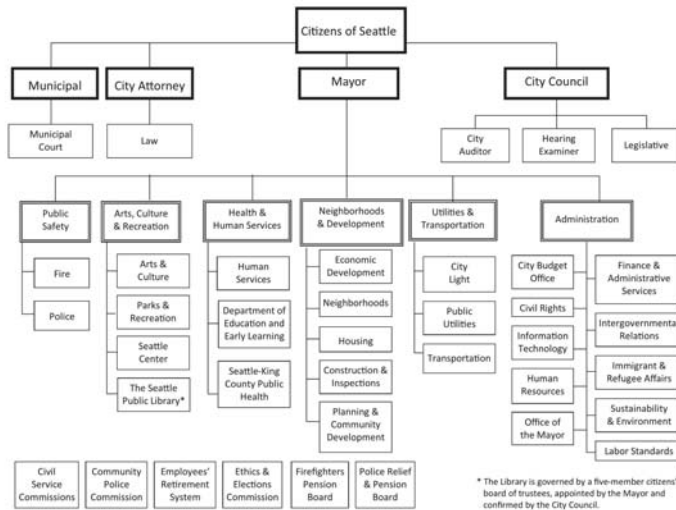


Ed Murray  
Mayor



Peter Holmes  
City Attorney

### CITY ORGANIZATIONAL CHART



XI

### CITY COUNCIL



Sally Bagshaw



Tim Burgess



Lorena González



Bruce Harrell  
Council President



Lisa Herbold



Rob Johnson



Debora Juarez



Mike O'Brien



Kshama Sawant

XII



**City of Seattle**  
Edward B. Murray, Mayor  
**Finance and Administrative Services**  
Fred Podesta, Director  
Glen M. Lee, City Finance Director

August 11, 2017

The Honorable Mayor and  
Members of the City Council:

I am pleased to submit to you the 2016 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, 2016. 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. The 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, 1869. 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 charter amendment shifting from nine at-large City Council positions to seven City Council positions

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<http://www.seattle.gov/FAS>

elected by district and two at-large positions. As a result, all nine City Council positions were up for election in 2015.

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. A 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 eight 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.

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. In May 2017, the unemployment rate for the Seattle metro area was 3.3 percent, compared to 4.3 percent for the U.S. and 4.5 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 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 been declining since then. In 2016, the rate of decline accelerated as the Boeing Company, the region's largest employer, cut over 7,300 jobs during the year in an effort to contain costs. The software industry, which includes Microsoft, has added 9,600 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 30,000 jobs at a relatively steady pace 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 \$3.8 billion in 2015 and \$3.6 billion in 2016.

With the aerospace industry now cutting jobs and signs that construction is at its peak, employment growth is predicted to slow going forward. 2016 is expected to be the peak year for employment growth during the current cycle, at 3.3 percent. The Puget Sound Economic Forecaster predicts employment growth will slow to 2.5 percent in 2017 and average a modest 1.5 percent per year over the next five years. Personal income growth is forecast to average 5.0 percent per year over the next five years, 2.6 percent per year faster than the rate of inflation.

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, 2015. 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 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, 2015**

Executive Director/CEO

XVII

**City of Seattle  
2016 Comprehensive Annual Financial Report**

**Department of Finance and Administrative Services**

Fred Podesta, Director

Glen Lee, City Finance Director

**Citywide Accounting and Payroll Services Division**

Janice Marsters, Director

Brandon Johns, Citywide Accounting Manager

Fon Chang  
Grace Chou  
Chau Du  
Tim Henry

Anna Himichuk  
Cam Huynh  
Conrad Magbalot  
April McCraney  
Mena Nguyen

Steve Spada  
Andrew Wachong  
Flora Wang  
Jake Yoon

Elsie Ling, Payroll Services Manager

Imelda Apolonio  
Mary DeMile  
RoseMarie Evans

Angel Hennings  
Julia King  
Robert Latorre

Rosalinda Lopez  
Shirley Smith  
Cassandra Tuazon

**Treasury Services Division**

Teri Allen, Director Treasury Operations  
Greg Johanson, City Cash Manager  
Kellie Craine, Investment Director

**Debt Management Services**

Michael VanDyck, Citywide Debt Manager

**Risk Management**

Bruce Hori, Director

XVIII

## **Financial Section**

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**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

August 11, 2017

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, King County, Washington, as of and for the year ended December 31, 2016, 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 96 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement System, which represents 65 percent, 76 percent, and 21 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

These 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.

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

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, King County, Washington, as of December 31, 2016, 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.

**Matters of Emphasis**

As described in Note 1, during the year ended December 31, 2016, the City has implemented the Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, 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*, Statement No. 77, *Tax Abatement Disclosures* and Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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, 2015, from which such partial information was derived.

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## Independent Auditor's Report

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We and other auditors have previously audited the City's 2015 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 aggregately discretely presented component units and remaining fund information in our report dated June 28, 2016.

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, 2015, 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 on pages 9 through 30, budgetary comparison information on pages 165 through 168 and pension plan information on pages 169 through 177 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 accompanying information listed as combining and individual fund and other supplementary information on pages 183 through 262 is presented for 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introduction and Statistic Sections is 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 August 11, 2017, 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

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## The City of Seattle

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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

## **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, 2016. 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.

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**The City of Seattle**

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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 three 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, Transportation Fund, and Low-Income Housing 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. 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.

#### 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.

## Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2016 the City's net position totaled \$5.517 billion, with governmental activities accounting for 63.5 percent and business-type activities 36.5 percent, consistently reporting a 2 to 1 ratio year over year.
- Net investment in capital assets grew 7.8 percent, increasing \$395.4 million, to a total reported balance of \$5.456 billion for 2016. Of these assets the City's governmental activities controls \$3.270 billion, with the remaining \$2.186 billion supporting business-type activities.
- Restricted net position of \$684.6 million is available to meet the City's ongoing obligations to citizens and creditors. Governmental activities accounted for 99.4 percent of the \$69.0 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 89.8 percent of all liabilities recorded. During 2016 these liabilities increased \$435.1 million, 5.9 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 \$135.5 million, the net pension liability increase of \$81.7 million, and a \$61.2 million environmental remediation charge. The overall change in long-term liabilities is also reflected in the \$623.5 million deficit reported under the City's unrestricted net position.
- Expenses reported at the citywide level were up 8.4 percent year over year, totaling \$3.442 billion in 2016. Of the \$267.9 million increase in 2016's expenses 86.9 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 \$1.779 billion for 2016, a 15.0 percent increase over 2015's costs of \$1.547 billion.
- The City's governmental funds reported a combined ending fund balance of \$994.2 million for 2016, an increase of 14.2 percent from the prior year's restated balance of \$870.3 million. Of the total fund balance, 11.9 percent is reported as unassigned balance, totaling \$118.2 million for year-end 2016. The General Fund contributes \$155.3 million to unassigned fund balance which was then offset by the special revenue and capital project funds reporting a combined deficit of \$37.1 million in unassigned fund balances that offset the total across the City's governmental funds.
- Revenue generated by the City's governmental funds totaled \$2.099 billion for the fiscal year ended December 31, 2016, an increase of approximately \$240.3 million, or 12.9 percent from the prior year's balance of \$1.859 billion. The increase is primarily driven by \$189.1 million of additional tax collections in 2016, a 15.3 percent increase that pushed the total tax collection to \$1.422 billion in 2016.
- Expenditures in governmental funds amounted to \$2.143 billion, an increase of approximately \$203.2 million, or 10.5 percent, compared to \$1.940 billion in 2015. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$43.5 million. The City's General Fund reported an excess of revenues over expenditures totaling \$308.3 million, while the other major and nonmajor governmental funds reported a deficiency of revenues over expenditures totaling \$351.8 million.
- The City's governmental funds received a significant contribution from other financing sources and uses totaling \$167.5 million for 2016. These resources offset the operating deficit and directly contributed to the City's governmental fund balance which totals \$994.2 million at year end.
- The General Fund is the chief operating fund of the City. For 2016 the General Fund reported a balance of \$442.4 million, or 44.5 percent of the entire governmental fund balance. The General Fund accounts for 63.4 percent of revenues, and 47.7 percent of total governmental expenditures. The unassigned balance in the City's General Fund grew \$11.5 million, an 8.0 percent increase that pushed the General Fund's total unassigned balance to a record level, \$155.3 million for 2016.
- In 2016 the City issued \$146.5 million in General Obligation Bonds, and \$505.8 million of Revenue Bonds. Of the amount issued in 2016, \$31.9 million was used to partially refund general obligation bonds, and \$231.3 million of revenue bonds. The City's outstanding general obligation bonds totaled \$1.009 billion and the utility revenue bonds 3.810 billion at year end 2016.

## The City of Seattle

### 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	
	2016	Restated 2015	2016	2015	2016	Restated 2015
<b>ASSETS</b>						
Current and Other Assets	\$ 1,416,754	\$ 1,340,122	\$ 1,536,231	\$ 1,537,728	\$ 2,952,985	\$ 2,877,850
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	4,264,107	4,108,092	5,788,126	5,400,330	10,052,233	9,508,422
Total Assets	5,680,861	5,448,214	7,324,357	6,938,058	13,005,218	12,386,272
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	199,750	579,349	192,059	117,201	391,809	696,550
<b>LIABILITIES</b>						
Current Liabilities	372,400	346,715	416,478	443,050	788,878	789,765
Noncurrent Liabilities	1,998,337	1,835,755	4,919,917	4,647,421	6,918,254	6,483,176
Total Liabilities	2,370,737	2,182,470	5,336,395	5,090,471	7,707,132	7,272,941
<b>DEFERRED INFLOWS OF RESOURCES</b>	7,205	523,316	165,812	143,521	173,017	666,837
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,269,646	3,144,486	2,186,129	1,915,893	5,455,775	5,060,379
Restricted	625,046	556,406	59,575	59,194	684,621	615,600
Unrestricted	(392,023)	(379,114)	(231,495)	(153,820)	(623,518)	(532,934)
Total Net Position	\$ 3,502,669	\$ 3,321,778	\$ 2,014,209	\$ 1,821,267	\$ 5,516,878	\$ 5,143,045

At the close of the current fiscal year the City's total net position was \$5.517 billion. The \$180.9 million net position increase for governmental activities accounted for 48.4 percent of the City's total year over year change in net position.

The net position for the business-type activities also increased 10.6 percent between 2015 and 2016, from \$1.821 billion to \$2.014 billion. In 2016 the City's business activities contributed an additional \$192.9 million to the City's net position, and accounted for 51.6 percent to the City's overall increase in net position.

The City's net position reports an investment of \$5.456 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, \$684.6 million, or 12.4 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 \$623.5 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



## Management's Discussion and Analysis

Table A-2

### CHANGES IN NET POSITION RESULTING FROM CHANGES IN REVENUES AND EXPENSES (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 347,240	\$ 341,171	\$ 1,785,230	\$ 1,740,144	\$ 2,132,470	\$ 2,081,315
Operating Grants and Contributions	134,856	136,980	4,583	7,087	139,439	144,067
Capital Grants and Contributions	31,076	29,359	86,997	60,115	118,073	89,474
General Revenues						
Property Taxes	542,853	420,691	—	—	542,853	420,691
Sales Taxes	263,285	239,189	—	—	263,285	239,189
Business Taxes	482,850	454,086	—	—	482,850	454,086
Other Taxes	133,636	118,831	—	—	133,636	118,831
Other	8,889	18,273	60,909	16,705	69,798	34,978
Total Revenues	1,944,685	1,758,580	1,937,719	1,824,051	3,882,404	3,582,631
<b>Expenses</b>						
Governmental Activities						
General Government	226,438	208,638	—	—	226,438	208,638
Judicial	32,025	28,477	—	—	32,025	28,477
Public Safety	577,631	531,524	—	—	577,631	531,524
Physical Environment	12,558	4,351	—	—	12,558	4,351
Transportation	276,866	221,443	—	—	276,866	221,443
Economic Environment	175,133	138,878	—	—	175,133	138,878
Health and Human Services	104,687	94,121	—	—	104,687	94,121
Culture and Recreation	330,984	286,395	—	—	330,984	286,395
Interest on Long-Term Debt	42,942	32,694	—	—	42,942	32,694
Business-Type Activities						
Light	—	—	858,929	837,860	858,929	837,860
Water	—	—	227,988	228,241	227,988	228,241
Drainage and Wastewater	—	—	335,051	316,486	335,051	316,486
Solid Waste	—	—	167,957	173,312	167,957	173,312
Planning and Development	—	—	67,964	64,673	67,964	64,673
Downtown Parking Garage	—	—	5,222	7,401	5,222	7,401
Fiber Leasing	—	—	8	35	8	35
Total Expenses	1,779,264	1,546,521	1,663,119	1,628,008	3,442,383	3,174,529
Excess Before Special Item and Transfers	165,421	212,059	274,600	196,043	440,021	408,102
Special Item - Environmental Remediation	—	—	(66,187)	(4,975)	(66,187)	(4,975)
Transfers	15,469	(8,931)	(15,469)	8,931	—	—
Changes in Net Position	180,890	203,128	192,944	199,999	373,834	403,127
Net Position - Beginning of Year	3,321,779	3,517,878	1,821,265	2,061,960	5,143,044	5,579,838
Restatements/Prior-Year Adjustments	—	(399,227)	—	(440,694)	—	(839,921)
Net Position - Beginning of Year as Restated	3,321,779	3,118,651	1,821,265	1,621,266	5,143,044	4,739,917
Net Position - End of Year	\$ 3,502,669	\$ 3,321,779	\$ 2,014,209	\$ 1,821,265	\$ 5,516,878	\$ 5,143,044

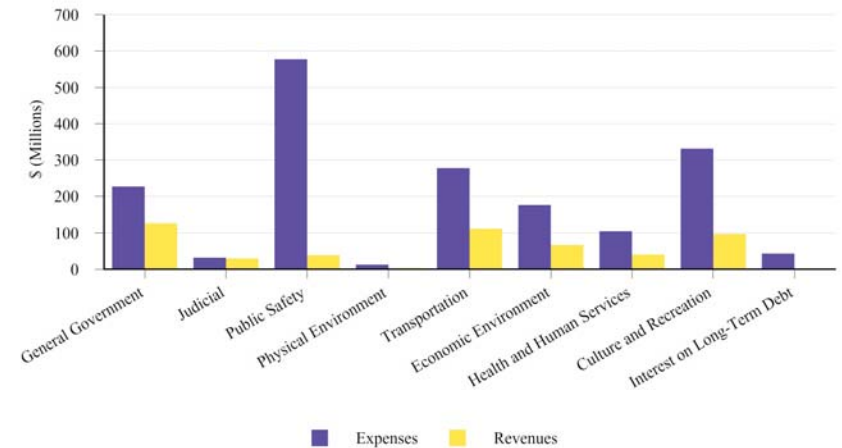
### Analysis of Changes in Net Position

In 2016 the City's total net position increased by \$373.8 million, or 7.3 percent. The factors contributing to the increase are explained in the following discussion of governmental and business-type activities.

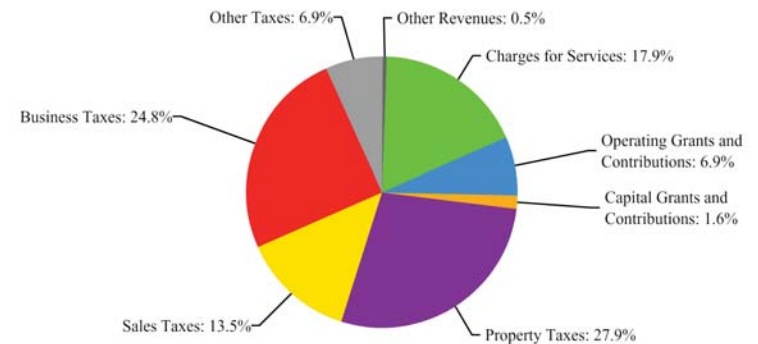
## The City of Seattle

### Governmental Activities

#### Expenditures and Program Revenues - Governmental Activities



#### Revenues by Source - Governmental Activities



Total \$1.945 billion



## Management's Discussion and Analysis

**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 8.4 percent year over year, totaling \$3.882 billion in 2016. Out of the \$299.8 million of additional revenues reported in 2016, the City's governmental activities accounted for 62.1 percent of the change. The following table lists the general revenues ranked by the size of their 2016 collections, and highlights the change in general revenues between the 2015 and 2016 financial statements.

2016 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Property Taxes	\$542.9	29.0%	\$122.2
2	Business Taxes	\$482.9	6.3%	\$28.8
3	Sales Taxes	\$263.3	10.1%	\$24.1
4	Excise Taxes	\$114.6	13.4%	\$13.5
5	Other Taxes	\$19.0	7.2%	\$1.3

The City's tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales and business tax contributing 90.0 percent of all general revenues, and 66.3 percent of the governmental activities general and program revenue combined.

The sharp increase in 2016 for the City's collection of property taxes is of greater significance in part due to a temporary decline of 2015's collections. When property tax dropped to the number two source of general tax revenues behind business tax in 2015 for the first time it was the direct result of several expiring tax levies, primarily the 2008 Parks Levy and the Pike Place Market Renovation Levy. The 29.0 percent increase in property tax collected for 2016 is driven by two additional voter approved levies reporting a full cycle of collections, the Seattle Preschool Services Levy and the Transportation Levy.

The year over year growth in sales tax was 10.1 percent, or \$24.1 million, and contributed 12.9 percent of the total revenue growth in governmental activities. Excise taxes collected by the City contributed an additional \$13.5 million to the year over year increase, 7.4 percent of 2016's total revenue growth of \$186.1 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 \$513.2 million, or 28.8 percent of the the City's expenses for governmental activities, with the remaining \$1.266 billion covered by the City's general resources. The City's charges for services are the largest component of reported program revenues, and comprise 67.7 percent of program revenue generated by governmental activities. For governmental activities charges for services contribute 17.9 percent of total revenues, with year over year revenues collected for service charges up \$6.1 million, a 1.8 percent increase that raises total service charge collection to \$347.2 million.

Expenses reported at the citywide level were up 8.4 percent year over year, totaling \$3.442 billion in 2016. Of the \$267.9 million increase in 2016's expenses 86.9 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 \$1.779 billion for 2016, a 15.0 percent increase over 2015's costs of \$1.547 billion. The following table lists city functions and programs ranked by the size of their 2016 expenses, and highlights the growth in costs between the 2015 and 2016 financial statements.

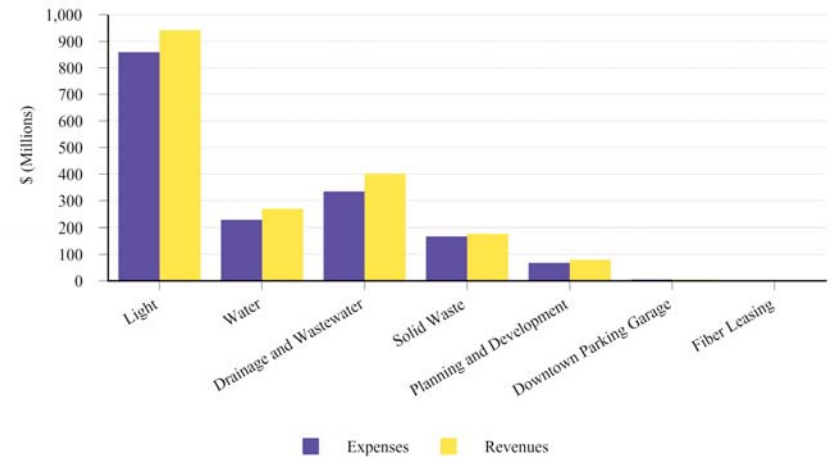
2016 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$577.6	8.7%	\$46.1
2	Culture and Recreation	\$331.0	15.6%	\$44.6
3	Transportation	\$276.9	25.0%	\$55.4
4	General Government	\$226.4	8.5%	\$17.8
5	Economic Environment	\$175.1	26.1%	\$36.3
6	Health and Human Services	\$104.7	11.2%	\$10.6

The City's largest governmental expense continues to be the public safety function, totaling \$577.6 million for 2016, contributing 16.8 percent of all citywide expenses, and 32.5 percent of expense in the City's governmental activities.

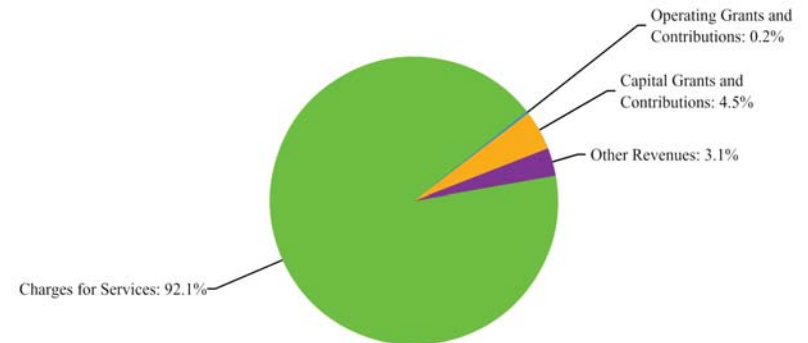
## The City of Seattle

### Business-Type Activities

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Total \$1.938 billion

## Management's Discussion and Analysis

**Business-Type Activities.** At year end the City's net position for business-type activities was \$2.014 billion, a 10.6 percent increase totaling \$192.9 million. Of this amount, \$36.3 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 \$85.3 million change in total net position for 2016. 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 higher net short-term wholesale power revenues, and higher non-power operations and maintenance expenses.

Operating income generated \$107.4 million, down \$3.4 million, or 3.1 percent from 2015. Operating revenues remained relatively consistent at \$903.2 million, gaining 2.3 percent year over year. Although operating revenues were outpaced by operating expenses which increased \$23.7 million, and was the primary driving contributing to the year over year decline in the operating income. Retail power revenues were higher due to several factors including the 4.9 percent across-the-board rate increase effective January 1, 2016, the 0.9 percent Bonneville pass-through rate adjustment effective in October 2015, and the RSA rate surcharge, effective August 1, 2016. Even with lower power consumption from another year with overall warmer weather, retail power revenues generated \$788.0 million, an increase of \$51.4 million for 2016. Short-term wholesale power revenues remained consistent with \$62.9 million in revenues.

The Water Utility realized a \$43.3 million change in net position for 2016. Operating income remained relatively consistent at \$54.7 million, decreasing \$3.6 million year over year. 2016's operating revenues slightly decreased, \$614 thousand, a 0.2 percent decline from 2015. For 2016, the marginal decrease in operating revenues was disconnected from the growth of operating expenses, with fewer 2016 operating revenues supporting the \$3.0 million increase in operating expenses. Due to a decline in user consumption a decrease in direct service revenues of \$3.2 million continued to contributed to the overall drop in operating and other revenues. The decline of revenues was offset only by slight increases in wholesale revenues and rate stabilization transfers totaling \$2.5 million for 2016. Operating expenses also negatively impacting income, increasing \$3.0 million or 1.6 percent from 2015. The operating expense increases include \$2.6 million in general and administrative services, \$1.8 million in depreciation and amortization expense, \$729 thousand in utility systems management and \$559 thousand in planning and development. These increases were offset by decreases of \$1.9 million in field operations and \$919 thousand in taxes due.

The Drainage and Waste Water Utility realized a \$2.6 million change in net position for 2016. Operating revenues generated \$375.0 million, a 3.1 percent increase from 2015. Operating expenses totaled \$320.4 million, an \$18.3 million or 6.1 percent increase year over year. The additional operating expenditures were nearly 61.6 percent of the increase in operating revenues. For 2016 wastewater revenues had an average rate increase of 3.6 percent, generating an additional \$5.4 million revenue. Drainage revenues also increased \$5.9 million for an average rate increase of 9.9 percent. City and state business occupation tax increased by \$1.4 million as a result of the overall increase in taxable revenues. The income from the revenue gains were offset by an increase in the Utilities operating expense of \$3.7 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 \$8.9 million, primarily from an \$8.1 million increase in general and administrative division costs. The operating costs increases were offset by a decrease of \$733 thousand in field operations.

The Solid Waste Utility realized a \$9.6 million change in net position for 2016. Operating income generated \$183.7 million, a 5.1 percent increase from 2015. Operating expenses totaled \$170.8 million, remaining stable with only a 0.6 percent increase that added \$1.0 million to operating expenses. There were several key factors affecting the increase in operating revenues. There was an 5.9 percent rate increase for residential and commercial garbage, and composting services effective April 1, 2016. This resulted in residential and commercial solid waste collection service revenue gains of \$6.8 million, including \$4.7 million in residential garbage collection and \$2.1 million in commercial collection revenue. Additionally, there was a \$6.0 million increase in the solid waste disposal services costs due to a pricing change for the recycling costs in the Rabanco Disposal Services (Rabanco) contract. Due to a change in contract terms with Rabanco, the recycling revenues are now reported at gross (previous year's revenues were reported at net of expenses). These gains were offset by a transfer to the rate stabilization fund of \$6.6 million as compared to a \$2.5 million transfer in 2015, an increase of \$4.1 million.

## The City of Seattle

### 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**  
**Page 1 of 2**  
**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY**  
**GOVERNMENTAL FUNDS**  
**(In Thousands)**

	Major Funds					
	General Fund		Transportation Fund		Low-Income Housing Fund	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Taxes	\$ 1,047,643	\$ 987,815	\$ 134,381	\$ 84,791	\$ 17,878	\$ 17,934
Licenses and Permits	33,059	27,119	7,241	6,043	—	—
Grants, Shared Revenues, and Contributions	36,533	33,174	35,080	35,320	1,132	7,001
Charges for Services	61,386	61,637	104,541	71,989	20,193	27,037
Fines and Forfeits	32,096	32,769	165	258	—	—
Parking Fees and Space Rent	38,856	39,154	259	95	—	—
Program Income, Interest, and Miscellaneous Revenues	80,472	76,853	825	512	11,432	9,526
Total Revenues	1,330,045	1,258,521	282,492	199,008	50,635	61,498
<b>Expenditures</b>	1,021,753	942,699	404,971	400,184	32,809	30,146
<b>Other Financing Sources and Uses</b>						
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—	—	—
Sales of Capital Assets	96	18,275	—	—	—	—
Transfers In (Out)	(269,528)	(267,679)	149,020	185,825	—	—
Total Other Financing Sources and Uses	(269,432)	(249,404)	149,020	185,825	—	—
<b>Fund Balances</b>						
Nonspendable	401	474	1	515	—	—
Restricted	155,523	136,627	923	14,001	154,247	135,079
Committed	102,521	116,890	96,614	56,481	350	1,692
Assigned	28,646	5,767	—	—	—	—
Unassigned	155,290	143,763	—	—	—	—
Total Fund Balances	\$ 442,381	\$ 403,521	\$ 97,538	\$ 70,997	\$ 154,597	\$ 136,771

## Management's Discussion and Analysis

**Table A-3**  
**Page 2 of 2**

**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY**  
**GOVERNMENTAL FUNDS**  
**(In Thousands)**

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2016	2015	2016	2015
<b>Revenues</b>				
Taxes	\$ 193,609	\$ 123,676	\$ 28,614	\$ 18,658
Licenses and Permits	1,443	976	—	—
Grants, Shared Revenues, and Contributions	77,711	76,150	983	978
Charges for Services	68,292	61,134	—	—
Fines and Forfeits	13,878	5,966	—	—
Parking Fees and Space Rent	29,332	27,837	351	349
Program Income, Interest, and Miscellaneous Revenues	3,664	7,763	977	999
Total Revenues	387,929	303,502	30,925	20,984
<b>Expenditures</b>	513,932	429,346	82,227	75,380
<b>Other Financing Sources and Uses</b>				
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—
Sales of Capital Assets	27	44	—	—
Transfers In (Out)	179,645	167,969	51,150	50,278
Total Other Financing Sources and Uses	179,672	168,013	51,150	50,278
<b>Fund Balances</b>				
Nonspendable	689	662	—	—
Restricted	173,669	128,799	11,395	11,547
Committed	12,428	10,774	—	—
Assigned	9,819	11,004	—	—
Unassigned	(3,192)	(11,496)	—	—
Total Fund Balances	\$ 193,413	\$ 139,743	\$ 11,395	\$ 11,547

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2016	2015
	2016	2015	2016	2015		
<b>Revenues</b>						
Taxes	\$ 69	\$ 259	\$ —	\$ —	\$ 1,422,194	\$ 1,233,133
Licenses and Permits	—	—	—	—	41,743	34,138
Grants, Shared Revenues, and Contributions	15,340	9,512	—	—	166,779	162,135
Charges for Services	—	3,259	—	—	254,412	225,056
Fines and Forfeits	15	16	—	—	46,154	39,009
Parking Fees and Space Rent	—	9	—	—	68,798	67,444
Program Income, Interest, and Miscellaneous Revenues	1,979	2,538	20	22	99,369	98,213
Total Revenues	17,403	15,593	20	22	2,099,449	1,859,128
<b>Expenditures</b>	87,239	61,954	5	11	2,142,936	1,939,720
<b>Other Financing Sources and Uses</b>						
Long-Term Debt Issued and Refunding Payments, Net	135,407	235,338	—	—	135,407	235,338
Sales of Capital Assets	—	912	—	—	123	19,231
Transfers In (Out)	(78,360)	(139,506)	—	—	31,927	(3,113)
Total Other Financing Sources and Uses	57,047	96,744	—	—	167,457	251,456
<b>Fund Balances</b>						
Nonspendable	—	—	2,050	2,050	3,141	3,701
Restricted	126,632	128,194	127	112	622,516	554,359
Committed	—	—	—	—	211,913	185,837
Assigned	—	—	—	—	38,465	16,771
Unassigned	(33,891)	(22,663)	—	—	118,207	109,604
Total Fund Balances	\$ 92,741	\$ 105,531	\$ 2,177	\$ 2,162	\$ 994,242	\$ 870,272

## The City of Seattle

### 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 2016 the City's governmental funds generated \$2.099 billion in revenues, and recorded \$2.143 billion in expenditures. The 12.9 percent growth in revenue is driven by an overall increase in tax collections of \$189.1 million. Year over year expenditures remained relatively consistent with the expenditure increase, raising 10.5 percent, \$203.2 million. The City's governmental funds received a significant contribution from other financing sources and uses, totaling \$167.5 million for 2016. These resources offset the operating deficit and directly contributed to the 14.2 percent increase in the City's governmental fund balance which totals \$994.2 million at year-end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2016.

The General Fund accounts for 63.4 percent of revenues, and 47.7 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 2015 and 2016 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 2016.

Consistent with prior reporting periods two of the City's special revenue funds continue to meet the criteria for reporting as major governmental funds. The Transportation Operating Fund and the Low income Housing Fund are 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 \$97.5 million, 37.4 percent greater than reported for 2015. While expenditures grew at 1.2 percent, revenues increased 42.0 percent. The \$282.5 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services. The \$83.5 million increase in revenue collections relates directly to the Transportation Operating Fund's 58.5 percent increase in overall tax collections, and 45.2 percent gain in revenues from charges for services. Transportation Operating Fund's expenditures account for nearly 18.9 percent of all governmental fund expenditures, totaling \$405.0 million for 2016. The Fund's other financing sources contributed \$149.0 million of additional resources in 2016, declining 19.8 percent from 2015's level, a \$36.8 million total decrease in other financing support that partially offsets the growth in revenues.

The Low-Income Housing Fund, a special revenue fund and one of the major governmental funds of the City, manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. 2016 is the final year of collection from the seven-year housing levies approved by voters in 2009. The 2016 fund balance of \$154.6 million reflects another year with a significant increase, \$17.8 million, over 2015's balance. The change in fund balance was driven by relative stability in the funds expenditures, growing 8.8 percent to reach \$32.8 million, combined with the continued strength of revenue collections which totaled \$50.6 million. A contributing factor of the increase is Council's passage of Ordinance 124388 which adjusted the contribution amounts for downtown affordable housing and childcare incentive programs and to establish automatic inflationary adjustments. The 2016 Housing Levy, approved by Seattle voters in August 2016, authorizing an additional seven years of property tax levies, is projected to generate \$290.0 million over the life of the levy.

Revenues for the City's non-major governmental funds totaled \$436.3 million, increasing \$96.2 million, a 28.3 percent gain over 2015's collection of \$340.1 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 \$84.4 million of revenues for 2016, accounting for 88.9 percent of all non-major governmental fund revenues.

Seventeen of the City's twenty special revenue funds contributed to 2016's growth in revenues. Although for the second consecutive year the Human Services Operating Fund revenues declined. Receiving \$1.4 million less revenues in charges for services that relate to services supporting grant programs throughout the City.

For 2016 one additional fund is reported within the City's non-major special revenue funds, increasing the number reported to 21. The Election Vouchers Fund accounts for the expenditures of the Seattle Ethics and Elections Commission in administering a publicly

## Management's Discussion and Analysis

financed election program created by City of Seattle Initiative Measure 122 (voter approved on November 3, 2015). The fund receives revenues from Measure 122, the General fund, and other monies as authorized by Ordinance 124928. The Election Voucher Fund generated an additional \$3.0 million, or 1.5 percent of the \$387.9 million of total revenues collected by the City's special revenue funds in 2016.

Seattle Metropolitan Parks District Fund accounts for the independent taxing district created through voter approval and governed by the City Council. The District reported its first annual tax collections totaling \$47.6 million for the year. The fund started 2016 with unassigned fund balance in a deficit position of \$8.2 million. This fund deficit was temporary, with expenditures of \$24.3 million, consuming only 51.2 percent of resources. This fund reports a restricted fund balance of \$15.0 million at year-end 2016. 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.

Expenditures for non-major governmental funds totaled \$683.4 million for 2016, a 20.6 percent increase year over year. Special revenue funds accounted for \$84.4 million of the total change, and had similar year over year growth in expenditures of 19.7 percent. The overall net increase reported in expenditures for non-major governmental funds was a mix of a large increase in current operating costs, \$92.9 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 Alaska Way Seawall Construction Fund significantly decreased its activity in 2016. Transfers out to other funds for capital activity services, primarily transportation, decreased 46.6 percent year over year to total \$52.1 million in 2016 compared to \$130.4 million in 2015.

The Parks Capital Project fund reported for the first time in 2016 is supported by resources from the Seattle Metropolitan Parks District Fund. During 2016 this fund recorded total capital outlay of \$12.2 million, and receipts of reimbursement from the Seattle Metropolitan Parks District of \$11.7 million. The overall growth in revenues and expenditures were consistent and had little impact to the fund's balance at year end.

The overall fund balance for non-major governmental funds increased \$40.7 million. With special revenue funds contributing \$53.7 million to the Fund Balance, and the City's capital project funds consuming \$12.8 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 40.7 percent of the balance which dropped to 30.9 percent by year end 2016.

The total fund balance of the non-major governmental funds was \$299.7 million at year end 2016. 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, Parks Capital Projects reports a \$46.7 thousand deficit, and Central Waterfront Improvement reports a \$18.5 million deficit for 2016. 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  
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### 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	\$ 971,103	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	23,700	—	—	—	9,359
Grants, Shared Revenues, and Contributions	29,109	—	—	15	—
Charges for Services	52,177	8,777	—	—	—
Fines and Forfeits	30,730	—	—	—	—
Parking Fees and Space Rent	38,097	—	—	13	—
Program Income, Interest, and Miscellaneous Revenues	4,670	120	—	97	131
Total Revenues	1,149,586	8,897	—	125	9,490
<b>Expenditures</b>	813,771	14,181	—	7,002	9,666
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	(320,941)	—	—	7,993	(530)
Total Other Financing Sources and Uses	(320,941)	—	—	7,993	(530)
<b>Fund Balances</b>					
Nonspendable	99	—	—	—	—
Restricted	888	—	—	—	—
Committed	3,249	3,482	—	2,633	3,750
Assigned	26,398	—	—	—	—
Unassigned	47,839	—	—	—	—
Total Fund Balances	\$ 78,473	\$ 3,482	\$ —	\$ 2,633	\$ 3,750

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
<b>Revenues</b>					
Taxes	\$ 76,540	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	155	—	—	—	—
Charges for Services	181	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	181	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	870	—	2	—	—
Total Revenues	77,927	—	2	—	—
<b>Expenditures</b>	28,905	3,654	—	—	—
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	96	—	—	—	—
Transfers In (Out)	(30,374)	3,217	—	—	5,807
Total Other Financing Sources and Uses	(30,278)	3,217	—	—	5,807
<b>Fund Balances</b>					
Nonspendable	1	—	—	—	—
Restricted	100,544	—	—	—	—
Committed	22,849	2,865	212	22	—
Assigned	—	—	—	—	—
Unassigned	47,446	—	—	—	60,005
Total Fund Balances	\$ 170,840	\$ 2,865	\$ 212	\$ 22	\$ 60,005

## Management's Discussion and Analysis

**Table A-4**  
**Page 2 of 2**  
**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY**  
**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	—	19	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	177	691	27,542
Total Revenues	—	19	177	691	27,542
<b>Expenditures</b>	—	19	590	—	25,509
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	—	—	—	—	—
Total Other Financing Sources and Uses	—	—	—	—	—
<b>Fund Balances</b>					
Nonspendable	—	—	290	—	—
Restricted	—	—	—	—	40,540
Committed	—	125	5,739	2,087	33,259
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	\$ —	\$ 125	\$ 6,029	\$ 2,087	\$ 73,799

Total General Fund						
	Group Term Life Insurance	Library	Firemen's Pension	Police Relief and Pension	2016	Restated 2015
<b>Revenues</b>						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,047,643	\$ 987,815
Licenses and Permits	—	—	—	—	33,059	27,119
Grants, Shared Revenues, and Contributions	—	6,249	1,005	—	36,533	33,174
Charges for Services	—	232	—	—	61,386	61,637
Fines and Forfeits	—	1,366	—	—	32,096	32,769
Parking Fees and Space Rent	—	565	—	—	38,856	39,154
Program Income, Interest, and Miscellaneous Revenues	5,287	193	18,778	21,914	80,472	76,853
Total Revenues	5,287	8,605	19,783	21,914	1,330,045	1,258,521
<b>Expenditures</b>	5,298	73,198	19,394	20,566	1,021,753	942,699
<b>Other Financing Sources and Uses</b>						
Sales of Capital Assets	—	—	—	—	96	18,274
Transfers In (Out)	—	65,300	—	—	(269,528)	(267,679)
Total Other Financing Sources and Uses	—	65,300	—	—	(269,432)	(249,405)
<b>Fund Balances</b>						
Nonspendable	—	11	—	—	401	474
Restricted	—	13,551	—	—	155,523	136,627
Committed	455	462	15,312	6,020	102,521	116,890
Assigned	—	2,248	—	—	28,646	5,767
Unassigned	—	—	—	—	155,290	143,763
Total Fund Balances	\$ 455	\$ 16,272	\$ 15,312	\$ 6,020	\$ 442,381	\$ 403,521

## 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 \$85.3 million in 2016 compared to \$90.5 million in 2015, a decrease of \$5.2 million or 5.7 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 higher net short-term wholesale power revenues, and higher non-power operations and maintenance expenses due to retro pay and COLA labor costs, and for the increase in pension expense.

Net cash provided by operating activities increased 10.0 percent to \$250.8 million in 2016, compared to \$228.1 million in 2015. Although current assets, cash, and investments decreased significantly, down 52.2 percent to \$72.9 million in 2016. Increased operating cash inflows resulted was a result of several factors. The first a 4.9 percent system average rate increase effective in January 2016, then a Bonneville Power Administration (Bonneville) 0.9 percent pass-through rate adjustment effective in October 2015. The higher cash inflows were offset by greater debt service payments, capital construction projects, and ongoing operations. Restricted assets decreased by \$43.1 million, 16.3 percent, to \$222.0 million in 2016 compared to \$265.1 million in 2015. During 2016 construction funds decreased by \$60.3 million and represent the balance of unspent proceeds from the 2016A Clean Renewable Energy Bonds issued in January.

Capital assets, net of accumulated depreciation and amortization, were \$3.215 billion and \$2.961 billion in 2016 and 2015, a significant increase of \$253.2 million. The majority of the Utilities' capital asset additions were in the distribution plant and construction work-in-progress. The net increase in capital assets was partially offset by a 7.9 percent increase in accumulated depreciation and amortization.

Total liabilities were \$2.903 billion in 2016 and \$2.733 billion in 2015, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$2.165 billion in 2016 and \$2.091 billion in 2015. 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 \$84.4 million in 2016 and \$84.7 million in 2015.

City Light's total net position was \$1.218 billion in 2016 and \$1.132 billion in 2015.

**Water Utility.** The Utility realized an operating income of \$54.7 million in 2016 compared to \$58.4 million in 2015. Operating revenues decreased by \$613.5 thousand and operating expenses increased by \$3.0 million between 2016 and 2015. The Utility realized a net income of \$43.3 million in 2016 compared to net income of \$38.2 million in 2015. The 13.2 percent growth in net income for 2016 was primarily due to increases in donated plant, capital contributions for other meters and services in capital grants. These increases were offset by increase in operating expenses and a decrease in capital contributions for connection charges and hydrants.

Net cash provided by operating activities increased to \$116.4 million in 2016 from \$124.0 million in 2015, a decrease of 6.2 percent totaling \$7.6 million. Total operating and restricted cash and investments dropped to \$111.2 million in 2016 compared to \$137.6 million in 2015, a decrease of 19.2 percent totaling \$26.4 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, 2016, amounted to \$1.277 billion, a 2.9 percent increase 2015. Capital outlays of \$76.6 million were offset by depreciation expenses of \$51.8 million. Major capital assets additions in 2016 included technology infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings.

The Water Utility had \$810.0 million in outstanding revenue bonds in 2016 compared to \$851.6 million at year end 2015. 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 \$403.4 million in 2016 up from \$360.1 million in 2015.

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## Management's Discussion and Analysis

**Drainage and Wastewater Utility.** The Utility realized an operating income of \$54.6 million in 2016 compared to \$61.7 million in 2015. Operating revenues increased by \$11.3 million, 3.1 percent, totaling \$375.0 million. Operating expenses increased 6.1 percent, growing \$18.3 million to total \$320.4 million for 2016.

The Utility realized a dramatic change in net income, falling 95.1 percent to \$2.6 million in 2016 compared to \$52.1 million in 2015. The dramatic change in net income is primarily due to an increase in environmental remediation expenses of \$61.2 million in 2016. In addition, the decrease in net position is due to an increase related to wastewater treatment costs driven by a 5.5 percent increase in King County's treatment rate.

Net cash provided by operating activities remained consistent, increasing 2.4 percent to \$86.7 million in 2016 compared to \$84.7 million in 2015. Total operating and restricted cash and investments were \$175.2 million in 2016 compared to \$128.5 million in 2015. This increase in cash and investments was primarily from proceeds from the sales of bonds and other long-term debt, net of principal payments on long-term debt and refunding.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$1.062 billion in 2016 from \$947.9 million in 2015, a 12.1 percent increase. Capital outlays of \$116.6 million were offset by depreciation expenses of \$27.4 million.

The Drainage and Wastewater Utility had \$673.9 million outstanding revenue and refunding bond liabilities in 2016, as compared to \$600.7 million in 2015. Total liabilities, including revenue bonds, were \$1.044 billion in 2016 and \$872.9 million in 2015. The most significant factor affecting this change is the \$63.3 million increase to environmental liabilities along with additional liability increases of \$10.6 million to the net pension liability and various other liabilities.

Total net position for the Drainage and Wastewater Utility was \$332.5 million in 2016 and \$329.9 million in 2015. The slight increase resulted from two offsetting factors, the first was an additional net investment in capital assets of \$50.8 million, and the second was the drop of \$48.4 million in unrestricted net position due to the recording of additional environmental liabilities.

**Solid Waste Utility.** The Utility realized an operating income of \$12.9 million in 2016 compared to \$5.0 million in 2015. Operating revenues increased by \$8.9 million and operating expenses remained relatively stable, increasing 0.6 percent or \$1.0 million between 2016 and 2015. The Utility realized a net income of \$9.6 million in 2016 compared to \$1.4 million in 2015. The increase in net income in 2016 is driven by the 5.9 percent rate increase for residential and commercial garbage, and composting services effective April 1, 2016.

Net cash provided by operating activities was \$23.9 million, a 22.4 percent decrease in 2016 compared to the \$30.8 million reported in 2015. Total operating and restricted cash and investments were \$91.5 million in 2016 and \$85.4 million in 2015. The \$6.1 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 \$207.5 million outstanding revenue bond liabilities in 2016 compared to \$197.8 million in 2015. This increase of \$9.7 million is attributed to the issuance of \$35.3 million in new debt, a refunding of \$19.9 million and \$5.8 million scheduled principal payments for existing bond debt.

Total net position for the Solid Waste Utility was \$21.0 million in 2016 and \$11.3 million in 2015. The increase in net position was primarily the Utilities additional \$16.5 million of net investment in capital assets offset by the a \$7.1 million increase from from the additional pension liability as required by GASB Statement No.68 for reporting pensions.

### 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 2016 is \$2.489 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, 2016. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$175.5 million, 7.6 percent, during 2016. For year ending 2016 the member and employer contributions totaled \$180.2 million; net income from investment activity totaled \$189.7 million. Total benefit payment for 2016 increased by

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## The City of Seattle

\$9.6 million to \$169.0 million. In 2016 the number of retirees and beneficiaries receiving benefits was 6,382, which increased by 160, compared to 2015.

### 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.

City Council passed the 2016 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 2016 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 2016 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 2016 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.



## Management's Discussion and Analysis

When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2016's total appropriation budget for the General Fund was \$1.247 billion. The final revised budget for expenditures in the General Operating Fund in 2016 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 \$16.1 million or 38.5 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 53.9 percent of the total increase in program costs. These \$8.7 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 2016, totaling \$621.0 million. The actual costs of current expenditures and capital outlay of the City's public safety function totaled \$595.6 million, consuming 95.9 percent of the resources budgeted for 2016, of which 98.9 percent is for current operations and 1.1 percent on capital outlay. The 4.2 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 2016 final budget was \$335.7 million, a 3.3 percent increase from the 2015 budget level. The Department expended 96.2 percent of its budget during the year, with actual expenditures increasing 3.1 percent, from \$312.3 million in 2015 to \$322.3 million in 2016. 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 \$58.9 million, while the Deputy Chief Operations and Special Operation Bureau reported \$54.1 million less in expenditures for 2016. Patrol operations were budgeted at \$121.8 million for all five city precincts, a 4.9 percent decrease from 2015's budget. Patrol operations for 2016 consumed 99.5 percent of the budgeted resources and accounted for 37.6 percent of the entire Department's annual operating costs.

The Fire Department's 2016 final budget was \$207.2 million, a 6.0 percent increase from the 2015 budget level of \$194.8 million. The Department expended 95.2 percent of its budget during the year, with actual expenditures increasing \$13.4 million, from \$185.4 million in 2015 to \$198.8 million in 2016. Fire Operations for 2016 consumed 97.7 percent of the \$161.6 million in budgeted resources and accounted for 81.3 percent of the entire Department's annual operating costs. Of the remaining budget, \$6.7 million will carryforward into 2017 for grant purposes.

For 2016 the General Fund reports budgeted revenues of \$1.497 billion, a 8.0 percent increase, \$119.1 million larger than 2015'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.

## The City of Seattle

### 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 573,101	\$ 572,081	\$ 169,536	\$ 167,712	\$ 742,637	\$ 739,793
Plant in Service, Excluding Land	—	—	4,871,176	4,482,056	4,871,176	4,482,056
Buildings and Improvements	1,529,177	1,547,815	—	26,057	1,529,177	1,573,872
Machinery and Equipment	192,837	126,685	72	441	192,909	127,126
Infrastructure	1,152,872	1,031,128	—	—	1,152,872	1,031,128
Construction in Progress	798,377	813,955	668,983	646,162	1,467,360	1,460,117
Other Capital Assets	17,743	16,428	78,359	77,901	96,102	94,329
Total Capital Assets	<u>\$ 4,264,107</u>	<u>\$ 4,108,093</u>	<u>\$ 5,788,126</u>	<u>\$ 5,400,329</u>	<u>\$ 10,052,232</u>	<u>\$ 9,508,422</u>

Capital assets, net of depreciation for governmental activities increased by \$155.9 million. Major increases included the following:

The Department of Transportation capitalized \$180.4 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress decreased due the completion of the Seattle Streetcar amounting to \$33.6 million. The Department of Parks and Recreation capitalized \$19.7 million for various community parks improvements, renovation and restorations including the West Seattle Reservoir Development and Volunteer Park Conservatory. The Seattle Information and Technology Department capitalized \$37.4 million of various information and technology equipment, a majority for the New Generation Data Center.

Capital assets, net of depreciation, for business-type activities increased by \$387.8 million. Major increases included the following:

Seattle City Light capital assets, net of accumulated depreciation and amortization, increased by \$253.2 million in 2016. This increase was primarily comprised of \$25.5 million for hydroelectric production plant, \$113.2 million of distribution plant and \$29.9 million of general plant assets. The value of the Utilities intangible assets increased by \$61.7 million due to the addition of new software. There also continues significant construction efforts currently underway, with the overall reported increase in construction in progress totaling \$72.7 million for 2016.

The Drainage and Wastewater Utility's net capital assets also increased, adding \$114.3 million in 2016. Capital assets placed in service during 2016 consisted of a \$13.8 million investment for the replacement of customer service billing system. Reducing the combined sewer overflows in the Leschi basin and implementation of the Ballard Natural Drainage System accounted for an additional \$14.1 million of capital activity coming into service in 2016.

The Water Utility's net capital asset for the year ended 2016 with a \$35.5 million increase. New technology infrastructure improvements totaling \$16.4 million, improvements to the distribution infrastructure system costing \$13.2 million, water infrastructure improvements and rehabilitation projects added \$12.2 million, and improvements to the Alaskan Way Viaduct and Seawall utilities totaling \$10.7 million comprise the majority of the increase in net capital assets.

The Solid Waste Utility's net capital assets totaled \$227.7 million for 2016, 10.7 percent increase over 2015. The capital assets placed in serviced represents \$114.4 million for the North Transfer Station, and \$14.0 million for the new customer billing system. The Solid Waste Utility spent \$28.5 million for construction projects in 2016. A large number of the Utilities' construction projects were multi-year projects and \$131.3 million related to these projects were capitalized as assets in 2016.

Due to the sale of Pacific Place Garage land and building the assets of the City's non-major enterprise funds dropped \$39.2 million year over year and the fund is planned to be permanently closed in 2017.

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

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## Management's Discussion and Analysis

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### DEBT ADMINISTRATION

At the end of the fiscal year 2016 the City had \$4.819 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.740 billion in 2015. This represents an increase of approximately \$79.0 million, 1.7 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 \$7.5 million. In 2016 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. In addition, the part of the 2016 LTGO bonds proceeds were used for the partial refunding of the 2006 and 2009 bonds.

The City also issued revenue bonds: \$309.6 million for the Light Fund, \$160.9 million for the Wastewater Fund and \$35.3 million for the Solid Waste 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 2016 assessed value based on the latest report for the City is \$186.325 billion. At the end of 2016 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 \$13.974 billion, rendering the City's legal debt margin at \$12.847 billion for year-end 2016. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year end 2016 the LTGO net outstanding debt was \$819.0 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 \$101.2 million (\$72.5 million for governmental activities and \$28.6 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$218.5 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 eight 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.

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. In May 2017, the unemployment rate for the Seattle metro area was 3.3 percent, compared to 4.3 percent for the U.S. and 4.5 percent for Washington state. The region has also outpaced the U.S. in both income and wage growth during the recovery.

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## The City of Seattle

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Industries instrumental in the region's 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 been declining since then. In 2016, the rate of decline accelerated as the Boeing Company, the region's largest employer, cut over 7,300 jobs during the year in an effort to contain costs. The software industry, which includes Microsoft, has added 9,600 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 30,000 jobs at a relatively steady pace 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 \$3.8 billion in 2015 and \$3.6 billion in 2016.

With the aerospace industry now cutting jobs and signs that construction is at its peak, employment growth is predicted to slow going forward. 2016 is expected to be the peak year for employment growth during the current cycle, at 3.3 percent. The Puget Sound Economic Forecaster predicts employment growth will slow to 2.5 percent in 2017 and average a modest 1.5 percent per year over the next five years. Personal income growth is forecast to average 5.0 percent per year over the next five years, 2.6 percent per year faster than the rate of inflation.

### 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).



# **Government-wide Financial Statements**

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## Government-Wide Financial Statements

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### STATEMENT OF NET POSITION

December 31, 2016

(In Thousands)

	Primary Government						Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals				
			2016	Restated 2015			
ASSETS							
Current Assets							
Operating Cash and Equity in Pooled Investments	\$ 982,807	\$ 339,619	\$ 1,322,426	\$ 1,224,227	\$	6,894	
Restricted Cash and Equity in Pooled Investments	4,691	—	4,691	12,178		—	
Investments	—	—	—	—		60,901	
Receivables, Net of Allowances	127,832	253,749	381,581	344,585		—	
Internal Balances	24,459	(24,459)	—	—		—	
Due from Other Governments	96,572	15,343	111,915	111,504		—	
Inventories	2,660	42,943	45,603	43,292		—	
Prepaid and Other Current Assets	2,292	4,117	6,409	3,408		846	
Total Current Assets	1,241,313	631,312	1,872,625	1,739,194		68,641	
Noncurrent Assets							
Restricted Cash and Equity in Pooled Investments	43,031	403,623	446,654	483,123		—	
Contracts and Notes	7,758	1,424	9,182	10,117		—	
Conservation Costs, Net	—	284,624	284,624	275,337		—	
Landfill Closure and Postclosure Costs, Net	—	10,994	10,994	12,326		—	
Environmental Costs and Recoveries	—	72,938	72,938	33,286		—	
Net Pension Asset	124,652	—	124,652	188,042		—	
Regulatory Asset	—	16,775	16,775	17,520		—	
Other Charges and Noncurrent Assets	—	114,541	114,541	118,905		—	
Capital Assets, Net of Accumulated Depreciation							
Land and Land Rights	573,101	169,536	742,637	739,793		—	
Plant in Service, Excluding Land	—	4,871,176	4,871,176	4,482,056		—	
Buildings and Improvements	1,529,177	—	1,529,177	1,573,872		—	
Machinery and Equipment	192,837	72	192,909	127,127		—	
Infrastructure	1,152,872	—	1,152,872	1,031,128		—	
Construction in Progress	798,377	668,983	1,467,360	1,460,117		—	
Other Capital Assets	17,743	78,359	96,102	94,329		1	
Total Noncurrent Assets	4,439,548	6,693,045	11,132,593	10,647,078		1	
Total Assets	5,680,861	7,324,357	13,005,218	12,386,272		68,642	
DEFERRED OUTFLOWS OF RESOURCES	199,750	192,059	391,809	696,550		—	
Total Assets and Deferred Outflows of Resources	5,880,611	7,516,416	13,397,027	13,082,822		68,642	

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, 2016

(In Thousands)

	Primary Government					Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals			
			2016	Restated 2015		
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 163,035	\$ 62,433	\$ 225,468	\$ 235,286	\$ 1,832	
Salaries, Benefits, and Taxes Payable	46,228	21,027	67,255	65,055	—	
Contracts Payable	5,083	—	5,083	5,453	—	
Due to Other Governments	7,280	12,789	20,069	20,131	—	
Interest Payable	7,560	53,901	61,461	65,337	—	
Taxes Payable	45	9,550	9,595	10,967	—	
Unearned Revenues	14,952	41,553	56,505	49,245	—	
Current Portion of Long-Term Debt						
Bonds Payable	81,400	178,690	260,090	250,105	—	
Compensated Absences Payable	20,320	3,725	24,045	25,600	—	
Notes and Contracts Payable	1,578	2,348	3,926	4,108	—	
Claims Payable	22,238	16,890	39,128	49,802	—	
Habitat Conservation Program Liability	—	968	968	906	—	
Landfill Closure and Postclosure Liability	—	1,643	1,643	1,522	—	
Other Current Liabilities	2,681	10,961	13,642	6,249	—	
Total Current Liabilities	372,400	416,478	788,878	789,766	1,832	
Noncurrent Liabilities						
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	1,018,528	3,962,410	4,980,938	4,851,971	—	
Special Assessment Bonds with Governmental Commitment	7,505	—	7,505	8,825	—	
Compensated Absences Payable	71,312	28,849	100,161	103,975	—	
Claims Payable	50,666	229,888	280,554	178,856	—	
Notes and Contracts Payable	9,525	37,785	47,310	47,619	—	
Landfill Closure and Postclosure Liability	—	13,062	13,062	14,163	—	
Vendor Deposits Payable	156	2,697	2,853	2,049	—	
Habitat Conservation Program Liability	—	7,792	7,792	7,156	—	
Unearned Revenues	—	26,832	26,832	25,778	—	
Arbitrage Rebate Liability	—	—	—	9	—	
Unfunded Other Post Employment Benefits	133,710	16,116	149,826	132,530	—	
Net Pension Liability	704,010	593,973	1,297,983	1,106,800	—	
Other Noncurrent Liabilities	2,925	513	3,438	3,444	—	
Total Noncurrent Liabilities	1,998,337	4,919,917	6,918,254	6,483,175	—	
Total Liabilities	2,370,737	5,336,395	7,707,132	7,272,941	1,832	
DEFERRED INFLOWS OF RESOURCES	7,205	165,812	173,017	666,837	—	

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, 2016

(In Thousands)

	Primary Government						Component Units			
	Governmental Activities	Business-Type Activities	Comparative Totals							
			2016	Restated 2015						
NET POSITION										
Net Investment in Capital Assets	\$	3,269,646	\$	2,186,129	\$	5,455,775	\$	5,060,380	\$	1
Restricted for										
Debt Service		11,395		—		11,395		11,548		—
Capital Projects		145,717		—		145,717		210,572		140
Rate Stabilization Account		—		25,000		25,000		25,000		—
Education and Development Services		53,174		—		53,174		50,251		16,487
Conservation and Environmental Costs		—		8,148		8,148		7,496		—
External Infrastructure Costs		—		7,232		7,232		7,218		—
Other Charges		—		19,195		19,195		19,479		—
Health Care Reserve		38,188		—		38,188		29,980		—
Transportation Programs		29,834		—		29,834		14,001		—
Low-Income Housing Programs		154,247		—		154,247		135,079		—
Other Purposes		190,441		—		190,441		102,926		113
Nonexpendable		2,050		—		2,050		2,050		30,831
Unrestricted		(392,023)		(231,495)		(623,518)		(532,936)		19,238
Total Net Position		3,502,669		2,014,209		5,516,878		5,143,044		66,810
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	5,880,611	\$	7,516,416	\$	13,397,027	\$	13,082,822	\$	68,642

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, 2016

(In Thousands)

Functions/Programs	Program Expenses		Program Revenues		
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 247,400	\$ (20,962)	\$ 109,478	\$ 16,659	\$ 30
Judicial	32,025	—	29,578	165	—
Public Safety	576,208	1,423	24,472	13,964	—
Physical Environment	12,558	—	13	3,432	—
Transportation	271,601	5,265	70,878	22,058	18,393
Economic Environment	175,133	—	36,464	29,716	449
Health and Human Services	104,687	—	525	40,121	—
Culture and Recreation	330,984	—	75,832	8,741	12,204
Interest on Long-Term Debt	42,942	—	—	—	—
Total Governmental Activities	1,793,538	(14,274)	347,240	134,856	31,076
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	853,871	5,058	901,276	2,529	38,399
Water	225,678	2,310	251,244	265	18,393
Drainage and Wastewater	332,686	2,365	371,040	1,054	30,205
Solid Waste	167,132	825	177,061	604	—
Planning and Development	64,248	3,716	79,246	131	—
Downtown Parking Garage	5,222	—	5,355	—	—
Fiber Leasing	8	—	8	—	—
Total Business-Type Activities	1,648,845	14,274	1,785,230	4,583	86,997
Total Government-Wide Activities	\$ 3,442,383	\$ —	\$ 2,132,470	\$ 139,439	\$ 118,073
<b>COMPONENT UNITS</b>	\$ 13,210	\$ —	\$ 344	\$ 11,675	\$ —

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, 2016**  
*(In Thousands)*

	Net Revenue (Expense) and Changes in Net Position				
	Primary Government				Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals		
2016			2015		
GOVERNMENTAL ACTIVITIES					
General Government	\$ (100,271)	\$ —	\$ (100,271)	\$ (88,752)	
Judicial	(2,282)	—	(2,282)	1,705	
Public Safety	(539,195)	—	(539,195)	(492,260)	
Physical Environment	(9,113)	—	(9,113)	(3,398)	
Transportation	(165,537)	—	(165,537)	(109,295)	
Economic Environment	(108,504)	—	(108,504)	(59,570)	
Health and Human Services	(64,041)	—	(64,041)	(57,438)	
Culture and Recreation	(234,207)	—	(234,207)	(197,308)	
Interest on Long-Term Debt	(42,942)	—	(42,942)	(32,694)	
Total Governmental Activities	(1,266,092)	—	(1,266,092)	(1,039,010)	
BUSINESS-TYPE ACTIVITIES					
Light	—	83,275	83,275	86,897	
Water	—	41,914	41,914	34,347	
Drainage and Wastewater	—	67,248	67,248	55,181	
Solid Waste	—	9,708	9,708	1,637	
Planning and Development	—	11,413	11,413	814	
Downtown Parking Garage	—	133	133	484	
Fiber Leasing	—	—	—	(23)	
Total Business-Type Activities	—	213,691	213,691	179,337	
Total Government-Wide Activities	(1,266,092)	213,691	(1,052,401)	(859,673)	
COMPONENT UNITS					\$ (1,192)
General Revenues					
Property Taxes	542,853		542,853	420,691	—
Sales Taxes	263,285		263,285	239,189	—
Business Taxes	482,850		482,850	454,086	—
Excise Taxes	114,627		114,627	101,098	—
Other Taxes	19,009		19,009	17,733	—
Unrestricted Investment Earnings (Loss)	9,080	12,807	21,887	23,140	4,138
Gain on Sale of Capital Assets	(191)	48,102	47,911	11,838	—
Special Item - Environmental Remediation	—	(66,187)	(66,187)	(4,975)	—
Transfers	15,469	(15,469)	—	—	—
Total General Revenues (Loss), Special Item, and Transfers	1,446,982	(20,747)	1,426,235	1,262,800	4,138
Changes in Net Position	180,890	192,944	373,834	403,127	2,946
Net Position - Beginning of Year	3,321,779	1,821,265	5,143,044	5,579,838	63,864
Restatements/Prior-Year Adjustments	—	—	—	(839,921)	—
Net Position - Beginning of Year as Restated	3,321,779	1,821,265	5,143,044	4,739,917	63,864
Net Position - End of Year	\$ 3,502,669	\$ 2,014,209	\$ 5,516,878	\$ 5,143,044	\$ 66,810

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

**The City of Seattle**

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

## **Fund Financial Statements**

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## Fund Financial Statements

### 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.

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.

Descriptions for the nonmajor governmental 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.

## The City of Seattle

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### BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2016 (In Thousands)

	General Fund		Transportation	Low-Income Housing	Other Governmental	Comparative Totals						
						2016	Restated 2015					
ASSETS												
Cash and Equity in Pooled Investments	\$	359,510	\$	44,580	\$	157,131	\$	396,360	\$	957,581	\$	824,324
Receivables, Net of Allowances		86,072		8,987		626		28,961		124,646		112,991
Due from Other Funds		20,244		51,180		390		14,475		86,289		69,821
Due from Other Governments		62,064		11,473		53		22,957		96,547		100,506
Interfund Loans and Advances		1,250		22,001		—		16,321		39,572		36,432
Other Current Assets		352		(38)		—		721		1,035		1,544
Total Assets		529,492		138,183		158,200		479,795		1,305,670		1,145,618
DEFERRED OUTFLOWS OF RESOURCES												
Total Assets and Deferred Outflows of Resources		—		—		—		—		—		—
	\$	529,492	\$	138,183	\$	158,200	\$	479,795	\$	1,305,670	\$	1,145,618
LIABILITIES												
Accounts Payable	\$	36,675	\$	23,835	\$	1,841	\$	51,537	\$	113,888	\$	111,260
Contracts Payable		86		4,212		—		785		5,083		5,454
Salaries, Benefits, and Taxes Payable		27,559		4,426		—		7,277		39,262		34,753
Due to Other Funds		12,839		2,537		1,431		59,192		75,999		56,843
Due to Other Governments		2,068		—		—		5,198		7,266		7,360
Revenues Collected in Advance		3,496		4,181		—		7,274		14,951		13,953
Interfund Loans and Advances		—		—		—		38,322		38,322		28,790
Other Current Liabilities		617		444		52		985		2,098		1,510
Total Liabilities		83,340		39,635		3,324		170,570		296,869		259,923
DEFERRED INFLOWS OF RESOURCES												
		3,771		1,010		279		9,499		14,559		15,423
FUND BALANCES												
Nonspendable	\$	401	\$	1	\$	—	\$	2,739	\$	3,141	\$	3,701
Restricted		155,523		923		154,247		311,823		622,516		554,359
Committed		102,521		96,614		350		12,428		211,913		185,837
Assigned		28,646		—		—		9,819		38,465		16,771
Unassigned		155,290		—		—		(37,083)		118,207		109,604
Total Fund Balances		442,381		97,538		154,597		299,726		994,242		870,272
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	529,492	\$	138,183	\$	158,200	\$	479,795	\$	1,305,670	\$	1,145,618

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

## Fund Financial Statements

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### BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2016 (In Thousands)

	Comparative Totals	
	2016	Restated 2015
Governmental Fund Balance	\$ 994,242	\$ 870,272
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.	\$ 3,538,676	\$ 3,381,731
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,600	10,459
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.	394,486	419,713
Net pension asset net of pension obligations	124,652	168,446
Deferred inflows and outflows of resources	172,041	53,661
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	(13,298)	(14,669)
Accrued Interest Payable	(5,367)	(6,000)
Current Portion of Long-Term Debt	(56,411)	(52,412)
Compensated Absences Payable	(19,414)	(19,897)
General Obligation Bonds Payable	(715,581)	(671,702)
Less Bond Discount and Premium	(66,528)	(56,496)
Special Assessment Bonds	(7,505)	(8,825)
Net Pension Liability	(582,280)	(493,179)
Notes and Other Long-Term Liabilities	(14,662)	(17,089)
Compensated Absences - Long-Term	(62,659)	(64,269)
Claims Payable - Long-Term	(32,455)	(37,610)
Workers' Compensation	(25,050)	(27,126)
Arbitrage	—	(9)
Unfunded Other Post Employment Benefits	(129,818)	(113,220)
Net Adjustments	2,508,427	2,451,507
Net Position of Governmental Activities	\$ 3,502,669	\$ 3,321,779

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

## The City of Seattle

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### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended December 31, 2016 (In Thousands)

	General Fund	Transportation	Low-Income Housing	Other Governmental	Comparative Totals	
					2016	Restated 2015
<b>REVENUES</b>						
Taxes	\$ 1,047,643	\$ 134,381	\$ 17,878	\$ 222,292	\$ 1,422,194	\$ 1,233,133
Licenses and Permits	33,059	7,241	—	1,443	41,743	34,138
Grants, Shared Revenues, and Contributions	36,533	35,080	1,132	94,034	166,779	162,132
Charges for Services	61,386	104,541	20,193	68,292	254,412	225,056
Fines and Forfeits	32,096	165	—	13,893	46,154	39,009
Concessions, Parking Fees and Space Rent	38,856	259	—	29,683	68,798	67,444
Program Income, Interest, and Miscellaneous Revenues	80,472	825	11,432	6,640	99,369	98,215
Total Revenues	1,330,045	282,492	50,635	436,277	2,099,449	1,859,127
<b>EXPENDITURES</b>						
Current						
General Government	232,266	—	—	32,018	264,284	224,721
Judicial	31,519	—	—	—	31,519	29,351
Public Safety	588,834	—	—	1,847	590,681	577,106
Physical Environment	13,116	—	—	459	13,575	7,314
Transportation	9,890	162,931	—	54,845	227,666	155,689
Economic Environment	31,626	—	32,809	115,396	179,831	141,721
Health and Human Services	—	—	—	104,209	104,209	96,268
Culture and Recreation	80,620	—	—	225,366	305,986	268,979
Capital Outlay						
General Government	12,450	—	—	16,892	29,342	29,958
Public Safety	6,378	—	—	15,149	21,527	13,097
Transportation	—	240,216	—	—	240,216	278,151
Economic Environment	7	—	—	—	7	—
Culture and Recreation	15,044	—	—	32,346	47,390	35,712
Debt Service						
Principal	2	1,723	—	51,583	53,308	50,709
Interest	1	101	—	32,666	32,768	28,999
Bond Issuance Cost	—	—	—	627	627	1,946
Total Expenditures	1,021,753	404,971	32,809	683,403	2,142,936	1,939,721
Excess (Deficiency) of Revenues over Expenditures	308,292	(122,479)	17,826	(247,126)	(43,487)	(80,594)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	145,139	145,139	350,255
Premium on Bonds Issued	—	—	—	22,177	22,177	40,113
Payment to Refunded Bond Escrow Agent	—	—	—	(31,909)	(31,909)	(155,030)
Sales of Capital Assets	96	—	—	27	123	19,231
Transfers In	48,771	177,871	—	324,110	550,752	498,582
Transfers Out	(318,299)	(28,851)	—	(171,675)	(518,825)	(501,695)
Total Other Financing Sources (Uses)	(269,432)	149,020	—	287,869	167,457	251,456
Net Change in Fund Balance	38,860	26,541	17,826	40,743	123,970	170,862
Fund Balances - Beginning of Year	403,521	70,997	136,771	258,983	870,272	679,565
Restatements/Prior-Year Adjustments	—	—	—	—	—	19,845
Fund Balances - Beginning of Year as Restated	403,521	70,997	136,771	258,983	870,272	699,410
Fund Balances - End of Year	\$ 442,381	\$ 97,538	\$ 154,597	\$ 299,726	\$ 994,242	\$ 870,272

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

## Fund Financial Statements

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### 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, 2016 (In Thousands)

	Comparative Totals	
	2016	Restated 2015
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 123,970	\$ 170,862
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	(118,345)	(116,042)
Capital outlay reported as expenditures	275,669	302,294
Retirement and sale of capital assets	(6)	(11,540)
Capital assets received as donations	2,188	2,417
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	(2,587)	2,582
Reduction of long-term receivable	(831)	985
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	(144,691)	(350,255)
Premium on general obligation bonds	(22,177)	(40,113)
Principal payments bonds/notes	53,262	50,677
Amortization of bond premium	7,679	7,065
Amortization of loss on refunding	(1,549)	(1,454)
Minimum capital lease payments	29	49
Bond interest	612	(192)
Remittance to refunding escrow using refunding proceeds	31,908	155,030
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	2,093	13,624
Injury and damage claims	6,526	2,197
Workers' compensation	2,076	(959)
Arbitrage	9	1
Unfunded OPEB liabilities	(16,598)	(29,460)
Net pension asset	3,506	18,806
Environmental liability	481	130
Debt guarantee of SISC 2004 bonds	433	453
Pension Expense - GASB68	(24,852)	7,748
WA State's LEOFF Contribution	9,344	9,145
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	(9,234)	(8,072)
Net revenue of internal service funds activities reported with governmental activities	1,975	16,901
Change in Net Position of Governmental Activities	\$ 180,890	\$ 202,879
Initial Recording of Net Pension Liability/Asset Related Items	—	(418,709)
Adjusted Total Change in Net Position of Governmental Activities	180,890	(215,830)

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

## The City of Seattle

### 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 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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2016	2015	2016	2015
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 72,868	\$ 152,488	\$ 39,106	\$ 42,330
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	89,277	75,683	15,317	14,305
Interest and Dividends	384	414	984	962
Unbilled	76,604	70,536	14,534	13,834
Energy Contracts, Notes, and Other Contracts	—	—	20	112
Due from Other Funds	5,052	3,538	908	893
Due from Other Governments	3,077	2,533	953	557
Materials and Supplies Inventory	35,984	32,839	5,667	5,102
Prepayments and Other Current Assets	3,242	1,619	72	72
Total Current Assets	286,488	339,650	77,561	78,167
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	221,987	265,130	72,094	95,244
Notes and Contracts Receivable	—	—	375	395
Conservation Costs, Net	252,432	243,779	32,192	31,558
Landfill Closure and Postclosure Costs, Net	—	—	—	—
Environmental Costs and Recoveries	86,092	35,306	—	—
External Infrastructure Costs	—	—	—	—
Regulatory Asset	—	—	10,473	11,756
Other Charges	57,706	60,411	3,464	3,930
Capital Assets				
Land and Land Rights	75,025	72,670	45,138	44,453
Plant in Service, Excluding Land	4,410,258	4,168,237	1,921,380	1,844,527
Less Accumulated Depreciation	(1,735,289)	(1,671,849)	(771,218)	(724,570)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	392,461	319,831	79,611	75,007
Other Property, Net	72,226	72,551	1,663	1,594
Total Noncurrent Assets	3,832,898	3,566,066	1,395,172	1,383,894
Total Assets	4,119,386	3,905,716	1,472,733	1,462,061
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	94,939	49,735	46,224	39,309
Total Assets and Deferred Outflows of Resources	\$ 4,214,325	\$ 3,955,451	\$ 1,518,957	\$ 1,501,370

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2016	2015	2016	2015
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 121,117	\$ 100,901	\$ 36,174	\$ 42,220
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	19,803	19,879	15,461	13,201
Interest and Dividends	504	427	116	88
Unbilled	19,399	18,712	236	360
Energy Contracts, Notes, and Other Contracts	56	579	—	30
Due from Other Funds	2,497	865	518	238
Due from Other Governments	9,722	6,430	1,041	983
Materials and Supplies Inventory	1,136	1,207	155	102
Prepayments and Other Current Assets	34	35	18	18
Total Current Assets	174,268	149,035	53,719	57,240
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	54,122	27,579	55,329	43,135
Notes and Contracts Receivable	1,049	1,105	—	—
Conservation Costs, Net	—	—	—	—
Landfill Closure and Postclosure Costs, Net	—	—	10,994	12,326
Environmental Costs and Recoveries	2,149	4,115	—	1,358
External Infrastructure Costs	18,742	19,035	—	—
Regulatory Asset	4,406	4,048	1,896	1,715
Other Charges	33,937	34,714	693	815
Capital Assets				
Land and Land Rights	22,490	22,490	26,883	15,218
Plant in Service, Excluding Land	1,194,642	1,102,624	252,386	133,782
Less Accumulated Depreciation	(340,989)	(317,154)	(59,995)	(53,540)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	184,074	138,238	6,038	108,235
Other Property, Net	2,027	1,713	2,444	2,044
Total Noncurrent Assets	1,176,649	1,038,507	296,668	265,088
Total Assets	1,350,917	1,187,542	350,387	322,328
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	28,026	15,269	8,908	6,328
Total Assets and Deferred Outflows of Resources	\$ 1,378,943	\$ 1,202,811	\$ 359,295	\$ 328,656

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2016	2015	2016	2015
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 70,354	\$ 54,672	\$ 339,619	\$ 392,611
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	976	855	140,834	123,923
Interest and Dividends	79	51	2,067	1,942
Unbilled	—	—	110,773	103,442
Energy Contracts, Notes, and Other Contracts	—	—	76	721
Due from Other Funds	1,781	957	10,756	6,491
Due from Other Governments	551	359	15,344	10,862
Materials and Supplies Inventory	—	—	42,942	39,250
Prepayments and Other Current Assets	751	12	4,117	1,756
Total Current Assets	74,492	56,906	666,528	680,998
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	92	50	403,624	431,138
Notes and Contracts Receivable	—	—	1,424	1,500
Conservation Costs, Net	—	—	284,624	275,337
Landfill Closure and Postclosure Costs, Net	—	—	10,994	12,326
Environmental Costs and Recoveries	—	—	88,241	40,779
External Infrastructure Costs	—	—	18,742	19,035
Regulatory Asset	—	—	16,775	17,519
Other Charges	—	—	95,800	99,870
Capital Assets				
Land and Land Rights	—	12,881	169,536	167,712
Plant in Service, Excluding Land	—	—	7,778,666	7,249,170
Less Accumulated Depreciation	—	—	(2,907,491)	(2,767,113)
Buildings and Improvements	—	60,132	—	60,132
Less Accumulated Depreciation	—	(34,075)	—	(34,075)
Machinery and Equipment	14,360	14,771	14,360	14,771
Less Accumulated Depreciation	(14,288)	(14,330)	(14,288)	(14,330)
Construction in Progress	6,799	4,852	668,983	646,163
Other Property, Net	—	—	78,360	77,902
Total Noncurrent Assets	6,963	44,281	6,708,350	6,297,836
Total Assets	81,455	101,187	7,374,878	6,978,834
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	13,962	6,561	192,059	117,202
Total Assets and Deferred Outflows of Resources	\$ 95,417	\$ 107,748	\$ 7,566,937	\$ 7,096,036

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, 2016 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>ASSETS</b>		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 25,230	\$ 27,690
Restricted Cash and Equity in Pooled Investments	4,691	12,178
Receivables, Net of Allowances		
Accounts	577	274
Interest and Dividends	44	43
Unbilled	667	345
Energy Contracts, Notes, and Other Contracts	—	—
Due from Other Funds	17,296	10,917
Due from Other Governments	26	136
Materials and Supplies Inventory	2,660	4,042
Prepayments and Other Current Assets	1,256	109
Total Current Assets	52,447	55,734
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	43,031	51,984
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	108,852
Plant in Service, Excluding Land	—	—
Less Accumulated Depreciation	—	—
Buildings and Improvements	717,228	715,936
Less Accumulated Depreciation	(244,860)	(227,993)
Machinery and Equipment	270,246	233,956
Less Accumulated Depreciation	(135,590)	(135,429)
Construction in Progress	9,357	31,038
Other Property, Net	208	—
Total Noncurrent Assets	768,462	778,344
Total Assets	820,909	834,078
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	35,215	17,796
Total Assets and Deferred Outflows of Resources	\$ 856,124	\$ 851,874

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 72,336	\$ 77,849	\$ 7,486	\$ 10,262
Salaries, Benefits, and Payroll Taxes Payable	10,757	10,248	3,462	4,649
Compensated Absences Payable	2,572	3,631	390	457
Due to Other Funds	11,137	10,964	8,609	5,646
Due to Other Governments	—	—	—	—
Interest Payable	31,407	34,010	11,928	12,364
Taxes Payable	8,212	9,365	694	746
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	111,230	105,915	39,345	41,615
Claims Payable	8,611	16,392	2,151	2,249
Notes and Contracts Payable	—	—	1,125	1,125
Habitat Conservation Program Liability	—	—	968	906
Landfill Closure and Postclosure Liability	—	—	—	—
Unearned Revenues and Other Credits	28,814	23,259	4,307	4,553
Other Current Liabilities	10,304	2,980	44	30
Total Current Liabilities	295,380	294,613	80,509	84,602
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	15,782	19,354	4,355	4,841
Claims Payable	91,980	42,339	3,489	2,600
Public Works Trust Loan	—	—	23,654	21,217
Landfill Closure and Postclosure Liability	—	—	—	—
Vendor and Other Deposits Payable	—	—	—	25
Habitat Conservation Program Liability	—	—	7,792	7,156
Unearned Revenues and Other Credits	8,374	6,400	301	324
Unfunded Other Post Employment Benefits	7,935	8,052	2,719	2,703
Net Pension Liability	317,773	271,797	93,080	82,685
Other Noncurrent Liabilities	115	—	102	4
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,165,265	2,090,831	856,408	899,911
Total Noncurrent Liabilities	2,607,224	2,438,773	991,900	1,021,466
Total Liabilities	2,902,604	2,733,386	1,072,409	1,106,068
<b>DEFERRED INFLOWS OF RESOURCES</b>	94,180	89,847	43,183	35,193

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 8,519	\$ 10,696	\$ 9,857	\$ 13,843
Salaries, Benefits, and Payroll Taxes Payable	3,611	5,010	1,226	1,514
Compensated Absences Payable	399	432	139	150
Due to Other Funds	12,637	8,250	2,049	1,893
Due to Other Governments	12,789	12,732	—	—
Interest Payable	8,166	6,994	2,399	2,902
Taxes Payable	405	310	239	372
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	21,570	19,080	6,545	5,750
Claims Payable	5,104	4,813	841	2,375
Notes and Contracts Payable	1,223	1,212	—	—
Habitat Conservation Program Liability	—	—	—	—
Landfill Closure and Postclosure Liability	—	—	1,643	1,522
Unearned Revenues and Other Credits	2,635	2,518	5,797	4,961
Other Current Liabilities	585	641	—	397
Total Current Liabilities	77,643	72,688	30,735	35,679
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	4,459	4,567	1,556	1,584
Claims Payable	136,978	72,919	11,023	8,048
Public Works Trust Loan	14,130	15,353	—	—
Landfill Closure and Postclosure Liability	—	—	13,062	14,163
Vendor and Other Deposits Payable	2,605	1,749	—	—
Habitat Conservation Program Liability	—	—	—	—
Unearned Revenues and Other Credits	—	—	—	—
Unfunded Other Post Employment Benefits	2,719	2,580	885	860
Net Pension Liability	87,690	77,047	31,901	28,188
Other Noncurrent Liabilities	266	101	—	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	717,709	625,905	223,028	210,310
Total Noncurrent Liabilities	966,556	800,221	281,455	263,153
Total Liabilities	1,044,199	872,909	312,190	298,832
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,279	—	26,138	18,481

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 573	\$ 1,383	\$ 98,771	\$ 114,033
Salaries, Benefits, and Payroll Taxes Payable	1,971	3,223	21,027	24,644
Compensated Absences Payable	225	350	3,725	5,020
Due to Other Funds	953	572	35,385	27,325
Due to Other Governments	—	—	12,789	12,732
Interest Payable	1	676	53,901	56,946
Taxes Payable	—	85	9,550	10,878
General Obligation Bonds Due Within One Year	—	3,280	—	3,280
Revenue Bonds Due Within One Year	—	—	178,690	172,360
Claims Payable	183	265	16,890	26,094
Notes and Contracts Payable	—	—	2,348	2,337
Habitat Conservation Program Liability	—	—	968	906
Landfill Closure and Postclosure Liability	—	—	1,643	1,522
Unearned Revenues and Other Credits	—	—	41,553	35,291
Other Current Liabilities	28	63	10,961	4,111
Total Current Liabilities	3,934	9,897	488,201	497,479
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	1,200	7,600	1,200	7,600
Compensated Absences Payable	2,697	3,052	28,849	33,398
Claims Payable	353	368	243,823	126,274
Public Works Trust Loan	—	—	37,784	36,570
Landfill Closure and Postclosure Liability	—	—	13,062	14,163
Vendor and Other Deposits Payable	92	50	2,697	1,824
Habitat Conservation Program Liability	—	—	7,792	7,156
Unearned Revenues and Other Credits	18,157	19,054	26,832	25,778
Unfunded Other Post Employment Benefits	1,859	1,784	16,117	15,979
Net Pension Liability	63,529	52,520	593,973	512,237
Other Noncurrent Liabilities	31	—	514	105
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	52,832	—	52,832
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	3,962,410	3,826,957
Total Noncurrent Liabilities	87,918	137,260	4,935,053	4,660,873
Total Liabilities	91,852	147,157	5,423,254	5,158,352
<b>DEFERRED INFLOWS OF RESOURCES</b>	32	—	165,812	143,521

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, 2016 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 12,810	\$ 11,519
Salaries, Benefits, and Payroll Taxes Payable	6,967	5,679
Compensated Absences Payable	905	682
Due to Other Funds	2,958	3,155
Due to Other Governments	14	39
Interest Payable	2,193	2,392
Taxes Payable	45	90
General Obligation Bonds Due Within One Year	26,508	23,776
Revenue Bonds Due Within One Year	—	—
Claims Payable	418	472
Notes and Contracts Payable	—	—
Habitat Conservation Program Liability	—	—
Landfill Closure and Postclosure Liability	—	—
Unearned Revenues and Other Credits	—	—
Other Current Liabilities	146	336
Total Current Liabilities	52,964	48,140
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable	—	—
Compensated Absences Payable	8,654	6,308
Claims Payable	1,310	1,688
Public Works Trust Loan	—	—
Landfill Closure and Postclosure Liability	—	—
Vendor and Other Deposits Payable	156	225
Habitat Conservation Program Liability	—	—
Unearned Revenues and Other Credits	—	—
Unfunded Other Post Employment Benefits	3,893	3,330
Net Pension Liability	121,731	101,384
Other Noncurrent Liabilities	23	1
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	236,417	243,985
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—
Total Noncurrent Liabilities	372,184	356,921
Total Liabilities	425,148	405,061
<b>DEFERRED INFLOWS OF RESOURCES</b>	152	—

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2016	2015	2016	2015
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 1,310,525	\$ 1,169,562	\$ 435,254	\$ 388,809
Restricted for				
Rate Stabilization Account	25,000	25,000	—	—
Conservation and Environmental Costs	—	—	8,148	7,496
External Infrastructure Costs	—	—	—	—
Other Charges	—	—	4,640	5,030
Unrestricted	(117,984)	(62,344)	(44,677)	(41,226)
Total Net Position	1,217,541	1,132,218	403,365	360,109
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,214,325</u>	<u>\$ 3,955,451</u>	<u>\$ 1,518,957</u>	<u>\$ 1,501,370</u>

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2016	2015	2016	2015
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 403,957	\$ 353,150	\$ 29,523	\$ 16,277
Restricted for				
Rate Stabilization Account	—	—	—	—
Conservation and Environmental Costs	—	—	—	—
External Infrastructure Costs	7,232	7,218	—	—
Other Charges	14,555	14,449	—	—
Unrestricted	(93,279)	(44,915)	(8,556)	(4,934)
Total Net Position	332,465	329,902	20,967	11,343
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,378,943</u>	<u>\$ 1,202,811</u>	<u>\$ 359,295</u>	<u>\$ 328,656</u>

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2016	2015	2016	2015
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 6,870	\$ (11,904)	\$ 2,186,129	\$ 1,915,894
Restricted for				
Rate Stabilization Account	—	—	25,000	25,000
Conservation and Environmental Costs	—	—	8,148	7,496
External Infrastructure Costs	—	—	7,232	7,218
Other Charges	—	—	19,195	19,479
Unrestricted	(3,337)	(27,507)	(267,833)	(180,926)
Total Net Position	3,533	(39,411)	1,977,871	1,794,161
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 95,417</u>	<u>\$ 107,746</u>	<u>\$ 7,566,937</u>	<u>\$ 7,096,034</u>
Total Net Position as above			\$ 1,977,871	\$ 1,794,161
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds			36,338	27,104
Net Position of Business-type Activities			<u>\$ 2,014,209</u>	<u>\$ 1,821,265</u>

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, 2016 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 464,045	\$ 469,961
Restricted for		
Rate Stabilization Account	—	—
Conservation and Environmental Costs	—	—
External Infrastructure Costs	—	—
Other Charges	—	—
Unrestricted	(33,221)	(23,144)
Total Net Position	430,824	446,817
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 856,124</u>	<u>\$ 851,878</u>

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 903,175	\$ 882,857	\$ 251,364	\$ 251,977
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	219,795	213,621	—	—
Short-Term Wholesale Power Purchases	15,048	26,812	—	—
Generation	36,803	34,822	—	—
Transmission	53,488	54,289	—	—
Distribution	63,522	65,052	—	—
Conservation and Other Power Expenses	53,466	53,897	—	—
Planning and Development	—	—	2,141	1,582
Utility Systems Management	—	—	15,350	14,622
Field Operations	—	—	29,502	31,367
Project Delivery	—	—	6,789	6,664
Customer Services	42,636	38,302	7,990	8,034
Wastewater Treatment	—	—	—	—
Solid Waste Collection	—	—	—	—
Operations and Maintenance	—	—	—	—
General and Administrative	104,998	92,108	41,534	38,947
City Business and Occupation Taxes	48,456	45,534	31,347	32,133
Other Taxes	36,747	35,580	10,143	10,214
Amortization of Landfill and Postclosure Costs	—	—	—	—
Depreciation and Other Amortization	120,807	112,000	51,844	50,043
Total Operating Expenses	795,766	772,017	196,640	193,606
Operating Income (Loss)	107,409	110,840	54,724	58,371
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	6,046	6,270	2,635	2,838
Interest Expense	(84,365)	(84,721)	(36,918)	(39,393)
Amortization of Bonds Premiums and Discounts, Net	15,333	12,176	4,158	3,940
Amortization of Refunding Gain (Loss)	(4,641)	(2,933)	(1,597)	(1,649)
Bond Issuance Costs	(1,435)	(966)	—	—
Gain (Loss) on Sale of Capital Assets	48	921	406	2,518
Contributions and Grants	2,529	4,595	265	217
Others, Net	6,001	4,952	1,190	969
Total Nonoperating Revenues (Expenses)	(60,484)	(59,706)	(29,861)	(30,560)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	46,925	51,134	24,863	27,811
Capital Contributions and Grants	38,399	39,375	18,393	10,394
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	—	—	—	—
Change in Net Position	85,324	90,509	43,256	38,205
Net Position - Beginning of Year	1,132,217	1,275,545	360,109	393,040
Prior-Year Adjustment	—	(233,836)	—	(71,136)
Net Position - Beginning of Year as Restated	1,132,217	1,041,709	360,109	321,904
Net Position - End of Year	\$ 1,217,541	\$ 1,132,218	\$ 403,365	\$ 360,109

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

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### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 375,041	\$ 363,779	\$ 183,666	\$ 174,788
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	—	—	—	—
Short-Term Wholesale Power Purchases	—	—	—	—
Generation	—	—	—	—
Transmission	—	—	—	—
Distribution	—	—	—	—
Conservation and Other Power Expenses	—	—	—	—
Planning and Development	1,494	1,750	233	203
Utility Systems Management	12,371	11,249	5,409	10,617
Field Operations	28,860	29,593	7,627	6,950
Project Delivery	10,494	9,790	658	1,103
Customer Services	6,501	6,472	6,312	6,592
Wastewater Treatment	154,001	150,326	—	—
Solid Waste Collection	—	—	104,639	100,042
Operations and Maintenance	—	—	—	—
General and Administrative	30,135	22,064	16,410	14,250
City Business and Occupation Taxes	44,311	42,876	19,025	17,987
Other Taxes	4,836	4,549	2,820	2,588
Amortization of Landfill and Postclosure Costs	—	—	1,369	1,300
Depreciation and Other Amortization	27,403	23,452	6,283	8,109
Total Operating Expenses	320,406	302,121	170,785	169,741
Operating Income (Loss)	54,635	61,658	12,881	5,047
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	3,096	3,646	519	725
Interest Expense	(22,779)	(22,156)	(5,269)	(5,651)
Amortization of Bonds Premiums and Discounts, Net	2,127	1,709	913	736
Amortization of Refunding Gain (Loss)	(512)	(394)	(112)	(179)
Bond Issuance Costs	—	—	—	—
Gain (Loss) on Sale of Capital Assets	147	(229)	4	(443)
Contributions and Grants	1,054	1,482	604	584
Others, Net	777	1,003	84	565
Total Nonoperating Revenues (Expenses)	(16,090)	(14,939)	(3,257)	(3,663)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	38,545	46,719	9,624	1,384
Capital Contributions and Grants	30,205	10,346	—	—
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	(66,187)	(4,975)	—	—
Change in Net Position	2,563	52,090	9,624	1,384
Net Position - Beginning of Year	329,902	344,098	11,343	34,210
Prior-Year Adjustment	—	(66,286)	—	(24,251)
Net Position - Beginning of Year as Restated	329,902	277,812	11,343	9,959
Net Position - End of Year	\$ 332,465	\$ 329,902	\$ 20,967	\$ 11,343

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 86,356	\$ 74,566	\$ 1,799,602	\$ 1,747,967
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	—	—	219,795	213,621
Short-Term Wholesale Power Purchases	—	—	15,048	26,812
Generation	—	—	36,803	34,822
Transmission	—	—	53,488	54,289
Distribution	—	—	63,522	65,052
Conservation and Other Power Expenses	—	—	53,466	53,897
Planning and Development	—	—	3,868	3,535
Utility Systems Management	—	—	33,130	36,488
Field Operations	—	—	65,989	67,910
Project Delivery	—	—	17,941	17,557
Customer Services	—	—	63,439	59,400
Wastewater Treatment	—	—	154,001	150,326
Solid Waste Collection	—	—	104,639	100,042
Operations and Maintenance	60,910	56,058	60,910	56,058
General and Administrative	11,720	13,519	204,797	180,888
City Business and Occupation Taxes	12	17	143,151	138,547
Other Taxes	25	37	54,571	52,968
Amortization of Landfill and Postclosure Costs	—	—	1,369	1,300
Depreciation and Other Amortization	1,751	2,519	208,088	196,123
Total Operating Expenses	74,418	72,150	1,558,015	1,509,635
Operating Income (Loss)	11,938	2,416	241,587	238,332
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	510	459	12,806	13,938
Interest Expense	(2,012)	(2,787)	(151,343)	(154,708)
Amortization of Bonds Premiums and Discounts, Net	148	198	22,679	18,759
Amortization of Refunding Gain (Loss)	198	—	(6,664)	(5,155)
Bond Issuance Costs	—	—	(1,435)	(966)
Gain (Loss) on Sale of Capital Assets	47,497	—	48,102	2,767
Contributions and Grants	131	210	4,583	7,088
Others, Net	2	310	8,054	7,799
Total Nonoperating Revenues (Expenses)	46,474	(1,610)	(63,218)	(110,478)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	58,412	806	178,369	127,854
Capital Contributions and Grants	—	—	86,997	60,115
Transfers In	18,263	12,337	18,263	12,337
Transfers Out	(33,732)	(3,406)	(33,732)	(3,406)
Environmental Remediation	—	—	(66,187)	(4,975)
Change in Net Position	42,943	9,737	183,710	191,925
Net Position - Beginning of Year	(39,410)	(3,964)	1,794,161	2,042,929
Prior-Year Adjustment	—	(45,184)	—	(440,693)
Net Position - Beginning of Year as Restated	(39,410)	(49,148)	1,794,161	1,602,236
Net Position - End of Year	\$ 3,533	\$ (39,411)	1,977,871	1,794,161
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			36,338	27,104
Net Position of Business-Type Activities			\$ 2,014,209	\$ 1,821,265
Change in Net Position as above			\$ 183,710	\$ 191,925
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			9,234	8,072
Adjusted Change in Net Position of Business-Type Activities			\$ 192,944	\$ 199,997

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, 2016 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>OPERATING REVENUES</b>		
Charges for Services and Other Revenues	\$ 311,591	\$ 242,748
<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	214,933	155,609
General and Administrative	32,198	23,157
City Business and Occupation Taxes	5	4
Other Taxes	516	468
Amortization of Landfill and Postclosure Costs	—	—
Depreciation and Other Amortization	37,851	35,507
Total Operating Expenses	285,503	214,745
Operating Income (Loss)	26,088	28,003
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and Interest Income	841	517
Interest Expense	(10,103)	(8,953)
Amortization of Bonds Premiums and Discounts, Net	3,751	2,974
Amortization of Refunding Gain (Loss)	(1,830)	(1,105)
Bond Issuance Costs	(6)	(45)
Gain (Loss) on Sale of Capital Assets	(308)	1,381
Contributions and Grants	—	—
Others, Net	28	62
Total Nonoperating Revenues (Expenses)	(7,627)	(5,169)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	18,461	22,834
Capital Contributions and Grants	(17,996)	(53)
Transfers In	5,700	341
Transfers Out	(22,158)	(6,159)
Environmental Remediation	—	—
Change in Net Position	(15,993)	16,963
Net Position - Beginning of Year	446,817	517,078
Prior-Year Adjustment	—	(87,224)
Net Position - Beginning of Year as Restated	446,817	429,854
Net Position - End of Year	\$ 430,824	\$ 446,817

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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 871,771	\$ 838,498	\$ 257,434	\$ 261,206
Cash Paid to Suppliers	(353,029)	(354,870)	(31,926)	(32,734)
Cash Paid to Employees	(181,004)	(177,028)	(67,426)	(62,301)
Cash Paid for Taxes	(86,914)	(78,548)	(41,718)	(42,169)
Net Cash from Operating Activities	250,824	228,052	116,364	124,002
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(10,351)	(12,259)	—	—
Interest Paid on Long-Term Debt	(9,111)	(10,482)	—	—
Operating Grants Received	2,530	4,594	283	235
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	9,358	2,225	—	—
Payments to Vendors on Behalf of Customers for Conservation	(32,210)	(35,230)	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	—	—
Net Cash from Noncapital Financing Activities	(39,784)	(51,152)	283	235
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	360,240	283,730	3,562	391,564
Principal Payments on Long-Term Debt and Refunding	(97,099)	(92,656)	(42,442)	(364,182)
Capital Expenses and Other Charges Paid	(375,247)	(338,872)	(76,611)	(84,404)
Interest Paid on Long-Term Debt	(85,468)	(79,225)	(38,559)	(43,581)
Capital Fees and Grants Received	37,544	34,686	9,887	8,876
Payment to Trustee for Defeased Bonds	(178,818)	—	—	—
Interest Received for Suburban Infrastructure Improvements	2,526	2,110	—	—
Debt Issuance Costs	(1,435)	(966)	—	(1,907)
Proceeds from Sale of Capital Assets	404	1,077	519	5,987
Net Cash from Capital and Related Financing Activities	(337,353)	(190,116)	(143,644)	(87,647)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>				
Interest and Investment Income (Loss)	3,550	4,102	623	807
Net Cash from Investing Activities	3,550	4,102	623	807
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(122,763)	(9,114)	(26,374)	37,397
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	417,618	426,732	137,574	100,177
End of Year	\$ 294,855	\$ 417,618	\$ 111,200	\$ 137,574
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 72,868	\$ 152,488	\$ 39,106	\$ 42,330
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	221,987	265,130	72,094	95,244
Total Cash at the End of the Year	\$ 294,855	\$ 417,618	\$ 111,200	\$ 137,574

\* 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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 370,806	\$ 358,746	\$ 189,184	\$ 183,505
Cash Paid to Suppliers	(169,184)	(169,893)	(118,253)	(109,107)
Cash Paid to Employees	(66,269)	(57,019)	(25,139)	(22,675)
Cash Paid for Taxes	(48,702)	(47,181)	(21,907)	(20,942)
Net Cash from Operating Activities	86,651	84,653	23,885	30,781
<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	1,796	799	378	818
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	—	—	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	(958)	(1,791)	1,358	(1,358)
Net Cash from Noncapital Financing Activities	838	(992)	1,736	(540)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	183,723	—	40,848	39,274
Principal Payments on Long-Term Debt and Refunding	(92,869)	(19,229)	(25,987)	(4,820)
Capital Expenses and Other Charges Paid	(116,611)	(117,458)	(24,752)	(53,841)
Interest Paid on Long-Term Debt	(27,236)	(27,614)	(9,824)	(7,732)
Capital Fees and Grants Received	11,361	5,773	—	—
Payment to Trustee for Defeased Bonds	—	—	—	—
Interest Received for Suburban Infrastructure Improvements	—	—	—	—
Debt Issuance Costs	(556)	—	(267)	(298)
Proceeds from Sale of Capital Assets	197	687	18	257
Net Cash from Capital and Related Financing Activities	(41,991)	(157,841)	(19,964)	(27,160)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>				
Interest and Investment Income (Loss)	1,261	1,927	491	706
Net Cash from Investing Activities	1,261	1,927	491	706
Net Increase (Decrease) in Cash and Equity in Pooled Investments	46,759	(72,253)	6,148	3,787
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	128,480	200,733	85,355	81,568
End of Year	\$ 175,239	\$ 128,480	\$ 91,503	\$ 85,355
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 121,117	\$ 100,901	\$ 36,174	\$ 42,220
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	54,122	27,579	55,329	43,135
Total Cash at the End of the Year	\$ 175,239	\$ 128,480	\$ 91,503	\$ 85,355

\* 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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 86,628	\$ 79,580	\$ 1,775,823	\$ 1,721,535
Cash Paid to Suppliers	(36,086)	(33,310)	(708,478)	(699,914)
Cash Paid to Employees	(35,645)	(33,977)	(375,483)	(353,000)
Cash Paid for Taxes	(1,415)	(1,585)	(200,656)	(190,425)
Net Cash from Operating Activities	13,482	10,708	491,206	478,196
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(6,400)	(6,494)	(16,751)	(18,753)
Interest Paid on Long-Term Debt	—	—	(9,111)	(10,482)
Operating Grants Received	131	118	5,118	6,564
Transfers In	17,094	8,931	17,094	8,931
Transfers Out	(33,732)	—	(33,732)	—
Bonneville Receipts for Conservation	—	—	9,358	2,225
Payments to Vendors on Behalf of Customers for Conservation	—	—	(32,210)	(35,230)
Proceeds from Interfund Loans	—	7,600	—	7,600
Payments for Environmental Liabilities	—	—	400	(3,149)
Net Cash from Noncapital Financing Activities	(22,907)	10,155	(59,834)	(42,294)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	—	—	588,373	714,568
Principal Payments on Long-Term Debt and Refunding	(3,280)	(2,950)	(261,677)	(483,837)
Capital Expenses and Other Charges Paid	(2,101)	(1,478)	(595,322)	(596,053)
Interest Paid on Long-Term Debt	(2,676)	(2,823)	(163,763)	(160,975)
Capital Fees and Grants Received	—	—	58,792	49,335
Payment to Trustee for Defeased Bonds	(52,468)	—	(231,286)	—
Interest Received for Suburban Infrastructure Improvements	—	—	2,526	2,110
Debt Issuance Costs	—	—	(2,258)	(3,171)
Proceeds from Sale of Capital Assets	85,171	—	86,309	8,008
Net Cash from Capital and Related Financing Activities	24,646	(7,251)	(518,306)	(470,015)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>				
Interest and Investment Income (Loss)	504	442	6,429	7,984
Net Cash from Investing Activities	504	442	6,429	7,984
Net Increase (Decrease) in Cash and Equity in Pooled Investments	15,725	14,054	(80,505)	(26,129)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	54,721	40,668	823,748	849,878
End of Year	\$ 70,446	\$ 54,722	\$ 743,243	\$ 823,749
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 70,354	\$ 54,672	\$ 339,619	\$ 392,611
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	92	50	403,624	431,138
Total Cash at the End of the Year	\$ 70,446	\$ 54,722	\$ 743,243	\$ 823,749

\* 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, 2016 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 304,672	\$ 241,134
Cash Paid to Suppliers	(99,984)	(82,522)
Cash Paid to Employees	(140,776)	(87,809)
Cash Paid for Taxes	(564)	(433)
Net Cash from Operating Activities	63,348	70,370
<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	—	88
Transfers In	5,700	341
Transfers Out	(22,159)	(6,159)
Bonneville Receipts for Conservation	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—
Payments for Environmental Liabilities	—	—
Net Cash from Noncapital Financing Activities	(16,459)	(5,730)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Bonds and Other Long-Term Debt	2,109	8,913
Principal Payments on Long-Term Debt and Refunding	(23,776)	(16,945)
Capital Expenses and Other Charges Paid	(35,333)	(60,211)
Interest Paid on Long-Term Debt	(10,302)	(9,733)
Capital Fees and Grants Received	—	(141)
Payment to Trustee for Defeased Bonds	—	—
Interest Received for Suburban Infrastructure Improvements	—	—
Debt Issuance Costs	(6)	(45)
Proceeds from Sale of Capital Assets	679	1,623
Net Cash from Capital and Related Financing Activities	(66,629)	(76,539)
<b>CASH FLOWS FROM INVESTING ACTIVITIES*</b>		
Interest and Investment Income (Loss)	839	562
Net Cash from Investing Activities	839	562
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(18,901)	(11,337)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of Year	91,853	103,189
End of Year	\$ 72,952	\$ 91,852
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating Cash and Equity in Pooled Investments	\$ 25,230	\$ 27,690
Current Restricted Cash and Equity in Pooled Investments	4,691	12,178
Noncurrent Restricted Cash and Equity in Pooled Investments	43,031	51,984
Total Cash at the End of the Year	\$ 72,952	\$ 91,852

\* 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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2016	2015	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 107,409	\$ 110,840	\$ 54,724	\$ 58,371
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	120,807	112,000	51,844	50,043
Depreciation Charged to O&M Accounts	6,509	6,310	—	—
Amortization of Other Liabilities and Other Operating Expenses	40,870	25,932	—	1,692
Nonoperating Revenues and Expenses	6,063	5,047	2,541	2,204
Changes in Operating Assets and Liabilities				
Accounts Receivable	(16,857)	(5,247)	(918)	(786)
Unbilled Receivables	(6,068)	(5,906)	(699)	(184)
Other Receivables	(1,898)	(1,145)	—	—
Due from Other Funds	—	(2,056)	(15)	(133)
Due from Other Governments	—	(262)	472	(77)
Materials and Supplies Inventory	(3,144)	(2,010)	(566)	37
Accounts Payable	(4,961)	14,551	(2,777)	1,526
Salaries, Benefits, and Payroll Taxes Payable	—	1,035	(1,188)	2,107
Compensated Absences Payable	(471)	4,238	(553)	(15)
Due to Other Funds	(2,937)	61	2,963	500
Due to Other Governments	—	—	—	—
Claims Payable	(2,684)	(11,840)	792	(149)
Taxes Payable	3,136	1,552	(52)	39
Unearned Revenues and Other Credits	—	2,937	(269)	1,241
Other Assets and Liabilities	4,908	(4,622)	4,301	268
Rate Stabilization	142	(23,363)	5,764	7,318
Total Adjustments	143,415	117,212	61,640	65,631
Net Cash from Operating Activities	<u>\$ 250,824</u>	<u>\$ 228,052</u>	<u>\$ 116,364</u>	<u>\$ 124,002</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ 1,489	\$ 1,398	\$ 7,621	\$ 1,602
Amortization of Debt Related Costs, Net	10,693	9,243	—	—
Allowance for Funds Used During Construction	10,168	8,947	—	—
Power Exchange Revenues	15,832	16,950	—	—
Power Exchange Expenses	(15,848)	(17,584)	—	—
Power Revenue Netted against Power Expenses	6,568	6,550	—	—
Power Expense Netted against Power Revenues	(5,910)	(8,453)	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 22,992</u>	<u>\$ 17,051</u>	<u>\$ 7,621</u>	<u>\$ 1,602</u>

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

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### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2016	2015	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 54,635	\$ 61,658	\$ 12,881	\$ 5,047
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	27,403	23,452	6,283	8,109
Depreciation Charged to O&M Accounts	—	—	—	—
Amortization of Other Liabilities and Other Operating Expenses	10,643	1,577	795	577
Nonoperating Revenues and Expenses	1,972	2,285	676	1,076
Changes in Operating Assets and Liabilities				
Accounts Receivable	601	(1,836)	(2,230)	(268)
Unbilled Receivables	(687)	(440)	123	57
Other Receivables	—	—	—	—
Due from Other Funds	(1,632)	119	(281)	7
Due from Other Governments	(3,657)	(3,856)	169	(250)
Materials and Supplies Inventory	70	(164)	(53)	(34)
Accounts Payable	(2,178)	518	(3,985)	2,867
Salaries, Benefits, and Payroll Taxes Payable	(1,398)	2,593	(287)	709
Compensated Absences Payable	(140)	(73)	(40)	44
Due to Other Funds	4,387	(971)	155	648
Due to Other Governments	57	1,144	—	—
Claims Payable	1,088	(1,960)	1,441	8,711
Taxes Payable	95	11	(132)	(100)
Unearned Revenues and Other Credits	—	370	836	257
Other Assets and Liabilities	(4,608)	226	672	638
Rate Stabilization	—	—	6,862	2,686
Total Adjustments	32,016	22,995	11,004	25,734
Net Cash from Operating Activities	<u>\$ 86,651</u>	<u>\$ 84,653</u>	<u>\$ 23,885</u>	<u>\$ 30,781</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ 17,948	\$ 4,583	\$ —	\$ —
Amortization of Debt Related Costs, Net	—	—	—	—
Allowance for Funds Used During Construction	—	—	—	—
Power Exchange Revenues	—	—	—	—
Power Exchange Expenses	—	—	—	—
Power Revenue Netted against Power Expenses	—	—	—	—
Power Expense Netted against Power Revenues	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 17,948</u>	<u>\$ 4,583</u>	<u>\$ —</u>	<u>\$ —</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, 2016 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2016	2015	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 11,938	\$ 2,416	\$ 241,587	\$ 238,332
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	1,751	2,519	208,088	196,123
Depreciation Charged to O&M Accounts	—	—	6,509	6,310
Amortization of Other Liabilities and Other Operating Expenses	3,748	774	56,056	30,552
Nonoperating Revenues and Expenses	—	310	11,252	10,922
Changes in Operating Assets and Liabilities				
Accounts Receivable	(149)	144	(19,553)	(7,993)
Unbilled Receivables	—	—	(7,331)	(6,473)
Other Receivables	—	—	(1,898)	(1,145)
Due from Other Funds	345	(52)	(1,583)	(2,115)
Due from Other Governments	(192)	92	(3,208)	(4,353)
Materials and Supplies Inventory	—	—	(3,693)	(2,171)
Accounts Payable	(809)	(883)	(14,710)	18,579
Salaries, Benefits, and Payroll Taxes Payable	(1,252)	1,597	(4,125)	8,041
Compensated Absences Payable	(479)	321	(1,683)	4,515
Due to Other Funds	379	63	4,947	301
Due to Other Governments	—	—	57	1,144
Claims Payable	(97)	447	540	(4,791)
Taxes Payable	(85)	—	2,962	1,502
Unearned Revenues and Other Credits	(896)	2,759	(329)	7,564
Other Assets and Liabilities	(720)	201	4,553	(3,289)
Rate Stabilization	—	—	12,768	(13,359)
Total Adjustments	1,544	8,292	249,619	239,864
Net Cash from Operating Activities	<u>\$ 13,482</u>	<u>\$ 10,708</u>	<u>\$ 491,206</u>	<u>\$ 478,196</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ —	\$ —	\$ 27,058	\$ 7,583
Amortization of Debt Related Costs, Net	—	—	10,693	9,243
Allowance for Funds Used During Construction	—	—	10,168	8,947
Power Exchange Revenues	—	—	15,832	16,950
Power Exchange Expenses	—	—	(15,848)	(17,584)
Power Revenue Netted against Power Expenses	—	—	6,568	6,550
Power Expense Netted against Power Revenues	—	—	(5,910)	(8,453)
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 48,561</u>	<u>\$ 23,236</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, 2016 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 26,088	\$ 28,003
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>		
Depreciation and Amortization	37,851	35,507
Depreciation Charged to O&M Accounts	—	—
Amortization of Other Liabilities and Other Operating Expenses	1,386	1,819
Nonoperating Revenues and Expenses	—	62
Changes in Operating Assets and Liabilities		
Accounts Receivable	(302)	(35)
Unbilled Receivables	(321)	(321)
Other Receivables	—	—
Due from Other Funds	(6,379)	(1,400)
Due from Other Governments	110	23
Materials and Supplies Inventory	1,382	(1,257)
Accounts Payable	1,291	3,483
Salaries, Benefits, and Payroll Taxes Payable	1,288	2,466
Compensated Absences Payable	2,569	337
Due to Other Funds	(196)	700
Due to Other Governments	(24)	34
Claims Payable	(433)	149
Taxes Payable	(44)	39
Unearned Revenues and Other Credits	—	—
Other Assets and Liabilities	(918)	761
Rate Stabilization	—	—
Total Adjustments	37,260	42,367
Net Cash from Operating Activities	<u>\$ 63,348</u>	<u>\$ 70,370</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
In-Kind Capital Contributions	\$ —	\$ 7,521
Amortization of Debt Related Costs, Net	1,914	(477)
Allowance for Funds Used During Construction	—	—
Power Exchange Revenues	—	—
Power Exchange Expenses	—	—
Power Revenue Netted against Power Expenses	—	—
Power Expense Netted against Power Revenues	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 1,914</u>	<u>\$ 7,044</u>

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

## Fund Financial Statements

### 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 City of Seattle

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### STATEMENT OF FIDUCIARY NET POSITION

#### FIDUCIARY FUNDS

December 31, 2016

*(In Thousands)*

	Employees' Retirement Fund	S. L. Denny Private-Purpose Trust	Agency Funds
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 6,303	\$ 219	\$ 9,199
Short-Term Investments	336,427	—	—
<b>Receivables</b>			
Members	3,435	—	—
Employers	6,144	—	—
Interest and Dividends	3,487	—	—
Sales Proceeds	87,345	—	—
Other	—	—	88
Total Receivables	100,411	—	88
<b>Investments at Fair Value</b>			
Fixed Income	539,527	—	—
Equity	1,350,197	—	—
Real Estate	287,997	—	—
Alternative Investments	173,578	—	—
Total Investments at Fair Value	2,351,299	—	—
Securities Lending Collateral	11,131	—	—
Total Assets	2,805,571	219	9,287
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	1,370	—	795
Salaries, Benefits, and Payroll Taxes Payable	—	—	1,478
Deposits Payable	—	—	6,998
Claims/Judgments Payable	—	—	16
Securities Lending Collateral	11,125	—	—
Investment Commitments Payable	304,577	—	—
Total Liabilities	317,072	—	9,287
Net Position Restricted for Pensions	\$ 2,488,499	\$ 219	\$ —

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

**Fund Financial Statements**

**The City of Seattle**

**B-10 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	<u>Employees'</u> <u>Retirement Fund</u>	<u>S.L. Denny</u> <u>Private-Purpose Trust</u>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer	\$ 108,454	\$ —
Plan Member	71,756	—
Total Contributions	180,210	—
<b>Investment Income</b>		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	163,299	—
Interest	10,570	3
Dividends	24,781	—
Total Investment Activities Income	198,650	3
Investment Activities Expenses		
Investment Management Fees	8,186	—
Investment Consultant Fees	295	—
Investment Custodial Fees	426	—
Total Investment Activities Expenses	8,907	—
Net Income from Investment Activities	189,743	3
From Securities Lending Activities		
Securities Lending Income	100	—
Borrower Rebates	166	—
Total Securities Lending Income	266	—
Securities Lending Expenses		
Management Fees	66	—
Total Securities Lending Expenses	66	—
Net Income from Securities Lending Activities	200	—
Total Net Investment Income	189,943	3
Other Income	—	—
Total Additions	370,153	3
<b>DEDUCTIONS</b>		
Benefits	168,967	—
Refund of Contributions	16,457	—
Administrative Expense	9,251	—
Total Deductions	194,675	—
Change in Net Position	175,478	3
Net Position - Beginning of Year	2,313,021	217
Net Position - End of Year	\$ 2,488,499	\$ 220

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

## **Notes to Financial Statements**

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# NOTES TO FINANCIAL STATEMENTS

## December 31, 2016

### (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

### ACCOUNTING STANDARDS

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. 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 City's Firemen's Pension and Police Relief and Pension Funds are subject to this Statement and will report in accordance with the requirements of Statement 73, starting in its fiscal year 2016.

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

In 2015, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures. The City has determined that Seattle City Employees' Retirement System (SCERS) and Law Enforcement Officers' and Fire Fighters' Retirement System are subject the requirements of Statement No. 68. The requirements of Statements No.25 and No.50 remain applicable to the City's other pension plans that are not administered through trust or equivalent arrangements.

In 2015, the GASB issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, effective for reporting periods beginning after December 15, 2015. The City does not participate in any non-state or nongovernmental multiple-employer defined benefit pension plans, and therefore is not subject to the reporting requirements of GASB Statement No. 78. The City will continue to comply with the requirements of GASB Statement No. 68 for pension reporting.

### 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.



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## Notes to Financial Statements

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### 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.

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 Low-Income Housing Fund accounts for activities undertaken by the City that include, but is not limited to: preserving affordable rental units, providing operating and maintenance relief, rental assistance, homebuyer assistance, and acquisition and opportunity loans. Revenues include taxes on real and personal property, zoning and subdivision fees, investment pool and loan interest, and grants.

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## The City of Seattle

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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 funds comprising: the Employees' Retirement Fund, the Firemen's Pension Fund, and the Police Relief and Pension 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 Firemen's Pension Fund accounts for revenues from a portion of the state-levied fire insurance premium tax and significantly from pension and benefits contributions of the General Fund. It pays medical and pension benefits to sworn firemen. The Police Relief and Pension Fund receives support almost entirely from the General Fund to pay for sworn police personnel's medical and pension benefits that are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

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.

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## Notes to Financial Statements

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### 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 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 producing 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, 2015, from which the summarized information was derived.

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## The City of Seattle

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### 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.

### 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.

## Notes to Financial Statements

• 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 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.

## The City of Seattle

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

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

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## Notes to Financial Statements

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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).

### 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.

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## The City of Seattle

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### 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 2016, the RSA reported an ending fund balance of \$47.4 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 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 2016, the Emergency Subfund reported an ending fund balance of \$60.0 million.

## Notes to Financial Statements

A summary of governmental fund balances at December 31, 2016, is as follows:

**Table 1-1**  
**GOVERNMENTAL FUND BALANCES**  
*(In Thousands)*

Fund Balances	General	Transportation	Low-Income Housing	Other Governmental	Total
Nonspendable					
Not in spendable form <sup>a</sup>	\$ 401	\$ 1	\$ —	\$ 689	\$ 1,091
Legally or contractually required to be maintained intact	—	—	—	2,050	2,050
Restricted					
General	888	—	—	1,974	2,862
Capital and Continuing Programs	100,544	—	—	127,862	228,406
Library	13,551	—	—	10,719	24,270
Transportation	—	923	—	37,773	38,696
Low-Income Housing	—	—	154,247	—	154,247
Health Care Reserve	40,540	—	—	—	40,540
Parks and Recreation	—	—	—	16,723	16,723
Legal Settlement	—	—	—	38	38
Pike Place Market Renovation	—	—	—	2,025	2,025
Seattle Center	—	—	—	2,269	2,269
Wheelchair Accessibility	—	—	—	1,521	1,521
Election Vouchers	—	—	—	1,944	1,944
Human Services	—	—	—	3,540	3,540
Department of Education	—	—	—	75,997	75,997
Municipal Arts	—	—	—	10,297	10,297
Debt Service	—	—	—	11,395	11,395
General Trust	—	—	—	4,063	4,063
General Donation and Gift Trusts	—	—	—	3,556	3,556
Permanent Funds	—	—	—	127	127
Committed					
General	3,249	—	—	—	3,249
Capital and Continuing Programs	22,849	—	—	—	22,849
Library	462	—	—	—	462
Transportation	—	96,614	—	—	96,614
Low-Income Housing	—	—	350	—	350
Judgment and Claims	3,482	—	—	—	3,482
Cable Television Franchise	3,750	—	—	—	3,750
Neighborhood Marching	2,865	—	—	—	2,865
Bluefield Habitat Maintenance	212	—	—	—	212
Developmental Rights	22	—	—	—	22
Employee Benefit Trust Funds	8,406	—	—	—	8,406
Health Care Reserve	33,259	—	—	—	33,259
Seattle Center	—	—	—	4,357	4,357
Human Services	—	—	—	8,071	8,071
Municipal Arts	2,633	—	—	—	2,633
Fire and Police Pension	21,332	—	—	—	21,332
Assigned					
General	26,398	—	—	—	26,398
Library	2,248	—	—	—	2,248
Parks and Recreation	—	—	—	5,464	5,464
Human Services	—	—	—	2,121	2,121
Office of Housing	—	—	—	2,234	2,234
Unassigned					
General	47,839	—	—	—	47,839
Capital and Continuing Programs	—	—	—	(33,891)	(33,891)
Revenue Stabilization Account	47,446	—	—	—	47,446
Emergency Subfund	60,005	—	—	—	60,005
Seattle Streetcar	—	—	—	(3,192)	(3,192)
Total	\$ 442,381	\$ 97,538	\$ 154,597	\$ 299,726	\$ 994,242

<sup>a</sup> Resource that cannot be spent due to their form, such as inventory and prepaid items.

## The City of Seattle

### (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)*

	2016
Annual Budget	\$ 1,460,676
Carryovers	
Encumbrances	4,773
Continuing Appropriations	96,731
Intrafund Eliminations	(22,571)
Budget Revisions	88,317
Budget Transfers	(2,500)
Total Budget	\$ 1,625,426

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.

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

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## Notes to Financial Statements

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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 \$21.5 million as of December 31, 2016. 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, \$18.4 million of the loan authorization was used to cover the funds deficit cash position. This loan is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance. 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 \$35.8 thousand as of December 31, 2016. 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.

2017 LTGO Bond Fund was created by Ordinance 124925, in 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 2016 the fund reported a deficit fund balance of \$12.4 million. The expenditures were related to the Elliott Bay Seawall Project resulting from a settlement agreement between the City and the Contractor. The settlement occurred in 2016, arrived earlier than the resources becoming available in 2017.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.2 million as of December 31, 2016. 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 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 Downtown Parking Garage Fund reported a net position deficit of \$25.4 thousand at December 31, 2016, an increase in fund balance of \$26.1 million from the prior year. The increase was attributed to the gain on sale of the Pacific Place Garage in October 2016 amounting to \$47.5 million and the transfer of funds from the General Fund of \$11.2 million to cover for the fund deficit. This was offset by a \$32.7 million transfer of the sales proceeds to Garage Proceeds Disposition Fund (37000). The \$32.7 million transferred to Fund 37000 is equivalent to the net proceed from sale of the garage of \$85.2 million, less \$52.5 million that was remitted to the bond trustee for bond defeasance.

The Fiber Leasing Fund reported a deficit fund balance of \$10.9 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.

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## The City of Seattle

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### (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, 2016, 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, 2016, 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. and investment in the State of Washington Local Government Investment Pool (LGIP) are accounted for at cost. The LGIP is a 2a-7-like external investment pool and transact with participants at a net asset value (NAV) per share of \$1. Participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of State Treasurer of contributions or withdrawals over one million dollars no later than 9:00 AM on the day of transaction, and by 10:00 AM for contributions or withdrawals of less than one million dollars. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The remainder of City's investments are purchased in the over-the-counter U.S. bond market and accounted for at 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.



## Notes to Financial Statements

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, 2016, 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, 2016	Fair Value Measurements Using			Measured at Amortized Cost	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Bank Note	\$ 48,133	\$ —	\$ 48,133	\$ —	\$ —	658
Commercial Paper	204,475	—	204,475	—	—	90
Local Government Investment Pool	45,382	—	—	—	45,382	3
Municipal Bonds	306,458	—	306,458	—	—	1,692
Repurchase Agreements	50,446	—	—	—	50,446	3
U.S. Government Agency Mortgage-Backed Securities	261,378	—	261,378	—	—	1,853
U.S. Government Agency Securities	553,816	—	553,816	—	—	1,355
U.S. Treasury and U.S. Government-Backed Securities	287,802	275,300	12,502	—	—	472
Total	<u>\$ 1,757,890</u>	<u>\$ 275,300</u>	<u>\$ 1,386,762</u>	<u>\$ —</u>	<u>\$ 95,828</u>	

Weighted Average Maturity of the City's Pooled Investments 1,103

In March 2016, the City made its first deposit into the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The LGIP is structured as a 2a7-like pool and values its investments at amortized cost, which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

**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 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.

## The City of Seattle

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
Federal Farm Credit Bank, Federal Home Loan Bank	\$ 329,944	18.8%
Municipal Bonds	306,458	17.4
Federal National Mortgage Association (Fannie Mae), FNA, and FNMA DUS ACES, FN DUS POOL	302,420	17.2
US Treasury (HUD Debenture, US Treasury Bonds)	287,802	16.4
Federal Home Loan Mortgage Corporation (Freddie Mac) and FHMS K Series	182,830	10.4
Toronto Dominion Bank	53,067	3.0
Sweep Repo	50,446	2.9
Canadian Pension Plan Investment Board	49,686	2.8
Washington State Treasurer's Investment Pool	45,382	2.6
Bedford Funding	29,950	1.7
Abbey National	24,989	1.4
Old Line Funding	24,988	1.4
ASB Finance LTD London Branch	24,988	1.4
Nestlé Capital	24,885	1.4
Royal Bank of Canada	20,055	1.2
Total Investments	<u>\$ 1,757,890</u>	<u>100.0%</u>

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)

		Fair Value Measurements Using			
	Value as of December 31, 2016	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
INVESTMENTS BY FAIR VALUE LEVEL					
Equity	\$ 639,808	\$ 636,258	\$ 3,533	\$ 16	
Fixed Income	413,738	96,766	316,972	—	
Total Investments by fair value level	1,053,546	733,024	320,505	16	
INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)					
Equity	710,389				
Fixed Income	125,790				
Real Estate	287,997				
Alternative Investments	173,578				
Total Investments measured at the NAV	1,297,754				
Total Investments	<u>\$ 2,351,300</u>				
Securities lending collateral	\$ 11,131				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	
INVESTMENTS					
Equity	\$ 710,389	\$ —	Daily, Monthly	1-30 Days	
Fixed Income	125,790	—	Monthly	30 Days	
Real Estate	287,997	9,444	N/A	N/A	
Alternative Investments	173,578	242,115	N/A	N/A	
Total Investments measured at the NAV	<u>\$ 1,297,754</u>	<u>\$ 251,559</u>			

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.



## Notes to Financial Statements

**Table 3-4** SCERS' FIXED INCOME PORTFOLIO  
(In Thousands)

Investment Type	Fair Value	Investment Maturities (In Years)				N/A
		< 1	1 - 5	6 - 10	> 10	
Agencies	\$ 3,385	\$ —	\$ 1,952	\$ 1,433	\$ —	\$ —
Asset Backed Security	18,417	—	8,988	8,982	448	—
Commingled Funds	35,150	—	—	—	—	35,150
Corporate Debt	236,226	1,621	52,012	146,404	29,676	6,513
Derivatives	1,761	(31)	1,992	—	(200)	—
Foreign Sovereign	1,504	—	—	1,504	—	—
Mortgage Backed Security	176,025	—	—	4,541	171,484	—
Municipal	5,444	—	197	1,188	4,059	—
Treasury Notes and Bonds	61,616	8,821	18,629	22,791	11,374	—
Total Fixed Income	<u>\$ 539,528</u>	<u>\$ 10,411</u>	<u>\$ 83,770</u>	<u>\$ 186,843</u>	<u>\$ 216,841</u>	<u>\$ 41,663</u>

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	\$ 3,385	\$ —	\$ 3,383	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2
Asset Backed Security	18,417	13,721	316	—	—	—	—	448	3,934
Commingled Funds	35,150	—	—	—	—	—	—	—	35,150
Corporate Debt	236,226	1,283	5,898	28,201	76,235	44,649	43,049	4,669	32,242
Derivatives	1,761	—	—	—	—	—	—	—	1,761
Foreign Sovereign	1,504	—	—	—	1,503	—	—	—	—
Mortgage Backed Security	176,025	1,959	66,487	1,010	849	—	—	—	105,719
Municipal	5,444	1,696	1,230	2,518	—	—	—	—	—
Treasury Notes and Bonds	61,616	—	61,616	—	—	—	—	—	—
Total Fixed Income	<u>\$ 539,528</u>	<u>\$ 18,659</u>	<u>\$ 138,930</u>	<u>\$ 31,729</u>	<u>\$ 78,587</u>	<u>\$ 44,649</u>	<u>\$ 43,049</u>	<u>\$ 5,117</u>	<u>\$ 178,808</u>

**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
Diversifying Strategies	2.3	5.0
Real Estate	11.6	15.0
Total	<u>100.0 %</u>	<u>100.0%</u>

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

## The City of Seattle

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 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, 2016, the fair value of securities on loan was \$10.8 million. Associated cash collateral totaling \$11.1 million was received. The fair market value of the reinvested collateral was \$11.1 million at December 31, 2016, which includes an unrealized gain totaling \$5,301.

**Table 3-7** SCERS' SECURITIES LENT AND COLLATERAL  
(In Thousands)

Type of Securities Lent	2016		2015	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 1,274	\$ 1,292	\$ 11,574	\$ 11,785
U.S. Corporate Fixed Income	7,275	7,538	4,202	4,287
U.S. Equities	2,242	2,295	36,197	37,090
International Fixed Income	—	—	525	541
International Equity	—	—	—	—
Total Securities Lent	<u>\$ 10,791</u>	<u>\$ 11,125</u>	<u>\$ 52,498</u>	<u>\$ 53,703</u>
Collateral	2016		2015	
Repurchase Agreements	\$ 11,131		\$ 50,450	
Asset-Backed Securities	—		1,055	
Payable/Receivable	(6)		2,128	
Total Collateral	<u>\$ 11,125</u>		<u>\$ 53,633</u>	
Fair Value of Collateral Held	\$ 11,125		\$ 50,942	

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## Notes to Financial Statements

### 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.

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## The City of Seattle

### (4) RECEIVABLES, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

**Table 4-1** **TAX REVENUES AND RECEIVABLES**  
*(In Thousands)*

	December 31 2016 Revenues	December 31 2016 Receivables
Property Taxes	\$ 542,854	\$ 9,331
General Business and Occupation Taxes	482,850	67,485
Totals	<u>\$ 1,025,704</u>	<u>\$ 76,816</u>

### 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 \$1.47 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2016. In addition, the levy included \$1.30 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2016 levy was \$2.77 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 \$0.29 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 2016 decreased to \$0.28 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, 2016, as reported in the fund financial statements.

## Notes to Financial Statements

**Table 4-2** **DUE FROM AND TO OTHER FUNDS <sup>a</sup>**  
(In Thousands)

Receivable Fund	Payable Fund(s)	Amount
<b>General</b>	Drainage and Wastewater	\$ 4,334
	Nonmajor Enterprise	5
	Nonmajor Governmental	10,434
	Internal Service	1,483
	Transportation	99
	Light	660
	Solid Waste	696
	Water	<u>2,533</u>
	Total General Fund	\$ 20,244
<b>Transportation</b>	Drainage and Wastewater	3,237
	General	6,777
	Nonmajor Governmental	35,164
	Internal Service	45
	Light	3,718
	Solid Waste	3
	Water	<u>2,236</u>
	Total Transportation Fund	\$ 51,180
<b>Light</b>	Drainage and Wastewater	2,113
	General	20
	Nonmajor Governmental	4
	Internal Service	124
	Transportation	12
	Solid Waste	777
	Water	<u>2,001</u>
	Total Light Fund	\$ 5,051
<b>Water</b>	Drainage and Wastewater	414
	General	4
	Nonmajor Governmental	1
	Internal Service	43
	Light	401
	Solid Waste	<u>45</u>
	Total Water Fund	\$ 908
<b>Low-Income Housing</b>	Light	<u>390</u>
	Total Low-Income Housing Fund	\$ 390
<b>Solid Waste</b>	Drainage and Wastewater	151
	Nonmajor Governmental	7
	Internal Service	13
	Light	268
	Water	<u>78</u>
	Total Solid Waste Fund	\$ 517
<b>Drainage and Wastewater</b>	General	9
	Nonmajor Governmental	132
	Nonmajor Enterprise	210
	Internal Service	36
	Transportation	400
	Light	1,201
	Solid Waste	76
	Water	<u>299</u>
	Total Drainage and Wastewater Fund	\$ 2,363

## The City of Seattle

**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	\$ 429
	Nonmajor Enterprise	51
	General	1,598
	Nonmajor Governmental	9,685
	Internal Service	223
	Fiduciary	4
	Low-Income Housing	1,431
	Transportation	195
	Light	795
	Solid Waste	31
	Water	<u>33</u>
	Total Nonmajor Governmental Funds	\$ 14,475
	Internal Service	<u>9</u>
	Total Fiduciary Funds	\$ 9
Nonmajor Enterprise	Drainage and Wastewater	456
	General	1,186
	Solid Waste	5
	Nonmajor Governmental	3
	Internal Service	6
	Light	124
	Water	<u>1</u>
	Total Nonmajor Enterprise Funds	\$ 1,781
	Drainage and Wastewater	1,372
	Nonmajor Enterprise	687
Internal Service	General	3,245
	Nonmajor Governmental	3,760
	Internal Service	961
	Transportation	1,830
	Light	3,579
	Solid Waste	415
	Water	<u>1,447</u>
	Total Internal Service Funds	\$ 17,296
Grand Total		<u>\$ 114,214</u>

<sup>a</sup> Some amounts may have rounding or classification differences with Balance Sheet or Statement of Net Position.

## Notes to Financial Statements

**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	Downtown Parking Garage Fund	\$ 1,200
	File Local Agency Fund	50
Parks and Recreation Fund	Seattle Metropolitan Parks District	7,396
Park District Loan Capital Fund	Seattle Metropolitan Parks District	925
2008 Parks Levy Fund	Parks Capital Fund	8,000
Transportation Fund	Central Waterfront Improvement Fund	22,001
Total City		<u>\$ 39,572</u>

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 from the General Fund to the Downtown Parking Garage and the File Local Agency Fund were for the purpose of cash flow and were paid back in 2017. 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					
	General	Internal Service	Nonmajor Governmental	Nonmajor Enterprise	Transportation	Total
General Fund	\$ —	\$ 21,658	\$ 20,384	\$ 1,029	\$ 5,700	\$ 48,771
Internal Service	—	500	5,200	—	—	5,700
Nonmajor Enterprise	18,213	—	50	—	—	18,263
Nonmajor Governmental	226,876	—	41,380	32,703	23,151	324,110
Transportation	73,210	—	104,661	—	—	177,871
Total Transfers	<u>\$ 318,299</u>	<u>\$ 22,158</u>	<u>\$ 171,675</u>	<u>\$ 33,732</u>	<u>\$ 28,851</u>	<u>\$ 574,715</u>

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.

## The City of Seattle

### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

#### Governmental Activities

**Table 4-5** DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
GOVERNMENTAL FUNDS  
(In Thousands)

Deferred Outflows/Inflows of Resources	General	Transportation	Low-Income Housing	Nonmajor Governmental	Total
Deferred Outflows of Resources					
Total Deferred Outflows of Resources	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Deferred Inflows of Resources					
Property Taxes	\$ 3,771	\$ 1,010	\$ 279	\$ 1,644	\$ 6,704
Special Assessment	—	—	—	7,855	7,855
Total Deferred Inflows of Resources	<u>\$ 3,771</u>	<u>\$ 1,010</u>	<u>\$ 279</u>	<u>\$ 9,499</u>	<u>\$ 14,559</u>

#### 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 \$3.1 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 \$3.6 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 2016 total taxes outstanding of \$6.7 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.

## Notes to Financial Statements

**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	\$ —	\$ 3,637	\$ 3,140	\$ 6,777
Pension Plans	—	31,578	161,395	192,973
Total Deferred Outflows of Resources	\$ —	\$ 35,215	\$ 164,535	\$ 199,750
Deferred Inflows of Resources				
Property Taxes	\$ 6,704	\$ —	\$ (6,704)	\$ —
Special Assessment	7,855	—	(1,127)	6,728
Pension Plans	—	152	325	477
Total Deferred Inflows of Resources	\$ 14,559	\$ 152	\$ (7,506)	\$ 7,205

### Business-Type Activities

**Table 4-7** DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
BUSINESS-TYPE ACTIVITIES

(In Thousands)

Deferred Outflows/Inflows of Resources	Seattle Public Utilities					Total
	City Light	Water	Drainage and Wastewater	Solid Waste	Construction & Inspections	
Deferred Outflows of Resources						
Pension Plans	\$ 64,641	\$ 18,368	\$ 17,899	\$ 6,400	\$ 13,962	\$ 121,270
Charges on Advance Refunding	30,298	27,856	10,127	2,508	—	70,789
Total Deferred Outflows of Resources	\$ 94,939	\$ 46,224	\$ 28,026	\$ 8,908	\$ 13,962	\$ 192,059
Deferred Inflows of Resources						
Pension Plans	\$ 780	\$ 2,226	\$ 2,279	\$ 795	\$ 32	\$ 6,112
Revenue Stabilization Account	66,135	40,957	—	25,343	—	132,435
Regulatory Credits	27,265	—	—	—	—	27,265
Total Deferred Inflows of Resources	\$ 94,180	\$ 43,183	\$ 2,279	\$ 26,138	\$ 32	\$ 165,812

### 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 \$66.1 million and \$66.0 million for 2016 and 2015, respectively. For the Seattle Public Utilities the balance of the RSA was \$66.3 million and \$53.7 million for 2016 and 2015, 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 \$27.3 million and \$23.9 million for 2016 and 2015, respectively.

## The City of Seattle

### (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, 2016 and 2015:

	2016	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$	23.3	\$ 26.6	\$ (3.3)
Purchases		2.2	2.4	0.2
Total	\$	25.5	\$ 29.0	\$ (3.1)
	2015	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$	13.3	\$ 13.5	\$ (0.2)
Purchases		1.4	1.3	(0.1)
Total	\$	14.7	\$ 14.8	\$ (0.3)

Fair value measurements at December 31, 2016 and 2015 used an income valuation technique consisting of KiodeX 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 2016 and 2015. 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

## Notes to Financial Statements

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.

## The City of Seattle

### (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	\$ 572,081	\$ 1,030	\$ 10	\$ 573,101
Construction in Progress	813,233	273,426	288,283	798,376
Other Capital Assets	11,642	1,545	—	13,187
Total Capital Assets Not Being Depreciated	1,396,956	276,001	288,293	1,384,664
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,343,301	41,526	614	2,384,213
Machinery and Equipment	375,283	104,598	21,063	458,818
Infrastructure	1,866,204	180,464	—	2,046,668
Other Capital Assets	9,582	—	480	9,102
Total Capital Assets Being Depreciated	4,594,370	326,588	22,157	4,898,801
Accumulated Depreciation				
Buildings and Improvements	795,490	59,892	349	855,033
Machinery and Equipment	248,294	37,448	19,761	265,981
Infrastructure	835,068	58,728	—	893,796
Other Capital Assets	4,380	645	480	4,545
Total Accumulated Depreciation	1,883,232	156,713	20,590	2,019,355
Total Capital Assets Being Depreciated, Net	2,711,138	169,875	1,567	2,879,446
Governmental Activities Capital Assets, Net	\$ 4,108,094	\$ 445,876	\$ 289,860	\$ 4,264,110
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 167,712	\$ 14,704	\$ 12,881	\$ 169,535
Construction in Progress	646,162	649,560	626,740	668,982
Other Capital Assets	5,350	783	—	6,133
Total Capital Assets Not Being Depreciated	819,224	665,047	639,621	844,650
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	7,249,169	595,092	65,596	7,778,665
Buildings	60,131	—	60,131	—
Machinery and Equipment	14,770	88	498	14,360
Other Capital Assets	73,898	1,770	2,072	73,596
Total Capital Assets Being Depreciated	7,397,968	596,950	128,297	7,866,621
Accumulated Depreciation				
Plant in Service, Excluding Land	2,767,113	212,257	71,881	2,907,489
Buildings	34,074	1,503	35,577	—
Machinery and Equipment	14,330	193	235	14,288
Other Capital Assets	1,347	24	1	1,370
Total Accumulated Depreciation	2,816,864	213,977	107,694	2,923,147
Total Capital Assets Being Depreciated, Net	4,581,104	382,973	20,603	4,943,474
Business-Type Activities Capital Assets, Net	\$ 5,400,328	\$ 1,048,020	\$ 660,224	\$ 5,788,124

<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.

## Notes to Financial Statements

**Table 6-2** **DEPRECIATION EXPENSE BY FUNCTION**  
(In Thousands)

<b>GOVERNMENTAL ACTIVITIES</b>		
General Government	\$	2,085
Public Safety		11,217
Transportation		64,068
Economic Environment		93
Culture and Recreation		40,882
Subtotal		118,345
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets		38,368
Total Governmental Activities	\$	156,713
<b>BUSINESS-TYPE ACTIVITIES</b>		
Light	\$	130,170
Water		49,056
Solid Waste		6,685
Drainage and Wastewater		26,370
Planning and Development		143
Parking Garage		1,553
Total Business-Type Activities	\$	213,977

## The City of Seattle

### (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 2016 and 2015. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2016 and 2015.

#### GOVERNMENTAL ACTIVITIES

##### Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$82.1 million and \$84.2 million at December 31, 2016 and 2015, respectively, have been recorded in the government-wide financial statements.

##### Internal Service Funds

**Table 7-1** **COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS**  
(In Thousands)

	2016	2015
Finance and Administrative Services	\$ 4,984	\$ 5,092
Information Technology	4,575	1,898
Totals	\$ 9,559	\$ 6,990

#### BUSINESS-TYPE ACTIVITIES

##### Enterprise Funds

**Table 7-2** **COMPENSATED ABSENCES IN ENTERPRISE FUNDS**  
(In Thousands)

	2016	2015
Light	\$ 18,388	\$ 22,985
Water	4,745	5,298
Drainage and Wastewater	4,858	4,998
Solid Waste	1,695	1,734
Planning and Development	2,922	3,402
Totals	\$ 32,608	\$ 38,417

#### PENSION TRUST FUNDS

**Table 7-3** **COMPENSATED ABSENCES IN PENSION TRUST FUNDS**  
(In Thousands)

	2016	2015
Employees' Retirement	\$ 163	\$ 165
Firemen's Pension	86	81
Police Relief and Pension	61	60
Totals	\$ 310	\$ 306

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.

## Notes to Financial Statements

### (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	\$ 293
Less Accumulated Depreciation	(139)
December 31, 2016	\$ 154
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2016	\$ 196
Total Minimum Lease Payments	196
Less Interest	(38)
Principal	\$ 158

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 \$8.9 million and \$7.1 million in 2016 and 2015 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 \$311.5 thousand and \$303.2 thousand in 2016 and 2015, respectively. Rents are paid as they become due and payable.

## The City of Seattle

The City leases office equipment under various non-cancelable long-term operating lease agreements. The minimum payments made for these operating leases totaled \$839.9 thousand in 2016.

Minimum payments under the leases are:

**Table 8-2** **OPERATING LEASE COMMITMENTS**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

Minimum Lease Payments							
Year Ending December 31	Department of Finance & Admin Services	Seattle Center	Department of Parks & Recreation	Department of Planning & Development	Department of Transportation	Total	
2017	\$ 9,292	\$ 318	\$ 600	\$ 29	\$ 12	\$	10,251
2018	6,577	324	626	17	12		7,556
2019	6,292	331	530	17	11		7,181
2020	4,902	169	111	17	—		5,199
2021	4,860	—	111	—	—		4,971
2022-2026	19,414	—	61	—	—		19,475
Total	\$ 51,337	\$ 1,142	\$ 2,039	\$ 80	\$ 35	\$	54,633

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, 2016	
	2016	2015
Minimum Rentals:	\$ 9,319	\$ 8,043
Less: Sublease Rentals	(57)	(57)
	\$ 9,262	\$ 7,986

#### 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 2016 and \$1.6 million in 2015.

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 2016 and 2015 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.



## Notes to Financial Statements

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
2017	\$ 1,531	\$ 120	\$ 46	\$ 7	\$ 1,704
2018	1,148	121	46	5	1,320
2019	960	121	47	5	1,133
2020	3	36	14	3	56
2021	—	12	—	—	12
2022 - 2026	—	59	—	—	59
2027 - 2030	—	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)

	2016	2015
Non-City Property Occupied by City Departments	\$ 9.1	\$ 6.6
City-Owned Property Occupied by City Departments	53.7	53.4
City-Owned Property Leased to Non-City Tenants	2.4	2.3
Total	\$ 65.2	\$ 62.3

Additionally, in 2016 the SeaPark Garage and the Seattle Municipal Tower Building generated \$3.1 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2016 the City recognized \$5.4 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

## 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 2016 was \$1.610 billion. The amount of bonds outstanding at December 31, 2016 was \$1.009 billion. The following paragraphs discuss the general obligation bonds issued and refunded/deafened during 2016.

In May 2016, the City issued the following series of General Obligation Bonds: (1) \$103.7 million LTGO Improvement Bonds, 2016, Series A. The bonds mature from April 2017 through April 2036 with an average coupon rate of 4.4 percent; (2) \$36.7 million UTGO Improvement Bonds, 2016, maturing in December 2045 with an average coupon rate of 4.1 percent; (3) \$6.1 million LTGO Improvement Bonds, 2016, Series B (Taxable) with the final maturity date of April 1, 2036 with an average coupon rate of 2.7 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, Precinct, Pike Place Market and other IT projects. In addition, the part of the 2016 LTGO bonds proceeds was used for the partial refunding of the 2006 and 2009 bonds.

City had no short-term general obligation debt at the end of 2016.

The following table presents the individual general obligation bonds outstanding as of December 31, 2016, and other relevant information on each outstanding bond issue.

**Table 9-1**

**GENERAL OBLIGATION BONDS**  
(In Thousands)

Name and Purpose of Issue	Issuance	Maturity	Effective	Bond	Redemptions		Bonds
	Date	Date	Interest		2016	To Date <sup>a</sup>	Outstanding
December 31							
LIMITD TAX GENERAL OBLIGATION (LTGO)							
BONDS - NON-VOTED							
Various Purpose and Refunding, 2006	04/26/06	03/01/07-26	4.254%	\$ 24,905	\$ 6,095	\$ 24,905	\$ —
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	55,365	93,615	1,935
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	3,830	129,265	10,565
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	28,070	85,785	14,075
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	11,315	50,380	85,015
Various Purpose, 2011	03/16/11	03/01/11-31	3.645	79,185	3,020	23,825	55,360
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	2.703	75,590	4,790	13,670	61,920
Improvement, 2013, Series A	06/04/13	10/01/14-33	2.375	42,315	4,375	12,815	29,500
Improvement and Refunding, 2013, Series B	06/04/13	01/01/14-25	1.427	55,075	8,850	19,400	35,675
Improvement and Refunding, 2014	04/10/14	11/1/14-05/1/34	2.497	62,770	7,135	13,920	48,850
Improvement and Refunding, 2015, Series A	05/21/15	12/1/15-06/01/35	2.401	160,945	6,095	7,445	153,500
Improvement and Refunding, 2015, Series B (Taxable)	05/21/15	04/1/16-35	3.452	28,175	1,120	1,120	27,055
Improvement and Refunding, 2016, Series A	05/25/16	04/1/17-36	2.188	103,660	—	—	103,660
Improvement and Refunding, 2016, Series B (Taxable)	05/25/16	04/1/17-36	2.801	6,070	—	—	6,070
Total Limited Tax General Obligation Bonds				\$1,175,835	\$ 140,060	\$ 476,145	\$ 699,690

## Notes to Financial Statements

**Table 9-1** GENERAL OBLIGATION BONDS (continued)

(In Thousands)

Name and Purpose of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Date	Rate	Issuance	2016	To Date <sup>a</sup>	December 31
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
Refunding-Various UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470%	\$ 53,865	\$ 265	\$ 53,580	\$ 285
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	7,090	45,815	15,055
Refunding-Various UTGO Bonds, 2012	05/16/12	12/01/12-21	1.276	46,825	4,815	18,900	27,925
Improvement, 2013	06/04/13	12/01/14-42	3.280	50,000	960	2,805	47,195
Improvement, 2014	04/10/14	12/01/14-43	3.672	16,400	320	635	15,765
Improvement, 2015	05/21/15	12/01/16-44	3.575	169,135	2,895	2,895	166,240
Improvement, 2016	05/25/16	12/01/18-45	3.084	36,740	—	—	36,740
Total Unlimited Tax General Obligation Bonds				\$ 433,835	\$ 16,345	\$ 124,630	\$ 309,205
Total General Obligation Bonds				\$1,609,670	\$ 156,405	\$ 600,775	\$ 1,008,895

<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 bond 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, 2016, 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			
	Principal	Interest	Principal	Interest	Total	
2017	\$ 81,410	\$ 43,941	\$ —	\$ —	\$ —	125,351
2018	81,450	39,542	—	—	—	120,992
2019	73,305	35,782	—	—	—	109,087
2020	67,615	32,706	—	—	—	100,321
2021	70,125	29,556	—	—	—	99,681
2022 - 2026	271,155	106,312	—	—	—	377,467
2027 - 2031	161,045	58,341	—	—	—	219,386
2033 - 2036	96,565	31,305	—	—	—	127,870
2037 - 2045	106,225	19,550	—	—	—	125,775
Total	\$ 1,008,895	\$ 397,035	\$ —	\$ —	\$ —	1,405,930

## The City of Seattle

### SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT

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 2016 was \$7.5 million. There were no new bond issues in 2016.

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
					2016	To Date	
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-26	4.102	\$ 21,925	\$ 1,320	\$ 14,420	\$ 7,505

### 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 <sup>c</sup>	Assessment Installments that are Delinquent <sup>d</sup>
2006	\$ 1,243,211	\$ 3,818,560	\$ 21,031,677	\$ —
2007	1,228,415	2,469,222	19,547,593	53,008
2008	1,221,349	2,172,726	18,261,638	149,411
2009	1,202,504	2,433,616	16,761,182	163,623
2010	1,199,958	2,092,158	15,535,847	152,307
2011	1,194,120	1,991,483	14,265,404	194,705
2012	1,189,621	1,900,225	13,038,066	264,692
2013	1,186,600	2,046,315	11,819,398	249,080
2014	1,186,600	1,781,162	10,572,835	291,124
2015	1,148,384	1,996,091	9,153,197	287,510
2016	1,126,841	1,695,811	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."

## Notes to Financial Statements

The requirements to amortize the special assessments with governmental commitment as of December 31, 2016, are shown below.

Table 9-4

### ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT (In Thousands)

Year Ending December 31	Principal	Interest	Total
2017	\$ —	\$ 317	\$ 317
2018	—	317	317
2019	—	317	317
2020	—	317	317
2021	—	317	317
2022 - 2025	—	1,268	1,268
2026	7,505	317	7,822
Total	\$ 7,505	\$ 3,170	\$ 10,675

### 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 \$1.7 million and \$0.1 million in principal and interest, respectively, in 2016. The outstanding balance on the notes at December 31, 2016, is \$10.9 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2016.

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
2017	\$ 1,519	\$ 78	\$ 1,597
2018	1,355	59	1,414
2019	1,275	45	1,320
2020	1,275	32	1,307
2021	973	19	992
2022 - 2026	2,894	45	2,939
2027 - 2030	1,337	12	1,349
2031	316	1	317
Total	\$ 10,944	\$ 291	\$ 11,235

## The City of Seattle

### 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 2016 was approximately \$5.051 billion. The total outstanding amount at December 31, 2016, was \$3.810 billion. During 2016 an additional \$505.8 million of revenue bonds were issued.

In January 2016, City Light issued \$31.9 million of taxable Municipal Light and Power (ML&P) Clean Renewable Energy Bonds (2016A Bonds) and \$116.9 million of tax exempt Municipal Light and Power (ML&P) Refunding Revenue Bonds (2016B Bonds). In September 2016, the Department issued \$160.8 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2016C Bonds). The arbitrage yield was 1.01% for the 2016A Bonds, 1.88% for the 2016B Bonds, and 2.29% for the 2016C Bonds.

The proceeds from the 2016A Bonds are being used to finance certain capital improvement and conservation programs and to make a deposit to the reserve fund. Proceeds from the 2016B Bonds were used to refund \$122.8 million of the 2008 Bonds, and proceeds from the 2016C Bonds were used to finance certain capital improvement and conservation programs and to refund \$32.0 million of the 2010B Bonds. The debt service on the 2016A Bonds requires a cash flow over the life of the bonds of \$60.9 million, including \$29.0 million in interest, and the debt service on the 2016B Bonds requires a cash flow over the life of the bonds of \$166.8 million including \$50.0 million in interest. The debt service of the 2016C Bonds requires a cash flow over the life of the bonds of \$268.8 million, including \$108.0 million in interest.

In June 2016, Drainage and Wastewater issued \$160.9 million of Drainage and Wastewater Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2016 and ending in 2046, at interest rates ranging from 4.0 percent to 5.0 percent.

In June 2016, Solid Waste issued \$35.3 million of Solid Waste Revenue and Refunding Bonds with varying annual principal payments due beginning 2017 and ending in 2041, at interest rates ranging from 4.0 percent and 5.0 percent.

The following table presents the individual revenue bonds outstanding as of December 31, 2016, and other pertinent information on each outstanding bond issue.

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Table 9-6

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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
					2016	To Date <sup>a</sup>	
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
2008 Parity	12/30/08	04/01/09-29	5.522%	\$ 257,375	\$ 137,940	\$ 225,850	\$ 31,525
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	80,275	255,960	340,910
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	13,250	56,530	239,785
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	11,410	32,140	261,140
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	3,000	8,910	181,845
2014 Parity	11/05/14	09/01/44	3.098	265,210	10,480	25,740	239,470
2015 Parity, Series A	07/09/15	05/01/45	3.566	171,850	4,365	4,365	167,485
2015 Parity, Series B-1	07/23/15	05/01/45	.69-1.5	50,000	—	—	50,000
2015 Parity, Series B-2	07/23/15	05/01/45	.69-1.5	50,000	—	—	50,000
2016 Parity, Series A <sup>d</sup>	01/28/16	01/01/41	1.029	31,870	—	—	31,870
2016 Parity, Series B	01/28/16	04/01/29	2.080	116,875	1,535	1,535	115,340
2016 Parity, Series C	09/28/16	10/01/46	2.926	160,815	—	—	160,815
Total Light Bonds				2,729,115	262,255	611,030	2,118,085

## Notes to Financial Statements

Table 9-6  
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REVENUE BONDS  
(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates <sup>c</sup>	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2016	To Date <sup>a</sup>	
MUNICIPAL WATER BONDS							
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424%	189,970	5,630	76,980	112,990
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	6,035	192,070	13,010
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	5,735	34,905	46,855
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	11,335	34,365	204,405
2015 Parity, Refunding	06/10/15	11/1/15-45	3.183	340,840	12,880	17,230	323,610
Total Water Bonds				1,165,500	41,615	355,550	809,950
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2006 Refunding	11/01/06	02/01/07-37	4.423%	121,765	4,750	51,550	70,215
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	70,165	80,795	3,850
2009 Parity, Series A <sup>b</sup>	12/17/09	11/01/17-39	3.538	102,535	—	—	102,535
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	2.907	36,680	3,765	24,300	12,380
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	6,920	27,370	194,720
2014 Parity & Refunding	06/17/14	05/01/15-44	3.578	133,180	1,860	3,660	129,520
2016 Parity & Refunding	06/22/16	10/1/16-46	2.921	160,910	210	210	160,700
Total Drainage and Wastewater Bonds				861,805	87,670	187,885	673,920
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505%	82,175	22,515	78,560	3,615
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	1,190	5,210	40,540
2014 Revenue & Refunding	06/12/14	05/01/15-39	3.337	95,350	1,265	2,495	92,855
2015 Revenue	06/25/15	02/01/16-40	3.650	35,830	630	630	35,200
2016 Revenue & Refunding	06/30/16	12/01/16-41	2.793	35,335	—	—	35,335
Total Solid Waste Bonds				294,440	25,600	86,895	207,545
Total Utility Revenue Bonds				\$5,050,860	\$ 417,140	\$1,241,360	\$ 3,809,500

<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 City of Seattle

The requirements to amortize the revenue bonds as of December 31, 2016, are presented below.

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	
2017	\$ 111,230	\$ 95,199	\$ 39,345	\$ 38,593	\$ 21,570	\$ 30,934	\$ 6,545	\$ 9,419	\$ 352,835
2018	111,840	89,844	39,625	36,699	22,560	29,903	6,775	9,103	346,349
2019	108,570	84,408	41,620	34,752	23,555	28,792	7,120	8,757	337,574
2020	107,785	78,898	44,095	32,660	24,560	27,629	7,045	8,405	331,077
2021	106,805	73,940	44,630	30,523	24,195	26,447	7,400	8,045	321,985
2022 – 2026	522,885	288,440	226,315	118,004	132,715	113,462	43,060	34,163	1,479,044
2027 – 2031	313,280	185,424	185,685	66,372	147,185	79,377	54,290	22,542	1,054,155
2032 – 2036	303,010	121,260	121,245	30,211	129,250	46,389	51,080	10,499	812,944
2037 – 2041	295,470	56,332	56,745	7,941	99,650	19,846	24,230	1,885	562,099
2042 – 2046	137,210	10,872	10,645	873	48,680	3,937	—	—	212,217
Total	\$ 2,118,085	\$ 1,084,617	\$ 809,950	\$ 396,628	\$ 673,920	\$ 406,716	\$ 207,545	\$ 112,818	\$ 5,810,279

## 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, 2016, these loans have an outstanding balance of \$4.1 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, 2016, this loan has an outstanding balance of \$1.8 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, 2016, these loans have an outstanding balance of \$8.0 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. As of December 31, 2016, this loan has an outstanding balance of \$10.9 million.

Amounts paid for all loans in 2016 were \$1.1 million in principal and \$193.7 thousand in interest. Total loans outstanding as of December 31, 2016 are \$24.8 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, 2016, this loan has an outstanding balance of \$1.6 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, 2016, the loan has an outstanding balance of \$1.8 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, 2016, the loan has an outstanding balance of \$1.8 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, 2016, the loan has an outstanding balance of \$5.1 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, 2016, the loan has an outstanding balance of \$0.3 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, 2016, the loan has an outstanding balance of \$3.2 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, 2016, the loan has an outstanding balance of \$1.7 million.

Amounts paid to all loans in 2016 were \$1.2 million principal and \$189.3 thousand in interest. Total loans outstanding as of December 31, 2016 are \$15.4 million. The minimum debt service requirements to maturity are included in Table 9-8.

## The City of Seattle

Table 9-8

### ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY SEATTLE PUBLIC UTILITIES PUBLIC WORKS TRUST LOAN AND OTHER NOTES (In Thousands)

Year Ending December 31	Water		Drainage and Wastewater		Total
	Principal	Interest	Principal	Interest	
2017	\$ 1,125	\$ 179	\$ 1,223	\$ 178	\$ 2,705
2018	1,670	662	1,234	164	3,730
2019	1,670	304	1,246	150	3,370
2020	1,670	281	1,258	136	3,345
2021	1,670	258	1,196	122	3,246
2022 - 2026	8,128	940	5,544	421	15,033
2027 - 2031	5,206	458	3,410	132	9,206
2032 - 2036	3,094	167	242	8	3,511
2037 - 2041	546	8	—	—	554
Total	\$ 24,779	\$ 3,257	\$ 15,353	\$ 1,311	\$ 44,700

## Notes to Financial Statements

The following table shows the long-term liability activities during the year ended December 31, 2016.

**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	\$ 965,310	\$ 146,470	\$ 102,885	\$ 1,008,895	\$ 81,400
Issuance Premiums and Discounts, Net	81,337	22,507	12,812	91,032	—
Special Assessment Bonds with Governmental Commitment <sup>b</sup>	8,825	—	1,320	7,505	—
Total Bonds Payable	1,055,472	168,977	117,017	1,107,432	81,400
Notes and Contracts					
Capital Leases	151	7	—	158	58
Other Notes and Contracts	12,668	—	1,723	10,945	1,520
Total Notes and Contracts	12,819	7	1,723	11,103	1,578
Compensated Absences	91,156	476	—	91,632	20,320
Claims Payable					
General Contamination Cleanup <sup>c</sup>	580	—	208	372	—
Workers' Compensation	29,286	—	2,494	26,792	8,954
General Liability	52,279	—	6,539	45,740	13,284
Health Care Claims	—	—	—	—	—
Total Claims Payable <sup>d</sup>	82,145	—	9,241	72,904	22,238
Arbitrage Rebate Liability	9	—	9	—	—
Unfunded Other Post Employment Benefits	116,550	17,160	—	133,710	—
Net Pension Liability	594,563	109,447	—	704,010	—
Other Noncurrent Liabilities	3,564	156	639	3,081	—
Total Long-Term Liabilities from Governmental Activities	\$ 1,956,278	\$ 296,223	\$ 128,629	\$ 2,123,872	\$ 125,536
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 53,520	\$ —	\$ 53,520	\$ —	\$ —
Revenue Bonds	3,720,835	505,805	417,140	3,809,500	178,690
Issuance Premiums and Discounts, Net	281,073	50,527	—	331,600	—
Total Bonds Payable	4,055,428	556,332	470,660	4,141,100	178,690
Notes and Contracts - Other	38,907	1,226	—	40,133	2,348
Compensated Absences	38,417	—	5,843	32,574	3,725
Claims Payable					
General Contamination Cleanup <sup>c</sup>	120,751	97,396	—	218,147	7,103
Workers' Compensation	10,821	—	243	10,578	3,710
General Liability	14,942	3,111	—	18,053	6,077
Total Claims Payable <sup>d</sup>	146,514	100,507	243	246,778	16,890
Unearned Revenues	25,778	1,054	—	26,832	—
Habitat Conservation Program Liability	8,062	698	—	8,760	968
Landfill Closure and Postclosure Costs	15,685	—	980	14,705	1,643
Unfunded Other Post Employment Benefits	15,979	137	—	16,116	—
Net Pension Liability	512,237	81,736	—	593,973	—
Other Noncurrent Liabilities	1,929	1,282	—	3,211	—
Total Long-Term Liabilities from Business-Type Activities	\$ 4,858,936	\$ 742,972	\$ 477,726	\$ 5,124,182	\$ 204,264

<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 2016	Defeased Outstanding December 31
<b>GENERAL OBLIGATION BONDS</b>							
Limited Tax (Non-Voted)							
Various Purpose and Refunding, 2006, Refunded 5/21/15	04/26/06	03/01/07-26	4.254%	\$ 24,905	\$ 9,816	\$ 9,816	\$ —
Various Purpose and Refunding, 2007, Refunded 5/21/15	05/02/07	10/01/07-28	4.251	95,550	13,823	1,308	12,515
Various Purpose and Refunding, 2008, Refunded 5/21/15	07/02/08	12/01/08-28	4.398	139,830	97,837	13,097	84,740
Various Purpose and Refunding, 2009, Refunded 5/21/15	03/25/09	11/01/09-05/01/34	3.574	99,860	24,090	—	24,090
<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	16,330	—	16,330
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
Total Refunded/Defeased Bonds				\$ 1,898,025	\$ 634,611	\$ 24,221	\$ 610,390

### 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, 2016, the City reported no arbitrage rebate liability on its general obligation bonds and \$318.0 thousand on its revenue bonds.

## The City of Seattle

### (10) ENVIRONMENTAL LIABILITIES

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 outflows. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The final feasibility study will be issued in 2017. 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



## Notes to Financial Statements

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 2017 or 2018 and a Clean-up Action Plan is expected from the DOE in 2018 or 2019.

- 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 City is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted above. The estimate for realized recoveries was \$3 million and \$2.1 million, at December 31, 2016 and 2015, respectively. The City's estimate for not-yet-realized recoveries from other parties for their share of remediation work that offset the City's estimated environmental liability was zero, at December 31, 2016 and 2015, respectively.

The changes in the provision for environmental liability (in millions) at December 31, 2015 and 2014 are as follows:

	2016	2015
Beginning Environmental Liability, Net of Recovery	\$ 121.3	\$ 121.2
Payments or Amortization	(13.3)	(10.7)
Incurred Environmental Liability	110.5	10.8
Ending Environmental Liability, Net of Recovery	<u>\$ 218.5</u>	<u>\$ 121.3</u>

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2016 and 2015, is as follows:

	2016	2015
Environmental Liability, Current	\$ 7.1	\$ 16.4
Environmental Liability, Noncurrent	211.4	104.9
Total	<u>\$ 218.5</u>	<u>\$ 121.3</u>

Information on the City's environmental liability is also presented in Note 9, Long-Term Debt, Table 9-9.

## The City of Seattle

### (11) PENSIONS, DEFERRED COMPENSATION, AND OTHER POSTEMPLOYMENT BENEFITS

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. Current membership in SCERS consisted of the following at December 31, 2016:

Retirees and Beneficiaries Receiving Benefits	6,382
Active Plan Members, Vested and Non-vested	11,503
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,257
Terminated Plan Members not Entitled To Benefits beyond Contributions and Accumulated Interest, Non-vested	1,095

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.

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).



## Notes to Financial Statements

### Summary of Significant Accounting Policies

#### Implementation of GASB Statement No. 68

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions for its fiscal year 2015 financial reporting. This statement addresses accounting and financial reporting requirements by the City as an employer for its pension plans. The City has determined that the Seattle City Employees' Retirement System is subject to the requirements of Statement No. 68, and therefore elected to use December 31, 2014 as the measurement date for reporting its net pension liability.

### 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.

Investments, including securities lending transactions as discussed in Note 3, are reported at fair value. The fair value of investments in common stock, international equities, fixed income, international fixed income, and short-term investments is based on the quoted market price. The fair value of venture capital and real estate equities is determined by the investment sponsor. Securities and securities lending transactions are reflected in the financial statements on a trade-date basis. The Retirement Board provides its investment managers with a set of investment guidelines. In general, these guidelines require that investments with any one issuer do not exceed 5 percent of the net position value of a manager's portfolio.

### 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, 2015 and December 31 2015 respectively. Based on this valuation, the Total Pension Liability (TPL) is \$3.612 billion; the Fiduciary Net Position (FNP) is \$2.313 billion; the Net Pension Liability (NPL) is \$1.299 billion; and the Funded Ratio was 64.0 percent for the plan.

An actuarial study with valuation date of January 1, 2016, is presently underway, and expected to be available at the Retirement Office after July 1, 2017.

### Information about the Net Pension Liability

#### Assumptions and Other Inputs

The net pension liability was determined by the actuarial valuation as of January 1, 2015, with the results rolled forward to the December 31, 2015, measurement date. The actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2013.

## The City of Seattle

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.

Best estimates of geometric real rates of return and target allocation for each major asset class as of December 31, 2015 are summarized in the following table:

Table 11-1

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity: Public	4.63%	48.0%
Equity: Private	6.25	9.0
Fixed Income: Broad	0.75	18.0
Fixed Income: Credit	3.55	5.0
Real Assets: Real Estate	3.25	12.0
Real Assets: Infrastructure	3.25	3.0
Diversifying Strategies	3.25	5.0
		100.0%

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	\$ 1,738,609	\$ 1,297,983	\$ 927,276

## Notes to Financial Statements

### Changes in the Net Pension Liability

At December 31, 2015, the plan reported the collective net liability of \$1.299 billion, of which the City recorded \$1.298 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, 2015, which was rolled forward to come up with the net pension liability as of December 31, 2016.

**Table 11-2 SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 3,427,634,586	\$ 2,320,613,261	\$ 1,107,021,325
Changes for the Year			
Service Cost	100,325,437	—	100,325,437
Interest on Total Pension Liability	254,310,781	—	254,310,781
Effect of Plan Changes	—	—	—
Effect of Economic/Demographic	1,981,220	—	1,981,220
Effect of Assumptions Changes or Inputs	—	—	—
Benefit Payments	(159,206,392)	(159,206,392)	—
Refund Contributions	(16,123,316)	(16,123,316)	—
Administrative Expenses	—	(8,203,747)	8,203,747
Member Contributions	—	65,720,015	(65,720,015)
Employers Contributions	—	101,062,365	(101,062,365)
Net Investment Income	—	7,077,258	(7,077,258)
Balance at December 31, 2015	<u>\$ 3,608,922,316</u>	<u>\$ 2,310,939,444</u>	<u>\$ 1,297,982,872</u>

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2016, the City recognized its proportionate share of pension expense in the amount of \$166.3 million. At December 31 2016, 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	\$ 1,621	\$ —
Change of Assumption	—	—
Net Difference Between Projected and Actual Earnings	158,944	—
Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	6,060	6,590
Contributions Made Subsequent to Measurement Date	107,824	—
Total	<u>\$ 274,449</u>	<u>\$ 6,590</u>

## The City of Seattle

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).

**Table 11-4**

Year Ended December 31

2017	42,115
2018	42,115
2019	42,115
2020	33,532
2021	158
Thereafter	—

### FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

**Table 11-5**

#### PLAN INFORMATION

	Firemen's Pension	Police Relief and Pension
Actuarial Valuation Date	1/1/2016	1/1/2016
Actuarial Cost Method	Entry Age	Entry Age
Asset Valuation Method	Fair Value	Fair Value
Amortization		
Method	Level \$ <sup>a</sup>	Level \$ <sup>a</sup>
Period	30.0 years	30.0 years
Remaining Period		21.0 years
Approach	Open	Closed
Actuarial Assumptions		
Inflation Rate (CPI)	2.25 % <sup>b</sup>	2.25 % <sup>b</sup>
Investment Rate of Return	6.00 %	3.50 %
Projected Salary Increases - General	2.75 % <sup>b</sup>	2.75 % <sup>b</sup>
Projected Salary Increases - Step Merit	N/A	N/A

<sup>a</sup> Funding is Level %; Amortization is Level \$.

<sup>b</sup> Long-term assumption; 2018 and beyond for the CPI and 2019 and beyond for projected salary increase.

### 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

## Notes to Financial Statements

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 \$11.1 million in 2016 and 2015; and for Police Relief and Pension, \$13.5 million in 2016 and \$12.6 million in 2015.

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:

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	668	726
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	13	8
Active Plan Members, Non-vested	—	—

These pension plans do not issue separate financial reports.

### Summary of Significant Accounting Policies

The City has determined that the Firemen's Pension and Police Relief and Pension Funds do not meet the criteria set forth in paragraph 4 of Statement No. 68 and therefore the requirements of Statement No. 27 and Statement No 50 remain applicable for its fiscal year 2016.

The City, however, has determined that 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, applies to the Firemen's Pension and Police Relief and Pension Funds and therefore the City implemented paragraphs 115 & 116 of this Statement, which applies for assets accumulated for purposes of providing pensions through defined benefit plans that are not administered through trusts, for its fiscal year 2016. The City will fully implement the rest of Statement 73, as applicable, for its fiscal year 2017.

The Firemen's Pension and Police Relief and Pension Funds are accounted for as pension trust funds. The financial statements were prepared using the economic resources measurement focus and the full accrual basis of accounting as shown in Note 1. 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. 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 the plan terms.

Investments are recorded at fair value as shown in Note 3. Fair value of investments is based on quoted market prices.

## The City of Seattle

### 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. Actuarial studies with valuations dates of January 1, 2017, which reflects the 2016 fiscal year information, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2017.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2016, actuarial valuation are:

Retirement System	Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
Firemen's Pension Fund	2014	\$ 4,909	173%	\$ (14,132)
	2015	5,007	140	(16,134)
	2016	5,078	209 <sup>a</sup>	(21,647)
Police Relief and Pension Fund	2014	5,994	157	(8,194)
	2015	6,445	123	(9,646)
	2016	6,494	135 <sup>a</sup>	(11,897)

<sup>a</sup> Assumed amounts will be replaced with actual amounts.

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.

The funded status of the plans at the last valuation date is presented below (in thousands). The Required Supplementary Information section, C-4, displays multiyear trend information as to the value of the plan assets decreasing or increasing over time relative to the AAL.

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Firemen's Pension Fund	\$ 14,923	\$ 82,929	\$ 68,006	18.0%	N/A	N/A
Police Relief and Pension Fund	4,672	95,761	91,089	4.9	N/A	N/A

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 \$12.2 million as of December 31, 2016. The funding policy does not fund for future medical liabilities. No similar program has been established for the Police Relief and Pension Fund.

The AAL as of December 31, 2016, based on the actuarial valuation as of January 1, 2016, was \$82.9 million for Firemen's Pension and \$95.8 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go

## Notes to Financial Statements

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-5.

The net pension obligation of the Firemen's Pension Fund is a \$21.6 million net pension asset at December 31, 2016. The net pension obligation of the Police Relief and Pension Fund is a \$11.9 million net pension asset at December 31, 2016.

**Table 11-6**  
**ANNUAL PENSION COST AND NET PENSION OBLIGATION**  
**FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS**  
**For the Year Ended December 31, 2016**  
**(In Thousands)**

	Firemen's Pension			Police Relief and Pension		
	2016	2015	2014	2016	2015	2014
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization of UAAL - Beginning of Year	4,661	4,610	4,553	5,988	6,000	5,658
Interest to End of Year <sup>a</sup>	280	276	239	210	210	212
ARC at End of Year	4,941	4,886	4,792	6,198	6,210	5,870
Interest on NPO	(968)	(848)	(554)	(338)	(287)	(179)
Adjustment to ARC	1,106	969	671	634	522	303
Annual Pension Cost (APC)	5,079	5,007	4,909	6,494	6,445	5,994
Employer Contribution <sup>b</sup>	10,591 <sup>c</sup>	7,010	8,477	8,745 <sup>c</sup>	7,897	9,398
Change in NPO	(5,512)	(2,003)	(3,568)	(2,251)	(1,452)	(3,404)
NPO at Beginning of Year	(16,135)	(14,132)	(10,564)	(9,646)	(8,194)	(4,790)
NPO at End of Year	\$ (21,647)	\$ (16,135)	\$ (14,132)	\$ (11,897)	\$ (9,646)	\$ (8,194)

<sup>a</sup> Represents the assumed interest rate that year: 5.25% and 3.75% in 2014, 6.00% and 3.50% in 2015, and 6.00% and 3.50% in 2016 for Firemen's Pension and Police Relief and Pension respectively. The interest is net of investment expenses.

<sup>b</sup> Beginning in 2009, administrative expenses paid by the fund are subtracted from employer contributions.

<sup>c</sup> Assumed amounts will be replaced with actual amounts.

## The City of Seattle

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2016.

**Table 11-7**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS**  
**For the Year Ended December 31, 2016**  
**(In Thousands)**

	Firemen's Pension	Police Relief and Pension	2016	2015
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 7,503	\$ 5,962	\$ 13,465	\$ 12,499
Investments at Fair Value				
Equity	8,534	—	8,534	7,718
Fixed Income	310	—	310	181
Receivables				
Due from Other Funds	—	—	—	—
Other	471	441	912	880
Interest and Dividends	9	—	9	8
Total Receivables	480	441	921	888
Total Assets	16,827	6,403	23,230	21,286
<b>LIABILITIES</b>				
Accounts Payable and Other Liabilities	1,515	383	1,898	1,691
Total Liabilities	1,515	383	1,898	1,691
Net Position Held in Trust for Pension Benefits	\$ 15,312	\$ 6,020	\$ 21,332	\$ 19,595

**Table 11-8**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS**  
**For the Year Ended December 31, 2016**  
**(In Thousands)**

	Defined Benefit		Postemployment Healthcare		2016	2015
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension		
<b>ADDITIONS</b>						
Contributions						
Employer	\$ 6,060	\$ 7,827	\$ 11,103	\$ 13,503	\$ 38,493	\$ 37,590
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in						
Fair Value of Investments	926	—	—	—	926	(129)
Interest	54	—	—	—	54	49
Dividends	164	—	—	—	164	153
Total Net Investment Income	1,144	—	—	—	1,144	73
Other Income	1,476	583	—	—	2,059	2,125
Total Additions	8,680	8,410	11,103	13,503	41,696	39,788
<b>DEDUCTIONS</b>						
Benefits	7,679	6,499	11,103	13,503	38,784	38,888
Administrative Expense	612	563	—	—	1,175	1,148
Total Deductions	8,291	7,062	11,103	13,503	39,959	40,036
Change in Net Position	389	1,348	—	—	1,737	(248)
Net Position - Beginning of Year	14,923	4,672	—	—	19,595	19,843
Net Position - End of Year	\$ 15,312	\$ 6,020	\$ —	\$ —	\$ 21,332	\$ 19,595

## 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 2016 were as follows:

	LEOFF Plan 2 Actual Contribution Rates	
	Employer	Employee
State and Local Governments	5.23%	8.41%
Ports and Universities	8.59	8.41

The City's actual contributions to the plan were \$14.7 million for the year ended December 31, 2016.

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

## The City of Seattle

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, 2016, the state contributed \$60.4 million to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$9.3 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 systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8 percent to 7.7 percent. Assumed administrative factors were updated.
- Valuation software was corrected on how the non-duty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

### Discount Rate

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. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

## Notes to Financial Statements

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, 2016, 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	4.4
Real Estate	15.0	5.8
Global Equity	37.0	6.6
Private Equity	23.0	9.6
	100%	

### 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	(21,753)	(36,619)	(49,326)
Plan 2	57,971	(54,489)	(79,947)

### Pension Plan Fiduciary Net Position

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, 2016, the City reported an asset of \$91.1 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	(36,619)
Plan 2	(54,489)

## The City of Seattle

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	\$ (54,489)
State's Proportionate Share Associated with the Employer	(35,523)
Total	\$ (90,012)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share as of June 30, 2016	Proportionate Share as of June 30, 2015	Change in Proportion
Plan 1	3.55%	3.54%	0.01 %
Plan 2	9.3%	9.31%	(0.01)%

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 2016, 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 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2016, the City recognized its proportionate share of pension expense as follows (in thousands):

	Pension Expense
Plan 1	\$ (4,791)
Plan 2	7,824
Total	\$ 3,033

## Notes to Financial Statements

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, 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	\$ —	\$ —	\$ 7,467	\$ —
Net difference between projected and actual investment earnings on pension plan investments	3,722	—	19,580	—
Changes of assumptions	—	—	205	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	—	—
Contributions subsequent to the measurement date	2	—	7,409	—
<b>TOTAL</b>	<b>\$ 3,724</b>	<b>\$ —</b>	<b>\$ 34,661</b>	<b>\$ —</b>

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
<b>2017</b>	\$ (769)	\$ (266)
<b>2018</b>	(769)	(266)
<b>2019</b>	3,224	16,179
<b>2020</b>	2,037	11,139
<b>2021</b>	—	466
<b>2022</b>	—	—

### 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.

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 of Seattle

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, 2016, which covers the last three years prior to the valuation date.

Table 11-12

#### ANNUAL OPEB COST AND NET OPEB OBLIGATION For the Year Ended December 31, 2015

	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)	Total
Annual Required Contribution	\$ 7,733,000	\$ 16,929,279	\$ 24,290,676	\$ 48,952,955
Interest on Net OPEB Obligation	1,526,000	1,367,057	1,539,725	4,432,782
Adjustment to Annual Required Contribution	(2,549,000)	(2,051,862)	(2,891,861)	(7,492,723)
Annual OPEB Cost (Expense)	6,710,000	16,244,474	22,938,540	45,893,014
Expected Contribution (Employer-Paid Benefits)	2,018,000 <sup>a</sup>	11,203,000 <sup>a</sup>	14,231,000 <sup>a</sup>	27,452,000
Increase in Net OPEB Obligation	4,692,000	5,041,474	8,707,540	18,441,014
Net OPEB Obligation – Beginning of Year	49,382,000	39,058,762	43,992,150	132,432,912
Net OPEB Obligation – End of Year	<u>\$ 54,074,000</u>	<u>\$ 44,100,236 <sup>a</sup></u>	<u>\$ 52,699,690 <sup>a</sup></u>	<u>\$ 150,873,926</u>

<sup>a</sup> Estimated employer contributions based upon expected benefit payments in 2016. Estimated amounts will be replaced at year end with actual amounts.



## Notes to Financial Statements

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	1/1/2014	12/31/2014	\$ 3,531,000	38.4%	\$ 46,828,000
	1/1/2015	12/31/2015	3,695,000	28.5	49,382,000
	1/1/2016	12/31/2016	6,710,000	30.9	54,074,000
Firemen's Pension (LEOFF1)	1/1/2014	12/31/2014	14,375,831	67.0	33,337,567
	1/1/2015	12/31/2015	16,829,195	66.0	39,058,762
	1/1/2016	12/31/2016	16,244,474 <sup>a</sup>	69.0	44,100,236
Police Relief and Pension (LEOFF1)	1/1/2014	12/31/2014	18,443,819	63.0	33,895,578
	1/1/2015	12/31/2015	22,648,572	55.0	43,992,150
	1/1/2016	12/31/2016	22,938,540 <sup>a</sup>	62.0	52,699,690

<sup>a</sup> Estimated employer contributions based upon expected benefit payments in 2016. 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:

	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	1/1/2014	—	\$ 41,819	\$ 41,819	—	\$ 1,003,520	4.2%
	1/1/2015	—	44,375	44,375	—	1,037,855	4.3
	1/1/2016	—	65,739	65,739	—	1,125,664	5.8
Firemen's Pension (LEOFF1)	1/1/2014	—	264,733	264,733	—	N/A	N/A
	1/1/2015	—	320,273	320,273	—	N/A	N/A
	1/1/2016	—	311,364	311,364	—	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2014	—	291,524	291,524	—	N/A	N/A
	1/1/2015	—	358,269	358,269	—	N/A	N/A
	1/1/2016	—	357,024	357,024	—	N/A	N/A

## The City of Seattle

### 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	1/1/2016	1/1/2016	1/1/2016
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	21 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%	3.50%
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
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.



## Notes to Financial Statements

**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.		
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%.		
	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 two plans were blended for retirees and spouses for simplicity of display.		
Group Health Standard and Deductible Plans	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.		
	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.		
Other Considerations		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, 2015

(in Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2016	2015	2016	Restated 2015	2016	Restated 2015
<b>ASSETS</b>						
Cash and Other Assets	\$ 6,216	\$ 3,525	\$ 1,525	\$ 1,650	\$ 7,741	\$ 5,175
Investments	60,893	61,208	8	8	60,901	61,216
Capital Assets, Net	1	2	—	—	1	2
Total Assets	67,110	64,735	1,533	1,658	68,643	66,393
<b>LIABILITIES</b>						
Current Liabilities	1,596	2,308	237	221	1,833	2,529
Total Liabilities	1,596	2,308	237	221	1,833	2,529
<b>NET POSITION</b>						
Net Investment in Capital Assets	1	2	—	—	1	2
Restricted	47,571	44,481	—	—	47,571	44,481
Unrestricted	17,942	17,944	1,296	1,437	19,238	19,381
Total Net Position	<u>\$ 65,514</u>	<u>\$ 62,427</u>	<u>\$ 1,296</u>	<u>\$ 1,437</u>	<u>\$ 66,810</u>	<u>\$ 63,864</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, 2015

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2016	2015	2016	Restated 2015	2016	Restated 2015
<b>PROGRAM REVENUES</b>						
Contributions/Endowment Gain	\$ 11,675	\$ 4,084	\$ —	\$ —	\$ 11,675	\$ 4,084
Placement/Management Fee Income	—	—	344	311	344	311
Total Program Revenues	11,675	4,084	344	311	12,019	4,395
<b>GENERAL REVENUES</b>						
Investment Income	4,138	(574)	—	1,120	4,138	546
Total Program Support and Revenues	15,813	3,510	344	1,431	16,157	4,941
<b>EXPENSES</b>						
Support to Seattle Public Library	11,626	5,778	—	—	11,626	5,778
Management and General	698	644	485	570	1,183	1,214
Fundraising	402	389	—	—	402	389
Total Expenses	12,726	6,811	485	570	13,211	7,381
Change in Net Position	3,087	(3,301)	(141)	861	2,946	(2,440)
<b>NET POSITION</b>						
Net Position - Beginning of Year	62,427	65,728	1,437	576	63,864	66,304
Net Position - End of Year	<u>\$ 65,514</u>	<u>\$ 62,427</u>	<u>\$ 1,296</u>	<u>\$ 1,437</u>	<u>\$ 66,810</u>	<u>\$ 63,864</u>

### Fiduciary-Type Component Units

Firemen's Pension Fund and the Police Relief and Pension Fund are determined to be nonmajor discrete component units (GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34). In accordance with GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, GASB Statement No. 50, Pension Disclosures - an amendment of GASB Statement No. 25 and No. 27 and 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, these funds are reported in Note 11, Pensions, Deferred Compensation, and Other Postemployment Benefits, and in the Fiduciary Funds section.

### BLENDED COMPONENT UNIT

#### Seattle Transportation Benefit District

The Seattle Transportation Benefit District (STBD), a quasi-municipal corporation, was established through City Ordinance 123397 in September 2010 pursuant to RCW 35.21.225 which grants cities the authority to establish such a district. Transportation benefit districts are able to acquire, construct, improve, provide, and fund transportation improvement within district boundaries

## Notes to Financial Statements

consistent with any existing state, regional and local transportation plan. RCW 36.73.065 gives districts the authority to impose taxes, fees, charges and tolls to fund this work. Beginning May 1, 2011, the STBD began collecting a \$20 vehicle registration fee on eligible vehicles registered within its boundaries which are the same as the City's. In November 2014 voters elected to raise revenue to preserve King County Metro Transit service through an additional \$60 vehicle registration fee and a 0.1 percent increase in the sales tax. The STBD is governed by the Seattle City Council members acting in an ex-officio capacity, and maintains no employees. STBD's sole purpose is to finance the City's transportation improvements and although it is a legally separate entity, the operations of STBD are so closely related to those of the City that it is reported as if it were part of the primary government.

In July 2016, Seattle Transportation Benefit District was absorbed by the City through City Ordinance 125070. The City of Seattle would assume the rights, powers, immunities, functions, and obligations of the STBD, pursuant to Chapter 36-74 RCW. Consolidating the STBD into the City of Seattle will eliminate the need for separate STBD Board Meetings, STBD budgets, and STBD legislation. Starting in 2017 the new budget cycle, STBD is no longer a legally separate entity to be reported as a blended component unit.

The Seattle Transportation Benefit District is reported as a special revenue fund in the City's financial statements. Financial reporting for this fund can be found in the nonmajor governmental funds combining statements located in this report. In addition, separate financial statements for the STBD are available from Seattle City Hall, 600 Fourth Avenue, 2nd Floor, Seattle, WA 98104 or by calling 206-233-5005.

### 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.

## (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, 2016, 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 2016, WDC paid \$244 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.

## The City of Seattle

## (14) COMMITMENTS

### GENERAL

#### Capital Improvement Program

The City adopted the 2016-2017 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$6.041 billion for the years 2016-2021. The adopted CIP for 2016 was \$1.099 billion, consisting of \$655.9 million for City-owned utilities and \$443.7 million for non-utility departments. The utility allocations are: \$413.7 million for City Light, \$59.5 million for Water, \$117.2 million for Drainage and Wastewater, \$32.1 million for Solid Waste, and \$33.3 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, 2016 and 2015 are shown in the following table.

Table 14-1

#### LONG-TERM PURCHASED POWER

(In Millions)

	2016	2015
Bonneville Block	\$ 80.0	\$ 78.7
Bonneville Slice	80.7	77.8
Lucky Peak, including royalties	6.9	6.3
British Columbia - High Ross Agreement	13.4	13.4
Grant County Public Utility District	2.3	3.2
Columbia Basin Hydropower	6.2	6.6
Bonneville South Fork Tolt billing credit	(3.3)	(3.3)
Renewable energy - State Line Wind	24.8	20.8
Renewable energy - other	8.7	8.7
Exchanges and loss returns energy at fair value	5.5	6.1
Long-term purchased power booked out	(5.4)	(4.7)
Total	\$ 219.8	\$ 213.6

#### 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. Block quantities, Slice percentage, and Bonneville rates 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

## Notes to Financial Statements

Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in both 2016 and 2015 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 provided and billed Lucky Peak \$0.3 million for operational and administrative services in both 2016 and 2015. These amounts are recorded as offsets to purchased power expense. SCL paid \$3.6 million and \$3.4 million for energy from Lucky Peak in 2016 and 2015, respectively.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2016 and 2015, respectively. SCL's payables to Lucky Peak were \$0.1 million and \$0.5 million at December 31, 2016 and 2015, respectively.

### British Columbia-High Ross Agreement

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 3 percent by 2012, at least 9 percent by 2016, and at least 15 percent by 2020. SCL's 2016 and 2015 resource portfolio met the 9 percent and 3 percent targets, respectively.

### 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, 2016 and 2015, were valued using Kiodex 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.

## The City of Seattle

### 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 2017 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>
2017	\$ 288.8
2018	283.5
2019	291.6
2020	308.6
2021 <sup>b</sup>	292.2
2022 - 2026 <sup>c</sup>	1,395.7
2027 - 2031 <sup>d</sup>	497.2
Thereafter (through 2065)	160.0
Total	\$ 3,517.6

<sup>a</sup> 2017 to 2019 includes estimated REP recoveries from BPA.

<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 2016 dollars, of which \$42.9 million were expended through 2016. 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.

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## Notes to Financial Statements

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Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2016, to be \$132.2 million, of which \$114.5 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.8 million, of which \$1.3 million were expended through 2016. 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 2016 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.

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, 2016 are estimated to be \$11.9 million. \$1.4 million has been allocated for the program in the 2017 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 \$1.7 million and \$2.5 million to Pend Oreille County, and \$1.1 million and \$1.0 million to Whatcom County in 2016 and 2015, 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 \$109.1 million (in 2016 dollars) over a period of 50 years (from the year 2000 through the year 2050).

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## The City of Seattle

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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 2016 is \$85.1 million. The remaining \$24.0 million to complete the HCP is comprised of an \$8.8 million liability and an estimate of \$15.2 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 \$206.8 million through the year 2022; costs beyond 2022 are not estimable as of the date of this report. As of December 31, 2016 and 2015, total cumulative costs incurred were \$157.9 million and \$156.5 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 2061. SPU also has a contract 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 SPU were \$153.4 million and \$148.6 million for fiscal years 2016 and 2015, 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 2016 and 2015 were \$77.8 million and \$77.2 million, respectively.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. (WMW) formerly known as 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. The Fund paid WMW \$13.2 million and \$12.8 million under this contract in 2016 and 2015, respectively.

Effective April 1, 2014, the City entered into contracts with PacificClean 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. Total payments under the terms of these contracts for 2016 and 2015 were \$4.5 million and \$4.4 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

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## Notes to Financial Statements

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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 for recycling processing in 2016 and 2015 were \$1.0 million and \$2.6 million, respectively.

### *Landfill Closure and Post-closure Care*

At December 31, 2016, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include SPU's share of all landfill closure and post-closure costs in the revenue requirements used to set future solid waste rates. Therefore, SPU uses regulatory accounting and total estimated landfill closure and post-closure care costs are accrued and also reflected as a future costs in accordance with generally accepted accounting principles. These costs are being amortized as they are recovered from rate payers. 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. In prior years, SPU 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.

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## The City of Seattle

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### (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 2016 and 2015. 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.

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 one annuity contract for \$0.1 million in 2016 to resolve litigation. No other structured settlements were entered into by the City in 2016. No large liability settlements were received in 2016. 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 2016 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2015. The total undiscounted IBNR amount decreased by \$10.7 million in 2016, the IBNR amount was \$31.5 million in 2016 and \$42.2 million in 2015.

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 \$0.5 million and \$0.3 million in 2016 and 2015, 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 1.137 percent for 2016 and 0.931 percent for 2015, the City's average annual rates of return on investments. The total discounted liability at December 31, 2016, was \$101.2 million consisting of \$60.9 million for general liability, \$2.9 million for health care, and \$37.4 million for workers' compensation.



## Notes to Financial Statements

**Table 15-1**  
**RECONCILIATION OF CHANGES IN**  
**AGGREGATE LIABILITIES FOR CLAIMS**  
*(In Thousands)*

	General Liability		Health Care		Workers' Compensation		Total City	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>UNDISCOUNTED</b>								
Balance - Beginning of Fiscal Year	\$ 65,216	\$ 69,273	\$ 4,379	\$ 3,499	\$ 41,310	\$ 40,382	\$ 110,905	\$ 113,154
Less Payments and Expenses During the Year	(21,180)	(15,301)	(162,137)	(149,797)	(14,394)	(14,513)	(197,711)	(179,611)
Plus Claims and Changes in Estimates	19,774	11,244	160,724	150,677	11,676	15,441	192,174	177,362
Balance - End of Fiscal Year	<u>\$ 63,810</u>	<u>\$ 65,216</u>	<u>\$ 2,966</u>	<u>\$ 4,379</u>	<u>\$ 38,592</u>	<u>\$ 41,310</u>	<u>\$ 105,368</u>	<u>\$ 110,905</u>
<b>UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 44,849	\$ 50,129	\$ 2,966	\$ 4,379	\$ 27,664	\$ 30,165	\$ 75,479	\$ 84,673
Business-Type Activities	18,905	15,087	—	—	10,928	11,145	29,833	26,232
Fiduciary Activities	56	—	—	—	—	—	56	—
Balance - End of Fiscal Year	<u>\$ 63,810</u>	<u>\$ 65,216</u>	<u>\$ 2,966</u>	<u>\$ 4,379</u>	<u>\$ 38,592</u>	<u>\$ 41,310</u>	<u>\$ 105,368</u>	<u>\$ 110,905</u>
<b>DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 42,828	\$ 47,950	\$ 2,925	\$ 4,330	\$ 26,778	\$ 29,286	\$ 72,531	\$ 81,566
Business-Type Activities	18,054	14,431	—	—	10,578	10,821	28,632	25,252
Fiduciary Activities	53	—	—	—	—	—	53	—
Balance - End of Fiscal Year	<u>\$ 60,935</u>	<u>\$ 62,381</u>	<u>\$ 2,925</u>	<u>\$ 4,330</u>	<u>\$ 37,356</u>	<u>\$ 40,107</u>	<u>\$ 101,216</u>	<u>\$ 106,818</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

## The City of Seattle

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 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

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## Notes to Financial Statements

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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, 2016, seven projects remained outstanding with a combined total amount of \$10.5 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, 2016 is \$40.9 million. The bonds will be fully retired by April 1, 2031.

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## The City of Seattle

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### *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, 2016, was \$4.7 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 2016 is \$2.9 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, 2016, the Commission's remaining principal and interest amounts the City guaranteed are \$2.9 million and \$305.0 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 \$3.3 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.



## Notes to Financial Statements

### (16) TAX ABATEMENTS

Table 16-1  
Page 1 of 2  
Tax Abatement by Programs  
For the Year Ended December 31, 2016  
(In Thousands)

	Primary Government		Other Governments	
	City of Seattle		King County	
	Multifamily Property Tax Exemption (MFTE) <sup>a</sup>	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement
1) Purpose of program.	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.
2) Tax being abated.	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax
3) Authority under which abatement agreements are entered into.	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 affordability requirements and other stipulations for compliance with the MFTE program.	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
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: Public Benefit Rating System (PBRS) enrollment and associated tax savings are based on a point system. Points are awarded for each PBRS 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.

## The City of Seattle

Table 16-1  
Page 2 of 2  
Tax Abatement by Programs  
For the Year Ended December 31, 2016  
(In Thousands)

	Primary Government		Other Governments	
	City of Seattle		King County	
	Multifamily Property Tax Exemption (MFTE) <sup>a</sup>	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.
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.
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
8) Types of commitments made by the City other than to reduce taxes.	N/A	N/A	N/A	N/A
9) Gross amount of City's revenues being reduced.	\$ 442	\$ 2,599	\$ 129	\$ 711
	<b>Total Revenue Reduction</b>			<b>\$ 3,881</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.

**(17) RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING PRINCIPLES, AND RECLASSIFICATIONS****GOVERNMENTAL ACTIVITIES**

For fiscal year 2016, the City partially implemented paragraphs 115 & 116 of 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. Therefore, the assets accumulated for the City's Firemen's Pension and Police Relief and Pension funds are recognized and reported retroactively as assets of the City in the General Fund. This adjustment resulted a restatement to the 2015 beginning and ending committed fund balances of the General Fund. The net effect to the 2015 beginning fund balance of the General Fund is \$19.8 million and the net decrease of \$200 thousand is recorded as a public safety expense for fiscal year 2015, thereby increasing the 2015 ending fund balance by \$19.6 million.

Prior-period adjustments in government-wide financial statement included the following: (1) A reduction of construction in progress (CIP) from prior years in the amount of \$721.0 thousand was due to over and under recording of non-CIP expenses. (2) An improvement for the utility infrastructure and asset preservation at Key Arena in 2015 amounting to \$85.0 thousand determined to be non-capitalizable. (3) Additional immaterial corrections to machinery and equipment in the amount of \$138.0 thousand and reduction of various assets' accumulated depreciation of \$555.0 thousand. These changes resulted in a restatement that decreased the net capital assets reported in 2015 by \$113.0 thousand.

The City has restated the Deferred Inflows and Deferred Outflow balances reported in the financial presentation. After careful re-examination, the City has determined there is insufficient support to continue applying the criteria of GASB Statement 65 to the City's Housing Development Loan portfolio. This restatement has zero impact to the City's net position. The restatement impacts the presentation of the Low-Income Housing Fund which reported \$427.3 million of Deferred Inflows and Outflows, the \$47.0 million reported by Housing Community Development Revenue Sharing, and \$7.8 million under Major Governmental Funds category. The total balance previously reported by the City's governmental funds in 2015 totaled \$482.1 million for both Deferred Inflows and Outflows. In 2016's financial presentation these balances have been entirely removed to comply with governmental reporting standards.

The City also reclassified the capital asset category of the it's Streetcars, this resulted in a \$29.8 million increase in equipment as it was moved out of construction in progress.

**(18) SUBSEQUENT EVENTS**

On January 11, 2017, pursuant to City Council Resolution 31726, the City issued (1) \$99.7 million of Water System Improvement Revenue Bonds, 2017, with an average coupon rate of 4.115 percent and a final maturity of August 1, 2046; (2) \$95.0 million of Water System Improvement Refunding Revenue Bonds, 2017, with an average coupon rate of 4.332 percent and a final maturity of August 1, 2037.

On January 27, 2017, pursuant to City Council Resolution 31728, the City issued \$50.0 million Municipal Light and Power (ML&P) Revenue Bonds, Series 2017A (Multi-Modal), and \$50.0 million Municipal Light and Power (ML&P) Revenue Bonds, Series 2017B (Multi-Modal) collectively with average coupon rates of 4.0 percent and a final maturity of November 1, 2046.

At the end of 2016, Drainage and Wastewater Fund entered into a loan agreement with The Department of Ecology to borrow up to \$39.4 million for construction of the Henderson Combined Sewer Overflow. Subsequently, on February 9, 2017, it took an initial draw of \$22.9 million on this loan.

On February 24, 2017, ordinance 125263 authorized the Director of Finance to make a non-revolving loan of up to \$29.0 million from Low-Income Housing Fund to the 2018 Multipurpose LTGO Bond Fund, to provide bridge financing for affordable housing projects. The Director may effectuate to carry the 2018 Multipurpose LTGO Bond Fund in a negative cash position not to exceed \$29.0 million. The loan or the negative cash position is to be repaid with proceeds from the sale of 2018 LTGO bonds no later than December 31, 2018 with interest at the rate of return of the City's Consolidated Cash Pool.

On February 24, 2017, according to ordinance 125264, Department of Finance and Administrative Services created a capital project fund number 36500 in advance of the issuance of 2018 Limited Tax General Obligation (LTGO) bond. Creating this fund now would allow the Council to approve bridge financing of certain bond-funded projects in advance of the bond sale in 2018.

On June 14, 2017, pursuant to City Council Resolution 31751, the City issued (1) \$73.1 million of Limited Tax General Obligation (LTGO) Improvement and Refunding Bonds A with an average coupon rate of 4.364 percent and a final maturity of November 1, 2047; (2) \$12.4 million of LTGO Improvement Taxable Bonds B with an average coupon rate of 3.078 percent and a final maturity of November 1, 2037 and (3) \$14.6 million of Unlimited Tax General Obligation (UTGO) Improvement Bonds with an average coupon rate of 5.000 percent and a final maturity of December 1, 2018.

On June 28, 2017, pursuant to City Council Resolution 31756, the City issued (1) \$177.2 million of Drainage Wastewater System Improvement Revenue Bonds, 2017, with an average coupon rate of 4.061 percent and a final maturity of July 1, 2047; (2) \$27.6 million of Drainage Wastewater System Improvement Advanced Refunding Revenue Bonds, 2017, with an average coupon rate of 4.119 percent and a final maturity of July 1, 2037 (3) \$29.3 million of Drainage Wastewater System Improvement Current Refunding Revenue Bonds, 2017; with an average coupon rate of 4.605 percent and a final maturity of July 1, 2029.

## **Required Supplementary Information**

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## 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, 2016 (In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 281,692	\$ 281,692	\$ 283,735	\$ 2,043
Retail Sales and Use Taxes	230,608	230,608	238,558	7,950
Business Taxes	284,853	284,853	285,723	870
Excise Taxes	58,265	58,265	82,774	24,509
Other Taxes	8,594	8,594	10,328	1,734
Interfund Business Taxes	146,558	146,558	146,525	(33)
Total Taxes	1,010,570	1,010,570	1,047,643	37,073
Licenses and Permits	36,124	36,124	33,059	(3,065)
Grants, Shared Revenues, and Contributions	35,819	53,084	30,284	(22,800)
Charges for Services	49,768	50,712	61,154	10,442
Fines and Forfeits	29,897	29,897	30,730	833
Parking Fees and Space Rent	39,767	39,767	38,291	(1,476)
Program Income, Interest, and Miscellaneous Revenues	275,986	276,514	276,895	381
Total Revenues	1,477,931	1,496,668	1,518,056	21,388
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	435,144	449,572	431,487	18,085
Judicial	30,334	31,604	31,519	85
Public Safety	573,361	606,920	589,186	17,734
Physical Environment	12,454	14,822	13,125	1,697
Transportation	9,290	9,890	9,890	—
Economic Environment	33,504	41,041	33,149	7,892
Health and Human Services	—	—	—	—
Culture and Recreation	9,593	9,839	9,752	87
Capital Outlay				
General Government	40,023	40,323	12,450	27,873
Public Safety	9,639	14,116	6,378	7,738
Physical Environment	1,703	1,703	—	1,703
Transportation	23,079	23,079	—	23,079
Economic Environment	5,212	779	7	772
Culture and Recreation	47,057	51,007	14,843	36,164
Debt Service				
Principal	—	—	—	—
Interest	—	—	—	—
Total Expenditures and Encumbrances	1,230,393	1,294,695	1,151,786	142,909
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	247,538	201,973	366,270	164,297
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	2,947	2,947	96	(2,851)
Transfers In	35,415	56,311	35,431	(20,880)
Transfers Out	(373,247)	(394,763)	(370,259)	24,504
Total Other Financing Sources (Uses)	(334,885)	(335,505)	(334,732)	773
Net Change in Fund Balance	<u>\$ (87,347)</u>	<u>\$ (133,532)</u>	31,538	<u>\$ 165,070</u>
Budgetary Fund Balance - Beginning of Year			286,623	
Net Change in Encumbrances			(2,219)	
Net Change in Unappropriable Reserves			22,505	
Budgetary Fund Balance - End of Year			338,447	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			81,047	
Encumbrances			6,615	
Reimbursements				
Budgeted as Revenues			191,269	
Budgeted as Expenditures			(191,269)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			16,272	
Fund Balance (GAAP) - End of Year			<u>\$ 442,381</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, 2016 (In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 94,959	\$ 94,959	\$ 94,108	\$ (851)
Retail Sales and Use Taxes	—	—	—	—
Business Taxes	38,329	38,329	40,275	1,946
Excise Taxes	—	—	—	—
Other Taxes	—	—	(2)	(2)
Interfund Business Taxes	—	—	—	—
Total Taxes	133,288	133,288	134,381	1,093
Licenses and Permits	(190)	(190)	7,241	7,431
Grants, Shared Revenues, and Contributions	35,918	50,103	35,080	(15,023)
Charges for Services	67,703	68,803	104,541	35,738
Fines and Forfeits	—	—	165	165
Parking Fees and Space Rent	(162)	(162)	259	421
Program Income, Interest, and Miscellaneous Revenues	(369)	(369)	825	1,194
Total Revenues	236,188	251,473	282,492	31,019
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	317,461	318,567	164,071	154,496
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Transportation	698,125	659,959	240,215	419,744
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Debt Service				
Principal	1,723	1,723	1,723	—
Interest	101	101	101	—
Bond Issuance Cost	—	—	—	—
Other	—	—	—	—
Total Expenditures and Encumbrances	1,017,410	980,350	406,110	574,240
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(781,222)	(728,877)	(123,618)	605,259
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Sales of Capital Assets	(2,095)	(2,095)	—	2,095
Transfers In	385,125	390,803	177,871	(212,932)
Transfers Out	(30,344)	(55,812)	(28,851)	26,961
Total Other Financing Sources (Uses)	352,686	332,896	149,020	(183,876)
Net Change in Fund Balance	<u>\$ (428,536)</u>	<u>\$ (395,981)</u>	<u>25,402</u>	<u>\$ 421,383</u>
Budgetary Fund Balance - Beginning of Year			(30,396)	
Net Change in Encumbrances			1,139	
Net Change in Unappropriable Reserves			(25,531)	
Budgetary Fund Balance - End of Year			(29,386)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			126,924	
Encumbrances			—	
Reimbursements			—	
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			<u>\$ 97,538</u>	

## The City of Seattle

C-3

### LOW-INCOME HOUSING FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2016 (In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 36,036	\$ 36,036	\$ 17,878	\$ (18,158)
Retail Sales and Use Taxes	—	—	—	—
Business Taxes	—	—	—	—
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Interfund Business Taxes	—	—	—	—
Total Taxes	36,036	36,036	17,878	(18,158)
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	18,367	18,513	1,132	(17,381)
Charges for Services	(4,179)	(4,179)	20,193	24,372
Fines and Forfeits	—	—	—	—
Parking Fees and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	1,581	1,581	11,432	9,851
Total Revenues	51,805	51,951	50,635	(1,316)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	173,652	173,798	33,228	140,570
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Total Expenditures and Encumbrances	173,652	173,798	33,228	140,570
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(121,847)	(121,847)	17,407	139,254
<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	(15)	(15)	—	15
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	(15)	(15)	—	15
Net Change in Fund Balance	<u>\$ (121,862)</u>	<u>\$ (121,862)</u>	<u>17,407</u>	<u>\$ 139,269</u>
Budgetary Fund Balance - Beginning of Year			(18,756)	
Net Change in Encumbrances			25,867	
Net Change in Unappropriable Reserves			(11,115)	
Budgetary Fund Balance - End of Year			13,403	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			140,357	
Encumbrances			837	
Reimbursements			—	
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			<u>\$ 154,597</u>	

## Required Supplementary Information

### 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.

## The City of Seattle

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### PENSION PLAN INFORMATION SCHEDULE OF FUNDING PROGRESS

December 31, 2016

(In Thousands)

Retirement System	Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>Firemen's Pension Fund</b>	2011	\$ 11,430	\$ 126,794	\$ 115,364	9.01%	N/A	N/A
	2012	10,877	138,611	127,734	7.85	N/A	N/A
	2013	12,943	106,424	93,481	12.16	N/A	N/A
	2014	12,371	84,344	71,973	14.67	N/A	N/A
	2015	14,741	82,001	67,260	17.98	N/A	N/A
	2016	14,923	82,929	68,006	17.99	N/A	N/A
<b>Police Relief and Pension Fund</b>	2011	1,105	137,497	136,392	0.80	N/A	N/A
	2012	3,746	111,458	107,712	3.36	N/A	N/A
	2013	4,625	104,729	100,104	4.42	N/A	N/A
	2014	3,202	92,615	89,413	3.46	N/A	N/A
	2015	5,101	99,293	94,192	5.14	N/A	N/A
	2016	4,672	95,761	91,089	4.88	N/A	N/A

<sup>a</sup> Actuarial present value of benefits less actuarial present value of future normal costs based on Entry Age Actuarial Cost Method for Firemen's Pension and Police Relief and Pension.

<sup>b</sup> Actuarial accrued liabilities less actuarial value of assets, funding excess if negative.

## Required Supplementary Information

C-5

### PENSION PLAN INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS December 31, 2016 (In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll	Actual Employer Contributions	Actual Employer Contribution Percentage	Annual Required Contribution (ARC)	Percentage of ARC Contributed
<b>Firemen's Pension Fund</b>	2011	N/A	\$ 8,262	N/A	\$ 7,218	114.5%
	2012	N/A	10,318	N/A	7,387	139.7
	2013	N/A	6,485	N/A	5,243	123.7
	2014	N/A	8,477	N/A	4,792	176.9
	2015	N/A	7,010	N/A	4,866	144.1
	2016	N/A	10,591 <sup>a</sup>	N/A	4,941	214.3
<b>Police Relief and Pension Fund</b>	2011	N/A	11,195	N/A	8,534	131.2
	2012	N/A	8,315	N/A	6,895	120.6
	2013	N/A	7,105	N/A	6,398	111.1
	2014	N/A	9,398	N/A	5,870	160.1
	2015	N/A	7,897	N/A	6,210	127.2
	2016	N/A	8,745 <sup>a</sup>	N/A	6,198	141.1

<sup>a</sup> Assumed amounts will be replaced at year end with actual amounts.

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### PENSION PLAN INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY Seattle City Employees' Retirement System December 31, 2015 Last Ten Fiscal Years <sup>a</sup> (In Thousands)

	2015	2014	2013	2012	2011
Employer's proportion of the net pension liability (asset)	99.91%	99.89%	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	1,297,983	1,106,800	N/A	N/A	N/A
Employer's covered employee payroll	638,354	626,403	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	203.33%	176.69%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	64.03%	67.70%	N/A	N/A	N/A
	2010	2009	2008	2007	2006
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, 2016**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	2016	2015	2014	2013	2012
Employer's proportion of the net pension asset	3.55 %	3.55 %	3.55 %	N/A	N/A
Employer's proportionate share of the net pension asset	(36,619)	(42,771)	(43,065)	N/A	N/A
Employer's covered employee payroll	2,542	3,930	4,905	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(1,440.56)%	(1,088.29)%	(878.02)%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	123.74 %	127.36 %	126.91 %	N/A	N/A
	2011	2010	2009	2008	2007
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, 2016**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	2016	2015	2014	2013	2012
Employer's proportion of the net pension asset	9.36 %	9.31 %	9.40 %	N/A	N/A
Employer's proportionate share of the net pension asset	(54,489)	(95,637)	(125,076)	N/A	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	(35,523)	(64,124)	(82,876)	N/A	N/A
<b>Total</b>	(90,012)	(159,761)	(207,952)	N/A	N/A
Employer's covered employee payroll	273,333	268,461	255,273	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(19.94)%	(35.62)%	(49.00)%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	106.04 %	111.67 %	116.75 %	N/A	N/A
	2011	2010	2009	2008	2007
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, 2015**  
**Last Ten Fiscal Years**  
*(In Thousands)*

	2015	2014	2013	2012	2011
Contractually required employer contributions	100,614	89,363	N/A	N/A	N/A
Contributions in relation to the statutory or contractually required contributions	100,614	89,363	N/A	N/A	N/A
Contribution deficiency (excess)	—	—	N/A	N/A	N/A
Covered employer payroll	638,354	626,403	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	15.76%	14.27%	N/A	N/A	N/A
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</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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**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**June 30, 2016**  
**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	2016	2015	2014	2013	2012
Statutorily or contractually required contributions <sup>b</sup>	—	—	—	N/A	N/A
Contributions in relation to the statutory or contractually required contributions <sup>b</sup>	—	—	—	N/A	N/A
Contribution deficiency (excess)	—	—	—	N/A	N/A
Covered employer payroll	2,542	3,930	4,905	N/A	N/A
Contributions as a percentage of covered employee payroll	—%	—%	—%	N/A	N/A
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</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

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**June 30, 2016**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	2016	2015	2014	2013	2012
Statutorily or contractually required contributions	14,332	13,638	13,249	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	14,332	13,638	13,249	N/A	N/A
Contribution deficiency (excess)	—	—	—	N/A	N/A
Covered employer payroll	2,542	268,461	255,273	N/A	N/A
Contributions as a percentage of covered employee payroll	563.81%	5.08%	5.19%	N/A	N/A
	2011	2010	2009	2008	2007
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.

## The City of Seattle

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**Combining and Individual  
Fund and Other  
Supplementary Information**

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## **Nonmajor Governmental Funds**

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## Nonmajor Governmental Funds

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### 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 **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 **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).

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## The City of Seattle

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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 though 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 District 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 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).

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## Nonmajor Governmental Funds

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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, Northgate Land, Northgate Park, Rainier 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).

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## The City of Seattle

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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).

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).

## Nonmajor Governmental Funds

### 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, 2016 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2016	2015
ASSETS						
Cash and Equity in Pooled Investments	\$ 245,698	\$ 11,267	\$ 137,219	\$ 2,176	\$ 396,360	\$ 306,982
Receivables, Net of Allowances	13,441	423	15,095	2	28,961	21,326
Due from Other Funds	14,049	—	426	—	14,475	16,851
Due from Other Governments	22,872	—	85	—	22,957	28,130
Interfund Loans and Advances	7,396	—	8,925	—	16,321	24,165
Other Current Assets	721	—	—	—	721	608
Total Assets	304,177	11,690	161,750	2,178	479,795	398,062
DEFERRED OUTFLOWS OF RESOURCES						
	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 304,177	\$ 11,690	\$ 161,750	\$ 2,178	\$ 479,795	\$ 398,062
LIABILITIES						
Accounts Payable	\$ 46,906	\$ —	\$ 4,630	\$ 1	\$ 51,537	\$ 42,344
Contracts Payable	509	—	276	—	785	1,001
Salaries, Benefits, and Taxes Payable	7,275	—	2	—	7,277	6,961
Due to Other Funds	33,135	—	26,057	—	59,192	37,079
Due to Other Governments	5,198	—	—	—	5,198	5,021
Revenues Collected in Advance	7,173	—	101	—	7,274	6,803
Interfund Loans and Advances	8,321	—	30,001	—	38,322	28,790
Other Current Liabilities	971	—	14	—	985	646
Total Liabilities	109,488	—	61,081	1	170,570	128,645
DEFERRED INFLOWS OF RESOURCES						
	1,276	295	7,928	—	9,499	10,435
FUND BALANCES						
Nonspendable	689	—	—	2,050	2,739	2,712
Restricted	173,669	11,395	126,632	127	311,823	268,652
Committed	12,428	—	—	—	12,428	10,774
Assigned	9,819	—	—	—	9,819	11,004
Unassigned	(3,192)	—	(33,891)	—	(37,083)	(34,159)
Total Fund Balances	193,413	11,395	92,741	2,177	299,726	258,983
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 304,177	\$ 11,690	\$ 161,750	\$ 2,178	\$ 479,795	\$ 398,063

## Nonmajor Governmental Funds

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE December 31, 2016 (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	\$ 1,194	\$ 2,137	\$ 129	\$ 2,020	\$ 5,523	\$ 1,555
Receivables, Net of Allowances	6,080	34	—	31	4,411	384
Due from Other Funds	2,968	—	15	—	165	—
Due from Other Governments	279	55	—	—	—	—
Interfund Loans and Advances	7,396	—	—	—	—	—
Other Current Assets	392	—	—	—	254	—
Total Assets	18,309	2,226	144	2,051	10,353	1,939
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 18,309</u>	<u>\$ 2,226</u>	<u>\$ 144</u>	<u>\$ 2,051</u>	<u>\$ 10,353</u>	<u>\$ 1,939</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 2,480	\$ —	\$ 13	\$ —	\$ 732	\$ 38
Contracts Payable	509	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	3,840	—	—	—	1,536	—
Due to Other Funds	2,098	4,049	93	—	212	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	1,276	1,365	—	—	935	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	547	4	—	—	38	380
Total Liabilities	10,750	5,418	106	—	3,453	418
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	—	—	26	—	—
<b>FUND BALANCES</b>						
Nonspendable	415	—	—	—	274	—
Restricted	1,680	—	38	2,025	2,269	1,521
Committed	—	—	—	—	4,357	—
Assigned	5,464	—	—	—	—	—
Unassigned	—	(3,192)	—	—	—	—
Total Fund Balances	7,559	(3,192)	38	2,025	6,900	1,521
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,309</u>	<u>\$ 2,226</u>	<u>\$ 144</u>	<u>\$ 2,051</u>	<u>\$ 10,353</u>	<u>\$ 1,939</u>

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE December 31, 2016 (In Thousands)

	Election Vouchers Fund	Education and Early Learning	Human Service Operating	Office Of Housing	Housing Community Development Revenue Sharing	Education and Development Services
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 2,162	\$ 3,565	\$ 30,115	\$ 427	\$ 681	\$ 57,712
Receivables, Net of Allowances	39	—	5	153	111	676
Due from Other Funds	—	5,491	1,968	1,953	—	33
Due from Other Governments	—	—	12,361	—	2,926	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	75	—	—	—	—	—
Total Assets	2,276	9,056	44,449	2,533	3,718	58,421
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 2,276</u>	<u>\$ 9,056</u>	<u>\$ 44,449</u>	<u>\$ 2,533</u>	<u>\$ 3,718</u>	<u>\$ 58,421</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 211	\$ 6,553	\$ 19,423	\$ 27	\$ 794	\$ 328
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	278	1,347	200	—	—
Due to Other Funds	96	135	1,209	71	1,636	4,473
Due to Other Governments	—	—	5,198	—	—	—
Revenues Collected in Advance	—	—	3,540	—	57	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	—	1	1	—
Total Liabilities	307	6,966	30,717	299	2,488	4,801
<b>DEFERRED INFLOWS OF RESOURCES</b>	25	—	—	—	—	446
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	1,944	2,090	3,540	—	1,230	53,174
Committed	—	—	8,071	—	—	—
Assigned	—	—	2,121	2,234	—	—
Unassigned	—	—	—	—	—	—
Total Fund Balances	1,944	2,090	13,732	2,234	1,230	53,174
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,276</u>	<u>\$ 9,056</u>	<u>\$ 44,449</u>	<u>\$ 2,533</u>	<u>\$ 3,718</u>	<u>\$ 58,421</u>



## Nonmajor Governmental Funds

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE December 31, 2016 (In Thousands)

	Preschool Levy 2014	2012 Library Levy	School Zone Automatic Camera Fund	Metropolitan Parks District	Business Improvement Areas	Transportation Benefit District
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 21,491	\$ 13,713	\$ 12,953	\$ 34,160	\$ 6,284	\$ 32,654
Receivables, Net of Allowances	243	330	15	858	7	35
Due from Other Funds	53	218	—	—	3	—
Due from Other Governments	—	—	—	106	—	7,143
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
Total Assets	21,787	14,261	12,968	35,124	6,294	39,832
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 21,787</u>	<u>\$ 14,261</u>	<u>\$ 12,968</u>	<u>\$ 35,124</u>	<u>\$ 6,294</u>	<u>\$ 39,832</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3	\$ 417	\$ —	\$ 11,365	\$ 4,320	\$ —
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	25	—	—	—	—
Due to Other Funds	897	2,870	4,106	—	—	10,921
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	8,321	—	—
Other Current Liabilities	—	—	—	—	—	—
Total Liabilities	900	3,312	4,106	19,686	4,320	10,921
<b>DEFERRED INFLOWS OF RESOURCES</b>	154	230	—	395	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	20,733	10,719	8,862	15,043	1,974	28,911
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Fund Balances	20,733	10,719	8,862	15,043	1,974	28,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,787</u>	<u>\$ 14,261</u>	<u>\$ 12,968</u>	<u>\$ 35,124</u>	<u>\$ 6,294</u>	<u>\$ 39,832</u>

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE December 31, 2016 (In Thousands)

	General Trust	Municipal Arts	General Donation and Gift Trust	Comparative Totals	
				2016	2015
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 4,108	\$ 10,041	\$ 3,074	\$ 245,698	\$ 167,389
Receivables, Net of Allowances	6	11	12	13,441	9,484
Due from Other Funds	2	354	826	14,049	16,457
Due from Other Governments	—	—	2	22,872	28,116
Interfund Loans and Advances	—	—	—	7,396	5,764
Other Current Assets	—	—	—	721	608
Total Assets	4,116	10,406	3,914	304,177	227,818
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 4,116</u>	<u>\$ 10,406</u>	<u>\$ 3,914</u>	<u>\$ 304,177</u>	<u>\$ 227,818</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 39	\$ 49	\$ 114	\$ 46,906	\$ 37,179
Contracts Payable	—	—	—	509	278
Salaries, Benefits, and Taxes Payable	—	47	2	7,275	6,958
Due to Other Funds	14	13	242	33,135	24,479
Due to Other Governments	—	—	—	5,198	5,021
Revenues Collected in Advance	—	—	—	7,173	6,571
Interfund Loans and Advances	—	—	—	8,321	6,039
Other Current Liabilities	—	—	—	971	626
Total Liabilities	53	109	358	109,488	87,151
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	—	—	1,276	924
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	689	662
Restricted	4,063	10,297	3,556	173,669	128,799
Committed	—	—	—	12,428	10,774
Assigned	—	—	—	9,819	11,004
Unassigned	—	—	—	(3,192)	(11,495)
Total Fund Balances	4,063	10,297	3,556	193,413	139,744
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,116</u>	<u>\$ 10,406</u>	<u>\$ 3,914</u>	<u>\$ 304,177</u>	<u>\$ 227,819</u>

## Nonmajor Governmental Funds

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DEBT SERVICE December 31, 2016 (In Thousands)

	General Bond Interest and Redemption	Interfund Notes Payable Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2016	2015
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 10,384	\$ 8	\$ 875	\$ 11,267	\$ 11,455
Receivables, Net of Allowances	422	—	1	423	295
Due from Other Funds	—	—	—	—	—
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	—	—	—	—	—
Total Assets	10,806	8	876	11,690	11,750
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 10,806</u>	<u>\$ 8</u>	<u>\$ 876</u>	<u>\$ 11,690</u>	<u>\$ 11,750</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —
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	—	—	—	—	—
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	295	—	—	295	203
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	10,511	8	876	11,395	11,547
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	10,511	8	876	11,395	11,547
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,806</u>	<u>\$ 8</u>	<u>\$ 876</u>	<u>\$ 11,690</u>	<u>\$ 11,750</u>

## The City of Seattle

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS December 31, 2016 (In Thousands)

	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement	Park Mitigation Remediation	Parks Capital Projects
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 452	\$ 11	\$ 29	\$ 13,634	\$ 2,695
Receivables, Net of Allowances	1	—	—	16	6,621
Due from Other Funds	—	—	—	—	—
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	925
Other Current Assets	—	—	—	—	—
Total Assets	453	11	29	13,650	10,241
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 453</u>	<u>\$ 11</u>	<u>\$ 29</u>	<u>\$ 13,650</u>	<u>\$ 10,241</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ 2	\$ —	\$ 112	\$ 2,073
Contracts Payable	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	2
Due to Other Funds	—	—	—	13	208
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	8,000
Other Current Liabilities	—	—	—	—	5
Total Liabilities	—	2	—	125	10,288
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	—	—	—	—	—
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	453	9	29	13,525	—
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	(47)
Total Fund Balances	453	9	29	13,525	(47)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 453</u>	<u>\$ 11</u>	<u>\$ 29</u>	<u>\$ 13,650</u>	<u>\$ 10,241</u>

## Nonmajor Governmental Funds

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS December 31, 2016 (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	\$ 54	\$ 21,271	\$ 1,711	\$ 987	\$ 3,277
Receivables, Net of Allowances	—	114	17	1	6
Due from Other Funds	—	103	93	—	4
Due from Other Governments	—	85	—	—	—
Interfund Loans and Advances	—	8,000	—	—	—
Other Current Assets	—	—	—	—	—
Total Assets	54	29,573	1,821	988	3,287
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 54</u>	<u>\$ 29,573</u>	<u>\$ 1,821</u>	<u>\$ 988</u>	<u>\$ 3,287</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ 945	\$ 47	\$ —	\$ 1,309
Contracts Payable	—	—	—	—	81
Salaries, Benefits, and Taxes Payable	—	—	—	—	—
Due to Other Funds	—	140	5	15	5
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	101	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Liabilities	—	9	—	—	—
Total Liabilities	—	1,195	52	15	1,395
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	71	—	—	2
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	54	28,307	1,769	973	1,890
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	54	28,307	1,769	973	1,890
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 54</u>	<u>\$ 29,573</u>	<u>\$ 1,821</u>	<u>\$ 988</u>	<u>\$ 3,287</u>

## The City of Seattle

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS December 31, 2016 (In Thousands)

	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	\$ 175	\$ 42	\$ 114	\$ 131	\$ 1,879
Receivables, Net of Allowances	8,216	—	—	—	3
Due from Other Funds	—	—	—	—	—
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	—	—	—	—	—
Total Assets	8,391	42	114	131	1,882
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 8,391</u>	<u>\$ 42</u>	<u>\$ 114</u>	<u>\$ 131</u>	<u>\$ 1,882</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —
Contracts Payable	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—
Due to Other Funds	—	8	—	—	1,039
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—
Total Liabilities	—	8	—	—	1,039
<b>DEFERRED INFLOWS OF RESOURCES</b>	7,855	—	—	—	—
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	536	34	114	131	843
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	536	34	114	131	843
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,391</u>	<u>\$ 42</u>	<u>\$ 114</u>	<u>\$ 131</u>	<u>\$ 1,882</u>

## Nonmajor Governmental Funds

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS December 31, 2016 (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	\$ 348	\$ 1,024	\$ 8,632	\$ 1,731	\$ 3,189	\$ 847
Receivables, Net of Allowances	—	1	11	1	4	1
Due from Other Funds	—	4	—	—	—	—
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
Total Assets	348	1,029	8,643	1,732	3,193	848
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 348</u>	<u>\$ 1,029</u>	<u>\$ 8,643</u>	<u>\$ 1,732</u>	<u>\$ 3,193</u>	<u>\$ 848</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ 2	\$ —	\$ 16	\$ —	\$ —
Contracts Payable	—	59	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—	—
Due to Other Funds	—	131	3,412	1,201	43	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	22,001	—	—
Other Current Liabilities	—	—	—	—	—	—
Total Liabilities	—	192	3,412	23,218	43	—
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	348	837	5,231	—	3,150	848
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	(21,486)	—	—
Total Fund Balances	348	837	5,231	(21,486)	3,150	848
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 348</u>	<u>\$ 1,029</u>	<u>\$ 8,643</u>	<u>\$ 1,732</u>	<u>\$ 3,193</u>	<u>\$ 848</u>

## The City of Seattle

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS December 31, 2016 (In Thousands)

	2015 Multipurpose Long-Term General Obligation Bond	2016 Multipurpose Long-Term General Obligation Bond	2017 Multipurpose Long-Term General Obligation Bond	Garage Proceeds Disposition Fund	Comparative Totals	
					2016	2015
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 6,340	\$ 45,944	\$ —	\$ 22,702	\$ 137,219	\$ 125,972
Receivables, Net of Allowances	21	33	—	28	15,095	11,545
Due from Other Funds	—	222	—	—	426	394
Due from Other Governments	—	—	—	—	85	14
Interfund Loans and Advances	—	—	—	—	8,925	18,401
Other Current Assets	—	—	—	—	—	—
Total Assets	6,361	46,199	—	22,730	161,750	156,326
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 6,361</u>	<u>\$ 46,199</u>	<u>\$ —</u>	<u>\$ 22,730</u>	<u>\$ 161,750</u>	<u>\$ 156,326</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 5	\$ 119	\$ —	\$ —	\$ 4,630	\$ 5,159
Contracts Payable	102	34	—	—	276	723
Salaries, Benefits, and Taxes Payable	—	—	—	—	2	3
Due to Other Funds	185	6,685	12,358	609	26,057	12,600
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	101	232
Interfund Loans and Advances	—	—	—	—	30,001	22,751
Other Current Liabilities	—	—	—	—	14	20
Total Liabilities	292	6,838	12,358	609	61,081	41,488
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	—	—	—	7,928	9,308
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	6,069	39,361	—	22,121	126,632	128,194
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	(12,358)	—	(33,891)	(22,664)
Total Fund Balances	6,069	39,361	(12,358)	22,121	92,741	105,530
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,361</u>	<u>\$ 46,199</u>	<u>\$ —</u>	<u>\$ 22,730</u>	<u>\$ 161,750</u>	<u>\$ 156,326</u>

## Nonmajor Governmental Funds

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### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS PERMANENT December 31, 2016 (In Thousands)

	H. H. Dearborn	Beach Maintenance Trust	Comparative Totals	
			2016	2015
ASSETS				
Cash and Equity in Pooled Investments	\$ 145	\$ 2,031	\$ 2,176	\$ 2,166
Receivables, Net of Allowances	—	2	2	2
Due from Other Funds	—	—	—	—
Due from Other Governments	—	—	—	—
Interfund Loans and Advances	—	—	—	—
Other Current Assets	—	—	—	—
Total Assets	145	2,033	2,178	2,168
DEFERRED OUTFLOWS OF RESOURCES				
	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 145	\$ 2,033	\$ 2,178	\$ 2,168
LIABILITIES				
Accounts Payable	\$ —	\$ 1	\$ 1	\$ 6
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	1	6
DEFERRED INFLOWS OF RESOURCES				
	—	—	—	—
FUND BALANCES				
Nonspendable	50	2,000	2,050	2,050
Restricted	95	32	127	112
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total Fund Balances	145	2,032	2,177	2,162
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 145	\$ 2,033	\$ 2,178	\$ 2,168

## 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, 2016 (In Thousands)

					Comparative Totals	
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	2016	2015
REVENUES						
Taxes	\$ 193,609	\$ 28,614	\$ 69	\$ —	\$ 222,292	\$ 142,593
Licenses and Permits	1,443	—	—	—	1,443	976
Grants, Shared Revenues, and Contributions	77,711	983	15,340	—	94,034	86,640
Charges for Services	68,292	—	—	—	68,292	64,393
Fines and Forfeits	13,878	—	15	—	13,893	5,982
Parking Fees and Space Rent	29,332	351	—	—	29,683	28,195
Program Income, Interest, and Miscellaneous Revenues	3,664	977	1,979	20	6,640	11,322
Total Revenues	387,929	30,925	17,403	20	436,277	340,101
EXPENDITURES						
Current						
General Government	11,517	—	20,501	—	32,018	22,559
Public Safety	1,847	—	—	—	1,847	8,486
Physical Environment	459	—	—	—	459	1,022
Transportation	54,845	—	—	—	54,845	26,445
Economic Environment	115,396	—	—	—	115,396	92,690
Health and Human Services	104,209	—	—	—	104,209	96,192
Culture and Recreation	225,361	—	5	—	225,366	193,887
Capital Outlay						
General Government	—	—	16,892	—	16,892	16,463
Public Safety	—	—	15,149	—	15,149	9,994
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	241	—	32,100	5	32,346	19,332
Debt Service						
Principal	45	50,218	1,320	—	51,583	48,795
Interest	12	32,009	645	—	32,666	28,880
Bond Issuance Cost	—	—	627	—	627	1,946
Total Expenditures	513,932	82,227	87,239	5	683,403	566,691
Excess (Deficiency) of Revenues over Expenditures	(126,003)	(51,302)	(69,836)	15	(247,126)	(226,590)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	—	—	145,139	—	145,139	350,255
Premium on Bonds Issued	—	—	22,177	—	22,177	40,113
Payment to Refunded Bond Escrow Agent	—	—	(31,909)	—	(31,909)	(155,030)
Sales of Capital Assets	27	—	—	—	27	956
Transfers In	239,607	51,150	33,353	—	324,110	268,552
Transfers Out	(59,962)	—	(111,713)	—	(171,675)	(189,811)
Total Other Financing Sources (Uses)	179,672	51,150	57,047	—	287,869	315,035
Net Change in Fund Balance	53,669	(152)	(12,789)	15	40,743	88,445
Fund Balances - Beginning of Year	139,744	11,547	105,530	2,162	258,983	170,538
Fund Balances - End of Year	\$ 193,413	\$ 11,395	\$ 92,741	\$ 2,177	\$ 299,726	\$ 258,983

## 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, 2016  
(In Thousands)

	Parks and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation	Seattle Center	Wheelchair Accessibility
<b>REVENUES</b>						
Taxes	\$ —	\$ —	\$ —	\$ 27	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	1,443
Grants, Shared Revenues, and Contributions	555	6,202	—	—	—	—
Charges for Services	47,697	223	—	—	9,077	—
Fines and Forfeits	2	—	—	—	—	—
Parking Fees and Space Rent	7,468	89	—	—	21,755	—
Program Income, Interest, and Miscellaneous Revenues	291	36	—	25	202	8
Total Revenues	56,013	6,550	—	52	31,034	1,451
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	885	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	6,554	—	—	—	—
Economic Environment	—	—	—	—	—	654
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	151,170	—	184	—	42,616	—
Capital Outlay						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	118	—	—	—	—	—
Debt Service						
Principal	24	—	—	—	21	—
Interest	10	—	—	—	2	—
Bond Issuance Cost	—	—	—	—	—	—
Total Expenditures	151,322	6,554	184	885	42,639	654
Excess (Deficiency) of Revenues over Expenditures	(95,309)	(4)	(184)	(833)	(11,605)	797
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	21	—	—	—	6	—
Transfers In	100,568	—	—	—	14,210	—
Transfers Out	(3,003)	—	—	—	(510)	—
Total Other Financing Sources (Uses)	97,586	—	—	—	13,706	—
Net Change in Fund Balance	2,277	(4)	(184)	(833)	2,101	797
Fund Balances - Beginning of Year	5,282	(3,188)	222	2,858	4,799	724
Fund Balances - End of Year	\$ 7,559	\$ (3,192)	\$ 38	\$ 2,025	\$ 6,900	\$ 1,521

## 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, 2016  
(In Thousands)

	Election Vouchers Fund	Education and Early Learning	Human Service Operating	Office Of Housing	Housing Community Development Revenue Sharing	Education and Development Services
<b>REVENUES</b>						
Taxes	\$ 2,959	\$ —	\$ 935	\$ 1,809	\$ —	\$ 33,251
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	4,253	52,320	714	10,832	—
Charges for Services	—	341	3,700	2,633	7	—
Fines and Forfeits	—	—	179	—	—	—
Parking Fees and Space Rent	—	—	—	20	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	97	148	1,558	529
Total Revenues	2,959	4,594	57,231	5,324	12,397	33,780
<b>EXPENDITURES</b>						
Current						
General Government	1,015	—	9,617	—	—	—
Public Safety	—	—	625	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	76,429	5,339	10,152	—
Health and Human Services	—	46,882	56,390	—	—	688
Culture and Recreation	—	—	—	—	883	—
Capital Outlay						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	—	13	—	—	—	—
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
Total Expenditures	1,015	46,895	143,061	5,339	11,035	688
Excess (Deficiency) of Revenues over Expenditures	1,944	(42,301)	(85,830)	(15)	1,362	33,092
<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	—	43,338	80,861	416	—	—
Transfers Out	—	—	(50)	(50)	—	(30,168)
Total Other Financing Sources (Uses)	—	43,338	80,811	366	—	(30,168)
Net Change in Fund Balance	1,944	1,037	(5,019)	351	1,362	2,924
Fund Balances - Beginning of Year	—	1,053	18,751	1,883	(132)	50,250
Fund Balances - End of Year	\$ 1,944	\$ 2,090	\$ 13,732	\$ 2,234	\$ 1,230	\$ 53,174

## 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, 2016  
(In Thousands)

	Preschool Levy 2014	2012 Library Levy	School Zone Automatic Camera Fund	Metropolitan Parks District	Business Improvement Areas	Transportation Benefit District
<b>REVENUES</b>						
Taxes	\$ 14,462	\$ 17,432	\$ —	\$ 47,568	\$ 19,011	\$ 56,155
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	13,691	—	—	—
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	114	121	45	(4)	92	238
Total Revenues	14,576	17,553	13,736	47,564	19,103	56,393
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	48,291
Economic Environment	—	—	—	—	22,707	—
Health and Human Services	86	—	—	—	—	—
Culture and Recreation	—	2,966	—	24,346	—	—
Capital Outlay						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	—	110	—	—	—	—
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
Total Expenditures	86	3,076	—	24,346	22,707	48,291
Excess (Deficiency) of Revenues over Expenditures	14,490	14,477	13,736	23,218	(3,604)	8,102
<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	(6,124)	(13,340)	(6,717)	—	—	—
Total Other Financing Sources (Uses)	(6,124)	(13,340)	(6,717)	—	—	—
Net Change in Fund Balance	8,366	1,137	7,019	23,218	(3,604)	8,102
Fund Balances - Beginning of Year	12,367	9,582	1,843	(8,175)	5,578	20,809
Fund Balances - End of Year	\$ 20,733	\$ 10,719	\$ 8,862	\$ 15,043	\$ 1,974	\$ 28,911

## 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, 2016  
(In Thousands)

	General Trust	Municipal Arts	General Donation and Gift Trust	Comparative Totals	
				2016	2015
<b>REVENUES</b>					
Taxes	—	—	—	193,609	123,676
Licenses and Permits	—	—	—	1,443	976
Grants, Shared Revenues, and Contributions	1,347	—	1,488	77,711	76,150
Charges for Services	—	4,614	—	68,292	61,134
Fines and Forfeits	—	—	6	13,878	5,966
Parking Fees and Space Rent	—	—	—	29,332	27,837
Program Income, Interest, and Miscellaneous Revenues	35	93	36	3,664	7,763
Total Revenues	1,382	4,707	1,530	387,929	303,502
<b>EXPENDITURES</b>					
Current					
General Government	—	—	—	11,517	9,060
Public Safety	1,147	—	75	1,847	8,486
Physical Environment	—	—	459	459	1,022
Transportation	—	—	—	54,845	26,445
Economic Environment	—	—	115	115,396	92,690
Health and Human Services	—	—	163	104,209	96,192
Culture and Recreation	—	3,116	80	225,361	193,887
Capital Outlay					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	356
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	—	—	—	241	1,149
Debt Service					
Principal	—	—	—	45	30
Interest	—	—	—	12	29
Bond Issuance Cost	—	—	—	—	—
Total Expenditures	1,147	3,116	892	513,932	429,346
Excess (Deficiency) of Revenues over Expenditures	235	1,591	638	(126,003)	(125,844)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—
Sales of Capital Assets	—	—	—	27	44
Transfers In	27	187	—	239,607	218,016
Transfers Out	—	—	—	(59,962)	(50,047)
Total Other Financing Sources (Uses)	27	187	—	179,672	168,013
Net Change in Fund Balance	262	1,778	638	53,669	42,169
Fund Balances - Beginning of Year	3,801	8,519	2,918	139,744	97,575
Fund Balances - End of Year	\$ 4,063	\$ 10,297	\$ 3,556	\$ 193,413	\$ 139,744

## 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, 2016**  
*(In Thousands)*

	General Bond Interest and Redemption	Interfund Notes Payable - Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2016	2015
<b>REVENUES</b>					
Taxes	\$ 28,614	\$ —	\$ —	\$ 28,614	\$ 18,658
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	983	—	—	983	978
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	351	—	—	351	349
Program Income, Interest, and Miscellaneous Revenues	969	—	8	977	999
Total Revenues	30,917	—	8	30,925	20,984
<b>EXPENDITURES</b>					
Current					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
Capital Outlay					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
Debt Service					
Principal	50,218	—	—	50,218	47,195
Interest	32,009	—	—	32,009	28,185
Bond Issuance Cost	—	—	—	—	—
Total Expenditures	82,227	—	—	82,227	75,380
Excess (Deficiency) of Revenues over Expenditures	(51,310)	—	8	(51,302)	(54,396)
<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	51,150	—	—	51,150	50,278
Transfers Out	—	—	—	—	—
Total Other Financing Sources (Uses)	51,150	—	—	51,150	50,278
Net Change in Fund Balance	(160)	—	8	(152)	(4,118)
Fund Balances - Beginning of Year	10,671	8	868	11,547	15,665
Fund Balances - End of Year	\$ 10,511	\$ 8	\$ 876	\$ 11,395	\$ 11,547

## The City of Seattle

**D-9** **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement	Park Mitigation Remediation	Parks Capital Projects
<b>REVENUES</b>					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	11,662
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	24	—	—	175	7
Total Revenues	24	—	—	175	11,669
<b>EXPENDITURES</b>					
Current					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	5	—	—	—
Capital Outlay					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	—	—	1	4,776	12,158
Debt Service					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—
Total Expenditures	—	5	1	4,776	12,158
Excess (Deficiency) of Revenues over Expenditures	24	(5)	(1)	(4,601)	(489)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	—	—	447
Premium on Bonds Issued	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—
Transfers In	—	—	—	—	—
Transfers Out	—	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—	447
Net Change in Fund Balance	24	(5)	(1)	(4,601)	(42)
Fund Balances - Beginning of Year	429	14	30	18,126	(5)
Fund Balances - End of Year	\$ 453	\$ 9	\$ 29	\$ 13,525	\$ (47)



## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2016**  
*(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>REVENUES</b>					
Taxes	\$ —	\$ 67	\$ —	\$ —	\$ 2
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	231	265	—	—
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	407	13	10	53
Total Revenues	—	705	278	10	55
<b>EXPENDITURES</b>					
Current					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
Capital Outlay					
General Government	—	—	—	107	—
Public Safety	—	—	—	—	3,540
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	—	11,789	476	—	—
Debt Service					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—
Total Expenditures	—	11,789	476	107	3,540
Excess (Deficiency) of Revenues over Expenditures	—	(11,084)	(198)	(97)	(3,485)
<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	—	—	650	—	—
Transfers Out	—	(34)	—	—	—
Total Other Financing Sources (Uses)	—	(34)	650	—	—
Net Change in Fund Balance	—	(11,118)	452	(97)	(3,485)
Fund Balances - Beginning of Year	54	39,425	1,317	1,070	5,375
Fund Balances - End of Year	<u>\$ 54</u>	<u>\$ 28,307</u>	<u>\$ 1,769</u>	<u>\$ 973</u>	<u>\$ 1,890</u>

## The City of Seattle

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	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	1,322	—	—	—	—
Charges for Services	—	—	—	—	—
Fines and Forfeits	15	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	437	4	1	1	90
Total Revenues	1,774	4	1	1	90
<b>EXPENDITURES</b>					
Current					
General Government	—	—	—	—	—
Public Safety	—	—	—	—	—
Physical Environment	—	—	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
Capital Outlay					
General Government	—	—	—	—	—
Public Safety	—	120	—	—	—
Transportation	—	—	—	—	—
Economic Environment	—	—	—	—	—
Culture and Recreation	—	—	—	—	179
Debt Service					
Principal	1,320	—	—	—	—
Interest	371	—	—	—	—
Bond Issuance Cost	—	—	—	—	—
Total Expenditures	1,691	120	—	—	179
Excess (Deficiency) of Revenues over Expenditures	83	(116)	1	1	(89)
<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	—	(286)	—	—	(6,862)
Total Other Financing Sources (Uses)	—	(286)	—	—	(6,862)
Net Change in Fund Balance	83	(402)	1	1	(6,951)
Fund Balances - Beginning of Year	453	436	113	130	7,794
Fund Balances - End of Year	<u>\$ 536</u>	<u>\$ 34</u>	<u>\$ 114</u>	<u>\$ 131</u>	<u>\$ 843</u>

## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2016  
(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	—	—	—	—	1,860	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	14	17	132	(8)	19	47
<b>Total Revenues</b>	<b>14</b>	<b>17</b>	<b>132</b>	<b>(8)</b>	<b>1,879</b>	<b>47</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	—	—	—	1,117	—	198
Public Safety	—	776	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	42	273	6	1,261	922	32
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	274	—	—
Bond Issuance Cost	—	—	204	—	—	—
<b>Total Expenditures</b>	<b>42</b>	<b>1,049</b>	<b>210</b>	<b>2,652</b>	<b>922</b>	<b>230</b>
Excess (Deficiency) of Revenues over Expenditures	(28)	(1,032)	(78)	(2,660)	957	(183)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	36,740	—	—	—
Premium on Bonds Issued	—	—	5,134	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	(1,470)	—	(52,099)	(347)	(200)	—
<b>Total Other Financing Sources (Uses)</b>	<b>(1,470)</b>	<b>—</b>	<b>(10,225)</b>	<b>(347)</b>	<b>(200)</b>	<b>—</b>
Net Change in Fund Balance	(1,498)	(1,032)	(10,303)	(3,007)	757	(183)
Fund Balances - Beginning of Year	1,846	1,869	15,534	(18,479)	2,393	1,031
<b>Fund Balances - End of Year</b>	<b>\$ 348</b>	<b>\$ 837</b>	<b>\$ 5,231</b>	<b>\$ (21,486)</b>	<b>\$ 3,150</b>	<b>\$ 848</b>

## The City of Seattle

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2016  
(In Thousands)**

	2015 Multipurpose Long-Term General Obligation Bond	2016 Multipurpose Long-Term General Obligation Bond	2017 Multipurpose Long-Term General Obligation Bond	Garage Proceeds Disposition Fund	Comparative Totals	
					2016	2015
<b>REVENUES</b>						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 69	\$ 259
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	15,340	9,512
Charges for Services	—	—	—	—	—	3,259
Fines and Forfeits	—	—	—	—	15	16
Parking Fees and Space Rent	—	—	—	—	—	9
Program Income, Interest, and Miscellaneous Revenues	356	238	—	(58)	1,979	2,538
<b>Total Revenues</b>	<b>356</b>	<b>238</b>	<b>—</b>	<b>(58)</b>	<b>17,403</b>	<b>15,593</b>
<b>EXPENDITURES</b>						
Current						
General Government	14,501	6,000	—	—	20,501	13,499
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	5	—
Capital Outlay						
General Government	593	12,332	—	2,545	16,892	16,463
Public Safety	404	10,309	—	—	15,149	9,638
Transportation	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Culture and Recreation	185	—	—	—	32,100	18,172
Debt Service						
Principal	—	—	—	—	1,320	1,570
Interest	—	—	—	—	645	666
Bond Issuance Cost	—	423	—	—	627	1,946
<b>Total Expenditures</b>	<b>15,683</b>	<b>29,064</b>	<b>—</b>	<b>2,545</b>	<b>87,239</b>	<b>61,954</b>
Excess (Deficiency) of Revenues over Expenditures	(15,327)	(28,826)	—	(2,603)	(69,836)	(46,361)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	107,952	—	—	145,139	350,255
Premium on Bonds Issued	—	17,043	—	—	22,177	40,113
Payment to Refunded Bond Escrow Agent	—	(31,909)	—	—	(31,909)	(155,030)
Sales of Capital Assets	—	—	—	—	—	912
Transfers In	—	—	—	32,703	33,353	258
Transfers Out	(9,359)	(20,719)	(12,358)	(7,979)	(111,713)	(139,764)
<b>Total Other Financing Sources (Uses)</b>	<b>(9,359)</b>	<b>72,367</b>	<b>(12,358)</b>	<b>24,724</b>	<b>57,047</b>	<b>96,744</b>
Net Change in Fund Balance	(24,686)	43,541	(12,358)	22,121	(12,789)	50,383
Fund Balances - Beginning of Year	30,755	(4,180)	—	—	105,530	55,147
<b>Fund Balances - End of Year</b>	<b>\$ 6,069</b>	<b>\$ 39,361</b>	<b>\$ (12,358)</b>	<b>\$ 22,121</b>	<b>\$ 92,741</b>	<b>\$ 105,530</b>

## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT  
For the Year Ended December 31, 2016  
(In Thousands)**

	H. H. Dearborn	Beech Maintenance Trust	Comparative Totals	
			2016	2015
<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	18	20	22
Total Revenues	2	18	20	22
<b>EXPENDITURES</b>				
Current				
General Government	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Transportation	—	—	—	—
Economic Environment	—	—	—	—
Culture and Recreation	—	5	5	11
Debt Service				
Principal	—	—	—	—
Interest	—	—	—	—
Bond Issuance Cost	—	—	—	—
Total Expenditures	—	5	5	11
Excess (Deficiency) of Revenues over Expenditures	2	13	15	11
<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	2	13	15	11
Fund Balances - Beginning of Year	143	2,019	2,162	2,151
Fund Balances - End of Year	\$ 145	\$ 2,032	\$ 2,177	\$ 2,162

## The City of Seattle

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**Budget and Actual**

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## Budget and Actual

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**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 281,692	\$ 283,735	\$ —	\$ 2,043
Retail Sales and Use Taxes	230,608	238,558	—	7,950
Business Taxes	284,853	285,723	—	870
Excise Taxes	58,265	82,774	—	24,509
Other Taxes	8,594	10,328	—	1,734
Interfund Business Taxes	146,558	146,525	—	(33)
Total Taxes	1,010,570	1,047,643	—	37,073
Licenses and Permits	36,124	33,059	—	(3,065)
Grants, Shared Revenues, and Contributions	53,084	30,284	—	(22,800)
Charges for Services	50,712	61,154	—	10,442
Fines and Forfeits	29,897	30,730	—	833
Parking Fees and Space Rent	39,767	38,291	—	(1,476)
Program Income, Interest, and Miscellaneous Revenues	276,514	276,895	—	381
Total Revenues	1,496,668	1,518,056	—	21,388
<b>EXPENDITURES AND ENCUMBRANCES</b>				
CITY AUDITOR	2,213	1,671	355	187
CITY BUDGET OFFICE	6,362	6,073	71	218
CIVIL SERVICE COMMISSIONS	525	478	—	47
CRIMINAL JUSTICE				
Jail Services	17,877	16,912	—	965
Indigent Defense Services	7,343	7,340	—	3
Total Criminal Justice	25,220	24,252	—	968
ETHICS AND ELECTIONS	816	818	—	(2)
EXECUTIVE				
Sustainability and Environment	7,954	4,537	10	3,407
Mayor's Office	7,833	6,430	34	1,369
Economic Development	11,855	9,264	477	2,114
Intergovernmental Relations	2,935	2,905	—	30
Immigrant and Refugee Affairs	2,947	2,449	64	434
Community Police Commission	1,008	699	140	169
Civil Rights	7,784	6,873	560	351
Planning and Community Development	9,445	8,667	582	196
Total Executive	51,761	41,824	1,867	8,070
FINANCE AND ADMINISTRATIVE SERVICES	629	251	—	378

## The City of Seattle

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**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
<b>FINANCE GENERAL</b>				
Appropriations to Special Purpose Funds	\$ 43,581	\$ 43,578	\$ —	\$ 3
Reserves	38,942	30,183	224	8,535
Support to Operating Funds	46,628	46,626	—	2
Support to Parks Capital Expenditures	60	—	—	60
Total Finance General	129,211	120,387	224	8,600
<b>FIRE</b>				
Administration	9,914	9,394	—	520
Resource Management	13,012	12,250	—	762
Operations	161,782	161,572	—	210
Fire Prevention	8,255	7,987	—	268
Grants and Reimbursables	14,279	7,591	—	6,688
Total Department	207,242	198,794	—	8,448
HEARING EXAMINER	741	719	3	19
<b>LAW</b>				
Administration	2,611	2,468	—	143
Civil Law	15,004	14,821	—	183
Criminal Prosecution	7,579	7,424	—	155
Precinct Liaison	732	704	—	28
Total Department	25,926	25,417	—	509
LEGISLATIVE	16,002	14,487	262	1,253
<b>MUNICIPAL COURT</b>				
Court Operations	17,760	17,705	—	55
Corporate Services	7,694	7,679	—	15
Court Compliance	6,150	6,135	—	15
Total Department	31,604	31,519	—	85
<b>NEIGHBORHOODS</b>				
Director's Office	1,706	1,445	253	8
Customer Service and Operations	1,956	1,771	30	155
Community Building	4,658	4,226	117	315
Youth Violence Prevention	147	145	—	2
Total Department	8,467	7,587	400	480

## Budget and Actual

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**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
HUMAN RESOURCES				
Employment and Training	\$ 6,171	\$ 5,792	\$ 367	\$ 12
Employee Health Services	7,364	7,079	205	80
Citywide Personnel	2,654	2,236	408	10
Labor Relations and Class Compensation	2,051	2,043	—	8
Total Department	18,240	17,150	980	110
POLICE				
Chief of Police	20,419	11,809	71	8,539
Professional Accountability	3,374	3,366	—	8
Chief of Staff Program	28,081	27,831	—	250
Deputy Chief Operations	3,134	3,113	—	21
Special Operations Bureau	17,886	17,859	—	27
Professional Standards Program	53,442	51,448	7	1,987
West Precinct Patrol	31,138	30,987	75	76
North Precinct Patrol	33,004	32,763	2	239
South Precinct Patrol	17,704	17,621	2	81
East Precinct Patrol	23,796	23,727	2	67
Southwest Precinct Patrol	16,108	16,005	2	101
Criminal Investigation Administration	11,430	11,263	—	167
Violent Crimes Investigation	8,165	8,123	—	42
Narcotics Investigation	5,065	4,928	—	137
Coordinated Criminal Investigations	8,913	8,816	—	97
Special Victims Program	7,052	6,914	—	138
Field Support	47,036	45,770	51	1,215
Total Department	335,747	322,343	212	13,192
JUDGMENTS/CLAIMS	21,700	14,181	—	7,519
ARTS ACCOUNT	9,209	7,002	2,125	82
CABLE TELEVISION FRANCHISE	9,666	9,666	—	—
CUMULATIVE RESERVE				
Real Estate Excise Tax I	56,714	19,652	—	37,062
Real Estate Excise Tax II	20,197	2,778	—	17,419
Capital Projects Asset Preservation	10,565	5,282	—	5,283
Capital Projects Street Vacation	1,994	—	—	1,994
Unrestricted	17,970	1,193	—	16,777
Total Cumulative Reserve	107,440	28,905	—	78,535

## The City of Seattle

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**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
NEIGHBORHOOD MATCHING	\$ 9,071	\$ 3,654	\$ —	\$ 5,417
EMERGENCY	(4)	—	—	(4)
TRANSIT BENEFIT	5,252	5,348	—	(96)
SPECIAL EMPLOYMENT	100	19	—	81
INDUSTRIAL INSURANCE	20,234	17,558	116	2,560
UNEMPLOYMENT COMPENSATION	1,925	1,557	—	368
HEALTH CARE	201,467	197,504	—	3,963
GROUP TERM LIFE INSURANCE	6,475	6,048	—	427
FIREMEN'S PENSION	19,607	19,393	—	214
POLICE RELIEF AND PENSION	21,849	20,566	—	1,283
Total Expenditures and Encumbrances	1,294,697	1,145,171	6,615	142,911
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	201,971	372,885	(6,615)	(121,523)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	2,947	96	—	(2,851)
Transfers In	56,311	35,431	—	(20,880)
Transfers Out	(394,763)	(370,259)	—	24,504
Total Other Financing Sources (Uses)	(335,505)	(334,732)	—	773
Net Change in Fund Balance	\$ (133,534)	38,153	\$ (6,615)	\$ (120,750)
Fund Balance - Beginning of Year as Restated		387,956		
Fund Balance - End of Year		\$ 426,109		

## Budget and Actual

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### TRANSPORTATION FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2016 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 94,959	\$ 94,108	\$ —	\$ (851)
Business Taxes	38,329	40,275	—	1,946
Other Taxes	—	(2)	—	(2)
Total Taxes	133,288	134,381	—	1,093
Licenses and Permits	(190)	7,241	—	7,431
Grants, Shared Revenues, and Contributions	50,103	35,080	—	(15,023)
Charges for Services	68,803	104,541	—	35,738
Fines and Forfeits	—	165	—	165
Parking Fees and Space Rent	(162)	259	—	421
Program Income, Interest, and Miscellaneous Revenues	(369)	825	—	1,194
Total Revenues	251,473	282,492	—	31,019
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Bridges and Structures	11,080	9,867	—	1,213
Engineering Services	4,191	5,846	—	(1,655)
Mobility Operations	42,200	80,912	1,084	(39,796)
Right-of-Way Management	32,472	31,391	—	1,081
Street Maintenance	23,421	25,623	—	(2,202)
Urban Forestry	5,380	5,510	—	(130)
Department Management	3,575	934	55	2,586
General Expense	30,775	5,372	—	25,403
Major Maintenance/Replacement	98,302	59,186	—	39,116
Major Projects	53,356	102,075	—	(48,719)
Mobility Capital	187,537	78,255	—	109,282
Total Expenditures and Encumbrances	492,289	404,971	1,139	86,179
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(240,816)	(122,479)	(1,139)	(55,160)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	(2,095)	—	—	(2,095)
Transfers In	390,803	177,871	—	212,932
Transfers Out	(55,812)	(28,851)	—	(26,961)
Total Other Financing Sources (Uses)	332,896	149,020	—	183,876
Net Change in Fund Balance	\$ 92,080	26,541	\$ (1,139)	\$ 128,716
Fund Balance - Beginning of Year		70,997		
Fund Balance - End of Year		\$ 97,538		

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## 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, 2016 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
General Property Taxes	\$ 36,036	\$ 17,878	\$ —	\$ (18,158)
Grants, Shared Revenues, and Contributions	18,513	1,132	—	(17,381)
Charges for Services	(4,179)	20,193	—	24,372
Program Income, Interest, and Miscellaneous Revenues	1,581	11,432	—	9,851
Total Revenues	51,951	50,635	—	(1,316)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Community Development	46	—	—	46
Administration and Management	20,695	1,732	—	18,963
Multifamily Production and Preservation	126,799	27,906	418	98,475
Single Family	26,258	3,171	—	23,087
Total Expenditures and Encumbrances	173,798	32,809	418	140,571
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(121,847)	17,826	(418)	139,255
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	(15)	—	—	15
Total Other Financing Sources (Uses)	(15)	—	—	15
Net Change in Fund Balance	\$ (121,862)	17,826	\$ (418)	\$ 139,270
Fund Balance - Beginning of Year		136,771		
Fund Balance - End of Year		\$ 154,597		

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## 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, 2016 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ 580	\$ 555	\$ —	\$ (25)
Charges for Services	36,721	47,697	—	10,976
Fines and Forfeits	—	2	—	2
Parking Fees and Space Rent	6,818	7,468	—	650
Program Income, Interest, and Miscellaneous Revenues	139	291	—	152
Total Revenues	44,258	56,013	—	11,755
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Gasworks Park Contamination Remediation	—	(1)	—	1
Swimming, Boating, and Aquatics	10,256	10,251	—	5
Recreation Facilities and Programs	29,467	29,099	—	368
Facility and Structure Maintenance	18,388	17,569	—	819
Park Cleaning, Landscaping, and Restoration	33,643	32,177	—	1,466
Seattle Conservation Corps	4,884	4,975	—	(91)
Seattle Aquarium	1,080	1,079	—	1
Woodland Park Zoo	7,078	6,904	—	174
Planning, Development, and Acquisition	7,837	7,499	—	338
Judgments and Claims	711	711	—	—
Finance and Administration	13,298	11,144	27	2,127
Policy Direction and Leadership	4,792	4,714	—	78
Golf	10,367	10,134	—	233
Environmental Learning and Programs	1,182	1,150	—	32
Natural Resources Management	9,548	9,506	—	42
Regional Parks and Strategic Outreach	4,948	4,412	—	536
Total Expenditures and Encumbrances	157,479	151,323	27	6,129
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(113,221)	(95,310)	(27)	17,884
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	—	21	—	21
Transfers In	110,246	100,568	—	(9,678)
Transfers Out	(4,492)	(3,003)	—	1,489
Total Other Financing Sources (Uses)	105,754	97,586	—	(8,168)
Net Change in Fund Balance	\$ (7,467)	2,276	\$ (27)	\$ 9,716
Fund Balance - Beginning of Year		5,282		
Fund Balance - End of Year		\$ 7,558		

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## The City of Seattle

D-15

### LIBRARY FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2016 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ 7,291	\$ 6,249	\$ —	\$ (1,042)
Charges for Services	735	232	—	(503)
Fines and Forfeits	1,512	1,366	—	(146)
Parking Fees and Space Rent	538	565	—	27
Program Income, Interest, and Miscellaneous Revenues	336	193	—	(143)
Total Revenues	10,412	8,605	—	(1,807)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Administrative Services	12,612	10,214	—	2,398
City Librarian's Office	837	832	—	5
Library Capital Improvements	1	—	—	1
Library Services	50,388	49,482	—	906
Grants, Trusts, and Memorials	13,022	5,513	—	7,509
Bunn Projects - Principal and Interest	2,832	569	—	2,263
Information Technology	5,212	4,253	—	959
Human Resources	1,444	1,297	—	147
Marketing and Online Services	1,257	1,037	30	190
Strategic and Institutional Advance	—	1	—	(1)
Total Expenditures and Encumbrances	87,605	73,198	30	14,377
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(77,193)	(64,593)	(30)	12,570
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	63,863	65,860	—	1,997
Transfers Out	(560)	(560)	—	—
Total Other Financing Sources (Uses)	63,303	65,300	—	1,997
Net Change in Fund Balance	\$ (13,890)	707	\$ (30)	\$ 14,567
Fund Balance - Beginning of Year		15,565		
Fund Balance - End of Year		\$ 16,272		

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## 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, 2016 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ —	\$ —	\$ —	\$ —
Charges for Services	11,514	9,077	—	(2,437)
Parking Fees and Space Rent	15,864	21,755	—	5,891
Program Income, Interest, and Miscellaneous Revenues	(826)	202	—	1,028
Total Revenues	26,552	31,034	—	4,482
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Access	1,260	1,249	—	11
Administration	8,559	8,536	—	23
Cultural Facilities	337	311	—	26
Commercial Events	1,796	1,768	—	28
Festivals	1,351	1,320	—	31
Campus Grounds	13,057	12,714	—	343
Key Arena	9,567	9,353	—	214
McCaw Hall	5,095	4,921	—	174
Community Programs	2,494	2,467	—	27
Total Expenditures and Encumbrances	43,516	42,639	—	877
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(16,964)	(11,605)	—	5,359
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Leases	—	6	—	6
Transfers In	14,210	14,210	—	—
Transfers Out	(510)	(510)	—	—
Total Other Financing Sources (Uses)	13,700	13,706	—	—
Net Change in Fund Balance	<u>\$ (3,264)</u>	<u>2,101</u>	<u>\$ —</u>	<u>\$ 5,359</u>
Fund Balance - Beginning of Year		4,799		
Fund Balance - End of Year		<u>\$ 6,900</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, 2016 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
General Property Taxes	\$ —	\$ 935	\$ —	\$ 935
Grants, Shared Revenues, and Contributions	(4,652)	52,320	—	56,972
Charges for Services	(6,683)	3,700	—	10,383
Fines and Forfeits	—	179	—	179
Program Income, Interest, and Miscellaneous Revenues	(70)	97	—	167
Total Revenues	(11,405)	57,231	—	68,636
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Youth and Family Empowerment	28,625	27,368	—	1,257
Transitional Living and Support	64,486	49,679	—	14,807
Aging and Disability Services	38,921	38,861	—	60
Leadership and Administration	15,920	15,162	—	758
Public Health Services	12,328	11,992	—	336
Community Support and Self-Sufficiency	1,610	—	—	1,610
Total Expenditures and Encumbrances	161,890	143,062	—	18,828
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(173,295)	(85,831)	—	87,464
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	500	80,861	—	80,361
Net Change in Fund Balance	<u>\$ (172,795)</u>	<u>(4,970)</u>	<u>\$ —</u>	<u>\$ 167,825</u>
Fund Balance - Beginning of Year		18,751		
Fund Balance - End of Year		<u>\$ 13,781</u>		

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**Budget and Actual****D-18**

**OFFICE OF HOUSING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
General Property Taxes	\$ —	\$ 1,809	\$ —	\$ 1,809
Grants, Shared Revenues, and Contributions	(612)	714	—	1,326
Charges for Services	7,012	2,633	—	(4,379)
Parking Fees and Space Rent	—	20	—	20
Program Income, Interest, and Miscellaneous Revenues	(2)	148	—	150
Total Revenues	6,398	5,324	—	(1,074)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Office of Housing	6,461	5,339	—	1,122
Total Expenditures and Encumbrances	6,461	5,339	—	1,122
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(63)	(15)	—	48
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	—	416	—	416
Net Change in Fund Balance	<u>\$ (63)</u>	<u>401</u>	<u>\$ —</u>	<u>\$ 48</u>
Fund Balance - Beginning of Year		1,883		
Fund Balance - End of Year		<u>\$ 2,284</u>		

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**The City of Seattle**

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## **Nonmajor Enterprise Funds**

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## 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, 2016

(In Thousands)

	Planning and Development		Downtown Parking Garage	
	2016	2015	2016	2015
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 70,311	\$ 54,625	\$ 32	\$ 36
Receivables, Net of Allowances				
Accounts	947	780	—	47
Interest and Dividends	79	51	—	—
Due from Other Funds	612	957	1,169	—
Due from Other Governments	551	359	—	—
Materials and Supplies Inventory	—	—	—	—
Prepayments and Other Current Assets	751	12	—	—
Total Current Assets	73,251	56,784	1,201	83
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	92	50	—	—
Capital Assets				
Land and Land Rights	—	—	—	12,881
Buildings and Improvements	—	—	—	60,132
Less Accumulated Depreciation	—	—	—	(34,075)
Machinery and Equipment	14,360	14,313	—	458
Less Accumulated Depreciation	(14,288)	(14,169)	—	(161)
Construction in Progress	6,799	4,852	—	—
Total Noncurrent Assets	6,963	5,046	—	39,235
Total Assets	80,214	61,830	1,201	39,318
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	13,962	6,561	—	—
Total Assets and Deferred Outflows of Resources	\$ 94,176	\$ 68,391	\$ 1,201	\$ 39,318

## Nonmajor Enterprise Funds

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### COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

December 31, 2016

(In Thousands)

	Fiber Leasing		Comparative Totals	
	2016	2015	2016	2015
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 11	\$ 11	\$ 70,354	\$ 54,672
Receivables, Net of Allowances				
Accounts	29	28	976	855
Interest and Dividends	—	—	79	51
Due from Other Funds	—	—	1,781	957
Due from Other Governments	—	—	551	359
Materials and Supplies Inventory	—	—	—	—
Prepayments and Other Current Assets	—	—	751	12
Total Current Assets	40	39	74,492	56,906
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	—	—	92	50
Capital Assets				
Land and Land Rights	—	—	—	12,881
Buildings and Improvements	—	—	—	60,132
Less Accumulated Depreciation	—	—	—	(34,075)
Machinery and Equipment	—	—	14,360	14,771
Less Accumulated Depreciation	—	—	(14,288)	(14,330)
Construction in Progress	—	—	6,799	4,852
Total Noncurrent Assets	—	—	6,963	44,281
Total Assets	40	39	81,455	101,187
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	—	—	13,962	6,561
Total Assets and Deferred Outflows of Resources	\$ 40	\$ 39	\$ 95,417	\$ 107,748

## The City of Seattle

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### COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

December 31, 2016

(In Thousands)

	Planning and Development		Downtown Parking Garage	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 573	\$ 623	\$ —	\$ 760
Salaries, Benefits, and Payroll Taxes Payable	1,971	3,223	—	—
Compensated Absences Payable	225	350	—	—
Due to Other Funds	877	336	25	186
Due to Other Governments	—	—	—	—
Bond Interest Payable	—	—	1	676
Taxes Payable	—	—	—	85
General Obligation Bonds Due Within One Year	—	—	—	3,280
Claims Payable	183	265	—	—
Other Current Liabilities	28	43	—	20
Total Current Liabilities	3,857	4,840	26	5,007
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	2,697	3,052	—	—
Claims Payable	353	368	—	—
Vendor and Other Deposits Payable	92	50	—	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	18	—	52,814
Bond Interest Payable	—	—	—	—
Unearned Revenues and Other Credits	18,157	19,054	—	—
Unfunded Other Post Employment Benefits	1,859	1,784	—	—
Net Pension Liability	63,529	52,520	—	—
Advances from Other Funds	—	—	1,200	7,600
Other Noncurrent Liabilities	31	—	—	—
Total Noncurrent Liabilities	86,718	76,846	1,200	60,414
Total Liabilities	90,575	81,686	1,226	65,421
<b>DEFERRED INFLOWS OF RESOURCES</b>	32	—	—	—
<b>NET POSITION</b>				
Net Investment in Capital Assets	6,870	4,956	—	(16,860)
Unrestricted	(3,301)	(18,251)	(25)	(9,245)
Total Net Position	3,569	(13,295)	(25)	(26,105)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 94,176	\$ 68,391	\$ 1,201	\$ 39,316

## Nonmajor Enterprise Funds

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### COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

December 31, 2016

(In Thousands)

	Fiber Leasing		Comparative Totals	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ —	\$ —	\$ 573	\$ 1,383
Salaries, Benefits, and Payroll Taxes Payable	—	—	1,971	3,223
Compensated Absences Payable	—	—	225	350
Due to Other Funds	51	50	953	572
Due to Other Governments	—	—	—	—
Bond Interest Payable	—	—	1	676
Taxes Payable	—	—	—	85
General Obligation Bonds Due Within One Year	—	—	—	3,280
Claims Payable	—	—	183	265
Other Current Liabilities	—	—	28	63
Total Current Liabilities	51	50	3,934	9,897
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	—	—	2,697	3,052
Claims Payable	—	—	353	368
Vendor and Other Deposits Payable	—	—	92	50
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	52,832
Bond Interest Payable	—	—	—	—
Unearned Revenues and Other Credits	—	—	18,157	19,054
Unfunded Other Post Employment Benefits	—	—	1,859	1,784
Net Pension Liability	—	—	63,529	52,520
Advances from Other Funds	—	—	1,200	7,600
Other Noncurrent Liabilities	—	—	31	—
Total Noncurrent Liabilities	—	—	87,918	137,260
Total Liabilities	51	50	91,852	147,157
<b>DEFERRED INFLOWS OF RESOURCES</b>	—	—	32	—
<b>NET POSITION</b>				
Net Investment in Capital Assets	—	—	6,870	(11,904)
Unrestricted	(11)	(11)	(3,337)	(27,507)
Total Net Position	(11)	(11)	3,533	(39,411)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 40	\$ 39	\$ 95,417	\$ 107,746

## 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, 2016

(In Thousands)

	Planning and Development		Downtown Parking Garage	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Charges for Services and Other Fees	\$ 81,000	\$ 66,676	\$ 5,355	\$ 7,885
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	58,929	53,042	1,981	2,988
General and Administrative	11,720	13,519	—	—
City Business and Occupation Taxes	—	—	12	17
Other Taxes	—	—	25	37
Depreciation and Amortization	191	438	1,560	2,081
Total Operating Expenses	70,840	66,999	3,578	5,123
Operating Income (Loss)	10,160	(323)	1,777	2,762
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	510	459	—	—
Interest Expense	(4)	—	(2,007)	(2,787)
Amortization of Bonds Premiums	—	—	148	198
Amortization of Refunding Gain (Loss)	—	—	198	—
Gain (Loss) on Sale of Capital Assets	—	—	47,497	—
Contributions and Grants	131	210	—	—
Others, Net	2	—	—	310
Total Nonoperating Revenues (Expenses)	639	669	45,836	(2,279)
Income (Loss) Before Capital Contributions and Grants and Transfers	10,799	346	47,613	483
Transfers In	7,094	12,337	11,169	—
Transfers Out	(1,029)	(3,406)	(32,703)	—
Change in Net Position	16,864	9,277	26,079	483
Net Position - Beginning of Year	(13,295)	22,612	(26,104)	(26,588)
Prior-Year Adjustment	—	(45,184)	—	—
Net Position - Beginning of Year as Restated	(13,295)	(22,572)	(26,104)	(26,588)
Net Position - End of Year	\$ 3,569	\$ (13,295)	\$ (25)	\$ (26,105)

## 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, 2016**  
*(In Thousands)*

	Fiber Leasing		Comparative Totals	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Charges for Services and Other Fees	\$ 1	\$ 5	\$ 86,356	\$ 74,566
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	—	28	60,910	56,058
General and Administrative	—	—	11,720	13,519
City Business and Occupation Taxes	—	—	12	17
Other Taxes	—	—	25	37
Depreciation and Amortization	—	—	1,751	2,519
Total Operating Expenses	—	28	74,418	72,150
Operating Income (Loss)	1	(23)	11,938	2,416
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	—	—	510	459
Interest Expense	(1)	—	(2,012)	(2,787)
Amortization of Bonds Premiums	—	—	148	198
Amortization of Refunding Gain (Loss)	—	—	198	—
Gain (Loss) on Sale of Capital Assets	—	—	47,497	—
Contributions and Grants	—	—	131	210
Others, Net	—	—	2	310
Total Nonoperating Revenues (Expenses)	(1)	—	46,474	(1,610)
Income (Loss) Before Capital Contributions and Grants and Transfers	—	(23)	58,412	806
Transfers In	—	—	18,263	12,337
Transfers Out	—	—	(33,732)	(3,406)
Change in Net Position	—	(23)	42,943	9,737
Net Position - Beginning of Year	(11)	12	(39,410)	(3,964)
Prior-Year Adjustment	—	—	—	(45,184)
Net Position - Beginning of Year as Restated	(11)	12	(39,410)	(49,148)
Net Position - End of Year	\$ (11)	\$ (11)	\$ 3,533	\$ (39,411)

## The City of Seattle

**E-3** **COMBINING STATEMENT OF CASH FLOWS**  
**Page 1 of 4** **NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Planning and Development		Downtown Parking Garage	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 80,061	\$ 69,544	\$ 6,566	\$ 10,007
Cash Paid to Suppliers	(33,293)	(29,725)	(2,793)	(3,547)
Cash Paid to Employees	(35,645)	(33,977)	—	—
Cash Paid for Taxes	—	212	(1,415)	(1,797)
Net Cash from Operating Activities	11,123	6,054	2,358	4,663
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants	131	118	—	—
Transfers In	7,094	8,931	10,000	—
Transfers Out	(1,029)	—	(32,703)	—
Proceeds from Interfund Loans	—	—	—	7,600
Principal Payments on Interfund Loans	—	—	(6,400)	(6,494)
Net Cash from Noncapital Financing Activities	6,196	9,049	(29,103)	1,106
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Long-Term Debt	—	—	(3,280)	(2,950)
Capital Expenses and Other Charges Paid	(2,101)	(1,478)	—	—
Interest Paid on Long-Term Debt	—	—	(2,676)	(2,823)
Payment to Trustee for Defeased Bonds	—	—	(52,468)	—
Proceeds from Sales of Capital Assets	—	—	85,171	—
Net Cash from Capital and Related Financing Activities	(2,101)	(1,478)	26,747	(5,773)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Investment Income (Loss)	510	440	(6)	2
Net Increase (Decrease) in Cash and Equity in Pooled Investments	15,728	14,065	(4)	(2)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	54,675	40,610	36	38
End of Year	\$ 70,403	\$ 54,675	\$ 32	\$ 36
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 70,311	\$ 54,625	\$ 32	\$ 36
Noncurrent Restricted Cash and Equity in Pooled Investments	92	50	—	—
Total Cash at the End of the Year	\$ 70,403	\$ 54,675	\$ 32	\$ 36

## Nonmajor Enterprise Funds

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### COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Fiber Leasing		Comparative Totals	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 1	\$ 29	\$ 86,628	\$ 79,580
Cash Paid to Suppliers	—	(38)	(36,086)	(33,310)
Cash Paid to Employees	—	—	(35,645)	(33,977)
Cash Paid for Taxes	—	—	(1,415)	(1,585)
Net Cash from Operating Activities	1	(9)	13,482	10,708
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants	—	—	131	118
Transfers In	—	—	17,094	8,931
Transfers Out	—	—	(33,732)	—
Proceeds from Interfund Loans	—	—	—	7,600
Principal Payments on Interfund Loans	—	—	(6,400)	(6,494)
Net Cash from Noncapital Financing Activities	—	—	(22,907)	10,155
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Long-Term Debt	—	—	(3,280)	(2,950)
Capital Expenses and Other Charges Paid	—	—	(2,101)	(1,478)
Interest Paid on Long-Term Debt	—	—	(2,676)	(2,823)
Payment to Trustee for Defeased Bonds	—	—	(52,468)	—
Proceeds from Sales of Capital Assets	—	—	85,171	—
Net Cash from Capital and Related Financing Activities	—	—	24,646	(7,251)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Investment Income (Loss)	—	—	504	442
Net Increase (Decrease) in Cash and Equity in Pooled Investments	1	(9)	15,725	14,054
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	10	20	54,721	40,668
End of Year	\$ 11	\$ 11	\$ 70,446	\$ 54,722
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 11	\$ 11	\$ 70,354	\$ 54,672
Noncurrent Restricted Cash and Equity in Pooled Investments	—	—	92	50
Total Cash at the End of the Year	\$ 11	\$ 11	\$ 70,446	\$ 54,722

## The City of Seattle

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### COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Planning and Development		Downtown Parking Garage	
	2016	2015	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 10,160	\$ (323)	\$ 1,777	\$ 2,762
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	191	438	1,560	2,081
Other Operating Expenses	3,748	774	—	—
Nonoperating Revenues and Expenses	—	—	—	310
Changes in Operating Assets and Liabilities				
Accounts Receivable	(196)	69	47	51
Unbilled Receivables	—	—	—	—
Due from Other Funds	345	(52)	—	—
Due from Other Governments	(192)	92	—	—
Accounts Payable	(49)	(268)	(760)	(615)
Salaries, Benefits, and Payroll Taxes Payable	(1,252)	1,597	—	—
Compensated Absences Payable	(479)	321	—	—
Due to Other Funds	540	18	(161)	55
Due to Other Governments	—	—	—	—
Claims Payable	(97)	447	—	—
Taxes Payable	—	—	(85)	—
Unearned Revenues	(896)	2,759	—	—
Other Assets and Liabilities	(700)	182	(20)	19
Total Adjustments	963	6,377	581	1,901
Net Cash from Operating Activities	\$ 11,123	\$ 6,054	\$ 2,358	\$ 4,663



## Nonmajor Enterprise Funds

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### COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Fiber Leasing		Comparative Totals	
	2016	2015	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1	\$ (23)	\$ 11,938	\$ 2,416
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	—	—	1,751	2,519
Other Operating Expenses	—	—	3,748	774
Nonoperating Revenues and Expenses	—	—	—	310
Changes in Operating Assets and Liabilities				
Accounts Receivable	—	24	(149)	144
Unbilled Receivables	—	—	—	—
Due from Other Funds	—	—	345	(52)
Due from Other Governments	—	—	(192)	92
Accounts Payable	—	—	(809)	(883)
Salaries, Benefits, and Payroll Taxes Payable	—	—	(1,252)	1,597
Compensated Absences Payable	—	—	(479)	321
Due to Other Funds	—	(10)	379	63
Due to Other Governments	—	—	—	—
Claims Payable	—	—	(97)	447
Taxes Payable	—	—	(85)	—
Unearned Revenues	—	—	(896)	2,759
Other Assets and Liabilities	—	—	(720)	201
Total Adjustments	—	14	1,544	8,292
Net Cash from Operating Activities	<u>\$ 1</u>	<u>\$ (9)</u>	<u>\$ 13,482</u>	<u>\$ 10,708</u>

## The City of Seattle

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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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### COMBINING STATEMENT OF NET POSITION

#### INTERNAL SERVICE FUNDS

December 31, 2016

(In Thousands)

			Comparative Totals	
	Finance and Administrative Services	Information Technology	2016	2015
ASSETS				
Current Assets				
Cash and Equity in Pooled Investments	\$ 25,230	\$ —	\$ 25,230	\$ 27,690
Restricted Cash and Equity in Pooled Investments	4,691	—	4,691	12,178
Receivables, Net of Allowances				
Accounts	560	17	577	274
Interest and Dividends	44	—	44	43
Unbilled	667	—	667	345
Due from Other Funds	10,207	7,089	17,296	10,917
Due from Other Governments	5	21	26	136
Materials and Supplies Inventory	2,160	500	2,660	4,042
Prepayments and Other Current Assets	850	406	1,256	109
Total Current Assets	44,414	8,033	52,447	55,734
Noncurrent Assets				
Restricted Cash and Equity in Pooled Investments	2,215	40,816	43,031	51,984
Capital Assets				
Land and Land Rights	108,842	—	108,842	108,852
Buildings and Improvements	715,226	2,002	717,228	715,936
Less Accumulated Depreciation	(244,830)	(30)	(244,860)	(227,993)
Machinery and Equipment	186,462	83,784	270,246	233,956
Less Accumulated Depreciation	(97,862)	(37,728)	(135,590)	(135,429)
Construction in Progress	529	8,828	9,357	31,038
Other Capital Assets, Net	93	115	208	—
Total Noncurrent Assets	670,675	97,787	768,462	778,344
Total Assets	715,089	105,820	820,909	834,078
DEFERRED OUTFLOWS OF RESOURCES				
	23,701	11,514	35,215	17,796
Total Assets and Deferred Outflows of Resources	\$ 738,790	\$ 117,334	\$ 856,124	\$ 851,874

## Internal Service Funds

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**Page 2 of 2**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2016**  
**(In Thousands)**

			Comparative Totals	
	Finance and Administrative Services	Information Technology	2016	2015
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 8,814	\$ 3,996	\$ 12,810	\$ 11,519
Salaries, Benefits, and Payroll Taxes Payable	2,949	4,018	6,967	5,679
Due to Other Funds	1,358	1,600	2,958	3,155
Due to Other Governments	14	—	14	39
Interest Payable	1,963	230	2,193	2,392
Taxes Payable	40	5	45	90
Current Portion of Long-Term Debt General Obligation Bonds Due Within One Year	20,213	6,295	26,508	23,776
Claims Payable	417	1	418	472
Compensated Absences Payable	382	523	905	682
Other Current Liabilities	—	146	146	336
Total Current Liabilities	36,150	16,814	52,964	48,140
Noncurrent Liabilities				
Compensated Absences Payable	4,602	4,052	8,654	6,308
Claims Payable	1,278	32	1,310	1,688
Vendor and Other Deposits Payable	156	—	156	225
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	212,367	24,050	236,417	243,985
Bond Interest Payable	—	—	—	—
Unfunded Other Post Employment Benefits	2,950	943	3,893	3,330
Net Pension Liability	87,823	33,908	121,731	101,384
Other Noncurrent Liabilities	23	—	23	1
Total Noncurrent Liabilities	309,199	62,985	372,184	356,921
Total Liabilities	345,349	79,799	425,148	405,061
DEFERRED INFLOWS OF RESOURCES				
	47	105	152	—
NET POSITION				
Net Investment in Capital Assets	432,242	31,803	464,045	469,961
Unrestricted	(38,848)	5,627	(33,221)	(23,144)
Total Net Position	393,394	37,430	430,824	446,817
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 738,790	\$ 117,334	\$ 856,124	\$ 851,878

## 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, 2016**  
**(In Thousands)**

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2016	2015
OPERATING REVENUES				
Charges for Services	\$ 99,845	\$ 113,035	\$ 212,880	\$ 147,502
Rents, Parking, and Concessions	98,711	—	98,711	95,246
Total Operating Revenues	198,556	113,035	311,591	242,748
OPERATING EXPENSES				
Operations and Maintenance	132,532	82,401	214,933	155,609
General and Administrative	16,836	15,362	32,198	23,157
City Business and Occupation Taxes	5	—	5	4
Other Taxes	515	1	516	468
Depreciation and Amortization	30,435	7,416	37,851	35,507
Total Operating Expenses	180,323	105,180	285,503	214,745
Operating Income (Loss)	18,233	7,855	26,088	28,003
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	533	308	841	517
Interest Expense	(8,651)	(1,452)	(10,103)	(8,953)
Amortization of Bonds Premiums	2,430	1,321	3,751	2,974
Amortization of Refunding Loss	(1,830)	—	(1,830)	(1,105)
Bond Issuance Costs	—	(6)	(6)	(45)
Gain (Loss) on Sale of Capital Assets	679	(987)	(308)	1,381
Contributions and Grants	—	—	—	—
Others, Net	—	28	28	62
Total Nonoperating Revenues (Expenses)	(6,839)	(788)	(7,627)	(5,169)
Income (Loss) Before				
Contributions, Grants, and Transfers	11,394	7,067	18,461	22,834
Capital Contributions and Grants	(17,996)	—	(17,996)	(53)
Transfers In	—	5,700	5,700	341
Transfers Out	(16,959)	(5,199)	(22,158)	(6,159)
Change in Net Position	(23,561)	7,568	(15,993)	16,963
Net Position - Beginning of Year	416,955	29,862	446,817	517,078
Prior-Year Adjustment	—	—	—	(87,224)
Net Position - Beginning of Year as Restated	416,955	29,862	446,817	429,854
Net Position - End of Year	\$ 393,394	\$ 37,430	\$ 430,824	\$ 446,817

## Internal Service Funds

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### COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Finance and Administrative Services		Information Technology		Comparative Totals			
					2016	2015		
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received from Customers	\$	197,307	\$	107,365	\$	304,672	\$	241,134
Cash Paid to Suppliers		(73,538)		(26,446)		(99,984)		(82,522)
Cash Paid to Employees		(71,141)		(69,635)		(140,776)		(87,809)
Cash Paid for Taxes		(538)		(26)		(564)		(433)
Net Cash from Operating Activities		52,090		11,258		63,348		70,370
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Loans Provided to Other Funds		—		—		—		—
Operating Grants and Contributions Received		—		—		—		88
Transfers In		—		5,700		5,700		341
Transfers Out		(16,959)		(5,200)		(22,159)		(6,159)
Net Cash from Noncapital Financing Activities		(16,959)		500		(16,459)		(5,730)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from Long-Term Debt		—		2,109		2,109		8,913
Principal Payments on Long-Term Debt		(17,926)		(5,850)		(23,776)		(16,945)
Capital Fees and Grants Received		—		—		—		(141)
Capital Expenses and Other Charges Paid		(16,917)		(18,416)		(35,333)		(60,211)
Interest Paid on Long-Term Debt		(8,846)		(1,456)		(10,302)		(9,733)
Debt Issuance Costs		—		(6)		(6)		(45)
Proceeds from Sale of Capital Assets		679		—		679		1,623
Net Cash from Capital and Related Financing Activities		(43,010)		(23,619)		(66,629)		(76,539)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and Investment Income (Loss)		531		308		839		562
Net Increase (Decrease) in Cash and Equity in Pooled Investments		(7,348)		(11,553)		(18,901)		(11,337)
CASH AND EQUITY IN POOLED INVESTMENTS								
Beginning of Year		39,484		52,369		91,853		103,189
End of Year	\$	32,136	\$	40,816	\$	72,952	\$	91,852
CASH AT THE END OF THE YEAR CONSISTS OF								
Current Assets Cash and Equity in Pooled Investments	\$	25,230	\$	—	\$	25,230	\$	27,690
Current Restricted Cash and Equity in Pooled Investments		4,691		—		4,691		12,178
Noncurrent Restricted Cash and Equity in Pooled Investments		2,215		40,816		43,031		51,984
Total Cash at the End of the Year	\$	32,136	\$	40,816	\$	72,952	\$	91,852

## The City of Seattle

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### COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Finance and Administrative Services		Information Technology		Comparative Totals			
					2016	2015		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES								
Operating Income (Loss)	\$	18,233	\$	7,855	\$	26,088	\$	28,003
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities								
Depreciation and Amortization		30,435		7,416		37,851		35,507
Other Operating Expenses		4,280		(2,894)		1,386		1,819
Nonoperating Revenues and Expenses		—		—		—		62
Changes in Operating Assets and Liabilities								
Accounts Receivable		(344)		42		(302)		(35)
Unbilled Receivables		(321)		—		(321)		(321)
Due from Other Funds		(654)		(5,725)		(6,379)		(1,400)
Due from Other Governments		71		39		110		23
Materials and Supplies Inventory		(172)		1,554		1,382		(1,257)
Accounts Payable		2,705		(1,414)		1,291		3,483
Salaries, Benefits, and Payroll Taxes Payable		(1,090)		2,378		1,288		2,466
Compensated Absences Payable		(108)		2,677		2,569		337
Due to Other Funds		3		(199)		(196)		700
Due to Other Governments		(24)		—		(24)		34
Claims Payable		(418)		(15)		(433)		149
Taxes Payable		(19)		(25)		(44)		39
Other Assets and Liabilities		(487)		(431)		(918)		761
Total Adjustments		33,857		3,403		37,260		42,367
Net Cash from Operating Activities	\$	52,090	\$	11,258	\$	63,348	\$	70,370
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES								
In-Kind Capital Contributions	\$	—	\$	—	\$	—	\$	7,521
Amortization of Debt Related Costs, Net		600		1,314		1,914		(477)
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, 2016

*(In Thousands)*

	Employees' Retirement	
	2016	Restated 2015
<b>ASSETS</b>		
Cash and Equity in Pooled Investments	\$ 6,303	\$ 8,943
Short-Term Investments	336,427	143,821
Receivables		
Members	3,435	3,496
Employers	6,144	4,788
Interest and Dividends	3,487	3,449
Sales Proceeds	87,345	6,175
Other	—	—
Total Receivables	100,411	17,908
Investments at Fair Value		
Fixed Income	539,527	604,985
Equity	1,350,197	1,163,806
Real Estate	287,997	270,796
Alternative Investments	173,578	114,896
Total Investments at Fair Value	2,351,299	2,154,483
Securities Lending Collateral	11,131	50,952
Total Assets	2,805,571	2,376,107
<b>LIABILITIES</b>		
Accounts Payable and Other Liabilities	1,370	2,005
Securities Lending Collateral	11,125	53,633
Investment Commitments Payable	304,577	7,448
Total Liabilities	317,072	63,086
Net Position Held in Trust for Pension Benefits	\$ 2,488,499	\$ 2,313,021

## Fiduciary Funds

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### COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS For the Year Ended December 31, 2016 (In Thousands)

	Employees' Retirement	
	2016	2015
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 108,454	\$ 101,153
Plan Member	71,756	65,779
Total Contributions	180,210	166,932
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	163,299	(22,933)
Interest	10,570	11,378
Dividends	24,781	27,836
Total Investment Activities Income	198,650	16,281
Investment Activities Expenses		
Investment Management Fees	8,186	9,096
Investment Consultant Fees	295	295
Investment Custodial Fees	426	354
Total Investment Activities Expenses	8,907	9,745
Net Income from Investment Activities	189,743	6,536
From Securities Lending Activities		
Securities Lending Income	100	57
Borrower Rebates	166	674
Total Securities Lending Income	266	731
Securities Lending Expenses		
Management Fees	66	183
Total Securities Lending Expenses	66	183
Net Income from Securities Lending Activities	200	548
Total Net Investment Income	189,943	7,084
Other Income	—	—
Total Additions	370,153	174,016
<b>DEDUCTIONS</b>		
Benefits	168,967	159,350
Refund of Contributions	16,457	16,138
Administrative Expense	9,251	8,211
Total Deductions	194,675	183,699
Change in Net Position	175,478	(9,683)
Net Position - Beginning of Year	2,313,021	2,322,704
Net Position - End of Year	\$ 2,488,499	\$ 2,313,021

## 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, 2016 (In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
<b>GUARANTY DEPOSITS FUND</b>				
<b>Assets</b>				
Cash	\$ 7,135	\$ 3,124	\$ 3,261	\$ 6,998
Total Assets	\$ 7,135	\$ 3,124	\$ 3,261	\$ 6,998
<b>Liabilities</b>				
Deposits Payable	\$ 7,135	\$ 1,058	\$ 1,195	\$ 6,998
Total Liabilities	\$ 7,135	\$ 1,058	\$ 1,195	\$ 6,998
<b>PAYROLL WITHHOLDING FUND</b>				
<b>Assets</b>				
Cash	\$ 2,391	\$ 330,069	\$ 330,769	\$ 1,691
Accounts Receivable	—	—	—	—
Total Assets	\$ 2,391	\$ 330,069	\$ 330,769	\$ 1,691
<b>Liabilities</b>				
Accounts Payable	\$ 148	\$ 201	\$ 157	\$ 192
Salaries, Benefits, and Payroll Taxes Payable	2,228	330,061	330,806	1,483
Claims/Judgments Payable	15	2	1	16
Total Liabilities	\$ 2,391	\$ 330,264	\$ 330,964	\$ 1,691
<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	\$ 148	\$ 739,974	\$ 740,127	\$ (5)
Accounts Receivable	—	—	—	—
Total Assets	\$ 148	\$ 739,974	\$ 740,127	\$ (5)
<b>Liabilities</b>				
Accounts Payable	\$ —	\$ —	\$ —	\$ —
Salaries, Benefits, and Payroll Taxes Payable	148	740,210	740,363	(5)
Total Liabilities	\$ 148	\$ 740,210	\$ 740,363	\$ (5)



**Fiduciary Funds**

G-3  
Page 2 of 2

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the Year Ended December 31, 2016  
(In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
<b>VOUCHER FUND</b>				
<i>Assets</i>				
Cash	\$ 585	\$ 4,136,881	\$ 4,136,951	\$ 515
Total Assets	<u>\$ 585</u>	<u>\$ 4,136,881</u>	<u>\$ 4,136,951</u>	<u>\$ 515</u>
<i>Liabilities</i>				
Accounts Payable	\$ 585	\$ 4,171,519	\$ 4,171,589	\$ 515
Total Liabilities	<u>\$ 585</u>	<u>\$ 4,171,519</u>	<u>\$ 4,171,589</u>	<u>\$ 515</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	\$ 1	\$ 613	\$ 614	\$ —
Accounts Receivable	48	272	232	88
Total Assets	<u>\$ 49</u>	<u>\$ 885</u>	<u>\$ 846</u>	<u>\$ 88</u>
<i>Liabilities</i>				
Accounts Payable	\$ 49	\$ 282	\$ 243	\$ 88
Total Liabilities	<u>\$ 49</u>	<u>\$ 282</u>	<u>\$ 243</u>	<u>\$ 88</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<i>Assets</i>				
Cash and Equity in Pooled Investments	\$ 10,260	\$ 5,210,661	\$ 5,211,722	\$ 9,199
Accounts Receivable	48	272	232	88
Total Assets	<u>\$ 10,308</u>	<u>\$ 5,210,933</u>	<u>\$ 5,211,954</u>	<u>\$ 9,287</u>
<i>Liabilities</i>				
Accounts Payable	\$ 782	\$ 4,172,002	\$ 4,171,989	\$ 795
Salaries, Benefits, and Payroll Taxes Payable	2,376	1,070,271	1,071,169	1,478
Deposits Payable	7,135	1,058	1,195	6,998
Claims/Judgments Payable	15	2	1	16
Total Liabilities	<u>\$ 10,308</u>	<u>\$ 5,243,333</u>	<u>\$ 5,244,354</u>	<u>\$ 9,287</u>

**The City of Seattle**

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## **Capital Assets**

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## Capital Assets

**H-1 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**December 31, 2016**  
*(In Thousands)*

	2016	2015
<b>CAPITAL ASSETS</b>		
Land	\$ 464,259	\$ 463,229
Buildings	882,047	864,987
Improvements Other than Buildings	784,940	762,379
Equipment	188,573	144,658
Infrastructure	2,046,668	1,866,204
Construction in Progress	789,020	782,195
Other Capital Assets	21,024	17,894
Total Capital Assets	<u>\$ 5,176,531</u>	<u>\$ 4,901,546</u>
<b>INVESTMENT IN CAPITAL ASSETS FROM</b>		
General Fund	\$ 335,009	\$ 323,565
Special Revenue Funds	3,703,497	3,491,862
Capital Project Funds	1,027,682	977,912
Donations	<u>110,343</u>	<u>108,207</u>
Total Investment in Capital Assets	<u>\$ 5,176,531</u>	<u>\$ 4,901,546</u>

## The City of Seattle

**H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Page 1 of 2 SCHEDULE BY FUNCTION**  
**December 31, 2016**  
*(In Thousands)*

	Land	Buildings	Improvements
General Government	\$ 21,004	\$ 103,365	\$ 151
Security of Persons and Property	—	—	—
Transportation	115,762	84,453	231
Economic Environment	1,305	—	107
Judicial	—	—	—
Culture and Recreation	326,188	694,229	784,451
Total	<u>\$ 464,259</u>	<u>\$ 882,047</u>	<u>\$ 784,940</u>

## Capital Assets

**H-2**                      **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Page 2 of 2**                      **SCHEDULE BY FUNCTION**  
**December 31, 2016**  
*(In Thousands)*

	Equipment	Infrastructure	Other Capital Assets	Total
General Government	\$ 26,846	\$ —	\$ 257	151,623
Security of Persons and Property	87,074	—	—	87,074
Transportation	51,842	2,046,668	3,604	2,302,560
Economic Environment	35	—	500	1,947
Judicial	82	—	—	82
Culture and Recreation	22,694	—	16,663	1,844,225
<b>Total</b>	<b>\$ 188,573</b>	<b>\$ 2,046,668</b>	<b>\$ 21,024</b>	<b>4,387,511</b>
Construction in Progress				789,020
Total Investment in Capital Assets				<b>\$ 5,176,531</b>

## The City of Seattle

**H-3**                      **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION**  
**For the Year Ended December 31, 2016**  
*(In Thousands)*

	Restated Balance January 1	Additions	Deductions	Balance December 31
General Government	\$ 151,594	\$ 29	\$ —	\$ 151,623
Security of Persons and Property	80,610	6,620	156	87,074
Transportation	2,066,254	236,306	—	2,302,560
Economic Environment	1,820	127	—	1,947
Judicial	82	—	—	82
Culture and Recreation	1,818,991	25,389	155	1,844,225
<b>Total</b>	<b>4,119,351</b>	<b>268,471</b>	<b>311</b>	<b>4,387,511</b>
Construction in Progress	782,195	265,405	258,580	789,020
Total Investment in Capital Assets	<b>\$ 4,901,546</b>	<b>\$ 533,876</b>	<b>\$ 258,891</b>	<b>\$ 5,176,531</b>

## Statistics

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## Statistics

### 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)

	2016	2015	2014	2013	2012
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 3,269,646	\$ 3,144,487	\$ 3,085,306	\$ 2,880,124	\$ 2,783,738
Restricted	625,046	556,406	448,934	460,885	406,454
Unrestricted	(392,023)	(379,114)	(16,363)	36,212	(35,593)
Total Governmental Activities Net Position	3,502,669	3,321,779	3,517,877	3,377,221	3,154,599
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	2,186,129	1,915,893	1,750,495	1,508,831	1,391,130
Restricted	59,575	59,193	58,039	57,404	56,210
Unrestricted	(231,495)	(153,822)	253,427	274,388	215,405
Total Business-Type Activities Net Position	2,014,209	1,821,264	2,061,961	1,840,623	1,662,745
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	5,455,775	5,060,380	4,835,801	4,388,955	4,174,868
Restricted	684,621	615,600	506,973	518,289	462,664
Unrestricted	(623,518)	(532,936)	237,064	310,600	179,812
Total Primary Government Net Position	\$ 5,516,878	\$ 5,143,044	\$ 5,579,838	\$ 5,217,844	\$ 4,817,344

	2011	2010	2009	2008	2007
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 2,627,462	\$ 2,513,808	\$ 2,350,564	\$ 2,184,161	\$ 2,011,575
Restricted	419,675	372,289	225,157	271,204	194,618
Unrestricted	(101,021)	(98,786)	146,711	194,962	322,784
Total Governmental Activities Net Position	2,946,116	2,787,311	2,722,432	2,650,327	2,528,977
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	1,243,622	1,228,030	1,257,195	1,128,319	967,028
Restricted	81,904	79,372	71,801	63,913	48,561
Unrestricted	205,493	106,013	49,827	166,634	195,226
Total Business-Type Activities Net Position	1,531,019	1,413,415	1,378,823	1,358,866	1,210,815
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	3,871,084	3,741,838	3,607,759	3,312,480	2,978,603
Restricted	501,579	451,661	296,958	335,117	243,179
Unrestricted	104,472	7,227	196,538	361,596	518,010
Total Primary Government Net Position	\$ 4,477,135	\$ 4,200,726	\$ 4,101,255	\$ 4,009,193	\$ 3,739,792

<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)

	2016	2015	2014	2013	2012
<b>EXPENSES</b>					
<i>Governmental Activities</i>					
General Government	\$ 226,439	\$ 208,638	\$ 189,034	\$ 161,041	\$ 164,040
Judicial	32,025	28,477	28,874	33,517	26,121
Public Safety	577,631	531,523	568,843	515,129	475,747
Physical Environment	12,558	4,351	5,853	10,740	6,357
Transportation	276,867	221,443	222,199	165,742	133,511
Economic Environment	175,133	138,878	138,169	125,191	125,917
Health and Human Services	104,687	94,122	76,562	71,256	65,266
Culture and Recreation	330,984	286,395	275,566	267,043	239,008
Interest on Long-Term Debt	42,942	32,694	31,170	26,417	39,998
Total Governmental Activities Expenses	1,779,266	1,546,521	1,536,270	1,376,076	1,275,960
<i>Business-Type Activities</i>					
Light	858,929	837,860	798,161	780,930	731,459
Water	227,988	228,241	221,944	215,600	203,610
Drainage and Wastewater	335,051	316,487	298,633	290,147	272,423
Solid Waste	167,957	173,312	159,501	156,653	150,115
Planning and Development	67,964	64,673	58,304	53,080	46,542
Downtown Parking Garage	5,222	7,401	7,458	8,159	7,701
Fiber Leasing	8	35	27	54	—
Total Business-Type Activities Expenses	1,663,119	1,628,009	1,544,028	1,504,623	1,411,850
Total Primary Government Expenses	3,442,385	3,174,530	3,080,298	2,880,699	2,687,810
<b>PROGRAM REVENUES</b>					
<i>Governmental Activities</i>					
Charges for Services					
General Government	109,478	104,651	91,011	85,923	79,048
Judicial	29,578	30,030	31,256	40,545	33,748
Public Safety	24,472	26,227	25,733	19,245	19,277
Physical Environment	13	16	78	47	—
Transportation	70,878	67,948	101,074	100,830	81,972
Economic Environment	36,464	41,875	35,776	12,250	7,303
Health and Human Services	525	64	10	8	—
Culture and Recreation	75,832	70,360	72,873	67,116	53,450
Operating Grants and Contributions	134,856	136,981	123,986	135,407	130,377
Capital Grants and Contributions	31,076	29,358	37,895	42,468	48,092
Total Governmental Activities Program Revenues	513,172	507,510	519,692	503,839	453,267
<i>Business-Type Activities</i>					
Charges for Services					
Light	901,276	880,788	883,149	839,767	797,445
Water	251,244	251,977	242,786	235,114	213,164
Drainage and Wastewater	371,040	359,839	337,882	329,386	297,443
Solid Waste	177,061	174,365	157,495	159,741	156,927
Planning and Development	79,246	65,278	56,743	48,016	40,869
Downtown Parking Garage	5,355	7,885	7,434	7,019	6,588
Fiber Leasing	8	12	16	75	—
Operating Grants and Contributions	4,583	7,088	6,155	7,055	6,749
Capital Grants and Contributions	86,997	60,115	48,129	63,760	48,438
Total Business-Type Activities Program Revenues	1,876,810	1,807,347	1,739,789	1,689,933	1,567,623
Total Primary Government Program Revenues	2,389,982	2,314,857	2,259,481	2,193,772	2,020,890
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(1,266,093)	(1,039,011)	(1,016,578)	(872,237)	(822,693)
Business-Type Activities	213,692	179,338	195,761	185,310	155,773
Total Primary Government Net Expense	(1,052,401)	(859,673)	(820,817)	(686,927)	(666,920)

## 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)

	2011	2010	2009	2008	2007
<b>EXPENSES</b>					
<i>Governmental Activities</i>					
General Government	\$ 179,498	\$ 182,058	\$ 106,732	\$ 143,855	\$ 103,323
Judicial	25,623	26,298	27,526	26,762	24,030
Public Safety	471,205	476,861	473,527	455,701	396,669
Physical Environment	10,697	8,346	32,543	7,707	9,991
Transportation	111,038	122,376	137,015	127,872	124,493
Economic Environment	101,242	119,595	98,940	104,660	98,337
Health and Human Services	71,399	72,680	75,788	69,181	63,276
Culture and Recreation	245,671	258,639	249,160	257,578	224,455
Interest on Long-Term Debt	40,425	38,929	36,825	39,336	34,048
Total Governmental Activities Expenses	1,256,798	1,305,782	1,238,056	1,232,652	1,078,622
<i>Business-Type Activities</i>					
Light	723,665	730,758	733,405	791,837	764,786
Water	198,929	209,554	200,921	180,855	169,631
Drainage and Wastewater	269,224	245,589	244,295	231,318	225,833
Solid Waste	149,157	141,852	145,526	120,941	119,714
Planning and Development	44,087	47,699	55,954	56,882	56,139
Downtown Parking Garage	7,740	7,648	7,824	8,545	8,336
Fiber Leasing	—	—	—	—	—
Total Business-Type Activities Expenses	1,392,802	1,383,100	1,387,925	1,390,378	1,344,439
Total Primary Government Expenses	2,649,600	2,688,882	2,625,981	2,623,030	2,423,061
<b>PROGRAM REVENUES</b>					
<i>Governmental Activities</i>					
Charges for Services					
General Government	73,960	60,333	58,127	102,697	69,636
Judicial	33,048	31,078	28,376	22,032	19,851
Public Safety	18,939	18,848	22,740	16,254	21,850
Physical Environment	2	1,985	1,745	1,632	1,660
Transportation	64,331	55,680	62,230	44,093	28,860
Economic Environment	7,299	4,419	11,922	17,440	25,100
Health and Human Services	1,276	9	9	12	17
Culture and Recreation	50,273	54,886	58,977	59,586	57,283
Operating Grants and Contributions	136,679	118,619	104,382	95,236	93,184
Capital Grants and Contributions	47,503	56,377	36,834	31,527	31,577
Total Governmental Activities Program Revenues	433,310	402,234	385,342	390,509	349,018
<i>Business-Type Activities</i>					
Charges for Services					
Light	769,316	729,650	717,775	872,099	829,679
Water	194,342	194,987	190,283	163,996	159,967
Drainage and Wastewater	274,553	245,959	244,773	216,957	201,139
Solid Waste	154,159	146,944	135,393	124,353	121,913
Planning and Development	35,087	28,627	33,379	42,929	49,471
Downtown Parking Garage	5,937	6,580	6,862	6,530	6,805
Fiber Leasing	—	—	—	—	—
Operating Grants and Contributions	5,518	5,953	4,789	4,099	6,208
Capital Grants and Contributions	51,522	41,846	59,983	81,425	53,063
Total Business-Type Activities Program Revenues	1,490,434	1,400,546	1,393,237	1,512,388	1,428,245
Total Primary Government Program Revenues	1,923,744	1,802,780	1,778,579	1,902,897	1,777,263
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(823,488)	(903,548)	(852,714)	(842,143)	(729,604)
Business-Type Activities	97,632	17,446	5,312	122,010	83,806
Total Primary Government Net Expense	(725,856)	(886,102)	(847,402)	(720,133)	(645,798)

## Statistics

**Table S-2**  
**Page 3 of 4**

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2016	2015	2014	2013	2012
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 542,854	\$ 420,691	\$ 431,458	\$ 423,927	\$ 412,872
Sales Taxes	263,285	239,189	199,735	181,171	169,681
Business Taxes	482,850	454,086	431,437	408,913	358,931
Excise Taxes	114,627	101,098	65,364	61,524	54,637
Other Taxes	19,009	17,733	16,771	11,240	44,352
Penalties and Interest on Delinquent Taxes	—	—	4,091	3,596	2,795
Unrestricted Investment Earnings (Loss)	9,080	9,202	11,791	(1,663)	6,458
Gain (Loss) on Sale of Capital Assets	(191)	9,071	1,761	17,012	1,502
Transfers	15,469	(8,931)	(11,512)	(10,861)	(10,095)
Total Governmental Activities	1,446,983	1,242,139	1,150,896	1,094,859	1,041,133
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	12,806	13,938	16,254	4,204	11,789
Gain on Sale of Capital Assets	48,101	2,767	2,759	1,672	619
Special Item - Environmental Remediation	(66,187)	(4,975)	(4,949)	(24,169)	(37,066)
Transfers	(15,469)	8,931	11,512	10,861	10,095
Total Business-Type Activities	(20,749)	20,661	25,576	(7,432)	(14,563)
Total Primary Government	1,426,234	1,262,800	1,176,472	1,087,427	1,026,570
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	180,889	203,128	134,318	222,622	218,440
Business-Type Activities	192,942	199,999	221,337	177,878	141,210
Total Primary Government	<u>\$ 373,831</u>	<u>\$ 403,127</u>	<u>\$ 355,655</u>	<u>\$ 400,500</u>	<u>\$ 359,650</u>

## The City of Seattle

**Table S-2**  
**Page 4 of 4**

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	2011	2010	2009	2008	2007
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 397,288	\$ 391,798	\$ 388,341	\$ 368,515	\$ 359,651
Sales Taxes	158,582	146,970	150,515	171,917	171,846
Business Taxes	339,703	331,570	329,572	330,369	332,238
Excise Taxes	35,203	28,815	27,710	36,091	76,918
Other Taxes	39,014	31,119	28,582	25,395	12,765
Penalties and Interest on Delinquent Taxes	3,240	3,475	3,867	2,410	4,276
Unrestricted Investment Earnings (Loss)	5,536	4,685	8,898	24,140	33,155
Gain (Loss) on Sale of Capital Assets	14,224	40,095	(2,422)	15,461	891
Transfers	(9,373)	(10,100)	(10,245)	(10,803)	(10,612)
Total Governmental Activities	983,417	968,427	924,818	963,495	981,128
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	11,078	8,796	4,837	13,530	19,106
Gain on Sale of Capital Assets	924	198	4,495	1,708	276
Special Item - Environmental Remediation	538	(1,948)	(4,289)	—	—
Transfers	9,373	10,100	10,245	10,803	10,612
Total Business-Type Activities	21,913	17,146	15,288	26,041	29,994
Total Primary Government	1,005,330	985,573	940,106	989,536	1,011,122
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	159,929	64,879	72,104	121,352	251,524
Business-Type Activities	119,545	34,592	20,600	148,051	113,800
Total Primary Government	<u>\$ 279,474</u>	<u>\$ 99,471</u>	<u>\$ 92,704</u>	<u>\$ 269,403</u>	<u>\$ 365,324</u>



## Statistics

**Table S-3** **FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

	2016	2015	2014	2013	2012
<b>GENERAL FUND</b>					
Nonspendable	\$ 401	\$ 474	\$ 473	\$ 375	\$ 555
Restricted	155,523	136,627	99,991	100	82,520
Committed	102,521	116,890	76,493	83	79,508
Assigned	28,646	5,767	5,685	5	6,417
Unassigned	155,290	143,763	134,492	120	105,992
Reserved	—	—	—	—	—
Unreserved	—	—	—	—	—
Total General Fund	<u>\$ 442,381</u>	<u>\$ 403,521</u>	<u>\$ 317,134</u>	<u>\$ 683</u>	<u>\$ 274,992</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 2,740	\$ 3,227	\$ 4,224	\$ 3,959	\$ 2,618
Restricted	466,993	417,732	346,891	359,172	321,884
Committed	109,392	68,947	60,612	49,829	40,248
Assigned	9,819	11,004	9,933	7,661	12,583
Unassigned	(37,083)	(34,159)	(59,231)	(22,328)	(13,991)
Reserved	—	—	—	—	—
Unreserved, Reported in	—	—	—	—	—
Special Revenue Funds	—	—	—	—	—
Capital Projects Funds	—	—	—	—	—
Permanent Funds	—	—	—	—	—
Total All Other Governmental Funds	<u>\$ 551,861</u>	<u>\$ 466,751</u>	<u>\$ 362,429</u>	<u>\$ 398,293</u>	<u>\$ 363,342</u>
<b>GENERAL FUND</b>					
Nonspendable	\$ 572	\$ 401	\$ —	\$ —	\$ —
Restricted	58,917	63,695	—	—	—
Committed	58,713	44,240	—	—	—
Assigned	6,808	17,958	—	—	—
Unassigned	79,765	53,147	—	—	—
Reserved	—	—	78,835	140,325	129,350
Unreserved	—	—	118,611	131,085	197,678
Total General Fund	<u>\$ 204,775</u>	<u>\$ 179,441</u>	<u>\$ 197,446</u>	<u>\$ 271,410</u>	<u>\$ 327,028</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 2,714	\$ 2,447	\$ —	\$ —	\$ —
Restricted	358,710	306,545	—	—	—
Committed	60,156	41,379	—	—	—
Assigned	8,816	7,910	—	—	—
Unassigned	(12,064)	(11,911)	—	—	—
Reserved	—	—	319,104	261,463	226,965
Unreserved, Reported in	—	—	40,157	96,337	39,589
Special Revenue Funds	—	—	—	—	—
Capital Projects Funds	—	—	—	—	(1,846)
Permanent Funds	—	—	101	121	83
Total All Other Governmental Funds	<u>\$ 418,332</u>	<u>\$ 346,370</u>	<u>\$ 359,362</u>	<u>\$ 357,921</u>	<u>\$ 264,791</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**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

	2016	2015	2014	2013	2012
<b>REVENUES</b>					
Taxes	\$ 1,422,194	\$ 1,233,133	\$ 1,149,120	\$ 1,083,499	\$ 1,044,608
Licenses and Permits	41,743	34,138	30,093	27,135	25,238
Grants, Shared Revenues, and Contributions	166,779	162,132	161,361	184,784	177,775
Charges for Services	254,412	225,056	221,187	200,847	182,595
Fines and Forfeits	46,154	39,009	37,142	41,107	34,340
Parking Fees and Space Rent	68,798	67,444	63,891	62,463	57,107
Program Income, Interest, and Miscellaneous Revenues	99,369	98,215	86,757	45,462	43,649
Total Revenues	<u>2,099,449</u>	<u>1,859,127</u>	<u>1,749,551</u>	<u>1,645,297</u>	<u>1,565,312</u>
<b>EXPENDITURES</b>					
Current					
General Government	264,284	224,721	204,662	191,829	180,187
Judicial	31,519	29,351	29,158	27,642	26,654
Public Safety	590,681	577,106	525,778	494,011	461,235
Physical Environment	13,575	7,314	7,409	11,935	7,748
Transportation	227,666	155,689	114,737	97,676	92,212
Economic Environment	179,831	141,721	140,079	128,644	128,711
Health and Human Services	104,209	96,268	78,024	73,151	67,103
Culture and Recreation	305,986	268,979	245,358	231,694	216,508
Capital Outlay					
General Government	29,342	29,958	35,599	22,220	10,684
Judicial	—	—	—	—	—
Public Safety	21,527	13,097	25,162	21,100	27,743
Physical Environment	—	—	—	—	—
Transportation	240,216	278,151	278,550	234,188	228,272
Economic Environment	7	—	6	—	69
Culture and Recreation	47,390	35,712	55,133	85,690	55,507
Debt Service					
Principal	53,308	50,709	61,745	56,194	53,523
Advance Refunding to Escrow	—	—	—	—	—
Interest	32,768	28,999	26,571	26,206	25,339
Bond Issuance Cost	627	1,946	259	822	258
Other	—	—	—	—	305
Total Expenditures	<u>2,142,936</u>	<u>1,939,721</u>	<u>1,828,230</u>	<u>1,703,002</u>	<u>1,582,058</u>
Excess (Deficiency) of					
Revenues over Expenditures	(43,487)	(80,594)	(78,679)	(57,705)	(16,746)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	145,139	350,255	50,455	101,115	108,085
Refunding Debt Issued	—	—	—	43,945	—
Premium on Bonds Issued	22,177	40,113	4,150	9,377	21,140
Capital Leases Issued	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	(31,909)	(155,030)	—	(44,503)	(91,574)
Sales of Capital Assets	123	19,231	2,128	22,904	2,282
Transfers In	550,752	498,582	442,666	375,772	334,611
Transfers Out	(518,825)	(501,695)	(448,411)	(381,986)	(342,571)
Total Other Financing Sources (Uses)	<u>167,457</u>	<u>251,456</u>	<u>50,988</u>	<u>126,624</u>	<u>31,973</u>
Net Change in Fund Balance	<u>\$ 123,970</u>	<u>\$ 170,862</u>	<u>\$ (27,691)</u>	<u>\$ 68,919</u>	<u>\$ 15,227</u>
<b>Debt Service as a Percentage of</b>					
<b>Noncapital Expenditures</b>	4.61 %	4.87 %	5.81 %	5.93 %	6.26 %

## Statistics

**Table S-4** CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(In Thousands)

	2011	2010	2009	2008	2007
<b>REVENUES</b>					
Taxes	\$ 973,181	\$ 933,641	\$ 927,287	\$ 934,544	\$ 957,242
Licenses and Permits	22,966	26,514	28,298	29,091	33,439
Grants, Shared Revenues, and Contributions	167,813	179,842	173,231	133,772	130,869
Charges for Services	167,644	171,509	157,081	142,797	149,049
Fines and Forfeits	34,066	32,300	29,645	25,572	22,701
Parking Fees and Space Rent	51,004	46,858	42,404	37,961	38,029
Program Income, Interest, and Miscellaneous Revenues	39,706	26,037	34,011	102,077	81,200
Total Revenues	1,456,380	1,416,701	1,391,957	1,405,814	1,412,529
<b>EXPENDITURES</b>					
Current					
General Government	193,697	203,607	202,974	195,947	154,672
Judicial	25,855	26,300	26,812	26,584	24,142
Public Safety	451,734	445,002	431,413	421,105	377,367
Physical Environment	11,190	9,058	16,528	8,454	10,752
Transportation	90,966	93,381	111,531	107,532	95,474
Economic Environment	106,234	123,430	103,462	109,903	103,350
Health and Human Services	73,100	73,956	76,471	70,032	64,490
Culture and Recreation	211,523	233,284	223,340	215,458	199,214
Capital Outlay					
General Government	13,862	16,799	24,651	12,953	16,823
Judicial	—	—	—	—	—
Public Safety	8,320	21,815	20,781	12,643	38,345
Physical Environment	—	—	—	5	10
Transportation	167,590	169,636	179,231	100,636	105,079
Economic Environment	—	5	28	22	270
Culture and Recreation	50,383	63,521	72,905	72,322	88,641
Debt Service					
Principal	47,909	45,826	43,064	51,855	61,236
Advance Refunding to Escrow	—	—	6	35,152	6,270
Interest	26,754	24,596	24,191	35,738	34,923
Bond Issuance Cost	369	1,303	727	632	256
Other	—	—	—	—	—
Total Expenditures	1,479,486	1,551,519	1,558,115	1,476,973	1,381,314
Excess (Deficiency) of Revenues over Expenditures	(23,106)	(134,818)	(166,158)	(71,159)	31,215
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	79,433	85,325	87,810	84,960	36,365
Refunding Debt Issued	—	115,185	4,390	54,870	60,870
Premium on Bonds Issued	5,181	13,270	8,152	7,545	4,178
Capital Leases Issued	—	—	20	—	—
Payment to Refunded Bond Escrow Agent	—	(125,170)	(4,735)	(56,920)	(62,535)
Sales of Capital Assets	41,161	21,310	624	408	4,348
Transfers In	292,224	298,519	371,345	350,078	306,914
Transfers Out	(297,597)	(304,618)	(373,971)	(332,266)	(288,087)
Total Other Financing Sources (Uses)	120,402	103,821	93,635	108,675	62,053
Net Change in Fund Balance	\$ 97,296	\$ (30,997)	\$ (72,523)	\$ 37,516	\$ 93,268
<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
2007	\$ 359,651	\$ 171,846	\$ 332,238	\$ 76,918	\$ 16,589	\$ 957,242
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	542,853	263,285	482,850	114,627	19,009	1,422,624

**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>			
2007	\$ 101,522,467	\$ 4,686,021	\$ 106,208,488	3.221%	10.97%	\$ 181.181
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	144,513,933	2.624	12.72	218.167
2016	157,548,324	5,757,604	163,305,928	3.067	13.00	237.778

<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>f</sup> (\$1,000)	Annual Growth
	General Fund	Special Revenue Funds	Debt Service Funds	City Total	State	County <sup>b</sup>	School	Port of Seattle			
2007	1.878	1.091	0.252	3.221	2.325	1.496	2.006	0.232	9.280	\$ 985,615	6.9%
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

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 is included in the County's tax levy rate. EMS rate is 0.282 in 2016.

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>	2016			2007		
	Assessed Valuation <sup>f</sup> (In Millions)	Percentage of Assessed Valuation	Rank	Assessed Valuation <sup>f</sup> (In Millions)	Percentage of Assessed Valuation	Rank
Acorn Development LLC (Amazon)	\$ 1,894.2	1.02%	1			
Union Square Limited Partnership	840.6	0.45	2	522.0	0.43	1
Altus Group US Inc.	768.3	0.41	3			
GC Columbia (formerly Columbia Center Property)	609.8	0.33	4	431.6	0.36	5
Martin Selig	596.3	0.32	5	249.8	0.21	7
1201 Tab Owner LLC	577.3	0.31	6			
FSP-RIC LLC	499.7	0.27	7			
City Centre Associates JV	479.5	0.26	8	328.8	0.27	6
Iris Holdings LLC	456.5	0.25	9			
Teachers Insurance & Annuity	401.0	0.22	10			
The Boeing Company				461.9	0.38	2
Wright-Runstad & Company				432.9	0.36	3
Qwest Corporation, Inc.				432.0	0.36	4
Puget Sound Energy				200.7	0.17	8
Block 24 Seattle LTD LP				181.2	0.15	9
Seattle Sheraton				180.9	0.15	10

d Source: King County Assessor.

e 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.

f 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>					
	2016			2007		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 26,251	2.91%	1	\$ 14,666	2.70%	2
Nucor	22,251	2.46	2	17,878	3.30	1
City of Seattle	21,298	2.36	3	6,383	1.18	6
Boeing	14,731	1.63	4	12,181	2.25	3
King County <sup>b</sup>	11,532	1.28	5	7,662	1.41	5
International Gateway/Sabey	9,336	1.03	6	7,955	1.47	4
Federal Government	7,432	0.82	7	4,487	0.83	8
Saint Gobain	6,970	0.77	8	5,101	0.94	7
2001 Sixth LLC	6,532	0.72	9	—	—	—
Martin Selig	5,768	0.64	10	—	—	—
Unico Properties/Union Square Ltd.				4,027	0.74	9
Ash Grove Cement				3,745	0.69	10
Total Top Ten	\$ 132,101	14.62%		\$ 84,085	15.51%	

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>					
	2016			2007 <sup>d</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Cascade Water Alliance	\$ 21,452	8.53%	1	\$ 15,081	10.50%	1
Northshore Utility District	5,495	2.19	2	4,447	3.10	2
Highline Water District	4,374	1.74	3	3,328	2.30	3
University of Washington	4,316	1.72	4	1,639	1.10	9
City of Seattle	4,291	1.71	5	2,055	1.40	6
Soos Creek Water and Sewer District	3,318	1.32	6	3,180	2.20	5
Woodinville Water District	3,166	1.26	7	3,219	2.20	4
Port of Seattle	2,562	1.02	8	1,662	1.20	8
Seattle Housing Authority	2,426	0.97	9	—	—	—
King County Water District #20	2,191	0.87	10	1,768	1.20	7
Cedar River Water & Sewer District				1,537	1.10	10
Total Top Ten	\$ 53,591	21.33%		\$ 37,916	26.30%	

c Source: Seattle Public Utilities (SPU) billing records.

d Using data from the 2007 CAFR.

## Statistics

**Table S-9**  
**Page 2 of 2**  
**PRINCIPAL REVENUE SOURCES**  
**Current Year and Nine Years Ago**  
**(In Thousands)**

DRAINAGE AND WASTEWATER <sup>a</sup>						
Customer Name	2016			2007 <sup>b</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 9,518	2.62%	1	\$ 3,831	1.89%	2
University of Washington	9,443	2.60	2	5,222	2.58	1
Seattle Housing Authority	5,614	1.54	3	2,050	1.01	3
Port of Seattle	5,320	1.46	4	2,012	0.99	4
King County	3,478	0.96	5	1,977	0.98	5
Seattle Tunnel Partners	2,328	0.64	6	—	—	—
Seattle Public Schools	2,027	0.56	7	1,430	0.71	6
Equity Residential Property	1,673	0.46	8	—	—	—
Starwood Hotel/Resort Group	1,589	0.44	9	—	—	—
BNSF Rwy Co.	1,545	0.42	10	641	0.32	10
The Boeing Company				818	0.40	7
Swedish Medical Center				691	0.34	9
Federal Government				731	0.36	8
Total Top Ten	\$ 42,535	11.70%		\$ 19,403	9.58%	

a Source: Seattle Public Utilities (SPU) billing records.

b Using data from the 2007 CAFR.

SOLID WASTE <sup>c</sup>						
Customer Name	2016			2007 <sup>d</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 1,187	0.62%	1	\$ 692	0.57%	1
Starbucks	858	0.45	2	—	—	—
Fred Meyer/QFC	806	0.42	3	—	—	—
Goodwill Industries	753	0.40	4	389	0.32	2
Swedish Medical Group	669	0.35	5	220	0.18	6
Seattle Housing Authority	558	0.29	6	375	0.3	3
Safeway	518	0.27	7	—	—	—
King County	512	0.27	8	—	—	—
Pike Place Market	454	0.24	9	322	0.26	5
Seattle Pacific University	454	0.24	10	—	—	—
VW Vender Haul				350	0.29	4
Harbor View Environment Services				207	0.17	7
Virginia Mason Hospital				194	0.16	8
Clean Scape				180	0.15	9
Westlake Center				170	0.14	10
Total Top Ten	\$ 6,769	3.55%		\$ 3,099	2.54%	

c Source: Seattle Public Utilities (SPU) billing records.

d Using data from the 2007 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
2007	\$361,810,037	\$ 360,253,854	\$354,036,495	98.27%	\$ (185,954)	\$360,067,900	\$ 5,941,642	\$359,978,137	99.98%
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

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
2007	720,025	16,540	736,565	20,545	21,923	3
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

Fiscal Year	Business-Type Activities						
	Revenue Bonds					Premiums, Discounts, and Other Adjustments	Net General Obligation Bonds and Revenue Bonds
	General Obligation Bonds	Light and Power Bonds	Water Bonds	Drainage and Wastewater Bonds	Solid Waste Bonds		
2007	65,702	1,342,460	841,785	325,460	91,695	72,489	2,739,591
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

Fiscal Year	Business-Type Activities	
	Notes and Contracts	
2007	7,048	
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	

Fiscal Year	Primary Government			
	Total	Percentage of Personal Income <sup>a</sup>	Debt Per Capita	Total Personal Income <sup>a</sup>
2007	3,525,675	11.33	6,092	31,104,558
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	N/A	7,717	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
2007	720,025	15,216	721,349	0.68%	1,231
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

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
2007	65,702	4,159	69,861	0.07%	119
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	—	—	—	—	—

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
2007	5,151	4,599	112.00%
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

Fiscal Year	Primary Government		
	General Bonded Debt Outstanding <sup>a</sup> (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)
2007	806,426	15,216	791,210
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

<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, 2016**

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>	764,587	39.52%	302,165
Port of Seattle	283,620	39.52	112,087
Seattle School District No. 001	32,422	99.55	32,276
Highline School District No. 401	227,030	0.01	23
Subtotal Overlapping Debt	1,307,659		446,551
City of Seattle Direct Debt	1,118,535	100.00	1,118,535
Total Direct and Overlapping Debt	<u>\$ 2,426,194</u>		<u>\$ 1,565,086</u>

<sup>a</sup> 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.

<sup>b</sup> 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 \$186,325,342,799 <sup>b</sup></b>					
2.50% of Assessed Value	\$ —	\$ 4,658,133,570	\$ 4,658,133,570	\$ 4,658,133,570	\$ 13,974,400,710
1.50% of Assessed Value	2,794,880,142	(2,794,880,142)	—	—	—
	2,794,880,142	1,863,253,428	4,658,133,570	4,658,133,570	13,974,400,710
<b>Statutory Debt Limit Less Debt Outstanding <sup>c</sup></b>					
Bonds	(699,690,000)	(309,205,000)	—	—	(1,008,895,000)
Guarantee on PDA Bonds <sup>d</sup>	(48,560,000)	—	—	—	(48,560,000)
Public Works Trust Fund Loans <sup>e</sup>	(10,944,000)	—	—	—	(10,944,000)
Compensated Absences <sup>f</sup>	(82,073,592)	—	—	—	(82,073,592)
Total Debt Outstanding	(841,267,592)	(309,205,000)	—	—	(1,150,472,592)
<b>Add:</b>					
Available Net Position In Redemption Funds <sup>g</sup>	9,765,632	744,936	—	—	10,510,568
Compensated Absences for Sick Leave <sup>f</sup>	12,510,110	—	—	—	12,510,110
Net Debt Outstanding	(818,991,850)	(308,460,064)	—	—	(1,127,451,914)
<b>LEGAL DEBT MARGIN</b>	<u>\$ 1,975,888,292</u>	<u>\$ 1,554,793,364</u>	<u>\$ 4,658,133,570</u>	<u>\$ 4,658,133,570</u>	<u>\$ 12,846,948,796</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
2007	\$ 9,121,584,801	\$ 923,986,450	\$ 8,197,598,351	10.13%
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

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> 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.

<sup>e</sup> 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.

<sup>f</sup> 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.

<sup>g</sup> 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.

## Statistics

**Table S-15**  
**PLEDGED-REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
**(In Thousands)**

CITY LIGHT PARITY AND JUNIOR LIEN BONDS <sup>a</sup>								
Fiscal Year	Utility Service Charges	Less Operating Expenses	Adjustments to Operating Revenue	Net Available Revenue	Junior Lien Bonds Interest	Principal	Parity Bonds Interest	Principal
2007	783,775.203	527,352.888	—	256,422.315	3,092.102	5,305	66,766.239	61,450
2008	798,107.95	519,470.558	—	278,637.392	1,621.748	5,840	63,596.351	64,620
2009	690,760.085	491,064.754	—	199,695.331	59.003	—	70,455.235	74,350
2010	702,053.407	491,640.946	—	210,412.461	—	—	51,011.944	67,360
2011	754,390.934	484,528.542	—	269,862.392	—	—	85,038.179	61,650
2012	795,237.599	489,098.365	—	306,139.234	—	—	80,128.664	88,995
2013	833,834.493	514,268.579	—	319,565.914	—	—	80,960.187	91,840
2014	872,836.613	531,464.435	—	341,372.178	—	—	85,085.604	99,670
2015	873,650	567,058	—	306,592	250	—	84,408	104,915
2016	903,175	795,766	224,519	107,409	1,038	—	88,060	107,450
Coverage								
								0.55

WATER <sup>b</sup>						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Interest	Principal	Coverage
2007	160,161	67,058	93,103	35,030	17,185	1.78
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

DRAINAGE AND WASTEWATER <sup>c</sup>						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Interest	Principal	Coverage
2007	202,408	164,246	38,162	7,824	10,849	2.04
2008	224,109	167,338	56,771	9,872	13,401	2.44
2009	250,194	183,127	67,067	17,102	12,915	2.23
2010	249,734	188,250	61,484	17,234	12,541	2.06
2011	278,957	196,454	82,503	12,129	17,379	2.80
2012	304,002	199,592	104,410	18,017	12,472	3.42
2013	333,760	213,918	119,842	18,113	12,011	3.98
2014	342,000	216,415	125,585	26,466	15,825	2.97
2015	363,779	230,290	133,489	29,156	18,215	2.82
2016	375,041	246,488	128,553	28,561	19,080	2.70

SOLID WASTE <sup>d</sup>						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Interest	Principal	Coverage
2007	121,931	93,562	28,369	978	4,390	5.28
2008	124,353	90,616	33,737	3,048	4,690	4.36
2009	135,641	116,262	19,379	4206	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

- 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>d</sup>
	King County	Seattle	King County	Metropolitan Division <sup>c</sup>	King County	Metropolitan Division <sup>c</sup>	
2007	1,861,300	586,200	\$ 112,318,377	\$ 139,511,883	\$ 60,344	\$ 53,061	3.7%
2008	1,884,200	592,800	116,030,940	144,561,076	61,581	53,999	4.3
2009	1,909,300	602,000	108,988,394	136,747,300	57,083	50,644	7.9
2010	1,933,400	608,660	112,234,690	140,402,380	58,050	51,370	8.8
2011	1,942,600	612,100	120,055,100	149,916,738	61,801	53,931	8.1
2012	1,957,000	616,500	132,840,302	164,223,321	67,880	52,627	6.8
2013	1,981,900	626,600	135,079,092	167,113,851	68,156	55,190	8.1
2014	2,017,250	640,500	143,260,986	177,417,334	71,018	62,481	5.0
2015	2,052,800	662,400	153,554,091	190,187,027	74,802	65,817	4.1
2016	2,105,100	686,800	NA	NA	NA	NA	3.9

a As of April 1. Source: Washington State Office of Financial Management, "2016 Population Trends for Washington State" estimates only.

b Source: U. S. Bureau of Economic Analysis. 2016 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, March 14, 2017

## Statistics

Table S-17

### PRINCIPAL INDUSTRIES <sup>ab</sup> Current Year and Nine Years Ago

Industry	2016			2007 <sup>c</sup>		
	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment	Rank
Professional and Business Services	222,700	16.4%	1	189,900	15.7%	1
Educational and Health Services	174,600	12.9	2	136,900	11.3	2
Retail Trade	141,000	10.4	3	113,800	9.4	3
Leisure and Hospitality	136,400	10.0	4	111,800	9.2	5
Manufacturing	105,500	7.8	5	113,100	9.3	4
Local Government	98,100	7.2	6	87,300	7.2	6
Information	96,000	7.1	7	75,600	6.2	8
Financial Activities	70,800	5.2	8	80,100	6.6	7
Construction	70,800	5.2	9	74,500	6.2	9
Wholesale Trade	63,000	4.6	10	63,200	5.2	10
Total Top Ten Industries	1,178,900	86.8%		1,046,200	86.3%	

<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

Table S-18  
Page 1 of 2

### FULL-TIME-EQUIVALENT <sup>a</sup> CITY GOVERNMENT EMPLOYEES BY DEPARTMENT/OFFICE Last Ten Fiscal Years

	2016	2015	2014	2013	2012
<b>PUBLIC SAFETY</b>					
Community Police Commission	4.00	4.00	3.00	—	—
Fire	1,167.55	1,162.55	1,151.55	1,150.55	1,152.55
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	177.10	173.60	169.60	169.60	159.10
Municipal Court	214.10	213.60	213.10	212.60	214.10
Police	2,033.35	2,018.35	1,999.35	1,947.35	1,930.85
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	29.09	31.59	30.84	28.09	19.85
Library	556.10	558.40	558.40	558.40	509.00
Parks and Recreation	916.68	908.35	888.45	853.57	863.09
Seattle Center	241.13	241.13	242.66	241.62	245.12
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	331.60	327.60	344.60	341.35	316.10
Educational and Developmental Services Levy	—	—	9.00	9.00	9.00
Department of Education and Early Learning	54.00	52.50	—	—	—
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	31.00	27.50	25.50	22.50	24.00
Housing	43.50	43.50	37.00	37.50	37.50
Neighborhoods	47.00	40.00	46.00	42.50	40.50
Neighborhood Matching Subfund	8.00	8.00	7.00	6.00	6.00
Seattle Department of Construction and Inspections <sup>c</sup>	404.30	417.50	406.00	397.25	393.26
Office of Planning and Community Development	45.00	—	—	—	—
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,868.30	1,861.30	1,857.25	1,830.25	1,810.50
Seattle Public Utilities	1,460.05	1,438.05	1,446.55	1,401.05	1,411.05
Transportation	844.00	794.00	793.00	727.50	721.00
<b>ADMINISTRATION</b>					
City Auditor	9.50	9.50	9.50	9.50	9.00
City Budget	35.00	33.00	29.50	28.50	27.50
Civil Rights	34.25	31.25	23.50	23.00	22.50
Civil Service Commission	2.60	2.60	2.60	2.60	—
Employees' Retirement System	20.00	20.00	20.00	18.00	18.00
Ethics and Elections Commission	4.90	5.20	6.20	6.20	5.20
Finance and Administrative Services <sup>b</sup>	641.50	625.00	602.25	528.75	521.75
Hearing Examiner	4.63	4.63	4.63	4.63	4.63
Immigrant and Refugee Affairs	9.50	7.00	3.00	3.00	2.00
Information Technology	205.00	198.25	194.25	192.25	190.25
Intergovernmental Relations	10.50	11.50	10.50	10.50	10.50
Legislative	90.00	88.50	86.50	86.50	86.00
Mayor	44.00	35.50	28.50	28.50	28.50
Department of Human Resources <sup>d</sup>	148.25	143.55	92.75	103.75	103.25
Policy and Management <sup>e</sup>	—	—	—	—	—
Sustainability and Environment	17.25	15.25	12.00	10.00	14.75
Total Full-Time Equivalents	11,759.73	11,559.25	11,361.53	11,039.36	10,913.40

<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

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### FULL-TIME-EQUIVALENT <sup>a</sup> CITY GOVERNMENT EMPLOYEES BY DEPARTMENT/OFFICE Last Ten Fiscal Years

	2011	2010	2009	2008	2007
<b>PUBLIC SAFETY</b>					
Community Police Commission	—	—	—	—	—
Fire	1,151.55	1,155.55	1,163.05	1,163.05	1,146.05
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	160.60	155.10	154.10	155.10	152.10
Municipal Court	214.10	222.10	235.60	234.60	235.60
Police	1,934.85	1,922.25	1,859.75	1,851.75	1,851.25
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	1.00
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	20.60	23.10	25.10	25.10	24.10
Library	503.20	511.82	527.46	533.41	529.03
Parks and Recreation	890.89	1,002.49	1,002.90	1,002.95	989.45
Seattle Center	245.12	257.77	271.53	278.30	278.30
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	322.60	326.35	337.85	323.85	323.60
Educational and Developmental Services Levy	—	—	—	—	—
Department of Education and Early Learning	—	—	—	—	—
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	22.00	20.00	19.50	24.60	10.50
Housing	38.50	40.50	41.00	41.50	41.75
Neighborhoods	74.75	86.50	88.00	87.00	85.00
Neighborhood Matching Subfund	—	—	—	—	—
Seattle Department of Construction and Inspections <sup>c</sup>	398.01	409.00	437.00	441.00	434.00
Office of Planning and Community Development	—	—	—	—	—
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,810.50	1,839.10	1,881.83	1,821.33	1,752.33
Seattle Public Utilities	1,420.75	1,449.25	1,481.00	1,458.06	1,367.94
Transportation	768.50	792.00	798.50	778.00	675.50
<b>ADMINISTRATION</b>					
City Auditor	8.00	8.00	8.00	9.00	9.00
City Budget	28.50	—	36.00	38.00	—
Civil Rights	21.50	22.50	22.50	22.50	22.50
Civil Service Commission	1.80	1.80	1.80	1.80	1.80
Employees' Retirement System	15.50	15.50	15.50	14.50	14.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.20
Finance and Administrative Services <sup>b</sup>	523.75	579.00	601.00	597.00	588.50
Hearing Examiner	4.63	4.63	4.75	4.75	4.50
Immigrant and Refugee Affairs	—	—	—	—	—
Information Technology	195.00	205.00	216.00	217.00	216.00
Intergovernmental Relations	11.50	11.50	10.50	10.50	10.50
Legislative	86.00	89.00	88.00	88.00	87.00
Mayor	28.50	28.50	24.50	25.50	24.50
Department of Human Resources <sup>d</sup>	104.25	115.00	128.00	123.50	121.50
Policy and Management <sup>c</sup>	—	—	18.00	18.50	18.50
Sustainability and Environment	11.00	8.00	7.00	7.00	6.00
Total Full-Time Equivalents	11,029.65	11,314.51	11,518.92	11,410.35	11,034.50

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 abrogated.

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

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### OPERATING INDICATORS <sup>a</sup> BY DEPARTMENT/OFFICE Last Ten Fiscal Years

	2016	2015	2014	2013	2012
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$ 25,799,733	\$ 22,636,220	\$ 16,571,652	\$ 8,887,550	\$ 11,340,687
Per capita	\$ 37.57	\$ 34.18	\$ 25.87	\$ 14.18	\$ 18.40
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	7,161	7,387	6,674	7,573	8,162
Traffic criminal filings	660	678	802	1,048	953
DUI filings	1,269	1,099	1,074	1,111	1,369
Non-traffic infraction filings	4,019	4,710	2,182	2,190	3,122
Traffic infraction filings	34,401	47,933	41,467	42,091	36,872
Parking infractions	600,188	518,624	527,782	631,388	578,507
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	378,222	373,898	464,787	458,644	453,000
<b>Parks and Recreation</b>					
Park use permits issued					
Number	766	744	759	651	646
Amount	\$ 538,945	\$ 616,102	\$ 615,073	\$ 511,114	\$ 493,691
Facility use permits issued including pools					
Number	25,935	24,405	24,543	24,740	25,944
Amount	\$ 8,193,741	\$ 7,359,133	\$ 7,278,825	\$ 6,973,400	\$ 6,502,337
Facility use permits issued excluding pools					
Number	25,275	23,750	23,749	24,182	25,353
Amount	\$ 7,505,445	\$ 6,683,724	\$ 6,543,601	\$ 6,313,899	\$ 5,935,997
Picnic permits issued					
Number	4,245	4,323	4,027	3,967	3,664
Amount	\$ 421,821	\$ 422,861	\$ 386,272	\$ 381,309	\$ 363,842
Ball field usage					
Scheduled hours	186,021	147,311	170,014	161,571	147,142
Amount	\$ 2,803,130	\$ 2,662,171	\$ 2,797,013	\$ 2,477,333	\$ 2,668,292
Weddings					
Number	234	269	254	258	250
Amount	\$ 96,314	\$ 104,265	\$ 89,486	\$ 94,845	\$ 94,295
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Construction and Inspections</b>					
Permits					
Number issued	14,261	17,666	12,047	8,350	7,316
Value of issued permits	\$ 3,732,939,162	\$ 3,945,738,487	\$ 3,789,737,682	\$ 3,064,690,426	\$ 2,450,807,519
<b>UTILITIES</b>					
<b>City Light</b>					
Customers	447,332	422,809	415,056	408,055	402,608
Operating revenues	\$ 93,174,831	\$ 882,856,777	\$ 8,866,445,525	\$ 842,229,890	\$ 800,273,311
<b>Water</b>					
Population served	1,433,200	1,403,600	1,336,700	1,326,000	1,314,932
Billed water consumption, daily average, in gallons	115,447,224	118,900,570	113,863,391	113,107,019	112,036,939
Operating revenues	\$ 251,363,807	\$ 251,977,342	\$ 242,946,509	\$ 235,593,735	\$ 213,474,169
<b>Drainage and Wastewater</b>					
Operating revenues	\$ 375,041,044	\$ 363,778,513	\$ 341,999,940	\$ 333,760,233	\$ 304,001,717
<b>Solid Waste</b>					
Customers					
Residential garbage customers	181,940	164,381	160,063	163,413	164,241
Residential dumpsters customers	156,527	146,201	142,035	135,499	129,761
Commercial garbage customers	8,096	8,145	8,168	8,156	8,148
Operating revenues	\$ 183,666,276	\$ 174,787,770	\$ 157,497,819	\$ 159,741,503	\$ 156,926,774

a All figures are supplied by the named departments.

## Statistics

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### OPERATING INDICATORS <sup>a</sup>

#### BY DEPARTMENT/OFFICE

##### Last Ten Fiscal Years

	2011	2010	2009	2008	2007
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$ 11,476,891	\$ 11,021,455	\$ 22,217,971	\$ 16,351,377	\$ 17,664,500
Per capita	\$ 18.86	\$ 18.11	\$ 36.91	\$ 27.52	\$ 32.76
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	8,481	9,908	10,724	9,461	12,003
Traffic criminal filings	1,109	4,752	5,344	5,124	5,100
DUI filings	1,667	1,343	1,422	1,167	1,390
Non-traffic infraction filings	4,787	5,501	6,111	6,437	7,880
Traffic infraction filings	46,136	55,108	57,960	69,949	74,490
Parking infractions	580,841	600,543	568,616	477,024	430,240
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	456,534	502,903	465,325	432,790	448,104
<b>Parks and Recreation</b>					
Park use permits issued					
Number	670	614	639	599	529
Amount	\$ 454,327	\$ 302,690	\$ 204,527	\$ 212,403	\$ 75,459
Facility use permits issued including pools					
Number	26,051	27,384	26,922	24,977	23,487
Amount	\$ 6,147,176	\$ 5,014,973	\$ 4,957,236	\$ 2,571,854	\$ 2,374,230
Facility use permits issued excluding pools					
Number	25,472	26,661	26,190	23,577	22,113
Amount	\$ 5,573,454	\$ 4,480,703	\$ 4,469,322	\$ 2,127,367	\$ 1,997,402
Picnic permits issued					
Number	3,463	3,658	3,547	3,420	3,469
Amount	\$ 345,209	\$ 303,075	\$ 249,110	\$ 228,965	\$ 229,715
Ball field usage					
Scheduled hours	128,352	125,891	161,937	147,911	145,481
Amount	\$ 2,480,476	\$ 1,909,705	\$ 1,457,708	\$ 1,444,393	\$ 1,600,578
Weddings					
Number	233	272	268	235	254
Amount	\$ 80,900	\$ 89,350	\$ 91,238	\$ 80,955	\$ 87,900
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Construction and Inspections</b>					
Permits					
Number issued	7,075	6,287	5,917	7,890	8,865
Value of issued permits	\$ 2,144,525,229	\$ 1,582,129,040	\$ 1,987,486,066	\$ 2,580,055,297	\$ 3,097,812,568
<b>UTILITIES</b>					
<b>City Light</b>					
Customers	400,351	398,858	394,731	387,715	383,127
Operating revenues	\$ 771,464,570	\$ 732,977,819	\$ 723,128,042	\$ 877,392,652	\$ 832,524,784
<b>Water</b>					
Population served	1,303,847	1,292,994	1,280,557	1,265,878	1,251,998
Billed water consumption, daily average, in gallons	110,200,000	110,424,484	122,038,356	117,406,451	120,690,060
Operating revenues	\$ 194,572,652	\$ 195,203,465	\$ 191,369,588	\$ 164,405,030	\$ 160,161,307
<b>Drainage and Wastewater</b>					
Operating revenues	\$ 278,956,907	\$ 249,733,795	\$ 250,194,607	\$ 224,109,335	\$ 202,407,690
<b>Solid Waste</b>					
Customers					
Residential garbage customers	166,637	165,541	167,047	166,914	166,052
Residential dumpsters customers	127,678	126,593	127,971	122,503	119,667
Commercial garbage customers	8,179	8,248	8,462	9,747	8,505
Operating revenues	\$ 154,200,068	\$ 150,905,931	\$ 135,641,160	\$ 124,353,043	\$ 121,930,923

a All figures are supplied by the named departments.

## The City of Seattle

Table S-20

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### CAPITAL ASSET STATISTICS <sup>a</sup>

#### BY DEPARTMENT/OFFICE

##### Last Ten Fiscal Years

	2016	2015	2014	2013	2012
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Boats	7	6	7	6	3
Fire-fighting apparatus	214	216	216	184	164
Stations	33	33	33	33	33
Training towers	6	6	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
Vehicles					
Patrol cars	302	280	280	272	273
Motorcycles	37	37	37	37	37
Scooters	53	71	80	75	73
Trucks, vans, minibuses	91	89	91	89	87
Automobiles	236	213	196	194	194
Patrol boats	10	10	10	10	10
Bicycles	154	154	154	154	154
Horses	7	5	7	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	11,689,659	11,544,047	11,744,881	11,435,302	10,932,677
Collection, print and non-print	2,235,370	2,181,399	2,214,169	2,435,520	2,403,693
<b>Parks and Recreation</b>					
Major parks	14	14	14	14	14
Open space acres acquired since 1989	734	731	731	711	695
Total acreage	6,369	6,367	6,367	6,298	6,251
Children's play areas	160	160	158	138	136
Neighborhood playgrounds	39	39	40	43	41
Community playfields	42	42	38	38	38
Community recreation centers	27	27	27	25	24
Visual and performing arts centers	5	5	5	5	6
Theaters	1	1	1	1	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	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  
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### CAPITAL ASSET STATISTICS <sup>a</sup> BY DEPARTMENT/OFFICE Last Ten Fiscal Years

	2011	2010	2009	2008	2007
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Boats	3	3	3	3	2
Fire-fighting apparatus	163	162	162	162	163
Stations	33	33	33	33	33
Training towers	2	2	2	2	1
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
Vehicles					
Patrol cars	270	270	270	270	265
Motorcycles	37	37	37	37	45
Scoters	67	63	58	58	50
Trucks, vans, minibuses	88	86	84	84	81
Automobiles	194	194	194	194	197
Patrol boats	10	10	10	10	10
Bicycles	154	154	146	146	137
Horses	7	8	8	8	8
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	27	27	27	24	24
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	11,376,194	11,914,050	10,025,029	9,085,490	8,661,263
Collection, print and non-print	2,280,511	2,294,601	2,446,355	2,352,381	2,273,440
<b>Parks and Recreation</b>					
Major parks	14	13	13	13	13
Open space acres acquired since 1989	665	663	654	638	630
Total acreage	6,188	6,185	6,171	6,155	6,036
Children's play areas	135	133	131	130	130
Neighborhood playgrounds	40	38	38	38	38
Community playfields	38	38	33	33	33
Community recreation centers	26	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	62	62	62
Viewpoints	11	9	8	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>	—	10,588	10,216	10,655	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  
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### CAPITAL ASSET STATISTICS <sup>a</sup> BY DEPARTMENT/OFFICE Last Ten Fiscal Years

	2016	2015	2014	2013	2012
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	2,014,100	2,014,100	1,975,100	1,991,600	1,991,600
Peak load (KW) <sup>c</sup>	1,785,000	1,689,000	1,866,792	1,840,792	1,804,708
Total system load (1,000 KWh) <sup>c</sup>	9,696,583	9,687,222	9,911,624	10,048,700	10,082,024
Meters	445,625	430,148	422,613	406,274	407,614
<b>Water</b>					
Reservoirs, standpipes, tanks	29	29	29	26	27
Fire hydrants	18,664	18,000	18,000	18,655	18,550
Water mains					
Supply, in miles	198	193	193	182	182
Water storage, in thousand gallons	326,100	354,500	354,500	398,369	338,869
Meters	194,580	192,633	191,403	187,159	188,883
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	473	475	474	472	471
Sanitary sewers, life-to-date, in miles	949	947	947	949	948
Storm drains, life-to-date, in miles	485	483	481	479	474
Pumping stations	67	68	68	67	67
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in lane-miles (12 ft)	1,548	1,547	1,547	1,540	1,540
Non-arterial streets (paved and unpaved), in lane-miles (12 ft)	2,396	2,407	2,407	2,412	2,412
Sidewalks, in miles	2,326	2,303	2,230	2,230	2,256
Stairways	498	492	509	505	507
Length of stairways, in feet	34,923	35,653	36,269	35,112	35,122
Number of stairway treads	23,585	23,503	23,344	24,050	24,050
Street trees					
City-maintained	41,000	41,000	41,000	41,000	41,000
Maintained by property owners	150,000	150,000	125,000	125,000	125,000
Total platted streets, in centerline miles	1,675	1,677	1,677	1,677	1,677
Traffic signals	1,077	1,071	1,041	1,070	1,060
Parking meters					
Downtown	—	—	—	6	93
Outlying	—	—	—	4	26
Parking pay stations					
Downtown <sup>d</sup>	689	880	892	961	973
Outlying <sup>d</sup>	1,006	1,141	1,112	1,174	1,198
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	96	96	93	99	95
Partial City maintenance	51	51	54	32	44
Retaining walls/seawalls	587	582	580	592	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**

	2011	2010	2009	2008	2007
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	1,920,700	1,920,700	1,920,700	1,920,700	1,920,700
Peak load (KW) <sup>c</sup>	1,748,833	1,846,708	1,859,875	1,904,735	1,777,096
Total system load (1,000 KWh) <sup>c</sup>	10,202,992	9,910,754	10,182,404	10,376,759	10,263,184
Meters	406,195	402,854	394,455	391,022	385,621
<b>Water</b>					
Reservoirs, standpipes, tanks	27	27	30	30	29
Fire hydrants	18,503	18,473	18,436	18,398	18,347
Water mains					
Supply, in miles	187	187	224	182	182
Water storage, in thousand gallons	338,869	302,880	370,000	377,080	377,080
Meters	188,457	188,226	187,154	185,395	183,699
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	471	472	473	444	444
Sanitary sewers, life-to-date, in miles	957	956	958	985	985
Storm drains, life-to-date, in miles	473	470	473	472	472
Pumping stations	66	67	65	68	68
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in lane-miles (12 ft)	1,537	1,531	1,531	1,531	1,534
Non-arterial streets (paved and unpaved), in lane-miles (12 ft)	2,411	2,412	2,412	2,412	2,412
Sidewalks, in miles	2,262	2,262	2,258	2,256	1,956
Stairways	507	498	494	482	482
Length of stairways, in feet	35,061	35,181	35,215	34,775	34,643
Number of stairway treads	24,009	23,950	23,666	23,407	23,211
Street trees					
City-maintained	40,000	40,000	40,000	35,000	34,000
Maintained by property owners	125,000	125,000	125,000	105,000	100,000
Total platted streets, in centerline miles	1,666	1,666	1,666	1,666	1,666
Traffic signals	1,053	1,040	1,030	1001	991
Parking meters					
Downtown	231	941	941	700	747
Outlying	85	97	97	300	353
Parking pay stations					
Downtown <sup>d</sup>	998	856	850	1215	925
Outlying <sup>d</sup>	1,227	1,315	1127	630	565
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	90	88	88	88	84
Partial City maintenance	44	54	55	55	55
Retaining walls/seawalls	592	592	582	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, 2016 - 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 52.8

January 2016 average high 49.1

January 2016 average low 38.4

July 2016 average high 76.0

July 2016 average low 57.6

Rainfall (in inches)

30-year average, mean annual 38.54

2016 total 45.18

### 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
King County		2,105,100
Percentage in Seattle		32.6%

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, 2016 - Unless Otherwise Indicated

#### ELECTIONS (November 8)

Active registered voters	459,794
Percentage voted last general election	85.20%
Total voted	391,747

#### PENSION BENEFICIARIES

Employees' Retirement	6,382
Firemen's Pension	668
Police Pension	726

#### VITAL STATISTICS

Rates per thousand of residents	
Births (2015)	12.0
Deaths (2015)	6.3

#### PUBLIC EDUCATION (2015-16 School Year)

Enrollment (October 1)	54,976
Teachers (October 1)	4,209
Schools	
Regular elementary schools	59
Regular middle schools	10
Regular high schools	12
K-8 schools	11
Alternative/Non-traditional schools	7
Total number of schools	<u>99</u>

#### PROPERTY TAXES

Assessed valuation (January 2016)	\$163,924,328,611
Tax levy (City)	\$452,827,119

#### 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	\$ 3.06571	\$ 1,066.87
Emergency Medical Services	0.28235	98.26
State of Washington	2.16898	754.81
School District No. 1	2.18898	761.77
King County	1.48027	515.13
Port of Seattle	0.16954	59.00
King County Ferry District	—	—
King County Flood Control Zone	0.12980	45.17
Totals	<u>\$ 9.48563</u>	<u>\$ 3,301.01</u>

## The City of Seattle

Page 3 of 3

### MISCELLANEOUS STATISTICS December 31, 2016 - Unless Otherwise Indicated

#### PORT OF SEATTLE

<b>Bonded Indebtedness</b>	
General obligation bonds	\$ 283,620,000
Revenue bonds	2,548,685,000
Passenger facility charges bonds	110,790,000
Commercial Paper	29,655,000

#### Waterfront (mileage)

Salt water	13.4
Fresh water	0.7

#### Value of Land Facilities

Waterfront	\$ 2,168,253,817
Sea-Tac International Airport	\$ 5,600,386,315

#### 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	28
Cargo airlines	7
Charter airlines	3
Loading bridges	58

#### 2016 Port Activity (in millions)

Import	\$ 14,832
Export	\$ 5,869

**City of Seattle**  
**2016 Comprehensive Annual Financial Report**

**Department of Finance and Administrative Services**  
**CAFR Production Staff**

Janice Marsters  
**Director of Accounting and Payroll Services**

Brandon Johns  
**Citywide Accounting Manager**

**Principal Accountants:**

Fon Chang  
Tim Henry  
Anna Himichuk  
Cam Huynh  
April McCraney  
Flora Wang  
Jake Yoon

**Senior Accountants:**

Conrad Magbalot  
Mena Nguyen

**Accountants:**

Grace Chou  
Andrew Wachong

**Sr. Management Systems Analyst:**

Steve Spada

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**APPENDIX C**

**DEMOGRAPHIC AND ECONOMIC INFORMATION**



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## DEMOGRAPHIC AND ECONOMIC INFORMATION

Seattle is the largest city in the Pacific Northwest, serves as the County seat and is the center of the County's economic activity. King County is the largest county in the State in population, number of cities and employment, and the fourteenth most populous county in the United States. Of the State's population, nearly 30% reside in the County, and of the County's population, 32% live in the City of Seattle.

### Population

Historical and current population figures for the State, the County, and the City are given below.

POPULATION			
Year	Washington	King County	Seattle
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
2013 <sup>(2)</sup>	6,882,400	1,981,900	626,600
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

(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.

PER CAPITA INCOME					
	2012	2013	2014	2015	2016
Seattle MD	\$ 59,554	\$ 60,219	\$ 65,033	\$ 68,094	\$ 69,786
King County	65,345	66,073	71,882	75,518	77,213
State of Washington	47,338	47,814	50,890	53,064	54,579
U.S.	44,282	44,493	46,494	48,451	49,246

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 Multifamily Units		Total Value(\$)
	Number	Value(\$)	Number	Value(\$)	
2013	822	\$205,297,350	5,855	\$805,297,482	\$1,010,594,832
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
2017 <sup>(1)</sup>	159	43,491,603	1,629	215,935,593	259,427,196
2018 <sup>(1)</sup>	150	41,105,174	1,957	295,767,805	336,872,979

(1) Through March.

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	Seattle
2012	\$ 43,506,804,227	\$ 17,162,539,275
2013	46,601,198,766	18,258,200,683
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
2016 <sup>(1)</sup>	44,057,486,509	17,999,139,967
2017 <sup>(1)</sup>	46,044,525,462	19,006,908,297

(1) Through third quarter.

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 in 2015.

PUGET SOUND AREA MAJOR EMPLOYERS	
Employer	Employees
The Boeing Company	78,200
Joint Base Lewis-McChord	58,100
Navy Region Northwest	46,700
Microsoft Corp.	43,600
Amazon.com Inc.	24,000
University of Washington	23,600
Wal-Mart Stores, Inc.	19,500 <sup>(1)</sup>
Providence Health & Services	17,700
Fred Meyer Stores	15,500
King County Government	14,700 <sup>(2)</sup>
City of Seattle	13,700 <sup>(3)</sup>
Starbucks Corp.	12,600
CHI Franciscan Health System	11,800
Nordstrom Inc.	10,900
Costco Wholesale Corp.	10,500 <sup>(1)</sup>

(1) Does not include part-time or seasonal employment figures.

(2) Source: King County. Figure includes temporary workers.

(3) Source: City of Seattle. Figure includes temporary workers.

Source: *Puget Sound Business Journal Book of Lists, 2017*

**KING COUNTY**  
**RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT**  
**AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT<sup>(1)</sup>**

	<b>Annual Average</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Civilian Labor Force	1,137,369	1,158,195	1,178,040	1,204,360	1,230,207
Total Employment	1,079,695	1,103,941	1,127,580	1,156,939	1,184,707
Total Unemployment	57,674	54,254	50,460	47,421	45,500
Percent of Labor Force	5.1%	4.7%	4.3%	3.9%	3.7%
<b>NAICS INDUSTRY</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Nonfarm	1,237,217	1,278,033	1,311,575	1,358,517	1,401,333
Total Private	1,069,975	1,108,425	1,137,442	1,180,175	1,219,450
Goods Producing	162,508	168,283	174,908	176,800	178,550
Mining and Logging	458	458	575	500	575
Construction	55,883	60,792	66,800	70,833	75,108
Manufacturing	106,167	107,025	107,542	105,475	102,892
Service Providing	1,074,708	1,109,750	1,136,667	1,181,717	1,222,783
Trade, Transportation, and Utilities	225,167	235,758	244,433	254,642	269,508
Information	82,617	85,583	89,058	95,967	102,983
Financial Activities	70,892	72,000	69,675	70,758	71,208
Professional and Business Services	201,042	207,933	215,733	222,667	228,183
Educational and Health Services	162,633	167,983	167,008	174,592	179,092
Leisure and Hospitality	120,575	124,883	130,108	136,425	141,392
Other Services	44,542	46,000	46,517	48,325	48,533
Government	167,242	169,608	174,133	178,342	181,883
Workers in Labor/Management Disputes	0	0	0	0	0
	<b>Mar. 2018</b>				
Civilian Labor Force	1,263,429				
Total Employment	1,220,798				
Total Unemployment	42,631				
Percent of Labor Force	3.4%				

(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.