

OFFICIAL STATEMENT

New Issue
Book-Entry Only

| | | | |
|--|-------------------------------|-------------|-------------|
| | RATINGS | LTGO | UTGO |
| | Moody's: | Aa1 | Aaa |
| | Standard & Poor's: | AAA | AAA |
| | Fitch: | AAA | 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, (i) interest on the 2016A Bonds and the UTGO 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 and corporations, and (ii) interest (and original issue discount) on the 2016B Bonds is included in gross income for federal income tax purposes. See "Legal and Tax Information—Tax Exemption-Tax-Exempt Bonds" and "—Tax Matters-2016B Bonds."

THE CITY OF SEATTLE, WASHINGTON

\$103,660,000

LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2016A

\$36,740,000

UNLIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2016

\$6,070,000

LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2016B (TAXABLE)

DATED: DATE OF INITIAL DELIVERY

DUE: 2016A BONDS—APRIL 1, AS SHOWN ON PAGE i
UTGO BONDS—DECEMBER 1, AS SHOWN ON PAGE ii
2016B BONDS—APRIL 1, AS SHOWN ON PAGE iii

The City of Seattle, Washington (the "City"), will issue its Limited Tax General Obligation Improvement and Refunding Bonds, 2016A (the "2016A Bonds"), Unlimited Tax General Obligation Improvement Bonds, 2016 (the "UTGO Bonds"), and Limited Tax General Obligation Improvement Bonds, 2016B (Taxable) (the "2016B Bonds"), as fully registered bonds under a book-entry only system, registered in the name of the Securities Depository. In this Official Statement, the 2016A Bonds and 2016B Bonds together are referred to as the "LTGO Bonds" and the LTGO Bonds and UTGO Bonds collectively are referred to as the "Bonds." Additionally, the term "Series" may refer to any 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 2016A Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2016. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning June 1, 2017. Interest on the 2016B Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2016. 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 Transfer System" and in Appendix D.

The 2016A Bonds are being issued to pay or reimburse the costs of certain capital improvements, to refund certain of the City's outstanding limited tax general obligation bonds, and to pay the costs of issuing the 2016A Bonds and administering the Refunding Plan. The UTGO Bonds are voter-approved bonds being issued to pay or reimburse a portion of the costs of the replacement of the seawall and associated public facilities and infrastructure and to pay the costs of issuing the UTGO Bonds. The 2016B Bonds are being issued to assist a City-created public development authority in undertaking certain capital improvements and to pay the costs of issuing the 2016B 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 LTGO 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 LTGO Bonds. The UTGO Bonds are secured by the City's irrevocable pledge to include in its budget and to levy taxes annually without limitation as to rate or amount 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 UTGO Bonds. The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the respective 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 25, 2016.

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 3, 2016

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 Legislation 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 historic 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 also 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 “Legal and Tax Information—Continuing Disclosure Undertaking.”

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 “Legal and Tax Information—Continuing Disclosure Undertaking.”

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

\$103,660,000

THE CITY OF SEATTLE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, 2016A

| Due April 1 | Amounts | Interest Rates | Yields | Prices | CUSIP Numbers |
|--------------------|----------------|-----------------------|---------------|------------------------|----------------------|
| 2017 | \$ 5,825,000 | 5.00% | 0.55% | 103.767 | 812627 AA5 |
| 2018 | 6,120,000 | 5.00% | 0.69% | 107.908 | 812627 AB3 |
| 2019 | 6,435,000 | 5.00% | 0.83% | 111.719 | 812627 AC1 |
| 2020 | 9,770,000 | 5.00% | 0.95% | 115.273 | 812627 AD9 |
| 2021 | 10,290,000 | 5.00% | 1.03% | 118.733 | 812627 AE7 |
| 2022 | 8,300,000 | 5.00% | 1.19% | 121.467 | 812627 AF4 |
| 2023 | 6,605,000 | 5.00% | 1.32% | 124.024 | 812627 AG2 |
| 2024 | 6,570,000 | 5.00% | 1.44% | 126.333 | 812627 AH0 |
| 2025 | 3,915,000 | 5.00% | 1.60% | 127.950 | 812627 AJ6 |
| 2026 | 4,105,000 | 5.00% | 1.73% | 129.495 | 812627 AK3 |
| 2027 | 4,065,000 | 4.00% | 1.95% | 118.288 ⁽¹⁾ | 812627 AL1 |
| 2028 | 4,230,000 | 4.00% | 2.10% | 116.824 ⁽¹⁾ | 812627 AM9 |
| 2029 | 4,280,000 | 4.00% | 2.22% | 115.668 ⁽¹⁾ | 812627 AN7 |
| 2030 | 3,035,000 | 4.00% | 2.33% | 114.620 ⁽¹⁾ | 812627 AP2 |
| 2031 | 3,165,000 | 4.00% | 2.39% | 114.053 ⁽¹⁾ | 812627 AQ0 |
| 2032 | 3,285,000 | 4.00% | 2.45% | 113.489 ⁽¹⁾ | 812627 AR8 |
| 2033 | 3,420,000 | 4.00% | 2.51% | 112.928 ⁽¹⁾ | 812627 AS6 |
| 2034 | 3,565,000 | 4.00% | 2.57% | 112.371 ⁽¹⁾ | 812627 AT4 |
| 2035 | 3,275,000 | 4.00% | 2.63% | 111.817 ⁽¹⁾ | 812627 AU1 |
| 2036 | 3,405,000 | 4.00% | 2.69% | 111.266 ⁽¹⁾ | 812627 AV9 |

(1) Priced to the April 1, 2026, par call date.

MATURITY SCHEDULE

\$36,740,000

**THE CITY OF SEATTLE, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2016**

| Due December 1 | Amounts | Interest Rates | Yields | Prices | CUSIP Numbers |
|---------------------------|----------------|---------------------------|---------------|------------------------|----------------------|
| 2018 | \$ 680,000 | 5.00% | 0.71% | 110.681 | 812627 AW7 |
| 2019 | 715,000 | 5.00% | 0.84% | 114.385 | 812627 AX5 |
| 2020 | 750,000 | 5.00% | 0.98% | 117.718 | 812627 AY3 |
| 2021 | 790,000 | 5.00% | 1.12% | 120.700 | 812627 AZ0 |
| 2022 | 830,000 | 5.00% | 1.27% | 123.257 | 812627 BA4 |
| 2023 | 870,000 | 5.00% | 1.40% | 125.599 | 812627 BB2 |
| 2024 | 915,000 | 5.00% | 1.52% | 127.701 | 812627 BC0 |
| 2025 | 960,000 | 5.00% | 1.67% | 129.187 | 812627 BD8 |
| 2026 | 1,005,000 | 5.00% | 1.80% | 129.209 ⁽¹⁾ | 812627 BE6 |
| 2027 | 1,055,000 | 4.00% | 1.98% | 118.271 ⁽¹⁾ | 812627 BF3 |
| 2028 | 1,100,000 | 4.00% | 2.12% | 116.885 ⁽¹⁾ | 812627 BG1 |
| 2029 | 1,140,000 | 4.00% | 2.24% | 115.712 ⁽¹⁾ | 812627 BH9 |
| 2030 | 1,190,000 | 4.00% | 2.33% | 114.842 ⁽¹⁾ | 812627 BJ5 |
| 2031 | 1,235,000 | 4.00% | 2.39% | 114.266 ⁽¹⁾ | 812627 BK2 |
| 2032 | 1,285,000 | 4.00% | 2.45% | 113.693 ⁽¹⁾ | 812627 BL0 |
| 2033 | 1,335,000 | 4.00% | 2.51% | 113.123 ⁽¹⁾ | 812627 BM8 |
| 2034 | 1,390,000 | 4.00% | 2.57% | 112.557 ⁽¹⁾ | 812627 BN6 |
| 2035 | 1,445,000 | 4.00% | 2.63% | 111.994 ⁽¹⁾ | 812627 BP1 |
| 2036 | 1,505,000 | 4.00% | 2.69% | 111.435 ⁽¹⁾ | 812627 BQ9 |
| 2037 | 1,565,000 | 4.00% | 2.74% | 110.971 ⁽¹⁾ | 812627 BR7 |
| 2038 | 1,625,000 | 4.00% | 2.78% | 110.602 ⁽¹⁾ | 812627 BS5 |
| 2039 | 1,690,000 | 4.00% | 2.81% | 110.326 ⁽¹⁾ | 812627 BT3 |
| 2040 | 1,760,000 | 4.00% | 2.84% | 110.050 ⁽¹⁾ | 812627 BU0 |
| 2041 | 1,830,000 | 4.00% | 2.87% | 109.776 ⁽¹⁾ | 812627 BV8 |
| 2042 | 1,900,000 | 4.00% | 2.89% | 109.593 ⁽¹⁾ | 812627 BW6 |
| 2043 | 1,980,000 | 4.00% | 2.90% | 109.502 ⁽¹⁾ | 812627 BX4 |
| 2044 | 2,055,000 | 4.00% | 2.91% | 109.411 ⁽¹⁾ | 812627 BY2 |
| 2045 | 2,140,000 | 4.00% | 2.92% | 109.320 ⁽¹⁾ | 812627 BZ9 |

(1) Priced to the June 1, 2026, par call date.

MATURITY SCHEDULE

\$6,070,000

**THE CITY OF SEATTLE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2016B (TAXABLE)**

SERIAL BONDS

| Due April 1 | Amounts | Interest Rates | Yields | Prices | CUSIP Numbers |
|--------------------|----------------|-----------------------|---------------|---------------|----------------------|
| 2017 | \$ 245,000 | 1.000% | 0.70% | 100.253 | 812627 CA3 |
| 2018 | 250,000 | 1.500% | 0.95% | 101.005 | 812627 CB1 |
| 2019 | 250,000 | 2.000% | 1.09% | 102.546 | 812627 CC9 |
| 2020 | 255,000 | 2.000% | 1.24% | 102.847 | 812627 CD7 |
| 2021 | 265,000 | 2.000% | 1.59% | 101.905 | 812627 CE5 |
| 2022 | 270,000 | 2.000% | 1.69% | 101.718 | 812627 CF2 |
| 2023 | 275,000 | 2.000% | 2.01% | 99.935 | 812627 CG0 |
| 2024 | 280,000 | 2.000% | 2.11% | 99.206 | 812627 CH8 |
| 2025 | 285,000 | 2.250% | 2.30% | 99.600 | 812627 CJ4 |
| 2026 | 290,000 | 2.375% | 2.45% | 99.345 | 812627 CK1 |
| 2027 | 300,000 | 2.500% | 2.60% | 99.058 | 812627 CL9 |
| 2028 | 305,000 | 2.625% | 2.70% | 99.241 | 812627 CM7 |

TERM BONDS

| Due April 1 | Amounts | Interest Rates | Yields | Prices | CUSIP Numbers |
|--------------------|----------------|-----------------------|---------------|---------------|----------------------|
| 2032 | \$ 1,320,000 | 2.875% | 2.95% | 99.053 | 812627 CN5 |
| 2036 | 1,480,000 | 3.000% | 3.10% | 98.523 | 812627 CP0 |

THE CITY OF SEATTLE

MAYOR AND CITY COUNCIL

Edward B. Murray

Mayor

Council Member

Term Expiration

Sally Bagshaw

2019

Tim Burgess

2017

Lorena Gonzalez

2017

Bruce Harrell

2019

Lisa Herbold

2019

Rob Johnson

2019

Debora Juarez

2019

Mike O'Brien

2019

Kshama Sawant

2019

CITY ADMINISTRATION

Glen M. Lee

Director of Finance

Peter Holmes

City Attorney

BOND COUNSEL

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

FINANCIAL 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

\$103,660,000

**LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2016A**

\$36,740,000

**UNLIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2016**

\$6,070,000

**LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2016B (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 \$103,660,000 aggregate principal amount of its Limited Tax General Obligation Improvement and Refunding Bonds, 2016A (the “2016A Bonds”), \$36,740,000 aggregate principal amount of its Unlimited Tax General Obligation Improvement Bonds, 2016 (the “UTGO Bonds”), and \$6,070,000 aggregate principal amount of its Limited Tax General Obligation Improvement Bonds, 2016B (Taxable) (the “2016B Bonds”). In this Official Statement, the 2016A Bonds and the 2016B Bonds together are referred to as the “LTGO Bonds” and the LTGO Bonds and UTGO Bonds collectively are referred to as the “Bonds.” Additionally, the term “Tax-Exempt Bonds” is used to refer to the 2016A Bonds and the UTGO Bonds, either separately or collectively, and the term “Series” may refer to any 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 2014 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 Legislation (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 new money and refunding portions of the LTGO Bonds are authorized by Ordinances 124924 (the “New Money Ordinance”) and Ordinance 124343 (the “Omnibus Refunding Ordinance”), respectively, and Resolution 31665, and the UTGO Bonds are authorized by Ordinances 123922 and 124125, and Resolution 31666 (collectively, the “Bond Legislation”).

Additionally, the UTGO Bonds are authorized pursuant to a favorable vote at an election held in the City on November 6, 2012, pursuant to Ordinance 123922 of the City, which authorized the City to issue up to \$290,000,000 of unlimited tax general obligation bonds (the “Bond Authorization”) for the purpose of funding the improvement and replacement of the seawall and associated public facilities and infrastructure, including addressing public safety risks and seismic hazards. See “The City of Seattle—Considerations Related to Alaskan Way Viaduct and Seawall Replacement Program.” Final election results were as follows:

| | <u>Number of Votes</u> | <u>Percentage</u> |
|-----|------------------------|-------------------|
| Yes | 246,662 | 76.98% |
| No | 73,776 | 23.02% |

The UTGO Bonds represent the fourth and final series of bonds issued under the Bond Authorization. The first series of bonds issued under this authorization was issued on June 4, 2013, and used \$50,000,000 of the total Bond Authorization. The second series of bonds issued under this authorization was issued on April 10, 2014, and used \$17,000,000 of the remaining Bond Authorization. The third series of bonds issued under this authorization was issued on May 21, 2015, and used \$181,330,924 of the remaining Bond Authorization. The UTGO Bonds constitute the remainder of the Bond Authorization.

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds will be dated the date of their initial issuance and delivery. The 2016A Bonds will mature on April 1 in the years and amounts set forth on page i of this Official Statement. The UTGO Bonds will mature on December 1 in the years and amounts set forth on page ii of this Official Statement. The 2016B Bonds will mature on April 1 in the years and amounts set forth on page iii of this Official Statement.

Interest on the 2016A Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2016, at the rates set forth on page i of this Official Statement. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning June 1, 2017, at the rates set forth on page ii of this Official Statement. Interest on the 2016B Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2016, at the rates set forth on page iii 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 Transfer System

Book-Entry Transfer System. The Bonds will be issued only in registered form as to both principal and interest by the fiscal agent of the State (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). The Bonds initially will be registered in the name of the Securities Depository, which is defined in the Bond Legislation as DTC or any successor thereto, in accordance with the provisions of the Blanket Issuer Letter of Representations between the City and DTC dated October 4, 2006 (the “Letter of Representations”). Neither the City nor the Bond Registrar has 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 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 Owners under the Bond Legislation (except such notice as is required to be given by the Bond Registrar to the Securities Depository). 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 City to discontinue services of the Securities Depository, the City may appoint a substitute Securities Depository. If (i) the Securities Depository resigns from its functions as depository and no substitute Securities Depository can be obtained, or (ii) the City determines that the Bonds are to be in certificated form, then ownership of the Bonds may be transferred to any person as provided in the Bond Legislation and the Bonds no longer will be held in book-entry form.

Transfer and Exchange; Record Date. The Bond Registrar is not obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the corresponding interest or principal payment date or redemption date. Record Date means, 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. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except (i) to any successor Securities Depository, (ii) to any substitute Securities Depository appointed by the City, or (iii) to any person if the Bond is no longer to be held in book-entry only form.

Payment of Bonds

Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository 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. However, the City 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 registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

Redemption of Bonds

Optional Redemption—2016A Bonds. The 2016A Bonds maturing on and before April 1, 2026, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the 2016A Bonds maturing on and after April 1, 2027, prior to their stated maturity dates at any time on and after April 1, 2026, as a whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Optional Redemption—UTGO Bonds. The UTGO Bonds maturing on and before December 1, 2025, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the UTGO Bonds maturing on and after December 1, 2026, prior to their stated maturity dates at any time on and after June 1, 2026, 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.

Optional Redemption—2016B Bonds. The 2016B Bonds maturing on and before April 1, 2026, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the 2016B Bonds maturing on and after April 1, 2027, prior to their stated maturity dates at any time on and after April 1, 2026, as a whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Mandatory Redemption—2016B Bonds. If not redeemed or purchased at the City’s option prior to maturity, the 2016B Term Bonds maturing on April 1, 2032, and April 1, 2036, will be redeemed, at a price equal to the principal amount thereof plus accrued interest, on April 1 in the years and amounts as follows:

| 2032 TERM BONDS | | 2036 TERM BONDS | |
|------------------------|----------------|------------------------|----------------|
| <u>Years</u> | <u>Amounts</u> | <u>Years</u> | <u>Amounts</u> |
| 2029 | \$ 315,000 | 2033 | \$ 355,000 |
| 2030 | 325,000 | 2034 | 365,000 |
| 2031 | 335,000 | 2035 | 375,000 |
| 2032 ⁽¹⁾ | 345,000 | 2036 ⁽¹⁾ | 385,000 |

(1) Maturity.

If the City redeems or purchases 2016B Term Bonds at the City’s option prior to maturity, the 2016B Term Bonds so redeemed or purchased (irrespective of their actual redemption or purchase prices) will be credited at the par amount thereof against the remaining mandatory redemption requirements as determined by the Director of the

Finance Division of the City's Department of Finance and Administrative Services (the "Director of Finance"). In the absence of a determination by the Director of Finance or other direction from the Bond Legislation, credit will be allocated 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 fewer than all of the outstanding bonds of a single maturity are to be redeemed prior to maturity, the Securities Depository will select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar will select all other Bonds to be redeemed 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 denominations of \$5,000 or integral multiples thereof within a maturity of the Bonds ("Authorized Denominations"). 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 maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

Notice of Redemption. The City will 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. The notice requirements will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it actually is received by the Owner of any Bond. As long as a Bond is held in book-entry form, notices with respect to such Bond will be given in accordance with procedures established by DTC. See "Registration and Book-Entry Transfer System" and Appendix D.

Conditional 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.

Effect of Redemption. 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. 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.

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 to pay when due the principal of and premium, if any, and interest on any Bond or portion thereof, to redeem and retire, release, refund, or defease those Bonds (the "defeased Bonds"), and 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 Legislation 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 the trust account is established and

fully funded, the defeased Bonds will be deemed to be no longer outstanding and the Director of Finance then may 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 Legislation for the redemption of Bonds.

The term “Government Obligations” has the meaning given in RCW 39.53.010, currently: (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 2016B Bonds, such 2016B 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-2016B Bonds-Defeasance of 2016B Bonds.”

Failure to Pay Bonds

If any Bond is not paid when properly presented at its maturity or call date, the City will be obligated to pay interest on that Bond at the same rate provided in that Bond from and after its maturity or call 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.

Defaults and Remedies; No Acceleration of the Bonds

The Bond Legislation 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 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

2016A Bonds. A portion of the proceeds of the 2016A Bonds will be used to pay or reimburse a part of the costs of the design, construction, renovation, improvement, or replacement of various street, road, fire, police, and information technology projects of the City specified in the Bond Legislation and to pay the costs of issuing the 2016A Bonds. In addition, a portion of the proceeds of the 2016A Bonds will be used to refund certain of its outstanding obligations (described below under “Refunding Plan”) and to pay the costs of administering the Refunding Plan.

UTGO Bonds. The proceeds of the UTGO Bonds will be used to pay or reimburse a portion of the costs of the design, construction, renovation, improvement, and replacement of the existing seawall and related public infrastructure (the “City’s Seawall Project”) and to pay the costs of issuing the UTGO Bonds. The City’s Seawall Project comprises one portion of the Alaskan Way Viaduct and Seawall Replacement Program (the “AWVSR

Program”), along with other public projects related to the central waterfront redevelopment. For more information on these projects, see “The City of Seattle—Considerations Related to the Alaskan Way Viaduct and Seawall Replacement Program” herein. Any change in the cost of the City’s Seawall Project due to the delays in other portions of the AWVSR Program (or for any other reason) will not affect the City’s pledge to levy taxes for the payment of debt service on the UTGO Bonds. See “Security for the Bonds” herein.

2016B Bonds. The proceeds of the 2016B Bonds will be used to make a grant to the Pike Place Market Preservation and Development Authority (the “Pike Place Market PDA”) to be used in the financing of public plazas and public parking facilities in connection with the Pike Place Market PDA’s “MarketFront Project” (including expansion of a public parking garage and additional public plaza space in coordination with the central waterfront development efforts) and to pay the costs of issuing the 2016B Bonds. For more information about the AWVSR Program and related central waterfront redevelopment efforts that may affect the MarketFront Project, see “The City of Seattle—Considerations Related to the Alaskan Way Viaduct and Seawall Replacement Program” herein. The agreement between the City and the Pike Place Market PDA provides for a fixed grant amount, which was partially funded by proceeds of the City’s Limited Tax General Obligation Improvement Bonds, 2015B (Taxable), and will be fully funded by the disbursement of proceeds of the 2016B Bonds for this purpose. The City has no contractual obligation to increase grant funding in relation to any construction risks relating to the MarketFront Project due to delays in any portion of the AWVSR Program or other central waterfront projects or for any other reason.

Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

| | 2016A Bonds | UTGO Bonds | 2016B Bonds | Total |
|---------------------------------------|-----------------------|----------------------|---------------------|-----------------------|
| SOURCES OF FUNDS | | | | |
| Stated Principal Amount of Bonds | \$ 103,660,000 | \$ 36,740,000 | \$ 6,070,000 | \$ 146,470,000 |
| Net Original Issue Premium (Discount) | 17,391,988 | 5,133,887 | (18,498) | 22,507,377 |
| Total Sources of Funds | \$ 121,051,988 | \$ 41,873,887 | \$ 6,051,502 | \$ 168,977,377 |
| USES OF FUNDS | | | | |
| Project Funds Deposit | \$ 88,727,456 | \$ 41,669,076 | \$ 6,000,000 | \$ 136,396,532 |
| Refunding Escrow Deposit | 31,908,347 | - | - | 31,908,347 |
| Costs of Issuance ⁽¹⁾ | 416,185 | 204,811 | 51,502 | 672,498 |
| Total Uses of Funds | \$ 121,051,988 | \$ 41,873,887 | \$ 6,051,502 | \$ 168,977,377 |

(1) Includes legal fees, financial advisory and rating agency fees, printing costs, underwriters’ discount, and other costs of issuing the Bonds and refunding the Refunded Bonds, defined below under “Refunding Plan.”

Refunding Plan

A portion of the proceeds of the 2016A Bonds will be used to refund all of the City’s outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2006, and a portion of the City’s outstanding callable Limited Tax General Obligation Improvement and Refunding Bonds, 2009 (together, the “Refunded Bonds”), as identified below.

REFUNDED BONDS

| Bond | Maturity Date | Par Amount | Coupon (%) | Call Price (%) | Call Date | CUSIP Numbers |
|---|----------------------|-----------------------------|-------------------|-----------------------|------------------|----------------------|
| <i>Limited Tax General Obligation Improvement and Refunding Bonds, 2006⁽¹⁾</i> | | | | | | |
| Serials | 3/1/2017 | \$ 880,000 | 4.200 | 100 | 6/24/2016 | 812626 6U8 |
| | 3/1/2018 | 920,000 | 4.250 | 100 | 6/24/2016 | 812626 6V6 |
| | 3/1/2019 | 955,000 | 4.250 | 100 | 6/24/2016 | 812626 6W4 |
| | 3/1/2020 | 1,000,000 | 4.250 | 100 | 6/24/2016 | 812626 6X2 |
| | 3/1/2021 | <u>1,045,000</u> | 4.375 | 100 | 6/24/2016 | 812626 6Y0 |
| Subtotal | | \$ 4,800,000 | | | | |
| <i>Limited Tax General Obligation Improvement and Refunding Bonds, 2009</i> | | | | | | |
| Serials | 5/1/2020 | \$ 3,180,000 ⁽²⁾ | 5.000 | 100 | 5/1/2019 | 812626 ZP7 |
| | 5/1/2021 | 3,345,000 ⁽²⁾ | 5.000 | 100 | 5/1/2019 | 812626 ZQ5 |
| | 5/1/2022 | 3,515,000 | 5.000 | 100 | 5/1/2019 | 812626 ZR3 |
| | 5/1/2023 | 1,480,000 | 5.000 | 100 | 5/1/2019 | 812626 ZS1 |
| | 5/1/2024 | 1,555,000 | 5.000 | 100 | 5/1/2019 | 812626 ZT9 |
| | 5/1/2025 | 1,635,000 | 5.000 | 100 | 5/1/2019 | 812626 ZU6 |
| | 5/1/2026 | 1,715,000 | 5.000 | 100 | 5/1/2019 | 812626 ZV4 |
| | 5/1/2027 | 1,800,000 | 5.000 | 100 | 5/1/2019 | 812626 ZW2 |
| | 5/1/2028 | 1,900,000 | 5.000 | 100 | 5/1/2019 | 812626 ZX0 |
| | 5/1/2029 | 1,860,000 | 5.000 | 100 | 5/1/2019 | 812626 ZY8 |
| Term | 5/1/2034 | <u>2,105,000</u> | 5.000 | 100 | 5/1/2019 | 812626 A58 |
| Subtotal | | <u>\$ 24,090,000</u> | | | | |
| Total | | <u><u>\$ 28,890,000</u></u> | | | | |

(1) The 2006 Bonds were previously partially refunded in 2015, and the 2006 Refunded Bonds consist of the remaining outstanding unrefunded balances.

(2) Partial maturities.

The City will enter into a Refunding Trust Agreement with U.S. Bank National Association, as Refunding Trustee, upon the delivery of the 2016A Bonds, to provide for the refunding of the Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the Refunded Bonds. A portion of the proceeds of the 2016A Bonds will be deposited with the Refunding Trustee and will be invested in Government Obligations that will mature and bear interest at rates sufficient to pay interest on the Refunded Bonds when due up to and including the respective call dates shown in the table above and 100% of the principal of the Refunded Bonds on those respective call dates.

The Government Obligations and earnings thereon will be held solely for the benefit of the registered owners of the Refunded Bonds.

The mathematical accuracy of (i) the computations of the adequacy of the maturing principal amounts of and interest on the Government Obligations to be held by the Refunding Trustee to pay principal of and interest on the Refunded Bonds as described above, and (ii) the computations supporting the conclusion of Bond Counsel that the Tax-Exempt Bonds are not “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), will be verified by Grant Thornton LLP, independent certified public accountants.

SECURITY FOR THE BONDS

The Bonds are general obligations of the City.

For so long as any of the LTGO 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 LTGO Bonds.

For so long as any of the UTGO Bonds are outstanding, the City irrevocably pledges to include in its budget and to levy taxes annually, without limitation as to rate or amount as permitted by law upon 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 UTGO Bonds.

The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the respective taxes pledged to each Series of the Bonds and the prompt payment of the principal of and interest on 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 LTGO Bonds. Under the State's laws and the State Constitution, the excess levies approved by the voters for the purpose of retiring the UTGO Bonds 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 2015 Results

On a preliminary basis, the City's financial performance for the fiscal year ended December 31, 2015, improved somewhat compared to the results anticipated in the 2015 adopted budget and reflects continued economic strength within the City and the region. General Fund revenues are estimated to have increased by 5.0% in 2015 compared to 2014. Taxes make up the largest share of revenues to the General Fund and are estimated to have increased by 6.9% in 2015. The estimated changes in the four largest tax revenue components are as follows: property taxes increased by 1.6%, retail sales and use taxes increased by 11.0%, business taxes increased by 4.6%, and interfund business taxes (*i.e.*, utility taxes) increased by 3.9%.

Non-tax revenues are estimated to have declined in 2015 by approximately 2.5%, led by decreases in grants, shared revenues, contributions, programmatic income, interest, and miscellaneous revenues. These reductions were partially offset by increases in revenue from license and permit fees. Expenditures and net transfers out of the General Fund are estimated to have increased by approximately 1.5%. The largest General Fund expenditure component is for Public Safety, which increased by an estimated 1.8% compared to 2014. In 2014, the General Fund balance increased by over \$8 million to approximately \$317 million. The 2015 General Fund balance is expected to continue this positive trend, with a projected balance of more than \$380 million. Approximately \$34.5 million of this balance is expected to be used to retroactively satisfy the terms of labor agreements that were agreed to at the end of 2015 or are expected to be agreed to in 2016. As a result, this amount is expected to be fully expended in 2016.

A description of the City's budget process and information on the City's 2016 Budget is provided under "The City of Seattle—Financial Management-Municipal Budget."

2010 Through 2015 Results

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 2010 through 2014 and on preliminary unaudited figures for 2015.

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

| | 2015 ⁽¹⁾ | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | | |
| Cash and Equity in Pooled Investments | \$ 300,584 | \$ 216,746 | \$ 237,739 | \$ 195,159 | \$ 144,220 | \$ 111,993 |
| Receivables, Net of Allowances | 79,481 | 70,163 | 65,866 | 60,908 | 61,414 | 60,187 |
| Due from Other Funds | 16,976 | 15,910 | 17,365 | 11,905 | 14,536 | 14,648 |
| Interfund Loans | 12,267 | 38,105 | - | 850 | - | - |
| Due from Other Governments | 58,901 | 53,398 | 55,719 | 58,425 | 44,272 | 41,317 |
| Inventories | - | - | - | - | - | - |
| Prepaid and Other Current Assets | 422 | 417 | 320 | 515 | 513 | 820 |
| Deposits with Vendor | - | - | 2 | 2 | 2 | 2 |
| Contracts and Notes-Noncurrent | - | - | - | 7,741 | 8,009 | 7,978 |
| Advances to Other Funds | - | - | 5,445 | 4,881 | - | 1,020 |
| Deferred Charges and Other Assets | - | - | - | - | - | - |
| Total Assets | \$ 468,631 | \$ 394,739 | \$ 382,456 | \$ 340,386 | \$ 272,966 | \$ 237,965 |
| Deferred Outflows of Resources | 7,775 | 7,775 | 7,771 | - | - | - |
| Total Assets and Deferred Outflows | \$ 476,406 | \$ 402,514 | \$ 390,227 | \$ 340,386 | \$ 272,966 | \$ 237,965 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 35,355 | \$ 32,781 | \$ 40,767 | \$ 27,222 | \$ 22,557 | \$ 24,113 |
| Contracts Payable | 303 | 273 | 184 | 139 | 123 | 578 |
| Due to Other Funds | 15,193 | 11,275 | 4,080 | 5,845 | 5,219 | 5,638 |
| Due to Other Governments | 2,339 | 1,806 | 2,313 | 2,853 | 3,915 | 2,286 |
| Salaries, Benefits, and Taxes Payable | 24,216 | 22,207 | 18,831 | 14,853 | 13,320 | 12,776 |
| Interest Payable | - | - | 4 | 752 | 759 | 933 |
| Deposits Payable | - | - | (85) | 66 | 88 | 194 |
| Revenue Collected/Billed in Advance-Current | 3,024 | 2,043 | 1,468 | 1,330 | 1,928 | 1,370 |
| Other Current Liabilities | 236 | 3,073 | 1,796 | 241 | 241 | 212 |
| Advances from Other Funds | - | - | - | - | - | - |
| Deferred Revenues | - | - | - | 12,093 | 20,041 | 22,829 |
| Total Liabilities | \$ 80,666 | \$ 73,458 | \$ 69,358 | \$ 65,394 | \$ 68,191 | \$ 70,929 |
| Deferred Inflows of Resources | 11,813 | 11,921 | 12,009 | - | - | - |
| Total Liabilities and Deferred Inflows | \$ 92,479 | \$ 85,379 | \$ 81,367 | \$ 65,394 | \$ 68,191 | \$ 70,929 |
| Fund Balances ⁽²⁾ | | | | | | |
| Reserves Legally Segregated for Future Use | | | | | | |
| Capital Improvements | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 43,616 |
| Continuing Appropriations | - | - | - | - | - | 3,406 |
| Debt Service | - | - | - | - | - | - |
| Encumbrances | - | - | - | - | - | 963 |
| Health Care Rate Stabilization | - | - | - | - | - | 13,564 |
| Revenues Not Available for Appropriation | | | | | | |
| Endowments | - | - | - | - | - | - |
| Gifts | - | - | - | - | - | - |
| Interfund Loans | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Petty Cash | - | - | - | - | - | 811 |
| Unreserved | | | | | | |
| Reported in Major Funds | | | | | | |
| Designated for Special Purpose | - | - | - | - | - | 57,666 |
| Undesignated | - | - | - | - | - | 47,010 |
| Reported in Special Revenue Funds | | | | | | |
| Designated for Special Purpose | - | - | - | - | - | - |
| Undesignated | - | - | - | - | - | - |
| Reported in Capital Projects Funds | | | | | | |
| Reported in Permanent Funds | - | - | - | - | - | - |
| Nonspendable | 474 | 474 | 375 | 555 | 572 | - |
| Restricted | 136,626 | 99,991 | 99,659 | 82,520 | 58,917 | - |
| Committed | 97,324 | 76,493 | 83,155 | 79,508 | 46,268 | - |
| Assigned | 5,767 | 5,685 | 5,325 | 6,417 | 19,253 | - |
| Unassigned | 143,736 | 134,492 | 120,446 | 105,992 | 79,765 | - |
| Total Fund Balances | \$ 383,927 | \$ 317,135 | \$ 308,960 | \$ 274,992 | \$ 204,775 | \$ 167,036 |
| Total Liabilities, Deferred Inflows, and Fund Balances | \$ 476,406 | \$ 402,514 | \$ 390,327 | \$ 340,386 | \$ 272,966 | \$ 237,965 |

(1) Preliminary unaudited.

(2) As a result of the implementation of GASB 54 in 2011, fund balance categorizations changed and the Library Fund is reported as part of the General Fund.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2010-2014; unaudited results for 2015

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

| | 2015 ⁽¹⁾ | 2014 | 2013 | 2012 | 2011 ⁽²⁾ | 2010 |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 989,772 | \$ 926,003 | \$ 866,464 | \$ 846,011 | \$ 790,966 | \$ 761,170 |
| Licenses and Permits | 27,119 | 25,027 | 22,005 | 20,672 | 18,817 | 20,401 |
| Grants, Shared Revenues, and Contributions | 32,198 | 35,666 | 48,183 | 43,669 | 47,503 | 31,412 |
| Charges for Services | 61,642 | 61,080 | 50,587 | 51,388 | 53,844 | 66,863 |
| Fines and Forfeits | 31,155 | 31,960 | 41,043 | 34,243 | 33,992 | 30,936 |
| Parking Fees and Space Rent | 39,154 | 38,223 | 38,547 | 35,369 | 31,301 | 26,868 |
| Program Income, Interest, and Miscellaneous Revenues | 37,693 | 42,794 | 31,346 | 29,909 | 23,921 | 16,374 |
| Total Revenues | \$ 1,218,733 | \$ 1,160,753 | \$ 1,098,175 | \$ 1,061,261 | \$ 1,000,344 | \$ 954,024 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General Government | \$ 202,162 | \$ 195,598 | \$ 178,403 | \$ 162,740 | \$ 168,498 | \$ 172,796 |
| Judicial | 29,351 | 29,158 | 27,642 | 26,654 | 25,855 | 26,300 |
| Public Safety | 528,582 | 519,122 | 492,509 | 458,957 | 445,170 | 437,716 |
| Physical Environment | 6,293 | 6,538 | 11,318 | 7,328 | 10,813 | 8,704 |
| Transportation | 9,240 | 9,779 | 11,321 | 12,031 | 12,529 | 10,823 |
| Economic Environment | 18,885 | 21,540 | 19,157 | 17,633 | 20,718 | 21,084 |
| Health and Human Services | 76 | 945 | 63 | - | - | - |
| Culture and Recreation | 75,092 | 72,371 | 69,559 | 59,712 | 58,098 | 26,398 |
| Capital Outlay | | | | | | |
| General Government | 13,495 | 12,305 | 5,043 | 5,642 | 5,456 | 9,001 |
| Public Safety | 3,103 | 5,914 | 10,275 | 7,457 | 4,355 | 2,658 |
| Transportation | - | - | - | - | - | - |
| Economic Environment | - | 6 | - | 69 | - | - |
| Culture and Recreation | 16,380 | 24,213 | 30,290 | 14,676 | 23,727 | 22,222 |
| Debt Service | | | | | | |
| Principal | 2 | 3 | 4 | 4 | 4 | - |
| Advance Refunding to Escrow | - | - | - | - | - | - |
| Interest | 2 | 1 | - | 1 | 1 | - |
| Bond Issuance Cost | - | - | - | - | - | - |
| Total Expenditures | \$ 902,663 | \$ 897,493 | \$ 855,584 | \$ 772,904 | \$ 775,224 | \$ 737,702 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 316,070 | \$ 263,260 | \$ 242,591 | \$ 288,357 | \$ 225,120 | \$ 216,322 |
| Other Financing Sources (Uses) | | | | | | |
| Long-Term Debt Issued | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Refunding Debt Issued | - | - | - | - | - | - |
| Premium on Bonds Issued | - | - | - | - | - | - |
| Proceeds of Capital Leases | - | - | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | - | - | - | - | - | - |
| Payments on Intergovernmental Agreements | - | - | - | - | - | - |
| Sales of Capital Assets | 18,274 | - | 22,748 | 754 | 21,326 | 21,309 |
| Transfers In | 21,924 | 20,027 | 16,762 | 12,262 | 4,537 | 10,068 |
| Transfers Out | (289,603) | (275,112) | (248,133) | (231,156) | (225,649) | (278,109) |
| Total Other Financing Sources (Uses) | \$ (249,405) | \$ (255,085) | \$ (208,623) | \$ (218,140) | \$ (199,786) | \$ (246,732) |
| Net Change in Fund Balance | \$ 66,665 | \$ 8,175 | \$ 33,968 | \$ 70,217 | \$ 25,334 | \$ (30,410) |
| Fund Balances-Beginning of Year | 317,261 ⁽³⁾ | 308,960 | 274,992 | 204,775 | 179,441 | 197,446 |
| Fund Balances-End of Year | \$ 383,926 | \$ 317,135 | \$ 308,960 | \$ 274,992 | \$ 204,775 | \$ 167,036 |

(1) Preliminary unaudited.

(2) As a result of the implementation of GASB 54 in 2011, the Library Fund is reported as part of the General Fund beginning in 2011. The resulting primary financial statement change is that the City now records Culture and Recreation expenditures for the Library in the General Fund. These amounted to \$52.8 million in 2011 and \$54.8 million in 2012. For comparison purposes, in 2010, \$20.2 million of the Culture and Recreation expenditures were for the disposition of proceeds from a real estate transaction related to the relocation of the Museum of History and Industry. Additionally, as a result of the inclusion of the Library Fund, the 2011 beginning General Fund balance increased by approximately \$12.4 million.

(3) In 2015, several small, non-major governmental funds were closed and consolidated into the General Fund, resulting in a \$126,000 increase in the 2015 beginning balance for the General Fund.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2010-2014; unaudited results for 2015

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

| | 2015 ⁽¹⁾ | 2014 | 2013 ⁽²⁾ | 2012 ⁽²⁾ | 2011 ⁽²⁾ | 2010 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 1,235,244 | \$ 1,149,120 | \$ 1,083,499 | \$ 1,044,608 | \$ 973,181 | \$ 933,641 |
| Licenses and Permits | 34,137 | 30,093 | 27,135 | 25,238 | 22,966 | 26,514 |
| Grants, Shared Revenues, and Contributions | 161,155 | 161,361 | 184,784 | 177,775 | 167,813 | 179,842 |
| Charges for Services | 220,001 | 221,187 | 200,847 | 182,595 | 167,644 | 171,509 |
| Fines and Forfeits | 37,331 | 37,142 | 41,107 | 34,340 | 34,066 | 32,300 |
| Parking Fees and Space Rent | 67,355 | 63,891 | 62,463 | 57,107 | 51,004 | 46,858 |
| Program Income, Interest, and Miscellaneous Revenues | 58,805 | 86,757 | 45,462 | 43,649 | 39,706 | 26,037 |
| Total Revenues | \$ 1,814,028 | \$ 1,749,551 | \$ 1,645,297 | \$ 1,565,312 | \$ 1,456,380 | \$ 1,416,701 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General Government | \$ 211,477 | \$ 204,662 | \$ 209,006 | \$ 180,187 | \$ 193,697 | \$ 179,782 |
| Judicial | 29,352 | 29,158 | 27,642 | 26,654 | 25,855 | 26,300 |
| Public Safety | 537,069 | 525,778 | 504,836 | 461,235 | 451,734 | 445,002 |
| Physical Environment | 7,315 | 7,409 | 11,935 | 7,748 | 11,190 | 9,058 |
| Transportation | 155,690 | 114,737 | 97,676 | 92,212 | 90,966 | 93,381 |
| Economic Environment | 141,466 | 140,079 | 128,644 | 128,711 | 106,234 | 123,430 |
| Health and Human Services | 96,267 | 78,024 | 73,151 | 67,103 | 73,100 | 73,956 |
| Culture and Recreation | 268,962 | 245,358 | 276,197 | 216,508 | 211,523 | 233,284 |
| Capital Outlay | | | | | | |
| General Government | 43,458 | 35,599 | 5,043 | 10,684 | 13,862 | 16,799 |
| Public Safety | 13,097 | 25,162 | 10,275 | 27,743 | 8,320 | 21,815 |
| Transportation | 278,151 | 278,550 | 234,188 | 228,272 | 167,590 | 169,636 |
| Economic Environment | - | 6 | - | 69 | - | 5 |
| Culture and Recreation | 37,436 | 55,133 | 41,185 | 55,507 | 50,383 | 63,521 |
| Debt Service⁽³⁾ | | | | | | |
| Principal | 50,708 | 61,745 | 56,194 | 53,523 | 47,909 | 45,826 |
| Advance Refunding to Escrow | - | - | - | - | - | - |
| Interest | 28,748 | 26,571 | 26,206 | 25,339 | 26,754 | 24,596 |
| Bond Issuance Cost | 1,946 | 259 | 822 | 258 | 369 | 1,303 |
| Other | - | - | - | 305 | - | - |
| Total Expenditures | \$ 1,901,142 | \$ 1,828,230 | \$ 1,703,000 | \$ 1,582,058 | \$ 1,479,486 | \$ 1,527,694 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (87,114) | \$ (78,679) | \$ (57,703) | \$ (16,746) | \$ (23,106) | \$ (110,993) |
| Other Financing Sources (Uses) | | | | | | |
| Long-Term Debt Issued | \$ 350,255 | \$ 50,455 | \$ 101,115 | \$ 108,085 | \$ 79,433 | \$ 85,325 |
| Refunding Debt Issued | - | - | 43,945 | - | - | 115,185 |
| Premium on Bonds Issued | 40,113 | 4,150 | 9,377 | 21,140 | 5,181 | 13,270 |
| Proceeds of Capital Leases | - | - | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | (155,030) | - | (44,504) | (91,574) | - | (125,170) |
| Payments on Intergovernmental Agreements | - | - | - | - | - | (23,825) |
| Sales of Capital Assets | 19,230 | 2,128 | 22,903 | 2,282 | 41,161 | 21,310 |
| Transfers In | 505,351 | 442,666 | 422,670 | 334,611 | 292,224 | 346,551 |
| Transfers Out | (501,695) | (448,411) | (428,881) | (342,571) | (297,597) | (352,650) |
| Total Other Financing Sources (Uses) | \$ 258,224 | \$ 50,988 | \$ 126,625 | \$ 31,973 | \$ 120,402 | \$ 79,996 |
| Net Change in Fund Balance | \$ 171,110 | \$ (27,691) | \$ 68,922 | \$ 15,227 | \$ 97,296 | \$ (30,997) |
| Fund Balances-Beginning of Year | 679,565 | 707,256 | 638,334 | 623,107 | 525,811 | 556,808 |
| Fund Balances-End of Year | \$ 850,675 | \$ 679,565 | \$ 707,256 | \$ 638,334 | \$ 623,107 | \$ 525,811 |

(1) Preliminary unaudited.

(2) Restated.

(3) Debt Service in the Other Governmental Fund excludes \$32 million of debt service paid in 2014 by the following funds: Fleets and Facilities, Downtown Garage, Information Technology, Water, Drainage and Wastewater, and Solid Waste. It includes \$3.1 million paid by LID 6750.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2010-2014; unaudited results for 2015

GENERAL FUND TAX REVENUE SOURCES

The following table sets forth a breakdown of General Fund tax revenues for the years 2010 through 2015:

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

| | 2015 ⁽¹⁾ | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxes | | | | | | |
| General Property | \$ 273,044 | \$ 268,745 | \$ 252,682 | \$ 259,954 | \$ 254,239 | \$ 250,430 |
| Retail Sales and Use | 221,647 | 199,735 | 181,171 | 169,681 | 158,582 | 146,970 |
| Business | 277,947 | 265,830 | 251,373 | 243,784 | 231,162 | 223,482 |
| Excise | 80,218 | 57,739 | 54,159 | 54,797 | 35,316 | 28,998 |
| Penalties and Interest | 1,957 | 4,024 | 3,468 | 2,648 | 3,126 | 3,202 |
| Interfund Business ⁽²⁾ | 134,959 | 129,929 | 123,611 | 115,147 | 108,541 | 108,088 |
| Total Taxes | \$ 989,772 | \$ 926,002 | \$ 866,464 | \$ 846,011 | \$ 790,966 | \$ 761,170 |

(1) Preliminary unaudited.

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

Source: City of Seattle, Comprehensive Annual Financial Reports, 2010-2014; unaudited results for 2015

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 2015 from 2014 levels by approximately 1.6%, 11.0%, 4.6%, and 3.9%, respectively, as discussed above under “Financial Results—Preliminary 2015 Results.” 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 LTGO Bonds, but State law does not provide any priority of use. 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 a 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. The UTGO Bonds are payable from such voter-approved excess property taxes. 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 2016, 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 LTGO Bonds, is subject to the limitations described below. These limitations do not apply to the excess property taxes collected for payment of the UTGO Bonds.

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 LTGO 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 has not levied this additional tax for 2016. 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 2016 is \$2.59545 per \$1,000 of assessed value. However, \$1.12793 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 statute limits the levy by the State to not more than \$3.60 per \$1,000 of assessed value and limits 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, levies by counties for transit-related purposes, portions of certain levies by certain flood control zone districts, and levies by regional transit authorities. Certain of these exclusions from the \$5.90 limitation are set to expire in 2018 and may be changed at any time by the State Legislature. The aggregate of all overlapping levy rates within the City that are subject to the \$5.90 limitation is \$3.92521 for the 2016 tax collection year. The aggregate of all overlapping levy rates within the City that are subject to the 1% limitation is \$6.61704 for the 2016 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 levies are reduced or eliminated in order to comply with the aggregate rate limitations. Senior levies, such as the City’s general purpose levy, are not subject to reduction or elimination based on aggregate rate limitations.

- (iii) *Regular Property Tax Amount Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) also limits the amount of a regular levy for any particular year 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. In November 2015, voters approved a nine-year levy lid lift for transportation improvements and a voter initiative containing a ten-year levy lid lift to create “democracy vouchers” for the public funding of campaigns of candidates for certain City-wide elected offices. The incremental tax rates for these and the other 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 2016, and Table 8—Voted Levy Lid Lifts in Effect in 2016.

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 \$8,825,000 principal amount is currently outstanding and guaranteed by the local improvement guaranty fund. The City is considering the creation of an additional local improvement district for the purpose of financing a portion of the costs of certain waterfront improvements and issuing local improvement district debt within approximately the next five years that may or may not be guaranteed by the local improvement guaranty fund. See “The City of Seattle—Considerations Related to Alaskan Way Viaduct and Seawall Replacement Program—Status of Other Waterfront Seattle Projects and Funding Sources.”

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. 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**

| Collection Year | Taxable Assessed Value⁽¹⁾ | Ad Valorem Tax Levy | Tax Collected Year Due | Total Collected As of 12/31/15 |
|------------------------|---|----------------------------|-------------------------------|---------------------------------------|
| 2016 | \$ 163,305,927,635 | \$ 452,827,119 | N/A | N/A |
| 2015 | 144,513,932,119 | 379,042,833 | 98.72% | 98.79% |
| 2014 | 128,205,753,919 | 390,707,880 | 98.57% | 99.57% |
| 2013 | 116,995,513,489 | 384,420,997 | 98.49% | 99.83% |
| 2012 | 116,796,890,401 | 382,656,189 | 98.36% | 99.98% |

(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**

| Collection Year | Levy Rates (per \$1,000 of Assessed Value) | | | Levy Amounts | | |
|------------------------|---|-------------------|--------------|------------------------------|-------------------|----------------|
| | General⁽¹⁾ | UTGO Bonds | Total | General⁽¹⁾ | UTGO Bonds | Total |
| 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 |
| 2013 | 3.14774 | 0.13782 | 3.28556 | 368,415,337 | 16,005,659 | 384,420,996 |
| 2012 | 3.12958 | 0.14701 | 3.27659 | 365,625,854 | 17,030,335 | 382,656,189 |

(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 2016
(Per \$1,000 of Assessed Value)

| Overlapping Rates within Seattle | <u>2016</u> |
|---|--------------------|
| City of Seattle | \$ 2.77302 |
| King County | 1.48027 |
| State of Washington | 2.16898 |
| Port of Seattle | 0.16954 |
| Schools No. 1 | 2.18898 |
| EMS | 0.28235 |
| Flood Zone | 0.12980 |
| Seattle Park District ⁽¹⁾ | <u>0.29269</u> |
| Total within City of Seattle | \$ 9.48563 |
| City of Seattle - Specific Rates | |
| Current Expense Base and Pension | \$ 1.46752 |
| Voted Lid Lifts | |
| Public Housing | 0.12684 |
| Families and Education | 0.20455 |
| Library | 0.10725 |
| Pre-K Early Learning | 0.08919 |
| Transportation (Move Seattle) | 0.58173 |
| Campaign Finance Reform | <u>0.01837</u> |
| Subtotal Voted Lid Lifts | \$ 1.12793 |
| Subject to \$3.60 Limit | \$ 2.59545 |
| Voted Bonds | <u>0.17757</u> |
| Subtotal City Rates | \$ 2.77302 |

(1) At the August 5, 2014, general election, City voters approved a ballot measure that creates a metropolitan park district called the Seattle Park District, the boundaries of which are coterminous with the City. This district is collecting its first property tax levy beginning 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, but pursuant to an interlocal agreement with the City, the levy is expected to be approximately \$0.30 per \$1,000 of assessed value.

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 2016**

| Lid Lifts | Beginning Year | Ending Year | Amount Expected to be Raised Over Levy Period |
|-------------------------------|-----------------------|--------------------|--|
| Public Housing | 2010 | 2016 | \$ 145,000,002 |
| Families and Education | 2012 | 2018 | 231,561,694 |
| Library | 2013 | 2019 | 122,630,099 |
| Pre-K Early Learning | 2015 | 2018 | 58,266,518 |
| Transportation (Move Seattle) | 2016 | 2024 | 930,000,000 |
| Campaign Finance Reform | 2016 | 2025 | 30,000,000 |

Major Property Tax Payers. The following table presents the property tax payers within the City with the highest 2015 assessed value for tax collection year 2016.

**TABLE 9
2015 LARGEST PROPERTY TAXPAYERS**

| Taxpayer⁽¹⁾ | Type of Business | Assessed Value (\$) | Percentage of Total Assessed Value (%) |
|---|-------------------------|----------------------------|---|
| Union Square Limited Partnership | Real Estate | \$ 656,996,799 | 0.40 % |
| GC Columbia (Formerly Columbia Center Property) | Real Estate | 531,504,971 | 0.32 |
| 1201 Tab Owner LLC | Real Estate | 501,098,333 | 0.31 |
| FSP-RIC LLC | Insurance | 465,697,584 | 0.28 |
| City Centre Associates JV | Real Estate | 408,488,115 | 0.25 |
| Teachers Insurance and Annuity | Financial Services | 356,854,653 | 0.22 |
| 999 Third Avenue Property | Real Estate | 318,772,463 | 0.19 |
| Seattle Sheraton | Hotel | 313,561,066 | 0.19 |
| Qwest Corporation Inc. | Telecommunications | 309,273,170 | 0.19 |
| Essex Portfolio LP | Real Estate | 298,419,600 | 0.18 |
| Boeing | Aerospace | 293,940,063 | 0.18 |
| Puget Sound Energy-Gas | Utility | 267,934,392 | 0.16 |
| Total | | \$ 4,722,541,209 | 2.88 % |
| Total City Assessed Value for Tax Collection Year 2016 | | \$163,924,328,611 | |

(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.

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 9.6% is charged on all gross retail sales in the City. The 9.6% 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, 0.9% 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%.

Legislative Changes Affecting City Taxes

Changes in tax legislation at both the State and national level could affect City revenues. The authority of Washington local governments to impose taxes must be expressly granted by statute and, from time to time, the

State Legislature does adjust those taxing powers and limitations. 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 LTGO 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. The UTGO Bonds are issued as 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. The amounts of such 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, 2015, and a total City assessed value for collection of taxes in 2016 of \$163,924,328,611. Giving effect to the issuance of the Bonds, there remains \$1,314,568,636 of unlimited tax general obligation debt capacity for general purposes and \$1,515,605,793 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.

TABLE 10
ESTIMATED LEGAL DEBT CAPACITY⁽¹⁾
(as of December 31, 2015)

| | General Capacity | | Special Purpose Capacity | | Total Capacity (7.5% of AV) |
|---|---------------------------|----------------------------------|--|---|--------------------------------|
| | A | B | Voter-Approved Open Space and Parks (2.5% of AV) | Voter-Approved Utility Purpose (2.5% of AV) | |
| | Non-voted (1.5% of AV) | Voted (2.5% less Column A) | | | |
| Total City Assessed Value as of February 10, 2016 ⁽²⁾ \$163,924,328,611 | | | | | |
| 2.5% of AV | \$ - | \$ 4,098,108,215 | \$ 4,098,108,215 | \$ 4,098,108,215 | \$12,294,324,646 |
| 1.5% of AV | 2,458,864,929 | (2,458,864,929) | - | - | - |
| | \$ 2,458,864,929 | \$ 1,639,243,286 | \$ 4,098,108,215 | \$ 4,098,108,215 | \$12,294,324,646 |
| Debt Outstanding ⁽³⁾ | | | | | |
| The Bonds ⁽⁴⁾ | \$ (109,730,000) | \$ (36,740,000) | \$ - | \$ - | \$ (146,470,000) |
| Outstanding Bonds ⁽⁵⁾ | (701,130,002) | (288,810,000) | - | - | (989,940,002) |
| Guarantees on PDA bonds ⁽⁶⁾ | (51,040,000) | - | - | - | (51,040,000) |
| Public Works Trust Fund Loans ⁽⁷⁾ | (12,667,616) | - | - | - | (12,667,616) |
| Compensated Absences ⁽⁸⁾ | (91,401,695) | - | - | - | (91,401,695) |
| Total Debt Outstanding | \$ (965,969,313) | \$ (325,550,000) | \$ - | \$ - | \$ (1,291,519,313) |
| Available Net Assets in Redemption and Other Funds ⁽⁹⁾ | \$ 9,496,177 | \$ 875,350 | \$ - | \$ - | \$ 10,371,527 |
| Compensated Absences for Sick Leave ⁽⁸⁾ | 13,214,000 | - | - | - | 13,214,000 |
| Net Debt Outstanding | \$ (943,259,136) | \$ (324,674,650) | \$ - | \$ - | \$ (1,267,933,786) |
| Legal Debt Margin | \$ 1,515,605,793 | \$ 1,314,568,636 | \$ 4,098,108,215 | \$ 4,098,108,215 | \$11,026,390,860 |

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 10, 2016, for taxes payable in 2016.
- (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) Column A includes the 2016A Bonds and the 2016B Bonds. Column B includes the UTGO Bonds
- (5) Excludes the Refunded Bonds.
- (6) Includes the principal amounts of City-guaranteed bonds issued by the following PDAs established by the City: the Seattle Indian Services Commission, the Museum Development Authority, and Seattle-Chinatown International District Preservation and Development Authority.
- (7) 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.
- (8) Preliminary numbers as of December 31, 2015. 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.
- (9) Preliminary numbers as of December 31, 2015. 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.

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

| | Outstanding ⁽¹⁾ | | | The 2016A Bonds | | | The 2016B Bonds | | | Total LTGO |
|--------------|----------------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|---------------------|---------------------|---------------------|-------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | |
| 2016 | 62,652,981 | 30,839,093 | \$ 93,492,074 | \$ - | \$ 1,689,013 | \$ 1,689,013 | \$ - | \$ 52,240 | \$ 52,240 | \$ 95,233,326 |
| 2017 | 63,409,456 | 27,601,175 | 91,010,631 | 5,825,000 | 4,680,125 | 10,505,125 | 245,000 | 148,031 | 393,031 | 101,908,787 |
| 2018 | 62,200,163 | 24,880,173 | 87,080,336 | 6,120,000 | 4,381,500 | 10,501,500 | 250,000 | 144,931 | 394,931 | 97,976,767 |
| 2019 | 61,225,287 | 22,065,345 | 83,290,632 | 6,435,000 | 4,067,625 | 10,502,625 | 250,000 | 140,556 | 390,556 | 94,183,814 |
| 2020 | 52,080,287 | 19,712,898 | 71,793,185 | 9,770,000 | 3,662,500 | 13,432,500 | 255,000 | 135,506 | 390,506 | 85,616,192 |
| 2021 | 53,633,355 | 17,391,824 | 71,025,179 | 10,290,000 | 3,161,000 | 13,451,000 | 265,000 | 130,306 | 395,306 | 84,871,485 |
| 2022 | 49,443,256 | 15,140,928 | 64,584,184 | 8,300,000 | 2,696,250 | 10,996,250 | 270,000 | 124,956 | 394,956 | 75,975,390 |
| 2023 | 50,033,256 | 12,972,400 | 63,005,656 | 6,605,000 | 2,323,625 | 8,928,625 | 275,000 | 119,506 | 394,506 | 72,328,787 |
| 2024 | 51,382,442 | 10,666,743 | 62,049,185 | 6,570,000 | 1,994,250 | 8,564,250 | 280,000 | 113,956 | 393,956 | 71,007,391 |
| 2025 | 52,317,442 | 8,307,629 | 60,625,071 | 3,915,000 | 1,732,125 | 5,647,125 | 285,000 | 107,950 | 392,950 | 66,665,146 |
| 2026 | 31,547,442 | 5,875,647 | 37,423,089 | 4,105,000 | 1,531,625 | 5,636,625 | 290,000 | 101,300 | 391,300 | 43,451,014 |
| 2027 | 22,497,442 | 4,692,898 | 27,190,340 | 4,065,000 | 1,347,700 | 5,412,700 | 300,000 | 94,106 | 394,106 | 32,997,146 |
| 2028 | 21,487,442 | 3,811,162 | 25,298,604 | 4,230,000 | 1,181,800 | 5,411,800 | 305,000 | 86,353 | 391,353 | 31,101,757 |
| 2029 | 18,080,789 | 2,994,547 | 21,075,336 | 4,280,000 | 1,011,600 | 5,291,600 | 315,000 | 77,822 | 392,822 | 26,759,758 |
| 2030 | 18,815,789 | 2,260,115 | 21,075,904 | 3,035,000 | 865,300 | 3,900,300 | 325,000 | 68,622 | 393,622 | 25,369,826 |
| 2031 | 18,895,789 | 1,500,974 | 20,396,763 | 3,165,000 | 741,300 | 3,906,300 | 335,000 | 59,134 | 394,134 | 24,697,197 |
| 2032 | 9,810,000 | 844,967 | 10,654,967 | 3,285,000 | 612,300 | 3,897,300 | 345,000 | 49,359 | 394,359 | 14,946,626 |
| 2033 | 6,160,000 | 468,558 | 6,628,558 | 3,420,000 | 478,200 | 3,898,200 | 355,000 | 39,075 | 394,075 | 10,920,833 |
| 2034 | 4,740,000 | 229,071 | 4,969,071 | 3,565,000 | 338,500 | 3,903,500 | 365,000 | 28,275 | 393,275 | 9,265,846 |
| 2035 | 3,385,000 | 67,319 | 3,452,319 | 3,275,000 | 201,700 | 3,476,700 | 375,000 | 17,175 | 392,175 | 7,321,194 |
| 2036 | - | - | - | 3,405,000 | 68,100 | 3,473,100 | 385,000 | 5,775 | 390,775 | 3,863,875 |
| Total | \$ 713,797,618 | \$ 212,323,466 | \$ 926,121,084 | \$ 103,660,000 | \$ 38,766,138 | \$ 142,426,138 | \$ 6,070,000 | \$ 1,844,937 | \$ 7,914,937 | \$ 1,076,462,158 |

(1) Excludes the Refunded Bonds. 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 "Federal Sequestration."

TABLE 12
SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS—UNLIMITED TAX GENERAL OBLIGATION BONDS

| | Outstanding | | | The UTGO Bonds | | | Total UTGO |
|--------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2016 | \$ 16,345,000 | \$ 12,507,731 | \$ 28,852,731 | \$ - | \$ - | \$ - | \$ 28,852,731 |
| 2017 | 17,080,000 | 11,758,469 | 28,838,469 | - | 2,342,871 | 2,342,871 | 31,181,340 |
| 2018 | 17,565,000 | 10,979,850 | 28,544,850 | 680,000 | 1,544,750 | 2,224,750 | 30,769,600 |
| 2019 | 10,370,000 | 10,173,050 | 20,543,050 | 715,000 | 1,510,750 | 2,225,750 | 22,768,800 |
| 2020 | 10,875,000 | 9,661,750 | 20,536,750 | 750,000 | 1,475,000 | 2,225,000 | 22,761,750 |
| 2021 | 11,415,000 | 9,121,700 | 20,536,700 | 790,000 | 1,437,500 | 2,227,500 | 22,764,200 |
| 2022 | 5,530,000 | 8,554,800 | 14,084,800 | 830,000 | 1,398,000 | 2,228,000 | 16,312,800 |
| 2023 | 5,810,000 | 8,278,300 | 14,088,300 | 870,000 | 1,356,500 | 2,226,500 | 16,314,800 |
| 2024 | 6,100,000 | 7,987,800 | 14,087,800 | 915,000 | 1,313,000 | 2,228,000 | 16,315,800 |
| 2025 | 6,410,000 | 7,682,800 | 14,092,800 | 960,000 | 1,267,250 | 2,227,250 | 16,320,050 |
| 2026 | 6,725,000 | 7,362,300 | 14,087,300 | 1,005,000 | 1,219,250 | 2,224,250 | 16,311,550 |
| 2027 | 7,000,000 | 7,082,950 | 14,082,950 | 1,055,000 | 1,169,000 | 2,224,000 | 16,306,950 |
| 2028 | 7,275,000 | 6,807,950 | 14,082,950 | 1,100,000 | 1,126,800 | 2,226,800 | 16,309,750 |
| 2029 | 7,615,000 | 6,465,950 | 14,080,950 | 1,140,000 | 1,082,800 | 2,222,800 | 16,303,750 |
| 2030 | 7,980,000 | 6,107,800 | 14,087,800 | 1,190,000 | 1,037,200 | 2,227,200 | 16,315,000 |
| 2031 | 8,300,000 | 5,788,600 | 14,088,600 | 1,235,000 | 989,600 | 2,224,600 | 16,313,200 |
| 2032 | 8,630,000 | 5,456,600 | 14,086,600 | 1,285,000 | 940,200 | 2,225,200 | 16,311,800 |
| 2033 | 8,975,000 | 5,111,400 | 14,086,400 | 1,335,000 | 888,800 | 2,223,800 | 16,310,200 |
| 2034 | 9,330,000 | 4,752,400 | 14,082,400 | 1,390,000 | 835,400 | 2,225,400 | 16,307,800 |
| 2035 | 9,710,000 | 4,379,200 | 14,089,200 | 1,445,000 | 779,800 | 2,224,800 | 16,314,000 |
| 2036 | 10,090,000 | 3,990,800 | 14,080,800 | 1,505,000 | 722,000 | 2,227,000 | 16,307,800 |
| 2037 | 10,500,000 | 3,587,200 | 14,087,200 | 1,565,000 | 661,800 | 2,226,800 | 16,314,000 |
| 2038 | 10,920,000 | 3,167,200 | 14,087,200 | 1,625,000 | 599,200 | 2,224,200 | 16,311,400 |
| 2039 | 11,355,000 | 2,730,400 | 14,085,400 | 1,690,000 | 534,200 | 2,224,200 | 16,309,600 |
| 2040 | 11,810,000 | 2,276,200 | 14,086,200 | 1,760,000 | 466,600 | 2,226,600 | 16,312,800 |
| 2041 | 12,285,000 | 1,803,800 | 14,088,800 | 1,830,000 | 396,200 | 2,226,200 | 16,315,000 |
| 2042 | 12,775,000 | 1,312,400 | 14,087,400 | 1,900,000 | 323,000 | 2,223,000 | 16,310,400 |
| 2043 | 10,295,000 | 801,400 | 11,096,400 | 1,980,000 | 247,000 | 2,227,000 | 13,323,400 |
| 2044 | 9,740,000 | 389,600 | 10,129,600 | 2,055,000 | 167,800 | 2,222,800 | 12,352,400 |
| 2045 | - | - | - | 2,140,000 | 85,600 | 2,225,600 | 2,225,600 |
| Total | \$ 288,810,000 | \$ 176,080,400 | \$ 464,890,400 | \$ 36,740,000 | \$ 27,917,871 | \$ 64,657,871 | \$529,548,271 |

TABLE 13
NET DIRECT AND OVERLAPPING DEBT

| | |
|---|--------------------------------|
| Outstanding Direct Debt ⁽¹⁾ | |
| Unlimited Tax General Obligation Bonds | \$ 288,810,000 |
| The UTGO Bonds | 36,740,000 |
| Limited Tax General Obligation Bonds ⁽²⁾ | 713,797,618 |
| The 2016A Bonds | 103,660,000 |
| The 2016B Bonds | 6,070,000 |
| Less: Cash and Investments in Debt Service Funds ⁽³⁾ | <u>(10,580,914)</u> |
| Net Direct Debt | \$ 1,138,496,704 |
| | |
| Estimated Overlapping Debt | |
| King County ⁽⁴⁾⁽⁵⁾ | \$ 314,472,686 |
| Port of Seattle ⁽⁴⁾ | 117,478,208 |
| Seattle School District No. 001 ⁽⁴⁾ | 44,605,358 |
| Highline School District No. 401 ⁽⁴⁾ | <u>11,740</u> |
| Total Estimated Overlapping Debt | <u>\$ 476,567,992</u> |
| Total Estimated Net Direct and Overlapping Debt | <u>\$ 1,615,064,696</u> |

-
- (1) As of December 31, 2015. Excludes public corporation bonds guaranteed by the City.
- (2) Excludes the Refunded Bonds. 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) As of December 31, 2015.
- (4) As of December 31, 2015. Allocated to the City according to its share of 2016 total assessed values.
- (5) Excludes limited tax general obligation indebtedness payable first from other revenues of the County, such as sales tax and sewer revenue.

TABLE 14
CITY BONDED DEBT RATIOS

| | |
|---|-----------------------------|
| Total City Assessed Value for 2016 Collections ⁽¹⁾ | \$163,924,328,611 |
| 2015 Population Estimate ⁽²⁾ | 662,400 |
| Assessed Valuation | 100% of True and Fair Value |
| Net Direct Debt to Assessed Value | 0.69% |
| Net Direct and Overlapping Debt to Assessed Value | 0.99% |
| Per Capita Assessed Value | \$247,470 |
| Per Capita Net Direct Debt | \$1,719 |
| Per Capita Net Direct and Overlapping Debt | \$2,438 |
| | |
| Net Direct Debt | \$1,138,496,704 |
| Net Direct and Overlapping | \$1,615,064,696 |

-
- (1) Source: King County Assessor.
- (2) Source: State of Washington Office of Financial Management.

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 payment from the federal government that came due on August 1, 2015, was reduced by 7.32% (\$76,228) and payments in 2016 will be reduced by 6.8% (a reduction of approximately \$71,741 for the year). The City has budgeted sufficient cash in its general governmental funds to make timely debt service payments through its 2016 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 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. King 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. In 2013, voters approved a charter amendment shifting from nine at-large City Council positions to seven City Council positions elected by district and two at-large positions. As a result, all nine City Council positions were up for election in 2015. The City Council members elected by district will serve four-year terms and the at-large City Council members elected in 2015 will serve a two-year term. In 2017, the at-large positions will be up for election again, and thereafter, all City Council positions will be for 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, sets 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 may be obtained from the Department of Finance and Administrative Services and is available at <http://www.seattle.gov/cafrs/default.htm>.

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 2016 budget was adopted on November 23, 2015. The City's adopted General Subfund budget was \$1,048.1 million in 2015 and \$1,071.6 million in 2016.

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 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, 2015, the combined investment portfolios of the City, not including pensions, totaled \$1,762 million at par value. The City’s investment portfolios consist solely of City funds. The City does not invest funds in any other pools, with the exception of tax collection receipts initially held by the County. As of December 31, 2015, the earnings yield on the City’s investment portfolios was 1.11%. As of December 31, 2015, the average maturity of the City’s investment portfolios was 897 days. Approximately 19.7%, or \$298.4 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-Sponsored Enterprises | 27% |
| U.S. Treasuries ⁽¹⁾ | 26% |
| Taxable Municipal Bonds | 16% |
| Mortgage-Backed Securities | 13% |
| Commercial Paper | 12% |
| Repurchase Agreements | 3% |
| Certificates of Deposit | 3% |

(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.

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 provides 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. In January 2016, the City announced plans, as a result of completed labor negotiations, to create a second plan within the Seattle City Employees' Retirement System ("SCERS") system. See "Update on SCERS Pension Benefit Agreement with Coalition and Non-Coalition City Unions" below.

City employees are eligible for coverage by one of the following defined benefit pension plans: 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 Washington State Department of Retirement Systems ("DRS").

Additional plan detail 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.

In 2012, the Governmental Accounting Standards Board ("GASB") approved Statements 67 and 68 ("GASB 67 and GASB 68, respectively) that modify the accounting and financial reporting of pensions by state and local governments and pension plans. GASB 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. GASB 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions but does not require changes in funding policies. SCERS and LEOFF will be subject to GASB 67; the City will be subject to GASB 68. GASB 67 was effective for the City's fiscal year ending December 31, 2014; GASB 68 was effective beginning in the City's fiscal year ending December 31, 2015.

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 Seattle City Council, the City's Director of Finance, the City's Human Resources Director, two active members and one retired member of the retirement system elected by members of the retirement system, and one outside board member who is appointed by the other six board members. Board members elected by members of the retirement system and the Board member appointed by the Board itself serve for three-year terms.

SCERS provides retirement, death, and disability benefits. 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 up to 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. As of January 1, 2015, there were 6,019 retirees and beneficiaries receiving benefits, and 8,746 active members of SCERS. There are an additional 1,188 terminated employees who are vested and entitled to future benefits and another 935 who are not vested and not entitled to benefits beyond contributions and accumulated interest. From January 1, 2014, to January 1, 2015, the net number of active members increased by 1.7%, the net number of retirees receiving benefits increased by 2.4%, and the net number of vested terminated members increased by 1.5%.

Certain demographic data from the most recent Actuarial Valuation (as of January 1, 2015), which was completed on May 26, 2015 (the “2014 Actuarial Valuation”), is shown below:

**TABLE 15
PLAN MEMBER DEMOGRAPHIC INFORMATION**

| Age Range | Retirees and Beneficiaries Receiving Benefits | | Active Employees | |
|------------------|--|---------------------|-------------------------|----------------|
| | Number⁽¹⁾ | Percent | Number | Percent |
| <25 | - | 0.0% | 77 | 0.9% |
| 25-39 | - | 0.0% | 1,995 | 22.8% |
| 40-49 | 10 ⁽²⁾ | 0.2% ⁽²⁾ | 2,180 | 24.9% |
| 50-59 | 332 | 5.6% | 2,805 | 32.1% |
| 60-69 | 2,334 | 39.3% | 1,584 | 18.1% |
| 70+ | 3,257 | 54.9% | 104 | 1.2% |

(1) Does not include 86 survivors receiving Option B or Option C benefits for a certain period.

(2) Includes everyone under the age of 50.

Source: 2014 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, the 2013 Annual Report, for the year ended December 31, 2014, was transmitted on June 22, 2015, by CliftonLarsonAllen LLP.

On July 17, 2014, the Washington State Auditor’s Office issued a finding of a significant deficiency in internal controls over financial reporting relating to SCERS account reconciliations. As 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).

In addition, Milliman Consultants and Actuaries, as consulting actuary, evaluates the funding status of SCERS annually. The most recent actuarial report is the 2014 Actuarial Valuation. A valuation for calendar year 2015 (as of January 1, 2016) is expected to be completed by mid-2016. Historically, the City prepared actuarial valuations biennially, but in 2011, the City began preparing them annually.

As of January 1, 2015, the actuarial value of net assets available for benefits was \$2.267 billion and the actuarial accrued liability was \$3.433 billion. The 2014 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 ⁽¹⁾ | 5.75% |

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

To the extent that actuarial accrued liability exceeds plan assets, an unfunded actuarial accrued liability (“UAAL”) exists. The UAAL increased from \$1,165.8 million as of January 1, 2014, to \$1,165.9 million as of January 1, 2015. The funding ratio increased from 64.2% as of January 1, 2014, to 66.0% as of January 1, 2015, which increase is primarily due to the UAAL amortization payment made by the City during the prior year and the recognition of deferred asset gains in the actuarial value of assets (“AVA”). For the year ending December 31, 2014, SCERS assets returned about 5.7% on a market basis (gross of investment expenses), a rate of return less than the assumed rate of 7.50% over a 30-year period. The result is an actuarial loss on assets for 2014, but only one-fifth of this loss will be recognized in the current year 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:

TABLE 16
HISTORICAL SCERS ACTUARIAL VALUATION INFORMATION⁽¹⁾

| Actuarial Valuation Date (January 1)⁽²⁾ | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL)⁽³⁾ | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll⁽⁴⁾ | UAAL as % of Covered Payroll |
|---|--|--|----------------------------|---------------------|--------------------------------------|-------------------------------------|
| 2006 | \$ 1,791.8 | \$ 2,017.5 | \$ (225.7) | 88.8% | \$ 447.0 | 50.5 % |
| 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 ⁽⁵⁾ | 2,013.7 | 2,709.0 | (695.4) | 74.3% | 563.2 | 123.5 % |
| 2012 ⁽⁵⁾ | 1,954.3 | 2,859.3 | (905.0) | 68.3% | 557.0 | 162.5 % |
| 2013 ⁽⁵⁾ | 1,920.1 | 3,025.3 | (1,105.2) | 63.5% | 567.8 | 194.6 % |
| 2014 ⁽⁵⁾ | 2,094.3 | 3,260.1 | (1,165.8) | 64.2% | 597.9 | 195.0 % |
| 2015 ⁽⁵⁾ | 2,266.7 | 3,432.6 | (1,165.9) | 66.0% | 630.9 | 184.8 % |

(1) Dollar amounts shown in millions.

(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: 2014 Actuarial Valuation

SCERS CONTRIBUTION RATES. Member and employer contribution rates are established by Chapter 4.36 of the SMC, which provides that the City contribution must match the normal contributions of members and does not permit the employer rate to drop below the employee rate. The SMC also requires that the

City contribute, in excess of the matching contributions, the amount determined by the most recent actuarial valuation that is required to fully fund the plan. Contribution rates are recommended annually by the Board, based on the system’s actuarial valuation. Benefit and contribution rates are set by the City Council.

The actuarially required contribution (“ARC”) rate is based on amortizing the required contribution over 30 years, meaning that the total contribution rate must be sufficient to pay for the costs of benefits earned during the current year, as well as the annual cost of amortizing the plan’s UAAL over 30 years. The City Council may from time to time set the amortization period by resolution, and in 2013, it passed a resolution to close the 30-year amortization period for calculating UAAL. As a result, for purposes of the 2014 Actuarial Valuation calculation, a 28-year amortization period was used. This policy may be revised by the City Council in future years. The 2014 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, based on a percentage of employee compensation (exclusive of overtime), are shown in the table below:

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

| Calendar Years (beginning Jan. 1) | Employer Rate | Employee Rate | Total Contribution Rate | Total ARC ⁽¹⁾ | % of Total ARC Contributed | Total ARC per GASB 27 ⁽²⁾ | % 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% |

(1) Reflects total actuarial required contribution (*i.e.*, employer plus employee contribution rates). Beginning November 21, 2011, this rate is used for City budgeting purpose.

(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. Beginning with calendar year 2011, 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).

Source: Seattle Municipal Code; 2014 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 in 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 reported in the 2014 Actuarial Valuation are shown in the table below:

TABLE 18
PROJECTED ACTUARIALY REQUIRED TOTAL CONTRIBUTION RATES
BY EMPLOYER AND EMPLOYEE

| Contribution Year⁽¹⁾ | Assuming | |
|--|----------------------|---------------------------------------|
| | 7.50% Returns | Confidence Range⁽²⁾ |
| 2016 | 25.26% | 25.26-25.26 |
| 2017 | 25.20% | 25.95-24.44 |
| 2018 | 24.88% | 26.54-23.24 |
| 2019 | 24.73% | 27.55-22.01 |
| 2020 | 24.80% | 29.03-20.78 |
| 2021 | 24.80% | 30.68-19.27 |

(1) Contribution year lags valuation year by one. For example, contribution year 2016 is based on the 2014 Actuarial Valuation (as of January 1, 2015) results, amortized over 28 years beginning in 2015 if the contribution rate increase takes place in 2016.

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

Source: 2014 Actuarial Valuation

Employer contributions were approximately \$77.1 million in 2013 and \$90 million in 2014. In 2015, employer contributions were approximately \$101 million. 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.

SCERS' net assets increased by \$105.8 million (4.8%) during 2014, including member and employer contributions of \$154.0 million and net revenue from investment activity totaling \$122.5 million. Expenses increased by \$8.9 million in 2014, primarily attributed to a \$8.8 million increase in retiree benefit payments.

Table 19 shows the historical market value of SCERS' net assets (as of each December 31). Table 20 shows the revenue or loss from investment activity for the last ten years.

TABLE 19
MARKET VALUE OF ASSETS

| Year | Market Value of |
|----------------------------|-----------------------------------|
| (As of December 31) | Assets (MVA)⁽¹⁾ |
| 2006 | \$ 2,011.2 |
| 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 | 2,309.4 |

(1) In millions.

Source: SCERS Actuarial Valuations

TABLE 20
SCERS INVESTMENT RETURNS

| Year (As of December 31) | Net Investment Income (Loss) | |
|-----------------------------|------------------------------|------------------|
| | Amount ⁽¹⁾ | % ⁽²⁾ |
| 2005 | \$ 129.6 | 8.1% |
| 2006 | 242.7 | 13.9% |
| 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% |

(1) In millions.

(2) Represents one-year return on asset classes. Based on preliminary results, earnings for 2015 are expected to be approximately 0.3%.

Source: SCERS Annual Reports

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

TABLE 21
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS

| Investment Categories (January 1) | 2015 | 2014 | 2013 | 2012 | 2011 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Fixed Income | 24.2% | 23.7% | 23.1% | 22.8% | 15.5% |
| Domestic Stocks | 33.4% | 32.1% | 30.4% | 30.8% | 41.9% |
| International Stocks | 26.6% | 28.7% | 29.0% | 25.5% | 20.4% |
| Real Estate | 11.0% | 10.6% | 11.3% | 12.7% | 10.3% |
| Alternative Investments | 4.8% | 4.9% | 6.2% | 8.1% | 11.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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.

Update on SCERS Pension Benefit Agreement with Coalition and Non-Coalition City Unions. As part of an agreement with the Coalition of City Unions, reached in December 2015, and agreements with individual bargaining units that are not part of the Coalition, the City Council is expected to consider ratifying legislation in 2016 to create a new defined benefit retirement plan ("SCERS II") covering non-uniformed employees. The new plan is expected

to be open to employees first hired on or after January 1, 2017. The current SCERS plan is expected to close to new entrants as of that date. The conceptual agreement regarding SCERS II includes, among other adjustments, 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 II to provide a more cost-effective method for the City to provide retirement benefits to its employees. It would have no effect on uniformed employees, who will remain in the LEOFF plan.

See “The City of Seattle—Labor Relations.”

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 December 31, 2014, membership in these plans consisted of 749 fire employees (23 of whom are active employees) and 761 police employees (13 of whom are active employees). 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, 2015, 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 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 actuarial assumptions: inflation rate (CPI), 2.25%; investment rate of return, 3.50%; and projected salary increases, 2.75%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the Firefighters’ Pension Fund and adopted a policy of fully funding the actuarial accrued liability (“AAL”) by the year 2018 (which was subsequently extended to 2023). For 2014, the City funded 100% of the ARC but only a portion of the projected payment necessary to fully fund the AAL by 2023. The City’s 2015 budget also anticipated fully funding the ARC and making partial payments toward the full funding of the AAL. As of January 1, 2015, the actuarial value of net assets available for benefits in the Firefighters’ Pension Fund was \$14.7 million, and the AAL was \$82.0 million. As a result, the UAAL was \$67.3 million and the funded ratio was 18.0%. The City’s employer contribution to the fund in 2014 was \$8.5 million, representing 177% 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, 2015, the actuarial value of net assets available for benefits in the Police Relief and Pension Fund was \$5.1 million, and the AAL was

\$99.3 million. As a result, the UAAL was \$94.2 million and the funded ratio was 5.1%. The City’s employer contribution to the fund in 2014 was \$9.4 million, representing 160% 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 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 \$13.9 million in 2014 and \$12.9 million in 2013. The following table outlines the contribution rates of employees and employers under LEOFF.

TABLE 22
LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL
(As of December 31, 2015)

| | Plan 1 | Plan 2 |
|----------|----------------------|----------------------|
| Employer | 0.18% ⁽¹⁾ | 5.23% ⁽¹⁾ |
| Employee | 0.00 | 8.41% |
| State | N/A | 3.36% |

(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 2014 Comprehensive Annual Financial Report, attached as Appendix B.

According to the Office of the State Actuary’s June 1, 2014, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 127% and LEOFF Plan 2 had a funded ratio of 107%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.8% 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, and 3.0% consumer price index increase. 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 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 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 on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS or LEOFF plans. The last valuation was as of January 1, 2015, and showed the UAAL for the implicit rate subsidy was \$44.4 million; the City’s estimated annual cost in 2015 was \$3.7 million and the City’s estimated contribution in 2015 was \$1.1 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, 2015, the UAAL for OPEB in the City’s Firefighters’ Pension Fund was \$320.3 million; the annual cost for 2015 was \$16.8 million and the estimated annual contribution for 2015 was \$10.2 million. As of

January 1, 2015, the UAAL for OPEB in the Police Relief and Pension Fund was \$358.3 million; the annual cost for 2015 was \$22.6 million and the estimated annual contribution for 2015 was \$13.2 million.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2014 Comprehensive Annual Financial Report, attached as Appendix B.

Labor Relations

As of March 2016, the City had 36 separate departments and offices with approximately 13,200 regular and temporary employees. Twenty-six different unions and 51 bargaining units represent approximately 75% of the City's regular employees.

Agreements with the Seattle Police Management Association and IBEW Local 77 Construction Maintenance and Equipment Operators expired in December 2013. Agreements with the Carpenters, Seattle Police Officers' Guild, the Seattle Fire Fighters Union, and the Seattle Fire Chiefs' Association expired in December 2014. The agreement with IBEW Local 77 Material Controllers expired in December 2015, and the IBEW Local 77 City Light and Transportation agreements expire in January 2017. The City is in negotiations for all expired contracts and a newly created IT Professional unit represented by IBEW Local 77.

A tentative agreement with the Coalition of City Unions (comprising bargaining units representing the majority of City employees) and other non-Coalition unions was reached in December 2015. Nearly all of the agreements with the Coalition of City Unions and other non-Coalition unions have been ratified and implemented, or are in the process of ratification and implementation. All of these agreements contain a provision for implementation of a SCERS II Retirement System beginning January 1, 2017. See "Pension Plans—Update on SCERS Pension Benefit Agreement with Coalition and Non-Coalition City Unions." There is no expected date by which other agreements will be reached, and unions continue to operate under the expired contracts.

Emergency Management and Preparedness

The City's Office of Emergency Management ("OEM") is responsible for managing and coordinating the City's resources and responsibilities in dealing with emergencies. The OEM prepares for emergencies, trains City staff in emergency response, 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, breaches in cybersecurity, and civil disorder), transportation incidents, fires, hazardous materials, 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.

Considerations Related to Alaskan Way Viaduct and Seawall Replacement Program

The Alaskan Way Viaduct and Seawall Replacement Program consists of multiple projects to remove and replace the State Route 99 Alaskan Way Viaduct, replace an existing seawall, and carry out the redevelopment of the City's central waterfront area. The various projects comprising the AWVSR Program are separate public projects by separate lead public agencies being implemented in a coordinated manner pursuant to a series of written agreements.

Many elements of the AWVSR Program are presently underway. The State's project to replace the Alaskan Way viaduct with a bored tunnel (the "State's Project") and the City's Seawall Project are by far the largest projects in the AWVSR Program. There is also coordination between the AWVSR Program waterfront redevelopment elements (*e.g.*, the City's Waterfront Seattle project) and redevelopment projects undertaken by other public agencies in the central waterfront area, such as the Pike Place Market PDA's MarketFront Project.

Status of State's Project. The State's Project has been delayed by more than two years due to the malfunctioning of a deep bore tunneling machine (the "TBM") and is currently scheduled for completion in 2018. Tunneling was suspended for approximately two years following the malfunction in December 2013, resumed in late December 2015, and was suspended again by the State for approximately two weeks to investigate soil loss management issues. The contractor resumed tunneling in February 2016 under a new quality and safety plan. Tunneling could be suspended again at any time, resulting in additional delays.

Direct Cost Overruns. The State's 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. Responsibility for direct cost overruns resulting from the repair of the TBM will be governed by that contract; the City has no direct contractual liability.

Indirect Cost Overruns. The City has a series of agreements with WSDOT relating to the coordination of projects within the AWVSR Program, covering various issues including the protection, repair, and relocation of the City's utility infrastructure impacted by or constructed as part of the State's Project. In general, these agreements provide that the City is responsible for relocating certain utility infrastructure that conflicts with the State's Project and the State is responsible for avoiding damage and repairing or replacing damaged utility infrastructure as defined in the agreements. It is the City's position that any increase in these indirect costs resulting from the TBM's malfunction or delays are governed by these agreements, and the City's utilities have budgeted according to the agreed-upon City obligations, plus necessary contingencies. The City and the State are currently in negotiations regarding this indirect cost responsibility as well as direct and indirect costs related to other AWVSR projects affected by the delays.

Authorization for State Project. The State statute that authorized the State's Project (RCW 47.01.402) contains the following language: "The state's contribution shall not exceed two billion four hundred million dollars. If costs exceed two billion four hundred million dollars, no more than four hundred million [dollars] of the additional costs shall be financed with toll revenue. Any costs in excess of two billion eight hundred million dollars shall be borne by property owners in the Seattle area who benefit from replacement of the existing viaduct with the deep bore tunnel." This language does not require the City to cover the excess costs. It is unclear how this provision would be enforced. It does not clearly define the property owners responsible for the excess costs, nor does it define a mechanism by which the property owners would bear the excess costs. The State does not have authority under the State Constitution or other existing State law to directly impose or collect a property tax or other assessment on property owners in the Seattle area. The City cannot predict what, if any, enforcement mechanism the State could employ to implement this provision or whether any such mechanism would be upheld if challenged.

Status of City's Seawall Project. The majority of the City's Seawall Project is currently scheduled for completion in 2017. The current estimate for this portion of the Seawall Project budget is approximately \$371 million. An additional component will be constructed in conjunction with the City's Waterfront Seattle projects (see "Status of Other Waterfront Seattle Projects and Funding Sources" below). The current estimated budget for this final portion is approximately \$38.4 million, for a total Seawall Project estimated budget of approximately \$409.4 million. Approximately \$290 million of this is funded from proceeds of voter-approved bonds, of which the UTGO Bonds represent the final tranche. The remaining amount is expected to be funded from limited tax general obligation bonds (including a portion of the proceeds of the LTGO Bonds) and other City resources as part of the City's normal capital improvement program spending.

Although the City's Seawall Project is located in close proximity to the State's Project and requires schedule and work sequencing and coordination, the State's Project delays have not resulted in significant disruptions to the schedule for completion of the City's Seawall Project to date. Whether additional delays in the State's Project might result in future schedule disruptions or increased Seawall Project costs cannot be predicted at this time.

Status of Other Waterfront Seattle Projects and Funding Sources. In addition to the Seawall Project, a number of other public and private projects comprise the AWVSR Program. The City's Office of the Waterfront has published a budget and a schedule anticipating that a large portion of the other public improvements along the waterfront could be financed through a local improvement district financing, which could occur in approximately mid-2018. The City previously stated that the amount financed by this method could be as much as \$200 million, but no final decisions have been made. Moreover, because of the nature of public processes, hearings, and related legal proceedings involved in the formation of a local improvement district, the City does not control and cannot predict whether a local improvement district will be formed or whether the expectations as to timing or amount financed will ultimately be met. If efforts to form a local improvement district fail or the amount that can be financed through this mechanism is reduced, the City would need to look to other sources of funding to complete the projects or reduce the scope of the projects.

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 2014 Comprehensive Annual Financial Report—Note 16, 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 Legislation 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 Legislation 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 Exemption—Tax-Exempt Bonds

In the opinion of 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 Tax-Exempt 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 and corporations. Bond Counsel notes that, with respect to corporations, interest on the Tax-Exempt Bonds may be included as an adjustment in the calculation of alternative minimum taxable income of corporations, which may affect the alternative minimum tax liability of such corporations.

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

The amount by which an owner's original basis for determining gain or loss on the sale or exchange of the applicable Tax-Exempt 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 owner's basis in the applicable Tax-Exempt 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 an owner realizing a taxable gain when a Tax-Exempt Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Tax-Exempt Bond to the owner. Purchasers of the Tax-Exempt Bonds should consult their own tax advisors as to the treatment, computation, and collateral consequences of amortizable bond premium.

The accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Tax-Exempt Bonds, particularly purchasers that are corporations (including S

corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts, or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers otherwise entitled to claim the refundable credit for coverage under a qualified health plan, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax-Exempt Bonds.

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 Tax-Exempt Bonds will be selected for audit by the IRS. It is also possible that the market value of the Tax-Exempt Bonds might be affected as a result of such an audit of the Tax-Exempt 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 Tax-Exempt Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Tax-Exempt Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE TAX-EXEMPT BONDS, THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE INTEREST ON THE TAX-EXEMPT BONDS OR THE MARKET VALUE OF THE TAX-EXEMPT BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE TAX-EXEMPT BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE TAX-EXEMPT BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE TAX-EXEMPT BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE TAX-EXEMPT 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 TAX-EXEMPT BONDS.

Bond Counsel's opinion 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 legal documents relating to the Tax-Exempt Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest with respect to any Tax-Exempt Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Tax Matters—2016B 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 2016B Bonds who have purchased 2016B Bonds in the initial offering and who hold the 2016B 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 2016B 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 2016B 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 2016B Bonds.**

In General. Interest on the 2016B Bonds is not excludable from the gross income of the Owners for federal income tax purposes.

Payments of Interest. Interest paid on the 2016B 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.

Original Issue Discount. The 2016B Bonds that have a yield that is higher than their respective stated interest rates are being sold with original issue discount. Except for certain exceptions, the excess of the stated redemption price at maturity of a 2016B Bond over the issue price of such 2016B Bond (the first price at which a substantial amount of the 2016B Bonds of the same series and maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method of accounting. The amount of original issue discount deemed received by an owner of a 2016B will increase such owner's basis in the applicable 2016B Bond. Owners of the 2016B Bonds should consult their own tax advisors with respect to the calculation of and the federal, state and local tax consequences relating to owning any 2016B Bond having original issue discount.

Original Issue Premium. The 2016B Bonds that have a yield that is lower than their respective stated interest rates are being sold with original issue premium. The amount by which a 2016B Bond owner's original basis for determining gain or loss on sale or exchange of the applicable 2016B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the 2016B Bond owner may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the 2016B Bond owner's basis in the applicable 2016B Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2016B Bond owner realizing a taxable gain when a 2016B Bond is sold by such 2016B Bond owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016B Bond to the 2016B Bond owner. The 2016B Bond owners that have a basis in the 2016B Bonds that is greater than the principal amount of the 2016B 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.

Defeasance of 2016B Bonds. If the City defeased any 2016B Bonds, such 2016B 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 an 2016B Bond would recognize a gain or loss on the 2016B Bond at the time of defeasance.

Backup Withholding. An Owner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest on the 2016B Bonds. This withholding generally applies if the Owner of an 2016B 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 2016B 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 2016B Bonds.

Continuing Disclosure Undertaking

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 (the “Rule”), as applicable to a participating underwriter for the Bonds, the City will undertake in the Bond Legislation (the “Undertaking”) 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”; 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 Tax-Exempt Bonds, or other material events affecting the tax status of the Tax-Exempt 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 State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided;
- (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, 2015. 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 Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any Owner or holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking 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 Undertaking. The City's obligations under the Undertaking 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 Undertaking will terminate if those provisions of the Rule that require the City to comply with the Undertaking 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 Undertaking. The City has agreed to proceed with due diligence to cause any material failure to comply with the Undertaking 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 Undertaking will constitute a default in respect of the Bonds. The sole remedy of any Owner of a Bond will be to take such actions as that Owner deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

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 the Rule. 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 LTGO Bonds have been rated "Aa1," "AAA," and "AAA" and the UTGO 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.

Financial Advisor

The City has retained Piper Jaffray & Co., Seattle, Washington, as financial advisor (the "Financial Advisor") in connection with the preparation of the City's financing plans and with respect to the authorization and issuance of the Bonds. The Financial 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 Financial 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 Financial Advisor may not participate in the underwriting of any City debt.

Underwriting

The 2016A Bonds are being purchased by Bank of America Merrill Lynch at a price of \$120,882,547.07 and will be reoffered at a price of \$121,051,988.05. The UTGO Bonds are being purchased by Bank of America Merrill Lynch at a price of \$41,743,352.18 and will be reoffered at a price of \$41,873,887.45. The 2016B Bonds are being purchased by Raymond James at a price of \$6,014,032.21 and will be reoffered at a price of \$6,051,501.65.

The underwriter for each Series of the Bonds (each, an "Underwriter") 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, ii, and iii hereof, and such initial offering prices may be changed from time to time by the respective Underwriter. After the initial public offering, the public offering prices may be varied from time to time.

Conflicts of Interest

Some of the fees of the Financial Advisor and Bond Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel serves as counsel to the Financial Advisor and the Underwriter 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

[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington
\$103,660,000 Limited Tax General Obligation Improvement and Refunding Bonds, 2016A
(the “2016A Bonds”); and
\$6,070,000 Limited Tax General Obligation Improvement Bonds, 2016B (Taxable)
(the “2016B Bonds”)

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced 2016A Bonds and 2016B Bonds (together, the “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 Bonds are issued by the City pursuant to the laws of the State of Washington, Ordinance 124924 and Ordinance 121651 (as amended by Ordinance 122286 and as amended and restated by Ordinance 124343) and Resolution 31665 (the “Bond Legislation”) for general City purposes to provide the funds (i) to pay for part of the costs of various projects authorized by the Bond Legislation, (ii) to refund certain outstanding bonds of the City, and (iii) to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Legislation.

Reference is made to the Bond Legislation 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 2016A Bonds in order to maintain the exclusion of the interest on the 2016A Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of 2016A Bond proceeds and the facilities financed or refinanced with 2016A Bond proceeds, limitations on investing gross proceeds of the 2016A Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the 2016A Bonds. The City has covenanted in the 2016A Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the 2016A Bonds could become taxable retroactive to the date of issuance of the 2016A 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 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 Legislation, the Bonds have been duly authorized and executed by the City and the Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Legislation and other ordinances and resolutions of the City relating thereto.

3. The 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 2016A Bonds with applicable requirements of the Code, the interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the 2016A Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the 2016A Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the 2016A Bonds received by certain S corporations may be subject to tax, and interest on the 2016A Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the 2016A Bonds.

5. The City, in the Bond Legislation, has declared its intention that interest on the 2016B 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 Bonds or otherwise used in connection with the 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,

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WASHINGTON
SEATTLE

[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington
\$36,740,000 Unlimited Tax General Obligation Improvement Bonds, 2016

We have served as bond counsel to The City of Seattle, Washington (the "City"), in connection with the issuance of the above referenced bonds (the "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 Bonds are issued by the City pursuant to Ordinance 124125 and Resolution 31666 (together, the "Bond Legislation") for capital purposes only, to pay the costs of the design, construction, renovation, improvement, and replacement of the Alaskan Way Seawall and related infrastructure, which costs shall not include the replacement of equipment, pursuant to an election authorizing the Bonds and under and in accordance with the Constitution and laws of the State of Washington. Reference is made to the Bonds and the Bond Legislation 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 Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

As of the date of initial delivery of the 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.

The City of Seattle, Washington

[Date]

Page 2

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

3. The Bonds constitute valid general obligations of the City payable from annual property taxes to be levied without limitation as to rate or amount on all of the taxable property within 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 Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

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 Bonds or otherwise used in connection with the 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 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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The City of Seattle, Washington
Comprehensive Annual Financial Report
For the Year Ended December 31, 2014

Cover Image: Seattle City Hall
Courtesy of the Seattle Municipal Archives

Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2014



The City of Seattle

Department of Finance and Administrative Services

Introduction

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Comprehensive Annual Financial Report

For the Year Ended December 31, 2014

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CITY OF SEATTLE ELECTED OFFICIALS

As of January 1, 2015

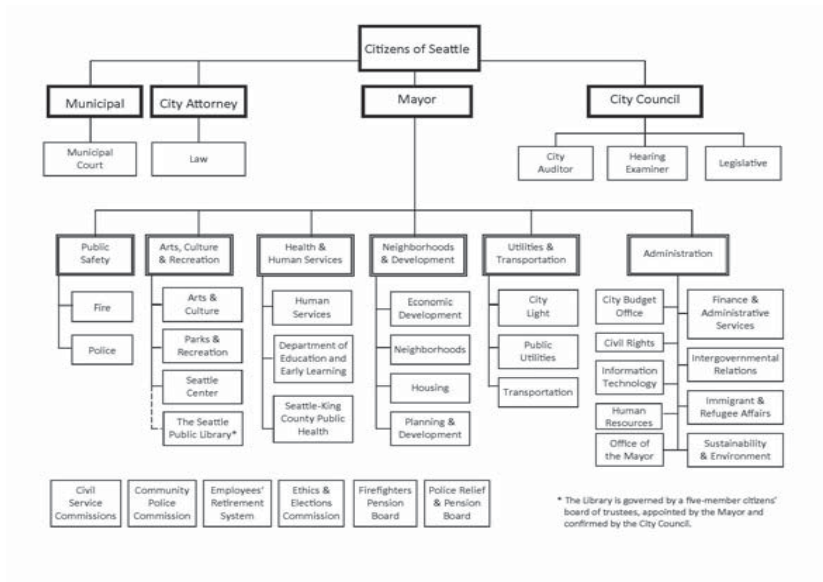


Ed Murray
Mayor



Peter Holmes
City Attorney

CITY ORGANIZATION CHART



XI

CITY COUNCIL



Sally Bagshaw



Tim Burgess
Council President



Sally Clark



Kshama Sawant



Jean Godden



Bruce Harrell



Nick Licata



Mike O'Brien



Tom Rasmussen

XII



City of Seattle
Edward B. Murray, Mayor

Finance and Administrative Services
Fred Podesta, Director
Glen M. Lee, City Finance Director

June 29, 2015

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2014 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, 2014. 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 and related OMB Circular A-133. 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 operates under a City Charter adopted on March 12, 1946 and last amended by the voters on November 5, 2013, providing for a nonpartisan Mayor-Council form of government. The City Council is currently composed of nine members, with all nine positions elected at large. The City Charter was amended in 2013 to modify the

composition of the City Council and in 2015 will have positions 1 through 7 elected by districts and positions 8 and 9 elected from the City at large. The City provides the full range of municipal services authorized by its charter and operates four rate-funded utilities.

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. The City builds and repairs roads and maintains electric, water, solid waste, sewer and drainage services. 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 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 for a single 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.

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

NATIONAL AND LOCAL ECONOMY

U.S. Economy Recoveries from recessions caused by financial crises tend to be weak and protracted. The recovery from the Great Recession, which is now in its 6th year, has not been an exception. Growth has been sluggish when compared with most other recoveries, though the economy has been looking healthier in recent months. By many measures 2014 has been the strongest year of the recovery. More jobs were created in 2014 than in any year since 1999, and consumer sentiment steadily improved over the course of the year, reaching pre-recession levels by year-end. Real GDP declined in first quarter of 2014, in part because of unusually cold winter weather in much of the nation, but then grew at an average rate of 4.0 percent over the year's final three quarters.

The strong growth in the second through fourth quarters of 2014 was led by strong hiring, business investment, and consumer spending, which was supported by lower debt burdens, rising stock and housing prices, and falling energy prices. Also supporting growth was the winding down of fiscal austerity, i.e., spending cuts and tax increases by federal, state, and local governments. Somewhat offsetting these positive developments were the rise in the value of the dollar during the second half of the year. While a stronger dollar benefits consumers, it hurts exporters by making their products more costly, and forces domestic firms to compete with lower priced imports. In addition, the decline in energy prices has caused a slowdown of growth and investment in areas of the nation that produce oil and natural gas.

The economy still has areas of weakness, including wage growth, which is just keeping up with inflation, and housing. Housing prices have been rising, which has lifted many homeowners above water, but construction and sales continue to recover slowly. Sales were supported by investors in 2012 and early 2013, but as prices have risen investors have retreated. Households have been slow to enter the market for a variety of reasons, including the difficulty of qualifying for loans and disillusionment with homeownership.

Looking to the future, economists expect growth to pick up in 2015, aided by stronger wage growth, a strengthening housing recovery, and low energy prices. Solid growth is also forecast for 2016 and 2017, with GDP expected to grow in the 2½ - 3 percent range. Risks to this relatively optimistic forecast come largely from outside of the U.S. They include a slowing of growth and possible financial crisis in China, continued weakness in the Eurozone, political turmoil in oil exporting countries, and an escalation of the confrontation with Russia over the Ukraine.

Seattle Metro Area Economy: The Seattle metro area has rebounded from the recession at a much quicker pace than the nation as a whole. Through February 2015, Seattle metro area (King and Snohomish Counties) employment was up 14.2 percent from its post-recession low in February 2010, compared to an 8.8 percent gain in U.S. employment over the same period. Areas of strength during the recovery have included aerospace, professional, scientific, and technical services, health services, and mail order and internet retail.

Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2012 and has declined by 3,300 jobs since then. Despite this modest drop in employment, in 2014 the Boeing Company, the region's largest employer, delivered a record 723 jets and booked orders for 1,432 new planes. At the end of 2014 Boeing had a backlog of over 5,000 planes on order.

Thus far during the recovery, the city of Seattle has been one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused in multi-family housing and office space. The construction boom generated a 28.7 percent increase in sales tax revenue from construction activity in 2012 and gains of 9.3 percent and 17.2 percent in 2013 and 2014, respectively. A key driver of

recent growth in Seattle, including the growth in construction activity, has been Amazon, which has been hiring aggressively since the Great Recession ended. Amazon currently leases or owns about 4.2 million square feet of office space in Seattle's South Lake Union neighborhood. It is currently building two of three proposed 1.1 million square foot office towers.

With the recent upturn in aerospace employment now behind us, regional employment growth is predicted to slow going forward, and 2014 is likely to be the peak year for employment growth (at 3.0 percent) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.7 percent per year over the next five years. Personal income growth is forecast to range between five and six percent, which is approximately three percent per year faster than the rate of inflation.

General Subfund: In 2014, general government revenues and other financing sources for the General Subfund totaled approximately \$1.045 million. General Subfund revenues and other financing sources are projected to rise to \$1.050 million in 2015 and \$1.093 million in 2016. These figures are from the April 2015 revenue forecast.

In 2014 total Seattle tax revenue increased by 6.9 percent from 2013 levels. Revenue growth was strongest for the retail sales tax, which posted a 10.1 percent gain in 2014, led by construction, business and professional services, and accommodation and food services. The B&O tax also had a strong year, with an 8.7 percent gain. Growth was weaker for the property tax (3.8 percent) and utility taxes (2.7 percent). Tax revenue growth is expected to fall to 3.6 percent in 2015 as retail sales and B&O tax growth rates drop to the 6 - 7 percent range and property and utility tax growth rates decline from 2014 levels. In 2016, tax revenue is forecast to increase by 4.4 percent.

INITIATIVES

The 2015-2016 Adopted Budgets included a total of more than \$4 billion in annual appropriations, of which \$1.049 billion in 2015 and \$1.068 billion in 2016 year was for the General Fund.

Healthy reserve funds are an essential tool in creating financial stability for the City. It allows the City to preserve services in times of an unexpected revenue contraction, and helps protect the City's high bond rating, which helps keep the City's borrowing costs low. The City maintains two large reserves to help address potential financial stresses on the General Fund: the Revenue Stabilization Account, and the Emergency Subfund.

The Revenue Stabilization Account (RSA), better known as the Rainy Day Fund, buffers the General Fund from unanticipated shortfalls in revenue. By adopted policy, 0.5 percent of General Fund tax revenues are directed into the RSA fund each year, until it reaches a maximum amount established as 5 percent of this same revenue stream. RSA's financial policies facilitated the rebuilding of the reserve fund balance from a low of \$10.5 million in 2010 to \$41.4 million reported at year end 2014.

The City's other large reserve, the Emergency Subfund (ESF), protects the General Fund from the risks of significant and unanticipated expenditures, such as recovery from a major natural disaster. By state law, the City can maintain the equivalent of up to 37.5 cents per \$1,000 of assessed property values in the ESF. As the local economy has recovered, real estate values have increased rather rapidly, and as a result, so has the limit on the ESF balance. At the end of 2014 the City's Emergency Subfund's balance reported \$48.6 million.

The 2015 Adopted and 2016 Endorsed Budget does not anticipate using these reserve resources and continues to fully fund the RSA and ESF at the maximum statutory-authorized. For 2015, the RSA's

fund balance is projected to reach \$44.8 million, and the ESF's fund balance is estimated to grow to \$53.0 million. Both fiscal reserve funds are at record levels for the City.

Beginning in 2015, Office of Civil Rights (OCR) will house the newly created City of Seattle Office of Labor Standards, which will centralize outreach and enforcement of City ordinances addressing labor standards and coordinate with current enforcement staff on shared-jurisdiction claims and cases. The main work program of the Office of Labor Standards includes the Paid Sick and Safe Time Ordinance, the Job Assistance Ordinance, the \$15 Minimum Wage Ordinance, and the Wage Theft Ordinances. For 2015 the office's work will focus primarily on education and outreach for both employers and employees.

In August 2014, the voters of Seattle passed a ballot measure creating the Seattle Metropolitan Park District. State statute authorizes the park district to levy and impose various taxes and fees to generate revenues to maintain, operate and improve parks, community centers, pools, and other recreation facilities and programs. The park district's taxing authority does not begin until January 1, 2016. As a result, in 2015 park district programs will be funded through a \$10 million loan from the City. This 'bridge year' will be paid back by subsequent park district revenues. Beginning in 2016, the park district is projected to collect \$48 million a year that will support Parks operations and capital projects.

The 2015-2016 Adopted Budget creates the new Department of Education and Early Learning (DEEL). To create the new department, the adopted budget transfers all programs currently administered by the Office for Education (OFE), located in the Department of Neighborhoods (DON) and the Education Support Levy, to the new DEEL. Additionally, the budget transfers a number of programs related to early education, child health and childcare from the Human Services Department (HSD).

In November 2014, voters of Seattle approved a four-year, \$58 million Seattle Preschool Services Levy. The levy funds the demonstration phase of Seattle Preschool Program (SPP) which aims to serve 2,000 children in 100 classrooms by 2018. Like the 2011 Families and Education Levy, SPP funds are now administered by newly created Department of Education and Early Learning. For 2015 the Preschool levy is projected to generate \$4.8 million in additional tax resources, and increase to \$8.4 million in 2016.

Voters approved Proposition 1 in the November 2014 election that will expand Metro service in Seattle starting in 2015. The additional service will focus on reducing overcrowding, increasing frequency and reducing unreliability. These services are supported by a \$60 increase in vehicle license fees, and 0.1 percent increase in the sales tax rate collected. The funding measure is expected to raise \$45 million a year for six years.

The 2006 \$365 million voter-approved Bridging the Gap Levy (BTG) expires at the end of 2015 and reduces \$41 million in transportation support for 2016. The 2015-2016 Adopted Budget begins to set the foundation for discussion about future transportation funding needs. The budget provides SDOT with \$40.6 million in General Funds and \$388.8 million from other funding sources in 2015. Collectively, this represents a \$20.7 million (5.0 percent) increase relative to the 2014 Adopted Budget. In 2016, the endorsed budget is \$45.2 million in General Funds and \$296.9 million from other funding sources - a \$66.6 million drop from 2014 Adopted Budget level (16.3 percent reduction).

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, 2012. 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, 2013

Executive Director/CEO

City of Seattle 2014 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

Jacqui Anderson
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April Nash
Mena Nguyen
Steve Spada
Jake Yoon

Elsie Ling, Payroll Services Manager

Lillian Marie Alexander
Imelda Apolonio
Mary DeMile

RoseMarie Evans
Angel Hennings
Robert Latorre

Rosalinda Lopez
Shirley Smith
Michiko Togashi

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



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Financial Section

June 29, 2015

Mayor and City Council
City of Seattle
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2014, 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, 99 percent, and 97 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 64 percent, 75 percent, and 22 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

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

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of December 31, 2014, 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, 2014, the City has implemented the Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations* and Statement No. 70, *Nonexchange Financial Guarantees*. 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, 2013, from which such partial information was derived.

We and other auditors have previously audited the City's 2013 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified opinions on the respective financial

statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information in our report dated June 26, 2014. 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, 2013, 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 29, budgetary comparison information on pages 157 through 160 and pension trust fund information on pages 161 through 163 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 167 through 254 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 Statistics 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 June 29, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results

of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

Management's Discussion and Analysis

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, 2014. 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.

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, 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.

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 Firemen's Pension Fund, the Police Relief and Pension Fund, the S. L. Denny Private-Purpose Trust Fund, and various agency funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

Statistical Information

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

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2014 the City's net position totaled \$5.583 billion, with governmental activities accounting for 63.1 percent and business-type activities 36.9 percent, approximately a 2 to 1 ratio.
- Net investment in capital assets, net of depreciation and related debt, accounts for 86.7 percent, \$4.839 billion, of the City's total net position. In one year the value of the City's capital assets grew 10.0 percent, \$440.5 million. Of these assets the City's governmental activities controls \$3.089 billion, with the remaining \$1.750 billion supporting business-type activities.
- The City's remaining net position, 13.3 percent, is available to meet the City's ongoing obligations to citizens and creditors. This balance of restricted and unrestricted net position lost (10.2) percent of its value during 2014, decreasing \$(84.9) million to end the year at \$744.0 million. The City's governmental activities were the primary factor driving this change, accounting for 76.0 percent of the total decrease. At the end of 2014 the governmental activities reported a \$(16.4) million deficit in the unrestricted balance.
- During 2014 the positive change in City's net position totaled \$355.7 million, leading to a 6.8 percent increase over 2013's ending net position of \$5.227 billion. Governmental activities contributed \$134.3 million, 37.8 percent of the change, while the net position of business-type activities account for the remaining two thirds change, \$221.3 million in 2014.
- The City's governmental funds reported a combined ending fund balance of \$679.6 million for 2014, a reduction of (3.9) percent from the prior year's balance of \$707.3 million. The \$(27.7) million decrease in governmental fund balance reported for 2014 is a significant change from 2013 when governmental funds contributed \$68.9 million to the fund balance.
- Of the total decrease in 2014's governmental fund balance, 82.5 percent directly impacted the unassigned fund balance available for all purpose spending. 2014 reported \$75.3 million of unassigned fund, (23.3) percent lower than 2013's reported balance, a reduction of \$(22.9) million.
- Approximately 65.8 percent of the governmental fund balances is externally restricted for specific purposes. During 2014 the level of restrictions on the governmental fund balances fell by \$(12.0) million, reporting a year-end balance of \$446.9 million, a (2.60) percent decrease from 2013.
- Governmental fund balances reported two reservations with year over year growth. At the end of 2014 \$15.6 million is assigned for specific purposes by City's management, a 20.3 percent change over the \$13.0 million balance reported in 2013. The total amount committed by City Council is \$137.1 million, a 3.1 percent change over the \$133.0 million reported within the governmental fund balances from the prior year.
- The City's governmental funds generated revenues totaling \$1.750 billion in the fiscal year ended December 31, 2014, an increase of approximately \$104.3 million, 6.34 percent, from the prior year's balance of \$1.645 billion. Expenditures in governmental funds amounted to \$1.828 billion, an increase of approximately \$125.2 million, 7.35 percent, compared to \$1.703 billion in 2013. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$(78.7) million. The City's General Fund reported an excess of revenues over expenditures totaling \$263.3 million, while the other major and nonmajor governmental funds reported a deficiency of revenues totaling \$(341.9) million.
- During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) bonds were issued to finance the City's various capital improvement projects. At the end of the fiscal year 2014 the City had \$4.416 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.259 billion in 2013. This represents an increase of approximately \$156.7 million, 3.7 percent.

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. At the close of the current fiscal year the City's total net position was \$5.583 billion.

Statement of Net Position

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|--------------|--------------|---------------|
| | 2014 | Restated 2013 | 2014 | 2013 | 2014 | Restated 2013 |
| ASSETS | | | | | | |
| Current and Other Assets | \$ 983,515 | \$ 982,466 | \$ 1,522,551 | \$ 1,373,408 | \$ 2,506,066 | \$ 2,355,874 |
| Capital Assets and Construction in Progress, Net of Accumulated Depreciation | 3,915,087 | 3,733,918 | 4,979,382 | 4,683,737 | 8,894,469 | 8,417,655 |
| Total Assets | 4,898,602 | 4,716,384 | 6,501,933 | 6,057,145 | 11,400,535 | 10,773,529 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | 456,252 | 436,014 | 47,858 | 52,371 | 504,110 | 488,385 |
| LIABILITIES | | | | | | |
| Current Liabilities | 308,485 | 300,907 | 411,184 | 388,086 | 719,669 | 688,993 |
| Noncurrent Liabilities | 1,059,202 | 1,017,856 | 3,921,491 | 3,755,471 | 4,980,693 | 4,773,327 |
| Total Liabilities | 1,367,687 | 1,318,763 | 4,332,675 | 4,143,557 | 5,700,362 | 5,462,320 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| | 466,094 | 446,877 | 155,157 | 125,336 | 621,251 | 572,213 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 3,088,501 | 2,889,659 | 1,750,495 | 1,508,831 | 4,838,996 | 4,398,490 |
| Restricted | 448,935 | 460,885 | 58,039 | 57,404 | 506,974 | 518,289 |
| Unrestricted | (16,363) | 36,212 | 253,427 | 274,387 | 237,064 | 310,599 |
| Total Net Position | \$ 3,521,073 | \$ 3,386,756 | \$ 2,061,961 | \$ 1,840,622 | \$ 5,583,034 | \$ 5,227,378 |

The largest portion of the City's net position, 86.7 percent, reflects an investment of \$4.839 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, \$507.0 million, 9.1 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$237.1 million, 4.3 percent, may be used to meet the government's obligation to citizens and creditors.

The net position for the business-type activities increased 12.0 percent between 2013 and 2014, from \$1.841 billion to \$2.062 billion. The increase in net position is attributed primarily to the performance of the City Light Utility, which accounted for 54.82 percent, or \$121.3 million of the total \$221.3 million change in net position for business-type activities.

Management's Discussion and Analysis

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

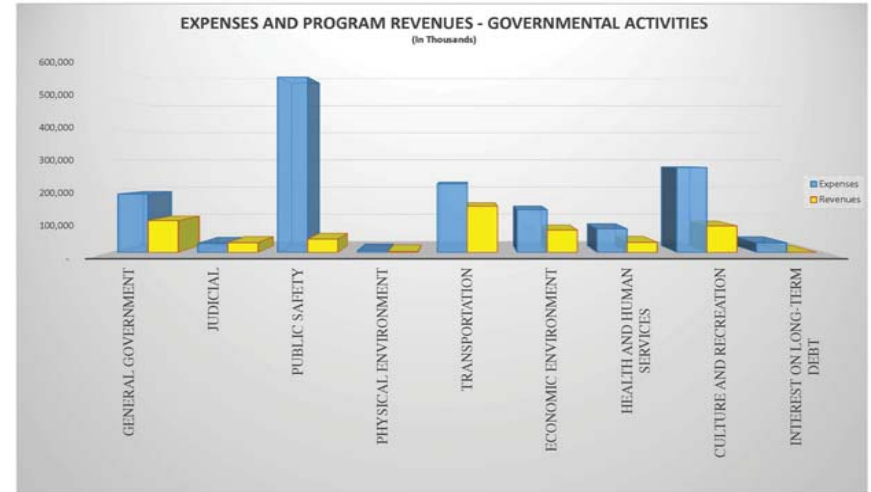
| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2014 | Restated 2013 | 2014 | 2013 | 2014 | Restated 2013 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 357,810 | \$ 325,964 | \$ 1,685,506 | \$ 1,619,118 | \$ 2,043,316 | \$ 1,945,082 |
| Operating Grants and Contributions | 123,986 | 135,407 | 6,155 | 7,055 | 130,141 | 142,462 |
| Capital Grants and Contributions | 37,895 | 42,468 | 48,129 | 63,760 | 86,024 | 106,228 |
| General Revenues | | | | | | |
| Property Taxes | 431,458 | 423,927 | — | — | 431,458 | 423,927 |
| Sales Taxes | 199,735 | 181,171 | — | — | 199,735 | 181,171 |
| Business Taxes | 431,436 | 408,913 | — | — | 431,436 | 408,913 |
| Other Taxes | 86,226 | 76,360 | — | — | 86,226 | 76,360 |
| Other | 13,551 | 15,349 | 19,013 | 5,876 | 32,564 | 21,225 |
| Total Revenues | 1,682,097 | 1,609,559 | 1,758,803 | 1,695,809 | 3,440,900 | 3,305,368 |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| General Government | 189,034 | 161,041 | — | — | 189,034 | 161,041 |
| Judicial | 28,874 | 33,517 | — | — | 28,874 | 33,517 |
| Public Safety | 568,843 | 515,129 | — | — | 568,843 | 515,129 |
| Physical Environment | 5,853 | 10,740 | — | — | 5,853 | 10,740 |
| Transportation | 222,199 | 165,742 | — | — | 222,199 | 165,742 |
| Economic Environment | 138,169 | 125,191 | — | — | 138,169 | 125,191 |
| Health and Human Services | 76,562 | 71,256 | — | — | 76,562 | 71,256 |
| Culture and Recreation | 275,566 | 267,043 | — | — | 275,566 | 267,043 |
| Interest on Long-Term Debt | 31,170 | 26,417 | — | — | 31,170 | 26,417 |
| Business-Type Activities | | | | | | |
| Light | — | — | 798,161 | 780,930 | 798,161 | 780,930 |
| Water | — | — | 221,944 | 215,600 | 221,944 | 215,600 |
| Drainage and Wastewater | — | — | 298,633 | 290,147 | 298,633 | 290,147 |
| Solid Waste | — | — | 159,501 | 156,653 | 159,501 | 156,653 |
| Planning and Development | — | — | 58,304 | 53,080 | 58,304 | 53,080 |
| Downtown Parking, Garage | — | — | 7,458 | 8,159 | 7,458 | 8,159 |
| Fiber Leasing | — | — | 27 | 54 | 27 | 54 |
| Total Expenses | 1,536,270 | 1,376,076 | 1,544,028 | 1,504,623 | 3,080,298 | 2,880,699 |
| Excess Before Special Item and Transfers | 145,827 | 233,483 | 214,775 | 191,186 | 360,602 | 424,669 |
| Special Item - Environmental Remediation | — | — | (4,949) | (24,169) | (4,949) | (24,169) |
| Transfers | (11,512) | (10,861) | 11,512 | 10,861 | — | — |
| Changes in Net Position | 134,315 | 222,622 | 221,338 | 177,878 | 355,653 | 400,500 |
| Net Position - Beginning of Year | 3,386,756 | 3,164,134 | 1,840,622 | 1,662,745 | 5,227,378 | 4,826,879 |
| Net Position - End of Year | <u>\$ 3,521,071</u> | <u>\$ 3,386,756</u> | <u>\$ 2,061,960</u> | <u>\$ 1,840,623</u> | <u>\$ 5,583,031</u> | <u>\$ 5,227,379</u> |

Analysis of Changes in Net Position

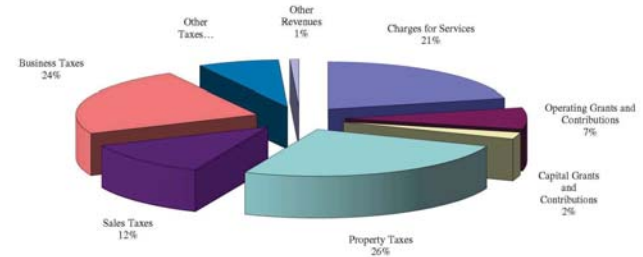
In 2014 the City's total net position increased by \$355.7 million, 6.8 percent. The increase is explained in the following discussion of governmental and business-type activities.

Management's Discussion and Analysis

Governmental Activities



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,682.1 Million

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.

Revenues reported at the citywide level were up 4.1 percent year over year, totaling \$3.441 billion in 2014. Out of the \$135.5 million of additional revenues reported in 2014, the City's governmental activities accounted for 53.5 percent of the change. The following table lists the general revenues ranked by the size of their 2014 collections, and highlights the change in general revenues between the 2013 and 2014 financial statements.

| 2014 Rank | General Tax Revenues | Amount (In Millions) | Percent of Change | Amount of Change (In Millions) |
|-----------|----------------------|----------------------|-------------------|--------------------------------|
| 1 | Property Taxes | \$ 431.5 | 1.8% | \$ 7.5 |
| 2 | Business Taxes | 431.4 | 5.5 | 22.5 |
| 3 | Sales Taxes | 199.7 | 10.2 | 18.6 |
| 4 | Other Taxes | 16.8 | 49.2 | 5.5 |
| 5 | Excise Taxes | 65.4 | 6.2 | 3.8 |

The City's tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales and business tax contributing 91.4 percent of all general revenues, and 63.2 percent of the governmental activities general and program revenue combined. The year over year growth in these three tax streams was 4.8 percent or \$48.6 million, and contributed 85.8 percent of the total revenue growth in governmental activities. Other taxes recorded by the City contributed \$9.9 million to the increase in revenues from governmental activities, 12.9 percent more than reported the previous year.

Direct program revenues collected supporting the City's governmental activities were \$519.7 million, 33.8 percent of the total cost, with the remaining \$1.017 billion covered by the City's general resources.

The City's charges for services are the largest component of reported program revenues, and comprise 68.9 percent of program revenue generated by governmental activities. For governmental activities charges for services contribute 21.3 percent of total revenues, with year over year revenues collected for service charges up \$31.8 million, a 9.8 percent increase that raises the total service charge collection to 357.8 million.

Expenses reported at the citywide level were up 6.9 percent year over year, totaling 3.080 billion in 2014. Of the \$199.6 million increase in 2014's expenses 80.3 percent can be attributed to the growth in expenses related to governmental-activities. Net program expenses for all functions within the City's governmental activities totaled \$1.536 billion for 2014, a 11.6 percent increase over 2013's costs of \$1.376 billion. The following table lists city functions/programs ranked by the size of their 2014 expenses, and highlights the growth in costs between the 2013 and 2014 financial statements.

| 2014 Rank | Citywide Function/Program | Amount (In Millions) | Percent of Change | Amount of Change (In Millions) |
|-----------|---------------------------|----------------------|-------------------|--------------------------------|
| 1 | Public Safety | \$ 568.8 | 10.4% | \$ 53.7 |
| 2 | Culture and Recreation | 275.6 | 3.2 | 8.5 |
| 3 | Transportation | 222.2 | 34.1 | 56.5 |
| 4 | General Government | 189.0 | 17.4 | 28.0 |
| 5 | Economic Environment | 138.2 | 10.4 | 13.0 |
| 6 | Health and Human Services | 76.6 | 7.4 | 5.3 |

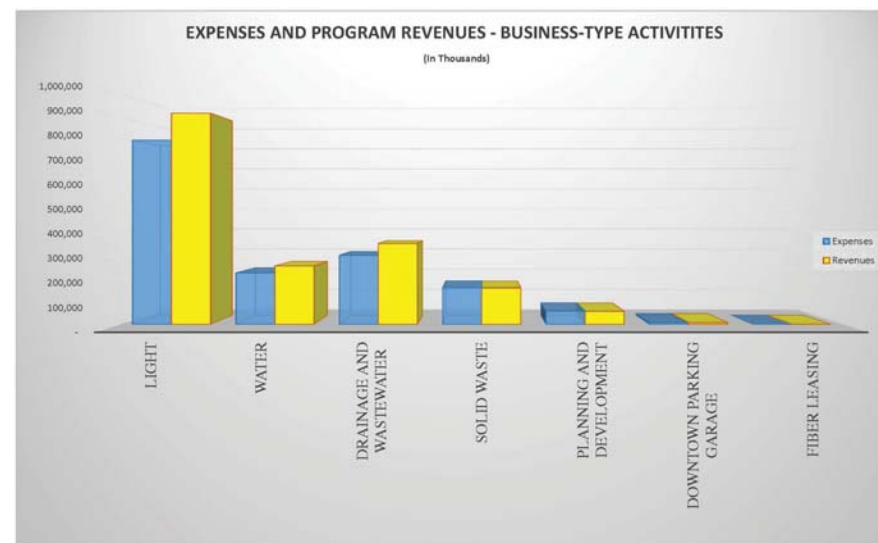
Within the City's governmental activities expenses three functions were the primary driver in the year over year changes. Public safety expenses increased \$53.7 million, transportation increased \$56.4 million, and the general government function \$28.0 million. This accounts for 86.0 percent of the total increase in expenses for the City's governmental activities.

The City's largest governmental expense is the public safety function, totaling 18.5 percent of all citywide expenses and reaching a record level of \$568.8 million for 2014. The public safety function is 37.0 percent of the total expense in the City's governmental activities, and more than double the costs of any other function with the next highest costs reported in culture and recreation at \$275.6 million.

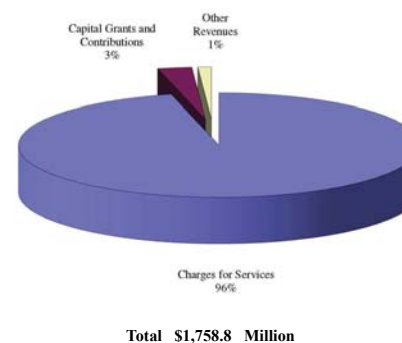
The City's overall capitalization of 2014's expenses from the governmental funds was down (6.1) percent, from \$204.8 million to \$192.2 million. This reflects the net costs of depreciation \$115.0 million, and the additional operating assets and equipment, and changes in work in progress totaling 307.3 million.

The City of Seattle

Business-Type Activities



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Management's Discussion and Analysis

Business-Type Activities. At year end the City's net position for business-type activities was \$2.062 billion, a 12.0 percent increase totaling \$221.3 million. Of this amount \$8.2 million reflects the consolidation of internal service fund activities related to enterprise funds. Key factors for the change were as follows:

The City Light Utility realized a \$121.3 million increase in net position for 2014. A \$44.2 million increase in total operating revenues was primarily due to higher surplus energy available for sale and higher wholesale power prices. An increase in operating expenses of \$23.1 million was due to higher long-term purchased power expenses and higher operating costs related to transmission, conservation, administration, and depreciation. Investment income was higher by \$7.1 million due to favorable swing between years in unrealized fair value gains. Capital contributions and grants were lower by \$21.3 million due to lower in-kind contributions for various construction projects.

The Water Utility experienced an increase of \$31.5 million in net position for 2014. Operating revenues increased \$7.4 million mainly due to increases in direct service revenues; operating expenses increased \$7.9 million in 2014. Factors affecting this change included additional City utility taxes, depreciation and amortization, general, administrative, and utility systems management.

The Drainage and Wastewater Utility net position increased \$48.5 million in 2014. Operating revenues increased by \$8.2 million primarily due to rate increases in 2014 for drainage revenues. The increase was offset by a rise in operating expenses of \$9.1 million. The increase in operating expenses was attributed to several factors including an increase in King County's treatment rate, general, administrative, and City business and occupation taxes.

The Solid Waste Utility realized a net increase of \$1.9 million in net position in 2014. Operating revenues decreased by \$2.2 million mainly due to the rate stabilization fund. Operating expenses increased \$3.4 million. This increase was related to contractual solid waste collection costs and taxes paid to the City.

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

| | Major Funds | | | | | |
|--|-------------------|-------------------|---------------------|------------------|-------------------------|------------------|
| | General Fund | | Transportation Fund | | Low-Income Housing Fund | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Taxes | \$ 926,003 | \$ 866,464 | \$ 78,477 | \$ 75,816 | \$ 17,943 | \$ 17,952 |
| Licenses and Permits | 25,027 | 22,005 | 5,066 | 5,130 | — | — |
| Grants, Shared Revenues, and Contributions | 35,666 | 48,183 | 46,244 | 51,755 | 2,840 | 2,088 |
| Charges for Services | 61,080 | 50,587 | 98,365 | 102,475 | — | 810 |
| Fines and Forfeits | 31,960 | 41,043 | 19 | 8 | — | — |
| Parking Fees and Space Rent | 38,223 | 38,547 | 84 | 70 | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 42,794 | 31,346 | 2,235 | 122 | 32,660 | 11,072 |
| Total Revenues | 1,160,753 | 1,098,175 | 230,490 | 235,376 | 53,443 | 31,922 |
| Expenditures | 897,493 | 855,584 | 382,909 | 321,778 | 29,181 | 30,631 |
| Other Financing Sources and Uses | | | | | | |
| Long-Term Debt Issued and Refunding Payments, Net | — | — | — | — | — | — |
| Sales of Capital Assets | — | 22,748 | 2,108 | 54 | — | — |
| Transfers In (Out) | (255,085) | (231,371) | 162,996 | 108,964 | — | — |
| Total Other Financing Sources and Uses | (255,085) | (208,623) | 165,104 | 109,018 | — | — |
| Fund Balances | | | | | | |
| Nonspendable | 474 | 375 | 1,580 | 1,345 | — | — |
| Restricted | 99,991 | 99,659 | 33,816 | 27,330 | 99,003 | 79,264 |
| Committed | 76,493 | 83,155 | 50,952 | 44,988 | 6,416 | 1,893 |
| Assigned | 5,685 | 5,325 | — | — | — | — |
| Unassigned | 134,492 | 120,446 | — | — | — | — |
| Total Fund Balances | \$ 317,135 | \$ 308,960 | \$ 86,348 | \$ 73,663 | \$ 105,419 | \$ 81,157 |

Management's Discussion and Analysis

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

| | Nonmajor Funds | | | |
|--|-----------------------|-----------|--------------------|-----------|
| | Special Revenue Funds | | Debt Service Funds | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | |
| Taxes | \$ 84,719 | \$ 82,985 | \$ 17,706 | \$ 15,930 |
| Licenses and Permits | — | — | — | — |
| Grants, Shared Revenues, and Contributions | 69,986 | 69,637 | 979 | 1,020 |
| Charges for Services | 50,346 | 46,975 | — | — |
| Fines and Forfeits | 5,163 | 56 | — | — |
| Parking Fees and Space Rent | 25,227 | 23,523 | 357 | 323 |
| Program Income, Interest, and Miscellaneous Revenues | 3,533 | 2,005 | 718 | 571 |
| Total Revenues | 238,974 | 225,181 | 19,760 | 17,844 |
| Expenditures | 362,177 | 341,555 | 83,009 | 79,854 |
| Other Financing Sources and Uses | | | | |
| Long-Term Debt Issued and Refunding Payments, Net | — | — | 48 | 4,928 |
| Sales of Capital Assets | 20 | 102 | — | — |
| Transfers In (Out) | 136,830 | 132,750 | 63,238 | 62,045 |
| Total Other Financing Sources and Uses | 136,850 | 132,852 | 63,286 | 66,973 |
| Fund Balances | | | | |
| Nonspendable | 594 | 564 | — | — |
| Restricted | 87,384 | 85,725 | 15,665 | 15,629 |
| Committed | 3,245 | 2,948 | — | — |
| Assigned | 9,933 | 7,661 | — | — |
| Unassigned | (3,582) | (12,972) | — | — |
| Total Fund Balances | \$ 97,574 | \$ 83,926 | \$ 15,665 | \$ 15,629 |

| | Nonmajor Funds | | | | Total Governmental Funds | |
|--|------------------------|------------|-----------------|----------|--------------------------|--------------|
| | Capital Projects Funds | | Permanent Funds | | 2014 | 2013 |
| | 2014 | 2013 | 2014 | 2013 | | |
| Revenues | | | | | | |
| Taxes | \$ 24,272 | \$ 24,352 | \$ — | \$ — | \$ 1,149,120 | \$ 1,083,499 |
| Licenses and Permits | — | — | — | — | 30,093 | 27,135 |
| Grants, Shared Revenues, and Contributions | 5,646 | 12,101 | — | — | 161,361 | 184,784 |
| Charges for Services | 11,396 | — | — | — | 221,187 | 200,847 |
| Fines and Forfeits | — | — | — | — | 37,142 | 41,107 |
| Parking Fees and Space Rent | — | — | — | — | 63,891 | 62,463 |
| Program Income, Interest, and Miscellaneous Revenues | 4,785 | 351 | 32 | (5) | 86,757 | 45,462 |
| Total Revenues | 46,099 | 36,804 | 32 | (5) | 1,749,551 | 1,645,297 |
| Expenditures | 73,457 | 73,576 | 5 | 22 | 1,828,231 | 1,703,000 |
| Other Financing Sources and Uses | | | | | | |
| Long-Term Debt Issued and Refunding Payments, Net | 54,557 | 105,006 | — | — | 54,605 | 109,934 |
| Sales of Capital Assets | — | — | — | — | 2,128 | 22,904 |
| Transfers In (Out) | (113,723) | (78,592) | — | (10) | (5,744) | (6,214) |
| Total Other Financing Sources and Uses | (59,166) | 26,414 | — | (10) | 50,989 | 126,624 |
| Fund Balances | | | | | | |
| Nonspendable | — | — | 2,050 | 2,050 | 4,698 | 4,334 |
| Restricted | 110,921 | 151,134 | 101 | 90 | 446,881 | 458,831 |
| Committed | — | — | — | — | 137,106 | 132,984 |
| Assigned | — | — | — | — | 15,618 | 12,986 |
| Unassigned | (55,649) | (9,340) | — | (16) | 75,261 | 98,118 |
| Total Fund Balances | \$ 55,272 | \$ 141,794 | \$ 2,151 | \$ 2,124 | \$ 679,564 | \$ 707,253 |

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.

For 2014 total governmental fund revenues totaled \$1.750 billion. Of this amount the General Fund contributed 66.3 percent, the City's major governmental funds (transportation and low income housing) generated 16.2 percent, and the combining other non-major governmental funds 17.4 percent. Taxes account for 65.7 percent of all governmental revenues. Taxes are recorded across the City's governmental funds although 80.6 percent of all taxes are collected within the General Fund.

The General Fund is the chief operating fund of the City. The Library Fund, previously reported as a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2013 and 2014 in this discussion and analysis reflect this change unless noted otherwise. Table A-4 provides a summary of activities for the general subfunds at year-end 2014. At the end of 2014 the total fund balance of the General Fund was \$317.1 million, an increase of \$8.2 million in 2013 compared to 2014.

Total revenues for the General Fund amounted to \$1.161 billion, an increase of \$62.6 million or 5.7 percent higher than 2013. The increase is mostly attributable to higher tax revenues, with collections growing at 6.9 percent for the General Fund, generating an additional \$59.5 million to raise total collections to \$926.0 million for 2014. In aggregate all other revenues recorded in the General Fund contributed \$234.8 million, support from these other revenues held constant year over year at 21.4 percent of total General Fund revenues.

Property tax is levied primarily on real estate owned by individuals and businesses. While stable in nature, state law limits growth in the amount of tax that a jurisdiction can collect but does allow for additional voter-approved levies. Initiative 747 and related state laws continue have continued to mute property tax growth as a result of the cap on property tax growth of 1.0 percent plus new construction. Strong growth in the assessed value of property, and newly constructed inventory continued to maintain the level of property tax collections for 2014.

Real Estate Excise Tax (REET) revenues, taxes collected on real estate transactions, contribute 81.6 percent of the City's total excise tax collections. The City's local real estate market continued to maintain strength in both the commercial and private sections, a 10.2 percent increase in 2014's REET revenues brought total collections to \$53.3 million in 2014. REET revenues are recorded within the City's Cumulative Reserve Subfund (CRS), and support many of the City's general government capital investments.

The business and occupation (B&O) tax is levied by the City on the gross receipts of most business activities occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. Of the \$431.4 million collected, 46.9 percent is generated by taxes assessed on private business activities, with an additional 8.3 percent from commercial parking taxes and 1.9 percent from admission taxes. The City's utilities paid \$129.9 million in business taxes, of which Seattle City Light paid 34.9 percent, and Seattle Public Utilities paid 65.1 percent. Additional utility taxes totaling \$55.6 million were generated from gas, garbage, cable, telephone, and steam power service suppliers.

The retail sales and use tax is imposed on the sale of most goods and certain services in Seattle. The tax is collected and remitted to the state. The state provides the City with its share on a monthly basis. The City's local share of the sales tax accounts for 91.6 percent of all sales taxes, and year over year grew 10.2 percent to reach \$182.9 million. The additional sales tax distributions from the state are resources for criminal justice and brokered natural gas activities, which in 2014 generated a \$15.1 million collection.

For 2014 total governmental fund expenditures totaled \$1.828 billion. Of this amount the General Fund account for 49.1 percent, the City's major governmental funds (transportation and low income housing) consumed 22.5 percent, and the combining other non-major governmental funds 28.3 percent.

General Fund expenditures increased 4.9 percent in 2014 from \$855.6 million to \$897.5 million. Public safety accounts for 57.8 percent of the General Fund's total expenditures in 2014. Public safety's two largest expenditures were for police and fire protection. For 2014 the Police Department incurred \$305.7 million and the Fire Department incurred \$186.1 million of expenditures.

Management's Discussion and Analysis

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$679.6 million, a decrease of \$(27.7) million in comparison to 2013. Approximately \$75.3 million of this amount represents an unassigned fund balance available for all purpose spending; \$9.9 million is assigned for specific purposes by City's management, and \$137.1 million is committed by City Council. Approximately 65.8 percent of the total fund balances is externally restricted for specific purposes, and the remainder constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.

The Transportation 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 fund balance had increased \$12.7 million, 17.2 percent. The \$230.1 million of revenues collected include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Expenditures totaled \$382.9 million for 2014, up \$61.1 million, 19.0 percent from 2013. The Transportation Fund's other financing sources contributed \$165.1 million of additional resources in 2014, a 51.4 percent increase in support that counters the growth in expenditures.

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. It also accounts for seven-year housing levies approved by voters, most recently in 2009. The 2014 fund balance of \$105.4 million reflects an increase of \$24.3 million from 2013. The change in fund balance was driven by relative stability in the funds expenditures, and a significant increase in revenues. Revenues from 2013 to 2014 increased \$21.5 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. A one-time collection from Amazon on the development of two office towers in South Lake Union contributed nearly \$9.0 in additional revenues for 2014. The fund's expenditures decreased by \$1.5 million, (4.7) percent year over year. The decrease in expenditures is attributed to the cyclical nature of the fund. Multifamily construction projects can span several years from acquisition to final construction. Further driving the variations is the cyclical nature of downtown construction and their associated costs.

In 2014 the other special revenue funds (SRF) reported a \$13.6 million increase in fund balance. SRF expenditures increased \$20.6 million to \$362.2 million for 2014. The 6.0 percent increase in expenditures was mirrored by a 6.1 percent rise in program revenues of \$13.8 million to \$239.0 million. Overall the deficiency of revenues over expenditures slightly increases from \$116.4 million in 2013, to \$123.2 million in 2014. The inability of revenues to cover expenditures is supplemented by other financing sources and uses which contributed \$136.8 million of resources in 2014. The 16.3 percent increase in fund balance was driven by changes in fund balance from the Education Development Services Fund totaling \$6.4 million, the 2012 Library Levy \$3.1 million, and the School Zone Automated Camera Fund totaling \$1.5 million. The most significant shift in the SRF's fund balance designation during 2014 was the reduction of the deficit in the unassigned fund balanced, falling from a deficit of \$13.0 million in 2013 to end at \$3.6 million for 2014.

The fund balance in the capital projects funds decreased \$86.5 million, (61.0) percent, from \$141.8 million to \$55.3 million at the end of 2014. The decrease is due mainly to the City's effort to accelerate capital spending from the multipurpose long-term general obligation bond funds. The fund balance in the capital projects funds is all restricted for the City's capital improvement programs, with the exception of funds with a deficit balance reported as unassigned.

The Alaska Way Seawall Construction fund expended 100 percent of the beginning fund balance and by year end had generated a \$35.6 million deficit in unassigned fund balance. Expenditures during the year nearly tripled, increasing \$51.0 million from \$25.9 million in 2013 to \$76.9 million in 2014 as construction activity accelerated. The City's Central Waterfront Improvement (CWI) fund also saw an slightly increased spending level during 2014, increasing to \$9.9 million in 2014. In 2014 revenue had yet to materialize to support these expenditures, with CWI's deficit fund balance nearly doubling from \$10.0 million to \$19.4 million in 2014.

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

| | General | Judgment/ Claims | Municipal Jail | Arts Account | Cable Television Franchise |
|--|---------------------------|------------------------------|--------------------------------------|---------------------------|----------------------------------|
| Revenues | | | | | |
| Taxes | \$ 872,664 | \$ — | \$ — | \$ — | \$ — |
| Licenses and Permits | 16,841 | — | — | — | 8,186 |
| Grants, Shared Revenues, and Contributions | 28,793 | — | — | — | — |
| Charges for Services | 50,494 | 8,777 | — | 19 | — |
| Fines and Forfeits | 30,456 | 5 | — | — | — |
| Parking Fees and Space Rent | 37,290 | — | — | 53 | — |
| Program Income, Interest, and Miscellaneous Revenues | 4,741 | 12 | 22 | 26 | 64 |
| Total Revenues | 1,041,279 | 8,794 | 22 | 98 | 8,250 |
| Expenditures | 734,694 | 9,960 | — | 5,378 | 8,675 |
| Other Financing Sources and Uses | | | | | |
| Sales of Capital Assets | — | — | — | — | — |
| Transfers In (Out) | (238,990) | — | — | — | (278) |
| Total Other Financing Sources and Uses | (238,990) | — | — | — | (278) |
| Fund Balances | | | | | |
| Nonspendable | 125 | — | — | — | — |
| Restricted | 491 | — | — | — | 866 |
| Committed | 4,802 | 13,409 | — | 1,149 | 3,252 |
| Assigned | 3,641 | — | 193 | — | — |
| Unassigned | 44,528 | — | — | — | — |
| Total Fund Balances | \$ 53,587 | \$ 13,409 | \$ 193 | \$ 1,149 | \$ 4,118 |
| | Cumulative Reserve | Neighborhood Matching | Bluefield Habitat Maintenance | Development Rights | Emergency |
| Revenues | | | | | |
| Taxes | \$ 53,338 | \$ — | \$ — | \$ — | \$ — |
| Licenses and Permits | 0 | — | — | — | — |
| Grants, Shared Revenues, and Contributions | 1,976 | — | — | — | — |
| Charges for Services | 1,558 | — | — | — | — |
| Fines and Forfeits | 0 | — | — | — | — |
| Parking Fees and Space Rent | 339 | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 1,471 | — | 3 | — | 1 |
| Total Revenues | 58,682 | — | 3 | — | 1 |
| Expenditures | 40,292 | 2,855 | — | — | — |
| Other Financing Sources and Uses | | | | | |
| Sales of Capital Assets | — | — | — | — | — |
| Transfers In (Out) | (29,668) | — | — | — | 1,867 |
| Total Other Financing Sources and Uses | (29,668) | — | — | — | 1,867 |
| Fund Balances | | | | | |
| Nonspendable | 2 | — | — | — | — |
| Restricted | 56,577 | — | — | — | — |
| Committed | 10,218 | 5,161 | 208 | 22 | — |
| Assigned | — | — | — | — | — |
| Unassigned | 41,413 | — | — | — | 48,551 |
| Total Fund Balances | \$ 108,210 | \$ 5,161 | \$ 208 | \$ 22 | \$ 48,551 |

Management's Discussion and Analysis

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

| | Transit Benefit | Special Employment Program | Industrial Insurance | Unemployment Compensation | Health Care |
|--|-----------------|----------------------------|----------------------|---------------------------|------------------|
| Revenues | | | | | |
| 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 | — | — | 6,265 | — | 24,702 |
| Total Revenues | — | 19 | 6,265 | — | 24,702 |
| Expenditures | — | 16 | 5,409 | 1,577 | 16,852 |
| Other Financing Sources and Uses | | | | | |
| Sales of Capital Assets | — | — | — | — | — |
| Transfers In (Out) | — | — | — | — | — |
| Total Other Financing Sources and Uses | — | — | — | — | — |
| Fund Balances | | | | | |
| Nonspendable | — | — | 327 | — | — |
| Restricted | — | — | — | — | 29,980 |
| Committed | — | 125 | 5,394 | 237 | 31,637 |
| Assigned | — | — | — | — | — |
| Unassigned | — | — | — | — | — |
| Total Fund Balances | \$ — | \$ 125 | \$ 5,721 | \$ 237 | \$ 61,617 |

| | Total General Fund | | | |
|--|---------------------------|----------------------|-------------------|-------------------|
| | Group Term Life Insurance | Library ^a | 2014 | 2013 |
| Revenues | | | | |
| Taxes | \$ — | \$ — | \$ 926,002 | \$ 866,464 |
| Licenses and Permits | — | — | 25,027 | 22,005 |
| Grants, Shared Revenues, and Contributions | — | 4,898 | 35,667 | 48,183 |
| Charges for Services | — | 213 | 61,080 | 50,587 |
| Fines and Forfeits | — | 1,499 | 31,960 | 41,043 |
| Parking Fees and Space Rent | — | 541 | 38,223 | 38,547 |
| Program Income, Interest, and Miscellaneous Revenues | 5,255 | 231 | 42,793 | 31,346 |
| Total Revenues | 5,255 | 7,382 | 1,160,752 | 1,098,175 |
| Expenditures | 5,254 | 66,531 | 897,493 | 855,584 |
| Other Financing Sources and Uses | | | | |
| Sales of Capital Assets | — | — | — | 22,748 |
| Transfers In (Out) | — | 11,984 | (255,085) | (231,371) |
| Total Other Financing Sources and Uses | — | 11,984 | (255,085) | (208,623) |
| Fund Balances | | | | |
| Nonspendable | — | 20 | 474 | 375 |
| Restricted | — | 12,077 | 99,991 | 99,659 |
| Committed | 426 | 453 | 76,493 | 83,155 |
| Assigned | — | 1,851 | 5,685 | 5,325 |
| Unassigned | — | — | 134,492 | 120,446 |
| Total Fund Balances | \$ 426 | \$ 14,401 | \$ 317,135 | \$ 308,960 |

^a As result of GASB Statement No. 54, the Library Fund no longer meets the definition for a special revenue fund and is reported as part of the General Fund for the GAAP reporting.

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 \$121.3 million in 2014 compared to \$112.7 million in 2013, an increase of \$8.6 million (7.6 percent). Higher net wholesale energy sales, retail electric sales, and investment earnings were offset in part by higher power related expenses, conservation, general and administrative, and depreciation. Lower transfers from/(to) Rate Stabilization Account (RSA) and capital contributions also decreased revenues.

Net cash provided by operating activities increased by \$67.9 million to \$297.6 million in 2014, compared to \$229.7 million in 2013. Increased cash inflows was resulted from rate increase effective at the beginning of the year, Bonneville Power Administration pass-through rate adjustment, and higher net wholesale energy sales. The higher cash inflows were offset by greater debt service payments, capital construction projects, ongoing operations and transfer to the RSA. Net operating cash decreased by \$65.5 million to \$128.3 million in 2014. Restricted assets increased by \$71.4 million to \$298.4 million in 2014, compared to \$227.0 million in 2013. This increase was primarily due to new debt issued in 2014.

Capital assets, net of accumulated depreciation and amortization, were \$2.728 billion and \$2.541 billion in 2014 and 2013, a net increase of \$187.3 million. The majority of the Utilities' capital asset additions were in the distribution plant and work-in-progress related to distribution systems. The net increase in capital assets was partially offset by a \$47.6 million increase in accumulated depreciation and amortization.

Total liabilities were \$2.278 billion in 2014 and \$2.209 billion in 2013, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$1.925 billion in 2014 and \$1.870 billion in 2013. In November 2014, the Utility issued a total of \$265.2 million of revenue and refunding revenue bonds. Interest expense related to these bonds was \$89.6 million in 2014 and \$89.0 million in 2013.

City Light's total net position was \$1.276 billion in 2014 and \$1.154 billion in 2013.

Water Utility. The Utility realized an operating income of \$58.5 million in 2014 compared to \$59.0 million in 2013. Operating revenues increased by \$7.4 million and operating expenses increased by \$7.9 million between 2014 and 2013. The Utility realized a net income of \$31.5 million in 2014 compared to net income of \$28.1 million in 2013. The net income in 2014 was primarily due to increase in direct services revenue, offset by related operating expenses.

Net cash provided by operating activities increased to \$127.9 million in 2014 from \$116.8 million in 2013, an increase of \$11.1 million. Total operating and restricted cash and investments were \$100.2 million in 2014 compared to \$94.6 million in 2013, an increase of \$5.6 million. This increase in cash and investments was primarily due to increased customer receipts.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2014, amounted to \$1.205 billion, an increase of \$8.4 million in 2014. Major capital assets additions in 2014 included water infrastructure improvements and rehabilitation, technology infrastructure improvements, and water conservation projects.

The Water Utility had \$853.5 million in outstanding revenue bonds in 2014 compared to \$887.0 million at year end 2013. The decrease was due to principal payments.

The Water Utility's total net position was \$393.0 million in 2014 and \$361.5 million in 2013.

Drainage and Wastewater Utility. The Utility realized an operating income of \$57.8 million in 2014 compared to \$58.6 million in 2013. Operating revenues increased by \$8.2 million and operating expenses increased by \$9.1 million between 2014 and 2013. The Utility realized a net income of \$48.5 million in 2014 and \$24.6 million in 2013. The increase in net income was mainly due to a \$19.2 million reduction in environmental remediation expenses.

Net cash provided by operating activities increased to \$88.6 million compared to \$79.2 million in 2013. Total operating and restricted cash and investments were \$200.7 million in 2014 compared to \$122.4 million in 2013. This increase in cash and investments was primarily due to new debt issued in 2014 and increase in customer receipts.

Utility plant, net of accumulated depreciation, and other capital assets were increased to \$843.8 million in 2014 from \$765.5 million in 2013, an increase of \$78.3 million. Capital outlays of \$95.3 million were offset by depreciation expense of \$22.2 million.

Management's Discussion and Analysis

The Drainage and Wastewater Utility had \$618.9 million outstanding revenue and refunding bond liabilities in 2014, as compared to \$525.3 million in 2013. Total liabilities, including revenue bonds, were \$812.1 million in 2014 and \$705.5 million in 2013.

Total net position for the Drainage and Wastewater Utility was \$344.1 million in 2014 and \$295.6 million in 2013.

Solid Waste Utility. The Utility realized an operating income of \$1.8 million in 2014 compared to \$7.5 million in 2013. Operating revenues decreased by \$2.2 million and operating expenses increased by \$3.4 million between 2014 and 2013. The Utility realized a net income of \$1.9 million in 2014 compared to \$3.3 million in 2013. The net income in 2014 was primarily due to a rate increase offset by transfer to rate stabilization fund and related operating expenses.

Net cash provided by operating activities increased to \$22.9 million in 2014 compared to \$19.6 million in 2013. Total operating and restricted cash and investments were \$81.6 million in 2014 and \$33.3 million in 2013. The \$48.3 million increase in operating and restricted cash and investments is primarily due to new debt issued in 2014 and increase in customer receipts.

The Solid Waste Utility had \$166.9 million outstanding revenue bond liabilities in 2014 compared to \$115.9 million in 2013. The increase was due to new debt issued in 2014.

Total net position for the Solid Waste Utility was \$34.2 million in 2014 and \$32.3 million in 2013.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the Firemen's Pension Fund, the Police Relief and Pension Fund, the S.L. Denny Private Purpose Trust, and various agency funds. The net position of the combined fiduciary funds at the end of 2014 is \$2.343 billion; SCERS represents 99.1 percent of this amount.

SCERS assets held in trust for the payment of future benefits does not exceed the estimate of actuarially accrued liabilities as of December 31, 2014. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$105.8 million, 4.7 percent, during 2014. For year ending 2014 the member and employer contributions totaled \$154.0 million; income from investment activity totaled \$130.8 million. Total benefit payment for 2014 increased by \$8.8 million to \$150.2 million. In 2014 the number of retirees and beneficiaries receiving benefits was 6020, which increased by 140, 2.4 percent compared to 2013.

At December 31, 2014, the net positions of assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$14.7 million and \$5.1 million, respectively.

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.

City Council passed the 2014 Adopted Budget (Ordinance 124349) authorizing a \$4.820 billion budget for the City's annual operations. The General subfund's budgeted expenditures account for 21.2 percent or \$1.024 billion of the total adopted budget. When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2014's total appropriation budget for the General Fund is \$1.351 billion, 28.0 percent of the City's total adopted budget.

The General Fund's 2014 revised appropriation budget differed from the original budget due to supplemental appropriations approved by the City Council during the year and carryforward budgets from the prior year. The final revised budget for the General Fund was \$1.461 billion, a 7.6 percent increase over Council's adopted budget.

The most significant budget activities are described below:

- At year-end 2014 actual expenditures and transfers of \$1.327 billion were \$135.0 million less than budgeted. Of this amount \$97.3 million of the budget will be carried over into 2015 to cover outstanding encumbrances, grants, and capital spending.
- The overall change in the General Fund's carryforward budget from 2013 to 2014 decreased (16.1) percent, from \$97.3 million to \$84.0 million. Nearly 59.6 percent of 2014's carryforward budget is within the Cumulative Reserve Subfunds, with 36.2

The City of Seattle

million reported in the Real Estate Excise Tax (REET I and REET II) Subfunds, and 11.6 million in the Unrestricted Cumulative Reserve Subfund. The General Subfund accounted for the remaining 24.8 percent of the carryforward budget, with Police and Fire Departments contributing \$14.8 million of this amount.

- The final budget for the REET I and REET II Cumulative Reserve Subfunds, which includes expenditures and transfers, was \$93.9 million. Approximately 62.3 percent, \$58.5 million of the budget was expended in 2014. The carryforward budget balances for the REET I and REET II Cumulative Reserve Subfunds funds is \$36.2 million and will be used to support capital activity in 2015.
- City Council authorized an additional \$35.9 million of supplemental appropriations for the General subfund in 2014, 94.4 percent were revisions for the General subfund. Budget revisions totaling \$18.3 million applied directly to the Seattle Police Department, \$12.3 million to the Seattle Fire Department, seven executive offices received supplemental appropriations totaling \$2.6 million.
- In 2014 the total revised budget for grant resources within the General Fund totaled \$31.1 million, with actual grant revenue generating \$17.6 million during the year. The adopted budget provided \$1.6 million in additional grant resources and \$17.0 million of budget was carryforward from 2013. Through supplemental legislation the Council authorized an additional \$12.4 million of grant funding during the year. This includes \$11.8 million for the City's public safety functions, supporting 36 projects.
- The General Fund's budget for the public safety function increased 7.3 percent in 2014, totaling \$576.3 million. Adjusting this budget to exclude Fire and Police Pension budgets, the public safety budget for just governmental funds was \$537.6 million, a 6.4 percent increase year over year. The actual costs of current expenditures and capital outlay the City's public safety function totaled \$525.0 million, consuming 97.7 percent of the resources budgeted for 2014, of which 99.0 percent is for current operations and 1.0 percent on capital outlay. The 5.4 percent year over year increase in current expenditures totaling \$26.6 million was 70.4 percent of the total budgeted increase of \$37.8 million. Detailed information on the City's two major public safety departments follows:
 - The Police Department's 2014 final budget was \$319.7 million, a 3.1 percent increase from the 2013 budget level. The Department expended 95.6 percent of its budget during the year, with actual expenditures increasing 3.6 percent, from \$295.1 million in 2013 to \$310.1 million in 2014. Patrol operations were budgeted at \$122.6 million for all five city precincts, a 1.5 percent increase over 2013's budget. Patrol operations for 2014 consumed 98.1 percent of the budgeted resources and accounted for 40.0 percent of the entire Department's annual operating costs. Of the remaining budget, \$8.9 million will carryforward into 2015 for grant purposes.
 - The Fire Department's 2014 final budget was \$192.0 million, a 4.3 percent increase from the 2013 budget level of \$184.1 million. The Department expended 97.0 percent of its budget during the year, with actual expenditures increasing 4.1 percent, from \$178.7 million in 2013 to \$186.1 million in 2014. Fire Operations for 2014 consumed 99.9 percent of the \$149.5 million in budgeted resources and accounted for 80.0 percent of the entire Department's annual operating costs. Of the remaining budget, \$5.9 million will carryforward into 2014 for grant purposes.
- For 2014 the General Fund reports actual revenues of \$1.161 billion, a 5.7 percent increase, \$62.6 million larger than 2013's total balance. The General subfund generated 89.7 percent of these revenues, \$1.041 billion, which was 3.0 percent greater than Council's last revised budget of \$1.041 billion budgeted. A driving factor for the year over year increase in revenues is from the City's tax collection which totaled \$926.0 million. The General subfund's 2014 total tax revenues of \$872.7 million were 4.1 million over budget, and \$54.6 million or 6.7 percent higher than reported in 2013. Revenue reported for grants and contributions was \$43.0 million, only 64.4 percent of the budgeted \$66.8 million, which is expected due to grant awards that span multiple years where remaining budgets are carried over to the following year.

Management's Discussion and Analysis

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 | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2014 | Restated 2013 | 2014 | 2013 | 2014 | Restated 2013 |
| Land | \$ 571,054 | \$ 552,003 | \$ 162,685 | \$ 159,031 | \$ 733,739 | \$ 711,034 |
| Plant in Service, Excluding Land | — | — | 4,164,713 | 4,066,334 | 4,164,713 | 4,066,334 |
| Buildings and Improvements | 1,583,440 | 1,587,244 | 28,063 | 30,067 | 1,611,503 | 1,617,311 |
| Machinery and Equipment | 126,435 | 126,413 | 919 | 1,471 | 127,354 | 127,884 |
| Infrastructure | 1,062,176 | 1,068,908 | — | — | 1,062,176 | 1,068,908 |
| Construction in Progress | 557,211 | 383,859 | 535,574 | 345,097 | 1,092,785 | 728,956 |
| Other Capital Assets | 14,758 | 15,491 | 87,429 | 81,738 | 102,187 | 97,229 |
| Total Capital Assets | \$ 3,915,074 | \$ 3,733,918 | \$ 4,979,383 | \$ 4,683,738 | \$ 8,894,457 | \$ 8,417,656 |

Capital assets, net of depreciation, for governmental activities increased by \$171.1 million in 2014. The main increase is attributable to the following:

- The Department of Transportation capitalized \$50.2 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). The balance of construction in progress increased \$159.9 million, a dramatic shift from 2013 when construction in progress had decreased \$(64.8) million.
- The Department of Parks and Recreation spent \$8.4 million in the improvement of Building 30 at Magnuson Park and capitalized \$38.9 million for various community parks improvements and renovations.

Capital assets, net of depreciation, for business-type activities increased by \$291.7 million in 2014. Major increases included the following:

- Seattle City Light capital assets, net of accumulated depreciation, increased by \$187.3 million in 2014. This increase was primarily comprised of \$107.8 million for distribution plant underground and overhead system, transformers and poles, and streetlights and meters. Construction in progress increased by \$86.9 million due to new customer billing system costing \$13.1 million; investments in the boundary dam power generation, \$12.7 million; Denny power substation, \$11.8 million; and \$49.3 million for various projects predominantly in distribution.
- Drainage and Wastewater Utility net capital assets increased by \$78.3 million compared to last year. Major increases were for replacement, rehabilitation, and construction of new sewer pipelines for \$14.1 million; \$6.5 million to replace damage culverts at 35th Avenue Northeast; \$5.6 million to relocate flood plain & divert portion of creek flow to create natural creek mouth at Beer Sheva Park; and \$2.5 million of drainage improvement at Portland Avenue South constructed in coordination with Duwamish Bike Trail project.
- Solid Waste Utility net capital assets increased by \$4.3 million for the year ended December 31, 2013 due to the completion of the new South Transfer Station and IT infrastructure upgrades.
- Waste Utility net capital assets increased by \$23.3 million for the year ended December 31, 2014. The fund spent \$30.9 million for construction projects in progress; only \$1.5 million was capitalized as assets. During 2014 the Solid Waste Utility also retired \$18.4 million of assets.
- Water Utility net capital assets decreased by \$8.2 million compared to last year. Major decreases included are new assets placed in service, \$37.9 million, accumulated depreciation, \$45.1 million, and retirement of capital assets, \$1.0 million.
- Water Utility net capital assets increased by \$8.3 million over the last year. Major increases are new assets placed in service, Water & technology infrastructure improvement and rehabilitation \$16.5 million; water conservation projects \$1.9 million;

The City of Seattle

bridges, water distribution system, water main and water transmission pipelines improvements \$3.9 million. Construction in Progress increased by \$23.5 over last year.

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

DEBT ADMINISTRATION

At the end of the fiscal year 2014 the City had \$4.416 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.259 billion in 2013. This represents an increase of approximately \$156.7 million (3.7 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 \$10.4 million. In 2014 LTGO and UTGO bonds were issued to finance various capital improvement projects including Seawall, North Precinct, Golf, South Park Bridge, Seattle Symphony and various IT projects. Additionally, the part of the 2014 LTGO bonds proceeds was used for used for the refunding of the 2002 special obligation bonds, series A & B, originally issued by Seattle Chinatown-International District Preservation and Development Authority.

The City also issued revenue bonds: \$265.2 million for the Light Fund, \$133.2 million for the Water Fund and \$95 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 UTGO bonds are 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 LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. In addition, the City's utilities have very high 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 assessed value by state law. The 2014 assessed value of taxable properties based on the latest report for the City is \$145.091 billion. At the end of 2014 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.011 billion, well below the limit of \$10.882 billion, rendering the City's legal debt margin of \$9.870 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2014 the LTGO net outstanding debt was \$883.5 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 \$110.4 million (\$82.7 million for governmental activities and \$27.7 million for business-type activities) at the end of the year.

In addition, City utilities and Department of Parks and Recreation recognized a combined \$121.2 million in estimated environmental liabilities. Other obligations were accrued for compensation absences for sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWT) Program which are serviced with revenues from two participating City departments, one with a governmental-type fund and one whose PWT 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 statements.

ECONOMIC FACTORS

The Seattle metro area has rebounded from the recession at a much quicker pace than the nation as a whole. Through February 2015, Seattle metro area (King and Snohomish Counties) employment was up 14.2 percent from its post-recession low in February 2010, compared to an 8.8 percent gain in U.S. employment over the same period. Areas of strength during the recovery have included aerospace, professional, scientific, and technical services, health services, and mail order and internet retail.

Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2012 and has declined by 3,300 jobs since then. Despite this modest drop in employment, in 2014 the Boeing Company, the region's largest employer, delivered a record 723 jets and booked orders for 1,432 new planes. At the end of 2014 Boeing had a backlog of over 5,000 planes on order.

Thus far during the recovery, the city of Seattle has been one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused in multi-family housing and office space. The construction boom generated a 28.7 percent increase in sales tax revenue from construction activity in 2012 and gains of 9.3 percent and 17.2 percent in 2013 and 2014, respectively. A

Management's Discussion and Analysis

key driver of recent growth in Seattle, including the growth in construction activity, has been Amazon, which has been hiring aggressively since the Great Recession ended. Amazon currently leases or owns about 4.2 million square feet of office space in Seattle's South Lake Union neighborhood. It is currently building two of three proposed 1.1 million square foot office towers.

With the recent upturn in aerospace employment now behind us, regional employment growth is predicted to slow going forward, and 2014 is likely to be the peak year for employment growth (at 3.0 percent) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.7 percent per year over the next five years. Personal income growth is forecast to range between five and six percent, which is approximately three 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 206-386-9124).

Government-wide Financial Statements

Government-Wide Financial Statements

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STATEMENT OF NET POSITION
December 31, 2014
(In Thousands)

| | Primary Government | | Comparative Totals | | Component Units |
|--|-------------------------|--------------------------|--------------------|-------------------|-----------------|
| | Governmental Activities | Business-Type Activities | 2014 | Restated 2013 | |
| | | | | | |
| ASSETS | | | | | |
| <i>Current Assets</i> | | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 655,422 | \$ 346,223 | \$ 1,001,645 | \$ 1,021,975 | \$ 2,886 |
| Restricted Cash and Equity in Pooled Investments | 20,014 | — | 20,014 | 17,176 | — |
| Investments | — | — | — | — | 65,430 |
| Receivables, Net of Allowances | 101,623 | 214,875 | 316,498 | 319,446 | — |
| Internal Balances | 27,483 | (27,483) | — | — | — |
| Due from Other Governments | 95,324 | 6,645 | 101,969 | 124,855 | — |
| Inventories | 3,355 | 37,079 | 40,434 | 41,169 | — |
| Prepaid and Other Current Assets | 2,284 | 641 | 2,925 | 2,828 | — |
| Total Current Assets | 905,505 | 577,980 | 1,483,485 | 1,527,449 | 68,316 |
| <i>Noncurrent Assets</i> | | | | | |
| Restricted Cash and Equity in Pooled Investments | 58,383 | 503,655 | 562,038 | 382,520 | — |
| Contracts and Notes | 8,394 | 1,573 | 9,967 | 4,811 | — |
| Conservation Costs, Net | — | 259,660 | 259,660 | 246,312 | — |
| Landfill Closure and Postclosure Costs, Net | — | 13,004 | 13,004 | 14,741 | — |
| Environmental Costs and Recoveries | — | 35,293 | 35,293 | 34,098 | — |
| Net Pension Asset | 11,233 | — | 11,233 | 16,238 | — |
| Regulatory Asset | — | 18,250 | 18,250 | 19,741 | — |
| Other Charges and Noncurrent Assets | — | 113,137 | 113,137 | 109,960 | — |
| Capital Assets, Net of Accumulated Depreciation | | | | | |
| Land and Land Rights | 571,056 | 162,685 | 733,741 | 711,036 | — |
| Plant in Service, Excluding Land | — | 4,164,715 | 4,164,715 | 4,066,335 | — |
| Buildings and Improvements | 1,583,439 | 28,061 | 1,611,500 | 1,617,308 | — |
| Machinery and Equipment | 125,164 | 919 | 126,083 | 127,336 | — |
| Infrastructure | 1,062,176 | — | 1,062,176 | 1,068,908 | — |
| Construction in Progress | 557,212 | 535,573 | 1,092,785 | 729,504 | — |
| Other Capital Assets | 16,040 | 87,428 | 103,468 | 97,229 | 3 |
| Total Noncurrent Assets | 3,993,097 | 5,923,953 | 9,917,050 | 9,246,077 | 3 |
| Total Assets | 4,898,602 | 6,501,933 | 11,400,535 | 10,773,526 | 68,319 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | 456,252 | 47,858 | 504,110 | 488,384 | — |
| Total Assets and Deferred Outflows of Resources | 5,354,854 | 6,549,791 | 11,904,645 | 11,261,910 | 68,319 |

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

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STATEMENT OF NET POSITION
December 31, 2014
(In Thousands)

| | Primary Government | | Comparative Totals | | Component Units |
|--|-------------------------|--------------------------|--------------------|------------------|-----------------|
| | Governmental Activities | Business-Type Activities | 2014 | Restated 2013 | |
| | | | | | |
| LIABILITIES | | | | | |
| <i>Current Liabilities</i> | | | | | |
| Accounts Payable | \$ 117,571 | \$ 76,422 | \$ 193,993 | \$ 197,035 | \$ 2,015 |
| Salaries, Benefits, and Taxes Payable | 34,229 | 16,604 | 50,833 | 42,918 | — |
| Contracts Payable | 10,044 | — | 10,044 | 11,066 | — |
| Due to Other Governments | 6,832 | 11,589 | 18,421 | 19,076 | — |
| Interest Payable | 9,037 | 56,264 | 65,301 | 69,089 | — |
| Taxes Payable | 51 | 9,375 | 9,426 | 12,263 | — |
| Deposits Payable | 848 | — | 848 | 482 | — |
| Unearned Revenues and Other Credits | 8,301 | 30,702 | 39,003 | 30,897 | — |
| Current Portion of Long-Term Debt | | | | | |
| Bonds Payable | 68,150 | 165,990 | 234,140 | 226,562 | — |
| Compensated Absences Payable | 23,365 | 3,360 | 26,725 | 22,772 | — |
| Notes and Contracts Payable | 1,944 | 2,327 | 4,271 | 4,294 | — |
| Claims Payable | 22,328 | 33,302 | 55,630 | 44,691 | — |
| Habitat Conservation Program Liability | — | 1,138 | 1,138 | 805 | — |
| Landfill Closure and Postclosure Liability | — | 1,064 | 1,064 | 987 | — |
| Other Current Liabilities | 5,785 | 3,048 | 8,833 | 6,055 | — |
| Total Current Liabilities | 308,485 | 411,185 | 719,670 | 688,992 | 2,015 |
| <i>Noncurrent Liabilities</i> | | | | | |
| Bonds Payable, Net of Unamortized Premiums, Discounts, and Other | 803,128 | 3,682,955 | 4,486,083 | 4,301,241 | — |
| Bond Interest Payable | — | — | — | — | — |
| Special Assessment Bonds with Governmental Commitment | 10,395 | — | 10,395 | 13,005 | — |
| Compensated Absences Payable | 81,078 | 30,543 | 111,621 | 97,574 | — |
| Claims Payable | 61,014 | 114,911 | 175,925 | 178,111 | — |
| Notes and Contracts Payable | 12,741 | 31,562 | 44,303 | 48,879 | — |
| Landfill Closure and Postclosure Liability | — | 14,990 | 14,990 | 15,974 | — |
| Vendor Deposits Payable | — | 1,056 | 1,056 | 814 | — |
| Habitat Conservation Program Liability | — | 6,492 | 6,492 | 5,425 | — |
| Unearned Revenues and Other Credits | — | 23,544 | 23,544 | 20,687 | — |
| Arbitrage Rebate Liability | 10 | — | 10 | 12 | — |
| Unfunded Other Post Employment Benefits | 87,045 | 15,208 | 102,253 | 88,943 | — |
| Other Noncurrent Liabilities | 3,791 | 227 | 4,018 | 2,662 | — |
| Total Noncurrent Liabilities | 1,059,202 | 3,921,488 | 4,980,690 | 4,773,327 | — |
| Total Liabilities | 1,367,687 | 4,332,673 | 5,700,360 | 5,462,319 | 2,015 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | 466,094 | 155,157 | 621,251 | 572,213 | — |

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, 2014
(In Thousands)

| | Primary Government | | | | |
|--|-------------------------|--------------------------|--------------------|------------------|-----------------|
| | Governmental Activities | Business-Type Activities | Comparative Totals | | Component Units |
| | | | 2014 | Restated 2013 | |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | \$ 3,088,501 | \$ 1,750,495 | \$ 4,838,996 | \$ 4,398,491 | \$ 3 |
| Restricted for | | | | | |
| Debt Service | 15,665 | — | 15,665 | 15,629 | — |
| Capital Projects | 167,498 | — | 167,498 | 212,930 | 291 |
| Rate Stabilization Account | — | 25,047 | 25,047 | 25,000 | — |
| Education and Development Services | 45,812 | — | 45,812 | 39,388 | 17,753 |
| Special Deposits | — | — | — | (441) | — |
| Conservation and Environmental Costs | — | 7,065 | 7,065 | 7,157 | — |
| Bonneville Power Administration Projects | — | — | — | 443 | — |
| External Infrastructure Costs | — | 7,061 | 7,061 | 7,131 | — |
| Muckleshoot Settlement | — | — | — | 166 | — |
| Other Charges | — | 18,866 | 18,866 | 17,948 | — |
| Health Care Reserve | 29,980 | — | 29,980 | 24,771 | — |
| Transportation Programs | 33,816 | — | 33,816 | 27,330 | — |
| Low-Income Housing Programs | 99,003 | — | 99,003 | 79,264 | — |
| Other Purposes | 55,109 | — | 55,109 | 59,431 | 104 |
| Nonexpendable | 2,052 | — | 2,052 | 2,141 | 27,877 |
| Unrestricted | (16,363) | 253,427 | 237,064 | 310,599 | 20,276 |
| Total Net Position | 3,521,073 | 2,061,961 | 5,583,034 | 5,227,378 | 66,304 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 5,354,854 | \$ 6,549,791 | \$ 11,904,645 | \$ 11,261,910 | \$ 68,319 |

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

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Page 1 of 2

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(In Thousands)

| Functions/Programs | Program Expenses | | Program Revenues | | |
|---|---------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Indirect Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ 207,308 | \$ (18,274) | \$ 91,011 | \$ 11,832 | \$ — |
| Judicial | 28,874 | — | 31,256 | 160 | — |
| Public Safety | 567,507 | 1,336 | 25,733 | 17,412 | — |
| Physical Environment | 5,853 | — | 78 | 2,349 | — |
| Transportation | 217,554 | 4,645 | 101,074 | 15,817 | 32,549 |
| Economic Environment | 138,169 | — | 35,776 | 33,657 | 2,888 |
| Health and Human Services | 76,562 | — | 10 | 32,451 | — |
| Culture and Recreation | 275,566 | — | 72,873 | 10,308 | 2,458 |
| Interest on Long-Term Debt | 31,170 | — | — | — | — |
| Total Governmental Activities | 1,548,563 | (12,293) | 357,811 | 123,986 | 37,895 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Light | 793,560 | 4,602 | 883,149 | 3,783 | 28,368 |
| Water | 219,794 | 2,150 | 242,786 | 182 | 8,932 |
| Drainage and Wastewater | 296,630 | 2,003 | 337,882 | 978 | 10,752 |
| Solid Waste | 158,768 | 733 | 157,495 | 953 | 78 |
| Planning and Development | 55,498 | 2,805 | 56,743 | 259 | — |
| Downtown Parking Garage | 7,458 | — | 7,435 | — | — |
| Fiber Leasing | 27 | — | 16 | — | — |
| Total Business-Type Activities | 1,531,735 | 12,293 | 1,685,506 | 6,155 | 48,130 |
| Total Government-Wide Activities | \$ 3,080,298 | \$ — | \$ 2,043,317 | \$ 130,141 | \$ 86,025 |
| COMPONENT UNITS | \$ 5,458 | \$ — | \$ 204 | \$ 4,505 | \$ — |

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, 2014
(In Thousands)

| | Net Revenue (Expense) and Changes in Net Position | | | | Component Units |
|---|---|-----------------------------|--------------------|--------------|--------------------|
| | Primary Government | | | | |
| | Governmental Activities | Business-Type Activities | Comparative Totals | | |
| | | 2014 | Restated 2013 | | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ (86,191) | \$ — | \$ (86,191) | \$ (59,910) | |
| Judicial | 2,542 | — | 2,542 | 7,187 | |
| Public Safety | (525,698) | — | (525,698) | (467,832) | |
| Physical Environment | (3,426) | — | (3,426) | (2,507) | |
| Transportation | (72,759) | — | (72,759) | (12,694) | |
| Economic Environment | (65,848) | — | (65,848) | (79,913) | |
| Health and Human Services | (44,101) | — | (44,101) | (38,565) | |
| Culture and Recreation | (189,927) | — | (189,927) | (191,586) | |
| Interest on Long-Term Debt | (31,170) | — | (31,170) | (26,417) | |
| Total Governmental Activities | (1,016,578) | — | (1,016,578) | (872,237) | |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Light | — | 117,138 | 117,138 | 111,717 | |
| Water | — | 29,956 | 29,956 | 27,834 | |
| Drainage and Wastewater | — | 50,979 | 50,979 | 47,760 | |
| Solid Waste | — | (975) | (975) | 3,682 | |
| Planning and Development | — | (1,301) | (1,301) | (4,563) | |
| Downtown Parking Garage | — | (23) | (23) | (1,140) | |
| Fiber Leasing | — | (11) | (11) | 21 | |
| Total Business-Type Activities | — | 195,763 | 195,763 | 185,311 | |
| Total Government-Wide Activities | (1,016,578) | 195,763 | (820,815) | (686,926) | |
| COMPONENT UNITS | | | | | |
| General Revenues | | | | | \$ (749) |
| Property Taxes | 431,458 | — | 431,458 | 423,928 | — |
| Sales Taxes | 199,735 | — | 199,735 | 181,171 | — |
| Business Taxes | 431,436 | — | 431,436 | 408,913 | — |
| Excise Taxes | 65,364 | — | 65,364 | 61,524 | — |
| Other Taxes | 16,771 | — | 16,771 | 11,240 | — |
| Penalties and Interest on Delinquent Taxes | 4,091 | — | 4,091 | 3,596 | — |
| Unrestricted Investment Earnings (Loss) | 11,791 | 16,254 | 28,045 | 2,540 | 3,734 |
| Gain on Sale of Capital Assets | 1,761 | 2,759 | 4,520 | 18,684 | — |
| Special Item - Environmental Remediation | — | (4,949) | (4,949) | (24,169) | — |
| Transfers | (11,512) | 11,512 | — | (2) | — |
| Total General Revenues (Loss), Special Item, and Transfers | 1,150,895 | 25,576 | 1,176,471 | 1,087,425 | 3,734 |
| Changes in Net Position | 134,317 | 221,339 | 355,656 | 400,499 | 2,985 |
| Net Position - Beginning of Year | 3,386,756 | 1,840,622 | 5,227,378 | 4,817,344 | 63,319 |
| Prior-Year Adjustments | — | — | — | 9,535 | — |
| Net Position - Beginning of Year as Restated | 3,386,756 | 1,840,622 | 5,227,378 | 4,826,879 | 63,319 |
| Net Position - End of Year | \$ 3,521,073 | \$ 2,061,961 | \$ 5,583,034 | \$ 5,227,378 | \$ 66,304 |

Fund Financial Statements

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

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.

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 met the definition for a special revenue fund and has been included in the General Fund financial statements.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, 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.

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)**

| | General | Transportation | Low-Income Housing |
|---|------------|----------------|--------------------|
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 216,746 | \$ 58,366 | \$ 104,120 |
| Receivables, Net of Allowances | | | |
| Taxes | 64,268 | 2,994 | 427 |
| Accounts | 5,967 | 5,357 | 292 |
| Contracts and Notes | 395 | — | — |
| Special Assessments | — | — | — |
| Interest and Dividends | (478) | 144 | 83 |
| Unbilled and Others | 10 | 695 | — |
| Due from Other Funds | 15,910 | 48,156 | 744 |
| Interfund Loans | 38,105 | — | — |
| Due from Other Governments | 53,398 | 19,189 | 1,643 |
| Inventories | — | — | — |
| Prepaid and Other Current Assets | 416 | 1,578 | — |
| Deposits With Vendor | 2 | — | — |
| Advances to Other Funds | — | — | — |
| Charges and Other Assets | — | — | — |
| Total Assets | 394,739 | 136,479 | 107,309 |
| DEFERRED OUTFLOWS OF RESOURCES | 7,775 | — | 403,923 |
| Total Assets and Deferred Outflows of Resources | \$ 402,514 | \$ 136,479 | \$ 511,232 |
| LIABILITIES | | | |
| Accounts Payable | \$ 32,781 | \$ 30,884 | \$ 869 |
| Contracts Payable | 273 | 8,710 | — |
| Due to Other Funds | 11,275 | 4,094 | 579 |
| Due to Other Governments | 1,806 | — | — |
| Salaries, Benefits, and Taxes Payable | 22,207 | 3,373 | — |
| Interest Payable | 4 | 16 | — |
| Deposits Payable | (4) | 457 | 90 |
| Revenue Collected/Billed in Advance - Current | 2,043 | 1,937 | 30 |
| Other Current Liabilities | 3,073 | — | — |
| Advances from Other Funds | — | — | — |
| Total Liabilities | 73,458 | 49,471 | 1,568 |
| DEFERRED INFLOWS OF RESOURCES | 11,921 | 660 | 404,245 |

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

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

Fund Financial Statements

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)**

| | Other Governmental | Comparative Totals | |
|---|--------------------|--------------------|---------------|
| | | 2014 | Restated 2013 |
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 251,398 | \$ 630,630 | \$ 649,283 |
| Receivables, Net of Allowances | | | |
| Taxes | 1,555 | 69,244 | 66,314 |
| Accounts | 5,399 | 17,015 | 13,476 |
| Contracts and Notes | — | 395 | 238 |
| Special Assessments | 11,568 | 11,568 | 13,546 |
| Interest and Dividends | 207 | (44) | (188) |
| Unbilled and Others | 1,244 | 1,949 | 1,503 |
| Due from Other Funds | 9,023 | 73,833 | 53,962 |
| Interfund Loans | — | 38,105 | — |
| Due from Other Governments | 20,935 | 95,165 | 116,613 |
| Inventories | 569 | 569 | 535 |
| Prepaid and Other Current Assets | — | 1,994 | 1,664 |
| Deposits With Vendor | — | 2 | 2 |
| Advances to Other Funds | — | — | 5,545 |
| Charges and Other Assets | — | — | — |
| Total Assets | 301,898 | 940,425 | 922,493 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | 44,135 | 455,833 | 434,968 |
| Total Assets and Deferred Outflows of Resources | \$ 346,033 | \$ 1,396,258 | \$ 1,357,461 |
| LIABILITIES | | | |
| Accounts Payable | \$ 25,969 | \$ 90,503 | \$ 97,149 |
| Contracts Payable | 1,060 | 10,043 | 11,066 |
| Due to Other Funds | 42,432 | 58,380 | 42,040 |
| Due to Other Governments | 5,022 | 6,828 | 7,377 |
| Salaries, Benefits, and Taxes Payable | 5,435 | 31,015 | 26,298 |
| Interest Payable | 26 | 46 | 34 |
| Deposits Payable | 202 | 745 | 482 |
| Revenue Collected/Billed in Advance - Current | 4,290 | 8,300 | 8,530 |
| Other Current Liabilities | 2,219 | 5,292 | 2,057 |
| Advances from Other Funds | 31,611 | 31,611 | 195 |
| Total Liabilities | 118,266 | 242,763 | 195,228 |
| DEFERRED INFLOWS OF RESOURCES | 57,104 | 473,930 | 454,977 |

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

The City of Seattle

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Page 3 of 4

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)**

| FUND BALANCES | General | Transportation | Low-Income Housing |
|---|--------------|----------------|--------------------|
| | Nonspendable | \$ 474 | \$ 1,580 |
| Restricted | 99,991 | 33,816 | 99,003 |
| Committed | 76,493 | 50,952 | 6,416 |
| Assigned | 5,685 | — | — |
| Unassigned | 134,492 | — | — |
| Total Fund Balance | 317,135 | 86,348 | 105,419 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 402,514 | \$ 136,479 | \$ 511,232 |

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

Fund Financial Statements

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)**

| | Comparative Totals | | |
|---|--------------------|---------------------|---------------------|
| | Other Governmental | 2014 | Restated 2013 |
| FUND BALANCES | | | |
| Nonspendable | \$ 2,644 | \$ 4,698 | \$ 4,334 |
| Restricted | 214,072 | 446,882 | 458,833 |
| Committed | 3,245 | 137,106 | 132,985 |
| Assigned | 9,933 | 15,618 | 12,986 |
| Unassigned | (59,231) | 75,261 | 98,118 |
| Total Fund Balance | <u>170,663</u> | <u>679,565</u> | <u>707,256</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 346,033</u> | <u>\$ 1,396,258</u> | <u>\$ 1,357,461</u> |
| 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. | \$ | 3,208,929 | \$ 3,047,403 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 9,536 | 3,406 |
| 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. | | 498,046 | 479,993 |
| Net pension asset net of pension obligations | | 11,233 | 16,238 |
| Deferred inflows and outflows of resources | | 8,255 | 8,985 |
| 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 | | (14,243) | (21,973) |
| Accrued Interest Payable | | (5,819) | (6,227) |
| Current Portion of Long-Term Debt | | (48,504) | (57,081) |
| Compensated Absences Payable | | (22,770) | (18,951) |
| General Obligation Bonds Payable | | (507,635) | (511,836) |
| Less Bond Discount and Premium | | (40,586) | (41,290) |
| Special Assessment Bonds | | (10,395) | (13,005) |
| Notes and Other Long-Term Liabilities | | (19,349) | (17,567) |
| Compensated Absences - Long-Term | | (75,020) | (63,659) |
| Claims Payable - Long-Term | | (40,233) | (35,063) |
| Workers' Compensation | | (26,167) | (18,427) |
| Arbitrage | | (10) | (12) |
| Unfunded Other Post Employment Benefits | | (83,760) | (71,435) |
| MOHAI Liabilities | | — | — |
| Net Adjustments | | <u>2,841,508</u> | <u>2,679,499</u> |
| Net Position of Governmental Activities | <u>\$</u> | <u>3,521,073</u> | <u>\$ 3,386,755</u> |

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

The City of Seattle

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Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | General | Transportation | Low-Income Housing |
|--|-------------------|------------------|--------------------|
| REVENUES | | | |
| Taxes | \$ 926,003 | \$ 78,477 | \$ 17,943 |
| Licenses and Permits | 25,027 | 5,066 | — |
| Grants, Shared Revenues, and Contributions | 35,666 | 46,244 | 2,840 |
| Charges for Services | 61,080 | 98,365 | — |
| Fines and Forfeits | 31,960 | 19 | — |
| Parking Fees and Space Rent | 38,223 | 84 | — |
| Program Income, Interest, and Miscellaneous Revenues | 42,794 | 2,235 | 32,660 |
| Total Revenues | <u>1,160,753</u> | <u>230,490</u> | <u>53,443</u> |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 195,598 | — | — |
| Judicial | 29,158 | — | — |
| Public Safety | 519,122 | — | — |
| Physical Environment | 6,538 | — | — |
| Transportation | 9,779 | 102,153 | — |
| Economic Environment | 21,540 | — | 29,181 |
| Health and Human Services | 945 | — | — |
| Culture and Recreation | 72,371 | — | — |
| Capital Outlay | | | |
| General Government | 12,305 | — | — |
| Public Safety | 5,914 | — | — |
| Transportation | — | 278,550 | — |
| Economic Environment | 6 | — | — |
| Culture and Recreation | 24,213 | — | — |
| Debt Service | | | |
| Principal | 3 | 2,051 | — |
| Interest | 1 | 155 | — |
| Bond Issuance Cost | — | — | — |
| Other | — | — | — |
| Total Expenditures | <u>897,493</u> | <u>382,909</u> | <u>29,181</u> |
| Excess (Deficiency) of Revenues over Expenditures | 263,260 | (152,419) | 24,262 |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | — | — | — |
| Refunding Debt Issued | — | — | — |
| Premium on Bonds Issued | — | — | — |
| Payment to Refunded Bond Escrow Agent | — | — | — |
| Sales of Capital Assets | — | 2,108 | — |
| Transfers In | 20,027 | 189,540 | — |
| Transfers Out | (275,112) | (26,544) | — |
| Total Other Financing Sources (Uses) | <u>(255,085)</u> | <u>165,104</u> | <u>—</u> |
| Net Change in Fund Balance | 8,175 | 12,685 | 24,262 |
| Fund Balances - Beginning of Year | <u>308,960</u> | <u>73,663</u> | <u>81,157</u> |
| Fund Balances - End of Year | <u>\$ 317,135</u> | <u>\$ 86,348</u> | <u>\$ 105,419</u> |

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

Fund Financial Statements

B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
(In Thousands)
Page 2 of 2

| | Other Governmental | Comparative Totals | |
|--|--------------------|--------------------|-------------------|
| | | 2014 | 2013 |
| REVENUES | | | |
| Taxes | \$ 126,697 | \$ 1,149,120 | \$ 1,083,499 |
| Licenses and Permits | — | 30,093 | 27,135 |
| Grants, Shared Revenues, and Contributions | 76,611 | 161,361 | 184,783 |
| Charges for Services | 61,742 | 221,187 | 200,847 |
| Fines and Forfeits | 5,163 | 37,142 | 41,107 |
| Parking Fees and Space Rent | 25,584 | 63,891 | 62,463 |
| Program Income, Interest, and Miscellaneous Revenues | 9,068 | 86,757 | 45,463 |
| Total Revenues | 304,865 | 1,749,551 | 1,645,297 |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 9,064 | 204,662 | 209,006 |
| Judicial | — | 29,158 | 27,642 |
| Public Safety | 6,656 | 525,778 | 504,836 |
| Physical Environment | 871 | 7,409 | 11,935 |
| Transportation | 2,805 | 114,737 | 97,676 |
| Economic Environment | 89,358 | 140,079 | 128,644 |
| Health and Human Services | 77,079 | 78,024 | 73,151 |
| Culture and Recreation | 172,987 | 245,358 | 276,197 |
| Capital Outlay | | | |
| General Government | 23,294 | 35,599 | 5,043 |
| Public Safety | 19,248 | 25,162 | 10,275 |
| Transportation | — | 278,550 | 234,188 |
| Economic Environment | — | 6 | — |
| Culture and Recreation | 30,920 | 55,133 | 41,185 |
| Debt Service | | | |
| Principal | 59,691 | 61,745 | 56,194 |
| Interest | 26,415 | 26,571 | 26,206 |
| Bond Issuance Cost | 259 | 259 | 822 |
| Other | — | — | — |
| Total Expenditures | 518,647 | 1,828,230 | 1,703,000 |
| Excess (Deficiency) of Revenues over Expenditures | (213,782) | (78,679) | (57,703) |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | 50,455 | 50,455 | 101,115 |
| Refunding Debt Issued | — | — | 43,945 |
| Premium on Bonds Issued | 4,150 | 4,150 | 9,377 |
| Payment to Refunded Bond Escrow Agent | — | — | (44,504) |
| Sales of Capital Assets | 20 | 2,128 | 22,903 |
| Transfers In | 233,099 | 442,666 | 422,670 |
| Transfers Out | (146,755) | (448,411) | (428,881) |
| Total Other Financing Sources (Uses) | 140,969 | 50,988 | 126,625 |
| Net Change in Fund Balance | (72,813) | (27,691) | 68,922 |
| Fund Balances - Beginning of Year | 243,476 | 707,256 | 638,334 |
| Fund Balances - End of Year | <u>\$ 170,663</u> | <u>\$ 679,565</u> | <u>\$ 707,256</u> |

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

The City of Seattle

B-5 RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(In Thousands)

| | Comparative Totals | |
|---|--------------------|-------------------|
| | 2014 | Restated 2013 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balance - total governmental funds | \$ (27,691) | \$ 68,922 |
| 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 | (115,034) | (107,705) |
| Capital outlay reported as expenditures | 307,271 | 312,501 |
| Retirement and sale of capital assets | (1,306) | (5,891) |
| Capital assets received as donations | (20,504) | 310 |
| 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 | (264) | — |
| Reduction of long-term receivable | 1,393 | 7,800 |
| 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 | (50,455) | (101,115) |
| Premium on general obligation bonds | (4,150) | (9,377) |
| Proceeds from bond refunding | — | (43,945) |
| Principal payments bonds/notes | 61,745 | 56,194 |
| Amortization of bond premium | 3,819 | — |
| Amortization of loss on refunding | (465) | — |
| Minimum capital lease payments | 117 | — |
| Bond interest | 464 | 10,244 |
| Remittance to refunding escrow using refunding proceeds | — | 44,504 |
| 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 | (15,180) | (4,417) |
| Injury and damage claims | (6,675) | 1,832 |
| Workers' compensation | (18) | (2,750) |
| Arbitrage | 2 | 4 |
| Unfunded OPEB liabilities | (12,325) | (9,387) |
| Net pension asset | (5,006) | (360) |
| Environmental liability | 95 | (568) |
| MOHAL liability | — | 8,500 |
| Loan to agencies | 4,654 | — |
| Debt guarantee of SISC 2004 bonds | (4,225) | — |
| 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 | (8,185) | (4,491) |
| Net revenue of internal service funds activities reported with governmental activities | 26,239 | 1,819 |
| Change in Net Position of Governmental Activities | <u>\$ 134,316</u> | <u>\$ 222,624</u> |

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

Fund Financial Statements

MAJOR PROPRIETARY FUNDS

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

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

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

The **Solid Waste Fund** accounts for the operations of two City-owned transfer stations and for the administration of contracts with private companies for the collection of residential refuse and commercial garbage. Private individuals and City-administered residential and commercial collectors bring solid waste to the transfer stations. Solid wastes collected at the transfer stations are compacted, loaded in containers, and hauled to the Argo station 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 nonmajor enterprise funds and the internal service funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

The City of Seattle

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Page 1 of 12

STATEMENT OF NET POSITION PROPRIETARY FUNDS December 31, 2014 (In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|--------------|--------------|--------------|
| | L i g h t | | W a t e r | |
| | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 128,343 | \$ 193,769 | \$ 43,553 | \$ 28,901 |
| Restricted Cash and Equity in Pooled Investments | — | — | — | 10 |
| Receivables, Net of Allowances | | | | |
| Accounts | 70,850 | 61,511 | 13,519 | 13,899 |
| Interest and Dividends | — | — | 910 | 895 |
| Unbilled | 64,630 | 78,837 | 13,651 | 13,965 |
| Energy Contracts, Notes, and Other Contracts | — | — | 107 | 120 |
| Due from Other Funds | 1,482 | 26 | 760 | 704 |
| Due from Other Governments | 2,271 | 2,464 | 583 | 1,510 |
| Materials and Supplies Inventory | 30,829 | 32,020 | 5,139 | 5,072 |
| Prepayments and Other Current Assets | 474 | 492 | 72 | 72 |
| Total Current Assets | 298,879 | 369,119 | 78,294 | 65,148 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 298,389 | 227,038 | 56,623 | 65,689 |
| Notes and Contracts Receivable | — | — | 414 | 521 |
| Conservation Costs, Net | 228,107 | 214,280 | 31,552 | 32,032 |
| Landfill Closure and Postclosure Costs, Net | — | — | — | — |
| Environmental Costs and Recoveries | 38,600 | 34,798 | — | — |
| External Infrastructure Costs | — | — | — | — |
| Regulatory Asset | — | — | 10,988 | 12,211 |
| Other Charges | 52,934 | 51,943 | 4,779 | 5,627 |
| Capital Assets | | | | |
| Land and Land Rights | 70,558 | 68,188 | 44,261 | 43,269 |
| Plant in Service, Excluding Land | 3,936,000 | 3,795,314 | 1,791,609 | 1,773,792 |
| Less Accumulated Depreciation | (1,611,477) | (1,563,905) | (681,103) | (646,741) |
| Buildings and Improvements | — | — | — | — |
| Less Accumulated Depreciation | — | — | — | — |
| Machinery and Equipment | — | — | — | — |
| Less Accumulated Depreciation | — | — | — | — |
| Construction in Progress | 250,979 | 164,051 | 48,906 | 25,343 |
| Other Property, Net | 82,258 | 77,322 | 1,569 | 1,185 |
| Total Noncurrent Assets | 3,346,348 | 3,069,029 | 1,309,598 | 1,312,928 |
| Total Assets | 3,645,227 | 3,438,148 | 1,387,892 | 1,378,076 |
| DEFERRED OUTFLOWS OF RESOURCES | 19,318 | 26,012 | 18,914 | 20,165 |
| Total Assets and Deferred Outflows of Resources | \$ 3,664,545 | \$ 3,464,160 | \$ 1,406,806 | \$ 1,398,241 |

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

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

Fund Financial Statements

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Page 2 of 12

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------------|-------------------|-------------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 101,301 | \$ 74,503 | \$ 32,395 | \$ 20,863 |
| Restricted Cash and Equity in Pooled Investments | — | — | — | — |
| Receivables, Net of Allowances | | | | |
| Accounts | 18,042 | 21,171 | 12,933 | 13,068 |
| Interest and Dividends | 460 | 448 | 69 | 21 |
| Unbilled | 18,272 | 18,043 | 417 | 410 |
| Energy Contracts, Notes, and Other Contracts | 76 | 49 | — | — |
| Due from Other Funds | 984 | 1,015 | 244 | 287 |
| Due from Other Governments | 2,374 | 2,267 | 967 | 932 |
| Materials and Supplies Inventory | 1,043 | 939 | 68 | 108 |
| Prepayments and Other Current Assets | 35 | 35 | 18 | 18 |
| Total Current Assets | 142,587 | 118,470 | 47,111 | 35,707 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 99,432 | 47,873 | 49,173 | 12,456 |
| Notes and Contracts Receivable | 1,159 | 1,210 | — | — |
| Conservation Costs, Net | — | — | — | — |
| Landfill Closure and Postclosure Costs, Net | — | — | 13,004 | 14,741 |
| Environmental Costs and Recoveries | 3,970 | 4,850 | — | — |
| External Infrastructure Costs | 19,328 | 19,617 | — | — |
| Regulatory Asset | 4,236 | 3,543 | 3,026 | 3,987 |
| Other Charges | 35,159 | 34,026 | 937 | 1,066 |
| Capital Assets | | | | |
| Land and Land Rights | 19,767 | 19,475 | 15,218 | 15,218 |
| Plant in Service, Excluding Land | 941,062 | 902,671 | 132,528 | 149,171 |
| Less Accumulated Depreciation | (296,915) | (286,172) | (46,989) | (57,795) |
| Buildings and Improvements | — | — | — | — |
| Less Accumulated Depreciation | — | — | — | — |
| Machinery and Equipment | — | — | — | — |
| Less Accumulated Depreciation | — | — | — | — |
| Construction in Progress | 178,366 | 128,552 | 53,945 | 24,554 |
| Other Property, Net | 1,558 | 970 | 2,044 | 2,262 |
| Total Noncurrent Assets | 1,007,122 | 876,615 | 222,886 | 165,660 |
| Total Assets | 1,149,709 | 995,085 | 269,997 | 201,367 |
| DEFERRED OUTFLOWS OF RESOURCES | 6,479 | 6,054 | 3,146 | 139 |
| Total Assets and Deferred Outflows of Resources | \$ 1,156,188 | \$ 1,001,139 | \$ 273,143 | \$ 201,506 |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|---------------------|---------------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 40,630 | \$ 27,628 | \$ 346,222 | \$ 345,664 |
| Restricted Cash and Equity in Pooled Investments | — | — | — | 10 |
| Receivables, Net of Allowances | | | | |
| Accounts | 907 | 976 | 116,251 | 110,625 |
| Interest and Dividends | 31 | 17 | 1,470 | 1,381 |
| Unbilled | — | — | 96,970 | 111,255 |
| Energy Contracts, Notes, and Other Contracts | — | — | 183 | 169 |
| Due from Other Funds | 905 | 1,067 | 4,375 | 3,099 |
| Due from Other Governments | 451 | 517 | 6,646 | 7,690 |
| Materials and Supplies Inventory | — | — | 37,079 | 38,139 |
| Prepayments and Other Current Assets | 42 | — | 641 | 617 |
| Total Current Assets | 42,966 | 30,205 | 609,837 | 618,649 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 38 | 47 | 503,655 | 353,103 |
| Notes and Contracts Receivable | — | — | 1,573 | 1,731 |
| Conservation Costs, Net | — | — | 259,659 | 246,312 |
| Landfill Closure and Postclosure Costs, Net | — | — | 13,004 | 14,741 |
| Environmental Costs and Recoveries | — | — | 42,570 | 39,648 |
| External Infrastructure Costs | — | — | 19,328 | 19,617 |
| Regulatory Asset | — | — | 18,250 | 19,741 |
| Other Charges | — | — | 93,809 | 92,662 |
| Capital Assets | | | | |
| Land and Land Rights | 12,881 | 12,881 | 162,685 | 159,031 |
| Plant in Service, Excluding Land | — | — | 6,801,199 | 6,620,948 |
| Less Accumulated Depreciation | — | — | (2,636,484) | (2,554,613) |
| Buildings and Improvements | 60,132 | 60,132 | 60,132 | 60,132 |
| Less Accumulated Depreciation | (32,070) | (30,066) | (32,070) | (30,066) |
| Machinery and Equipment | 14,766 | 14,821 | 14,766 | 14,821 |
| Less Accumulated Depreciation | (13,847) | (13,350) | (13,847) | (13,350) |
| Construction in Progress | 3,377 | 2,597 | 535,573 | 345,097 |
| Other Property, Net | — | — | 87,429 | 81,739 |
| Total Noncurrent Assets | 45,277 | 47,062 | 5,931,231 | 5,471,294 |
| Total Assets | 88,243 | 77,267 | 6,541,068 | 6,089,943 |
| DEFERRED OUTFLOWS OF RESOURCES | — | — | 47,857 | 52,370 |
| Total Assets and Deferred Outflows of Resources | \$ 88,243 | \$ 77,267 | \$ 6,588,925 | \$ 6,142,313 |

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, 2014

(In Thousands)

| | Governmental Activities - Internal Service Funds | |
|--|---|-------------------|
| | 2014 | Restated 2013 |
| ASSETS | | |
| <i>Current Assets</i> | | |
| Operating Cash and Equity in Pooled Investments | \$ 24,792 | \$ 27,029 |
| Restricted Cash and Equity in Pooled Investments | 20,014 | 17,166 |
| Receivables, Net of Allowances | | |
| Accounts | 240 | 216 |
| Interest and Dividends | 89 | 47 |
| Unbilled | 24 | 251 |
| Energy Contracts, Notes, and Other Contracts | — | — |
| Due from Other Funds | 9,517 | 5,997 |
| Due from Other Governments | 159 | 554 |
| Materials and Supplies Inventory | 2,786 | 2,495 |
| Prepayments and Other Current Assets | 425 | 547 |
| Total Current Assets | 58,046 | 54,302 |
| <i>Noncurrent Assets</i> | | |
| Restricted Cash and Equity in Pooled Investments | 58,383 | 29,417 |
| 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 | 108,832 | 95,996 |
| Plant in Service, Excluding Land | — | — |
| Less Accumulated Depreciation | — | — |
| Buildings and Improvements | 717,627 | 700,310 |
| Less Accumulated Depreciation | (211,791) | (195,212) |
| Machinery and Equipment | 223,388 | 208,675 |
| Less Accumulated Depreciation | (135,206) | (125,456) |
| Construction in Progress | 3,309 | 2,202 |
| Other Property, Net | — | — |
| Total Noncurrent Assets | 764,542 | 715,932 |
| Total Assets | 822,588 | 770,234 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| | — | 161 |
| Total Assets and Deferred Outflows of Resources | \$ 822,588 | \$ 770,395 |

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, 2014

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------------|----------------|------------------|
| | L i g h t | | W a t e r | |
| | 2014 | 2013 | 2014 | 2013 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 63,298 | \$ 59,622 | \$ 8,736 | \$ 6,681 |
| Salaries, Benefits, and Payroll Taxes Payable | 9,213 | 7,457 | 2,543 | 2,101 |
| Compensated Absences Payable | 1,980 | 2,003 | 467 | 427 |
| Due to Other Funds | 10,903 | 9,721 | 5,146 | 4,093 |
| Due to Other Governments | — | — | — | 69 |
| Interest Payable | 29,970 | 32,096 | 16,207 | 16,779 |
| Taxes Payable | 7,813 | 10,520 | 707 | 705 |
| General Obligation Bonds Due Within One Year | — | — | — | — |
| Revenue Bonds Due Within One Year | 104,915 | 99,670 | 35,015 | 33,545 |
| Claims Payable | 27,676 | 17,083 | 1,196 | 1,203 |
| Notes and Contracts Payable | — | — | 1,125 | 1,125 |
| Habitat Conservation Program Liability | — | — | 1,138 | 805 |
| Landfill Closure and Postclosure Liability | — | — | — | — |
| Unearned Revenues and Other Credits | 19,821 | 12,921 | 3,289 | 1,567 |
| Other Current Liabilities | 2,467 | 3,513 | — | — |
| Total Current Liabilities | 278,056 | 254,606 | 75,569 | 69,100 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | — | — | — | — |
| Compensated Absences Payable | 16,768 | 15,509 | 4,845 | 4,428 |
| Claims Payable | 42,895 | 54,868 | 3,802 | 3,673 |
| Public Works Trust Loan | — | — | 14,996 | 16,121 |
| Landfill Closure and Postclosure Liability | — | — | — | — |
| Vendor and Other Deposits Payable | — | — | — | 18 |
| Habitat Conservation Program Liability | — | — | 6,493 | 5,425 |
| Unearned Revenues and Other Credits | 6,902 | 6,275 | 347 | 337 |
| Unfunded Other Post Employment Benefits | 7,569 | 7,582 | 2,565 | 2,552 |
| Other Noncurrent Liabilities | 134 | 125 | 15 | 76 |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | — | — | — | — |
| Revenue Bonds Payable, Net of Amortized Premium, Discount and Other | 1,925,192 | 1,870,308 | 877,256 | 915,557 |
| Bond Interest Payable | — | — | — | — |
| Total Noncurrent Liabilities | 1,999,460 | 1,954,667 | 910,319 | 948,187 |
| Total Liabilities | 2,277,516 | 2,209,273 | 985,888 | 1,017,287 |
| DEFERRED INFLOWS OF RESOURCES | 111,486 | 100,672 | 27,876 | 19,418 |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-----------|-------------|----------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2014 | 2013 | 2014 | 2013 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 10,178 | \$ 11,945 | \$ 10,976 | \$ 8,906 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,417 | 2,188 | 805 | 731 |
| Compensated Absences Payable | 446 | 398 | 149 | 146 |
| Due to Other Funds | 9,221 | 5,536 | 1,246 | 1,661 |
| Due to Other Governments | 11,589 | 11,624 | — | — |
| Interest Payable | 7,226 | 6,934 | 2,149 | 2,337 |
| Taxes Payable | 299 | 334 | 471 | 592 |
| General Obligation Bonds Due Within One Year | — | — | — | — |
| Revenue Bonds Due Within One Year | 18,215 | 15,825 | 4,895 | 3,495 |
| Claims Payable | 3,566 | 3,727 | 811 | 1,566 |
| Notes and Contracts Payable | 1,202 | 1,116 | — | — |
| Habitat Conservation Program Liability | — | — | — | — |
| Landfill Closure and Postclosure Liability | — | — | 1,064 | 987 |
| Unearned Revenues and Other Credits | 2,888 | 3,569 | 4,704 | 4,309 |
| Other Current Liabilities | 581 | 440 | — | — |
| Total Current Liabilities | 67,828 | 63,636 | 27,270 | 24,730 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | — | — | — | — |
| Compensated Absences Payable | 4,625 | 4,126 | 1,542 | 1,509 |
| Claims Payable | 72,795 | 70,158 | 900 | 723 |
| Public Works Trust Loan | 16,566 | 17,243 | — | — |
| Landfill Closure and Postclosure Liability | — | — | 14,990 | 15,974 |
| Vendor and Other Deposits Payable | 1,018 | 536 | — | — |
| Habitat Conservation Program Liability | — | — | — | — |
| Unearned Revenues and Other Credits | — | — | — | — |
| Unfunded Other Post Employment Benefits | 2,505 | 2,378 | 895 | 870 |
| Other Noncurrent Liabilities | 59 | 104 | 20 | 2,356 |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | — | — | — | — |
| Revenue Bonds Payable, Net of Amortized Premium, Discount and Other | 646,693 | 547,321 | 177,522 | 117,805 |
| Bond Interest Payable | — | — | — | — |
| Total Noncurrent Liabilities | 744,261 | 641,866 | 195,869 | 139,237 |
| Total Liabilities | 812,089 | 705,502 | 223,139 | 163,967 |
| DEFERRED INFLOWS OF RESOURCES | — | — | 15,795 | 5,247 |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|----------|--------------------|-----------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2014 | 2013 | 2014 | 2013 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 2,266 | \$ 2,823 | \$ 95,454 | \$ 89,977 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,626 | 1,323 | 16,604 | 13,800 |
| Compensated Absences Payable | 318 | 224 | 3,360 | 3,198 |
| Due to Other Funds | 511 | 379 | 27,027 | 21,390 |
| Due to Other Governments | — | — | 11,589 | 11,693 |
| Interest Payable | 711 | 1,509 | 56,263 | 59,655 |
| Taxes Payable | 85 | 81 | 9,375 | 12,232 |
| General Obligation Bonds Due Within One Year | 2,950 | 1,857 | 2,950 | 1,857 |
| Revenue Bonds Due Within One Year | — | — | 163,040 | 152,535 |
| Claims Payable | 53 | 54 | 33,302 | 23,633 |
| Notes and Contracts Payable | — | — | 2,327 | 2,241 |
| Habitat Conservation Program Liability | — | — | 1,138 | 805 |
| Landfill Closure and Postclosure Liability | — | — | 1,064 | 987 |
| Unearned Revenues and Other Credits | — | — | 30,702 | 22,366 |
| Other Current Liabilities | — | — | 3,048 | 3,953 |
| Total Current Liabilities | 8,520 | 8,250 | 457,243 | 420,322 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | 6,494 | 5,050 | 6,494 | 5,050 |
| Compensated Absences Payable | 2,763 | 2,792 | 30,543 | 28,364 |
| Claims Payable | 132 | 128 | 120,524 | 129,550 |
| Public Works Trust Loan | — | — | 31,562 | 33,364 |
| Landfill Closure and Postclosure Liability | — | — | 14,990 | 15,974 |
| Vendor and Other Deposits Payable | 38 | 47 | 1,056 | 601 |
| Habitat Conservation Program Liability | — | — | 6,493 | 5,425 |
| Unearned Revenues and Other Credits | 16,295 | 14,075 | 23,544 | 20,687 |
| Unfunded Other Post Employment Benefits | 1,674 | 1,388 | 15,208 | 14,770 |
| Other Noncurrent Liabilities | — | — | 228 | 2,661 |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | 56,292 | 59,440 | 56,292 | 59,440 |
| Revenue Bonds Payable, Net of Amortized Premium, Discount and Other | — | — | 3,626,663 | 3,450,991 |
| Bond Interest Payable | — | — | — | — |
| Total Noncurrent Liabilities | 83,688 | 82,920 | 3,933,597 | 3,766,877 |
| Total Liabilities | 92,208 | 91,170 | 4,390,840 | 4,187,199 |
| DEFERRED INFLOWS OF RESOURCES | — | — | 155,157 | 125,337 |

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

Fund Financial Statements

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Page 8 of 12

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|--|---|------------------|
| | 2014 | Restated 2013 |
| | | |
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Accounts Payable | \$ 8,036 | \$ 9,108 |
| Salaries, Benefits, and Payroll Taxes Payable | 3,213 | 2,821 |
| Compensated Absences Payable | 595 | 624 |
| Due to Other Funds | 2,454 | 447 |
| Due to Other Governments | 4 | 6 |
| Interest Payable | 3,172 | 3,172 |
| Taxes Payable | 51 | 32 |
| General Obligation Bonds Due Within One Year | — | 15,089 |
| Revenue Bonds Due Within One Year | 21,559 | — |
| Claims Payable | 577 | 598 |
| Notes and Contracts Payable | — | — |
| Habitat Conservation Program Liability | — | — |
| Landfill Closure and Postclosure Liability | — | — |
| Unearned Revenues and Other Credits | — | — |
| Other Current Liabilities | 57 | 45 |
| Total Current Liabilities | 39,718 | 31,942 |
| <i>Noncurrent Liabilities</i> | | |
| Advances from Other Funds/Interfund Notes Payable | — | — |
| Compensated Absences Payable | 6,058 | 5,553 |
| Claims Payable | 1,434 | 1,427 |
| Public Works Trust Loan | — | — |
| Landfill Closure and Postclosure Liability | — | — |
| Vendor and Other Deposits Payable | 104 | 213 |
| Habitat Conservation Program Liability | — | — |
| Unearned Revenues and Other Credits | — | — |
| Unfunded Other Post Employment Benefits | 3,284 | 2,737 |
| Other Noncurrent Liabilities | 3 | 2 |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | 254,907 | 237,683 |
| Revenue Bonds Payable, Net of Amortized Premium, Discount and Other | — | — |
| Bond Interest Payable | — | — |
| Total Noncurrent Liabilities | 265,790 | 247,615 |
| Total Liabilities | 305,508 | 279,557 |
| DEFERRED INFLOWS OF RESOURCES | — | — |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|--------------|--------------|--------------|
| | L i g h t | | W a t e r | |
| | 2014 | 2013 | 2014 | 2013 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 1,100,783 | \$ 906,092 | \$ 351,175 | \$ 327,187 |
| Restricted for | | | | |
| Rate Stabilization Account | 25,047 | 25,000 | — | — |
| Special Deposits and Other | — | — | — | — |
| Conservation and Environmental Costs | — | — | 7,065 | 7,157 |
| Bonneville Power Administration Projects | — | — | — | — |
| External Infrastructure Costs | — | — | — | — |
| Muckleshoot Settlement | — | — | — | — |
| Other Charges | — | — | 4,726 | 5,018 |
| Unrestricted | 149,715 | 223,125 | 30,075 | 22,175 |
| Total Net Position | 1,275,545 | 1,154,217 | 393,041 | 361,537 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 3,664,547 | \$ 3,464,162 | \$ 1,406,805 | \$ 1,398,242 |

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

Fund Financial Statements

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Page 10 of 12

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|--------------|-------------|------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2014 | 2013 | 2014 | 2013 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 301,793 | \$ 271,756 | \$ 10,748 | \$ 18,080 |
| Restricted for | | | | |
| Rate Stabilization Account | — | — | — | — |
| Special Deposits and Other | — | — | — | — |
| Conservation and Environmental Costs | — | — | — | — |
| Bonneville Power Administration Projects | — | — | — | — |
| External Infrastructure Costs | 7,061 | 7,131 | — | — |
| Muckleshoot Settlement | — | — | — | — |
| Other Charges | 14,140 | 13,393 | — | 147 |
| Unrestricted | 21,104 | 3,354 | 23,462 | 14,066 |
| Total Net Position | 344,098 | 295,634 | 34,210 | 32,293 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 1,156,187 | \$ 1,001,136 | \$ 273,144 | \$ 201,507 |

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

The City of Seattle

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Page 11 of 12

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------|--------------------|--------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2014 | Restated 2013 | 2014 | 2013 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ (14,004) | \$ (14,283) | \$ 1,750,495 | \$ 1,508,832 |
| Restricted for | | | | |
| Rate Stabilization Account | — | — | 25,047 | 25,000 |
| Special Deposits and Other | — | — | — | — |
| Conservation and Environmental Costs | — | — | 7,065 | 7,157 |
| Bonneville Power Administration Projects | — | — | — | — |
| External Infrastructure Costs | — | — | 7,061 | 7,131 |
| Muckleshoot Settlement | — | — | — | — |
| Other Charges | — | — | 18,866 | 18,558 |
| Unrestricted | 10,039 | 380 | 234,395 | 263,100 |
| Total Net Position | (3,965) | (13,903) | 2,042,929 | 1,829,778 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 88,243 | \$ 77,267 | \$ 6,588,926 | \$ 6,142,314 |
| Total Net Position as above | | | \$ 2,042,929 | \$ 1,829,778 |
| Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | | | 19,032 | 10,846 |
| Net Position of Business-Type Activities | | | \$ 2,061,961 | \$ 1,840,624 |

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

Fund Financial Statements

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Page 12 of 12

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|---|---|------------------|
| | 2014 | Restated 2013 |
| | \$ | \$ |
| Net Investment in Capital Assets | 459,033 | 435,506 |
| Restricted for | | |
| Rate Stabilization Account | — | — |
| Special Deposits and Other | — | — |
| Conservation and Environmental Costs | — | — |
| Bonneville Power Administration Projects | — | — |
| External Infrastructure Costs | — | — |
| Muckleshoot Settlement | — | — |
| Other Charges | — | — |
| Unrestricted | 58,045 | 55,333 |
| Total Net Position | 517,078 | 490,839 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 822,586 | \$ 770,396 |

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

The City of Seattle

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Page 1 of 4

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|--------------|------------|------------|
| | Light | | Water | |
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | 886,444 | 842,230 | 242,947 | 235,594 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | 214,262 | 203,126 | — | — |
| Short-Term Wholesale Power Purchases | 14,912 | 19,759 | — | — |
| Generation | 34,962 | 39,957 | — | — |
| Transmission | 52,833 | 48,213 | — | — |
| Distribution | 59,753 | 59,568 | — | — |
| Conservation and Other Power Expenses | 58,151 | 47,872 | — | — |
| Planning and Development | — | — | 1,447 | 1,085 |
| Utility Systems Management | — | — | 14,576 | 13,889 |
| Field Operations | — | — | 27,315 | 30,007 |
| Project Delivery | — | — | 4,332 | 4,563 |
| Customer Services | 37,621 | 39,177 | 6,252 | 7,609 |
| Wastewater Treatment | — | — | — | — |
| Solid Waste Collection | — | — | — | — |
| Operations and Maintenance | — | — | — | — |
| General and Administrative | 75,774 | 71,751 | 38,916 | 31,657 |
| City Business and Occupation Taxes | 44,588 | 42,806 | 30,657 | 28,776 |
| Other Taxes | 35,420 | 36,515 | 9,484 | 9,036 |
| Amortization of Landfill and Postclosure Costs | — | — | — | — |
| Depreciation and Other Amortization | 105,813 | 102,261 | 51,466 | 49,909 |
| Total Operating Expenses | 734,089 | 711,005 | 184,445 | 176,531 |
| Operating Income (Loss) | 152,355 | 131,225 | 58,502 | 59,063 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 7,933 | 805 | 3,082 | 1,536 |
| Interest Expense | (83,855) | (85,176) | (41,525) | (43,396) |
| Amortization of Bonds Premiums and Discounts, Net | 11,151 | 11,339 | 3,286 | 3,323 |
| Amortization of Refunding Loss | (3,752) | (4,246) | (1,251) | (1,251) |
| Bond Issuance Costs | (1,473) | (1,225) | — | — |
| Gain (Loss) on Sale of Capital Assets | 1,877 | 2,201 | (720) | (310) |
| Contributions and Grants | 3,783 | 3,184 | 182 | 803 |
| Others, Net | 4,942 | 4,915 | 1,017 | 905 |
| Total Nonoperating Revenues (Expenses) | (59,394) | (68,203) | (35,929) | (38,390) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | 92,961 | 63,022 | 22,573 | 20,673 |
| Capital Contributions and Grants | 28,368 | 49,696 | 8,932 | 7,518 |
| Transfers In | — | — | — | — |
| Transfers Out | — | — | — | — |
| Environmental Remediation | — | — | — | — |
| Change in Net Position | 121,329 | 112,718 | 31,505 | 28,191 |
| Net Position - Beginning of Year | 1,154,217 | 1,041,500 | 361,536 | 333,344 |
| Prior-Year Adjustment | — | — | — | — |
| Net Position - Beginning of Year as Restated | 1,154,217 | 1,041,500 | 361,536 | 333,344 |
| Net Position - End of Year | \$ 1,275,546 | \$ 1,154,218 | \$ 393,041 | \$ 361,535 |

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

Fund Financial Statements

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Page 2 of 4

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------|-------------|------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2014 | 2013 | 2014 | 2013 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 342,000 | \$ 333,760 | \$ 157,498 | \$ 159,742 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | — | — | — | — |
| Short-Term Wholesale Power Purchases | — | — | — | — |
| Generation | — | — | — | — |
| Transmission | — | — | — | — |
| Distribution | — | — | — | — |
| Conservation and Other Power Expenses | — | — | — | — |
| Planning and Development | 1,787 | 2,335 | 163 | 86 |
| Utility Systems Management | 11,374 | 10,546 | 1,661 | 2,256 |
| Field Operations | 26,431 | 27,177 | 7,216 | 7,644 |
| Project Delivery | 8,100 | 10,020 | 546 | 691 |
| Customer Services | 4,403 | 4,109 | 5,035 | 5,649 |
| Wastewater Treatment | 140,307 | 139,434 | — | — |
| Solid Waste Collection | — | — | 96,867 | 95,325 |
| Operations and Maintenance | — | — | — | — |
| General and Administrative | 25,034 | 17,046 | 14,493 | 12,190 |
| City Business and Occupation Taxes | 40,266 | 38,852 | 17,716 | 16,838 |
| Other Taxes | 4,329 | 4,340 | 2,505 | 2,934 |
| Amortization of Landfill and Postclosure Costs | — | — | 1,301 | 1,340 |
| Depreciation and Other Amortization | 22,190 | 21,254 | 8,187 | 7,318 |
| Total Operating Expenses | 284,221 | 275,113 | 155,690 | 152,271 |
| Operating Income (Loss) | 57,779 | 58,647 | 1,808 | 7,471 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 4,009 | 2,010 | 750 | (72) |
| Interest Expense | (20,617) | (21,361) | (5,798) | (5,226) |
| Amortization of Bonds Premiums and Discounts, Net | 1,542 | 1,396 | 478 | 256 |
| Amortization of Refunding Loss | (384) | (374) | (109) | (23) |
| Bond Issuance Costs | — | — | — | — |
| Gain (Loss) on Sale of Capital Assets | (817) | (167) | 2,420 | (52) |
| Contributions and Grants | 978 | 1,975 | 953 | 592 |
| Others, Net | 170 | 121 | 1,338 | 317 |
| Total Nonoperating Revenues (Expenses) | (15,119) | (16,400) | 32 | (4,208) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | 42,660 | 42,247 | 1,840 | 3,263 |
| Capital Contributions and Grants | 10,752 | 6,546 | 78 | — |
| Transfers In | — | — | — | — |
| Transfers Out | — | — | — | — |
| Environmental Remediation | (4,949) | (24,169) | — | — |
| Change in Net Position | 48,463 | 24,624 | 1,918 | 3,263 |
| Net Position - Beginning of Year | 295,634 | 271,011 | 32,293 | 29,031 |
| Prior-Year Adjustment | — | — | — | — |
| Net Position - Beginning of Year as Restated | 295,634 | 271,011 | 32,293 | 29,031 |
| Net Position - End of Year | \$ 344,097 | \$ 295,635 | \$ 34,211 | \$ 32,294 |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|--------------|--------------------|--------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2014 | 2013 | 2014 | 2013 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 65,547 | \$ 56,311 | \$ 1,694,436 | \$ 1,627,637 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | — | — | 214,262 | 203,126 |
| Short-Term Wholesale Power Purchases | — | — | 14,912 | 19,759 |
| Generation | — | — | 34,962 | 39,957 |
| Transmission | — | — | 52,833 | 48,213 |
| Distribution | — | — | 59,753 | 59,568 |
| Conservation and Other Power Expenses | — | — | 58,151 | 47,872 |
| Planning and Development | — | — | 3,297 | 3,506 |
| Utility Systems Management | — | — | 27,611 | 26,691 |
| Field Operations | — | — | 60,962 | 64,828 |
| Project Delivery | — | — | 12,978 | 15,274 |
| Customer Services | — | — | 53,311 | 56,544 |
| Wastewater Treatment | — | — | 140,307 | 139,434 |
| Solid Waste Collection | — | — | 96,867 | 95,325 |
| Operations and Maintenance | 50,899 | 46,850 | 50,899 | 46,850 |
| General and Administrative | 11,580 | 10,648 | 165,797 | 143,292 |
| City Business and Occupation Taxes | 16 | 15 | 133,243 | 127,287 |
| Other Taxes | 35 | 33 | 51,773 | 52,858 |
| Amortization of Landfill and Postclosure Costs | — | — | 1,301 | 1,340 |
| Depreciation and Other Amortization | 2,589 | 2,622 | 190,245 | 183,364 |
| Total Operating Expenses | 65,119 | 60,168 | 1,423,564 | 1,375,088 |
| Operating Income (Loss) | 428 | (3,857) | 270,872 | 252,549 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 479 | (75) | 16,253 | 4,204 |
| Interest Expense | (2,939) | (3,074) | (154,734) | (158,233) |
| Amortization of Bonds Premiums and Discounts, Net | 198 | 238 | 16,655 | 16,552 |
| Amortization of Refunding Loss | — | — | (5,496) | (5,894) |
| Bond Issuance Costs | — | — | (1,473) | (1,225) |
| Gain (Loss) on Sale of Capital Assets | — | — | 2,760 | 1,672 |
| Contributions and Grants | 259 | 501 | 6,155 | 7,055 |
| Others, Net | — | — | 7,467 | 6,258 |
| Total Nonoperating Revenues (Expenses) | (2,003) | (2,410) | (112,413) | (129,611) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | (1,575) | (6,267) | 158,459 | 122,938 |
| Capital Contributions and Grants | — | — | 48,130 | 63,760 |
| Transfers In | 11,512 | 10,860 | 11,512 | 10,860 |
| Transfers Out | — | — | — | — |
| Environmental Remediation | — | — | (4,949) | (24,169) |
| Change in Net Position | 9,937 | 4,593 | 213,152 | 173,389 |
| Net Position - Beginning of Year | (13,903) | (18,495) | 1,829,777 | 1,656,391 |
| Prior-Year Adjustment | — | — | — | — |
| Net Position - Beginning of Year as Restated | (13,903) | (18,495) | 1,829,777 | 1,656,391 |
| Net Position - End of Year | \$ (3,966) | \$ (13,902) | 2,042,929 | 1,829,780 |
| Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | — | — | 19,032 | 10,846 |
| Net Position of Business-Type Activities | \$ — | \$ 2,061,961 | \$ — | \$ 1,840,626 |
| Change in Net Position as above | — | — | 213,152 | 173,389 |
| Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | — | — | 8,185 | 4,491 |
| Adjusted Change in Net Position of Business-Type Activities | \$ — | \$ 221,337 | \$ — | \$ 177,880 |

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, 2014
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|--|---|------------------|
| | 2014 | Restated 2013 |
| OPERATING REVENUES | | |
| Charges for Services and Other Revenues | \$ 214,971 | \$ 204,295 |
| OPERATING EXPENSES | | |
| 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 | 143,593 | 136,686 |
| General and Administrative | 18,979 | 17,741 |
| City Business and Occupation Taxes | 4 | 4 |
| Other Taxes | 419 | 410 |
| Amortization of Landfill and Postclosure Costs | — | — |
| Depreciation and Other Amortization | 34,600 | 33,877 |
| Total Operating Expenses | 197,595 | 188,718 |
| Operating Income (Loss) | 17,376 | 15,577 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment and Interest Income | 1,376 | (154) |
| Interest Expense | (10,609) | (9,743) |
| Amortization of Bonds Premiums and Discounts, Net | 2,802 | (63) |
| Amortization of Refunding Loss | (161) | (80) |
| Bond Issuance Costs | (107) | (63) |
| Gain (Loss) on Sale of Capital Assets | 938 | 896 |
| Contributions and Grants | — | 794 |
| Others, Net | — | 8 |
| Total Nonoperating Revenues (Expenses) | (5,761) | (8,405) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | 11,615 | 7,172 |
| Capital Contributions and Grants | 20,392 | 31,873 |
| Transfers In | 301 | — |
| Transfers Out | (6,069) | (4,650) |
| Environmental Remediation | — | — |
| Change in Net Position | 26,239 | 34,395 |
| Net Position - Beginning of Year | 490,839 | 456,445 |
| Prior-Year Adjustment | — | — |
| Net Position - Beginning of Year as Restated | 490,839 | 456,445 |
| Net Position - End of Year | \$ 517,078 | \$ 490,840 |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------|------------|------------|
| | Light | | Water | |
| | 2014 | 2013 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 869,121 | \$ 814,227 | \$ 256,195 | \$ 240,904 |
| Cash Paid to Suppliers | (315,600) | (335,199) | (25,846) | (29,818) |
| Cash Paid to Employees | (173,595) | (170,130) | (62,566) | (56,625) |
| Cash Paid for Taxes | (82,344) | (79,245) | (39,863) | (37,631) |
| Net Cash from Operating Activities | 297,582 | 229,653 | 127,920 | 116,830 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Debt and Interfund Loans | (37,257) | (17,911) | — | — |
| Interest Paid on Long-Term Debt | (33,693) | (16,796) | — | — |
| Operating Grants Received | 5,207 | 1,761 | 202 | 833 |
| Transfers In | — | — | — | — |
| Transfers Out | — | — | — | — |
| Receipts for Energy Conservation Augmentation | 6,722 | 3,602 | — | — |
| Payments for Energy Conservation Augmentation | (33,111) | (30,992) | — | — |
| Loans Provided to Other Funds | — | — | — | — |
| Proceeds from Interfund Loans | — | — | — | — |
| Payments for Environmental Liabilities | — | — | — | — |
| Net Cash from Noncapital Financing Activities | (92,132) | (60,336) | 202 | 833 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 299,397 | 204,412 | — | 1,413 |
| Principal Payments on Long-Term Debt and Refunding | (62,413) | (73,929) | (34,432) | (33,873) |
| Capital Expenses and Other Charges Paid | (285,447) | (261,255) | (52,164) | (38,279) |
| Interest Paid on Long-Term Debt | (56,443) | (69,324) | (41,620) | (43,129) |
| Capital Fees and Grants Received | 24,281 | 33,120 | 4,388 | 5,393 |
| Payment to Trustee for Defeased Bonds | (127,102) | (15,153) | — | — |
| Interest Received for Suburban Infrastructure Improvements | 2,063 | 1,821 | — | — |
| Debt Issuance Costs | (1,663) | (1,225) | — | — |
| Proceeds from Sale of Capital Assets | 2,006 | 2,097 | 196 | 287 |
| Net Cash from Capital and Related Financing Activities | (205,321) | (179,436) | (123,632) | (108,188) |
| CASH FLOWS FROM INVESTING ACTIVITIES* | | | | |
| Interest and Investment Income (Loss) | 5,797 | (1,074) | 1,086 | (276) |
| Net Cash from Investing Activities | 5,797 | (1,074) | 1,086 | (276) |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 5,926 | (11,193) | 5,576 | 9,199 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 420,807 | 432,001 | 94,599 | 85,401 |
| End of Year | \$ 426,733 | \$ 420,808 | \$ 100,175 | \$ 94,600 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 128,343 | \$ 193,769 | \$ 43,553 | \$ 28,901 |
| Current Restricted Cash and Equity in Pooled Investments | — | — | — | 10 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 298,389 | 227,038 | 56,623 | 65,689 |
| Total Cash at the End of the Year | \$ 426,732 | \$ 420,807 | \$ 100,176 | \$ 94,600 |

* 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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------|-------------|------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2014 | 2013 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 346,022 | \$ 329,790 | \$ 175,239 | \$ 167,646 |
| Cash Paid to Suppliers | (155,801) | (156,949) | (109,584) | (108,635) |
| Cash Paid to Employees | (57,034) | (50,923) | (22,087) | (20,673) |
| Cash Paid for Taxes | (44,635) | (42,716) | (20,642) | (18,757) |
| Net Cash from Operating Activities | 88,552 | 79,202 | 22,926 | 19,581 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Debt and Interfund Loans | — | — | — | — |
| Interest Paid on Long-Term Debt | — | — | — | — |
| Operating Grants Received | 1,029 | 1,946 | 838 | 896 |
| Transfers In | — | — | — | — |
| Transfers Out | — | — | — | — |
| Receipts for Energy Conservation Augmentation | — | — | — | — |
| Payments for Energy Conservation Augmentation | — | — | — | — |
| Loans Provided to Other Funds | — | — | — | — |
| Proceeds from Interfund Loans | — | — | — | — |
| Payments for Environmental Liabilities | (1,850) | (1,903) | — | — |
| Net Cash from Noncapital Financing Activities | (821) | 43 | 838 | 896 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 144,425 | 1,740 | 107,496 | — |
| Principal Payments on Long-Term Debt and Refunding | (42,524) | (16,310) | (49,017) | (3,330) |
| Capital Expenses and Other Charges Paid | (89,353) | (83,635) | (29,590) | (10,522) |
| Interest Paid on Long-Term Debt | (25,429) | (24,204) | (6,977) | (5,709) |
| Capital Fees and Grants Received | 1,887 | 4,381 | 78 | — |
| Payment to Trustee for Defeased Bonds | — | — | — | — |
| Interest Received for Suburban Infrastructure Improvements | — | — | — | — |
| Debt Issuance Costs | (865) | — | (630) | — |
| Proceeds from Sale of Capital Assets | 222 | 644 | 2,420 | 203 |
| Net Cash from Capital and Related Financing Activities | (11,637) | (117,384) | 23,780 | (19,358) |
| CASH FLOWS FROM INVESTING ACTIVITIES* | | | | |
| Interest and Investment Income (Loss) | 2,262 | (135) | 703 | (78) |
| Net Cash from Investing Activities | 2,262 | (135) | 703 | (78) |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 78,356 | (38,274) | 48,247 | 1,041 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 122,376 | 160,650 | 33,320 | 32,279 |
| End of Year | \$ 200,732 | \$ 122,376 | \$ 81,567 | \$ 33,320 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 101,301 | \$ 74,503 | \$ 32,395 | \$ 20,863 |
| Current Restricted Cash and Equity in Pooled Investments | — | — | — | — |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 99,432 | 47,873 | 49,173 | 12,456 |
| Total Cash at the End of the Year | \$ 200,733 | \$ 122,376 | \$ 81,568 | \$ 33,319 |

* 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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-----------|--------------------|--------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2014 | 2013 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 69,905 | \$ 61,226 | \$ 1,716,482 | \$ 1,613,793 |
| Cash Paid to Suppliers | (31,367) | (26,087) | (638,198) | (656,688) |
| Cash Paid to Employees | (31,075) | (29,619) | (346,357) | (327,970) |
| Cash Paid for Taxes | (1,676) | (1,609) | (189,160) | (179,958) |
| Net Cash from Operating Activities | 5,787 | 3,911 | 542,767 | 449,177 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Debt and Interfund Loans | (5,050) | (3,181) | (42,307) | (21,092) |
| Interest Paid on Long-Term Debt | — | — | (33,693) | (16,796) |
| Operating Grants Received | 194 | 435 | 7,470 | 5,871 |
| Transfers In | 11,512 | 10,860 | 11,512 | 10,860 |
| Transfers Out | — | — | — | — |
| Receipts for Energy Conservation Augmentation | — | — | 6,722 | 3,602 |
| Payments for Energy Conservation Augmentation | — | — | (33,111) | (30,992) |
| Loans Provided to Other Funds | — | — | — | — |
| Proceeds from Interfund Loans | 6,494 | 5,101 | 6,494 | 5,101 |
| Payments for Environmental Liabilities | — | — | (1,850) | (1,903) |
| Net Cash from Noncapital Financing Activities | 13,150 | 13,215 | (78,763) | (45,349) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | — | — | 551,318 | 207,565 |
| Principal Payments on Long-Term Debt and Refunding | (1,857) | (1,262) | (190,243) | (128,704) |
| Capital Expenses and Other Charges Paid | (813) | (3,082) | (457,367) | (396,773) |
| Interest Paid on Long-Term Debt | (3,740) | (4,259) | (134,209) | (146,625) |
| Capital Fees and Grants Received | — | — | 30,634 | 42,894 |
| Payment to Trustee for Defeased Bonds | — | — | (127,102) | (15,153) |
| Interest Received for Suburban Infrastructure Improvements | — | — | 2,063 | 1,821 |
| Debt Issuance Costs | — | — | (3,158) | (1,225) |
| Proceeds from Sale of Capital Assets | — | — | 4,844 | 3,231 |
| Net Cash from Capital and Related Financing Activities | (6,410) | (8,603) | (323,220) | (432,969) |
| CASH FLOWS FROM INVESTING ACTIVITIES* | | | | |
| Interest and Investment Income (Loss) | 468 | (83) | 10,316 | (1,646) |
| Net Cash from Investing Activities | 468 | (83) | 10,316 | (1,646) |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 12,995 | 8,440 | 151,100 | (30,787) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 27,675 | 19,234 | 698,778 | 729,565 |
| End of Year | \$ 40,670 | \$ 27,674 | \$ 849,878 | \$ 698,778 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 40,630 | \$ 27,628 | \$ 346,222 | \$ 345,664 |
| Current Restricted Cash and Equity in Pooled Investments | — | — | — | 10 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 38 | 47 | 503,655 | 353,103 |
| Total Cash at the End of the Year | \$ 40,668 | \$ 27,675 | \$ 849,877 | \$ 698,777 |

* 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, 2014
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|---|---|------------------|
| | 2014 | Restated 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 212,069 | \$ 204,801 |
| Cash Paid to Suppliers | (77,565) | (80,414) |
| Cash Paid to Employees | (82,954) | (73,900) |
| Cash Paid for Taxes | (404) | (428) |
| Net Cash from Operating Activities | 51,146 | 50,059 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Principal Payments on Long-Term Debt and Interfund Loans | | |
| Interest Paid on Long-Term Debt | | |
| Operating Grants Received | 473 | 794 |
| Transfers In | 301 | — |
| Transfers Out | (6,069) | (4,650) |
| Receipts for Energy Conservation Augmentation | — | — |
| Payments for Energy Conservation Augmentation | — | — |
| Loans Provided to Other Funds | — | (50) |
| Payments for Environmental Liabilities | — | — |
| Net Cash from Noncapital Financing Activities | (5,295) | (3,906) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | (205) | 2,643 |
| Principal Payments on Long-Term Debt and Refunding | 14,926 | (14,637) |
| Capital Expenses and Other Charges Paid | (22,384) | (19,778) |
| Interest Paid on Long-Term Debt | (10,942) | (10,506) |
| Capital Fees and Grants Received | — | — |
| Payment to Trustee for Defeased Bonds | — | — |
| Interest Received for Suburban Infrastructure Improvements | — | — |
| Debt Issuance Costs | (107) | (63) |
| Proceeds from Sale of Capital Assets | 1,103 | 915 |
| Net Cash from Capital and Related Financing Activities | (17,609) | (41,426) |
| CASH FLOWS FROM INVESTING ACTIVITIES* | | |
| Interest and Investment Income (Loss) | 1,335 | (167) |
| Net Cash from Investing Activities | 1,335 | (167) |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 29,577 | 4,560 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | |
| Beginning of Year | 73,612 | 69,052 |
| End of Year | \$ 103,189 | \$ 73,612 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | |
| Operating Cash and Equity in Pooled Investments | \$ 24,792 | \$ 27,029 |
| Current Restricted Cash and Equity in Pooled Investments | 20,014 | 17,166 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 58,383 | 29,417 |
| Total Cash at the End of the Year | \$ 103,189 | \$ 73,612 |

* 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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------|------------|------------|
| | Light | | Water | |
| | 2014 | 2013 | 2014 | 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 152,355 | \$ 131,224 | \$ 58,501 | \$ 59,062 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 105,813 | 102,261 | 51,466 | 49,909 |
| Depreciation Charged to O&M Accounts | 2,289 | 2,030 | — | — |
| Amortization of Other Liabilities and Other Operating Expenses | 22,165 | 19,533 | — | — |
| Nonoperating Revenues and Expenses | 5,193 | 4,852 | 2,222 | 2,549 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (9,339) | 970 | 380 | 1,149 |
| Unbilled Receivables | 14,208 | (7,822) | 315 | (2,466) |
| Other Receivables | 17 | 408 | — | — |
| Due from Other Funds | (1,457) | 840 | (56) | (467) |
| Due from Other Governments | 193 | 396 | 781 | (579) |
| Materials and Supplies Inventory | 1,192 | (2,936) | (67) | (903) |
| Accounts Payable | 3,676 | (3,101) | 2,055 | 977 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,786 | 2,660 | 442 | 360 |
| Compensated Absences Payable | 1,236 | 574 | 458 | 133 |
| Due to Other Funds | 1,152 | 1,930 | 1,054 | 92 |
| Due to Other Governments | — | — | (69) | 69 |
| Claims Payable | (1,380) | 2,115 | 122 | (247) |
| Taxes Payable | (2,707) | 321 | 2 | 94 |
| Unearned Revenues and Other Credits | 7,527 | — | 1,665 | (141) |
| Other Assets and Liabilities | (10,707) | (8,319) | 191 | 252 |
| Rate Stabilization | 4,369 | (18,285) | 8,458 | 6,985 |
| Total Adjustments | 145,226 | 98,427 | 69,419 | 57,766 |
| Net Cash from Operating Activities | \$ 297,581 | \$ 229,651 | \$ 127,920 | \$ 116,828 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 3,623 | \$ 22,283 | \$ 4,670 | \$ 1,901 |
| Amortization of Debt Related Costs, Net | 7,399 | 7,094 | — | — |
| Change in Valuation of Power Exchange Assets or Liabilities | — | (673) | — | — |
| Allowance for Funds Used During Construction | 5,757 | 3,815 | — | — |
| Power Exchange Revenues | 25,321 | 5,245 | — | — |
| Power Exchange Expenses | (25,592) | (4,994) | — | — |
| Power Revenue Netted against Power Expenses | 6,098 | 6,465 | — | — |
| Power Expense Netted against Power Revenues | (17,051) | (14,884) | — | — |
| Settlement from Nextel | — | — | — | — |
| Total Noncash Investing, Capital, and Financing Activities | \$ 5,555 | \$ 24,351 | \$ 4,670 | \$ 1,901 |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|-----------|-------------|-----------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2014 | 2013 | 2014 | 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 57,779 | \$ 58,647 | \$ 1,806 | \$ 7,469 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 22,190 | 21,254 | 8,187 | 7,318 |
| Depreciation Charged to O&M Accounts | — | — | — | — |
| Amortization of Other Liabilities and Other Operating Expenses | — | — | — | — |
| Nonoperating Revenues and Expenses | 1,384 | 1,269 | 2,115 | 919 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 3,129 | (3,737) | 360 | (814) |
| Unbilled Receivables | (229) | (1,315) | (7) | (90) |
| Other Receivables | — | — | — | — |
| Due from Other Funds | 32 | (335) | 43 | (37) |
| Due from Other Governments | 268 | 1,080 | 79 | (311) |
| Materials and Supplies Inventory | (104) | (111) | 39 | 41 |
| Accounts Payable | (1,767) | 820 | 2,070 | 568 |
| Salaries, Benefits, and Payroll Taxes Payable | 229 | 485 | 74 | 121 |
| Compensated Absences Payable | 548 | 123 | 35 | 45 |
| Due to Other Funds | 3,684 | 678 | (415) | 739 |
| Due to Other Governments | (36) | 1,181 | — | — |
| Claims Payable | 256 | (1,897) | 3 | 25 |
| Taxes Payable | (35) | 45 | (122) | 303 |
| Unearned Revenues and Other Credits | — | — | — | — |
| Other Assets and Liabilities | 1,223 | 1,012 | (1,891) | (1,962) |
| Rate Stabilization | — | — | 10,549 | 5,247 |
| Total Adjustments | 30,772 | 20,552 | 21,119 | 12,112 |
| Net Cash from Operating Activities | \$ 88,551 | \$ 79,199 | \$ 22,925 | \$ 19,581 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 7,263 | \$ 4,521 | \$ — | \$ — |
| Amortization of Debt Related Costs, Net | — | — | — | — |
| Change in Valuation of Power Exchange Assets or Liabilities | — | — | — | — |
| Allowance for Funds Used During Construction | — | — | — | — |
| Power Exchange Revenues | — | — | — | — |
| Power Exchange Expenses | — | — | — | — |
| Power Revenue Netted against Power Expenses | — | — | — | — |
| Power Expense Netted against Power Revenues | — | — | — | — |
| Settlement from Nextel | — | — | — | — |
| Total Noncash Investing, Capital, and Financing Activities | \$ 7,263 | \$ 4,521 | \$ — | \$ — |

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, 2014
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------|--------------------|------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2014 | 2013 | 2014 | 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 429 | \$ (3,857) | \$ 270,870 | \$ 252,545 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 2,589 | 2,622 | 190,245 | 183,364 |
| Depreciation Charged to O&M Accounts | — | — | 2,289 | 2,030 |
| Amortization of Other Liabilities and Other Operating Expenses | — | — | 22,165 | 19,533 |
| Nonoperating Revenues and Expenses | — | — | 10,914 | 9,589 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 134 | (254) | (5,336) | (2,686) |
| Unbilled Receivables | — | — | 14,287 | (11,693) |
| Other Receivables | — | — | 17 | 408 |
| Due from Other Funds | 162 | (255) | (1,276) | (254) |
| Due from Other Governments | 65 | (84) | 1,386 | 502 |
| Materials and Supplies Inventory | — | — | 1,060 | (3,909) |
| Accounts Payable | (557) | 873 | 5,477 | 137 |
| Salaries, Benefits, and Payroll Taxes Payable | 303 | 268 | 2,834 | 3,894 |
| Compensated Absences Payable | 66 | 259 | 2,343 | 1,134 |
| Due to Other Funds | 131 | 33 | 5,606 | 3,472 |
| Due to Other Governments | — | — | (105) | 1,250 |
| Claims Payable | 4 | 11 | (995) | 7 |
| Taxes Payable | 5 | (7) | (2,857) | 756 |
| Unearned Revenues and Other Credits | 2,220 | 3,965 | 11,412 | 3,824 |
| Other Assets and Liabilities | 236 | 337 | (10,948) | (8,680) |
| Rate Stabilization | — | — | 23,376 | (6,053) |
| Total Adjustments | 5,358 | 7,768 | 271,894 | 196,625 |
| Net Cash from Operating Activities | \$ 5,787 | \$ 3,911 | \$ 542,764 | \$ 449,170 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ — | \$ — | \$ 15,556 | \$ 28,705 |
| Amortization of Debt Related Costs, Net | — | — | 7,399 | 7,094 |
| Change in Valuation of Power Exchange Assets or Liabilities | — | — | — | (673) |
| Allowance for Funds Used During Construction | — | — | 5,757 | 3,815 |
| Power Exchange Revenues | — | — | 25,321 | 5,245 |
| Power Exchange Expenses | — | — | (25,592) | (4,994) |
| Power Revenue Netted against Power Expenses | — | — | 6,098 | 6,465 |
| Power Expense Netted against Power Revenues | — | — | (17,051) | (14,884) |
| Settlement from Nextel | — | — | — | — |
| Total Noncash Investing, Capital, and Financing Activities | \$ — | \$ — | \$ 17,488 | \$ 30,773 |

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, 2014
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|---|---|--------------------------|
| | 2014 | Restated 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | |
| Operating Income (Loss) | \$ 17,376 | \$ 15,577 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | |
| Depreciation and Amortization | 34,600 | 33,877 |
| Depreciation Charged to O&M Accounts | | |
| Amortization of Other Liabilities and Other Operating Expenses | | |
| Nonoperating Revenues and Expenses | — | 2 |
| Changes in Operating Assets and Liabilities | | |
| Accounts Receivable | (25) | (117) |
| Unbilled Receivables | 227 | (247) |
| Other Receivables | — | — |
| Due from Other Funds | (3,519) | 1,039 |
| Due from Other Governments | 395 | (199) |
| Materials and Supplies Inventory | (343) | (316) |
| Accounts Payable | (1,072) | 763 |
| Salaries, Benefits, and Payroll Taxes Payable | 392 | 619 |
| Compensated Absences Payable | 477 | 291 |
| Due to Other Funds | 2,008 | (67) |
| Due to Other Governments | (1) | (31) |
| Claims Payable | (13) | 166 |
| Taxes Payable | 19 | (14) |
| Unearned Revenues and Other Credits | — | — |
| Other Assets and Liabilities | 625 | (1,284) |
| Rate Stabilization | — | — |
| Total Adjustments | 33,770 | 34,482 |
| Net Cash from Operating Activities | <u>\$ 51,146</u> | <u>\$ 50,059</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| In-Kind Capital Contributions | \$ 30,935 | \$ 31,873 |
| Amortization of Debt Related Costs, Net | 253 | (143) |
| Change in Valuation of Power Exchange Assets or Liabilities | — | — |
| Allowance for Funds Used During Construction | — | — |
| Power Exchange Revenues | — | — |
| Power Exchange Expenses | — | — |
| Power Revenue Netted against Power Expenses | — | — |
| Power Expense Netted against Power Revenues | — | — |
| Settlement from Nextel | — | 5 |
| Total Noncash Investing, Capital, and Financing Activities | <u>\$ 31,188</u> | <u>\$ 31,735</u> |

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

The City of Seattle

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUND

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

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

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

Fund Financial Statements

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STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS December 31, 2014 (In Thousands)

| | Pension Trust Funds | S. L. Denny Private-Purpose Trust | Agency Funds |
|---|---------------------------|--------------------------------------|-----------------|
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 14,490 | \$ 215 | \$ 10,653 |
| Short-Term Investments | 113,206 | — | — |
| Securities Lending Collateral | 25,232 | — | — |
| Investments at Fair Value | | | |
| U.S. Government Obligations | 175,686 | — | — |
| Mortgage-Backed Securities | 118,076 | — | — |
| Government Related and Other | 63,275 | — | — |
| Domestic Corporate Bonds | 181,903 | — | — |
| Domestic Stocks | 750,864 | — | — |
| International Stocks | 590,548 | — | — |
| Real Estate | 243,558 | — | — |
| Alternative/Venture Capital | 106,759 | — | — |
| Total Investments at Fair Value | 2,230,669 | — | — |
| Receivables | | | |
| Members | 2,901 | — | — |
| Employers | 4,204 | — | — |
| Due from Other Funds | — | — | — |
| Other | 891 | — | 11 |
| Interest and Dividends | 4,059 | — | — |
| Sales Proceeds | 6,237 | — | — |
| Total Receivables | 18,292 | — | 11 |
| Total Assets | 2,401,889 | 215 | 10,664 |
| LIABILITIES | | | |
| Accounts Payable and Other Liabilities | 3,377 | — | 844 |
| Salaries, Benefits, and Payroll Taxes Payable | — | — | 2,599 |
| Deposits Payable | — | — | 7,207 |
| Claims/Judgments Payable | — | — | 13 |
| Securities Lending Collateral | 28,229 | — | — |
| Investment Commitments Payable | 27,737 | — | — |
| Total Liabilities | 59,343 | — | 10,663 |
| Net Position Held in Trust for Pension Benefits and Other Purposes | \$ 2,342,546 | \$ 215 | \$ 1 |

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

The City of Seattle

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS For the Year Ended December 31, 2014 (In Thousands)

| | Pension Trust Funds | S.L. Denny Private-Purpose Trust |
|--|---------------------------|-------------------------------------|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 127,865 | \$ — |
| Plan Member | 63,970 | — |
| Total Contributions | 191,835 | — |
| Investment Income | | |
| From Investment Activities | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 94,618 | — |
| Interest | 11,621 | 3 |
| Dividends | 25,681 | — |
| Total Investment Activities Income | 131,920 | 3 |
| Investment Activities Expenses | | |
| Investment Management Fees | 7,802 | — |
| Investment Consultant Fees | 333 | — |
| Investment Custodial Fees | 342 | — |
| Total Investment Activities Expenses | 8,477 | — |
| Net Income from Investment Activities | 123,443 | 3 |
| From Securities Lending Activities | | |
| Securities Lending Income | 24 | — |
| Borrower Rebates | 216 | — |
| Total Securities Lending Income | 240 | — |
| Securities Lending Expenses | | |
| Management Fees | 60 | — |
| Total Securities Lending Expenses | 60 | — |
| Net Income from Securities Lending Activities | 180 | — |
| Total Net Investment Income | 123,623 | 3 |
| Other Income | 2,127 | — |
| Total Additions | 317,585 | 3 |
| DEDUCTIONS | | |
| Benefits | 186,416 | — |
| Refund of Contributions | 15,104 | — |
| Administrative Expense | 6,358 | — |
| Total Deductions | 207,878 | — |
| Change in Net Position | 109,707 | 3 |
| Net Position - Beginning of Year | 2,232,841 | 212 |
| Net Position - End of Year | \$ 2,342,548 | \$ 215 |

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

Indicators of Financial Accountability

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

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

Joint Venture

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

Organizations Excluded: Related Organizations

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

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

Notes to Financial Statements

ACCOUNTING STANDARDS

In 2014, the City implemented GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements.

In 2014, the City implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards for mergers, acquisitions and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. Implementation of Statement No. 69 did not impact the City's financial statements.

In 2014, the City implemented GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Implementation of Statement No. 70 did not have a significant impact on the financial statements.

In 2013, the City implemented GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. This Statement amends: (1) certain requirements for inclusion of component units in the financial reporting entity, (2) the criteria for blending component units into the primary government's financial statements, and (3) the reporting of equity interests in component units. Implementation of GASB Statement No. 61 required no changes for the reporting of components units.

In 2013, the City implemented GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53. This Statement sets forth criteria that establish when an effective hedging relationship continues when replacement of a swap counterparty or a swap counterparty's credit support provider occurs, thereby allowing continue application of hedge accounting rules. Implementation of GASB Statement No. 64 did not impact the City's financial statements.

In 2013, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Implementation of GASB Statement No. 65 resulted in: the reclassification of several items previously reported as assets and liabilities, and the restatement of net position as (1) assets and deferred outflows of resources less (2) liabilities and deferred inflows of resources.

In 2013, the City implemented GASB Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. This Statement amends: (1) GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and (2) GASB Statement No. 62 by modifying the specific guidance on accounting for (a) operating lease payments, (b) investment of purchased loans, and (c) servicing fees related to mortgage loans. Implementation of GASB Statement No. 66 did not have a significant impact on the City's financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Statement of Net Position

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

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, 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 by law 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 effect 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. These activities are supported by various ordinances and levies dating back to 1981.

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 408,000 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 more than 182 miles of water supply mains and 339 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of about 1.4 million people.

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.

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 Planning and Development 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, 2013, from which the summarized information was derived.

Use of Estimates

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

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 quoted market prices. 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.

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.
- Investment decisions should further the City's social policies established by ordinance or policy resolutions of the City Council.
- 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.
- Securities purchased shall have a maximum maturity of fifteen years, and the average maturity of all securities shall be less than five years.
- All transactions are done on a delivery-versus-payment basis.
- The standard of prudence to be used by investment personnel shall be the "Prudent Person Rule" and will be applied in the context of managing an overall portfolio.
- Securities shall not be purchased with trading or speculation as the dominant criterion for the selection of the security.

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 their estimated fair market value at the time of donation. For proprietary funds, contributions of capital assets are reported under Capital Contributions and Grants in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

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

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

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

Prepaid Items

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

Deferred Outflows/Inflows of Resources

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

Accumulated Compensated Absences

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

Claims Payable

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

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, mortgages receivable, 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 an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The flow assumption of the City is to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2014, the RSA reported an ending fund balance of \$41.4 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 approved 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 2014, the Emergency Subfund reported an ending fund balance of \$48.6 million.

A summary of governmental fund balances at December 31, 2014, is as follows:

Table 1-1 GOVERNMENTAL FUND BALANCES ^a
(In Thousands)

| Fund Balances | General | Transportation | Low-Income Housing | Other Governmental | Total |
|--|-------------------|------------------|--------------------|--------------------|-------------------|
| Nonspendable | | | | | |
| Petty Cash | \$ 51 | \$ 1 | \$ — | \$ 25 | \$ 77 |
| Prepaid Items and Advances | 422 | 1,578 | — | — | 2,000 |
| Inventory | — | — | — | 569 | 569 |
| Permanent Funds | — | — | — | 2,050 | 2,050 |
| Restricted | | | | | |
| General | 491 | — | — | 5,675 | 6,166 |
| Capital and Continuing Programs | 56,577 | — | — | 112,156 | 168,733 |
| Health Care Reserve | 29,980 | — | — | — | 29,980 |
| Library | 12,077 | — | — | 8,033 | 20,110 |
| Transportation | — | 33,816 | — | 5,149 | 38,965 |
| Low-Income Housing | — | — | 99,003 | — | 99,003 |
| Human Services | — | — | — | 1,601 | 1,601 |
| Office of Housing | — | — | — | 48 | 48 |
| Seattle Center | — | — | — | 1,588 | 1,588 |
| Parks and Recreation | — | — | — | 57 | 57 |
| Debt Service | — | — | — | 15,665 | 15,665 |
| Municipal Arts | — | — | — | 6,734 | 6,734 |
| Educational and Developmental Services | — | — | — | 45,811 | 45,811 |
| Pike Place Market Renovation | — | — | — | 3,591 | 3,591 |
| Legal Settlement | — | — | — | 306 | 306 |
| Cable Television Franchise | 866 | — | — | — | 866 |
| General Trust | — | — | — | 4,363 | 4,363 |
| General Donation and Gift Trusts | — | — | — | 3,193 | 3,193 |
| Permanent Funds | — | — | — | 101 | 101 |
| Committed | | | | | |
| General | 4,802 | — | — | — | 4,802 |
| Capital and Continuing Programs | 10,218 | — | — | — | 10,218 |
| Municipal Arts | 1,149 | — | — | — | 1,149 |
| Health Care Reserve | 31,637 | — | — | — | 31,637 |
| Employee Benefit Trust Funds | 6,182 | — | — | — | 6,182 |
| Library | 453 | — | — | — | 453 |
| Cable Television Franchise | 3,252 | — | — | — | 3,252 |
| Judgment and Claims | 13,409 | — | — | — | 13,409 |
| Transportation | — | 50,952 | — | — | 50,952 |
| Neighborhood Matching | 5,161 | — | — | — | 5,161 |
| Bluefield Habitat Maintenance | 208 | — | — | — | 208 |
| Development Rights | 22 | — | — | — | 22 |
| Low-Income Housing | — | — | 6,415 | — | 6,415 |
| Human Services | — | — | — | 2,160 | 2,160 |
| Seattle Center | — | — | — | 1,085 | 1,085 |
| Assigned | | | | | |
| General | 3,641 | — | — | — | 3,641 |
| Municipal Jail | 193 | — | — | — | 193 |
| Library | 1,851 | — | — | — | 1,851 |
| Office of Housing | — | — | — | 1,566 | 1,566 |
| Human Services | — | — | — | 5,954 | 5,954 |
| Parks and Recreation | — | — | — | 2,413 | 2,413 |
| Unassigned | | | | | |
| General | 44,528 | — | — | — | 44,528 |
| Revenue Stabilization Account | 41,413 | — | — | — | 41,413 |
| Emergency Subfund | 48,551 | — | — | — | 48,551 |
| Seattle Streetcar | — | — | — | (3,582) | (3,582) |
| Capital and Continuing Programs | — | — | — | (55,649) | (55,649) |
| Total | \$ 317,134 | \$ 86,347 | \$ 105,418 | \$ 170,662 | \$ 679,561 |

^a Some amounts may have rounding differences with Balance Sheet.

(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, multiyear appropriations made for capital projects, grants, or endowments.

Table 2-1 APPROPRIATION CHANGES – GENERAL FUND
(In Thousands)

| | 2014 |
|---------------------------|---------------------|
| Annual Budget | \$ 1,350,449 |
| Carryovers | |
| Encumbrances | 3,059 |
| Continuing Appropriations | 94,276 |
| Intrafund Eliminations | (26,990) |
| Budget Revisions | 41,168 |
| Total Budget | \$ 1,461,962 |

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 multiyear 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 reappropriate any unexpended budget authority during the year. The City Council, with a three-fourths vote, may also increase appropriations. Emergency Subfund appropriations related to settlement of claims, emergency conditions, or laws enacted since the annual operating budget ordinance require approval by two-thirds of the City Council.

The City Budget Office may approve the transfer of appropriations. Beginning in 2003 the following restrictions to budget transfers within a budget year were imposed by ordinance. Total budget transfers into a budget control level may not exceed 10 percent of its original budgeted allowance, and in no case may they be greater than \$500 thousand. Total transfers out may not exceed 25 percent of the original budgeted allowance. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services. Budget figures consist of the adopted annual budget, which includes appropriation carryovers from previous years, and any revisions adopted by ordinance during the year. The budgetary basis is substantially the same as the accounting basis in all governmental fund types except for the treatment of encumbrances that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year, and are included with expenditures.

DEFICITS IN FUND BALANCES AND NET POSITION

The Downtown Parking Garage Fund reported a net position deficit of \$26.6 million at December 31, 2014, a decrease of \$44 thousand from the prior year. This is attributed to the insufficiency of revenues to fully cover its operating expenses, including annual depreciation charge of \$2.0 million and interest expenses on debt service of \$2.9 million. The fund was provided interfund loan of \$6.5 million to cover negative cash at the end of December 31, 2014 compared to \$5.1 million in 2013. Ordinance 124123 authorizing a cash loan of no more than \$5.0 million was amended with Ordinance 124348 to increase the cash loan authority to \$9.5 million that may be provided to Downtown Parking Garage Fund to cover negative cash. The City's Facilities Operating Division is evaluating ways to increase revenues and decrease expenses to resolve the ongoing condition. However, we expect the negative fund equity position will continue because operating revenues were not intended to cover depreciation expense.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.6 million as of December 31, 2014. The fund was created by ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the authorized interfund 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 Central Waterfront Improvement Fund had deficit fund balance of \$19.4 million as of December 31, 2014. Ordinance 123142 created this fund with specific intent that multiple partnerships, 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 interfund loan from the City's Consolidated Residual Cash Pool to \$31.2 million. This loan is to be repaid no later than December 31, 2016 from grants, donations, transfers and other monies as authorized by ordinance.

The Alaskan Way Viaduct Seawall Construction Fund had a deficit fund balance of \$35.4 million as of December 31, 2014. This fund was created by Ordinance 124125 authorizing the issuance of and sale of unlimited tax general obligation bonds and bond anticipation notes, and authorizing the loan of funds 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, as authorized at the November 6, 2012 election. In addition, Ordinance 124125 authorized an interfund loan of up to \$29.0 million which was amended to \$85.0 million by Ordinance 124745. This loan shall be repaid no later than December 31, 2018 from the issuance of the unlimited tax general obligation bonds.

The 2015 Multipurpose LTGO Bond Fund had a deficit fund balance of \$704 thousand at December 31, 2014. Ordinance 124631 authorized a loan through the City's Consolidated Cash Pool of \$2.0 million for bridge financing of the Golf Master Plan implementation project. The loan is to be repaid with proceeds from the sale of 2015 limited tax general obligation bonds and is to be repaid no later than December 31, 2015.

(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, 2014, 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, 2014, 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 of the City's investments in the City's name. As of December 31, 2014, the City's investment pool held the following investments.

Table 3-1

**INVESTMENTS AND MATURITIES
TREASURY RESIDUAL POOLED INVESTMENTS
(In Thousands)**

| Investments | Fair Value as of December 31, 2014 | Weighted Average Maturity (Days) |
|--|---------------------------------------|-------------------------------------|
| Repurchase Agreements | \$ 73,812 | 2 |
| U.S. Treasury and U.S. Government-Backed Securities | 252,188 | 800 |
| U.S. Government Agency Securities | 550,290 | 1,208 |
| U.S. Government Agency Mortgage-Backed Securities | 171,390 | 2,054 |
| Commercial Paper | 319,418 | 44 |
| Municipal Bonds | 227,248 | 976 |
| Non-negotiable CD | 30,000 | 30 |
| Total | \$ 1,624,346 | |
| Weighted Average Maturity of the City's Pooled Investments | | 894 |

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. The City's investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years which mitigates interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City mitigates credit risk in many ways as described below.

By state statute the City may purchase only eligible investments as authorized by RCW 35.39, 39.58, 39.59, 39.60, 43.84.080, 43.180.190 and 43.250. Eligible investments include but are not limited to: obligations of the U.S. government; obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government; obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve; banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the bankers' acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations; commercial paper adherent with policies and procedures of the State Investment Board regarding commercial paper (RCW 39.59.020(4), RCW 43.84.080(7)); certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; and obligations of the state of Washington or its political subdivisions. Non-U.S. government securities purchased must have the following ratings at the time of purchase: Securities backed by issuers with long-term credit ratings of Aaa, Aa1, and Aa2 by Moody's Investors Service; AAA, AA+, and AA by Standard & Poor's; and AAA, AA+, and AA by Fitch Ratings; and securities backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody's Investors Service; A1+ and A1 by Standard & Poor's; and F1+ and F1 by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). The City also invests in securities issued by U.S. government sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank. Material credit risk in the City's investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody's Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an "approved list" of commercial paper issuers based upon internal and external credit research. Finally, the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

Concentration Risk. Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 25 percent maximum allocation of the portfolio to certificates of deposit, with a 10 percent maximum allocation per bank; 25 percent maximum allocation of the portfolio to bankers' acceptances, with a 5 percent maximum per issuer; 25 percent maximum allocation of the portfolio to commercial paper, with a 5 percent maximum per issuer; and 25 percent maximum allocation of the portfolio to municipal securities, with a 5 percent maximum allocation per issuer. The City is not limited in its asset allocation to obligations of the following: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government. U.S. government agency collateralized mortgage obligations and pass-through securities combined are limited to a maximum asset allocation of 25 percent of the total portfolio without a maximum allocation per issuer.

Table 3-2 CONCENTRATION OF CREDIT RISK (In Thousands)

| Issuer | Fair Value | Percent of Total Investments |
|--|------------|------------------------------|
| Federal Home Loan Mortgage Corporation (Freddie Mac) | \$ 268,574 | 17% |
| Federal National Mortgage Association (Fannie Mae) | 249,772 | 15 |
| Federal Farm Credit Bank | 121,677 | 7 |
| Federal Home Loan Bank | 81,657 | 5 |

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, BNY Mellon, and not by the trading counterparty or the trading counterparty's trust department or agent. Additionally, the City mitigates counterparty risk by settling its trades delivery-versus-payment through the City's contractual custodial agent.

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. The City did not transact in Tri-Party repo during 2014.

By investment policy, the City maintains a list of approved securities dealers for transacting business. For repurchase agreements, the City transacts only with large primary dealers with investment grade credit ratings provided by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). 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.

Table 3-3 SCERS' INVESTMENTS (In Thousands)

| Investments | Amount |
|-----------------------------|--------------|
| U.S. Government Obligations | \$ 175,686 |
| Domestic Corporate Bonds | 181,903 |
| Other Fixed Income | 180,923 |
| Domestic Stocks | 743,020 |
| International Stocks | 590,548 |
| Real Estate | 243,558 |
| Alternative Investments | 106,759 |
| Total | \$ 2,222,397 |

Credit Risk. In accordance with its policy the Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments and applicable restrictions necessary for diversification and risk control. Managers do not have authority to depart from those guidelines.

SCERS' fixed income portfolio is primarily managed by four external money management firms. SCERS' investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

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

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|--|-------------------|----------------------------------|-------------------|------------------|-------------------|
| | | <1 | 1 - 5 | 6 - 10 | >10 |
| U.S. Government | | | | | |
| Treasuries, Notes, and Bonds | \$ 118,203 | \$ 20,440 | \$ 55,824 | \$ 31,535 | \$ 10,404 |
| Treasury Inflation-Protected Securities | 47,100 | 16,842 | 5,498 | 9,596 | 15,164 |
| Agencies | 5,432 | — | 2,339 | 869 | 2,224 |
| Municipal | 4,951 | 1,455 | 438 | 402 | 2,656 |
| Mortgage-Backed | | | | | |
| Government Pass-Throughs | 78,783 | 27,206 | — | 3,674 | 47,903 |
| Corporate Pass-Throughs | 12,958 | — | — | — | 12,958 |
| Government Collateralized Mortgage Obligations | 26,335 | 1,857 | 4,461 | 2,152 | 17,865 |
| Corporate | | | | | |
| Bonds | 112,564 | 55,500 | 25,801 | 16,668 | 14,595 |
| Asset-Backed | 11,243 | 3,155 | 3,240 | 2,674 | 2,174 |
| Private Placements | 58,095 | 1,939 | 15,196 | 13,495 | 27,465 |
| Foreign Sovereign | | | | | |
| Bonds | 62,847 | 20,389 | 3,846 | 18,548 | 20,064 |
| Total Portfolio | <u>\$ 538,511</u> | <u>\$ 148,783</u> | <u>\$ 116,643</u> | <u>\$ 99,613</u> | <u>\$ 173,472</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 | Standard and Poor's Rating | | | | | | | |
|---|----------------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------|-------------------|
| | AAA | AA | A | BBB | BB | B | CCC and Below | Not Rated |
| U.S. Government | | | | | | | | |
| Treasury Notes and Bonds | \$ — | \$ 99,993 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 18,209 |
| Treasury Inflation-Protected Securities | — | 30,259 | — | — | — | — | — | 16,842 |
| Agencies | — | 5,363 | — | — | — | — | — | 69 |
| Municipal | 858 | 1,185 | 1,453 | — | — | — | — | 1,455 |
| Mortgage-Backed | | | | | | | | |
| Government Pass-Throughs | — | 51,577 | — | — | — | — | — | 27,206 |
| Corporate Pass-Throughs | 2,333 | 564 | 1,966 | 1,503 | 21 | — | — | 6,572 |
| Government CMO's | — | 14,307 | 262 | 281 | 1 | — | 426 | 11,057 |
| Corporate | | | | | | | | |
| Bonds | 1,794 | 6,356 | 35,936 | 29,849 | 1,284 | — | — | 37,345 |
| Asset-Backed | 5,162 | 1,942 | 23 | — | — | 94 | 728 | 3,292 |
| Private Placements | 2,730 | 11,055 | 17,037 | 13,098 | 3,159 | 2,362 | 702 | 7,953 |
| Foreign Sovereign | | | | | | | | |
| Bonds | 2,580 | 2,199 | 4,724 | 2,141 | — | — | — | 51,203 |
| Total Portfolio | <u>\$ 15,457</u> | <u>\$ 224,800</u> | <u>\$ 61,401</u> | <u>\$ 46,872</u> | <u>\$ 4,465</u> | <u>\$ 2,456</u> | <u>\$ 1,856</u> | <u>\$ 181,203</u> |

Table 3-6 SCERS' ASSET ALLOCATION

| Asset Class | Actual | Target |
|---------------------------|---------------|---------------|
| Cash and Cash Equivalents | 2.7% | —% |
| Equities | | |
| Domestic | 32.9 | 25.0 |
| International | 25.3 | 26.0 |
| Fixed Income | 21.3 | 20.0 |
| Alternative | 7.3 | 16.0 |
| Real Estate | 10.5 | 13.0 |
| 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 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, 2014, SCERS has no credit risk exposure to borrowers; amounts owed to borrowers exceed the amount the borrower owes.

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

| Type of Securities Lent | 2014 | | 2013 | |
|-------------------------------|--------------------------------|------------------|--------------------------------|------------------|
| | Fair Values of Securities Lent | Collateral | Fair Values of Securities Lent | Collateral |
| U.S. Government and Agencies | \$ 2,616 | \$ 2,666 | \$ 14,906 | \$ 15,247 |
| U.S. Corporate Fixed Income | 1,504 | 1,535 | 1,461 | 1,503 |
| U.S. Equities | 12,104 | 12,520 | — | — |
| International Fixed Income | 219 | 225 | — | — |
| International Equity | 10,571 | 11,282 | — | — |
| Total Securities Lent | \$ 27,014 | \$ 28,228 | \$ 16,367 | \$ 16,750 |
| Collateral | 2014 | | 2013 | |
| Repurchase Agreements | \$ 24,690 | | \$ 13,052 | |
| Asset-Backed Securities | 1,110 | | 1,267 | |
| Payable/Receivable | 2,429 | | 2,431 | |
| Total Collateral | \$ 28,229 | | \$ 16,750 | |
| Fair Value of Collateral Held | \$ 25,229 | | \$ 13,595 | |

REVERSE REPURCHASE AGREEMENTS

RCW 35.39.030 and City investment policy allow the investment of City moneys in excess of current City needs in reverse repurchase agreements. However, at this time, the City does not engage itself in this type of investment strategy.

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

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

| | December 31 | December 31 |
|---------------------------------------|-------------------|------------------|
| | 2014 | 2014 |
| | Revenues | Receivables |
| Property Taxes | \$ 431,458 | \$ 8,758 |
| General Business and Occupation Taxes | 431,436 | 58,796 |
| Totals | \$ 862,894 | \$ 67,554 |

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 \$1.80 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2014. In addition, the levy included \$1.247 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2014 levy was \$3.05 per \$1,000 of assessed value. Not included in this total is the levy for Medic One/Emergency Medical Services, which was renewed by voters at election in November 2013 for collection in 2014 at \$0.335 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, 2014, as reported in the fund financial statements.

Table 4-2 DUE FROM AND TO OTHER FUNDS ^a
(In Thousands)

| Receivable Fund | Payable Fund(s) | Amount | |
|-------------------------------|------------------------------------|-------------------------|-----|
| General | Drainage and Wastewater | \$ 4,189 | |
| | Nonmajor Enterprise | 5 | |
| | Nonmajor Governmental | 3,646 | |
| | Internal Service | 168 | |
| | Fiduciary | 13 | |
| | Transportation | 54 | |
| | Light | 4,323 | |
| | Solid Waste | 903 | |
| | Water | <u>2,610</u> | |
| | Total General Fund | 15,911 | |
| Transportation | Drainage and Wastewater | 2,820 | |
| | Nonmajor Enterprise | 118 | |
| | General | 6,220 | |
| | Nonmajor Governmental | 34,715 | |
| | Internal Service | 30 | |
| | Light | 3,106 | |
| | Solid Waste | 4 | |
| | Water | <u>1,143</u> | |
| | Total Transportation Fund | 48,156 | |
| | Light | Drainage and Wastewater | 445 |
| General | | 117 | |
| Nonmajor Governmental | | 23 | |
| Internal Service | | 178 | |
| Transportation | | 243 | |
| Solid Waste | | 159 | |
| Water | | <u>316</u> | |
| Total Light Fund ^b | | 1,481 | |
| Water | | Drainage and Wastewater | 189 |
| | | General | 15 |
| | Nonmajor Governmental | 0 | |
| | Internal Service | 15 | |
| | Light | 527 | |
| | Solid Waste | <u>14</u> | |
| Total Water Fund | 760 | | |
| Low-Income Housing | Nonmajor Governmental | 300 | |
| | Light | <u>445</u> | |
| | Total Low-Income Housing Fund | 745 | |
| Solid Waste | Drainage and Wastewater | 40 | |
| | General | 5 | |
| | Internal Service | 4 | |
| | Light | 169 | |
| | Water | <u>27</u> | |
| | Total Solid Waste Fund | 245 | |
| Drainage and Wastewater | Nonmajor Enterprise | 18 | |
| | General | 15 | |
| | Nonmajor Governmental | 1 | |
| | Internal Service | 15 | |
| | Transportation | 136 | |
| | Light | 562 | |
| | Solid Waste | 1 | |
| | Water | <u>236</u> | |
| | Total Drainage and Wastewater Fund | 984 | |

Table 4-2 DUE FROM AND TO OTHER FUNDS ^a (continued)
(In Thousands)

| Receivable Fund | Payable Fund(s) | Amount | |
|------------------------------|-----------------------------------|-------------------------|-----|
| Nonmajor Governmental | Drainage and Wastewater | \$ 240 | |
| | General | 1,730 | |
| | Nonmajor Governmental | 1,925 | |
| | Internal Service | 1,549 | |
| | Fiduciary | — | |
| | Low-Income Housing | 579 | |
| | Transportation | 2,546 | |
| | Light | 404 | |
| | Solid Waste | 25 | |
| | Water | <u>26</u> | |
| | Total Nonmajor Governmental Funds | 9,024 | |
| | Fiduciary | General | 25 |
| | | Internal Service | 16 |
| | | Light | 109 |
| | | Total Fiduciary Funds | 150 |
| Nonmajor Enterprise | Drainage and Wastewater | 561 | |
| | General | 187 | |
| | Nonmajor Governmental | 39 | |
| | Internal Service | 2 | |
| | Transportation | 68 | |
| | Light | 44 | |
| | Solid Waste | 1 | |
| | Water | <u>1</u> | |
| | Total Nonmajor Enterprise Funds | 903 | |
| | Internal Service | Drainage and Wastewater | 734 |
| | | Nonmajor Enterprise | 194 |
| General | | 2,942 | |
| Nonmajor Governmental | | 1,996 | |
| Internal Service | | 96 | |
| Fiduciary | | 2 | |
| Transportation | | 1,061 | |
| Light | | 1,221 | |
| Solid Waste | | 92 | |
| Water | | <u>781</u> | |
| Total Internal Service Funds | | 9,119 | |
| Grand Total | <u>\$ 87,478</u> | | |

a Some amounts may have rounding differences with Balance Sheet or Statement of Net Position.
b Some amounts vary from the Statement of Net Position due to differential classification within the proprietary funds.

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 | 2015 UTGO Alaskan Way Viaduct Fund | \$ 15,000 |
| | Central Waterfront Improvement Fund | 16,610 |
| | Downtown Parking Garage Fund | 6,494 |
| Total City | | <u>\$ 38,104</u> |

The interfund loans for the Downtown Parking Garage, the 2015 UTGO Alaskan Way Viaduct Seawall Fund, and the Central Waterfront Improvement Fund have been approved by the City Council through ordinance. The 2015 UTGO Alaskan Way Viaduct Seawall Fund loan was approved by Ordinances 124125 and 124745 and is to be repaid no later than December 31, 2018 by the issuance of unlimited tax general obligation bonds. The Central Waterfront Improvement Fund loan was approved by Ordinances 123761, 124033, and 124345 and is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance. The Downtown Parking Garage's loan authorized by Ordinances 123694, 124123, and 124348 is to be repaid by December 31, 2015 either from operating revenues of the Garage or available General Fund resources.

Table 4-4 INTERFUND TRANSFERS (In Thousands)

| Transfers In | Transfers Out | | | | | Total |
|-----------------------|-----------------|------------------|---------------------|-----------------------|-------------------|-------------------|
| | General | Internal Service | Nonmajor Enterprise | Nonmajor Governmental | Transportation | |
| General Fund | \$ — | \$ 88 | \$ 11,512 | \$ 241,981 | \$ 69,000 | \$ 322,581 |
| Internal Service | 6,069 | — | — | — | — | 6,069 |
| Nonmajor Governmental | 1,394 | 213 | — | 25,184 | 120,540 | 147,331 |
| Transportation | — | — | — | 26,544 | — | 26,544 |
| Total Transfers | <u>\$ 7,463</u> | <u>\$ 301</u> | <u>\$ 11,512</u> | <u>\$ 293,709</u> | <u>\$ 189,540</u> | <u>\$ 502,525</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.

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 | | | | | |
| Housing Loan Guarantees | \$ 7,775 | \$ — | \$ 403,923 | \$ 44,135 | \$ 455,833 |
| Total Deferred Outflows of Resources | <u>\$ 7,775</u> | <u>\$ —</u> | <u>\$ 403,923</u> | <u>\$ 44,135</u> | <u>\$ 455,833</u> |
| Deferred Inflows of Resources | | | | | |
| Housing Loan Guarantees | \$ 7,775 | \$ — | \$ 403,993 | \$ 44,134 | \$ 455,902 |
| Property Taxes | 4,146 | 660 | 322 | 1,481 | 6,609 |
| Special Assessment | — | — | — | 11,489 | 11,489 |
| Total Deferred Inflows of Resources | <u>\$ 11,921</u> | <u>\$ 660</u> | <u>\$ 404,315</u> | <u>\$ 57,104</u> | <u>\$ 474,000</u> |

Housing Loan Guarantees

This balance represents the portfolio of all outstanding housing development loans made through the City's Office of Housing. The loan activity and the associated loan guarantees where recorded with the Low-Income Housing Fund, the Community Development Block Grant Program Funds, and directly within Office of Housing's operating fund. The deferred outflow and deferred inflow of resources are segregated on the balance sheets of the original funds that generated the activity. The deferred outflow of resources represents the loans issued and subject to ongoing use criteria. Although these loans are not expected to be repaid unless the property is sold or there is a change in purpose that would result in a contract default. A default due to compliance would generate a loan balance receivable for the City, and would immediately place a legal obligation on the City for repayment of the loan proceeds. This obligation is presented as the deferred inflow of resources. The result of a loan default scenario would have a net zero impact on the City's net position.

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 \$884 thousand, 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 \$161 thousand, 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 2014 total taxes outstanding of \$6.6 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.

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 | | | | |
| Housing Loan Guarantees | \$ 455,833 | \$ — | \$ — | \$ 455,833 |
| Debt Service | — | — | 419 | 419 |
| Total Deferred Outflows of Resources | \$ 455,833 | \$ — | \$ 419 | \$ 456,252 |
| Deferred Inflows of Resources | | | | |
| Housing Loan Guarantees | \$ 455,902 | \$ — | \$ — | \$ 455,902 |
| Property Taxes | 6,609 | — | (6,609) | — |
| Special Assessment | 11,488 | — | (1,226) | 10,262 |
| Total Deferred Inflows of Resources | \$ 473,999 | \$ — | \$ (7,835) | \$ 466,164 |

Business-Type Activities

Table 4-7 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES BUSINESS-TYPE ACTIVITIES (In Thousands)

| Deferred Outflows/Inflows of Resources | City Light | Seattle Public Utilities | | | Total |
|--|------------|--------------------------|-------------------------|-------------|------------|
| | | Water | Drainage and Wastewater | Solid Waste | |
| Deferred Outflows of Resources | | | | | |
| Charges on Advance Refunding | \$ 19,318 | \$ 18,914 | \$ 6,479 | \$ 3,146 | \$ 47,857 |
| Total Deferred Outflows of Resources | \$ 19,318 | \$ 18,914 | \$ 6,479 | \$ 3,146 | \$ 47,857 |
| Deferred Inflows of Resources | | | | | |
| Revenue Stabilization Account | \$ 89,355 | \$ 27,875 | \$ — | \$ 15,795 | \$ 133,025 |
| Regulatory Credits | 22,130 | — | — | — | 22,130 |
| Total Deferred Inflows of Resources | \$ 111,485 | \$ 27,875 | \$ — | \$ 15,795 | \$ 155,155 |

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 \$89.4 million and \$85.0 million for 2014 and 2013, respectively. For the Seattle Public Utilities the balance of the RSA was \$43.7 million and \$24.7 million for 2014 and 2013, 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 \$22.1 million and \$15.7 million for 2014 and 2013, respectively.

(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 streamflows, 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 in SCL 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:

| | Year 2014 | Aggregate Contract Amount | Aggregate Fair Value | Unrealized Gain (Loss) |
|-----------|-----------|---------------------------|----------------------|------------------------|
| Sales | \$ | 13.3 | \$ 11.9 | \$ 1.4 |
| Purchases | | — | — | — |
| Total | \$ | 13.3 | \$ 11.9 | \$ 1.4 |
| | Year 2013 | Aggregate Contract Amount | Aggregate Fair Value | Unrealized Gain (Loss) |
| Sales | \$ | 19.4 | \$ 22.4 | \$ (3.0) |
| Purchases | | 1.5 | 1.7 | 0.20 |
| Total | \$ | 20.9 | \$ 24.1 | \$ (2.8) |

Fair value measurements at December 31, 2014 and 2013 used an income valuation technique consisting of Kiodes Forward Curves and interest rates from HIS Global Insight that are used to calculate discount rates.

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 2014 and 2013. 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 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.

(6) CAPITAL ASSETS

Table 6-1 CHANGES IN CAPITAL ASSETS ^a
(In Thousands)

| | Restated Balance January 1 | Additions | Deletions | Balance December 31 |
|--|----------------------------------|-------------------|-------------------|------------------------|
| GOVERNMENTAL ACTIVITIES ^b | | | | |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 552,003 | \$ 20,395 | \$ 1,344 | \$ 571,054 |
| Construction in Progress | 383,859 | 313,486 | 140,134 | 557,211 |
| Other Capital Assets | 11,522 | 295 | — | 11,817 |
| Total Capital Assets Not Being Depreciated | 947,384 | 334,176 | 141,478 | 1,140,082 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Buildings and Improvements | 2,280,215 | 53,993 | 106 | 2,334,102 |
| Machinery and Equipment | 338,590 | 33,915 | 9,716 | 362,789 |
| Infrastructure | 1,790,329 | 50,274 | — | 1,840,603 |
| Other Capital Assets | 5,935 | 187 | — | 6,122 |
| Total Capital Assets Being Depreciated | 4,415,069 | 138,369 | 9,822 | 4,543,616 |
| Accumulated Depreciation | | | | |
| Buildings and Improvements | 692,971 | 57,705 | 14 | 750,662 |
| Machinery and Equipment | 212,177 | 33,707 | 9,530 | 236,354 |
| Infrastructure | 721,421 | 57,006 | — | 778,427 |
| Other Capital Assets | 1,966 | 1,215 | — | 3,181 |
| Total Accumulated Depreciation | 1,628,535 | 149,633 | 9,544 | 1,768,624 |
| Total Capital Assets Being Depreciated, Net | 2,786,534 | (11,264) | 278 | 2,774,992 |
| Governmental Activities Capital Assets, Net | \$ 3,733,918 | \$ 322,912 | \$ 141,756 | \$ 3,915,074 |

^a Some amounts may have rounding differences with Statement of Net Position.

^b 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.

Table 6-1 CHANGES IN CAPITAL ASSETS ^a (continued)
(In Thousands)

| | Restated Balance January 1 | Additions | Deletions | Balance December 31 |
|---|----------------------------------|-------------------|-------------------|------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 159,031 | \$ 3,654 | \$ — | \$ 162,685 |
| Construction in Progress | 345,097 | 493,743 | 303,266 | 535,574 |
| Other Capital Assets | 4,417 | 972 | 218 | 5,171 |
| Total Capital Assets Not Being Depreciated | 508,545 | 498,369 | 303,484 | 703,430 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Plant in Service, Excluding Land | 6,620,948 | 283,515 | 103,264 | 6,801,199 |
| Buildings | 60,131 | — | — | 60,131 |
| Machinery and Equipment | 14,820 | 33 | 88 | 14,765 |
| Other Capital Assets | 79,546 | 5,709 | 1,438 | 83,817 |
| Total Capital Assets Being Depreciated | 6,775,445 | 289,257 | 104,790 | 6,959,912 |
| Accumulated Depreciation | | | | |
| Plant in Service, Excluding Land | 2,554,614 | 187,012 | 105,140 | 2,636,486 |
| Buildings | 30,064 | 2,004 | — | 32,068 |
| Machinery and Equipment | 13,349 | 585 | 88 | 13,846 |
| Other Capital Assets | 2,225 | 2 | 668 | 1,559 |
| Total Accumulated Depreciation | 2,600,252 | 189,603 | 105,896 | 2,683,959 |
| Total Capital Assets Being Depreciated, Net | 4,175,193 | 99,654 | (1,106) | 4,275,953 |
| Business-Type Activities Capital Assets, Net | \$ 4,683,738 | \$ 598,023 | \$ 302,378 | \$ 4,979,383 |

^a Some amounts may have rounding differences with Statement of Net Position.

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

| | |
|---|-------------------|
| GOVERNMENTAL ACTIVITIES | |
| General Government | \$ 2,162 |
| Public Safety | 14,205 |
| Transportation | 59,157 |
| Economic Environment | 19 |
| Culture and Recreation | 39,490 |
| Subtotal | 115,033 |
| Capital assets held by internal service funds are charged to the various functions based on their usage of the assets | 34,600 |
| Total Governmental Activities | \$ 149,633 |
| BUSINESS-TYPE ACTIVITIES | |
| Light | \$ 112,350 |
| Water | 46,445 |
| Solid Waste | 7,026 |
| Drainage and Wastewater | 21,193 |
| Planning and Development | 512 |
| Parking Garage | 2,077 |
| Total Business-Type Activities | \$ 189,603 |

(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 2014 and 2013. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2014 and 2013.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$97.8 million and \$82.6 million at December 31, 2014 and 2013, respectively, have been recorded in the government-wide financial statements.

Internal Service Funds

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

| | 2014 | 2013 |
|-------------------------------------|-----------------|-----------------|
| Finance and Administrative Services | \$ 4,881 | \$ 4,148 |
| Information Technology | 1,741 | 1,737 |
| Totals | \$ 6,622 | \$ 5,885 |

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

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

| | 2014 | 2013 |
|--------------------------|------------------|------------------|
| Light | \$ 18,747 | \$ 17,512 |
| Water | 5,313 | 4,854 |
| Drainage and Wastewater | 5,071 | 4,524 |
| Solid Waste | 1,690 | 1,655 |
| Planning and Development | 3,081 | 3,015 |
| Totals | \$ 33,902 | \$ 31,560 |

PENSION TRUST FUNDS

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

| | 2014 | 2013 |
|---------------------------|---------------|---------------|
| Employees' Retirement | \$ 123 | \$ 127 |
| Firemen's Pension | 85 | 73 |
| Police Relief and Pension | 56 | 60 |
| Totals | \$ 264 | \$ 260 |

Table 9-9 of Note 9, Long-Term Debt, presents compensated absences in governmental activities and business-type activities in the aggregate and the amount estimated to be due within the year.

(8) LEASES

CAPITAL LEASES

The City leases certain office equipment under various capital lease agreements. The City's capital lease obligations and the related assets were recorded in the appropriate funds and government-wide financial statements. The net capital lease assets shown in the following table reflect those continuing to be financed through capital leases. The minimum capital lease payments reflect the remaining capital obligations on these assets.

Table 8-1 CAPITAL LEASES (In Thousands)

| Net Capital Lease Assets | Capital Assets Governmental Activities |
|--------------------------------|--|
| Machinery and Equipment | \$ 199 |
| Less Accumulated Depreciation | (99) |
| December 31, 2014 | \$ 100 |
| Minimum Capital Lease Payments | Long-Term Liabilities Governmental Activities |
| 2014 | \$ 123 |
| Total Minimum Lease Payments | 123 |
| Less Interest | (18) |
| Principal | \$ 105 |

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 \$5.1 million and \$4.6 million in 2014 and 2013 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 but was renewed for another five years with new expiration date of July 30, 2015. The renewed lease agreement requires a fixed rent of \$23,420 per month subject to increases on each July 1 beginning in 2011 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 \$307,910 and \$318,382 in 2014 and 2013, respectively. Rents are paid as they become due and payable.

The City leases office equipment under various non-cancelable long-term operating lease agreements. The minimum payments made for these operating leases totaled \$633,452 in 2014.

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 | Office of Art & Cultural Affairs | Department of Transportation | Total |
| 2015 | \$ 5,222 | \$ 314 | \$ 562 | \$ 33 | \$ 3 | \$ 5 | \$ 6,139 |
| 2016 | 3,833 | 320 | 562 | 23 | 3 | — | 4,741 |
| 2017 | 3,578 | 326 | 574 | 8 | 3 | — | 4,489 |
| 2018 | 2,408 | 333 | 572 | — | 2 | — | 3,315 |
| 2019 | 1,504 | 340 | 441 | — | — | — | 2,285 |
| 2020-2024 | 3,554 | 173 | 44 | — | — | — | 3,771 |
| Total | \$ 20,099 | \$ 1,806 | \$ 2,755 | \$ 64 | \$ 11 | \$ 5 | \$ 24,740 |

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:

| | Year Ending December 31, 2014 | |
|------------------------|-------------------------------|----------|
| | 2014 | 2013 |
| Minimum Rentals: | \$ 6,084 | \$ 4,487 |
| Less: Sublease Rentals | (57) | (57) |
| | \$ 6,027 | \$ 4,430 |

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 \$1,551,760 in 2014 and \$1,333,827 in 2013.

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 2014 and 2013 were: \$367,701 and \$365,844 for the Water Fund; \$100,237 and \$100,325 for the Drainage and Wastewater Fund, and \$199,195 and \$192,417 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

**Table 8-3 OPERATING LEASE COMMITMENTS
BUSINESS-TYPE ACTIVITIES
(In Thousands)**

| Year Ending December 31 | Minimum Payments | | | | | Total |
|-------------------------|------------------|----------|-----------------------|-------------|--|----------|
| | City Light | Water | Drainage & Wastewater | Solid Waste | | |
| 2015 | \$ 1,415 | \$ 363 | \$ 97 | \$ 195 | | \$ 2,070 |
| 2016 | 1,424 | 315 | 84 | 157 | | 1,980 |
| 2017 | 1,351 | 105 | 31 | 2 | | 1,489 |
| 2018 | 1,003 | 105 | 31 | — | | 1,139 |
| 2019 | 941 | 105 | 31 | — | | 1,077 |
| 2020 - 2024 | — | 74 | 5 | — | | 79 |
| 2025 - 2029 | — | 59 | — | — | | 59 |
| Total | \$ 6,134 | \$ 1,126 | \$ 279 | \$ 354 | | \$ 7,893 |

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)**

| | 2014 | 2013 |
|--|---------|---------|
| Non-City Property Occupied by City Departments | \$ 5.2 | \$ 5.1 |
| City-Owned Property Occupied by City Departments | 53.2 | 52.5 |
| City-Owned Property Leased to Non-City Tenants | 2.3 | 2.4 |
| Total | \$ 60.7 | \$ 60.0 |

Additionally, in 2014 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.8 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2014 the City recognized \$7.4 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(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 2014 was \$1.339 billion. The amount of bonds outstanding at December 31, 2014 was \$872.5 million. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2014.

In April 2014, the City issued the following series of General Obligation Bonds: (1) \$62.8 million LTGO Improvement Bonds, 2014. The bonds mature from November 2014 through May 2034 with an average coupon rate of 4.3 percent; (2) \$16.4 million UTGO Improvement Bonds, 2014, fully amortizing in December 2043 with an average coupon rate of 4.0 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 Seawall, North Precinct, Golf, South Park Bridge, Seattle Symphony, and various IT projects. In addition, the part of the 2014 LTGO bonds proceeds was used for the refunding of the 2002 special obligation bonds, series A & B, originally issued by Seattle Chinatown-International District Preservation and Development Authority.

City had no short-term general obligation debt at the end of 2014.

The following table presents the individual general obligation bonds outstanding as of December 31, 2014, and other relevant information on each outstanding bond issue.

| Name and Purpose of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Bond Issuance | Redemptions 2014 | To Date ^a | Bonds Outstanding December 31 |
|--|---------------|-------------------|-------------------------|---------------|------------------|----------------------|-------------------------------|
| LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED | | | | | | | |
| Deferred Interest Parking Garage, 1998, Series E | 11/12/98 | 12/15/01-14 | 4.714% | \$ 13,042 | \$ 697 | \$ 13,042 | \$ — ^b |
| Refunding, 2004 | 05/24/04 | 07/01/04-20 | 4.118 | 91,805 | 6,830 | 91,805 | — |
| Various Purpose and Refunding, 2005 | 03/23/05 | 08/01/05-28 | 4.167 | 129,540 | 6,385 | 85,390 | 44,150 |
| Various Purpose and Refunding, 2006 | 04/26/06 | 03/01/07-26 | 4.254 | 24,905 | 1,515 | 12,750 | 12,155 |
| Various Purpose and Refunding, 2007 | 05/02/07 | 10/01/07-28 | 4.251 | 95,550 | 4,070 | 19,575 | 75,975 |
| Various Purpose and Refunding, 2008 | 07/02/08 | 12/01/08-28 | 4.398 | 139,830 | 3,175 | 37,850 | 101,980 |
| Various Purpose and Refunding, 2009 | 03/25/09 | 11/01/09-05/01/34 | 3.574 | 99,860 | 12,895 | 52,755 | 47,105 |
| Improvement and Refunding, 2010, Series A ^b | 03/31/10 | 08/01/10-30 | 4.394 | 66,510 | — | — | 66,510 |
| Improvement and Refunding, 2010, Series B | 03/31/10 | 08/01/10-31 | 4.394 | 135,395 | 9,480 | 28,640 | 106,755 |
| Various Purpose, 2011 | 03/16/11 | 03/01/11-31 | 4.431 | 79,185 | 7,835 | 17,940 | 61,245 |
| Various Purpose and Refunding, 2012 | 05/16/12 | 09/01/12-32 | 4.603 | 75,590 | 3,005 | 5,765 | 69,825 |
| Improvement, 2013, Series A | 06/04/13 | 10/01/14-33 | 3.617 | 42,315 | 4,200 | 4,200 | 38,115 |
| Improvement and Refunding, 2013, Series B | 06/04/13 | 01/01/14-25 | 1.341 | 55,075 | 1,745 | 1,745 | 53,330 |
| Improvement and Refunding, 2014 | 04/10/14 | 11/1/14-05/1/2034 | 4.329 | 62,770 | — | — | 62,770 |
| Total Limited Tax General Obligation Bonds | | | | 1,111,372 | 61,832 | 371,457 | 739,915 |

Table 9-1 GENERAL OBLIGATION BONDS (continued) (In Thousands)

| Name and Purpose of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Bond Issuance | Redemptions 2014 | To Date ^a | Bonds Outstanding December 31 |
|--|---------------|---------------|-------------------------|---------------|------------------|----------------------|-------------------------------|
| UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED | | | | | | | |
| Refunding-Variou UTGO Bonds, 1998, Series A | 03/17/98 | 09/01/98-17 | 4.470% | \$ 53,865 | \$ 235 | \$ 53,070 | \$ 795 |
| Refunding, 2007 | 05/02/07 | 12/01/07-18 | 3.886 | 60,870 | 6,555 | 31,910 | 28,960 |
| Refunding-Variou UTGO Bonds, 2012 | 05/16/12 | 12/01/12-21 | 4.603 | 46,825 | 4,495 | 9,455 | 37,370 |
| Improvement, 2013 | 06/04/13 | 12/01/14-42 | 4.110 | 50,000 | 910 | 910 | 49,090 |
| Improvement, 2014 | 04/10/14 | 12/01/14-43 | 4.004 | 16,400 | — | — | 16,400 |
| Total Unlimited Tax General Obligation Bonds | | | | 227,960 | 12,195 | 95,345 | 132,615 |
| Total General Obligation Bonds | | | | \$1,339,332 | \$ 74,027 | \$466,802 | \$ 872,530 |

- a 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.
- b Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds. However, starting in fiscal year 2014, the subsidy payments have been reduced as a result of sequestration mandated by the U.S Congress. The subsidy cuts are expected to last through fiscal year 2024.

The requirements to amortize the general obligation bonds as of December 31, 2014, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

Table 9-2 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY GENERAL OBLIGATION BONDS (In Thousands)

| Year Ending December 31 | Governmental Activities | | Business-Type Activities | | Total |
|-------------------------|-------------------------|------------|--------------------------|-----------|--------------|
| | Principal | Interest | Principal | Interest | |
| 2015 | \$ 68,150 | \$ 35,177 | \$ 2,950 | \$ 2,823 | \$ 109,100 |
| 2016 | 68,030 | 32,392 | 3,280 | 2,676 | 106,378 |
| 2017 | 70,060 | 29,535 | 3,630 | 2,512 | 105,737 |
| 2018 | 68,920 | 26,463 | 4,010 | 2,331 | 101,724 |
| 2019 | 60,335 | 23,459 | 4,415 | 2,130 | 90,339 |
| 2020 - 2024 | 250,770 | 81,481 | 29,055 | 6,891 | 368,197 |
| 2025 - 2029 | 144,950 | 32,188 | 9,130 | 656 | 186,924 |
| 2030 - 2034 | 57,525 | 10,391 | — | — | 67,916 |
| 2035 - 2043 | 27,320 | 5,536 | — | — | 32,856 |
| Total | \$ 816,060 | \$ 276,622 | \$ 56,470 | \$ 20,019 | \$ 1,169,171 |

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 2014 was \$10.4 million. There were no new bond issues in 2014.

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 |
|---|---------------|---------------|-------------------------|---------------|-------------|----------|-------------------------------|
| | | | | | 2014 | To Date | |
| Local Improvement District No. 6750 Bonds, 2006 | 09/13/06 | 12/15/07-26 | 4.102 | \$ 21,925 | - | \$ 2,610 | \$ 10,395 |

Local Improvement District No. 6750 Assessment Collection Information

| Calendar/Fiscal Year End Dec. 31 | Assessment Installment Payments Billed ^a | Assessment Installment Payments Collected ^b | Unpaid Principal Balance of Assessments ^c | Assessment Installments that are Delinquent ^d |
|----------------------------------|---|--|--|--|
| 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 |

^a Represents installment payments due and billed in the current calendar year. Source: King County Report SLD270- "Current Install."
^b 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.
^c 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."
^d Represents cumulative amount of the principal portion of installment payments that were due and billed in any calendar year, but which remained unpaid at year-end. Source: King County Report SLD270 - "Delinquent Install."

The requirements to amortize the special assessments with governmental commitment as of December 31, 2014, 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 |
|-------------------------|-----------|----------|-----------|
| 2015 | \$ — | \$ 434 | \$ 434 |
| 2016 | — | 434 | 434 |
| 2017 | — | 434 | 434 |
| 2018 | — | 434 | 434 |
| 2019 | — | 434 | 434 |
| 2020 - 2024 | — | 2,169 | 2,169 |
| 2025 - 2026 | 10,395 | 868 | 11,263 |
| Total | \$ 10,395 | \$ 5,207 | \$ 15,602 |

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 \$2.0 million and \$0.2 million in principal and interest, respectively, in 2014. The outstanding balance on the notes at December 31, 2014, is \$14.6 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2014.

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 |
|-------------|-----------|----------|-----------|
| 2015 | \$ 1,912 | \$ 126 | \$ 2,038 |
| 2016 | 1,723 | 101 | 1,824 |
| 2017 | 1,519 | 78 | 1,597 |
| 2018 | 1,355 | 59 | 1,414 |
| 2019 | 1,275 | 45 | 1,320 |
| 2020 - 2024 | 4,438 | 84 | 4,522 |
| 2025 - 2029 | 1,725 | 22 | 1,747 |
| 2030 - 2031 | 632 | 2 | 634 |
| Total | \$ 14,579 | \$ 517 | \$ 15,096 |

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 2014 was approximately \$4.747 billion. The total outstanding amount at December 31, 2014, was \$3.543 billion. During 2014 an additional \$493.8 million of revenue bonds were issued.

On November 5, 2014, the City issued \$265.2 million Municipal Light and Power Improvement and Refunding Revenue Bonds (Parity) to advance refund \$125.0 million of the outstanding 2004 bond series and fund certain capital improvements and conservation programs for the City's light system. Also \$615 thousand was used to make a deposit to the Reserve Fund. Further discussion on the advance refunding is shown in the Advance and Current Refunding sections of this note.

The following table presents the individual revenue bonds outstanding as of December 31, 2014, and other pertinent information on each outstanding bond issue.

Table 9-6 REVENUE BONDS (In Thousands)

| Name and Purpose of Issue | Issuance Date | Maturity Dates | Effective Interest Rates | Bond Issuance | Redemptions | | Bonds Outstanding December 31 |
|---|---------------|----------------|--------------------------|---------------|-------------|-------------|-------------------------------|
| | | | | | 2014 | To Date | |
| MUNICIPAL LIGHT AND POWER (ML&P) BONDS | | | | | | | |
| 2004 Parity | 12/23/04 | 08/01/05-29 | 4.159 | \$ 284,855 | \$ 141,075 | \$ 284,855 | \$ — |
| 2008 Parity | 12/30/08 | 04/01/09-29 | 5.522 | 257,375 | 15,340 | 71,575 | 185,800 |
| 2010 Parity, Series A ^b | 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 | 43,730 | 130,460 | 466,410 |
| 2010 Parity, Series C ^c | 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 | 11,985 | 30,275 | 266,040 |
| 2011 Parity, Series B ^d | 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 | 4,755 | 8,525 | 284,755 |
| 2012 Parity, Series B, Refunding | 07/17/12 | 12/01/14 | 0.750 | 9,355 | 4,780 | 9,355 | — |
| 2012 Parity, Series C ^d | 07/17/12 | 06/01/33 | 0.586 | 43,000 | — | — | 43,000 |
| 2013 Parity | 07/09/13 | 07/01/43 | 4.051 | 190,755 | 3,025 | 3,025 | 187,730 |
| 2014 Parity | 11/05/14 | 09/01/44 | 3.098 | 265,210 | — | — | 265,210 |
| Total Light Bonds | | | | 2,441,915 | 224,690 | 538,070 | 1,903,845 |
| MUNICIPAL WATER BONDS | | | | | | | |
| 2003 Parity, Refunding | 05/12/03 | 09/01/03-33 | 4.083 | 271,320 | 1,940 | 257,040 | 14,280 |
| 2004 Parity | 10/25/04 | 09/01/05-34 | 4.580 | 84,750 | 1,960 | 84,750 | — |
| 2005 Parity, Refunding | 12/28/05 | 09/01/06-29 | 4.482 | 138,040 | 5,285 | 30,195 | 107,845 |
| 2006 Parity, Refunding | 10/23/06 | 02/01/08-37 | 4.424 | 189,970 | 5,110 | 26,930 | 163,040 |
| 2008 Parity, Refunding | 12/15/08 | 08/01/09-38 | 4.978 | 205,080 | 5,460 | 30,525 | 174,555 |
| 2010 Parity, Series A ^b | 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 | 5,290 | 23,660 | 58,100 |
| 2012 Parity, Refunding | 05/30/12 | 09/01/12-34 | 2.631 | 238,770 | 8,500 | 12,205 | 226,565 |
| Total Water Bonds | | | | 1,318,770 | 33,545 | 465,305 | 853,465 |
| MUNICIPAL DRAINAGE AND WASTEWATER BONDS | | | | | | | |
| 2004 Parity | 10/28/04 | 09/01/05-34 | 4.583 | 62,010 | 8,870 | 62,010 | — |
| 2006 Refunding | 11/01/06 | 02/01/07-37 | 4.423 | 121,765 | 20,630 | 42,280 | 79,485 |
| 2008 Parity | 04/16/08 | 06/01/09-38 | 4.830 | 84,645 | 1,640 | 8,925 | 75,720 |
| 2009 Parity, Series A ^b | 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 | 3,480 | 16,935 | 19,745 |
| 2012 Parity & Refunding | 06/27/12 | 09/01/12-42 | 3.327 | 222,090 | 4,945 | 13,860 | 208,230 |
| 2014 Parity & Refunding | 06/17/14 | 05/01/15-44 | 3.578 | 133,180 | — | — | 133,180 |
| Total Drainage and Wastewater Bonds | | | | 762,905 | 39,565 | 144,010 | 618,895 |
| SOLID WASTE BONDS | | | | | | | |
| 2007 Revenue & Refunding | 12/12/07 | 02/01/08-33 | 4.505 | 82,175 | 43,270 | 53,510 | 28,665 |
| 2011 Revenue | 06/22/11 | 08/01/12-36 | 4.227 | 45,750 | 1,080 | 2,890 | 42,860 |
| 2014 Revenue & Refunding | 06/12/14 | 05/01/15-39 | 3.337 | 95,350 | — | — | 95,350 |
| Total Solid Waste Bonds | | | | 223,275 | 44,350 | 56,400 | 166,875 |
| Total Utility Revenue Bonds | | | | \$4,746,865 | \$ 342,150 | \$1,203,785 | \$ 3,543,080 |

^a 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.
^b 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.
^c 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.
^d Issued as taxable New Clean Renewable Energy Bonds.

The requirements to amortize the revenue bonds as of December 31, 2014, 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 | |
| 2015 | \$ 104,915 | \$ 89,457 | \$ 35,015 | \$ 41,836 | \$ 18,215 | \$ 29,156 | \$ 4,895 | \$ 7,241 | \$ 330,730 |
| 2016 | 101,550 | 86,427 | 36,700 | 40,126 | 19,080 | 28,371 | 5,120 | 7,533 | 324,907 |
| 2017 | 102,770 | 81,316 | 38,450 | 38,333 | 20,000 | 27,530 | 5,355 | 7,299 | 321,053 |
| 2018 | 103,425 | 76,422 | 40,315 | 36,455 | 20,910 | 26,579 | 5,540 | 7,104 | 316,750 |
| 2019 | 100,245 | 71,413 | 42,335 | 34,485 | 21,905 | 25,550 | 5,815 | 6,827 | 308,575 |
| 2020 - 2024 | 500,905 | 281,587 | 228,435 | 139,105 | 116,050 | 111,342 | 31,395 | 29,748 | 1,438,567 |
| 2025 - 2029 | 358,120 | 166,086 | 211,160 | 83,296 | 132,560 | 81,114 | 40,200 | 21,114 | 1,093,650 |
| 2030 - 2034 | 208,675 | 100,781 | 137,235 | 40,170 | 124,065 | 48,641 | 46,010 | 10,238 | 715,815 |
| 2035 - 2039 | 208,595 | 49,359 | 76,730 | 11,947 | 102,350 | 21,464 | 22,545 | 2,495 | 495,485 |
| 2040 - 2044 | 114,645 | 10,783 | 7,090 | 418 | 43,760 | 4,192 | — | — | 180,888 |
| Total | \$ 1,903,845 | \$ 1,013,631 | \$ 853,465 | \$ 466,171 | \$ 618,895 | \$ 403,939 | \$ 166,875 | \$ 99,599 | \$ 5,526,420 |

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 and Wastewater Fund utilize 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, 2014, these loans have an outstanding balance of \$5.0 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, 2014, this loan has an outstanding balance of \$2.1 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, 2014, these loans have an outstanding balance of \$9.0 million.

Amounts paid for all loans in 2014 were \$1,124,987 in principal and \$223,823 in interest. Total loans outstanding as of December 31, 2014 are \$16.1 million. The minimum debt service requirements to maturity are included in Table 9-8.

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, 2014, this loan has an outstanding balance of \$2.0 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, 2014, the loan has an outstanding balance of \$2.1 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, 2014, the loan has an outstanding balance of \$2.2 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, 2014, the loan has an outstanding balance of \$5.7 million.

In 2009, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. Amounts borrowed under this agreement accrue interest at 2.9% per annum and are to be repaid by December 2020. As of December 31, 2014, the loan has an outstanding balance of \$0.4 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, 2014, the loan has an outstanding balance of \$3.6 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, 2014, the loan has an outstanding balance of \$1.9 million.

Amounts paid to all loans in 2014 were \$1,138,134 in principal and \$207,849 in interest. Total loans outstanding as of December 31, 2014 are \$17.8 million. The minimum debt service requirements to maturity are included in Table 9-8.

**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 | |
| 2015 | \$ 1,125 | \$ 209 | \$ 1,202 | \$ 202 | \$ 2,738 |
| 2016 | 1,125 | 194 | 1,212 | 191 | 2,722 |
| 2017 | 1,125 | 179 | 1,223 | 178 | 2,705 |
| 2018 | 1,125 | 163 | 1,235 | 164 | 2,687 |
| 2019 | 1,125 | 149 | 1,246 | 150 | 2,670 |
| 2020 - 2024 | 5,625 | 517 | 6,102 | 549 | 12,793 |
| 2025 - 2029 | 3,770 | 174 | 4,446 | 239 | 8,629 |
| 2030 - 2034 | 1,101 | 22 | 1,101 | 31 | 2,255 |
| Total | \$ 16,121 | \$ 1,607 | \$ 17,767 | \$ 1,704 | \$ 37,199 |

The following table shows the long-term liability activities during the year ended December 31, 2014.

**Table 9-9 CHANGES IN LONG-TERM LIABILITIES ^a
(In Thousands)**

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|------------|------------|-------------------|------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 809,060 | \$ 79,170 | \$ 72,170 | \$ 816,060 | \$ 68,150 |
| Issuance Premiums and Discounts, Net | 53,919 | 7,054 | 5,755 | 55,218 | — |
| Special Assessment Bonds with Governmental Commitment ^b | 13,005 | — | 2,610 | 10,395 | — |
| Total Bonds Payable | 875,984 | 86,224 | 80,535 | 881,673 | 68,150 |
| Notes and Contracts | | | | | |
| Capital Leases | 2 | 103 | — | 105 | 31 |
| Other Notes and Contracts | 16,631 | — | 2,051 | 14,580 | 1,912 |
| Total Notes and Contracts | 16,633 | 103 | 2,051 | 14,685 | 1,943 |
| Environmental Liability ^c | | | | | |
| General Contamination Cleanup | 934 | — | 246 | 688 | — |
| Compensated Absences | 88,786 | 15,657 | — | 104,443 | 23,365 |
| Claims Payable | | | | | |
| Workers' Compensation | 28,174 | 4 | — | 28,178 | 8,085 |
| General Liability | 44,775 | 6,235 | — | 51,010 | 10,776 |
| Health Care Claims | 3,027 | 440 | — | 3,467 | — |
| Total Claims Payable ^d | 75,976 | 6,679 | — | 82,655 | 18,861 |
| Arbitrage Rebate Liability | 12 | — | 2 | 10 | — |
| Unfunded Other Post Employment Benefits | 74,172 | 12,872 | — | 87,044 | — |
| Other Noncurrent Liabilities | 216 | 3,575 | — | 3,791 | — |
| Total Long-Term Liabilities from Governmental Activities | \$ 1,132,713 | \$ 125,110 | \$ 82,834 | \$ 1,174,989 | \$ 112,319 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 58,327 | \$ — | \$ 1,857 | \$ 56,470 | \$ 2,950 |
| Revenue Bonds | 3,391,490 | 493,740 | 342,150 | 3,543,080 | 163,040 |
| Issuance Premiums and Discounts, Net | 215,007 | 34,388 | — | 249,395 | — |
| Total Bonds Payable | 3,664,824 | 528,128 | 344,007 | 3,848,945 | 165,990 |
| Notes and Contracts - Other | 35,606 | — | 1,717 | 33,889 | 2,326 |
| Environmental Liability ^c | | | | | |
| General Contamination Cleanup | 120,759 | — | 243 | 120,517 | 25,831 |
| Compensated Absences | 31,560 | 2,343 | — | 33,903 | 3,360 |
| Claims Payable | | | | | |
| Workers' Compensation | 10,774 | — | 37 | 10,737 | 3,100 |
| General Liability | 15,294 | 665 | — | 16,959 | 4,372 |
| Total Claims Payable ^d | 26,068 | 665 | 37 | 27,696 | 7,472 |
| Unearned Revenues | 20,687 | 2,857 | — | 23,544 | — |
| Habitat Conservation Program Liability | 6,230 | 1,401 | 0 | 7,631 | 1,138 |
| Landfill Closure and Postclosure Costs | 16,961 | — | 907 | 16,054 | 1,064 |
| Unfunded Other Post Employment Benefits | 14,770 | 437 | — | 15,207 | — |
| Other Noncurrent Liabilities | 3,261 | — | 1,977 | 1,284 | — |
| Total Long-Term Liabilities from Business-Type Activities | \$ 3,940,726 | \$ 535,831 | \$ 348,888 | \$ 4,128,670 | \$ 207,181 |

^a Some amounts may have rounding differences with the Statement of Net Position.

^b The Special Assessment Bonds carry neither premiums nor discounts.

^c See Note 10, Environmental Liabilities for a detailed discussion.

^d See Note 16, 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'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 \$3.2 million and \$2.0 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 Planning and Development (DPD) for general liability. The General Fund pays for DPD'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 15, 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 refundings that occurred in 2014.

General Government

There was no refunding in 2014.

City Light

The Department issued \$265.2 million of revenue and refunding bonds, which provided both new money to the Department and advance refund \$125.4 million of the outstanding 2004 bond series. In addition to advance refunding a portion of the 2004 bond series, the Bonds were issued to finance certain capital improvements and conversation programs for the Light System of the City of Seattle and to make a deposit to the Reserve fund.

The refunding resulted in the recognition of a loss on refunding of \$1.3 million, and the economic gain totaled \$19.0 million at net present value. The arbitrage yield for the bonds is 2.58 percent. The debt service for the 2014 bonds requires a cash flow over the life of the bonds of \$414.4 million, including \$149.2 million in interest. The difference between the cash flows required to service the old and new debt and to complete the refunding totaled \$20.5 million.

Solid Waste

The Department issued \$95.4 million of revenue and refunding bonds, of which \$40.9 million was used to refund the 2007 bond series. Additionally, the Bonds were issued to finance certain capital projects as well as scheduled principal payments for existing bond debt.

The refunding resulted in an economic gain of \$2.3million and reduced the total debt service requirements by \$2.5 million.

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 | Amount Transferred To Trustee | Trustee Redemptions To Date 2014 | Defeased Outstanding December 31 |
|---|---------------|---------------|-------------------------|------------------------|-------------------------------|----------------------------------|----------------------------------|
| GENERAL OBLIGATION BONDS | | | | | | | |
| Limited Tax (Non-Voted) | | | | | | | |
| Refunding, 2004, Refunded 6/4/13 | 05/24/04 | 07/01/04-20 | 4.118 | \$ 91,805 | \$ 42,565 | \$ 42,565 | \$ — |
| Various Purpose and Refunding, 2005, Refunded 5/16/12 | 3/23/2005 | 08/01/05-28 | 4.603 | 129,540 | 20,160 | — | 20,160 |
| REVENUE BONDS | | | | | | | |
| Municipal Light and Power | | | | | | | |
| 2004 Parity, Refunded 7/17/12 | 12/23/04 | 08/01/05-29 | 4.230 | 284,855 | 166,770 | 166,770 | — |
| Municipal Water | | | | | | | |
| 2004 Parity, Refunded 5/30/12 | 10/25/04 | 09/01/05-34 | 4.580 | 84,750 | 68,125 | 68,125 | — |
| Municipal Drainage and Wastewater | | | | | | | |
| 2004 Parity, Refunded 6/27/12 | 10/28/04 | 09/01/05-34 | 4.583 | 62,010 | 49,950 | 49,950 | — |
| 2006 Parity | 11/01/06 | 02/01/07-37 | 4.423 | 121,765 | 16,330 | — | 16,330 |
| Municipal Solid Waste | | | | | | | |
| 2007 Parity | 12/12/07 | 02/01/08-33 | 4.505 | 82,175 | 40,855 | — | 40,855 |
| Total Refunded/Defeased Bonds | | | | <u>\$ 856,900</u> | <u>\$ 404,755</u> | <u>\$ 327,410</u> | <u>\$ 77,345</u> |

ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$19 thousand on its general obligation bonds in 2011 and none in 2012, 2013 and 2014 respectively. As of December 31, 2014, arbitrage rebate liability on general obligation bonds and revenue bonds are \$10 thousand and none, respectively.

(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 EPA approved the remedial investigation report. The feasibility study is anticipated to be completed by 2016. 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. 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. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway Superfund Site for public comment. The remaining scope of cleanup by potentially responsible parties has been decided by the EPA in the 2014 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 selected an allocator. The development of the allocation process agreement is ongoing. Parties participating in the allocation process will share the cost of the allocator and the process.

The City is 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 City's ultimate liability is indeterminate for Terminal 117.

- 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 scheduled for 2015. 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 two 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. One set of remedial investigation and feasibility study reports include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the second remedial investigation is expected to be completed in 2015 followed by the feasibility study in late 2015. A Clean-up Action Plan is expected from the DOE in about 2016.
- South Park. 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. DOE approved an interim cleanup action by the developer on his portion of site property. That cleanup is expected to be 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 asked DOE to approve an interim cleanup on its portion of the site property and awaits DOE's decision about that 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 City's estimate for realized recoveries was \$0.8 million and \$0.1 million, at December 31, 2014 and 2013, 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, 2014 and 2013, respectively.

The changes in the provision for environmental liability (in millions) at December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|--|-----------------|-----------------|
| Beginning Environmental Liability, Net of Recovery | \$ 121.7 | \$ 115.7 |
| Payments or Amortization | (8.5) | (4.9) |
| Incurred Environmental Liability | 8.0 | 10.9 |
| Ending Environmental Liability, Net of Recovery | <u>\$ 121.2</u> | <u>\$ 121.7</u> |

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2014 and 2013, is as follows:

| | 2014 | 2013 |
|-------------------------------------|-----------------|-----------------|
| Environmental Liability, Current | \$ 25.8 | \$ 17.1 |
| Environmental Liability, Noncurrent | 95.4 | 104.6 |
| Total | <u>\$ 121.2</u> | <u>\$ 121.7</u> |

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

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

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.

Table 11-1 PENSION PLAN INFORMATION

| | Employees' Retirement | Firemen's Pension | Police Relief and Pension | LEOFF Plan 1 | LEOFF Plan 2 |
|---|-------------------------|-----------------------|---------------------------|--|--|
| Actuarial Valuation Date | 1/1/2014 | 1/1/2014 | 1/1/2014 | 6/30/2013 | 6/30/2013 |
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age | Frozen Initial Liability | Aggregate ^a |
| Asset Valuation Method | 5-Year Smoothing Method | Fair Value | Fair Value | 8-Year Graded Smoothed Fair Value ^b | 8-Year Graded Smoothed Fair Value ^b |
| Amortization | | | | | |
| Method | Level % | Level \$ ^c | Level \$ | Level % ^c | N/A |
| Period | 30.0 years | 30.0 years | 30.0 years | 12.0 years | N/A |
| Remaining Period | 29.0 years | | 23.0 years | 11.0 years | |
| Approach | Closed | Open | Closed | Closed | Open |
| Actuarial Assumptions | | | | | |
| Inflation Rate (CPI) | 3.25% | 2.50% ^d | 2.50% ^d | 3.00% | 3.00% |
| Investment Rate of Return | 7.50% | 5.25% | 3.75% | 7.80% | 7.50% |
| Projected Salary Increases - General | 4.00% | 3.00% ^d | 3.00% ^d | 3.75% | 3.75% |
| Projected Salary Increases - Step Merit | N/A | N/A | N/A | Varies ^e | Varies ^e |
| Postretirement Benefit Increases | 1.50% | 2.50% ^f | 2.50% ^f | 3.00% | 3.00% |

^a The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

^b The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last eight years or, if fewer, the completed years since adoption.

^c Funding is Level %; Amortization is Level \$.

^d Long-term assumption; 2015 and beyond

^e For specific information, please refer to the 2014 Actuarial Valuation Report issued by the Washington Office of the State Actuary.

^f Other post benefits increase at the same rate as the CPI and the CPI is assumed to increase in the loan term at the rate of 2.5% per annum.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Seattle City Employees' Retirement System (SCERS) is a single-employer defined-benefit public employee retirement system established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36.

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, 2014:

| | |
|--|-------|
| Retirees and Beneficiaries Receiving Benefits | 6,020 |
| Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested | 1,188 |
| Active Plan Members, Vested and Non-vested | 8,746 |

SCERS provides retirement, death, and disability benefits. 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.

Summary of Significant Accounting Policies

Basis of Accounting

The Seattle City Employees' Retirement System is accounted for as a pension trust fund. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting as discussed in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Investments, including securities lending transactions as discussed in Note 3, are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real estate and private equity, are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is based on estimated current values and independent appraisals. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. 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 actuarial valuations.

Contribution rates for 2013 were 10.03 percent for members and 12.89 percent for the employer. Plan member and employer contributions for 2013 are \$60,342,581 and \$77,073,667 respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

Historically, actuarial studies for SCERS were determined through biennial actuarial valuations. Beginning in 2010, actuarial studies are performed annually. The valuation date of the latest study is January 1, 2014, and covers calendar year 2013. Based on this valuation, the Actuarial Value of Assets (AVA) is \$2.094 billion; the Actuarial Accrued Liability (AAL) is \$3.260 billion; the Unfunded Actuarial Accrued Liability (UAAL) is \$1.166 billion; and the Funded Ratio was 64.2 percent.

An actuarial study with valuation date of January 1, 2015, is presently underway, and expected to be available at the Retirement Office after July 1, 2015.

The three-year trend information (in thousands) is presented directly below. The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for years ending 2013 and 2012 are presented in Table 11-2.

| Fiscal Year Ending December 31 | Annual Pension Cost (APC) | Total Employer Contribution | Percentage of APC Contributed | Net Pension Obligation (NPO) |
|--------------------------------|---------------------------|-----------------------------|-------------------------------|------------------------------|
| 2011 | \$72,346 | \$50,301 | 70% | \$(7,122) |
| 2012 | 67,062 | 62,515 | 93 | (2,575) |
| 2013 | 83,770 | 77,074 | 92 | 4,121 |

Annual pension cost (APC) and net pension obligation (NPO) (in thousands) were:

| Fiscal Year Ending December 31 | Annual Required Contribution (ARC) at End of Year | Interest on NPO | ARC Adjustment | Annual Pension Cost (APC) | Total Employer Contributions | Change in NPO | NPO Beginning Balance | NPO Ending Balance |
|--------------------------------|---|-----------------|----------------|---------------------------|------------------------------|---------------|-----------------------|--------------------|
| 2013 | \$ 83,830 | \$ (199) | \$ 139 | \$ 83,770 | \$ 77,074 | \$ 6,696 | \$ (2,575) | \$ 4,121 |

Seattle City Employees' Retirement System's net pension asset decreased from a net asset of \$2.6 million to a net obligation of \$4.1 million, a decrease of \$6.7 million as calculated in the following table.

Table 11-2 ANNUAL PENSION COST AND NET PENSION OBLIGATION SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM For the Year Ended December 31, 2013 (In Thousands)

| | 2013 | 2012 |
|---|------------|-------------------|
| Total Normal Cost Rate | 14.95% | 14.99% |
| Employee Contribution Rate | 10.03 | 10.03 |
| Employer Normal Cost Rate | 4.92 | 4.96 |
| Total Employer Contribution Rate a | 12.89% | 11.01% |
| Amortization Payment Rate | 7.97 | 6.05 |
| Amortization Period (Year) | 38 years | Does Not Amortize |
| GASB 27 Amortization Rate | 9.10 | 6.88 |
| Total Annual Required Contribution (ARC) Rate b | 14.02 | 11.84 |
| Covered Employee Payroll c | \$ 597,934 | \$ 567,806 |
| ARC | 83,830 | 67,228 |
| Interest on Net Pension Obligation (NPO) | (199) | (552) |
| Adjustment to ARC | 139 | 385 |
| Annual Pension Cost (APC) | \$ 83,770 | \$ 67,062 |
| Employer Contribution | \$ 77,074 | \$ 62,515 |
| Change in NPO | \$ 6,696 | \$ 4,547 |
| NPO at Beginning of Year | (2,575) | (7,122) |
| NPO at End of Year | \$ 4,121 | \$ (2,575) |

- a Beginning with the January 1, 2013 actuarial valuation report, GASB calculations take into account the lag between determination of the actuarial contribution rate and the date of expected contribution rate. For example, the January 1, 2011 valuation calculates the contribution rate beginning January 1 2012. The change was made due to SCER's new funding policy, adopted in 2011, to contribute the actuarially determined contribution rate.
- b If the amortization period determined by the actual contribution rate exceeds the maximum amortization period required by GASB Statement No. 27, the ARC is determined using an amortization of the funding excess over 30 years.
- c Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date.

The funded status of the Plan as of the latest valuation study is presented below (in thousands). The Required Supplementary Information section, C-4, Pension Plan Information Schedule of Funding Progress, 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 |
|---------------------------|---|---------------------|--------------|-----------------|---------------------------------------|
| \$ 2,094,300 | \$ 3,260,100 | \$ 1,165,800 | 64.2% | \$ 597,934 | 195.0% |

Authority to change benefit and contribution rates rests with the City Council. City ordinance does not permit a reduction in the employer contribution rate to less than the employee rate. Trend information on SCERS employer contribution is shown in the Required Supplementary Information section, C-5.

The City's contracts with all labor unions that represent members of SCERS describe how contribution rates would be changed in the event higher contributions are needed to improve the financial status of the Employees' Retirement Fund. If a contribution rate increase is needed, the City intends to apply the same formula to non-represented employees. As described in Seattle Municipal Code 4.36.110, the City will match the match the normal contributions made by members. The City will also contribute, in excess of these matching contributions, the actuarially determined contributions necessary to guarantee benefits payable.

FIREMEN’S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

The Firemen’s Pension and the Police Relief and Pension Funds are single-employer defined-benefit pension plans that were established by the City in compliance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20.

Since the effective date of the state LEOFF on March 1, 1970, no payroll for employees was covered under these pension plans, and the primary liability for pension benefits for these plans shifted from the City to the state LEOFF. However, the City was still liable for all benefits in pay status at that time plus any future benefits payable to active law enforcement officers and fire fighters on March 1, 1970, under the old City plan in excess of current LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan when payment begins. However, LEOFF retirement benefits increase with the consumer price index (CPI - Seattle) while some City benefits increase with wages of current active members. If wages go up faster than the CPI, the City becomes liable for this residual amount. Due to this leveraging effect, projection of the City of Seattle’s liabilities is especially sensitive to the difference between wage and CPI increase assumptions.

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 829 fire and 739 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 \$9.6 million in 2014 and \$9.9 million in 2013; and for Police Relief and Pension, \$11.5 million in 2014 and \$12.0 million in 2013.

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, 2014:

| | Firemen’s Pension | Police Relief and Pension |
|--|-------------------|---------------------------|
| Retirees and Beneficiaries Receiving Benefits | 726 | 748 |
| Terminated Plan Members Entitled To But Not Yet Receiving Benefits | — | — |
| Active Plan Members, Vested | 23 | 13 |
| Active Plan Members, Non-vested | — | — |

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

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.

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, 2015, which reflects the 2014 fiscal year information, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2015.

Three-year trend information (in thousands) for the Firemen’s Pension and the Police Relief and Pension Funds as of the January 1, 2014, 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 | 2011 | \$ 7,333 | 113% | \$ (6,652) |
| | 2012 | 7,491 | 138 | (9,479) |
| | 2013 | 5,100 | 120 | (10,564) |
| Police Relief and Pension Fund | 2011 | 8,537 | 131 | (2,825) |
| | 2012 | 6,956 | 120 | (4,184) |
| | 2013 | 6,499 | 109 | (4,790) |

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 | \$ 12,731 | \$ 84,344 | \$ 71,613 | 15.0% | N/A | N/A |
| Police Relief and Pension Fund | 3,202 | 92,615 | 89,413 | 3.0 | 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 \$9.8 million as of December 31, 2013. 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, 2013, based on the actuarial valuation as of January 1, 2014, was \$84.3 million for Firemen's Pension and \$92.6 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section, C-5.

The net pension obligation of the Firemen's Pension Fund is a \$10.5 million net pension asset at December 31, 2013. The net pension obligation of the Police Relief and Pension Fund is a \$4.8 million net pension asset at December 31, 2013.

Table 11-3 ANNUAL PENSION COST AND NET PENSION OBLIGATION FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS For the Year Ended December 31, 2013 (In Thousands)

| | Firemen's Pension | | | Police Relief and Pension | | |
|--|-------------------|------------|------------|---------------------------|------------|------------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Annual Required Contribution (ARC) | | | | | | |
| Annual Normal Cost - Beginning of Year | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Amortization of UAAL - Beginning of Year | 5,054 | 7,103 | 6,940 | 6,167 | 6,630 | 8,206 |
| Interest to End of Year a | 189 | 284 | 278 | 231 | 265 | 328 |
| ARC at End of Year | 5,243 | 7,387 | 7,218 | 6,398 | 6,895 | 8,534 |
| Interest on NPO | (355) | (266) | (229) | (156) | (113) | (7) |
| Adjustment to ARC | 512 | 370 | 344 | 257 | 174 | 10 |
| Annual Pension Cost (APC) | 5,400 | 7,491 | 7,333 | 6,499 | 6,956 | 8,537 |
| Employer Contribution b | 6,485 | 10,318 | 8,262 | 7,105 | 8,315 | 11,195 |
| Change in NPO | (1,085) | (2,827) | (929) | (606) | (1,359) | (2,658) |
| NPO at Beginning of Year | (9,479) | (6,652) | (5,723) | (4,184) | (2,825) | (167) |
| NPO at End of Year | \$ (10,564) | \$ (9,479) | \$ (6,652) | \$ (4,790) | \$ (4,184) | \$ (2,825) |

a Represents the assumed interest rate that year: 4.0% in 2012, 3.75% in 2013. The interest is net of investment expenses.
 b Beginning in 2009, administrative expenses paid by the fund are subtracted from employer contributions.

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2014.

Table 11-4 STATEMENT OF FIDUCIARY NET POSITION FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS December 31, 2014 (In Thousands)

| | Firemen's Pension | Police Relief and Pension | 2014 | 2013 |
|---|-------------------|---------------------------|-----------|-----------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 6,559 | \$ 5,206 | \$ 11,765 | \$ 11,232 |
| Investments at Fair Value | | | | |
| Domestic Stocks | 7,844 | — | 7,844 | 6,923 |
| Government and Other | 429 | — | 429 | — |
| Receivables | | | | |
| Due from Other Funds | — | — | — | 0 |
| Other | 410 | 480 | 890 | 748 |
| Interest and Dividends | 6 | — | 6 | 6 |
| Total Receivables | 416 | 480 | 896 | 754 |
| Total Assets | 15,248 | 5,686 | 20,934 | 18,909 |
| LIABILITIES | | | | |
| Accounts Payable and Other Liabilities | 506 | 585 | 1,091 | 2,976 |
| Total Liabilities | 506 | 585 | 1,091 | 2,976 |
| Net Position Held in Trust for Pension Benefits | \$ 14,742 | \$ 5,101 | \$ 19,843 | \$ 15,933 |

**Table 11-5 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Defined Benefit | | Postemployment Healthcare | | 2014 | 2013 |
|--|-------------------|---------------------------|---------------------------|---------------------------|-----------|-----------|
| | Firemen's Pension | Police Relief and Pension | Firemen's Pension | Police Relief and Pension | | |
| ADDITIONS | | | | | | |
| Contributions Employer | \$ 7,588 | \$ 9,188 | \$ 9,567 | \$ 11,533 | \$ 37,876 | \$ 36,010 |
| Investment Income | | | | | | |
| From Investment Activities | | | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 938 | — | — | — | 938 | (49) |
| Interest | 36 | — | — | — | 36 | 66 |
| Dividends | 138 | — | — | — | 138 | 36 |
| Total Net Investment Income | 1,112 | — | — | — | 1,112 | 53 |
| Other Income | 1,439 | 688 | — | — | 2,127 | 1,517 |
| Total Additions | 10,139 | 9,876 | 9,567 | 11,533 | 41,115 | 37,580 |
| DEDUCTIONS | | | | | | |
| Benefits | 7,579 | 7,499 | 9,567 | 11,533 | 36,178 | 38,060 |
| Administrative Expense | 550 | 477 | — | — | 1,027 | 1,155 |
| Total Deductions | 8,129 | 7,976 | 9,567 | 11,533 | 37,205 | 39,215 |
| Change in Net Position | 2,010 | 1,900 | — | — | 3,910 | (1,635) |
| Net Position - Beginning of Year | 12,731 | 3,202 | — | — | 15,933 | 17,568 |
| Net Position - End of Year | \$ 14,741 | \$ 5,102 | \$ — | \$ — | \$ 19,843 | \$ 15,933 |

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

Plan Description

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined-benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

LEOFF was established in 1970 by the state legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers and fire fighters. Membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being an exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state legislature. The Washington State Department of Retirement Systems (DRS) administers LEOFF.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to Plans 1 and Plan 2 accrue interest at a rate specified by DRS. Regardless of a member's employment status, DRS pays 5.5 percent annual interest compounded quarterly on employee contributions remain in the retirement fund. Employees in Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with 5 years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is 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 10 years of service. A cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index. LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. The credit can only be purchased at the time of retirement and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Plan 2 retirement benefits are vested after an employee completes 5 years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service or at the age of 53 with 5 years of service, with an allowance of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index, capped at 3 percent annually.

Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) if eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) if no eligible spouse or the spouse receiving benefits dies, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60-percent limitation of FAS. In addition, a one time duty-related death benefit is provided to beneficiary or the estate of a LEOFF Plan 1 member.

Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each eligible child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53 unless the disability is duty-related and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

Plan 2 members who leave service because of a line-of-duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, Plan 2 members who leave service because of a line-of-duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary and two percent per year of service beyond 5 years. The first 10 percent of the FAS is not subject to federal income tax.

The City of Seattle

The following changes to the LEOFF plans are the result of recent years' legislation:

Effective July 1, 2011:

- Department of Retirement Systems is required to include the qualifying foregone compensation that occurred during the 2011-2013 biennium in the benefits calculation of retiring government employees in LEOFF2, PERS, PSERS, SERS, TRS and WSPRS.

Effective June 7, 2012:

- Engrossed House Bill 2771 amends the retirement statutes to clarify that governmental contractors are not employers under the system, unless otherwise qualifying, and that the determination of whether an employee/employer relationship has been established shall be based solely on the relationship between the contracted employee and the governmental employer. Applicable to LEOFF, PERS, PSERS, SERS, and TRS.
- Senate Bill 6134 changes the initial timeline to transfer service credit under RCW 41.26.435 from June 30, 2014, to June 30, 2012. Applicable to LEOFF 2.

Effective July 28, 2013:

- Substitute House Bill 1868 allows catastrophically disabled LEOFF 2 members to be reimbursed for premiums of medical insurance other than those which are provided by the employer, COBRA, or Medicare A and/or B. The reimbursement is limited to payments made after June 20, 2013 that do not exceed the premium reimbursement amounts authorized by COBRA.

Effective January 1, 2014:

- Engrossed Second Substitute Senate Bill 5688 provides that domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal law. The bill's effective date is January 1, 2014.

Effective June 12, 2014:

- Engrossed House Bill 2456 eliminates expiration date on the statutory provision in the LEOFF definition of fire fighter that includes emergency medical technicians (EMTs). This correction allows EMTs continued eligibility for membership in LEOFF.
- Senate Bill 6201 allows LEOFF 2 members to use funds from certain tax qualified plans to purchase a life annuity from the LEOFF 2 trust fund at the time of retirement.

Notes to Financial Statements

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2014. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 45 participating employers in LEOFF Plan 1 and 362 participating employers in Plan 2 as of June 30, 2014. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2013:

| | Plan 1 | Plan 2 |
|---|--------------|---------------|
| Retirees and Beneficiaries Receiving Benefits | 7,729 | 2,782 |
| Terminated Members Entitled To But Not Yet Receiving Benefits | 1 | 698 |
| Active Plan Members, Vested | 143 | 14,389 |
| Active Plan Members, Nonvested | — | 2,298 |
| Total | 7,873 | 20,167 |

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 44 under Plan 1 and 2,251 under Plan 2.

DRS prepares an independent financial report. A copy of the report that includes financial statements and required supplementary information for LEOFF may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380; by calling 360-664-7000 in Olympia or 1-800-547-6657; or by accessing their website at <http://www.drs.wa.gov>.

Summary of Significant Accounting Policies

LEOFF plans are accounted for in pension trust funds of DRS using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from national security exchanges and security pricing services or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost which approximates fair market value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or by independent advisors. LEOFF pension plans contain no single investment (other than any issued or explicitly guaranteed by the U.S. government, or involving mutual funds or investment pools) that comprised more than five percent of DRS's net investments.

Contributions and Reserves

Funding Policy

The state legislature establishes laws pertaining to the creation and administration of LEOFF plans. Plan members together with their employers and the state provide funding for all costs of the system based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Plan 2 Retirement Board in accordance with RCW 41.45. All employers are required to contribute at the level required by state law.

Required contribution rates for cities (expressed as a percentage of current year covered payroll) at the close of fiscal year 2014 are as follows:

| | LEOFF Actual Contribution Rates | |
|--|---------------------------------|--------|
| | Plan 1 | Plan 2 |
| Employer (includes an administrative expense rate of 0.16 percent) | 0.18% | 5.23% |
| Employee | — | 8.41 |
| State of Washington Contributions | — | 3.36 |

Administration of the LEOFF plans was funded by an employer rate of 0.18 percent of employee salaries.

The state legislature has the ability, by means of a special funding arrangement, to appropriate money from the state general fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council and LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2014 the state contributed \$55.5 million to LEOFF Plan 2.

Employer Contributions Required and Paid

LEOFF annual required contributions (in millions) and percentage contributed in accordance with the funding policy were:

| Year | Plan 1 | | Plan 2 | |
|------|------------------------------|------------------------|------------------------------|------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2012 | \$ — | N/A | \$ 97.3 | 137% |
| 2013 | — | N/A | 94.7 | 144 |
| 2014 | — | N/A | 116.9 | 121 |

The City of Seattle required and actual contributions (in thousands) are shown in the following table. Percentages contributed are not available.

| | Plan 1 | Plan 2 |
|------|--------|-----------|
| 2012 | \$ 10 | \$ 12,454 |
| 2013 | 9 | 12,912 |
| 2014 | 8 | 13,912 |

There are no long-term contracts for contributions under the LEOFF retirement plans.

Reserves

Member Reserves. The member reserves reflect the total liability for all contributions made by members. These reserves are increased by employee contributions and interest earnings and are decreased by contributions refunded and contributions transferred to the benefit reserves for current year retirees. The member reserves are considered fully funded. Member reserves (in thousands) were:

| | June 30, 2014 | June 30, 2013 |
|--------|---------------|---------------|
| Plan 1 | \$ 23,420 | \$ 27,340 |
| Plan 2 | 2,266,386 | 2,136,678 |

Benefit Reserves. The benefit reserves reflect the funded liability associated with all retired members. These reserves are increased by employer contributions, state contributions, investment earnings, and employee contributions which are attributable to current year retirees. These reserves are decreased by the amounts of pensions actually paid in the current year, interest payments transferred to the member reserves, and administrative expenses. Benefit reserves (in thousands) were:

| | June 30, 2014 | June 30, 2013 |
|--------|---------------|---------------|
| Plan 1 | \$ 5,695,389 | \$ 5,112,449 |
| Plan 2 | 6,975,121 | 5,494,917 |

The funded status of each of the benefit reserves is the same as the funded status of each of the respective pension plans.

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 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. 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 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 is based on an actuarial valuation date of January 1, 2014. The amount of expected contributions and changes in net obligation for Firemen's Pension and Police Pension and Relief are also based on an actuarial valuation date of January 1, 2014, which covers the last three years prior to the valuation date.

Table 11-6 ANNUAL OPEB COST AND NET OPEB OBLIGATION

| | Healthcare Blended Premium Subsidy | Firemen's Pension (LEOFF1) | Police Relief and Pension (LEOFF1) | Total |
|--|------------------------------------|----------------------------|------------------------------------|----------------|
| Annual Required Contribution | \$ 4,392,000 | \$ 14,948,599 | \$ 18,919,352 | \$ 38,259,951 |
| Interest on Net OPEB Obligation | 1,542,000 | 895,294 | 769,966 | 3,207,260 |
| Adjustment to Annual Required Contribution | (2,403,000) | (1,290,664) | (1,264,973) | (4,958,637) |
| Annual OPEB Cost (Expense) | 3,531,000 | 14,553,229 | 18,424,345 | 36,508,574 |
| Expected Contribution (Employer-Paid Benefits) | 1,006,000 | 9,899,000 | 11,972,000 | 22,877,000 |
| Increase in Net OPEB Obligation | 2,525,000 | 4,654,229 | 6,452,345 | 13,631,574 |
| Net OPEB Obligation – Beginning of Year | 44,303,000 | 23,874,507 | 20,532,414 | 88,709,921 |
| Net OPEB Obligation – End of Year | \$ 46,828,000 | \$ 28,528,736 | \$ 26,984,759 | \$ 102,341,495 |

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for each plan based on an actuarial valuation of January 1, 2014, for Healthcare Blended Premium Subsidy, Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years prior to the valuation date.

| | Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------------|-------------------|------------------|--|---------------------|
| Healthcare Blended Premium Subsidy | 12/31/2011 | \$ 7,435,000 | 32.9% | \$ 39,542,000 |
| | 12/31/2012 | 7,733,000 | 38.4 | 44,303,000 |
| | 12/31/2013 | 3,531,000 | 28.5 | 46,828,000 |
| Firemen's Pension (LEOFF1) | 12/31/2011 | 14,796,251 | 69.0 | 19,992,129 |
| | 12/31/2012 | 13,353,301 | 71.0 | 23,874,507 |
| | 12/31/2013 | 14,553,229 | 68.0 | 28,528,736 |
| Police Relief and Pension (LEOFF1) | 12/31/2011 | 16,087,490 | 72.0 | 16,585,463 |
| | 12/31/2012 | 15,779,894 | 75.0 | 20,532,414 |
| | 12/31/2013 | 18,424,345 | 65.0 | 26,984,759 |

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 | 1/1/2012 | — | \$ 74,729 | \$ 74,729 | — | \$ 891,552 | 8.4% |
| | 1/1/2013 | — | 78,945 | 78,945 | — | 941,986 | 8.4 |
| | 1/1/2014 | — | 41,819 | 41,819 | — | 1,003,520 | 4.2 |
| Firemen's Pension (LEOFF1) | 1/1/2012 | — | 236,301 | 236,301 | — | N/A | N/A |
| | 1/1/2013 | — | 266,522 | 266,522 | — | N/A | N/A |
| | 1/1/2014 | — | 264,733 | 264,733 | — | N/A | N/A |
| Police Relief and Pension (LEOFF1) | 1/1/2012 | — | 252,098 | 252,098 | — | N/A | N/A |
| | 1/1/2013 | — | 295,990 | 295,990 | — | N/A | N/A |
| | 1/1/2014 | — | 291,524 | 291,524 | — | N/A | N/A |

Actuarial Methods and Assumptions

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 11-7 OPEB INFORMATION

| Description | Healthcare Blended Premium Subsidy | Firemen's Pension (LEOFF1) | Police Relief and Pension (LEOFF1) |
|--|---|--|--|
| Actuarial Valuation Date | 1/1/2014 | 1/1/2014 | 1/1/2014 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level amount over past and future service | 30-year, open as of 1/1/2014 | 30-year, closed as of 1/1/2007 |
| Remaining Amortization Period | 30 years | 30 years | 23 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 | 3.48% | 3.75% | 3.75% |
| Medical Inflation | | 6.3%, grading down to 4.3% in 2083 and beyond. | 6.23 %, grading down to 4.3% in 2082 and beyond. |
| Traditional and Preventive Plans | 8.0% in 2014 and 7.5% in 2015 | | |
| Group Health Standard and Deductible Plans | 7.5%, grading down to 5.2% in 2086 and beyond | | |
| Long-Term Care Inflation Rate | N/A | 4.75% | 4.75% |
| Dental Inflation Rate | N/A | Minimum of 5.0 % of medical inflation. | Minimum of 5.0% of medical inflation. |
| 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 using 50% of Scale AA to 2019 (LEOFF 1) or 2034 (LEOFF 2). For general service active employees are based on RP-2000 Table for Males with ages set back three years and RP-2000 Table for Females with ages set back three years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back one year 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, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years. | For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years. |
| Marital Status | 45% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability. | N/A | N/A |

Table 11-7 OPEB INFORMATION (continued)

| Description | Healthcare Blended Premium Subsidy | Firemen's Pension (LEOFF1) | Police Relief and Pension (LEOFF1) |
|--|--|----------------------------|------------------------------------|
| Assumptions (continued): | | | |
| Morbidity Factors | | N/A | N/A |
| Traditional Plan | The average medical claim is based on an average loss ratio (claim vs. premium) of 130.80% for retirees and 133.18% for spouses. | | |
| Preventive Plan | The average medical claim is based on an average loss ratio (claim vs. premium) of 122.68% and 139.85%. | | |
| Group Health Standard and Deductible Plans | For the above two plans, because the retirees' spouses pay a lower premium for their health care coverage than the retirees, the net cost to the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy. The average medical claim for the Group Health Standard & Deductible plans is based on an average loss ratio (claim vs. premium) of 108.06% and 108.77% for retirees and spouses respectively. | | |
| Other Considerations | Active employees with current spouse and/or dependent coverage are assumed to elect the same plan and coverage. After retirement, it is assumed that children will have aged off of coverage and will have \$0 liability. | N/A | N/A |

(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: Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, phone 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 2014 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.

Table 12-1

CONDENSED STATEMENT OF NET POSITION
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC

December 31, 2014

(in Thousands)

| | Discretely Presented Component Units | | | | | |
|----------------------------------|--------------------------------------|-----------|-----------------------------|--------|-----------|-----------|
| | Seattle Public Library Foundation | | Seattle Investment Fund LLC | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | | | |
| Cash and Other Assets | \$ 2,140 | \$ 3,484 | \$ 746 | \$ 628 | \$ 2,886 | \$ 4,112 |
| Investments | 65,424 | 61,157 | 6 | 5 | 65,430 | 61,162 |
| Capital Assets, Net | 3 | 3 | — | — | 3 | 3 |
| Total Assets | 67,567 | 64,644 | 752 | 633 | 68,319 | 65,277 |
| LIABILITIES | | | | | | |
| Current Liabilities | 1,839 | 1,940 | 176 | 18 | 2,015 | 1,958 |
| Total Liabilities | 1,839 | 1,940 | 176 | 18 | 2,015 | 1,958 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 3 | 3 | — | — | 3 | 3 |
| Restricted | 46,025 | 43,680 | — | — | 46,025 | 43,680 |
| Unrestricted | 19,700 | 19,021 | 576 | 615 | 20,276 | 19,636 |
| Total Net Position | \$ 65,728 | \$ 62,704 | \$ 576 | \$ 615 | \$ 66,304 | \$ 63,319 |

Table 12-2 CONDENSED STATEMENT OF ACTIVITIES SEATTLE PUBLIC LIBRARY FOUNDATION AND SEATTLE INVESTMENT FUND LLC

For the Year Ended December 31, 2014

(In Thousands)

| | Discretely Presented Component Units | | | | | |
|------------------------------------|--------------------------------------|-----------|-----------------------------|--------|-----------|-----------|
| | Seattle Public Library Foundation | | Seattle Investment Fund LLC | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| PROGRAM REVENUES | | | | | | |
| Contributions/Endowment Gain | \$ 4,505 | \$ 6,254 | \$ — | \$ — | \$ 4,505 | \$ 6,254 |
| Placement/Management Fee Income | - | - | 204 | 204 | 204 | 204 |
| Total Program Revenues | 4,505 | 6,254 | 204 | 204 | 4,709 | 6,458 |
| GENERAL REVENUES | | | | | | |
| Investment Income | 3,734 | 7,900 | — | — | 3,734 | 7,900 |
| Total Program Support and Revenues | 8,239 | 14,154 | 204 | 204 | 8,443 | 14,358 |
| EXPENSES | | | | | | |
| Support to Seattle Public Library | 4,269 | 7,936 | — | — | 4,269 | 7,936 |
| Management and General | 574 | 455 | 243 | 642 | 817 | 1,097 |
| Fundraising | 372 | 299 | — | — | 372 | 299 |
| Total Expenses | 5,215 | 8,690 | 243 | 642 | 5,458 | 9,332 |
| Change in Net Position | 3,024 | 5,464 | (39) | (438) | 2,985 | 5,026 |
| NET POSITION | | | | | | |
| Net Position - Beginning of Year | 62,704 | 57,240 | 615 | 1,053 | 63,319 | 58,293 |
| Net Position - End of Year | \$ 65,728 | \$ 62,704 | \$ 576 | \$ 615 | \$ 66,304 | \$ 63,319 |

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, and GASB Statement No. 50, Pension Disclosures - an amendment of GASB Statement No. 25 and No. 27, 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 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. 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.

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.

(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 pass-through agency to receive the employment and training funds for the Seattle-King 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, 2014, 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 2014, WDC paid \$1.1 million 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 98121-2162, by accessing its website at <http://www.seakingwdc.org/reports/reports-publications.html>, or by telephone at 206-448-0474.

(14) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2014-2015 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$5.223 billion for the years 2014-2019. The adopted CIP for 2014 was \$923.4 million, consisting of \$508.7 million for City-owned utilities and \$414.7 million for nonutility departments. The utility allocations are: \$291.2 million for City Light, \$67.0 million for Water, \$97.7 million for Drainage and Wastewater, \$28.9 million for Solid Waste, and \$23.9 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, 2014 and 2013 are shown in the following table.

Table 14-1 LONG-TERM PURCHASED POWER (In Millions)

| | 2014 | 2013 |
|---|----------|----------|
| Bonneville Block | \$ 78.1 | \$ 70.1 |
| Bonneville Slice | 77.5 | 80.0 |
| Lucky Peak, including royalties | 6.3 | 5.2 |
| British Columbia - High Ross Agreement | 13.4 | 13.4 |
| Grant County Public Utility District | 3.2 | 3.0 |
| Grand Coulee Project Hydro Authority | 6.0 | 5.5 |
| Bonneville South Fork Tolt billing credit | (3.30) | (3.30) |
| Renewable energy - Slate Line Wind | 23.7 | 23.8 |
| Renewable energy - other | 7.1 | 4.5 |
| Exchanges and loss returns energy at fair value | 8.9 | 9.2 |
| Long-term purchased power booked out | (6.70) | (8.30) |
| Total | \$ 214.2 | \$ 203.1 |

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 3.62763 percent, the same as the previous fiscal year. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in both 2014 and 2013 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 2014 and 2013. These amounts are recorded as offsets to purchased power expense. SCL paid \$3.2 million for energy from Lucky Peak in both 2014 and 2013.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2014 and 2013, respectively. SCL's payables to Lucky Peak were \$0.3 million and \$0.4 million at December 31, 2014 and 2013, 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 2014 and 2013 resource portfolio met the 3 percent target.

Energy Exchange

Northern California Power Agency (NCPA) and SCL executed a long-term Capacity and Energy Exchange Agreement in March 1993. SCL delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement includes financial settlement and termination options. In a letter NCPA dated May 17, 2011, NCPA gave seven year's advance written notice to the Department terminating the agreement effective no later than May 31, 2018.

Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2014 and 2013, were valued using Kiindex Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for U.S. Government Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

Estimated Future Payments under Purchased Power, Transmission, and Related Contracts

SCL's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2015 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 ^a |
|---------------------------|---------------------------------|
| 2015 | \$ 286.6 |
| 2016 | 302.8 |
| 2017 | 307.3 |
| 2018 | 324.8 |
| 2019 | 336.5 |
| 2020 - 2024 | 1,766.1 |
| 2025 - 2029 | 1,204.1 |
| Thereafter (through 2065) | 239.0 |
| Total | \$ 4,767.2 |

^a 2015 to 2019 includes estimated REP recoveries from BPA.
^b BPA transmission contract expires July 31, 2025.
^c 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 \$258.9 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 42 year life for the total cost of \$48.6 million. The terms and conditions of the new license have been evaluated. SCL has moved to 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 \$399.1 million adjusted to 2014 dollars, of which \$21.2 million were expended through 2014. 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 of these licenses, SCL has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2014, to be \$127.8 million, of which \$110.9 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 2014. 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 2014 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, 2014 are estimated to be \$9.0 million. \$0.9 million has been allocated for the program in the 2015 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 \$2.5 million and \$2.4 million to Pend Oreille County, and \$1.0 million and \$1.0 million to Whatcom County in 2014 and 2013, 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 \$107.9 million (in 2014 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2014 is \$78.6 million. The remaining \$29.3 million to complete the HCP is comprised of a \$7.6 million liability and an estimate of \$21.6 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 expenses 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 four reservoirs is expected to be approximately \$155.8 million through the year 2018; costs beyond 2018 are not estimable as of the date of this report. As of December 31, 2014 and 2013, total cumulative costs incurred were \$146.8 million and \$140.9 million, respectively.

Wholesale Water Supply Contracts

SPU has wholesale contracts with Cascade Water Alliance ("CWA") and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. Two wholesale customers including CWA have block contracts which obligate the City to provide water up to a combined maximum of 41.85 Millions of Gallons per Day (MGD) per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA contract expires in 2063 while other wholesale contracts run through 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 \$139.7 million and \$137.7 million for fiscal years 2014 and 2013, 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 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 2014 and 2013 were \$75.6 million and \$74.7 million, respectively.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. 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 WWS \$12.9 million and \$13.3 million under this contract in 2014 and 2013, respectively.

The City also has negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). This contract expired on March 30, 2014. Total payments to CGC in 2014 and 2013 were \$0.4 million and \$2.7 million, respectively.

Effective April 1, 2014 the City entered into contracts with PacifiClean Environmental of Washington, LLC and Lenz Enterprises, Inc. to process yard and food waste into marketable products. The contracts are scheduled to end on March 31, 2020 however the city may, at its option, extend the contract in two year increments up to March 31, 2024. Total payments under the terms of these contracts for 2014 were \$3.4 million.

Effective April 1, 2009, the City commenced a contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables from both commercial and residential customers. The contract is scheduled to end on March 31, 2016 with an option to extend the contract for a three-year period at that time. Total payment for recycling processing were \$2.4 million in both year 2014 and 2013.

Landfill Closure and Post-closure Care

At December 31, 2014, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the fund'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.

(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.

Since January 1, 1999, the City obtained excess general liability insurance coverage for occurrences on or after said date which covers losses over \$2.5 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. Starting February 1, 2002 through 2006, the City's excess general liability insurance covers losses over \$5.0 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. In June 2007 the limit was increased to \$30.0 million over a \$5.0 million self-insured retention. In June 2009 the self-insured retention was increased from \$5.0 million to \$6.5 million. Beginning in June 2011 the limit was increased to \$40.0 million over a \$6.5 million self-insured retention. Beginning in June 2014 the limit was increased to \$60.0 million over a \$6.5 million self-insured retention.

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 did not purchase annuity contracts in 2014 to resolve litigation. No structured settlements were entered into by the City in 2014. No large liability settlements were received in 2014. No settlements made in 2014, 2013, or 2012 were in excess of insurance coverage.

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 2014 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2013. The total undiscounted IBNR amount increased by \$5.6 million in 2014, the IBNR amount was \$40.4 million in 2014 and \$34.8 million in 2013.

Estimated claims expenditures are budgeted by the individual governmental and proprietary funds. Actual workers' compensation claims are processed by the General Fund and reimbursed by the funds that incurred them. Operating funds pay health care premiums to the General Fund, and the latter pays for all actual health care costs. The General Fund initially pays for lawsuits, claims, and related expenses and then receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, and the retirement funds.

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.2 million in 2014 and \$0.3 million in 2013. 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 0.931 percent for 2014 and 0.675 percent for 2013, the City's average annual rate of return on investments. The total discounted liability at December 31, 2014, was \$109.5 million consisting of \$67.0 million for general liability, \$3.5 million for health care, and \$39.0 million for workers' compensation.

Table 15-1

**RECONCILIATION OF CHANGES IN
AGGREGATE LIABILITIES FOR CLAIMS
(In Thousands)**

| | General Liability | | Health Care | | Workers' Compensation | | Total City | |
|--|-------------------|------------------|-----------------|-----------------|-----------------------|------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| UNDISCOUNTED | | | | | | | | |
| Balance - Beginning of Fiscal Year | \$ 61,659 | \$ 67,732 | \$ 3,047 | \$ 2,265 | \$ 40,085 | \$ 36,024 | \$ 104,791 | \$ 106,021 |
| Less Payments and Expenses During the Year | (12,953) | (16,589) | (142,880) | (134,747) | (13,363) | (12,954) | (169,196) | (164,290) |
| Plus Claims and Changes in Estimates | 20,567 | 10,516 | 143,332 | 135,529 | 13,660 | 17,015 | 177,559 | 163,060 |
| Balance - End of Fiscal Year | <u>\$ 69,273</u> | <u>\$ 61,659</u> | <u>\$ 3,499</u> | <u>\$ 3,047</u> | <u>\$ 40,382</u> | <u>\$ 40,085</u> | <u>\$ 113,154</u> | <u>\$ 104,791</u> |
| UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF | | | | | | | | |
| Governmental Activities | \$ 52,765 | \$ 45,960 | \$ 3,499 | \$ 3,047 | \$ 29,190 | \$ 28,997 | \$ 85,454 | \$ 78,004 |
| Business-Type Activities | 16,508 | 15,699 | — | — | 11,192 | 11,088 | 27,700 | 26,787 |
| Fiduciary Activities | — | — | — | — | — | — | — | — |
| Balance - End of Fiscal Year | <u>\$ 69,273</u> | <u>\$ 61,659</u> | <u>\$ 3,499</u> | <u>\$ 3,047</u> | <u>\$ 40,382</u> | <u>\$ 40,085</u> | <u>\$ 113,154</u> | <u>\$ 104,791</u> |
| DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF | | | | | | | | |
| Governmental Activities | \$ 51,010 | \$ 44,776 | \$ 3,467 | \$ 3,027 | \$ 28,178 | \$ 28,174 | \$ 82,655 | \$ 75,977 |
| Business-Type Activities | 15,959 | 15,294 | — | — | 10,805 | 10,774 | 26,764 | 26,068 |
| Fiduciary Activities | — | — | — | — | — | — | — | — |
| Balance - End of Fiscal Year | <u>\$ 66,969</u> | <u>\$ 60,070</u> | <u>\$ 3,467</u> | <u>\$ 3,027</u> | <u>\$ 38,983</u> | <u>\$ 38,948</u> | <u>\$ 109,419</u> | <u>\$ 102,045</u> |

Pending litigations, claims, and other matters are as follows:

- City Light Boundary Unit 55 Delay Claims. The City entered into a generator rebuild contract with Toshiba International Corporation for Units 55 and 56 at the City's Boundary Hydroelectric Project. The rebuild contract specified a turnover date of March 29, 2013 for Unit 55. Toshiba was materially late on a number of matters, which triggered liquidated damage claims under the contract with Toshiba. The liquidated damages clause allows for \$11 thousand per day, and the City has made liquidated damages claims against Toshiba for the period of March 29, 2013 through July 17, 2013. These claims total \$1.2 million and are currently being negotiated with Toshiba. The ultimate recovery amount is indeterminable as of the date of this note.
- 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 the proceeding before the Federal Energy Regulatory Commission (FERC) various public and private California entities sought refunds in markets that had been created by the State of California. City Light had sold energy in one of these markets. In February 2011 the City agreed to a settlement, which was eventually approved by the trial court and FERC. Under the settlement, the City resolved this matter for \$9.0 million, none of which was immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent System 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 City Light recovering monies in the Pacific Northwest Refund Case, discussed below. To date, the City has received \$2.3 million in payments in the Pacific Northwest Refund Case, has been paid to the California parties.

Pacific Northwest Refund Case and Appeal. In the 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. Two witnesses provided testimony on behalf of City Light, and were cross-examined by the sellers. FERC has received the parties closing briefs and the City is awaiting the preliminary ruling from the trial judge. Prior to the FERC trial, the City settled refund claims with twelve entities, with a combined total settlement amount of \$2.6 million. During the middle of the FERC trial, the City also reached a settlement with Powerex Corp for \$2.0 million. The Powerex settlement was subsequently approved by FERC on March 7, 2014. In March 2014, the trial judge issued a 569 page initial decision which generally denied the City's and the California parties' claims. The City filed a brief objecting to the Initial Decision in May 2014 and the parties are awaiting a final decision from FERC. Prior to and during the FERC trial, the City settled claims with fourteen entities for a combined total settlement of \$4.5 million. On February 17, 2015, the 9th Circuit issued an order reactivating six dormant appeals that were stayed pending results of the related FERC litigation. A briefing schedule was issued by the 9th Circuit requiring all briefs completed by early May and oral argument to occur during the week of June 15, 2015.

- Utility Tax Refund. A wireless telecommunications subsidiary company served dozens of cities in Washington including Seattle. In November 2010 the company made utility tax refund requests. Pursuant to the refund requests, a lawsuit was filed in King County Superior Court against more than 100 cities in April 2012 appealing the cities' denial or failure to respond. The City of Seattle was not a defendant in the initial complaint, but was added with some other cities in August 2012. The lawsuit arises from its parent company being sued in a class action for improperly charging its customers for local utility taxes on wireless internet services. Those services may not have been taxable. As part of the settlement of the class action lawsuit, the parent company was required to present refund claims to the cities; the claim against the City of Seattle is approximately \$5.0 million. In May 2013, the court granted motions to dismiss Seattle and most other cities. However, the City is continuing an audit of the company and after the conclusion of the audit, it is likely that the company will refile the lawsuit against Seattle and the other cities that have not settled. The likelihood of a material adverse outcome in this matter cannot be predicted.
- Public Records Request Claim. The parent company of a local television station in Seattle made public records request to the Seattle Police Department for in-car videos and sued the City when they were not produced. The Trial court held some records were improperly withheld. Both parties appealed and oral argument was heard by the Washington Supreme Court in May 2013. The Court issued its decision on July 12, 2014 holding that SPD violated the PRA and remanded for further proceedings regarding penalties and attorney fees. The plaintiff moved for attorney fees and costs for the Supreme Court appeal. The Court awarded the plaintiff costs and fees of \$52.4 thousand which the City has paid. The City cannot predict whether a material adverse outcome will occur.
- Leaks and Cracks in Reservoirs. The City discovered leaks and cracks in various reservoirs. Discussions with the designer have commenced to determine the cause of the leaks and cracks. Costs of repairs and/or damages are expected to exceed the material amount. The amount is indeterminable as of the date of this note.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes therein is remote. 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, 2014, twelve projects remained outstanding with a combined total amount of \$25.3 million. BEDI grant funds amount to \$3.75 million, of which a portion is being held as loan loss reserves.

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.

The City has not paid debt service on any of the guaranteed bonds during fiscal year 2014.

Museum Development Authority

Special obligation refunding bonds. Series 2014 issued on April 29 2014, in the amount of 44,375,000. The outstanding amount as of December 31 2014 is \$44,375,000. The bonds will be fully retired by April 1, 2031.

Pike Place Market Preservation and Development Authority

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000. The outstanding amount as of December 31 2014 is \$2,410,000. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount as of December 31, 2014, was \$5,465,000. 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 \$5,210,000. The outstanding amount as of December 31 2014 is \$3,525,000. 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 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 is scheduled to occur on 5/1/2015 in the amount of \$75 thousand.

As of Dec 31, 2014, the Commission's remaining principal and interest amounts the City guaranteed are \$3,525,000 and \$898,630 respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City's consolidated cash pool (0.862%), the City has recognized a liability of \$4.2 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 11/01/2024.

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

Various departments recorded prior period adjustments to Fixed Asset related accounts. These include: 1) Department of Parks and Recreation (DPR) reported an additional \$9.2 million capitalization of Land and Equipment, net of accumulated depreciation, 2) DPR reported \$1.9 million addition to Construction in Progress, 3) Seattle Center reported \$0.2 million reduction to Construction in Progress, and 4) the Seattle Police Department reported \$1.4 million reduction to Construction in Progress.

(17) SUBSEQUENT EVENTS

On May 21, 2015, pursuant to City Ordinances 124125 and 124637 the City issued (1) \$160.9 million of Limited Tax General Obligation (LTGO) Improvement and Refunding Bonds with an average coupon rate of 4.871 percent and a final maturity of June 1, 2035; (2) \$169.1 million of Unlimited Tax General Obligation (UTGO) Improvement Bonds with an average coupon rate of 4.122 percent and a final maturity of December 1, 2044; and (3) \$28.2 million of LTGO Improvement Bonds with an average coupon rate of 3.454 percent and a final maturity of April 1, 2035.

On June 10, 2015, pursuant to City Council Resolution 31586 the City issued \$340.8 million of Water System Improvement and Refunding Revenue Bonds with an average coupon rate of 4.531 percent and a final maturity of May 1, 2045.

On June 25, 2015, pursuant to City Council Resolution 31589 the City issued \$35.8 million of Solid Waste Revenue Bonds with an average coupon rate of 4.478 percent and a final maturity of February 1, 2040.

Required Supplementary Information

Required Supplementary Information

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The schedules of revenues, expenditures, and changes in fund balances – budget and actual are presented on a budgetary basis (Non-GAAP). A reconciliation of the budgetary fund balance to the GAAP fund balance is shown on the face of each schedule.

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations are included with expenditures in the City's budgetary basis of accounting.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011; the Library Fund no longer meets the definition for a special revenue fund and is now reported as part of the General Fund for the GAAP reporting. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund, C-1, is presented on the budgetary basis for the legally adopted budget of the General Fund.

C-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|--------------|------------|------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 267,091 | \$ 267,091 | \$ 268,745 | \$ 1,654 |
| Retail Sales and Use Taxes | 188,058 | 188,058 | 199,735 | 11,677 |
| Business Taxes | 265,497 | 265,497 | 265,830 | 333 |
| Excise Taxes | 55,640 | 55,640 | 57,739 | 2,099 |
| Other Taxes | — | — | 4,024 | 4,024 |
| Interfund Business Taxes | 129,518 | 129,518 | 129,929 | 411 |
| Total Taxes | 905,804 | 905,804 | 926,002 | 20,198 |
| Licenses and Permits | 23,887 | 23,887 | 28,014 | 4,127 |
| Grants, Shared Revenues, and Contributions | 38,112 | 30,941 | 30,769 | (20,172) |
| Charges for Services | 46,581 | 54,323 | 60,867 | 6,544 |
| Fines and Forfeits | 35,033 | 35,033 | 30,460 | (4,573) |
| Parking Fees and Space Rent | 37,000 | 37,000 | 37,682 | 682 |
| Program Income, Interest, and Miscellaneous Revenues | 218,827 | 218,860 | 213,004 | (5,856) |
| Total Revenues | 1,305,244 | 1,325,848 | 1,326,798 | 950 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| General Government | 404,016 | 404,457 | 370,366 | 34,091 |
| Judicial | 28,819 | 29,433 | 29,158 | 275 |
| Public Safety | 499,808 | 529,238 | 520,199 | 9,039 |
| Physical Environment | 6,972 | 7,579 | 6,854 | 725 |
| Transportation | 9,686 | 9,686 | 9,779 | (93) |
| Economic Environment | 23,076 | 29,827 | 22,422 | 7,405 |
| Health and Human Services | 937 | 1,024 | 1,020 | 4 |
| Culture and Recreation | 6,712 | 6,795 | 6,715 | 80 |
| Capital Outlay | | | | |
| General Government | 43,056 | 43,527 | 12,305 | 31,222 |
| Public Safety | 15,913 | 17,964 | 5,914 | 12,050 |
| Physical Environment | — | — | — | — |
| Transportation | 13,589 | 13,589 | — | 13,589 |
| Economic Environment | 5,307 | 283 | 7 | 276 |
| Culture and Recreation | 47,254 | 47,600 | 24,076 | 23,524 |
| Debt Service | | | | |
| Interest | 505 | 505 | — | 505 |
| Total Expenditures and Encumbrances | 1,105,650 | 1,141,507 | 1,008,815 | 132,692 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | 199,594 | 184,341 | 317,983 | (131,742) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 4,578 | 4,578 | — | (4,578) |
| Transfers In | 9,517 | 9,528 | 7,466 | (2,062) |
| Transfers Out | (315,143) | (320,456) | (322,585) | (2,129) |
| Total Other Financing Sources (Uses) | (301,048) | (306,350) | (315,119) | (8,769) |
| Net Change in Fund Balance | \$ (101,454) | \$ (122,009) | 2,864 | \$ (8,769) |
| Budgetary Fund Balance - Beginning of Year | | | 231,258 | |
| Net Change in Encumbrances | | | (2,048) | |
| Net Change in Unappropriable Reserves | | | 41,844 | |
| Budgetary Fund Balance - End of Year | | | 273,918 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 24,388 | |
| Encumbrances | | | 4,426 | |
| Reimbursements | | | | |
| Budgeted as Revenues | | | 173,429 | |
| Budgeted as Expenditures | | | (173,429) | |
| GASB Statement No. 54 Reporting Adjustment | | | | |
| Library Fund Balances | | | 14,402 | |
| Fund Balance (GAAP) - End of Year | | | \$ 317,134 | |

C-2

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|--------------|-----------|--------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 42,232 | \$ 42,232 | \$ 42,718 | \$ 486 |
| Business Taxes | 32,807 | 32,807 | 35,677 | 2,870 |
| Other Taxes | — | — | 81 | 81 |
| Total Taxes | 75,039 | 75,039 | 78,476 | 3,437 |
| Licenses and Permits | 9,456 | 9,456 | 5,066 | (4,390) |
| Grants, Shared Revenues, and Contributions | 49,747 | 49,492 | 46,244 | (3,248) |
| Charges for Services | 68,517 | 71,921 | 98,365 | 26,444 |
| Fines and Forfeits | — | — | 19 | 19 |
| Parking Fees and Space Rent | — | — | 84 | 84 |
| Program Income, Interest, and Miscellaneous Revenues | 244 | 2,126 | 2,235 | 109 |
| Total Revenues | 203,003 | 208,034 | 230,489 | 22,455 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Transportation | 106,129 | 113,981 | 104,424 | 9,557 |
| Capital Outlay | | | | |
| Transportation | 485,340 | 406,453 | 278,550 | 127,903 |
| Debt Service | | | | |
| Principal | 2,051 | 2,051 | 2,051 | — |
| Interest | 155 | 155 | 155 | — |
| Total Expenditures and Encumbrances | 593,675 | 522,640 | 385,180 | 137,460 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (390,672) | (314,606) | (154,691) | (115,005) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 1,977 | 1,977 | 2,108 | 131 |
| Transfers In | 194,862 | 194,862 | 189,540 | (5,322) |
| Transfers Out | (27,112) | (27,112) | (26,544) | 568 |
| Total Other Financing Sources (Uses) | 169,727 | 169,727 | 165,104 | (4,623) |
| Net Change in Fund Balance | \$ (220,945) | \$ (144,879) | 10,413 | \$ (119,628) |
| Budgetary Fund Balance - Beginning of Year | | | (6,174) | |
| Net Change in Encumbrances | | | 2,272 | |
| Net Change in Unappropriable Reserves | | | (49,141) | |
| Budgetary Fund Balance - End of Year | | | (42,630) | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 128,977 | |
| Fund Balance (GAAP) - End of Year | | | \$ 86,347 | |

LOW-INCOME HOUSING FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2014

(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|-------------|------------|------------|
| | Original | Final | | |
| REVENUES | | | | |
| General Property Taxes | \$ 18,963 | \$ 18,963 | \$ 17,943 | \$ (1,020) |
| Grants, Shared Revenues, and Contributions | 20,669 | 21,816 | 2,840 | (18,976) |
| Charges for Services | 2,508 | 2,508 | — | (2,508) |
| Program Income, Interest, and Miscellaneous Revenues | 36,857 | 37,074 | 32,660 | (4,414) |
| Total Revenues | 78,997 | 80,361 | 53,443 | (26,918) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Economic Environment | 144,272 | 145,637 | 29,181 | 116,456 |
| Total Expenditures and Encumbrances | 144,272 | 145,637 | 29,181 | 116,456 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (65,275) | (65,276) | 24,262 | 89,538 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | — | — | — | — |
| Total Other Financing Sources (Uses) | — | — | — | — |
| Net Change in Fund Balance | \$ (65,275) | \$ (65,276) | 24,262 | \$ 89,538 |
| Budgetary Fund Balance - Beginning of Year | | | (20,119) | |
| Net Change in Unappropriable Reserves | | | (14,454) | |
| Budgetary Fund Balance - End of Year | | | (10,311) | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 115,730 | |
| Fund Balance (GAAP) - End of Year | | | \$ 105,419 | |

PENSION PLAN INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined benefit pension plans are required to provide two schedules of long-term actuarial data, 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.

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PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
 December 31, 2014
(In Thousands)

| Retirement System | Actuarial Valuation Date January 1 | Actuarial Value of Assets | Actuarial Accrued Liabilities (AAL) ^a | Unfunded Actuarial Accrued Liabilities (UAAL) ^b | Funded Ratio | Covered Payroll ^c | UAAL as a Percentage of Covered Payroll |
|---|------------------------------------|---------------------------|--|--|--------------|------------------------------|---|
| Seattle City Employees' Retirement System (SCERS) | 2008 | \$ 2,119,400 | \$ 2,294,600 | \$ 175,200 | 92.4% | 501,900 | 34.9% |
| | 2010 | 1,645,300 | 2,653,800 | 1,008,500 | 62.0 | 580,900 | 173.6 |
| | 2011 | 2,013,700 | 2,709,000 | 695,400 | 74.3 | 563,200 | 123.5 |
| | 2012 | 1,954,300 | 2,859,300 | 905,000 | 68.3 | 557,000 | 162.5 |
| | 2013 | 1,920,100 | 3,025,300 | 1,105,000 | 63.5 | 567,806 | 194.6 |
| | 2014 | 2,094,300 | 3,260,100 | 1,165,800 | 64.2 | 597,934 | 195.0 |
| Firemen's Pension Fund | 2009 | 11,498 | 141,621 | 130,123 | 8.0 | N/A | N/A |
| | 2010 | 13,273 | 143,499 | 130,226 | 9.0 | N/A | N/A |
| | 2011 | 11,430 | 126,794 | 115,364 | 9.0 | N/A | N/A |
| | 2012 | 10,877 | 138,611 | 127,734 | 8.0 | N/A | N/A |
| | 2013 | 12,943 | 106,424 | 93,481 | 12.0 | N/A | N/A |
| | 2014 | 12,371 | 84,344 | 71,613 | 15.0 | N/A | N/A |
| Police Relief and Pension Fund | 2009 | 423 | 132,118 ^e | 131,695 ^e | — | N/A | N/A |
| | 2010 | 280 | 129,393 | 129,113 | — | N/A | N/A |
| | 2011 | 1,105 | 137,497 | 136,392 | 1.0 | N/A | N/A |
| | 2012 | 3,746 | 111,458 | 107,712 | 3.0 | N/A | N/A |
| | 2013 | 4,625 | 104,729 | 100,104 | 4.0 | N/A | N/A |
| | 2014 | 3,202 | 92,615 | 89,413 | 3.0 | N/A | N/A |

^a Actuarial present value of benefits less actuarial present value of future normal costs based on Entry Age Actuarial Cost Method for SCERS, Firemen's Pension, and Police Relief and Pension.

^b Actuarial accrued liabilities less actuarial value of assets, funding excess if negative.

^c Covered payroll includes compensation paid to all active employees on which contributions are calculated. Not applicable for Firemen's Pension and Police Relief and Pension plans. These plans primarily cover inactive participants and there are no current member contributions.

^d The funding ratio had been 62.0%, based on previous, January 1, 2010 actuarial valuation. The increase in the funding ratio is due mainly to the adoption of the asset smoothing method.

^e Reflects a \$514,000 actuarial adjustment for the 2009 AAL and UAAL.

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PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
 December 31, 2014
(In Thousands)

| Retirement System | Fiscal Year Ending December 31 | Covered Employee Payroll ^a | Actual Employer Contributions ^b | Actual Employer Contribution Percentage ^b | Annual Required Contribution (ARC) ^c | Percentage of ARC Contributed ^c |
|---|--------------------------------|---------------------------------------|--|--|---|--|
| Seattle City Employees' Retirement System (SCERS) | 2008 | \$ 570,530 | \$ 45,814 | 8.03% | 8.03% | 100% |
| | 2009 | 580,948 | 46,650 | 8.03 | 8.03 | 100 |
| | 2010 | 563,198 | 45,225 | 8.03 | 17.00 | 47 |
| | 2011 | 557,000 | 50,301 | 9.03 | 13.11 | 69 |
| | 2012 | 567,806 | 62,515 | 11.01 | 11.84 | 93 |
| | 2013 | 597,934 | 77,074 | 12.89 | 14.02 | 92 |
| Firemen's Pension Fund | 2008 | N/A | 15,027 | N/A | 10,673 | 141 |
| | 2009 | N/A | 11,422 | N/A | 8,266 | 138 |
| | 2010 | N/A | 7,255 | N/A | 7,975 | 91 |
| | 2011 | N/A | 8,262 | N/A | 7,218 | 114 |
| | 2012 | N/A | 10,318 | N/A | 7,387 | 140 |
| | 2013 | N/A | 6,485 | N/A | 5,243 | 124 |
| Police Relief and Pension Fund | 2008 | N/A | 9,723 | N/A | 9,248 | 105 |
| | 2009 | N/A | 7,939 | N/A | 8,635 | 95 |
| | 2010 | N/A | 9,843 | N/A | 7,907 | 124 |
| | 2011 | N/A | 11,195 | N/A | 8,534 | 131 |
| | 2012 | N/A | 8,315 | N/A | 6,895 | 121 |
| | 2013 | N/A | 7,105 | N/A | 6,398 | 111 |

^a Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll for SCERS. Not applicable to the Firemen's Pension and Police Relief and Pension because these plans primarily cover inactive participants and there are no current member contributions.

^b The actual and required employer contributions for SCERS are expressed as a percentage of payroll after first recognizing the \$12 per employee assessment made for the death benefits. This assessment per employee is included in the actual employer contributions reported and has been previously recognized by the actuary in determining the ARC.

^c The City makes employer contributions as a percentage of actual payroll for SCERS as set in City ordinance. Thus, as long as the percentage equals the percentage required by the most recent actuarial valuation, the dollar amount of the ARC is equal to the actual dollar amount of the employer contributions. The City ordinance does not permit a reduction in the employer contribution rate less than the employee contribution rate.

^d The latest actuarial valuation for SCERS was completed as of January 1, 2013.

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

Nonmajor Governmental Funds

Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Parks and Recreation Fund** accounts for the operation of the City's parks system. The fund continues to receive monies for charter revenues as required by the City Charter. Required charter revenue to the fund is ten percent of all business and occupation taxes, related fines, penalties, and other licenses. In 2009, the City changed the charter revenue allocation from direct method of allocating ten percent actual revenue receipts periodically to an indirect method of transferring a fixed amount from the General Fund as adopted by the City Council each year. At the end of each year, an analysis is performed to ensure that Park and Recreation Fund receives monies equal to or exceeding the ten percent charter revenue requirement. Transfers-in are recognized for these cash transfers in this fund. The fund also receives usage fees.

The **Seattle Streetcar Fund** accounts for payments to King County, based on certain formulas, for operating and maintaining the City's streetcar. The fund is supported by revenues from sponsorship agreements; federal, state, county or other grants or transfers; private funding, donations, or gifts; property sales proceeds or other moneys supported by ordinance (Ordinance 122424).

The **Key Arena Settlement Proceeds Fund** accounts for all proceeds received pursuant to the settlement of the Key Arena litigation which shall be used and applied in accordance with appropriations by the City Council (Ordinance 122834).

The **Pike Place Market Renovation Fund** accounts for the proceeds of a six-year tax levy (Market Levy) approved by the voters in 2008 received on behalf of the Pike Place Market Preservation and Development Authority (PPMPDA) to pay for the cost of renovating the Pike Place Market owned by PPMPDA under the Levy Proceeds Agreement by and between the City and PPMPDA (Ordinance 122737). It also accounts for the proceeds of bonds issued in part by the 2009, 2010, and 2011 Multipurpose Long-Term General Obligation Bond as temporary financing for the Pike Place Market renovation, whose bonds and interest are being paid from the Market Levy proceeds at bond maturity and interest payment dates (Ordinances 122848, 123156, and 123480).

The **Seattle Center Fund** accounts for the operations of the Seattle Center. The Center is a 74-acre convention, performance, and family entertainment complex on the site of the 1962 Seattle World's Fair.

The **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 **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 **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 City of Seattle

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 **Transportation Bond Fund** was established in 1997 to account for part of the proceeds of a limited tax general obligation bond issue in the amount of \$9.5 million for designated transportation programs and projects (Ordinances 118503 and 118528).

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).

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 **City Facilities Renovation and Improvement Fund** received \$22.2 million of unlimited tax general obligation bond proceeds under the 1-2-3 Bond/Levy Program approved by voters in September 1984. It provides funds to renovate libraries, fire stations, Seattle Center facilities, harbor patrol stations, and other facilities (Ordinance 111717).

The **Conservation Futures Fund** was established in 1990 to account for the proceeds from the Conservation Futures Levy which are allocated to the City by King County and for the City's matching amounts. The funds are to acquire suitable greenbelt areas for conserving and enhancing the quality of the environment (Ordinances 114763, 114978, and 116908).

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).

Nonmajor Governmental Funds

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 **South Police Stations Fund** was established in 1999 to account for moneys to be used for the design of the new South Police Station and modification of existing stations (Ordinance 119432).

The **Public Safety Information Technology Fund** was established in 1999 to account for part of the proceeds from the sale of limited tax general obligation bonds for the purpose of acquiring public safety information technology (Ordinance 119630).

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 **2003 Long-Term General Obligation Project Fund** was established to account for the proceeds of bonds issued in February 2003 to provide funding for Seattle Center's Roof and Structural Repairs, Park 90/5 Facility Earthquake Repair, and the SR519 and Alaskan Way Viaduct/Seawall Projects of the Seattle Department of Transportation (Ordinance 120979).

The **2006 Multipurpose Long-Term General Obligation Bond Fund** was established to account for up to \$24.1 million proceeds of limited tax general obligation bonds issued in 2006 for funding for the costs of the Viaduct, Pier 59, Mercer Corridor, and South Lake Union Streetcar projects; as well as for the refinancing of earthquake repair costs of the Park 90/5 Facility (Ordinance 121982).

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 **2007 Multipurpose Long-Term General Obligation Bond Fund** was established in 2006 to account for the acquisition of real property in the Northgate area for future general municipal purposes and for the costs of improvements to the Seattle Aquarium. Funds for these projects were initially provided from interfund loans to be repaid from future proceeds of limited tax general obligation bonds to be issued by the City (Ordinance 122121). The other part of the proceeds of the bond issue (Ordinance 122286) provided funding for the Parking Pay Stations, Alaska Tunnel/Seawall, Monorail Rehabilitation projects and the Zoo Garage construction.

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, Rainer Beach Community Center, Trails, Bridge Rehabilitation, King and Spokane Streets projects, and the Municipal Jail (Ordinance 122848).

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The **2010 Multipurpose Long-Term General Obligation Bond Fund** was established in 2010 to account for the proceeds of the bonds issued in March 2010 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation, Bridge Seismic Retrofit, Mercer Corridor-South Lake Union, Mercer Corridor West, King Street Station Multimodal Terminal, Alaskan Way Viaduct, Parking Pay Stations, Pike Place Market Renovation, Golf Course Improvements, and Tier-1 Storage Area Network (Ordinance 123156).

The **2011 Multipurpose Long-Term General Obligation Bond Fund** was established in 2011 to account for the proceeds of the bonds issued in March 2011 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation and Seismic Retrofit, Parking and Program Management, Facility Energy Retrofits, Rainier Beach Community Center, King Street Station Multimodal Terminal, Seattle Center Renovations, Pike Place Market Renovation, Golf Course Improvements, and Alaska Way Viaduct and Seawall (Ordinance 123480).

The **2012 Multipurpose Long-Term General Obligation Bond Fund** was established in 2012 to account for the proceeds of the bonds issued in May 2012 to provide funding for the costs of capital projects relating to Bridge Seismic Retrofit, the Mercer Corridor-South Lake Union, Mercer Corridor West, Linden Avenue North, Alaskan Way Viaduct Seawall, Alaskan Way Viaduct Parking and Program Management, Rainier Beach Community Center, Magnuson Park Building 30, and Library Information Technology Systems (Ordinance 123751).

The **2013 Multipurpose Long-Term General Obligation Bond Fund** was established in 2013 to account for the proceeds of bonds issued in June 2013 to provide funding for the costs of capital projects relating to Transportation Infrastructure, Recreational and Public Safety facilities, and Information Technology Systems (Ordinance 124053).

The **Alaskan Way Seawall Construction Fund** was established in 2013 to account for the issuance of and sale of unlimited tax general obligation bonds and bond anticipation notes, and authorized loans of resources from various City funds, to pay all or part of the costs of the design, construction, renovation, improvement and replacement of the Alaskan Way Seawall and associated public infrastructure (Ordinance 124125).

The **Central Waterfront Improvement Fund** was established in 2012 to account for capital costs related to the Alaskan Way Viaduct and Seawall Replacement Program, including costs associated with the design and construction of the Central Waterfront component, costs for city administration, and costs eligible for financing by a future Local Improvement District. The fund shall receive all revenues including, but not limited to, revenues from sponsorship agreements; federal, state, country or other grants or transfers; private funding, donations or gifts; property sales proceeds; and other monies as authorized by the City Council (Ordinance 123761).

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).

2014 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).

2014 Long-Term General Obligation Bond was established in 2015 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)

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.

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
December 31, 2014
(In Thousands)**

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Comparative Totals | |
|---|-----------------------|--------------------|------------------------|-----------------|--------------------|----------------|
| | | | | | 2014 | 2013 |
| ASSETS | | | | | | |
| Cash and Equity in Pooled Investments | \$ 116,464 | \$ 15,573 | \$ 117,212 | \$ 2,149 | \$ 251,398 | \$ 297,185 |
| Receivables, Net of Allowances | | | | | | — |
| Taxes | 1,171 | 289 | 93 | — | 1,553 | 2,143 |
| Accounts | 4,807 | — | 592 | — | 5,399 | 5,407 |
| Special Assessments | — | — | 11,568 | — | 11,568 | 13,546 |
| Interest and Dividends | 103 | 5 | 99 | 2 | 209 | 204 |
| Unbilled and Others | 1,243 | — | — | — | 1,243 | 1,254 |
| Due from Other Funds | 5,203 | — | 3,821 | — | 9,024 | 6,096 |
| Due from Other Governments | 20,887 | — | 48 | — | 20,935 | 15,456 |
| Inventories | 569 | — | — | — | 569 | 535 |
| Prepaid and Other Current Assets | — | — | — | — | — | — |
| Charges and Other Assets | — | — | — | — | — | — |
| Total Assets | 150,447 | 15,867 | 133,433 | 2,151 | 301,898 | 341,826 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | 44,135 | — | — | — | 44,135 | 43,216 |
| Total Assets and Deferred Outflows of Resources | \$ 194,582 | \$ 15,867 | \$ 133,433 | \$ 2,151 | \$ 346,033 | \$ 385,042 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 23,193 | \$ — | \$ 2,776 | \$ — | \$ 25,969 | \$ 29,831 |
| Contracts Payable | 505 | — | 555 | — | 1,060 | 2,326 |
| Due to Other Funds | 12,152 | — | 30,279 | — | 42,431 | 35,946 |
| Due to Other Governments | 5,022 | — | — | — | 5,022 | 5,063 |
| Salaries, Benefits, and Taxes Payable | 5,436 | — | — | — | 5,436 | 4,850 |
| Interest Payable | 4 | — | 24 | — | 28 | 8 |
| Deposits Payable | 188 | — | 14 | — | 202 | 220 |
| Revenue Collected/Billed in Advance | 3,270 | — | 1,019 | — | 4,289 | 4,903 |
| Other Current Liabilities | 2,219 | — | — | — | 2,219 | 261 |
| Advances from Other Funds | — | — | 31,610 | — | 31,610 | 195 |
| Total Liabilities | 51,989 | — | 66,277 | — | 118,266 | 83,603 |
| DEFERRED INFLOWS OF RESOURCES | 45,018 | 202 | 11,884 | — | 57,104 | 57,963 |
| FUND BALANCES | | | | | | |
| Nonspendable | 595 | — | — | 2,050 | 2,645 | 2,614 |
| Restricted | 87,384 | 15,665 | 110,920 | 101 | 214,070 | 252,580 |
| Committed | 3,245 | — | — | — | 3,245 | 2,948 |
| Assigned | 9,933 | — | — | — | 9,933 | 7,661 |
| Unassigned | (3,582) | — | (55,648) | — | (59,230) | (22,327) |
| Total Fund Balances | 97,575 | 15,665 | 55,272 | 2,151 | 170,663 | 243,476 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 194,582 | \$ 15,867 | \$ 133,433 | \$ 2,151 | \$ 346,033 | \$ 385,042 |

The City of Seattle

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2014
(In Thousands)**

| | Parks and Recreation | Seattle Streetcar | Key Arena Settlement Proceeds | Pike Place Market Renovation | Seattle Center |
|---|----------------------|-------------------|-------------------------------|------------------------------|----------------|
| | | | | | |
| Cash and Equity in Pooled Investments | \$ 7,468 | \$ 586 | \$ 269 | \$ 3,543 | \$ 1,550 |
| Receivables, Net of Allowances | | | | | |
| Taxes | — | — | — | 191 | — |
| Accounts | 1,385 | 63 | — | — | 3,050 |
| Contracts and Notes | — | — | — | — | — |
| Interest and Dividends | 1 | — | — | 3 | 20 |
| Unbilled and Others | 203 | — | — | — | 874 |
| Due from Other Funds | 1,402 | 12 | 150 | — | 126 |
| Due from Other Governments | 172 | 3,108 | — | — | — |
| Inventories | 316 | — | — | — | 253 |
| Prepaid and Other Current Assets | — | — | — | — | — |
| Contracts and Notes - Noncurrent | — | — | — | — | — |
| Advances to Other Funds | — | — | — | — | — |
| Total Assets | 10,947 | 3,769 | 419 | 3,737 | 5,873 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | — | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | \$ 10,947 | \$ 3,769 | \$ 419 | \$ 3,737 | \$ 5,873 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 2,273 | \$ — | \$ 111 | \$ — | \$ 795 |
| Contracts Payable | 505 | — | — | — | — |
| Due to Other Funds | 894 | 5,544 | 2 | — | 187 |
| Due to Other Governments | — | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | 2,879 | — | — | — | 1,173 |
| Interest Payable | — | 3 | — | — | — |
| Deposits Payable | 184 | — | — | — | 3 |
| Revenue Collected/Billed in Advance | — | 1,804 | — | — | 768 |
| Other Current Liabilities | 1,421 | — | — | — | — |
| Advances from Other Funds | — | — | — | — | — |
| Total Liabilities | 8,156 | 7,351 | 113 | — | 2,926 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | — | — | — | 146 | — |
| FUND BALANCES | | | | | |
| Nonspendable | 321 | — | — | — | 274 |
| Restricted | 57 | — | 306 | 3,591 | 1,588 |
| Committed | — | — | — | — | 1,085 |
| Assigned | 2,413 | — | — | — | — |
| Unassigned | — | (3,582) | — | — | — |
| Total Fund Balances | 2,791 | (3,582) | 306 | 3,591 | 2,947 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 10,947 | \$ 3,769 | \$ 419 | \$ 3,737 | \$ 5,873 |

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2014
(In Thousands)**

| | Human Services Operating | Office of Housing | Housing Community Development Revenue Sharing | Education and Development Services | 2012 Library Levy |
|--|-----------------------------|----------------------|--|--|----------------------|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 16,702 | \$ 585 | \$ 424 | \$ 49,343 | \$ 9,308 |
| Receivables, Net of Allowances | | | | | |
| Taxes | — | — | — | 667 | 313 |
| Accounts | 8 | 70 | 124 | — | — |
| Contracts and Notes | — | — | — | — | — |
| Interest and Dividends | 6 | — | 1 | 41 | 8 |
| Unbilled and Others | 166 | — | — | — | — |
| Due from Other Funds | 1,049 | 769 | — | 193 | — |
| Due from Other Governments | 13,742 | 703 | 2,513 | — | — |
| Inventories | — | — | — | — | — |
| Prepaid and Other Current Assets | — | — | — | — | — |
| Contracts and Notes - Noncurrent | — | — | — | — | — |
| Advances to Other Funds | — | — | — | — | — |
| Total Assets | 31,673 | 2,127 | 3,062 | 50,244 | 9,629 |
| DEFERRED OUTFLOWS OF RESOURCES | 380 | — | 43,755 | — | — |
| Total Assets and Deferred Outflows of Resources | \$ 32,053 | \$ 2,127 | \$ 46,817 | \$ 50,244 | \$ 9,629 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 14,075 | \$ 57 | \$ 851 | \$ 3,551 | \$ 186 |
| Contracts Payable | — | — | — | — | — |
| Due to Other Funds | 408 | 247 | 911 | 319 | 1,163 |
| Due to Other Governments | 5,022 | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | 1,069 | 160 | — | 60 | 13 |
| Interest Payable | — | — | 1 | — | — |
| Deposits Payable | — | 1 | — | — | — |
| Revenue Collected/Billed in Advance | 586 | 48 | 64 | — | — |
| Other Current Liabilities | 798 | — | — | — | — |
| Advances from Other Funds | — | — | — | — | — |
| Total Liabilities | 21,958 | 513 | 1,827 | 3,930 | 1,362 |
| DEFERRED INFLOWS OF RESOURCES | 380 | — | 43,755 | 503 | 234 |
| FUND BALANCES | | | | | |
| Nonspendable | — | — | — | — | — |
| Restricted | 1,601 | 48 | 1,235 | 45,811 | 8,033 |
| Committed | 2,160 | — | — | — | — |
| Assigned | 5,954 | 1,566 | — | — | — |
| Unassigned | — | — | — | — | — |
| Total Fund Balances | 9,715 | 1,614 | 1,235 | 45,811 | 8,033 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 32,053 | \$ 2,127 | \$ 46,817 | \$ 50,244 | \$ 9,629 |

The City of Seattle

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2014
(In Thousands)**

| | School Zone Automatic Camera Fund | Business Improvement Areas | Seattle Transportation Benefit District | General Trust | Municipal Arts |
|--|---|----------------------------------|---|-----------------|-----------------|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 2,099 | \$ 6,071 | \$ 3,972 | \$ 4,278 | \$ 6,649 |
| Receivables, Net of Allowances | | | | | |
| Taxes | — | — | — | — | — |
| Accounts | — | — | — | 2 | — |
| Contracts and Notes | — | — | — | — | — |
| Interest and Dividends | 3 | 6 | 3 | 3 | 5 |
| Unbilled and Others | — | — | — | — | — |
| Due from Other Funds | 1,098 | 6 | — | 170 | 155 |
| Due from Other Governments | — | — | 646 | — | — |
| Inventories | — | — | — | — | — |
| Prepaid and Other Current Assets | — | — | — | — | — |
| Contracts and Notes - Noncurrent | — | — | — | — | — |
| Advances to Other Funds | — | — | — | — | — |
| Total Assets | 3,200 | 6,083 | 4,621 | 4,453 | 6,809 |
| DEFERRED OUTFLOWS OF RESOURCES | — | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | \$ 3,200 | \$ 6,083 | \$ 4,621 | \$ 4,453 | \$ 6,809 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ — | \$ 408 | \$ 756 | \$ 47 | \$ 32 |
| Contracts Payable | — | — | — | — | — |
| Due to Other Funds | 1,655 | — | 261 | 2 | 9 |
| Due to Other Governments | — | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | 41 | 34 |
| Interest Payable | — | — | — | — | — |
| Deposits Payable | — | — | — | — | — |
| Revenue Collected/Billed in Advance | — | — | — | — | — |
| Other Current Liabilities | — | — | — | — | — |
| Advances from Other Funds | — | — | — | — | — |
| Total Liabilities | 1,655 | 408 | 1,017 | 90 | 75 |
| DEFERRED INFLOWS OF RESOURCES | — | — | — | — | — |
| FUND BALANCES | | | | | |
| Nonspendable | — | — | — | — | — |
| Restricted | 1,545 | 5,675 | 3,604 | 4,363 | 6,734 |
| Committed | — | — | — | — | — |
| Assigned | — | — | — | — | — |
| Unassigned | — | — | — | — | — |
| Total Fund Balances | 1,545 | 5,675 | 3,604 | 4,363 | 6,734 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 3,200 | \$ 6,083 | \$ 4,621 | \$ 4,453 | \$ 6,809 |

Nonmajor Governmental Funds

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Page 4 of 4

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2014
(In Thousands)**

| | General Donation and Gift Trust | Comparative Totals | |
|---|---------------------------------------|--------------------|-------------------|
| | | 2014 | 2013 |
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 3,617 | \$ 116,464 | \$ 106,513 |
| Receivables, Net of Allowances | | | |
| Taxes | — | 1,171 | 1,192 |
| Accounts | 105 | 4,807 | 5,408 |
| Contracts and Notes | — | — | — |
| Interest and Dividends | 3 | 103 | 85 |
| Unbilled and Others | — | 1,243 | 1,254 |
| Due from Other Funds | 73 | 5,203 | 5,983 |
| Due from Other Governments | 3 | 20,887 | 15,448 |
| Inventories | — | 569 | 535 |
| Prepaid and Other Current Assets | — | — | — |
| Contracts and Notes - Noncurrent | — | — | — |
| Advances to Other Funds | — | — | — |
| Total Assets | <u>3,801</u> | <u>150,447</u> | <u>136,418</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | — | 44,135 | 43,216 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 3,801</u> | <u>\$ 194,582</u> | <u>\$ 179,634</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 51 | \$ 23,193 | \$ 25,297 |
| Contracts Payable | — | 505 | 630 |
| Due to Other Funds | 550 | 12,152 | 10,951 |
| Due to Other Governments | — | 5,022 | 5,021 |
| Salaries, Benefits, and Taxes Payable | 7 | 5,436 | 4,849 |
| Interest Payable | — | 4 | 4 |
| Deposits Payable | — | 188 | 206 |
| Revenue Collected/Billed in Advance | — | 3,270 | 4,188 |
| Other Current Liabilities | — | 2,219 | 261 |
| Advances from Other Funds | — | — | 195 |
| Total Liabilities | <u>608</u> | <u>51,989</u> | <u>51,602</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| | — | 45,018 | 44,105 |
| FUND BALANCES | | | |
| Nonspendable | — | 595 | 564 |
| Restricted | 3,193 | 87,384 | 85,725 |
| Committed | — | 3,245 | 2,948 |
| Assigned | — | 9,933 | 7,662 |
| Unassigned | — | (3,582) | (12,972) |
| Total Fund Balances | <u>3,193</u> | <u>97,575</u> | <u>83,927</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 3,801</u> | <u>\$ 194,582</u> | <u>\$ 179,634</u> |

The City of Seattle

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE
December 31, 2014
(In Thousands)**

| | General Bond Interest and Redemption | Interfund Notes Payable - Local Improvement Districts | Local Improvement Guaranty | Comparative Totals | |
|---|--|--|----------------------------------|--------------------|------------------|
| | | | | 2014 | 2013 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 14,706 | \$ 8 | \$ 858 | \$ 15,572 | \$ 15,544 |
| Receivables, Net of Allowances | | | | | |
| Taxes | 289 | — | — | 289 | 347 |
| Interest and Dividends | 5 | — | 1 | 6 | 5 |
| Due from Other Funds | — | — | — | — | — |
| Due from Other Governments | — | — | — | — | — |
| Charges and Other Assets | — | — | — | — | — |
| Total Assets | <u>15,000</u> | <u>8</u> | <u>859</u> | <u>15,867</u> | <u>15,896</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | — | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | <u>\$ 15,000</u> | <u>\$ 8</u> | <u>\$ 859</u> | <u>\$ 15,867</u> | <u>\$ 15,896</u> |
| LIABILITIES | | | | | |
| Due to Other Governments | \$ — | \$ — | \$ — | \$ — | \$ — |
| Total Liabilities | — | — | — | — | — |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | 202 | — | — | 202 | 266 |
| FUND BALANCES | | | | | |
| Restricted | <u>14,798</u> | <u>8</u> | <u>859</u> | <u>15,665</u> | <u>15,629</u> |
| Total Fund Balances | <u>14,798</u> | <u>8</u> | <u>859</u> | <u>15,665</u> | <u>15,629</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 15,000</u> | <u>\$ 8</u> | <u>\$ 859</u> | <u>\$ 15,867</u> | <u>\$ 15,895</u> |

Nonmajor Governmental Funds

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Page 1 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Transportation Bond | Public Safety Facilities and Equipment | Shoreline Park Improvement | Community Improvement |
|---|------------------------|--|-------------------------------|--------------------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 3 | \$ 404 | \$ 406 | \$ 30 |
| Receivables, Net of Allowances | | | | |
| Taxes | — | — | — | — |
| Accounts | — | — | — | — |
| Special Assessments | — | — | — | — |
| Interest and Dividends | — | 1 | — | — |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | — | — | — | — |
| Due from Other Governments | — | — | 4 | — |
| Total Assets | 3 | 405 | 410 | 30 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 3 | \$ 405 | \$ 410 | \$ 30 |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ — | \$ 9 | \$ — |
| Contracts Payable | — | — | — | — |
| Due to Other Funds | — | — | 13 | — |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | — | — | — | — |
| Deposits Payable | — | — | — | — |
| Revenue Collected/Billed in Advance - Current | — | — | — | — |
| Advances from Other Funds | — | — | — | — |
| Total Liabilities | — | — | 22 | — |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| FUND BALANCES | | | | |
| Restricted | 3 | 405 | 388 | 30 |
| Unassigned | — | — | — | — |
| Total Fund Balances | 3 | 405 | 388 | 30 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 3 | \$ 405 | \$ 410 | \$ 30 |

The City of Seattle

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Page 2 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Park Mitigation and Remediation | City Facilities Renovation and Improvement | Conservation Futures | Open Spaces and Trails Bond |
|---|--|--|-------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 19,001 | \$ 89 | \$ 32 | \$ 51 |
| Receivables, Net of Allowances | | | | |
| Taxes | — | — | — | — |
| Accounts | — | — | — | — |
| Special Assessments | — | — | — | — |
| Interest and Dividends | 15 | — | — | — |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | — | — | — | — |
| Due from Other Governments | — | — | — | — |
| Total Assets | 19,016 | 89 | 32 | 51 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 19,016 | \$ 89 | \$ 32 | \$ 51 |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ — | \$ — | \$ — |
| Contracts Payable | — | — | — | — |
| Due to Other Funds | 4 | — | — | 2 |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | — | — | — | — |
| Deposits Payable | — | — | — | — |
| Revenue Collected/Billed in Advance - Current | — | — | — | — |
| Advances from Other Funds | — | — | — | — |
| Total Liabilities | 4 | — | — | 2 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| FUND BALANCES | | | | |
| Restricted | 19,012 | 89 | 32 | 49 |
| Unassigned | — | — | — | — |
| Total Fund Balances | 19,012 | 89 | 32 | 49 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 19,016 | \$ 89 | \$ 32 | \$ 51 |

Nonmajor Governmental Funds

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Page 3 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Seattle Center and Parks Multipurpose Levy | Seattle Center Redevelopment/ Parks Community Center | Municipal Civic Center | South Police Stations |
|--|---|--|---------------------------|--------------------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 49,432 | \$ 1,275 | \$ 1,311 | \$ 1 |
| Receivables, Net of Allowances | | | | |
| Taxes | 72 | — | — | — |
| Accounts | 5 | 53 | — | — |
| Special Assessments | — | — | — | — |
| Interest and Dividends | 41 | 1 | 1 | — |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | 28 | 21 | — | — |
| Due from Other Governments | 22 | — | — | — |
| Total Assets | 49,600 | 1,350 | 1,312 | 1 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | \$ 49,600 | \$ 1,350 | \$ 1,312 | \$ 1 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 373 | \$ 20 | \$ — | \$ — |
| Contracts Payable | — | — | — | — |
| Due to Other Funds | 698 | 3 | — | — |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | — | — | — | — |
| Deposits Payable | — | — | — | — |
| Revenue Collected/Billed in Advance - Current | 1,019 | — | — | — |
| Advances from Other Funds | — | — | — | — |
| Total Liabilities | 2,090 | 23 | — | — |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | 379 | — | — | — |
| FUND BALANCES | | | | |
| Restricted | 47,131 | 1,327 | 1,312 | 1 |
| Unassigned | — | — | — | — |
| Total Fund Balances | 47,131 | 1,327 | 1,312 | 1 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 49,600 | \$ 1,350 | \$ 1,312 | \$ 1 |

The City of Seattle

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Page 4 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Public Safety Information Technology | 2003 Fire Facilities | 2003 Long-Term General Obligation Project | 2006 Multipurpose Long-Term General Obligation Bond |
|--|--|----------------------------|---|--|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ — | \$ 11,991 | \$ — | \$ — |
| Receivables, Net of Allowances | | | | |
| Taxes | — | 21 | — | — |
| Accounts | — | 227 | — | — |
| Special Assessments | — | — | — | — |
| Interest and Dividends | — | 10 | — | — |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | — | — | — | — |
| Due from Other Governments | — | — | — | — |
| Total Assets | — | 12,249 | — | — |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | \$ — | \$ 12,249 | \$ — | \$ — |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ 666 | \$ — | \$ — |
| Contracts Payable | — | 247 | — | — |
| Due to Other Funds | — | 417 | — | — |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | — | — | — | — |
| Deposits Payable | — | 14 | — | — |
| Revenue Collected/Billed in Advance - Current | — | — | — | — |
| Advances from Other Funds | — | — | — | — |
| Total Liabilities | — | 1,344 | — | — |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | — | 17 | — | — |
| FUND BALANCES | | | | |
| Restricted | — | 10,888 | — | — |
| Unassigned | — | — | — | — |
| Total Fund Balances | — | 10,888 | — | — |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ — | \$ 12,249 | \$ — | \$ — |

Nonmajor Governmental Funds

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Page 5 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Local Improvement, District No. 6750 | 2007 Multipurpose Long-Term General Obligation Bond | 2008 Multipurpose Long-Term General Obligation Bond | 2009 Multipurpose Long-Term General Obligation Bond |
|--|---|---|---|---|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 164 | \$ — | \$ 759 | \$ 810 |
| Receivables, Net of Allowances | | | | |
| Taxes | — | — | — | — |
| Accounts | — | — | 74 | 6 |
| Special Assessments | 11,568 | — | — | — |
| Interest and Dividends | 1 | — | 1 | 1 |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | — | — | — | — |
| Due from Other Governments | — | — | — | — |
| Total Assets | 11,733 | — | 834 | 817 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 11,733 | \$ — | \$ 834 | \$ 817 |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ — | \$ — | \$ — |
| Contracts Payable | — | — | 74 | 7 |
| Due to Other Funds | — | — | 3 | — |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | — | — | — | — |
| Deposits Payable | — | — | — | — |
| Revenue Collected/Billed in Advance - Current | — | — | — | — |
| Advances from Other Funds | — | — | — | — |
| Total Liabilities | — | — | 77 | 7 |
| DEFERRED INFLOWS OF RESOURCES | 11,488 | — | — | — |
| FUND BALANCES | | | | |
| Restricted | 245 | — | 757 | 810 |
| Unassigned | — | — | — | — |
| Total Fund Balances | 245 | — | 757 | 810 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 11,733 | \$ — | \$ 834 | \$ 817 |

The City of Seattle

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Page 6 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | 2010 Multipurpose Long-Term General Obligation Bond | 2011 Multipurpose Long-Term General Obligation Bond | 2012 Multipurpose Long-Term General Obligation Bond | 2013 Multipurpose Long-Term General Obligation Bond |
|--|---|---|---|---|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 1,771 | \$ 10,022 | \$ 1,919 | \$ 8,319 |
| Receivables, Net of Allowances | | | | |
| Taxes | — | — | — | — |
| Accounts | 41 | 21 | — | 165 |
| Special Assessments | — | — | — | — |
| Interest and Dividends | 2 | 8 | 1 | 8 |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | 29 | 30 | 339 | — |
| Due from Other Governments | — | — | — | 22 |
| Total Assets | 1,843 | 10,081 | 2,259 | 8,514 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 1,843 | \$ 10,081 | \$ 2,259 | \$ 8,514 |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ 13 | \$ 2 | \$ 1,167 |
| Contracts Payable | 41 | 21 | — | 165 |
| Due to Other Funds | 62 | 302 | 45 | 474 |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | — | — | — | — |
| Deposits Payable | — | — | — | — |
| Revenue Collected/Billed in Advance - Current | — | — | — | — |
| Advances from Other Funds | — | — | — | — |
| Total Liabilities | 103 | 336 | 47 | 1,806 |
| DEFERRED INFLOWS OF RESOURCES | — | — | — | — |
| FUND BALANCES | | | | |
| Restricted | 1,740 | 9,745 | 2,212 | 6,708 |
| Unassigned | — | — | — | — |
| Total Fund Balances | 1,740 | 9,745 | 2,212 | 6,708 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 1,843 | \$ 10,081 | \$ 2,259 | \$ 8,514 |

Nonmajor Governmental Funds

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Page 7 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Alaskan Way Seawall Construction | Central Waterfront Improvement | 2013 King County Parks Levy Fund | 2014 Long-Term General Obligation Bond |
|---|---|--------------------------------------|--|---|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 1,876 | \$ 2 | \$ 941 | \$ 6,603 |
| Receivables, Net of Allowances | | | | |
| Taxes | — | — | — | — |
| Accounts | — | — | — | — |
| Special Assessments | — | — | — | — |
| Interest and Dividends | 2 | — | — | 6 |
| Unbilled and Others | — | — | — | — |
| Due from Other Funds | 2,073 | 15 | — | 1,286 |
| Due from Other Governments | — | — | — | — |
| Total Assets | 3,951 | 17 | 941 | 7,895 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 3,951 | \$ 17 | \$ 941 | \$ 7,895 |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ — | \$ — | \$ 522 |
| Contracts Payable | — | — | — | — |
| Due to Other Funds | 24,514 | 2,764 | — | 278 |
| Due to Other Governments | — | — | — | — |
| Salaries, Benefits, and Taxes Payable | — | — | — | — |
| Interest Payable | 10 | 14 | — | — |
| Deposits Payable | — | — | — | — |
| Revenue Collected/Billed in Advance - Current | — | — | — | — |
| Advances from Other Funds | 15,000 | 16,610 | — | — |
| Total Liabilities | 39,524 | 19,388 | — | 800 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Total Liabilities and Deferred Inflows of Resources | — | — | — | — |
| FUND BALANCES | | | | |
| Restricted | — | — | 941 | 7,095 |
| Unassigned | (35,573) | (19,371) | — | — |
| Total Fund Balances | (35,573) | (19,371) | 941 | 7,095 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 3,951 | \$ 17 | \$ 941 | \$ 7,895 |

The City of Seattle

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Page 8 of 8

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2014
(In Thousands)**

| | Comparative Totals | | |
|---|---|----------------|----------------|
| | 2015 Multipurpose Long-Term General Obligation Bond | 2014 | 2013 |
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ — | \$ 117,212 | \$ 173,005 |
| Receivables, Net of Allowances | | | |
| Taxes | — | 93 | 604 |
| Accounts | — | 592 | — |
| Special Assessments | — | 11,568 | 13,546 |
| Interest and Dividends | — | 99 | 113 |
| Unbilled and Others | — | — | — |
| Due from Other Funds | — | 3,821 | 114 |
| Due from Other Governments | — | 48 | 8 |
| Total Assets | — | 133,433 | 187,390 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Total Assets and Deferred Outflows of Resources | \$ — | \$ 133,433 | \$ 187,390 |
| LIABILITIES | | | |
| Accounts Payable | \$ 4 | \$ 2,776 | \$ 4,535 |
| Contracts Payable | — | 555 | 1,696 |
| Due to Other Funds | 700 | 30,279 | 24,996 |
| Due to Other Governments | — | — | 43 |
| Salaries, Benefits, and Taxes Payable | — | — | — |
| Interest Payable | — | 24 | 4 |
| Deposits Payable | — | 14 | 14 |
| Revenue Collected/Billed in Advance - Current | — | 1,019 | 714 |
| Advances from Other Funds | — | 31,610 | — |
| Total Liabilities | 704 | 66,277 | 32,002 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Total Liabilities and Deferred Inflows of Resources | — | 11,884 | 13,592 |
| FUND BALANCES | | | |
| Restricted | — | 110,920 | 151,136 |
| Unassigned | (704) | (55,648) | (9,340) |
| Total Fund Balances | (704) | 55,272 | 141,796 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ — | \$ 133,433 | \$ 187,390 |

Nonmajor Governmental Funds

D-5 **COMBINING BALANCE SHEET**
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
December 31, 2014
(In Thousands)

| | H. H. Dearborn | Beach Maintenance Trust | Comparative Totals | |
|---|----------------|-------------------------------|--------------------|----------|
| | | | 2014 | 2013 |
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 142 | \$ 2,007 | \$ 2,149 | \$ 2,123 |
| Receivables, Net of Allowances Interest and Dividends | — | 2 | 2 | 1 |
| Total Assets | 142 | 2,009 | 2,151 | 2,124 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 142 | \$ 2,009 | \$ 2,151 | \$ 2,124 |
| LIABILITIES | | | | |
| Accounts Payable | \$ — | \$ — | \$ — | \$ — |
| Due to Other Funds | — | — | — | — |
| Total Liabilities | — | — | — | — |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| FUND BALANCES | | | | |
| Nonspendable | 50 | 2,000 | 2,050 | 2,050 |
| Restricted | 92 | 9 | 101 | 90 |
| Unassigned | — | — | — | (16) |
| Total Fund Balances | 142 | 2,009 | 2,151 | 2,124 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 142 | \$ 2,009 | \$ 2,151 | \$ 2,124 |

The City of Seattle

D-6 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
For the Year Ended December 31, 2014
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Comparative Totals | |
|--|-----------------------------|--------------------------|------------------------------|--------------------|--------------------|------------|
| | | | | | 2014 | 2013 |
| REVENUES | | | | | | |
| Taxes | \$ 84,719 | \$ 17,706 | \$ 24,272 | \$ — | \$ 126,697 | \$ 123,268 |
| Grants, Shared Revenues, and Contributions | 69,986 | 979 | 5,646 | — | 76,611 | 82,757 |
| Charges for Services | 50,346 | — | 11,396 | — | 61,742 | 46,975 |
| Fines and Forfeits | 5,163 | — | — | — | 5,163 | 56 |
| Parking Fees and Space Rent | 25,227 | 357 | — | — | 25,584 | 23,846 |
| Program Income, Interest, and Miscellaneous Revenues | 3,533 | 718 | 4,785 | 32 | 9,068 | 2,923 |
| Total Revenues | 238,974 | 19,760 | 46,099 | 32 | 304,865 | 279,825 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General Government | 9,064 | — | — | — | 9,064 | 30,603 |
| Public Safety | 6,656 | — | — | — | 6,656 | 12,326 |
| Physical Environment | 871 | — | — | — | 871 | 617 |
| Transportation | 2,805 | — | — | — | 2,805 | 1,059 |
| Economic Environment | 89,358 | — | — | — | 89,358 | 78,856 |
| Health and Human Services | 77,079 | — | — | — | 77,079 | 73,089 |
| Culture and Recreation | 172,982 | — | — | 5 | 172,987 | 206,638 |
| Capital Outlay | | | | | | |
| General Government | — | — | 23,294 | — | 23,294 | — |
| Public Safety | 3,136 | — | 16,112 | — | 19,248 | — |
| Transportation | — | — | — | — | — | — |
| Culture and Recreation | 225 | — | 30,695 | — | 30,920 | 10,895 |
| Debt Service | | | | | | |
| Principal | — | 57,081 | 2,610 | — | 59,691 | 54,078 |
| Interest | — | 25,928 | 487 | — | 26,415 | 26,023 |
| Bond Issuance Cost | — | — | 259 | — | 259 | 822 |
| Other | — | — | — | — | — | — |
| Total Expenditures | 362,176 | 83,009 | 73,457 | 5 | 518,647 | 495,006 |
| Excess (Deficiency) of Revenues over Expenditures | (123,202) | (63,249) | (27,358) | 27 | (213,782) | (215,181) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Long-Term Debt Issued | — | 48 | 50,407 | — | 50,455 | 101,115 |
| Refunding Debt Issued | — | — | — | — | — | 43,945 |
| Premium on Bonds Issued | — | — | 4,150 | — | 4,150 | 9,377 |
| Payment to Refunded Bond Escrow Agent | — | — | — | — | — | (44,504) |
| Sales of Capital Assets | 20 | — | — | — | 20 | 102 |
| Transfers In | 169,611 | 63,238 | 250 | — | 233,099 | 225,307 |
| Transfers Out | (32,781) | — | (113,973) | — | (146,755) | (109,113) |
| Total Other Financing Sources (Uses) | 136,850 | 63,286 | (59,166) | — | 140,969 | 226,229 |
| Net Change in Fund Balance | 13,648 | 37 | (86,524) | 27 | (72,813) | 11,048 |
| Fund Balances - Beginning of Year | 83,927 | 15,628 | 141,796 | 2,124 | 243,476 | 232,428 |
| Fund Balances - End of Year | \$ 97,575 | \$ 15,665 | \$ 55,272 | \$ 2,151 | \$ 170,663 | \$ 243,476 |

Nonmajor Governmental Funds

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 1 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2014
 (In Thousands)

| | Park and Recreation | Seattle Streetcar | Key Arena Settlement Proceeds | Pike Place Market Renovation |
|--|---------------------|-------------------|-------------------------------|------------------------------|
| REVENUES | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ 7,854 |
| Grants, Shared Revenues, and Contributions | 252 | 2,123 | — | — |
| Charges for Services | 34,997 | 127 | — | — |
| Fines and Forfeits | 1 | — | — | — |
| Parking Fees and Space Rent | 6,970 | 67 | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 389 | (30) | — | 44 |
| Total Revenues | 42,609 | 2,287 | — | 7,898 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | — | — | — | 256 |
| Public Safety | — | — | — | — |
| Physical Environment | — | — | — | — |
| Transportation | — | 2,049 | — | — |
| Economic Environment | — | — | — | — |
| Health and Human Services | — | — | — | — |
| Culture and Recreation | 130,361 | — | 89 | — |
| Capital Outlay | | | | |
| Public Safety | — | — | — | — |
| Culture and Recreation | 54 | — | 32 | — |
| Total Expenditures | 130,415 | 2,049 | 121 | 256 |
| Excess (Deficiency) of Revenues over Expenditures | (87,806) | 238 | (121) | 7,642 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 20 | — | — | — |
| Transfers In | 88,900 | — | — | — |
| Transfers Out | (2,565) | — | — | (8,952) |
| Total Other Financing Sources (Uses) | 86,355 | — | — | (8,952) |
| Net Change in Fund Balance | (1,451) | 238 | (121) | (1,310) |
| Fund Balances - Beginning of Year | 4,242 | (3,820) | 427 | 4,901 |
| Fund Balances - End of Year | \$ 2,791 | \$ (3,582) | \$ 306 | \$ 3,591 |

The City of Seattle

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 2 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2014
 (In Thousands)

| | Seattle Center | Human Services Operating | Office of Housing | Housing and Community Development Revenue Sharing |
|--|----------------|--------------------------|-------------------|---|
| REVENUES | | | | |
| Taxes | \$ — | \$ 935 | \$ 1,810 | \$ — |
| Grants, Shared Revenues, and Contributions | 62 | 54,134 | 1,879 | 10,090 |
| Charges for Services | 7,087 | 4,240 | 804 | 4 |
| Fines and Forfeits | — | 82 | — | — |
| Parking Fees and Space Rent | 18,190 | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 427 | 116 | 893 | 452 |
| Total Revenues | 25,766 | 59,507 | 5,386 | 10,546 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | — | 8,808 | — | — |
| Public Safety | — | 5,034 | — | — |
| Physical Environment | — | — | — | — |
| Transportation | — | — | — | — |
| Economic Environment | — | 58,927 | 5,545 | 10,121 |
| Health and Human Services | — | 50,141 | — | — |
| Culture and Recreation | 37,815 | — | — | 743 |
| Capital Outlay | | | | |
| Public Safety | — | — | — | — |
| Culture and Recreation | 96 | — | — | — |
| Total Expenditures | 37,911 | 122,910 | 5,545 | 10,864 |
| Excess (Deficiency) of Revenues over Expenditures | (12,145) | (63,403) | (159) | (318) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | 13,218 | 67,275 | 195 | — |
| Transfers Out | (126) | — | — | — |
| Total Other Financing Sources (Uses) | 13,092 | 67,275 | 195 | — |
| Net Change in Fund Balance | 947 | 3,872 | 36 | (318) |
| Fund Balances - Beginning of Year | 2,000 | 5,843 | 1,578 | 1,553 |
| Fund Balances - End of Year | \$ 2,947 | \$ 9,715 | \$ 1,614 | \$ 1,235 |

Nonmajor Governmental Funds

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 3 of 4
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2014
 (In Thousands)

| | Education and Development Services | 2012 Library Levy | School Zone Automatic Camera Fund | Business Improvement Areas | Seattle Transportation Benefit District |
|--|------------------------------------|-------------------|-----------------------------------|----------------------------|---|
| REVENUES | | | | | |
| Taxes | \$ 32,674 | \$ 17,082 | \$ — | \$ 16,739 | \$ 7,625 |
| Grants, Shared Revenues, and Contributions | — | — | — | — | — |
| Charges for Services | — | — | — | — | — |
| Fines and Forfeits | — | — | 5,079 | — | — |
| Parking Fees and Space Rent | — | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 685 | 116 | 17 | 120 | 30 |
| Total Revenues | 33,359 | 17,198 | 5,096 | 16,859 | 7,655 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | — | — | — | — | — |
| Public Safety | — | — | — | — | — |
| Physical Environment | — | — | — | — | — |
| Transportation | — | — | — | — | 756 |
| Economic Environment | — | — | — | 14,419 | — |
| Health and Human Services | 26,936 | — | — | — | — |
| Culture and Recreation | — | 1,517 | — | — | — |
| Capital Outlay | | | | | |
| Public Safety | — | — | — | — | — |
| Culture and Recreation | — | — | — | — | — |
| Total Expenditures | 26,936 | 1,517 | — | 14,419 | 756 |
| Excess (Deficiency) of Revenues over Expenditures | 6,423 | 15,681 | 5,096 | 2,440 | 6,899 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sales of Capital Assets | — | — | — | — | — |
| Transfers In | — | — | — | — | — |
| Transfers Out | — | (12,560) | (3,551) | — | (5,026) |
| Total Other Financing Sources (Uses) | — | (12,560) | (3,551) | — | (5,026) |
| Net Change in Fund Balance | 6,423 | 3,121 | 1,545 | 2,440 | 1,873 |
| Fund Balances - Beginning of Year | 39,388 | 4,912 | — | 3,235 | 1,731 |
| Fund Balances - End of Year | \$ 45,811 | \$ 8,033 | \$ 1,545 | \$ 5,675 | \$ 3,604 |

The City of Seattle

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 4 of 4
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2014
 (In Thousands)

| | General Trust | Municipal Arts | General Donations and Gift Trust | Comparative Totals | |
|--|---------------|----------------|----------------------------------|--------------------|-----------|
| | | | | 2014 | 2013 |
| REVENUES | | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ 84,719 | \$ 82,985 |
| Grants, Shared Revenues, and Contributions | 397 | — | 1,049 | 69,986 | 69,637 |
| Charges for Services | — | 3,086 | — | 50,345 | 46,975 |
| Fines and Forfeits | 2 | — | — | 5,164 | 56 |
| Parking Fees and Space Rent | — | — | — | 25,227 | 23,523 |
| Program Income, Interest, and Miscellaneous Revenues | 96 | 110 | 68 | 3,533 | 2,006 |
| Total Revenues | 495 | 3,196 | 1,117 | 238,974 | 225,182 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | — | — | — | 9,064 | 13,426 |
| Public Safety | 1,019 | — | 603 | 6,656 | 1,501 |
| Physical Environment | — | — | 872 | 872 | 617 |
| Transportation | — | — | — | 2,805 | 1,059 |
| Economic Environment | — | — | 347 | 89,359 | 78,856 |
| Health and Human Services | — | — | 3 | 77,080 | 73,089 |
| Culture and Recreation | 66 | 2,250 | 141 | 172,982 | 162,134 |
| Capital Outlay | | | | | |
| Public Safety | 2,627 | — | 508 | 3,135 | — |
| Culture and Recreation | — | — | 43 | 225 | 10,872 |
| Total Expenditures | 3,712 | 2,250 | 2,517 | 362,178 | 341,554 |
| Excess (Deficiency) of Revenues over Expenditures | (3,217) | 946 | (1,400) | (123,204) | (116,372) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sales of Capital Assets | — | — | — | 20 | 102 |
| Transfers In | 25 | — | — | 169,613 | 163,012 |
| Transfers Out | — | — | — | (32,780) | (30,262) |
| Total Other Financing Sources (Uses) | 25 | — | — | 136,853 | 132,852 |
| Net Change in Fund Balance | (3,192) | 946 | (1,400) | 13,649 | 16,480 |
| Fund Balances - Beginning of Year | 7,555 | 5,788 | 4,593 | 83,927 | 67,447 |
| Fund Balances - End of Year | \$ 4,363 | \$ 6,734 | \$ 3,193 | \$ 97,576 | \$ 83,927 |

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, 2014
(In Thousands)

| | General Bond Interest and Redemption | Interfund Notes Payable - Local Improvement Districts | Local Improvement Guaranty | Comparative Totals | |
|--|--------------------------------------|---|----------------------------|--------------------|------------------|
| | | | | 2014 | 2013 |
| REVENUES | | | | | |
| Taxes | \$ 17,706 | \$ — | \$ — | \$ 17,706 | \$ 15,930 |
| Grants, Shared Revenues, and Contributions | 979 | — | — | 979 | 1,020 |
| Parking Fees and Space Rent | 357 | — | — | 357 | 323 |
| Program Income, Interest, and Miscellaneous Revenues | 705 | — | 13 | 718 | 571 |
| Total Revenues | 19,747 | — | 13 | 19,760 | 17,844 |
| EXPENDITURES | | | | | |
| Debt Service | | | | | |
| Principal | 57,081 | — | — | 57,081 | 54,078 |
| Interest | 25,928 | — | — | 25,928 | 25,486 |
| Bond Issuance Cost | — | — | — | — | 290 |
| Other | — | — | — | — | — |
| Total Expenditures | 83,009 | — | — | 83,009 | 79,854 |
| Excess (Deficiency) of Revenues over Expenditures | (63,262) | — | 13 | (63,249) | (62,010) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | 48 | — | — | 48 | 4,929 |
| Refunding Debt Issued | — | — | — | — | 43,945 |
| Premium on Bonds Issued | — | — | — | — | 557 |
| Payment to Refunded Bond Escrow Agent | — | — | — | — | (44,504) |
| Transfers In | 63,238 | — | — | 63,238 | 62,045 |
| Total Other Financing Sources (Uses) | 63,286 | — | — | 63,286 | 66,972 |
| Net Change in Fund Balance | 24 | — | 13 | 37 | 4,962 |
| Fund Balances - Beginning of Year | 14,775 | 8 | 846 | 15,628 | 10,666 |
| Fund Balances - End of Year | \$ 14,799 | \$ 8 | \$ 859 | \$ 15,665 | \$ 15,628 |

The City of Seattle

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 1 of 8
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | Transportation Bond | Public Safety Facilities and Equipment | Shoreline Park Improvement | Community Improvement |
|--|---------------------|--|----------------------------|-----------------------|
| | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | — | — | 5 | — |
| Charges for Services | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | — | 26 | 7 | 1 |
| Total Revenues | — | 26 | 12 | 1 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | — | — | — |
| Public Safety | — | — | — | — |
| Transportation | — | — | — | — |
| Culture and Recreation | — | — | 83 | 21 |
| Debt Service | | | | |
| Principal | — | — | — | — |
| Interest | — | — | — | — |
| Bond Issuance Cost | — | — | — | — |
| Total Expenditures | — | — | 83 | 21 |
| Excess (Deficiency) of Revenues over Expenditures | — | 26 | (71) | (20) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | — | — | — | — |
| Premium on Bonds Issued | — | — | — | — |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | (3) | — | — | — |
| Total Other Financing Sources (Uses) | (3) | — | — | — |
| Net Change in Fund Balance | (3) | 26 | (71) | (20) |
| Fund Balances - Beginning of Year | 6 | 379 | 459 | 50 |
| Fund Balances - End of Year | \$ 3 | \$ 405 | \$ 388 | \$ 30 |

Nonmajor Governmental Funds

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 2 of 8 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | Park Mitigation and Remediation | City Facilities Renovation and Improvement | Conservation Futures | Open Spaces and Trails Bond |
|--|------------------------------------|--|-------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | — | — | — | — |
| Charges for Services | 11,389 | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 671 | 1 | 1 | 1 |
| Total Revenues | 12,060 | 1 | 1 | 1 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | — | — | — |
| Public Safety | — | — | — | — |
| Transportation | — | — | — | — |
| Culture and Recreation | 686 | — | — | 11 |
| Debt Service | | | | |
| Principal | — | — | — | — |
| Interest | — | — | — | — |
| Bond Issuance Cost | — | — | — | — |
| Total Expenditures | 686 | — | — | 11 |
| Excess (Deficiency) of Revenues over Expenditures | 11,374 | 1 | 1 | (10) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | — | — | — | — |
| Premium on Bonds Issued | — | — | — | — |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | — | — | — | — |
| Total Other Financing Sources (Uses) | — | — | — | — |
| Net Change in Fund Balance | 11,374 | 1 | 1 | (10) |
| Fund Balances - Beginning of Year | 7,638 | 88 | 31 | 59 |
| Fund Balances - End of Year | \$ 19,012 | \$ 89 | \$ 32 | \$ 49 |

The City of Seattle

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 3 of 8 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | Seattle Center and Parks Multipurpose Levy | Seattle Center Redevelopment/ Parks Community Center | Municipal Civic Center | South Police Stations |
|--|---|--|---------------------------|--------------------------|
| REVENUES | | | | |
| Taxes | \$ 24,220 | \$ — | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | 2,817 | 250 | — | — |
| Charges for Services | 6 | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 647 | 77 | 20 | — |
| Total Revenues | 27,690 | 327 | 20 | — |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | — | 1 | — |
| Public Safety | — | — | — | — |
| Transportation | — | — | — | — |
| Culture and Recreation | 17,938 | 625 | — | — |
| Debt Service | | | | |
| Principal | — | — | — | — |
| Interest | — | — | — | — |
| Bond Issuance Cost | — | — | — | — |
| Total Expenditures | 17,938 | 625 | 1 | — |
| Excess (Deficiency) of Revenues over Expenditures | 9,752 | (298) | 19 | — |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | — | — | — | — |
| Premium on Bonds Issued | — | — | — | — |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | 250 | — | — |
| Transfers Out | (1,342) | — | — | (1) |
| Total Other Financing Sources (Uses) | (1,342) | 250 | — | (1) |
| Net Change in Fund Balance | 8,410 | (48) | 19 | (1) |
| Fund Balances - Beginning of Year | 38,721 | 1,375 | 1,293 | 2 |
| Fund Balances - End of Year | \$ 47,131 | \$ 1,327 | \$ 1,312 | \$ 1 |

Nonmajor Governmental Funds

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 4 of 8 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | Public Safety Information Technology | 2003 Fire Facilities | 2003 Long-Term General Obligation Project | 2006 Multipurpose Long-Term General Obligation Bond |
|--|--|----------------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ — | \$ 36 | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | — | — | — | — |
| Charges for Services | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | — | 246 | — | 1 |
| Total Revenues | — | 282 | — | 1 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | — | — | — |
| Public Safety | — | 6,165 | — | — |
| Transportation | — | — | — | — |
| Culture and Recreation | — | — | — | — |
| Debt Service | | | | |
| Principal | — | — | — | — |
| Interest | — | — | — | — |
| Bond Issuance Cost | — | — | — | — |
| Total Expenditures | — | 6,165 | — | — |
| Excess (Deficiency) of Revenues over Expenditures | — | (5,883) | — | 1 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | — | — | — | — |
| Premium on Bonds Issued | — | — | — | — |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | (536) | — | (11) | (65) |
| Total Other Financing Sources (Uses) | (536) | — | (11) | (65) |
| Net Change in Fund Balance | (536) | (5,883) | (11) | (64) |
| Fund Balances - Beginning of Year | 536 | 16,771 | 11 | 64 |
| Fund Balances - End of Year | \$ — | \$ 10,888 | \$ — | \$ — |

The City of Seattle

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 5 of 6 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | Local Improvement, District No. 6750 | 2007 Multipurpose Long-Term General Obligation Bond | 2008 Multipurpose Long-Term General Obligation Bond | 2009 Multipurpose Long-Term General Obligation Bond |
|--|---|---|---|---|
| REVENUES | | | | |
| Taxes | \$ 17 | \$ — | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | 879 | — | — | — |
| Charges for Services | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 585 | — | 31 | 20 |
| Total Revenues | 1,481 | — | 31 | 20 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | — | — | — |
| Public Safety | — | — | 804 | — |
| Transportation | — | — | — | — |
| Culture and Recreation | — | — | — | — |
| Debt Service | | | | |
| Principal | 2,610 | — | — | — |
| Interest | 486 | — | — | — |
| Bond Issuance Cost | — | — | — | — |
| Total Expenditures | 3,096 | — | 804 | — |
| Excess (Deficiency) of Revenues over Expenditures | (1,615) | — | (773) | 20 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | — | — | — | — |
| Premium on Bonds Issued | — | — | — | — |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | — | (12) | (212) | (712) |
| Total Other Financing Sources (Uses) | — | (12) | (212) | (712) |
| Net Change in Fund Balance | (1,615) | (12) | (985) | (692) |
| Fund Balances - Beginning of Year | 1,860 | 12 | 1,742 | 1,502 |
| Fund Balances - End of Year | \$ 245 | \$ — | \$ 757 | \$ 810 |

Nonmajor Governmental Funds

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 6 of 8 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | 2010 Multipurpose Long-Term General Obligation Bond | 2011 Multipurpose Long-Term General Obligation Bond | 2012 Multipurpose Long-Term General Obligation Bond | 2013 Multipurpose Long-Term General Obligation Bond |
|--|---|---|---|---|
| REVENUES | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | — | — | — | — |
| Charges for Services | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 65 | 226 | 101 | 385 |
| Total Revenues | 65 | 226 | 101 | 385 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | 48 | — | 6,657 |
| Public Safety | — | — | — | 9,142 |
| Transportation | — | — | — | — |
| Culture and Recreation | 174 | 577 | 1,893 | 2,285 |
| Debt Service | | | | |
| Principal | — | — | — | — |
| Interest | — | — | — | — |
| Bond Issuance Cost | — | — | — | — |
| Total Expenditures | 174 | 625 | 1,893 | 18,084 |
| Excess (Deficiency) of Revenues over Expenditures | (109) | (399) | (1,792) | (17,699) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | — | — | — | — |
| Premium on Bonds Issued | — | — | — | — |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | (3,798) | (4,432) | (5,909) | — |
| Total Other Financing Sources (Uses) | (3,798) | (4,432) | (5,909) | — |
| Net Change in Fund Balance | (3,907) | (4,831) | (7,701) | (17,699) |
| Fund Balances - Beginning of Year | 5,647 | 14,576 | 9,913 | 24,407 |
| Fund Balances - End of Year | \$ 1,740 | \$ 9,745 | \$ 2,212 | \$ 6,708 |

The City of Seattle

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 7 of 8 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | Alaskan Way Seawall Construction | Central Waterfront Improvement | 2013 King County Parks Levy Fund | 2014 Long-Term General Obligation Bond |
|--|---|--------------------------------------|--|---|
| REVENUES | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | — | — | 1,696 | — |
| Charges for Services | — | — | — | — |
| Program Income, Interest, and Miscellaneous Revenues | 361 | (118) | 2 | 1,429 |
| Total Revenues | 361 | (118) | 1,698 | 1,429 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | — | — | — | 16,589 |
| Public Safety | — | — | — | — |
| Transportation | — | — | — | — |
| Culture and Recreation | — | — | 757 | 4,942 |
| Debt Service | | | | |
| Principal | — | — | — | — |
| Interest | — | — | — | — |
| Bond Issuance Cost | 111 | — | — | 148 |
| Total Expenditures | 111 | — | 757 | 21,679 |
| Excess (Deficiency) of Revenues over Expenditures | 250 | (118) | 941 | (20,250) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | 16,352 | — | — | 34,055 |
| Premium on Bonds Issued | 763 | — | — | 3,386 |
| Sales of Capital Assets | — | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | (76,932) | (9,913) | — | (10,096) |
| Total Other Financing Sources (Uses) | (59,817) | (9,913) | — | 27,345 |
| Net Change in Fund Balance | (59,567) | (10,031) | 941 | 7,095 |
| Fund Balances - Beginning of Year | 23,994 | (9,340) | — | — |
| Fund Balances - End of Year | \$ (35,573) | \$ (19,371) | \$ 941 | \$ 7,095 |

Nonmajor Governmental Funds

D-9 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 8 of 8 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2014
(In Thousands)

| | 2015 Multipurpose Long-Term General Obligation Bond | Comparative Totals | |
|--|---|--------------------|-------------------|
| | | 2014 | 2013 |
| REVENUES | | | |
| Taxes | \$ — | \$ 24,273 | \$ 24,352 |
| Grants, Shared Revenues, and Contributions | — | 5,647 | 12,101 |
| Charges for Services | — | 11,395 | — |
| Program Income, Interest, and Miscellaneous Revenues | — | 4,786 | 351 |
| Total Revenues | — | 46,101 | 36,804 |
| EXPENDITURES | | | |
| Capital Outlay | | | |
| General Government | — | 23,295 | 17,177 |
| Public Safety | — | 16,111 | 10,825 |
| Transportation | — | — | — |
| Culture and Recreation | 704 | 30,696 | 44,505 |
| Debt Service | | | |
| Principal | — | 2,610 | — |
| Interest | — | 486 | 537 |
| Bond Issuance Cost | — | 259 | 532 |
| Total Expenditures | 704 | 73,457 | 73,576 |
| Excess (Deficiency) of Revenues over Expenditures | (704) | (27,356) | (36,772) |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | — | 50,407 | 96,186 |
| Premium on Bonds Issued | — | 4,149 | 8,820 |
| Sales of Capital Assets | — | — | — |
| Transfers In | — | 250 | 250 |
| Transfers Out | — | (113,974) | (78,841) |
| Total Other Financing Sources (Uses) | — | (59,168) | 26,415 |
| Net Change in Fund Balance | (704) | (86,524) | (10,357) |
| Fund Balances - Beginning of Year | — | 141,796 | 152,153 |
| Fund Balances - End of Year | \$ (704) | \$ 55,272 | \$ 141,796 |

The City of Seattle

D-10 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
For the Year Ended December 31, 2014
(In Thousands)

| | H. H. Dearborn | Beach Maintenance Trust | Comparative Totals | |
|--|----------------|-------------------------------|--------------------|-----------------|
| | | | 2014 | 2013 |
| REVENUES | | | | |
| Program Income, Interest, and Miscellaneous Revenues | \$ 2 | \$ 30 | \$ 32 | \$ (5) |
| Total Revenues | 2 | 30 | 32 | (5) |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| Culture and Recreation | — | 5 | 5 | 23 |
| Total Expenditures | — | 5 | 5 | 23 |
| Excess (Deficiency) of Revenues over Expenditures | 2 | 25 | 27 | (28) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | — | — | — | (10) |
| Total Other Financing Sources (Uses) | — | — | — | (10) |
| Net Change in Fund Balance | 2 | 25 | 27 | (38) |
| Fund Balances - Beginning of Year | 140 | 1,984 | 2,124 | 2,162 |
| Fund Balances - End of Year | \$ 142 | \$ 2,009 | \$ 2,151 | \$ 2,124 |

D-11
Page 1 of 4

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|-----------------|------------|--------------|----------|
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 267,091 | \$ 268,745 | \$ — | \$ 1,654 |
| Retail Sales and Use Taxes | 188,058 | 199,735 | — | 11,677 |
| Business Taxes | 265,497 | 265,830 | — | 333 |
| Excise Taxes | 55,640 | 57,739 | — | 2,099 |
| Other Taxes | — | 4,024 | — | 4,024 |
| Interfund Business Taxes | 129,518 | 129,929 | — | 411 |
| Total Taxes | 905,804 | 926,002 | — | 20,198 |
| Licenses and Permits | 23,887 | 28,014 | — | 4,127 |
| Grants, Shared Revenues, and Contributions | 50,941 | 30,769 | — | (20,172) |
| Charges for Services | 54,323 | 60,867 | — | 6,544 |
| Fines and Forfeits | 35,033 | 30,460 | — | (4,573) |
| Parking Fees and Space Rent | 37,000 | 37,682 | — | 682 |
| Program Income, Interest, and Miscellaneous Revenues | 218,860 | 213,004 | — | (5,856) |
| Total Revenues | 1,325,848 | 1,326,798 | — | 950 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| CITY AUDITOR | 2,298 | 1,761 | 350 | 187 |
| CITY BUDGET OFFICE | 5,200 | 3,808 | 295 | 1,097 |
| CIVIL SERVICE COMMISSIONS | 386 | 309 | — | 77 |
| CRIMINAL JUSTICE | | | | |
| Jail Services | 17,202 | 17,005 | — | 197 |
| Indigent Defense Services | 6,033 | 5,702 | — | 331 |
| Total Criminal Justice | 23,235 | 22,707 | — | 528 |
| ETHICS AND ELECTIONS | 986 | 895 | — | 91 |
| EXECUTIVE | | | | |
| Sustainability and Environment | 5,527 | 4,728 | 316 | 483 |
| Mayor's Office | 4,916 | 4,683 | 3 | 230 |
| Economic Development | 8,090 | 7,213 | 300 | 577 |
| Intergovernmental Relations | 2,266 | 1,987 | 50 | 229 |
| Immigrant and Refugee Affairs | 818 | 554 | 118 | 146 |
| Community Police Commission | 852 | 465 | 362 | 25 |
| Civil Rights | 3,345 | 3,151 | — | 194 |
| Total Executive | 25,814 | 22,781 | 1,149 | 1,884 |
| FINANCE AND ADMINISTRATIVE SERVICES | 72 | 72 | — | — |

Budget and Actual

D-11 GENERAL FUND
 Page 2 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2014
 (In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|--------------|-----------|--------------|----------|
| FINANCE GENERAL | | | | |
| Appropriations to Special Purpose Funds | \$ 34,453 | \$ 33,028 | \$ — | \$ 1,425 |
| Reserves | 41,407 | 26,998 | 265 | 14,144 |
| Support to Operating Funds | 39,274 | 39,258 | — | 16 |
| Transferred Programs | 93 | 93 | — | — |
| Support to Parks Capital Expenditures | — | — | — | — |
| Total Finance General | 115,227 | 99,377 | 265 | 15,585 |
| FIRE | | | | |
| Administration | 8,010 | 8,004 | — | 6 |
| Resource Management | 12,135 | 12,133 | — | 2 |
| Operations | 149,555 | 149,552 | — | 3 |
| Fire Prevention | 7,612 | 7,440 | — | 172 |
| Grants and Reimbursables | 14,728 | 8,955 | — | 5,773 |
| Total Department | 192,040 | 186,084 | — | 5,956 |
| HEARING EXAMINER | 696 | 638 | — | 58 |
| LAW | | | | |
| Administration | 2,619 | 2,228 | — | 391 |
| Civil Law | 12,515 | 12,860 | — | (345) |
| Criminal Prosecution | 7,157 | 6,832 | — | 325 |
| Precinct Liaison | 599 | 576 | — | 23 |
| Total Department | 22,890 | 22,496 | — | 394 |
| LEGISLATIVE | 14,232 | 12,928 | 258 | 1,046 |
| LIBRARY | 20 | 20 | — | — |
| MUNICIPAL COURT | | | | |
| Court Operations | 16,819 | 16,749 | — | 70 |
| Corporate Services | 6,828 | 6,644 | — | 184 |
| Court Compliance | 5,785 | 5,765 | — | 20 |
| Total Department | 29,432 | 29,158 | — | 274 |
| NEIGHBORHOODS | | | | |
| Director's Office | 744 | 442 | 133 | 169 |
| Customer Service and Operations | 1,526 | 1,473 | — | 53 |
| Community Building | 4,214 | 3,587 | 375 | 252 |
| Office for Education | 1,024 | 945 | 76 | 3 |
| Youth Violence Prevention | 6,483 | 5,361 | 75 | 1,047 |
| Total Department | 13,991 | 11,808 | 659 | 1,524 |

D-11 GENERAL FUND
 Page 3 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2014
 (In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|--------------|----------|--------------|----------|
| HUMAN RESOURCES | | | | |
| Employment and Training | \$ 4,699 | \$ 4,577 | \$ — | \$ 122 |
| Employee Health Services | 3,062 | 3,053 | — | 9 |
| Citywide Personnel | 3,071 | 3,047 | — | 24 |
| Labor Relations and Class Compensation | 3,504 | 3,484 | — | 20 |
| Total Department | 14,336 | 14,161 | — | 175 |
| POLICE | | | | |
| Chief of Police | 24,591 | 15,755 | 41 | 8,795 |
| Professional Accountability | 2,362 | 2,356 | 119 | (113) |
| Chief of Staff Program | 25,191 | 24,877 | 68 | 246 |
| Deputy Chief Operations | 3,442 | 3,401 | — | 41 |
| Special Operations Bureau | 53,783 | 53,051 | 397 | 335 |
| Professional Standards Program | 14,360 | 14,238 | — | 122 |
| West Precinct Patrol | 31,500 | 30,484 | — | 1,016 |
| North Precinct Patrol | 33,773 | 33,336 | — | 437 |
| South Precinct Patrol | 18,227 | 18,184 | — | 43 |
| East Precinct Patrol | 24,989 | 24,344 | — | 645 |
| Southwest Precinct Patrol | 16,500 | 16,283 | 12 | 205 |
| Criminal Investigation Administration | 8,701 | 8,602 | 10 | 89 |
| Violent Crimes Investigation | 8,409 | 8,366 | — | 43 |
| Narcotics Investigation | 5,165 | 5,072 | — | 93 |
| Coordinated Criminal Investigations | 4,794 | 4,792 | — | 2 |
| Special Victims Program | 6,799 | 6,538 | — | 261 |
| Field Support | 37,112 | 36,009 | 69 | 1,034 |
| Total Department | 319,698 | 305,688 | 716 | 13,294 |
| JUDGMENTS/CLAIMS | 25,114 | 9,960 | — | 15,154 |
| ARTS ACCOUNT | 6,166 | 5,378 | 668 | 120 |
| CABLE TELEVISION FRANCHISE | 8,710 | 8,675 | — | 35 |
| CUMULATIVE RESERVE | | | | |
| Real Estate Excise Tax I | 49,439 | 22,247 | 67 | 27,125 |
| Real Estate Excise Tax II | 18,556 | 6,491 | — | 12,065 |
| Capital Projects Asset Preservation | 12,048 | 6,874 | — | 5,174 |
| Capital Projects Street Vacation | 827 | — | — | 827 |
| Unrestricted | 14,872 | 4,681 | — | 10,191 |
| Total Cumulative Reserve | 95,742 | 40,293 | 67 | 55,382 |

D-11
Page 4 of 4
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|-----------------|------------|--------------|------------|
| NEIGHBORHOOD MATCHING | \$ 8,052 | \$ 2,855 | \$ — | \$ 5,197 |
| EMERGENCY | — | — | — | — |
| TRANSIT BENEFIT | 3,163 | 2,987 | — | 176 |
| SPECIAL EMPLOYMENT | 200 | 16 | — | 184 |
| INDUSTRIAL INSURANCE | 19,811 | 16,441 | — | 3,370 |
| UNEMPLOYMENT COMPENSATION | 2,075 | 1,923 | — | 152 |
| HEALTH CARE | 185,613 | 175,089 | — | 10,524 |
| GROUP TERM LIFE INSURANCE | 6,304 | 6,080 | — | 224 |
| Total Expenditures and Encumbrances | 1,141,503 | 1,004,388 | 4,427 | 132,688 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | 184,345 | 322,410 | (4,427) | 133,638 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 4,578 | — | — | (4,578) |
| Transfers In | 9,528 | 7,466 | — | (2,062) |
| Transfers Out | (320,456) | (322,585) | — | (2,129) |
| Total Other Financing Sources (Uses) | (306,350) | (315,119) | — | (8,769) |
| Net Change in Fund Balance | \$ (122,005) | 7,291 | \$ (4,427) | \$ 124,869 |
| Fund Balance - Beginning of Year | | 295,443 | | |
| Fund Balance - End of Year | | \$ 302,734 | | |

D-12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|-----------------|-----------|--------------|------------|
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 42,232 | \$ 42,718 | \$ — | \$ 486 |
| Business Taxes | 32,807 | 35,677 | — | 2,870 |
| Other Taxes | — | 81 | — | 81 |
| Total Taxes | 75,039 | 78,476 | — | 3,437 |
| Licenses and Permits | 9,456 | 5,066 | — | (4,390) |
| Grants, Shared Revenues, and Contributions | 49,492 | 46,244 | — | (3,248) |
| Charges for Services | 71,921 | 98,365 | — | 26,444 |
| Fines and Forfeits | — | 19 | — | 19 |
| Parking Fees and Space Rent | — | 84 | — | 84 |
| Program Income, Interest, and Miscellaneous Revenues | 2,126 | 2,235 | — | 109 |
| Total Revenues | 208,034 | 230,489 | — | 22,455 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Bridges and Structures | 9,194 | 8,488 | 27 | 679 |
| Engineering Services | 2,034 | 4,521 | 16 | (2,503) |
| Mobility Operations | 46,300 | 40,068 | 1,351 | 4,881 |
| Right-of-Way Management | 20,368 | 18,598 | 563 | 1,207 |
| Street Maintenance | 23,629 | 22,032 | — | 1,597 |
| Urban Forestry | 4,937 | 4,818 | — | 119 |
| Department Management | 3,972 | 362 | 315 | 3,295 |
| General Expense | 5,754 | 5,472 | — | 282 |
| Major Maintenance/Replacement | 88,366 | 54,852 | — | 33,514 |
| Major Projects | 206,132 | 178,915 | — | 27,217 |
| Mobility Capital | 111,955 | 44,783 | — | 67,172 |
| Total Expenditures and Encumbrances | 522,641 | 382,909 | 2,272 | 137,460 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (314,607) | (152,420) | (2,272) | 159,915 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 1,977 | 2,108 | — | 131 |
| Transfers In | 194,862 | 189,540 | — | (5,322) |
| Transfers Out | (27,112) | (26,544) | — | 568 |
| Total Other Financing Sources (Uses) | 169,727 | 165,104 | — | (4,623) |
| Net Change in Fund Balance | \$ (144,880) | 12,684 | \$ (2,272) | \$ 155,292 |
| Fund Balance - Beginning of Year | | 73,663 | | |
| Fund Balance - End of Year | | \$ 86,347 | | |

D-13
LOW-INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|--------------------|-------------------|--------------|------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 18,963 | \$ 17,943 | \$ — | \$ (1,020) |
| Grants, Shared Revenues, and Contributions | 21,816 | 2,840 | — | (18,976) |
| Charges for Services | 2,508 | — | — | (2,508) |
| Program Income, Interest, and Miscellaneous Revenues | 37,074 | 32,660 | — | (4,414) |
| Total Revenues | 80,361 | 53,443 | — | (26,918) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Community Development | 46 | — | — | 46 |
| Administration and Management | 21,338 | 157 | — | 21,181 |
| Multifamily Production and Preservation | 100,619 | 25,268 | — | 75,351 |
| Single Family | 23,634 | 3,756 | — | 19,878 |
| Total Expenditures and Encumbrances | 145,637 | 29,181 | — | 116,456 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (65,276) | 24,262 | — | 89,538 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | — | — | — | — |
| Total Other Financing Sources (Uses) | — | — | — | — |
| Net Change in Fund Balance | \$ (65,276) | 24,262 | \$ — | \$ 89,538 |
| Fund Balance - Beginning of Year | | 81,157 | | |
| Fund Balance - End of Year | | <u>\$ 105,419</u> | | |

D-14
PARK AND RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|-------------------|-----------------|-----------------|-----------------|
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 564 | \$ 252 | \$ — | \$ (312) |
| Charges for Services | 36,704 | 34,997 | — | (1,707) |
| Fines and Forfeits | — | 1 | — | 1 |
| Parking Fees and Space Rent | 7,209 | 6,970 | — | (239) |
| Program Income, Interest, and Miscellaneous Revenues | 190 | 389 | — | 199 |
| Total Revenues | 44,667 | 42,609 | — | (2,058) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Gasworks Park Contamination Remediation | 60 | 43 | — | 17 |
| Swimming, Boating, and Aquatics | 9,385 | 9,213 | — | 172 |
| Recreation Facilities and Programs | 25,045 | 24,408 | 587 | 50 |
| Facility and Structure Maintenance | 15,777 | 15,467 | 66 | 244 |
| Park Cleaning, Landscaping, and Restoration | 31,050 | 30,550 | 16 | 484 |
| Seattle Conservation Corps | 4,082 | 3,362 | — | 720 |
| Seattle Aquarium | 3,275 | 2,451 | — | 824 |
| Woodland Park Zoo | 6,820 | 6,677 | — | 143 |
| Planning, Development, and Acquisition | 6,243 | 5,636 | 138 | 469 |
| Judgments and Claims | 652 | 652 | — | — |
| Finance and Administration | 8,415 | 8,100 | 2 | 313 |
| Policy Direction and Leadership | 6,158 | 6,434 | 13 | (289) |
| Golf | 8,971 | 8,430 | — | 541 |
| Environmental Learning and Programs | 1,494 | 1,454 | — | 40 |
| Natural Resources Management | 7,401 | 7,540 | 52 | (191) |
| Total Expenditures and Encumbrances | 134,828 | 130,417 | 874 | 3,537 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (90,161) | (87,808) | (874) | 1,479 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | — | 20 | — | 20 |
| Transfers In | 89,482 | 88,900 | — | (582) |
| Transfers Out | (2,653) | (2,565) | — | 88 |
| Total Other Financing Sources (Uses) | 86,829 | 86,355 | — | (474) |
| Net Change in Fund Balance | \$ (3,332) | (1,453) | \$ (874) | \$ 1,005 |
| Fund Balance - Beginning of Year | | 4,242 | | |
| Fund Balance - End of Year | | <u>\$ 2,789</u> | | |

D-15 LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|-----------------|-----------|--------------|------------|
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 7,255 | \$ 4,898 | \$ — | \$ (2,357) |
| Charges for Services | 209 | 213 | — | 4 |
| Fines and Forfeits | 1,564 | 1,499 | — | (65) |
| Parking Fees and Space Rent | 458 | 541 | — | 83 |
| Program Income, Interest, and Miscellaneous Revenues | 372 | 231 | — | (141) |
| Total Revenues | 9,858 | 7,382 | — | (2,476) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Administrative Services | 10,617 | 9,285 | 32 | 1,300 |
| City Librarian's Office | 994 | 758 | — | 236 |
| Library Capital Improvements | 7 | — | — | 7 |
| Library Services | 46,238 | 45,541 | 3 | 694 |
| Grants, Trusts, and Memorials | 12,667 | 4,228 | — | 8,439 |
| Bunn Projects - Principal and Interest | 2,552 | 627 | — | 1,925 |
| Information Technology | 5,875 | 4,959 | 2 | 914 |
| Human Resources | 1,226 | 1,134 | — | 92 |
| Total Expenditures and Encumbrances | 80,176 | 66,532 | 37 | 13,607 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (70,318) | (59,150) | (37) | 11,131 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 61,673 | 60,610 | — | (1,063) |
| Transfers Out | (586) | (576) | — | 10 |
| Total Other Financing Sources (Uses) | 61,087 | 60,034 | — | (1,053) |
| Net Change in Fund Balance | \$ (9,231) | 884 | \$ (37) | \$ 10,078 |
| Fund Balance - Beginning of Year | | 13,517 | | |
| Fund Balance - End of Year | | \$ 14,401 | | |

D-16 SEATTLE CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|-----------------|----------|--------------|----------|
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ — | \$ 62 | \$ — | \$ 62 |
| Charges for Services | 9,413 | 7,087 | — | (2,326) |
| Parking Fees and Space Rent | 14,481 | 18,190 | — | 3,709 |
| Program Income, Interest, and Miscellaneous Revenues | (571) | 427 | — | 998 |
| Total Revenues | 23,323 | 25,766 | — | 2,443 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Access | 1,120 | 1,109 | — | 11 |
| Administration | 7,199 | 7,094 | 23 | 82 |
| Cultural Facilities | 228 | 225 | — | 3 |
| Commercial Events | 1,042 | 1,020 | 9 | 13 |
| Festivals | 1,502 | 1,467 | — | 35 |
| Campus Grounds | 11,996 | 11,995 | 128 | (127) |
| Judgments and Claims | 703 | 703 | — | — |
| Key Arena | 7,808 | 7,805 | 15 | (12) |
| McCaw Hall | 4,403 | 4,394 | 11 | (2) |
| Community Programs | 2,121 | 2,099 | 2 | 20 |
| Total Expenditures and Encumbrances | 38,122 | 37,911 | 188 | 23 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (14,799) | (12,145) | (188) | 2,466 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 13,225 | 13,217 | — | (8) |
| Transfers Out | (126) | (126) | — | — |
| Total Other Financing Sources (Uses) | 13,099 | 13,091 | — | (8) |
| Net Change in Fund Balance | \$ (1,700) | 946 | \$ (188) | \$ 2,458 |
| Fund Balance - Beginning of Year | | 2,000 | | |
| Fund Balance - End of Year | | \$ 2,946 | | |

The City of Seattle

D-17

**HUMAN SERVICES OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)**

| | Final Budget | Actual | Encumbrances | Variance |
|---|--------------------|-----------------|-----------------|------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 935 | \$ 935 | \$ — | \$ — |
| Grants, Shared Revenues, and Contributions | 53,361 | 54,134 | — | 773 |
| Charges for Services | 1,343 | 4,240 | — | 2,897 |
| Fines and Forfeits | (101) | 82 | — | 183 |
| Program Income, Interest, and Miscellaneous Revenues | (728) | 116 | — | 844 |
| Total Revenues | 54,810 | 59,507 | — | 4,697 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Youth and Family Empowerment | 25,396 | 24,545 | 13 | 838 |
| Transitional Living and Support | 51,938 | 41,015 | 52 | 10,871 |
| Aging and Disability Services | 35,536 | 34,842 | 10 | 684 |
| Leadership and Administration | 9,368 | 8,800 | 35 | 533 |
| Public Health Services | 13,729 | 13,706 | — | 23 |
| Community Support and Self-Sufficiency | 1,553 | — | — | 1,553 |
| Total Expenditures and Encumbrances | 137,520 | 122,908 | 110 | 14,502 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (82,710) | (63,401) | (110) | 19,199 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 66,562 | 67,275 | — | 713 |
| Net Change in Fund Balance | \$ (16,148) | 3,874 | \$ (110) | \$ 19,912 |
| Fund Balance - Beginning of Year | | 5,843 | | |
| Fund Balance - End of Year | | <u>\$ 9,717</u> | | |

Budget and Actual

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**OFFICE OF HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)**

| | Final Budget | Actual | Encumbrances | Variance |
|---|-----------------|-----------------|---------------------|---------------------|
| REVENUES | | | | |
| General Property Taxes | \$ — | \$ 1,810 | \$ — | \$ 1,810 |
| Grants, Shared Revenues, and Contributions | 1,732 | 1,879 | — | 147 |
| Charges for Services | 5,246 | 779 | — | (4,467) |
| Parking Fees and Space Rent | — | 25 | — | 25 |
| Program Income, Interest, and Miscellaneous Revenues | (15) | 894 | — | 909 |
| Total Revenues | 6,963 | 5,387 | — | (1,576) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Office of Housing | 5,342 | 4,886 | 49,014 | (48,558) |
| HUD Challenge Grant | 2,133 | 658 | 57,937 | (56,462) |
| Total Expenditures and Encumbrances | 7,475 | 5,544 | 106,951 | (105,020) |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (512) | (157) | (106,951) | (106,596) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 195 | 195 | — | — |
| Net Change in Fund Balance | \$ (317) | 38 | \$ (106,951) | \$ (106,596) |
| Fund Balance - Beginning of Year | | 1,578 | | |
| Fund Balance - End of Year | | <u>\$ 1,616</u> | | |

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).

Nonmajor Enterprise Funds

The City of Seattle

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Page 1 of 4

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
December 31, 2014
(In Thousands)**

| | Planning and Development | | Downtown Parking Garage | |
|--|--------------------------|-----------|-------------------------|---------------|
| | 2014 | 2013 | 2014 | Restated 2013 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 40,572 | \$ 27,573 | \$ 38 | \$ 38 |
| Receivables, Net of Allowances | | | | |
| Accounts | 757 | 849 | 98 | 58 |
| Interest and Dividends | 31 | 17 | — | — |
| Due from Other Funds | 905 | 1,067 | — | — |
| Due from Other Governments | 451 | 517 | — | — |
| Prepayments and Other Current Assets | 42 | — | — | — |
| Total Current Assets | 42,758 | 30,023 | 136 | 96 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 38 | 47 | — | — |
| Capital Assets | | | | |
| Land and Land Rights | — | — | 12,881 | 12,881 |
| Buildings and Improvements | — | — | 60,132 | 60,132 |
| Less Accumulated Depreciation | — | — | (32,070) | (30,066) |
| Machinery and Equipment | 14,308 | 14,389 | 458 | 432 |
| Less Accumulated Depreciation | (13,761) | (13,337) | (85) | (13) |
| Construction in Progress | 3,377 | 2,597 | — | — |
| Total Noncurrent Assets | 3,962 | 3,696 | 41,316 | 43,366 |
| Total Assets | 46,720 | 33,719 | 41,452 | 43,462 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 46,720 | \$ 33,719 | \$ 41,452 | \$ 43,462 |

Nonmajor Enterprise Funds

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Page 2 of 4

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
December 31, 2014
(In Thousands)**

| | Fiber Leasing | | Comparative Totals | |
|--|---------------|-------|--------------------|---------------|
| | 2014 | 2013 | 2014 | Restated 2013 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 20 | \$ 17 | \$ 40,630 | \$ 27,628 |
| Receivables, Net of Allowances | | | | |
| Accounts | 52 | 69 | 907 | 976 |
| Interest and Dividends | — | — | 31 | 17 |
| Due from Other Funds | — | — | 905 | 1,067 |
| Due from Other Governments | — | — | 451 | 517 |
| Prepayments and Other Current Assets | — | — | 42 | — |
| Total Current Assets | 72 | 86 | 42,966 | 30,205 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | — | — | 38 | 47 |
| Capital Assets | | | | |
| Land and Land Rights | — | — | 12,881 | 12,881 |
| Buildings and Improvements | — | — | 60,132 | 60,132 |
| Less Accumulated Depreciation | — | — | (32,070) | (30,066) |
| Machinery and Equipment | — | — | 14,766 | 14,821 |
| Less Accumulated Depreciation | — | — | (13,846) | (13,350) |
| Construction in Progress | — | — | 3,377 | 2,597 |
| Total Noncurrent Assets | — | — | 45,278 | 47,062 |
| Total Assets | 72 | 86 | 88,244 | 77,267 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 72 | \$ 86 | \$ 88,244 | \$ 77,267 |

The City of Seattle

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Page 3 of 4
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
December 31, 2014
(In Thousands)

| | Planning and Development | | Downtown Parking Garage | |
|--|--------------------------|-----------|-------------------------|---------------|
| | 2014 | 2013 | 2014 | Restated 2013 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 891 | \$ 888 | \$ 1,375 | \$ 1,935 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,626 | 1,323 | — | — |
| Compensated Absences Payable | 318 | 224 | — | — |
| Due to Other Funds | 318 | 180 | 132 | 135 |
| Bond Interest Payable | — | — | 711 | 1,509 |
| Taxes Payable | — | — | 85 | 81 |
| General Obligation Bonds Due Within One Year | — | — | 2,950 | 1,857 |
| Claims Payable | 53 | 54 | — | — |
| Total Current Liabilities | 3,206 | 2,669 | 5,253 | 5,517 |
| <i>Noncurrent Liabilities</i> | | | | |
| Compensated Absences Payable | 2,763 | 2,792 | — | — |
| Claims Payable | 132 | 128 | — | — |
| Vendor and Other Deposits Payable | 38 | 47 | — | — |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | — | — | 56,292 | 59,440 |
| Bond Interest Payable | — | — | — | — |
| Unearned Revenues and Other Credits | 16,295 | 14,075 | — | — |
| Unfunded Other Post Employment Benefits | 1,674 | 1,388 | — | — |
| Advances from Other Funds | — | — | 6,494 | 5,050 |
| Total Noncurrent Liabilities | 20,902 | 18,430 | 62,786 | 64,490 |
| Total Liabilities | 24,108 | 21,099 | 68,039 | 70,007 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | — | — | — | — |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 3,923 | 3,648 | (17,927) | (17,931) |
| Unrestricted | 18,689 | 8,971 | (8,661) | (8,613) |
| Total Net Position | 22,612 | 12,619 | (26,588) | (26,544) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 46,720 | \$ 33,718 | \$ 41,451 | \$ 43,463 |

Nonmajor Enterprise Funds

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Page 4 of 4
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
December 31, 2014
(In Thousands)

| | Fiber Leasing | | Comparative Totals | |
|--|---------------|-------|--------------------|---------------|
| | 2014 | 2013 | 2014 | Restated 2013 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ — | \$ — | \$ 2,266 | \$ 2,823 |
| Salaries, Benefits, and Payroll Taxes Payable | — | — | 1,626 | 1,323 |
| Compensated Absences Payable | — | — | 318 | 224 |
| Due to Other Funds | 61 | 64 | 511 | 379 |
| Bond Interest Payable | — | — | 711 | 1,509 |
| Taxes Payable | — | — | 85 | 81 |
| General Obligation Bonds Due Within One Year | — | — | 2,950 | 1,857 |
| Claims Payable | — | — | 53 | 54 |
| Total Current Liabilities | 61 | 64 | 8,520 | 8,250 |
| <i>Noncurrent Liabilities</i> | | | | |
| Compensated Absences Payable | — | — | 2,763 | 2,792 |
| Claims Payable | — | — | 132 | 128 |
| Vendor and Other Deposits Payable | — | — | 38 | 47 |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | — | — | 56,292 | 59,440 |
| Bond Interest Payable | — | — | — | — |
| Unearned Revenues and Other Credits | — | — | 16,295 | 14,075 |
| Unfunded Other Post Employment Benefits | — | — | 1,674 | 1,388 |
| Advances from Other Funds | — | — | 6,494 | 5,050 |
| Total Noncurrent Liabilities | — | — | 83,688 | 82,920 |
| Total Liabilities | 61 | 64 | 92,208 | 91,170 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | — | — | — | — |
| NET POSITION | | | | |
| Net Investment in Capital Assets | — | — | (14,004) | (14,283) |
| Unrestricted | 12 | 22 | 10,040 | 380 |
| Total Net Position | 12 | 22 | (3,964) | (13,903) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 73 | \$ 86 | \$ 88,244 | \$ 77,267 |

The City of Seattle

**E-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
Page 1 of 2 IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Planning and Development | | Downtown Parking Garage | |
|---|--------------------------|---------------|-------------------------|---------------|
| | 2014 | Restated 2013 | 2014 | Restated 2013 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Fees | \$ 58,104 | \$ 49,217 | \$ 7,434 | \$ 7,019 |
| OPERATING EXPENSES | | | | |
| Operations and Maintenance | 48,269 | 43,509 | 2,609 | 3,287 |
| General and Administrative | 11,580 | 10,648 | — | — |
| City Business and Occupation Taxes | — | — | 16 | 15 |
| Other Taxes | — | — | 35 | 33 |
| Depreciation and Amortization | 512 | 612 | 2,077 | 2,010 |
| Total Operating Expenses | 60,361 | 54,769 | 4,737 | 5,345 |
| Operating Income (Loss) | (2,257) | (5,552) | 2,697 | 1,674 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 479 | (75) | — | — |
| Interest Expense | — | — | (2,939) | (3,074) |
| Amortization of Bonds Premiums | — | — | 198 | 238 |
| Gain (Loss) on Sale of Capital Assets | — | — | — | — |
| Contributions and Grants | 259 | 501 | — | — |
| Total Nonoperating Revenues (Expenses) | 738 | 426 | (2,741) | (2,836) |
| Income (Loss) Before Capital Contributions and Grants and Transfers | (1,519) | (5,126) | (44) | (1,162) |
| Transfers In | 11,512 | 10,860 | — | — |
| Change in Net Position | 9,993 | 5,734 | (44) | (1,162) |
| Net Position - Beginning of Year | 12,619 | 6,886 | (26,544) | (25,382) |
| Prior-Year Adjustment | — | — | — | — |
| Net Position - Beginning of Year as Restated | 12,619 | 6,886 | (26,544) | (25,382) |
| Net Position - End of Year | \$ 22,612 | \$ 12,620 | \$ (26,588) | \$ (26,544) |

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, 2014
(In Thousands)**

| | Fiber Leasing | | Comparative Totals | |
|---|---------------|---------------|--------------------|---------------|
| | 2014 | Restated 2013 | 2014 | Restated 2013 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Fees | \$ 9 | \$ 75 | \$ 65,547 | \$ 56,311 |
| OPERATING EXPENSES | | | | |
| Operations and Maintenance | 20 | 53 | 50,898 | 46,849 |
| General and Administrative | — | — | 11,580 | 10,648 |
| City Business and Occupation Taxes | — | — | 16 | 15 |
| Other Taxes | — | — | 35 | 33 |
| Depreciation and Amortization | — | — | 2,589 | 2,622 |
| Total Operating Expenses | 20 | 53 | 65,118 | 60,167 |
| Operating Income (Loss) | (11) | 22 | 429 | (3,856) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | — | — | 479 | (75) |
| Interest Expense | — | — | (2,939) | (3,074) |
| Amortization of Bonds Premiums | — | — | 198 | 238 |
| Gain (Loss) on Sale of Capital Assets | — | — | — | — |
| Contributions and Grants | — | — | 259 | 501 |
| Total Nonoperating Revenues (Expenses) | — | — | (2,003) | (2,410) |
| Income (Loss) Before Capital Contributions and Grants and Transfers | (11) | 22 | (1,574) | (6,266) |
| Transfers In | — | — | 11,512 | 10,860 |
| Change in Net Position | (11) | 22 | 9,938 | 4,594 |
| Net Position - Beginning of Year | 22 | — | (13,903) | (18,496) |
| Prior-Year Adjustment | — | — | — | — |
| Net Position - Beginning of Year as Restated | 22 | — | (13,903) | (18,496) |
| Net Position - End of Year | \$ 11 | \$ 22 | \$ (3,965) | \$ (13,902) |

The City of Seattle

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Page 1 of 4

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Planning and Development | | Downtown Parking Garage | |
|--|--------------------------|-----------|-------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 60,709 | \$ 52,691 | \$ 9,170 | \$ 8,529 |
| Cash Paid to Suppliers | (28,027) | (23,158) | (3,318) | (2,898) |
| Cash Paid to Employees | (31,074) | (29,611) | — | — |
| Cash Paid for Taxes | — | — | (1,676) | (1,609) |
| Net Cash from Operating Activities | 1,608 | (78) | 4,176 | 4,022 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants | 194 | 435 | — | — |
| Transfers In | 11,512 | 10,860 | — | — |
| Proceeds from Interfund Loans | — | — | 6,494 | 5,051 |
| Principal Payments on Interfund Loans | — | — | (5,050) | (3,181) |
| Net Cash from Noncapital Financing Activities | 11,706 | 11,295 | 1,444 | 1,870 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal Paid on Long-Term Debt | — | — | (1,857) | (1,262) |
| Capital Expenses and Other Charges Paid | (787) | (2,656) | (26) | (425) |
| Interest Paid on Long-Term Debt | — | — | (3,740) | (4,259) |
| Net Cash from Capital and Related Financing Activities | (787) | (2,656) | (5,623) | (5,946) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and Investment Income (Loss) | 465 | (82) | 3 | — |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 12,992 | 8,479 | — | (54) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 27,620 | 19,142 | 38 | 92 |
| End of Year | \$ 40,612 | \$ 27,621 | \$ 38 | \$ 38 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 40,572 | \$ 27,573 | \$ 38 | \$ 38 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 38 | 47 | — | — |
| Total Cash at the End of the Year | \$ 40,610 | \$ 27,620 | \$ 38 | \$ 38 |

Nonmajor Enterprise Funds

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Page 2 of 4

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Fiber Leasing | | Comparative Totals | |
|--|---------------|-------|--------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 26 | \$ 6 | \$ 69,905 | \$ 61,226 |
| Cash Paid to Suppliers | (22) | (31) | (31,367) | (26,087) |
| Cash Paid to Employees | (1) | (8) | (31,075) | (29,619) |
| Cash Paid for Taxes | — | — | (1,676) | (1,609) |
| Net Cash from Operating Activities | 3 | (33) | 5,787 | 3,911 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants | — | — | 194 | 435 |
| Transfers In | — | — | 11,512 | 10,860 |
| Proceeds from Interfund Loans | — | 50 | 6,494 | 5,101 |
| Principal Payments on Interfund Loans | — | — | (5,050) | (3,181) |
| Net Cash from Noncapital Financing Activities | — | 50 | 13,150 | 13,215 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal Paid on Long-Term Debt | — | — | (1,857) | (1,262) |
| Capital Expenses and Other Charges Paid | — | — | (813) | (3,081) |
| Interest Paid on Long-Term Debt | — | — | (3,740) | (4,259) |
| Net Cash from Capital and Related Financing Activities | — | — | (6,410) | (8,602) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and Investment Income (Loss) | — | — | 468 | (82) |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 3 | 17 | 12,995 | 8,442 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 17 | — | 27,675 | 19,234 |
| End of Year | \$ 20 | \$ 17 | \$ 40,670 | \$ 27,676 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 20 | \$ 17 | \$ 40,630 | \$ 27,628 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | — | — | 38 | 47 |
| Total Cash at the End of the Year | \$ 20 | \$ 17 | \$ 40,668 | \$ 27,675 |

The City of Seattle

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Page 3 of 4

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Planning and Development | | Downtown Parking Garage | |
|---|--------------------------|----------------|-------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ (2,258) | \$ (5,552) | \$ 2,697 | \$ 1,673 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 512 | 612 | 2,077 | 2,010 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 158 | (152) | (40) | (34) |
| Unbilled Receivables | — | — | — | — |
| Due from Other Funds | 162 | (254) | — | — |
| Due from Other Governments | 65 | (84) | — | — |
| Accounts Payable | 3 | 490 | (560) | 383 |
| Salaries, Benefits, and Payroll Taxes Payable | 303 | 268 | — | — |
| Compensated Absences Payable | 66 | 259 | — | — |
| Due to Other Funds | 138 | 22 | (3) | (3) |
| Claims Payable | 4 | 11 | — | — |
| Taxes Payable | — | — | 5 | (7) |
| Unearned Revenues | 2,220 | 3,965 | — | — |
| Other Assets and Liabilities | 236 | 337 | — | — |
| Total Adjustments | 3,867 | 5,474 | 1,479 | 2,349 |
| Net Cash from Operating Activities | <u>\$ 1,609</u> | <u>\$ (78)</u> | <u>\$ 4,176</u> | <u>\$ 4,022</u> |

Nonmajor Enterprise Funds

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Page 4 of 4

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Fiber Leasing | | Comparative Totals | |
|---|---------------|----------------|--------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ (10) | \$ 22 | \$ 429 | \$ (3,857) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | — | — | 2,589 | 2,622 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 16 | (69) | 134 | (255) |
| Unbilled Receivables | — | — | — | — |
| Due from Other Funds | — | — | 162 | (254) |
| Due from Other Governments | — | — | 65 | (84) |
| Accounts Payable | — | — | (557) | 873 |
| Salaries, Benefits, and Payroll Taxes Payable | — | — | 303 | 268 |
| Compensated Absences Payable | — | — | 66 | 259 |
| Due to Other Funds | (3) | 14 | 132 | 33 |
| Claims Payable | — | — | 4 | 11 |
| Taxes Payable | — | — | 5 | (7) |
| Unearned Revenues | — | — | 2,220 | 3,965 |
| Other Assets and Liabilities | — | — | 236 | 337 |
| Total Adjustments | 13 | (55) | 5,359 | 7,768 |
| Net Cash from Operating Activities | <u>\$ 3</u> | <u>\$ (33)</u> | <u>\$ 5,788</u> | <u>\$ 3,911</u> |

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.

Internal Service Funds

The City of Seattle

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Page 1 of 2
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2014
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|--|-------------------------------------|------------------|------------------------|-------------------|--------------------|---------------|
| | | | | | 2014 | Restated 2013 |
| ASSETS | | | | | | |
| <i>Current Assets</i> | | | | | | |
| Cash and Equity in Pooled Investments | \$ 22,536 | \$ 2,256 | \$ 24,792 | \$ 27,029 | | |
| Restricted Cash and Equity in Pooled Investments | 20,014 | — | 20,014 | 17,166 | | |
| Receivables, Net of Allowances | | | | | | |
| Accounts | 225 | 15 | 240 | 216 | | |
| Interest and Dividends | 41 | 47 | 88 | 47 | | |
| Unbilled | 24 | — | 24 | 251 | | |
| Due from Other Funds | 8,190 | 1,327 | 9,517 | 5,997 | | |
| Due from Other Governments | 83 | 76 | 159 | 554 | | |
| Materials and Supplies Inventory | 2,382 | 404 | 2,786 | 2,495 | | |
| Prepayments and Other | 24 | 401 | 425 | 547 | | |
| Total Current Assets | 53,519 | 4,526 | 58,045 | 54,302 | | |
| <i>Noncurrent Assets</i> | | | | | | |
| Restricted Cash and Equity in Pooled Investments | 2,146 | 56,237 | 58,383 | 29,417 | | |
| Capital Assets | | | | | | |
| Land and Land Rights | 108,832 | — | 108,832 | 95,996 | | |
| Buildings and Improvements | 717,530 | 97 | 717,627 | 700,310 | | |
| Less Accumulated Depreciation | (211,782) | (10) | (211,792) | (195,212) | | |
| Machinery and Equipment | 165,574 | 57,814 | 223,388 | 208,675 | | |
| Less Accumulated Depreciation | (98,623) | (36,583) | (135,206) | (125,456) | | |
| Construction in Progress | 472 | 2,837 | 3,309 | 2,202 | | |
| Total Noncurrent Assets | 684,149 | 80,392 | 764,541 | 715,932 | | |
| Total Assets | 737,668 | 84,918 | 822,586 | 770,234 | | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | — | — | — | 161 | | |
| Total Assets and Deferred Outflows of Resources | \$ 737,668 | \$ 84,918 | \$ 822,586 | \$ 770,395 | | |

Internal Service Funds

F-1
Page 2 of 2
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2014
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|--|-------------------------------------|------------------|------------------------|-------------------|--------------------|---------------|
| | | | | | 2014 | Restated 2013 |
| LIABILITIES | | | | | | |
| <i>Current Liabilities</i> | | | | | | |
| Accounts Payable | \$ 5,436 | \$ 2,600 | \$ 8,036 | \$ 9,108 | | |
| Salaries, Benefits, and Payroll Taxes Payable | 2,280 | 933 | 3,213 | 2,821 | | |
| Due to Other Funds | 475 | 1,980 | 2,455 | 447 | | |
| Due to Other Governments | 4 | — | 4 | 6 | | |
| Interest Payable | 2,936 | 235 | 3,171 | 3,172 | | |
| Taxes Payable | 39 | 12 | 51 | 32 | | |
| Current Portion of Long-Term Debt | | | | | | |
| General Obligation Bonds Due Within One Year | 17,359 | 4,200 | 21,559 | 15,089 | | |
| Claims Payable | 559 | 18 | 577 | 598 | | |
| Compensated Absences Payable | 379 | 216 | 595 | 624 | | |
| Other Current Liabilities | 3 | 54 | 57 | 45 | | |
| Total Current Liabilities | 29,470 | 10,248 | 39,718 | 31,942 | | |
| <i>Noncurrent Liabilities</i> | | | | | | |
| Compensated Absences Payable | 4,502 | 1,556 | 6,058 | 5,553 | | |
| Claims Payable | 1,389 | 45 | 1,434 | 1,427 | | |
| Vendor and Other Deposits Payable | 104 | — | 104 | 213 | | |
| General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other | 227,740 | 27,167 | 254,907 | 237,683 | | |
| Bond Interest Payable | — | — | — | — | | |
| Unfunded Other Post Employment Benefits | 2,483 | 801 | 3,284 | 2,737 | | |
| Other Noncurrent Liabilities | 3 | — | 3 | 2 | | |
| Total Noncurrent Liabilities | 236,221 | 29,569 | 265,790 | 247,615 | | |
| Total Liabilities | 265,691 | 39,817 | 305,508 | 279,557 | | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| | — | — | — | — | | |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 436,905 | 22,128 | 459,033 | 435,506 | | |
| Unrestricted | 35,072 | 22,973 | 58,045 | 55,333 | | |
| Total Net Position | 471,977 | 45,101 | 517,078 | 490,839 | | |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 737,668 | \$ 84,918 | \$ 822,586 | \$ 770,396 | | |

F-2 COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|---|-------------------------------------|---------------|------------------------|---------------|--------------------|---------------|
| | 2014 | Restated 2013 | 2014 | Restated 2013 | 2014 | Restated 2013 |
| OPERATING REVENUES | | | | | | |
| Charges for Services | \$ 76,511 | \$ 48,954 | \$ 125,465 | \$ 117,270 | | |
| Rents, Parking, and Concessions | 89,506 | — | 89,506 | 87,025 | | |
| Total Operating Revenues | 166,017 | 48,954 | 214,971 | 204,295 | | |
| OPERATING EXPENSES | | | | | | |
| Operations and Maintenance | 108,950 | 34,643 | 143,593 | 136,686 | | |
| General and Administrative | 9,920 | 9,059 | 18,979 | 17,741 | | |
| City Business and Occupation Taxes | 4 | — | 4 | 4 | | |
| Other Taxes | 418 | 1 | 419 | 410 | | |
| Depreciation and Amortization | 28,553 | 6,047 | 34,600 | 33,877 | | |
| Total Operating Expenses | 147,845 | 49,750 | 197,595 | 188,718 | | |
| Operating Income (Loss) | 18,172 | (796) | 17,376 | 15,577 | | |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Investment and Interest Income | 760 | 616 | 1,376 | (154) | | |
| Interest Expense | (9,517) | (1,092) | (10,609) | (9,743) | | |
| Amortization of Bonds Premiums | 2,281 | 521 | 2,802 | (63) | | |
| Amortization of Refunding Loss | (161) | — | (161) | (80) | | |
| Bond Issuance Costs | — | (107) | (107) | (63) | | |
| Gain (Loss) on Sale of Capital Assets | 942 | (3) | 939 | 896 | | |
| Contributions and Grants | — | — | — | 794 | | |
| Others, Net | — | — | — | 8 | | |
| Total Nonoperating Revenues (Expenses) | (5,695) | (65) | (5,760) | (8,405) | | |
| Income (Loss) Before Contributions, Grants, and Transfers | 12,477 | (861) | 11,616 | 7,172 | | |
| Capital Contributions and Grants | 19,918 | 473 | 20,391 | 31,873 | | |
| Transfers In | — | 301 | 301 | — | | |
| Transfers Out | (5,864) | (205) | (6,069) | (4,650) | | |
| Change in Net Position | 26,531 | (292) | 26,239 | 34,395 | | |
| Net Position - Beginning of Year | 445,445 | 45,394 | 490,839 | 456,445 | | |
| Prior-Year Adjustment | — | — | — | — | | |
| Net Position - Beginning of Year as Restated | 445,445 | 45,394 | 490,839 | 456,445 | | |
| Net Position - End of Year | \$ 471,976 | \$ 45,102 | \$ 517,078 | \$ 490,840 | | |

F-3 COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Page 1 of 2
For the Year Ended December 31, 2014
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|--|-------------------------------------|---------------|------------------------|---------------|--------------------|---------------|
| | 2014 | Restated 2013 | 2014 | Restated 2013 | 2014 | Restated 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash Received from Customers | \$ 163,036 | \$ 49,033 | \$ 212,069 | \$ 204,801 | | |
| Cash Paid to Suppliers | (60,524) | (17,041) | (77,565) | (80,414) | | |
| Cash Paid to Employees | (57,810) | (25,144) | (82,954) | (73,900) | | |
| Cash Paid for Taxes | (413) | 9 | (404) | (428) | | |
| Net Cash from Operating Activities | 44,289 | 6,857 | 51,146 | 50,059 | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Loans Provided to Other Funds | — | — | — | (50) | | |
| Operating Grants and Contributions Received | — | 473 | 473 | 794 | | |
| Transfers In | — | 301 | 301 | — | | |
| Transfers Out | (5,864) | (205) | (6,069) | (4,650) | | |
| Net Cash from Noncapital Financing Activities | (5,864) | 569 | (5,295) | (3,906) | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from Long-Term Debt | — | (205) | (205) | 2,643 | | |
| Principal Payments on Long-Term Debt | (14,884) | 29,810 | 14,926 | (14,637) | | |
| Capital Fees and Grants Received | — | — | — | — | | |
| Capital Expenses and Other Charges Paid | (16,989) | (5,395) | (22,384) | (19,778) | | |
| Interest Paid on Long-Term Debt | (9,732) | (1,209) | (10,941) | (10,506) | | |
| Debt Issuance Costs | — | (107) | (107) | (63) | | |
| Proceeds from Sale of Capital Assets | 1,103 | — | 1,103 | 915 | | |
| Net Cash from Capital and Related Financing Activities | (40,502) | 22,894 | (17,608) | (41,426) | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest and Investment Income (Loss) | 749 | 586 | 1,335 | (167) | | |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | (1,328) | 30,906 | 29,578 | 4,560 | | |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | | | |
| Beginning of Year | 46,025 | 27,587 | 73,612 | 69,052 | | |
| End of Year | \$ 44,697 | \$ 58,493 | \$ 103,190 | \$ 73,612 | | |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | | | |
| Current Assets Cash and Equity in Pooled Investments | \$ 22,536 | \$ 2,256 | \$ 24,792 | \$ 27,029 | | |
| Current Restricted Cash and Equity in Pooled Investments | 20,014 | — | 20,014 | 17,166 | | |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 2,146 | 56,237 | 58,383 | 29,417 | | |
| Total Cash at the End of the Year | \$ 44,696 | \$ 58,493 | \$ 103,189 | \$ 73,612 | | |

The City of Seattle

F-3

Page 2 of 2

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

| | Finance and Administrative Services | Information Technology | Comparative Totals | |
|---|--|---------------------------|--------------------|------------------|
| | | | 2014 | Restated 2013 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 18,172 | \$ (796) | \$ 17,376 | \$ 15,577 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 28,553 | 6,047 | 34,600 | 33,877 |
| Nonoperating Revenues and Expenses | — | — | — | 2 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (47) | 22 | (25) | (117) |
| Unbilled Receivables | 227 | — | 227 | (247) |
| Due from Other Funds | (3,093) | (427) | (3,520) | 1,039 |
| Due from Other Governments | (69) | 464 | 395 | (199) |
| Materials and Supplies Inventory | (187) | (156) | (343) | (316) |
| Accounts Payable | (760) | (312) | (1,072) | 763 |
| Salaries, Benefits, and Payroll Taxes Payable | 294 | 98 | 392 | 619 |
| Compensated Absences Payable | 446 | 31 | 477 | 291 |
| Due to Other Funds | 148 | 1,860 | 2,008 | (67) |
| Due to Other Governments | (1) | — | (1) | (31) |
| Claims Payable | (14) | — | (14) | 166 |
| Taxes Payable | 9 | 10 | 19 | (14) |
| Other Assets and Liabilities | 609 | 16 | 625 | (1,284) |
| Total Adjustments | 26,115 | 7,653 | 33,768 | 34,482 |
| Net Cash from Operating Activities | \$ 44,287 | \$ 6,857 | \$ 51,144 | \$ 50,059 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 30,935 | \$ — | \$ 30,935 | \$ 31,873 |
| Amortization of Debt Related Costs, Net | (161) | 413 | 252 | (143) |
| Settlement from Nextel | — | — | — | 5 |

Fiduciary Funds

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.

The **Firemen's Pension Fund** receives General Fund contributions and a portion of the state-levied fire insurance premium tax. These moneys pay for fire fighters' medical and pension benefits which are not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

The **Police Relief and Pension Fund** receives support almost entirely from the General Fund. The General Fund contributions pay for sworn police personnel's medical and pension benefits which are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

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.

Fiduciary Funds

G-1 COMBINING STATEMENT OF FIDUCIARY NET POSITION

PENSION TRUST FUNDS

December 31, 2014

(In Thousands)

| | Employees' Retirement | Firemen's Pension | Police Relief and Pension | Comparative Totals | |
|---|-----------------------|-------------------|---------------------------|--------------------|--------------|
| | | | | 2014 | 2013 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 2,726 | \$ 6,559 | \$ 5,206 | \$ 14,491 | \$ 11,274 |
| Short-Term Investments | 113,206 | — | — | 113,206 | 42,433 |
| Securities Lending Collateral | 25,232 | — | — | 25,232 | 13,595 |
| Investments at Fair Value | | | | | |
| U.S. Government Obligations | 175,686 | — | — | 175,686 | 170,501 |
| Mortgage-Backed Securities | 118,076 | — | — | 118,076 | 115,344 |
| Government Related and Other | 62,847 | 429 | — | 63,276 | 63,253 |
| Domestic Corporate Bonds | 181,903 | — | — | 181,903 | 168,108 |
| Domestic Stocks | 743,020 | 7,844 | — | 750,864 | 707,111 |
| International Stocks | 590,548 | — | — | 590,548 | 624,912 |
| Real Estate | 243,558 | — | — | 243,558 | 231,617 |
| Alternative/Venture Capital | 106,759 | — | — | 106,759 | 106,263 |
| Total Investments at Fair Value | 2,222,397 | 8,273 | — | 2,230,670 | 2,187,109 |
| Receivables | | | | | |
| Members | 2,901 | — | — | 2,901 | 2,737 |
| Employers | 4,204 | — | — | 4,204 | 2,992 |
| Due from Other Funds | — | — | — | — | — |
| Other | — | 410 | 481 | 891 | 748 |
| Interest and Dividends | 4,053 | 6 | — | 4,059 | 4,178 |
| Sales Proceeds | 6,237 | — | — | 6,237 | 5,727 |
| Total Receivables | 17,395 | 416 | 481 | 18,292 | 16,382 |
| Total Assets | 2,380,956 | 15,248 | 5,687 | 2,401,891 | 2,270,793 |
| LIABILITIES | | | | | |
| Accounts Payable and Other Liabilities | 2,286 | 506 | 585 | 3,377 | 4,854 |
| Securities Lending Collateral | 28,229 | — | — | 28,229 | 16,750 |
| Investment Commitments Payable | 27,737 | — | — | 27,737 | 16,347 |
| Total Liabilities | 58,252 | 506 | 585 | 59,343 | 37,951 |
| Net Position Held in Trust for Pension Benefits | \$ 2,322,704 | \$ 14,742 | \$ 5,101 | \$ 2,342,548 | \$ 2,232,842 |

COMBINING STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the Year Ended December 31, 2014
(In Thousands)

| | Defined Benefit | | |
|--|-----------------------|-------------------|---------------------------|
| | Employees' Retirement | Firemen's Pension | Police Relief and Pension |
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 89,989 | \$ 7,588 | \$ 9,188 |
| Plan Member | 63,970 | — | — |
| Total Contributions | 153,959 | 7,588 | 9,188 |
| Investment Income | | | |
| From Investment Activities | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 93,681 | 938 | — |
| Interest | 11,584 | 36 | — |
| Dividends | 25,543 | 138 | — |
| Total Investment Activities Income | 130,808 | 1,112 | — |
| Investment Activities Expenses | | | |
| Investment Management Fees | 7,802 | — | — |
| Investment Consultant Fees | 333 | — | — |
| Investment Custodial Fees | 342 | — | — |
| Total Investment Activities Expenses | 8,477 | — | — |
| Net Income from Investment Activities | 122,331 | 1,112 | — |
| From Securities Lending Activities | | | |
| Securities Lending Income | 24 | — | — |
| Borrower Rebates | 216 | — | — |
| Total Securities Lending Income | 240 | — | — |
| Securities Lending Expenses | | | |
| Management Fees | 60 | — | — |
| Total Securities Lending Expenses | 60 | — | — |
| Net Income from Securities Lending Activities | 180 | — | — |
| Total Net Investment Income | 122,511 | 1,112 | — |
| Other Income | — | 1,439 | 688 |
| Total Additions | 276,470 | 10,139 | 9,876 |
| DEDUCTIONS | | | |
| Benefits | 150,239 | 7,579 | 7,499 |
| Refund of Contributions | 15,104 | — | — |
| Administrative Expense | 5,331 | 550 | 478 |
| Total Deductions | 170,674 | 8,129 | 7,977 |
| Change in Net Position | 105,796 | 2,010 | 1,899 |
| Net Position - Beginning of Year | 2,216,908 | 12,731 | 3,202 |
| Net Position - End of Year | \$ 2,322,704 | \$ 14,741 | \$ 5,101 |

COMBINING STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the Year Ended December 31, 2014
(In Thousands)

| | Postemployment Healthcare | | Comparative Totals | |
|--|---------------------------|---------------------------|--------------------|--------------|
| | Firemen's Pension | Police Relief and Pension | 2014 | 2013 |
| ADDITIONS | | | | |
| Contributions | | | | |
| Employer | \$ 9,567 | \$ 11,533 | \$ 127,865 | \$ 113,083 |
| Plan Member | — | — | 63,970 | 60,343 |
| Total Contributions | 9,567 | 11,533 | 191,835 | 173,426 |
| Investment Income | | | | |
| From Investment Activities | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | — | — | 94,619 | 266,484 |
| Interest | — | — | 11,620 | 9,355 |
| Dividends | — | — | 25,681 | 22,364 |
| Total Investment Activities Income | — | — | 131,920 | 298,203 |
| Investment Activities Expenses | | | | |
| Investment Management Fees | — | — | 7,802 | 7,606 |
| Investment Consultant Fees | — | — | 333 | 499 |
| Investment Custodial Fees | — | — | 342 | 284 |
| Total Investment Activities Expenses | — | — | 8,477 | 8,389 |
| Net Income from Investment Activities | — | — | 123,443 | 289,814 |
| From Securities Lending Activities | | | | |
| Securities Lending Income | — | — | 24 | 12 |
| Borrower Rebates | — | — | 216 | 64 |
| Total Securities Lending Income | — | — | 240 | 76 |
| Securities Lending Expenses | | | | |
| Management Fees | — | — | 60 | 19 |
| Total Securities Lending Expenses | — | — | 60 | 19 |
| Net Income from Securities Lending Activities | — | — | 180 | 57 |
| Total Net Investment Income | — | — | 123,623 | 289,871 |
| Other Income | — | — | 2,127 | 1,517 |
| Total Additions | 9,567 | 11,533 | 317,585 | 464,814 |
| DEDUCTIONS | | | | |
| Benefits | 9,567 | 11,533 | 186,417 | 179,484 |
| Refund of Contributions | — | — | 15,104 | 15,278 |
| Administrative Expense | — | — | 6,359 | 6,214 |
| Total Deductions | 9,567 | 11,533 | 207,880 | 200,976 |
| Change in Net Position | — | — | 109,705 | 263,838 |
| Net Position - Beginning of Year | — | — | 2,232,841 | 1,969,004 |
| Net Position - End of Year | \$ — | \$ — | \$ 2,342,546 | \$ 2,232,842 |

G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Page 1 of 2 AGENCY FUNDS
 For the Year Ended December 31, 2014
 (In Thousands)

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|----------------------|------------|------------|------------------------|
| GUARANTY DEPOSITS FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 7,897 | \$ 4,733 | \$ 5,422 | \$ 7,208 |
| Total Assets | \$ 7,897 | \$ 4,733 | \$ 5,422 | \$ 7,208 |
| <i>Liabilities</i> | | | | |
| Deposits Payable | \$ 7,897 | \$ 6,577 | \$ 7,266 | \$ 7,208 |
| Total Liabilities | \$ 7,897 | \$ 6,577 | \$ 7,266 | \$ 7,208 |
| PAYROLL WITHHOLDING FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 2,362 | \$ 290,214 | \$ 289,935 | \$ 2,641 |
| Accounts Receivable | (1) | 2 | — | 1 |
| Total Assets | \$ 2,361 | \$ 290,216 | \$ 289,935 | \$ 2,642 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 156 | \$ 7 | \$ 18 | \$ 145 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,195 | 293,864 | 293,576 | 2,483 |
| Claims/Judgments Payable | 10 | 3 | — | 13 |
| Total Liabilities | \$ 2,361 | \$ 293,874 | \$ 293,594 | \$ 2,641 |
| MULTIFAMILY RENTAL HOUSING IMPROVEMENT FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 31 | \$ 10 | \$ 41 | \$ — |
| Total Assets | \$ 31 | \$ 10 | \$ 41 | \$ — |
| <i>Liabilities</i> | | | | |
| Deposits Payable | \$ 31 | \$ 10 | \$ 41 | \$ — |
| Total Liabilities | \$ 31 | \$ 10 | \$ 41 | \$ — |
| SALARY FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 58 | \$ 662,041 | \$ 661,993 | \$ 106 |
| Accounts Receivable | 40 | 10 | 40 | 10 |
| Total Assets | \$ 98 | \$ 662,051 | \$ 662,033 | \$ 116 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ — | \$ — | \$ — | \$ — |
| Salaries, Benefits, and Payroll Taxes Payable | 98 | 664,108 | 664,090 | 116 |
| Total Liabilities | \$ 98 | \$ 664,108 | \$ 664,090 | \$ 116 |

G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Page 2 of 2 AGENCY FUNDS
 For the Year Ended December 31, 2014
 (In Thousands)

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|----------------------|--------------|--------------|------------------------|
| VOUCHER FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 509 | \$ 3,440,137 | \$ 3,439,947 | \$ 699 |
| Total Assets | \$ 509 | \$ 3,440,137 | \$ 3,439,947 | \$ 699 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 509 | \$ 3,516,601 | \$ 3,516,410 | \$ 700 |
| Total Liabilities | \$ 509 | \$ 3,516,601 | \$ 3,516,410 | \$ 700 |
| PASS-THROUGH GRANTS FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ — | \$ — | \$ — | \$ — |
| Total Assets | \$ — | \$ — | \$ — | \$ — |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ — | \$ — | \$ — | \$ — |
| Total Liabilities | \$ — | \$ — | \$ — | \$ — |
| TOTALS - ALL AGENCY FUNDS | | | | |
| <i>Assets</i> | | | | |
| Cash and Equity in Pooled Investments | \$ 10,857 | \$ 4,397,135 | \$ 4,397,338 | \$ 10,654 |
| Accounts Receivable | 40 | 10 | 40 | 10 |
| Total Assets | \$ 10,897 | \$ 4,397,145 | \$ 4,397,378 | \$ 10,664 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 665 | \$ 3,516,608 | \$ 3,516,428 | \$ 845 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,293 | 957,972 | 957,666 | 2,599 |
| Deposits Payable | 7,928 | 6,587 | 7,307 | 7,208 |
| Claims/Judgments Payable | 10 | 3 | — | 13 |
| Total Liabilities | \$ 10,896 | \$ 4,481,170 | \$ 4,481,401 | \$ 10,665 |

Capital Assets

H-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

December 31, 2014

(In Thousands)

| | <u>2014</u> | <u>Restated 2013</u> |
|--|---------------------|--------------------------|
| CAPITAL ASSETS | | |
| Land | \$ 462,223 | \$ 456,008 |
| Buildings | 873,695 | 873,801 |
| Improvements Other than Buildings | 742,536 | 706,105 |
| Equipment | 138,476 | 129,915 |
| Infrastructure | 1,840,603 | 1,790,329 |
| Construction in Progress | 553,903 | 381,657 |
| Other Capital Assets | 17,774 | 17,457 |
| Total Capital Assets | <u>\$ 4,629,210</u> | <u>\$ 4,355,272</u> |
| INVESTMENT IN CAPITAL ASSETS FROM | | |
| General Fund | \$ 310,979 | \$ 296,533 |
| Special Revenue Funds | 3,268,052 | 3,009,688 |
| Capital Project Funds | 944,148 | 943,799 |
| Donations | 106,031 | 105,252 |
| Total Investment in Capital Assets | <u>\$ 4,629,210</u> | <u>\$ 4,355,272</u> |

H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 Page 1 of 2 SCHEDULE BY FUNCTION
 December 31, 2014
 (In Thousands)

| | Land | Buildings | Improvements |
|----------------------------------|------------|------------|--------------|
| General Government | \$ 21,004 | \$ 103,365 | \$ 151 |
| Security of Persons and Property | — | — | — |
| Transportation | 115,673 | 63,839 | 231 |
| Economic Environment | 1,305 | — | — |
| Judicial | — | — | — |
| Culture and Recreation | 324,241 | 706,491 | 742,154 |
| Total | \$ 462,223 | \$ 873,695 | \$ 742,536 |

H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 Page 2 of 2 SCHEDULE BY FUNCTION
 December 31, 2014
 (In Thousands)

| | Equipment | Infrastructure | Other Capital Assets | Total |
|------------------------------------|------------|----------------|----------------------|--------------|
| General Government | \$ 27,214 | \$ — | \$ — | 151,734 |
| Security of Persons and Property | 79,020 | — | — | 79,020 |
| Transportation | 12,555 | 1,840,603 | 1,612 | 2,034,513 |
| Economic Environment | 82 | — | — | 1,387 |
| Judicial | 82 | — | — | 82 |
| Culture and Recreation | 19,523 | — | 16,162 | 1,808,571 |
| Total | \$ 138,476 | \$ 1,840,603 | \$ 17,774 | 4,075,307 |
| Construction in Progress | | | | 553,903 |
| Total Investment in Capital Assets | | | | \$ 4,629,210 |

H-3 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION

For the Year Ended December 31, 2014

(In Thousands)

| | Restated Balance January 1 | Additions | Deductions | Balance December 31 |
|------------------------------------|----------------------------------|------------|------------|------------------------|
| General Government | \$ 153,191 | \$ 143 | \$ 1,600 | \$ 151,734 |
| Security of Persons and Property | 72,677 | 8,839 | 2,495 | 79,021 |
| Transportation | 1,984,081 | 51,632 | 1,200 | 2,034,513 |
| Economic Environment | 1,399 | 6 | 19 | 1,386 |
| Judicial | 82 | — | — | 82 |
| Culture and Recreation | 1,762,185 | 46,592 | 206 | 1,808,571 |
| Total | 3,973,615 | 107,212 | 5,520 | 4,075,307 |
| Construction in Progress | 381,657 | 310,584 | 138,338 | 553,903 |
| Total Investment in Capital Assets | \$ 4,355,272 | \$ 417,796 | \$ 143,858 | \$ 4,629,210 |

Statistics

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)

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------------|--------------|--------------|--------------|--------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 3,088,501 | \$ 2,880,124 | \$ 2,783,738 | \$ 2,627,462 | \$ 2,513,808 |
| Restricted | 448,935 | 460,885 | 406,454 | 419,675 | 372,289 |
| Unrestricted | (16,363) | 36,212 | (35,593) | (101,021) | (98,786) |
| Total Governmental Activities Net Position | \$ 3,521,073 | \$ 3,377,221 | \$ 3,154,599 | \$ 2,946,116 | \$ 2,787,311 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 1,750,495 | \$ 1,508,831 | \$ 1,391,130 | \$ 1,243,622 | \$ 1,228,030 |
| Restricted | 58,039 | 57,404 | 56,210 | 81,904 | 79,372 |
| Unrestricted | 253,427 | 274,388 | 215,405 | 205,493 | 106,013 |
| Total Business-Type Activities Net Position | \$ 2,061,961 | \$ 1,840,623 | \$ 1,662,745 | \$ 1,531,019 | \$ 1,413,415 |
| PRIMARY GOVERNMENT | | | | | |
| Net Investment in Capital Assets | \$ 4,838,996 | \$ 4,388,955 | \$ 4,174,868 | \$ 3,871,084 | \$ 3,741,838 |
| Restricted | 506,974 | 518,289 | 462,664 | 501,579 | 451,661 |
| Unrestricted | 237,064 | 310,600 | 179,812 | 104,472 | 7,227 |
| Total Primary Government Net Position | \$ 5,583,034 | \$ 5,217,844 | \$ 4,817,344 | \$ 4,477,135 | \$ 4,200,726 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------|--------------|--------------|--------------|--------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 2,350,564 | \$ 2,184,161 | \$ 2,011,575 | \$ 1,825,203 | \$ 1,679,338 |
| Restricted | 225,157 | 271,204 | 194,618 | 183,340 | 142,509 |
| Unrestricted | 146,711 | 194,962 | 322,784 | 273,696 | 211,426 |
| Total Governmental Activities Net Position | \$ 2,722,432 | \$ 2,650,327 | \$ 2,528,977 | \$ 2,282,239 | \$ 2,033,273 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 1,257,195 | \$ 1,128,319 | \$ 967,028 | \$ 813,091 | \$ 664,469 |
| Restricted | 71,801 | 63,913 | 48,561 | 59,161 | 147,980 |
| Unrestricted | 49,827 | 166,634 | 195,226 | 234,582 | 125,159 |
| Total Business-Type Activities Net Position | \$ 1,378,823 | \$ 1,358,866 | \$ 1,210,815 | \$ 1,106,834 | \$ 937,608 |
| PRIMARY GOVERNMENT | | | | | |
| Net Investment in Capital Assets | \$ 3,607,759 | \$ 3,312,480 | \$ 2,978,603 | \$ 2,638,294 | \$ 2,343,807 |
| Restricted | 296,958 | 335,117 | 243,179 | 242,501 | 290,489 |
| Unrestricted | 196,538 | 361,596 | 518,010 | 508,278 | 336,585 |
| Total Primary Government Net Position | \$ 4,101,255 | \$ 4,009,193 | \$ 3,739,792 | \$ 3,389,073 | \$ 2,970,881 |

^a 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)

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-------------|------------|------------|------------|------------|
| EXPENSES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| General Government | \$ 189,034 | \$ 161,041 | \$ 164,040 | \$ 179,498 | \$ 182,058 |
| Judicial | 28,874 | 33,517 | 26,121 | 25,623 | 26,298 |
| Public Safety | 568,843 | 515,129 | 475,747 | 471,205 | 476,861 |
| Physical Environment | 5,853 | 10,740 | 6,357 | 10,697 | 8,346 |
| Transportation | 222,199 | 165,742 | 133,511 | 111,038 | 122,376 |
| Economic Environment | 138,169 | 125,191 | 125,917 | 101,242 | 119,595 |
| Health and Human Services | 76,562 | 71,256 | 65,266 | 71,399 | 72,680 |
| Culture and Recreation | 275,566 | 267,043 | 239,003 | 245,671 | 258,639 |
| Interest on Long-Term Debt | 31,170 | 26,417 | 39,998 | 40,425 | 38,929 |
| Total Governmental Activities Expenses | 1,536,270 | 1,376,076 | 1,275,960 | 1,256,798 | 1,305,782 |
| <i>Business-Type Activities</i> | | | | | |
| Light | 798,161 | 780,930 | 731,459 | 723,665 | 730,758 |
| Water | 221,944 | 215,600 | 203,610 | 198,929 | 209,554 |
| Drainage and Wastewater | 298,633 | 290,147 | 272,423 | 269,224 | 245,589 |
| Solid Waste | 159,501 | 156,653 | 150,115 | 149,157 | 141,852 |
| Planning and Development | 58,304 | 53,080 | 46,542 | 44,087 | 47,699 |
| Downtown Parking Garage | 7,458 | 8,159 | 7,701 | 7,740 | 7,648 |
| Fiber Leasing | 27 | 54 | — | — | — |
| Total Business-Type Activities Expenses | 1,544,028 | 1,504,623 | 1,411,850 | 1,392,802 | 1,383,100 |
| Total Primary Government Expenses | 3,080,298 | 2,880,699 | 2,687,810 | 2,649,600 | 2,688,882 |
| PROGRAM REVENUES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Charges for Services | | | | | |
| General Government | 91,011 | 85,923 | 79,048 | 73,960 | 60,333 |
| Judicial | 31,256 | 40,545 | 33,748 | 33,048 | 31,078 |
| Public Safety | 25,733 | 19,245 | 19,277 | 18,939 | 18,848 |
| Physical Environment | 78 | 47 | — | 2 | 1,985 |
| Transportation | 101,074 | 100,830 | 81,972 | 64,331 | 55,680 |
| Economic Environment | 35,776 | 12,250 | 7,303 | 7,299 | 4,419 |
| Health and Human Services | 10 | 8 | — | 1,276 | 9 |
| Culture and Recreation | 72,873 | 67,116 | 53,450 | 50,273 | 54,886 |
| Operating Grants and Contributions | 123,986 | 135,407 | 130,377 | 136,679 | 118,619 |
| Capital Grants and Contributions | 37,895 | 42,468 | 48,092 | 47,503 | 56,377 |
| Total Governmental Activities Program Revenues | 519,692 | 503,839 | 453,267 | 433,310 | 402,234 |
| <i>Business-Type Activities</i> | | | | | |
| Charges for Services | | | | | |
| Light | 883,149 | 839,767 | 797,445 | 769,316 | 729,650 |
| Water | 242,786 | 235,114 | 213,164 | 194,342 | 194,987 |
| Drainage and Wastewater | 337,882 | 329,386 | 297,443 | 274,553 | 245,959 |
| Solid Waste | 157,495 | 159,741 | 156,927 | 154,159 | 146,944 |
| Planning and Development | 56,743 | 48,016 | 40,869 | 35,087 | 28,627 |
| Downtown Parking Garage | 7,435 | 7,019 | 6,588 | 5,937 | 6,580 |
| Fiber Leasing | 16 | 75 | — | — | — |
| Operating Grants and Contributions | 6,155 | 7,055 | 6,749 | 5,518 | 5,953 |
| Capital Grants and Contributions | 48,129 | 63,760 | 48,438 | 51,522 | 41,846 |
| Total Business-Type Activities Program Revenues | 1,739,790 | 1,689,933 | 1,567,623 | 1,490,434 | 1,400,546 |
| Total Primary Government Program Revenues | 2,259,482 | 2,193,772 | 2,020,890 | 1,923,744 | 1,802,780 |
| NET (EXPENSE) REVENUE | | | | | |
| Governmental Activities | (1,016,578) | (872,237) | (822,693) | (823,488) | (903,548) |
| Business-Type Activities | 195,761 | 185,310 | 155,773 | 97,632 | 17,446 |
| Total Primary Government Net Expense | (820,817) | (686,927) | (666,920) | (725,856) | (886,102) |

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)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|------------|------------|------------|------------|------------|
| EXPENSES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| General Government | \$ 106,732 | \$ 143,855 | \$ 103,323 | \$ 128,758 | \$ 102,362 |
| Judicial | 27,526 | 26,762 | 24,030 | 20,344 | 18,429 |
| Public Safety | 473,527 | 455,701 | 396,669 | 354,083 | 325,416 |
| Physical Environment | 32,543 | 7,707 | 9,991 | 7,331 | 6,614 |
| Transportation | 137,015 | 127,872 | 124,493 | 87,610 | 87,542 |
| Economic Environment | 98,940 | 104,660 | 98,337 | 78,957 | 91,060 |
| Health and Human Services | 75,788 | 69,181 | 63,276 | 56,904 | 56,572 |
| Culture and Recreation | 249,160 | 257,578 | 224,455 | 215,081 | 199,169 |
| Interest on Long-Term Debt | 36,825 | 39,336 | 34,048 | 35,399 | 39,539 |
| Total Governmental Activities Expenses | 1,238,056 | 1,232,652 | 1,078,622 | 984,467 | 926,703 |
| <i>Business-Type Activities</i> | | | | | |
| Light | 733,405 | 791,837 | 764,786 | 699,164 | 683,476 |
| Water | 200,921 | 180,855 | 169,631 | 161,943 | 148,992 |
| Drainage and Wastewater | 244,295 | 231,318 | 225,833 | 199,378 | 178,447 |
| Solid Waste | 145,526 | 120,941 | 119,714 | 114,527 | 110,044 |
| Planning and Development | 55,954 | 56,882 | 56,139 | 50,203 | 43,487 |
| Downtown Parking Garage | 7,824 | 8,545 | 8,336 | 8,035 | 8,414 |
| Fiber Leasing | — | — | — | — | — |
| Total Business-Type Activities Expenses | 1,387,925 | 1,390,378 | 1,344,439 | 1,233,250 | 1,172,860 |
| Total Primary Government Expenses | 2,625,981 | 2,623,030 | 2,423,061 | 2,217,717 | 2,099,563 |
| PROGRAM REVENUES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Charges for Services | | | | | |
| General Government | 58,127 | 102,697 | 69,636 | 51,071 | 47,054 |
| Judicial | 28,376 | 22,032 | 19,851 | 17,852 | 16,794 |
| Public Safety | 22,740 | 16,254 | 21,850 | 14,422 | 12,788 |
| Physical Environment | 1,745 | 1,660 | 1,660 | 1,587 | 1,220 |
| Transportation | 62,230 | 44,093 | 28,860 | 25,306 | 28,936 |
| Economic Environment | 11,922 | 17,440 | 25,100 | 17,519 | 12,765 |
| Health and Human Services | 9 | 12 | 17 | 62 | 4 |
| Culture and Recreation | 58,977 | 59,586 | 57,283 | 62,768 | 50,192 |
| Operating Grants and Contributions | 104,382 | 95,236 | 93,184 | 93,850 | 93,656 |
| Capital Grants and Contributions | 36,834 | 31,527 | 31,577 | 52,174 | 66,991 |
| Total Governmental Activities Program Revenues | 385,342 | 390,509 | 349,018 | 326,611 | 330,400 |
| <i>Business-Type Activities</i> | | | | | |
| Charges for Services | | | | | |
| Light | 717,775 | 872,099 | 829,679 | 817,310 | 733,865 |
| Water | 190,283 | 163,996 | 159,967 | 153,171 | 145,865 |
| Drainage and Wastewater | 244,773 | 216,957 | 201,139 | 186,118 | 175,782 |
| Solid Waste | 135,393 | 124,353 | 121,913 | 112,474 | 111,228 |
| Planning and Development | 33,379 | 42,929 | 49,471 | 44,655 | 37,695 |
| Downtown Parking Garage | 6,862 | 6,530 | 6,805 | 6,608 | 6,180 |
| Fiber Leasing | — | — | — | — | — |
| Operating Grants and Contributions | 4,789 | 4,099 | 6,208 | 2,412 | 2,973 |
| Capital Grants and Contributions | 59,983 | 81,425 | 53,063 | 49,437 | 30,750 |
| Total Business-Type Activities Program Revenues | 1,393,237 | 1,512,888 | 1,428,245 | 1,372,185 | 1,244,338 |
| Total Primary Government Program Revenues | 1,778,579 | 1,902,897 | 1,777,263 | 1,698,796 | 1,574,738 |
| NET (EXPENSE) REVENUE | | | | | |
| Governmental Activities | (852,714) | (842,143) | (729,604) | (657,856) | (596,303) |
| Business-Type Activities | 5,312 | 122,010 | 83,806 | 138,935 | 71,478 |
| Total Primary Government Net Expense | (847,402) | (720,133) | (645,798) | (518,921) | (524,825) |

Statistics

Table S-2
Page 3 of 4

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------|------------|------------|------------|------------|
| GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Taxes | | | | | |
| Property Taxes | \$ 431,458 | \$ 423,927 | \$ 412,872 | \$ 397,288 | \$ 391,798 |
| Sales Taxes | 199,735 | 181,171 | 169,681 | 158,582 | 146,970 |
| Business Taxes | 395,759 | 408,913 | 358,931 | 339,703 | 331,570 |
| Excise Taxes | 57,739 | 61,524 | 54,637 | 35,203 | 28,815 |
| Other Taxes | 60,073 | 11,240 | 44,352 | 39,014 | 31,119 |
| Penalties and Interest on Delinquent Taxes | 4,091 | 3,596 | 2,795 | 3,240 | 3,475 |
| Unrestricted Investment Earnings (Loss) | 11,791 | (1,663) | 6,458 | 5,536 | 4,685 |
| Gain (Loss) on Sale of Capital Assets | 1,761 | 17,012 | 1,502 | 14,224 | 40,095 |
| Transfers | (11,512) | (10,861) | (10,095) | (9,373) | (10,100) |
| Total Governmental Activities | 1,150,895 | 1,094,859 | 1,041,133 | 983,417 | 968,427 |
| <i>Business-Type Activities</i> | | | | | |
| Unrestricted Investment Earnings | 16,254 | 4,204 | 11,789 | 11,078 | 8,796 |
| Gain on Sale of Capital Assets | 2,759 | 1,672 | 619 | 924 | 198 |
| Special Item - Environmental Remediation | (4,949) | (24,169) | (37,066) | 538 | (1,948) |
| Transfers | 11,512 | 10,861 | 10,095 | 9,373 | 10,100 |
| Total Business-Type Activities | 25,576 | (7,432) | (14,563) | 21,913 | 17,146 |
| Total Primary Government | 1,176,471 | 1,087,427 | 1,026,570 | 1,005,330 | 985,573 |
| CHANGES IN NET POSITION | | | | | |
| Governmental Activities | 134,317 | 222,622 | 218,440 | 159,929 | 64,879 |
| Business-Type Activities | 221,339 | 177,878 | 141,210 | 119,545 | 34,592 |
| Total Primary Government | \$ 355,656 | \$ 400,500 | \$ 359,650 | \$ 279,474 | \$ 99,471 |

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)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------------|------------|------------|------------|------------|
| GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Taxes | | | | | |
| Property Taxes | \$ 388,341 | \$ 368,515 | \$ 359,651 | \$ 318,490 | \$ 311,613 |
| Sales Taxes | 150,515 | 171,917 | 171,846 | 155,311 | 146,060 |
| Business Taxes | 329,572 | 330,369 | 332,238 | 311,015 | 280,139 |
| Excise Taxes | 27,710 | 36,091 | 76,918 | 58,397 | 55,507 |
| Other Taxes | 28,582 | 25,395 | 12,765 | 4,929 | 4,636 |
| Penalties and Interest on Delinquent Taxes | 3,867 | 2,410 | 4,276 | 3,349 | 2,125 |
| Unrestricted Investment Earnings (Loss) | 8,898 | 24,140 | 33,155 | 22,021 | 10,288 |
| Gain (Loss) on Sale of Capital Assets | (2,422) | 15,461 | 891 | 35,353 | 2,921 |
| Transfers | (10,245) | (10,803) | (10,612) | (9,260) | (8,456) |
| Total Governmental Activities | 924,818 | 963,495 | 981,128 | 899,605 | 804,833 |
| <i>Business-Type Activities</i> | | | | | |
| Unrestricted Investment Earnings | 4,837 | 13,530 | 19,106 | 16,241 | 10,811 |
| Gain on Sale of Capital Assets | 4,495 | 1,708 | 276 | 1,823 | 438 |
| Special Item - Environmental Remediation | (4,289) | — | — | — | — |
| Transfers | 10,245 | 10,803 | 10,612 | 9,260 | 8,456 |
| Total Business-Type Activities | 15,288 | 26,041 | 29,994 | 27,324 | 19,705 |
| Total Primary Government | 940,106 | 989,536 | 1,011,122 | 926,929 | 824,538 |
| CHANGES IN NET POSITION | | | | | |
| Governmental Activities | 72,104 | 121,352 | 251,524 | 241,749 | 208,530 |
| Business-Type Activities | 20,600 | 148,051 | 113,800 | 166,259 | 91,183 |
| Total Primary Government | \$ 92,704 | \$ 269,403 | \$ 365,324 | \$ 408,008 | \$ 299,713 |

Statistics

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| GENERAL FUND | | | | | |
| Nonspendable | \$ 473 | \$ 375 | \$ 555 | \$ 572 | \$ 401 |
| Restricted | 99,991 | 99,659 | 82,520 | 58,917 | 63,695 |
| Committed | 76,493 | 83,155 | 79,508 | 58,713 | 44,240 |
| Assigned | 5,685 | 5,325 | 6,417 | 6,808 | 17,958 |
| Unassigned | 134,492 | 120,446 | 105,992 | 79,765 | 53,147 |
| Reserved | — | — | — | — | — |
| Unreserved | — | — | — | — | — |
| Total General Fund | <u>\$ 317,134</u> | <u>\$ 308,960</u> | <u>\$ 274,992</u> | <u>\$ 204,775</u> | <u>\$ 179,441</u> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | |
| Nonspendable | \$ 4,224 | \$ 3,959 | \$ 2,618 | \$ 2,714 | \$ 2,447 |
| Restricted | 346,892 | 359,172 | 321,884 | 358,710 | 306,545 |
| Committed | 60,612 | 49,829 | 40,248 | 60,156 | 41,379 |
| Assigned | 9,933 | 7,661 | 12,583 | 8,816 | 7,910 |
| Unassigned | (59,231) | (22,328) | (13,991) | (12,064) | (11,911) |
| Reserved | — | — | — | — | — |
| Unreserved, Reported in | | | | | |
| Special Revenue Funds | — | — | — | — | — |
| Capital Projects Funds | — | — | — | — | — |
| Permanent Funds | — | — | — | — | — |
| Total All Other Governmental Funds | <u>\$ 362,430</u> | <u>\$ 398,293</u> | <u>\$ 363,342</u> | <u>\$ 418,332</u> | <u>\$ 346,370</u> |
| | | | | | |
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| GENERAL FUND | | | | | |
| Nonspendable | \$ — | \$ — | \$ — | \$ — | \$ — |
| Restricted | — | — | — | — | — |
| Committed | — | — | — | — | — |
| Assigned | — | — | — | — | — |
| Unassigned | — | — | — | — | — |
| Reserved | 78,835 | 140,325 | 129,350 | 91,018 | 95,855 |
| Unreserved | 118,611 | 131,085 | 197,678 | 150,280 | 107,817 |
| Total General Fund | <u>\$ 197,446</u> | <u>\$ 271,410</u> | <u>\$ 327,028</u> | <u>\$ 241,298</u> | <u>\$ 203,672</u> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | |
| Nonspendable | \$ — | \$ — | \$ — | \$ — | \$ — |
| Restricted | — | — | — | — | — |
| Committed | — | — | — | — | — |
| Assigned | — | — | — | — | — |
| Unassigned | — | — | — | — | — |
| Reserved | 319,104 | 261,463 | 226,965 | 218,682 | 185,917 |
| Unreserved, Reported in | | | | | |
| Special Revenue Funds | 40,157 | 96,337 | 39,589 | 41,694 | 31,368 |
| Capital Projects Funds | — | — | (1,846) | (3,125) | — |
| Permanent Funds | 101 | 121 | 83 | — | — |
| Total All Other Governmental Funds | <u>\$ 359,362</u> | <u>\$ 357,921</u> | <u>\$ 264,791</u> | <u>\$ 257,251</u> | <u>\$ 217,285</u> |

a Beginning in fiscal year 2010, fund balance categories were changed to conform to the requirements of GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

The City of Seattle

Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Page 1 of 2
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------------|------------------|------------------|------------------|--------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,149,120 | \$ 1,083,499 | \$ 1,044,608 | \$ 973,181 | \$ 933,641 |
| Licenses and Permits | 30,093 | 27,135 | 25,238 | 22,966 | 26,514 |
| Grants, Shared Revenues, and Contributions | 161,361 | 184,784 | 177,775 | 167,813 | 179,842 |
| Charges for Services | 221,187 | 200,847 | 182,595 | 167,644 | 171,509 |
| Fines and Forfeits | 37,142 | 41,107 | 34,340 | 34,066 | 32,300 |
| Parking Fees and Space Rent | 63,891 | 62,463 | 57,107 | 51,004 | 46,858 |
| Program Income, Interest, and Miscellaneous Revenues | 86,757 | 45,462 | 43,649 | 39,706 | 26,037 |
| Total Revenues | <u>1,749,551</u> | <u>1,645,297</u> | <u>1,565,312</u> | <u>1,456,380</u> | <u>1,416,701</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 204,662 | 191,829 | 180,187 | 193,697 | 203,607 |
| Judicial | 29,158 | 27,642 | 26,654 | 25,855 | 26,300 |
| Public Safety | 525,778 | 494,011 | 461,235 | 451,734 | 445,002 |
| Physical Environment | 7,409 | 11,935 | 7,748 | 11,190 | 9,058 |
| Transportation | 114,737 | 97,676 | 92,212 | 90,966 | 93,381 |
| Economic Environment | 140,079 | 128,644 | 128,711 | 106,234 | 123,430 |
| Health and Human Services | 78,024 | 73,151 | 67,103 | 73,100 | 73,956 |
| Culture and Recreation | 245,358 | 231,694 | 216,508 | 211,523 | 233,284 |
| Capital Outlay | | | | | |
| General Government | 35,599 | 22,220 | 10,684 | 13,862 | 16,799 |
| Judicial | — | — | — | — | — |
| Public Safety | 25,162 | 21,100 | 27,743 | 8,320 | 21,815 |
| Physical Environment | — | — | — | — | — |
| Transportation | 278,550 | 234,188 | 228,272 | 167,590 | 169,636 |
| Economic Environment | 7 | — | 69 | — | 5 |
| Culture and Recreation | 55,132 | 85,690 | 55,507 | 50,383 | 63,521 |
| Debt Service | | | | | |
| Principal | 61,745 | 56,194 | 53,523 | 47,909 | 45,826 |
| Advance Refunding to Escrow | — | — | — | — | — |
| Interest | 26,571 | 26,206 | 25,339 | 26,754 | 24,596 |
| Bond Issuance Cost | 259 | 822 | 258 | 369 | 1,303 |
| Other | — | — | 305 | — | — |
| Total Expenditures | <u>1,828,230</u> | <u>1,703,002</u> | <u>1,582,058</u> | <u>1,479,486</u> | <u>1,551,519</u> |
| Excess (Deficiency) of Revenues over Expenditures | (78,679) | (57,705) | (16,746) | (23,106) | (134,818) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | 50,455 | 101,115 | 108,085 | 79,433 | 85,325 |
| Refunding Debt Issued | — | 43,945 | — | — | 115,185 |
| Premium on Bonds Issued | 4,150 | 9,377 | 21,140 | 5,181 | 13,270 |
| Capital Leases Issued | — | — | — | — | — |
| Payment to Refunded Bond Escrow Agent | — | (44,503) | (91,574) | — | (125,170) |
| Sales of Capital Assets | 2,128 | 22,904 | 2,282 | 41,161 | 21,310 |
| Transfers In | 442,666 | 375,772 | 334,611 | 292,224 | 298,519 |
| Transfers Out | (448,411) | (381,986) | (342,571) | (297,597) | (304,618) |
| Total Other Financing Sources (Uses) | <u>50,988</u> | <u>126,624</u> | <u>31,973</u> | <u>120,402</u> | <u>103,821</u> |
| Net Change in Fund Balance | <u>\$ (27,691)</u> | <u>\$ 68,919</u> | <u>\$ 15,227</u> | <u>\$ 97,296</u> | <u>\$ (30,997)</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 5.81 % | 5.93 % | 6.26 % | 5.91 % | 5.28 % |

Statistics

Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Page 2 of 2 Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|-------------|------------|------------|------------|------------|
| REVENUES | | | | | |
| Taxes | \$ 927,287 | \$ 934,544 | \$ 957,242 | \$ 851,366 | \$ 799,928 |
| Licenses and Permits | 28,298 | 29,091 | 33,439 | 28,348 | 25,612 |
| Grants, Shared Revenues, and Contributions | 173,231 | 133,772 | 130,869 | 158,922 | 155,130 |
| Charges for Services | 157,081 | 142,797 | 149,049 | 125,245 | 127,436 |
| Fines and Forfeits | 29,645 | 25,572 | 22,701 | 21,230 | 19,759 |
| Parking Fees and Space Rent | 42,404 | 37,961 | 38,029 | 44,742 | 42,703 |
| Program Income, Interest, and Miscellaneous Revenues | 34,011 | 102,077 | 81,200 | 46,892 | 68,968 |
| Total Revenues | 1,391,957 | 1,405,814 | 1,412,529 | 1,276,745 | 1,239,536 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 202,974 | 195,947 | 154,672 | 160,282 | 136,309 |
| Judicial | 26,812 | 26,584 | 24,142 | 20,569 | 19,229 |
| Public Safety | 431,413 | 421,105 | 377,367 | 352,395 | 333,548 |
| Physical Environment | 16,528 | 8,454 | 10,752 | 7,574 | 6,902 |
| Transportation | 111,531 | 107,532 | 95,474 | 82,612 | 94,806 |
| Economic Environment | 103,462 | 109,903 | 103,350 | 83,327 | 95,186 |
| Health and Human Services | 76,471 | 70,032 | 64,490 | 58,723 | 57,017 |
| Culture and Recreation | 223,340 | 215,458 | 199,214 | 191,618 | 181,318 |
| Capital Outlay | | | | | |
| General Government | 24,651 | 12,953 | 16,823 | 42,691 | 36,885 |
| Judicial | — | — | — | — | 6 |
| Public Safety | 20,781 | 12,643 | 38,345 | 3,928 | 4,829 |
| Physical Environment | — | 5 | 10 | — | — |
| Transportation | 179,231 | 100,636 | 105,079 | 80,913 | 61,555 |
| Economic Environment | 28 | 22 | 270 | 16 | — |
| Culture and Recreation | 72,905 | 72,322 | 88,641 | 85,438 | 77,023 |
| Debt Service | | | | | |
| Principal | 43,064 | 51,855 | 61,236 | 71,672 | 92,198 |
| Advance Refunding to Escrow | 6 | 35,152 | 6,270 | — | 9,596 |
| Interest | 24,191 | 35,738 | 34,923 | 37,599 | 36,462 |
| Bond Issuance Cost | 727 | 632 | 256 | 380 | 438 |
| Other | — | — | — | 177 | 40 |
| Total Expenditures | 1,558,115 | 1,476,973 | 1,381,314 | 1,279,914 | 1,243,347 |
| Excess (Deficiency) of Revenues over Expenditures | (166,158) | (71,159) | 31,215 | (3,169) | (3,811) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | 87,810 | 84,960 | 36,365 | 49,635 | 60,840 |
| Refunding Debt Issued | 4,390 | 54,870 | 60,870 | 2,195 | 71,450 |
| Premium on Bonds Issued | 8,152 | 7,545 | 4,178 | 378 | 7,837 |
| Capital Leases Issued | 20 | — | — | — | — |
| Payment to Refunded Bond Escrow Agent | (4,735) | (56,920) | (62,535) | (2,253) | (75,412) |
| Sales of Capital Assets | 624 | 408 | 4,348 | 35,756 | 27,218 |
| Transfers In | 371,345 | 350,078 | 306,914 | 282,578 | 290,069 |
| Transfers Out | (373,971) | (332,266) | (288,087) | (287,529) | (289,857) |
| Total Other Financing Sources (Uses) | 93,635 | 108,675 | 62,053 | 80,760 | 92,145 |
| Net Change in Fund Balance | \$ (72,523) | \$ 37,516 | \$ 93,268 | \$ 77,591 | \$ 88,334 |
| Debt Service as a Percentage of Noncapital Expenditures | 5.28% | 6.72% | 8.39% | 10.16% | 11.98% |

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 |
|------|----------------------|--------------------------|--------------|------------|-------------|-------------|
| 2005 | \$ 311,461 | \$ 146,060 | \$ 280,163 | \$ 55,507 | \$ 6,737 | \$ 799,928 |
| 2006 | 318,366 | 155,311 | 311,015 | 58,572 | 8,103 | 851,367 |
| 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 | 431,436 | 65,364 | 16,771 | 1,144,764 |

Table S-6 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

| Fiscal Year | Assessed and Estimated Actual Value ^a (In Thousands) | | | Total Direct Tax Rate | Average Annual Growth | Assessed Value Per Capita |
|-------------|--|-------------------|---------------|-----------------------|-----------------------|---------------------------|
| | Real Property | Personal Property | Total | | | |
| 2005 | \$ 84,157,435 | \$ 4,120,671 | \$ 88,278,106 | \$ 3.585 | 5.17% | \$ 154.063 |
| 2006 | 91,625,334 | 4,081,299 | 95,706,633 | 3.378 | 8.41 | 165.382 |
| 2007 | 101,522,467 | 4,686,021 | 106,208,488 | 3.221 | 10.97 | 181.312 |
| 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) | 202.099 |
| 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) | 189.451 |
| 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 | 212.086 |

^a Real property has been assessed at 100 percent of estimated actual value.

Statistics

Table S-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES ^a
Last Ten Fiscal Years
(In Mills or Dollars per Thousand of Assessed Value)

| Year of Levy | City of Seattle | | | | Overlapping | | | | Total | Dollars Levied ^d (\$1,000) | Annual Growth |
|--------------|-----------------|-----------------------|--------------------|------------|-------------|---------------------|--------|-----------------|--------|---------------------------------------|---------------|
| | General Fund | Special Revenue Funds | Debt Service Funds | City Total | State | County ^b | School | Port of Seattle | | | |
| 2005 | 2.351 | 0.933 | 0.301 | 3.585 | 2.690 | 1.382 | 2.302 | 0.253 | 10.212 | \$ 901,496 | 3.3% |
| 2006 | 2.230 | 0.870 | 0.278 | 3.378 | 2.498 | 1.329 | 2.192 | 0.233 | 9.630 | 921,573 | 2.2 |
| 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 | 2.0 |
| 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 |

a Source: King County Assessor and City of Seattle Budget Office.
b 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 0.335 in 2014.
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 ^d
Current Year and Nine Years Ago

| Taxpayer ^e | 2014 | | | 2005 | | |
|---|---|----------------------------------|------|---|----------------------------------|------|
| | Assessed Valuation ^f (In Millions) | Percentage of Assessed Valuation | Rank | Assessed Valuation ^f (In Millions) | Percentage of Assessed Valuation | Rank |
| Union Square Limited Partnership | \$ 593.7 | 0.41% | 1 | \$ 391.1 | 0.41% | 3 |
| 1201 Tab Owner LLC (formerly Wright Runstad) | 457.6 | 0.32 | 2 | | | |
| FSP-RIC LLC (formerly Northwestern Mutual Life Ins) | 425.2 | 0.29 | 3 | | | |
| The Boeing Company | 415.1 | 0.29 | 4 | 330 | 0.35 | 5 |
| City Centre Associates JV | 377.5 | 0.26 | 5 | 252.1 | 0.26 | 7 |
| Columbia Center Property | 339.9 | 0.23 | 6 | | | |
| 999 Third Avenue Property | 284.7 | 0.20 | 7 | | | |
| Seattle Sheraton | 269.6 | 0.19 | 8 | | | |
| Puget Sound Energy-Gas/Electric | 258.4 | 0.18 | 9 | 168.6 | 0.18 | 10 |
| Essex Portfolio LP | 257.7 | 0.15 | 10 | | | |
| Qwest Corporation | | | | 429.9 | 0.45 | 1 |
| EOP Northwest Properties | | | | 402.3 | 0.42 | 2 |
| Bank of America | | | | 366.0 | 0.38 | 4 |
| Washington Mutual/Wright Runstad | | | | 277.1 | 0.29 | 6 |
| Starwood Hotel & Resorts (Westin Hotel) | | | | 208.3 | 0.22 | 8 |
| Martin Selig | | | | 180.3 | 0.19 | 9 |

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 ^a | | | | | |
|------------------------------------|-------------------------|--------------------|------|-----------|--------------------|------|
| | 2014 | | | 2005 | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| Nucor Corporation | \$ 22,457 | 3.12% | 1 | \$ 17,466 | 3.10% | 1 |
| University of Washington | 22,147 | 3.07 | 2 | 16,167 | 2.87 | 2 |
| City of Seattle | 19,685 | 2.73 | 3 | 6,430 | 1.14 | 4 |
| Boeing Company | 15,999 | 2.22 | 4 | 14,029 | 2.49 | 3 |
| King County b | 10,491 | 1.46 | 5 | 5,507 | 0.98 | 7 |
| International Gateway/Sabey | 10,311 | 1.43 | 6 | 5,954 | 1.06 | 5 |
| US Government | 7,073 | 0.98 | 7 | 5,616 | 1.00 | 6 |
| 2001 Sixth LLC | 6,290 | 0.87 | 8 | | | |
| Saint Gobain | 6,088 | 0.84 | 9 | | | |
| Martin Selig Properties | 5,619 | 0.78 | 10 | | | |
| Unico Properties/Union Square Ltd. | | | | 4,124 | 0.73 | 9 |
| Equity Office Properties | | | | 4,204 | 0.75 | 8 |
| Seattle Public Schools | | | | 3,042 | 0.54 | 10 |
| Total Top Ten | \$ 126,160 | 17.50% | | \$ 82,539 | 14.66% | |

a Source: 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 ^a | | | | | |
|-------------------------------------|--------------------|--------------------|------|-------------------|--------------------|------|
| | 2014 | | | 2006 ^b | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| Cascade Water Alliance | \$ 20,831 | 8.57% | 1 | \$ 14,148 | 15.41% | 1 |
| Northshore Utility District | 5,386 | 2.22 | 2 | 4,351 | 4.74 | 2 |
| Highline Water District | 4,173 | 1.72 | 3 | 3,385 | 3.69 | 3 |
| Woodinville Water District | 3,821 | 1.57 | 4 | 2,297 | 2.50 | 5 |
| Soos Creek Water and Sewer District | 3,644 | 1.50 | 5 | 2,076 | 2.26 | 7 |
| University of Washington | 3,615 | 1.49 | 6 | 2,141 | 2.33 | 6 |
| City of Seattle | 3,583 | 1.47 | 7 | 3,357 | 3.66 | 4 |
| Port of Seattle | 2,998 | 1.23 | 8 | 1,583 | 1.72 | 10 |
| City of Mercer Island | 2,408 | 0.99 | 9 | 1,866 | 2.03 | 8 |
| King County Water District #20 | 2,162 | 0.89 | 10 | | | |
| Cedar River Water & Sewer District | | | | 1,784 | 1.94 | 9 |
| Total Top Ten | \$ 52,621 | 21.65% | | \$ 36,988 | 40.28% | |

c Source: Seattle Public Utilities (SPU) billing records.
d Using 2006 data, the latest and closest available in 2006 CAFR.

Statistics

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

| Customer Name | DRAINAGE AND WASTEWATER ^a | | | | | |
|---------------------------|--------------------------------------|--------------------|------|-------------------|--------------------|------|
| | 2014 | | | 2006 ^b | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| City of Seattle | \$ 8,815 | 2.64% | 1 | \$ 3,469 | 2.68% | 2 |
| University of Washington | 7,934 | 2.38 | 2 | 5,020 | 3.88 | 1 |
| Port of Seattle | 5,068 | 1.52 | 3 | 1,883 | 1.46 | 3 |
| King County | 3,235 | 0.97 | 4 | 1,522 | 1.18 | 5 |
| Seattle Housing Authority | 3,203 | 0.96 | 5 | 1,845 | 1.43 | 4 |
| Seattle Public Schools | 1,822 | 0.55 | 6 | 1,312 | 1.01 | 6 |
| BNSF Rwy Co. | 1,351 | 0.40 | 7 | 507 | 0.39 | 10 |
| Seattle Tunnel Partners | 1,332 | 0.40 | 8 | | | |
| Darigold | 1,093 | 0.33 | 9 | | | |
| The Boeing Company | 890 | 0.27 | 10 | 712 | 0.55 | 7 |
| Swedish Medical Center | | | | 651 | 0.50 | 8 |
| Harborview Medical Center | | | | 556 | 0.43 | 9 |
| Total Top Ten | \$ 34,743 | 10.42% | | \$ 17,477 | 13.51% | |

a Source: Seattle Public Utilities (SPU) billing records.
b Using 2006 data, the latest and closest available in 2006 CAFR.

| Customer Name | SOLID WASTE ^a | | | | | |
|----------------------------------|--------------------------|--------------------|------|-------------------|--------------------|------|
| | 2014 | | | 2006 ^b | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| City of Seattle | \$ 1,005 | 0.64% | 1 | \$ 474 | 0.42% | 1 |
| Fred Meyer/QFC | 803 | 0.51 | 2 | | | |
| Starbucks | 704 | 0.45 | 3 | | | |
| Goodwill Industries | 626 | 0.40 | 4 | 287 | 0.26 | 3 |
| Seattle Housing Authority | 541 | 0.34 | 5 | 323 | 0.29 | 2 |
| Swedish Medical Center | 504 | 0.32 | 6 | 222 | 0.20 | 5 |
| Pike Place Market | 437 | 0.28 | 7 | 211 | 0.19 | 6 |
| King County | 404 | 0.26 | 8 | | | |
| Safeway | 369 | 0.23 | 9 | | | |
| Vigor Marine | 368 | 0.23 | 10 | | | |
| VW Vender Haul | | | | 243 | 0.22 | 4 |
| Harbor View Environment Services | | | | 198 | 0.18 | 7 |
| Virginia Mason Hospital | | | | 182 | 0.16 | 8 |
| Associated Grocers | | | | 152 | 0.14 | 9 |
| Pacific Place | | | | 150 | 0.13 | 10 |
| Total Top Ten | \$ 5,761 | 3.66% | | \$ 2,442 | 2.19% | |

a Source: Seattle Public Utilities (SPU) billing records.
b Using 2006 data, the latest and closest available in 2006 CAFR.

The City of Seattle

Table S-10
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

| Fiscal Year | Original Levy | Adjusted Levy ^a | 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 |
| 2005 | \$314,357,618 | \$ 313,008,315 | \$307,392,432 | 98.21% | \$ (164,595) | \$312,843,720 | \$ 1,407,361 | \$308,799,793 | 98.71% |
| 2006 | 321,085,515 | 320,407,560 | 314,611,894 | 98.19 | (278,157) | 320,129,403 | 5,542,455 | 320,154,349 | 100.01 |
| 2007 | 361,810,037 | 360,253,854 | 354,036,495 | 98.27 | (185,735) | 360,068,119 | 5,940,218 | 359,976,713 | 99.97 |
| 2008 | 371,971,172 | 370,579,618 | 363,923,901 | 98.20 | (45,352) | 370,534,266 | 6,503,468 | 370,427,369 | 99.97 |
| 2009 | 391,665,366 | 389,564,212 | 382,220,305 | 98.11 | (89,111) | 389,475,101 | 7,224,143 | 389,444,448 | 99.99 |
| 2010 | 396,716,770 | 394,203,623 | 387,023,382 | 98.18 | 87,007 | 394,290,630 | 7,209,459 | 394,232,841 | 99.99 |
| 2011 | 401,332,061 | 399,082,252 | 392,544,843 | 98.36 | (112,527) | 398,969,725 | 6,359,183 | 398,904,026 | 99.98 |
| 2012 | 417,706,022 | 415,720,650 | 408,919,797 | 98.36 | (97,357) | 415,623,293 | 5,967,032 | 414,886,829 | 99.82 |
| 2013 | 419,470,830 | 418,268,215 | 411,963,480 | 98.49 | (14,768) | 418,253,447 | 4,697,846 | 416,661,326 | 99.62 |
| 2014 | 433,746,570 | 432,690,228 | 426,568,295 | 98.59 | — | 432,690,228 | — | 426,568,295 | 98.59 |

a Net of initial adjustments in year of levy.

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 |
| 2005 | \$ 794,075 | \$ 15,249 | \$ 809,324 | \$ — | \$ 21,890 | \$ 29 |
| 2006 | 746,365 | 13,992 | 760,357 | 21,925 | 24,494 | 15 |
| 2007 | 720,025 | 16,540 | 736,565 | 20,545 | 21,923 | 3 |
| 2008 | 721,160 | 22,222 | 743,382 | 19,205 | 19,738 | 0 |
| 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 |

Business-Type Activities Revenue Bonds

| Fiscal Year | General Obligation Bonds | Light and Power Bonds | Water Bonds | Drainage and Wastewater Bonds | Solid Waste Bonds | Premiums, Discounts, and Other Adjustments | Net General Obligation Bonds and Revenue Bonds |
|-------------|--------------------------|-----------------------|-------------|-------------------------------|-------------------|--|--|
| | | | | | | | |
| 2006 | 70,023 | 1,409,215 | 861,670 | 334,625 | 17,325 | 70,489 | 2,763,347 |
| 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 | 121,756 | 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 |

Business-Type Activities

| Fiscal Year | Solid Waste Revenue Anticipation Notes | | Notes and Contracts |
|-------------|--|-----------|---------------------|
| | 2005 | \$ 11,976 | |
| 2006 | 23,576 | 10,942 | |
| 2007 | — | 7,048 | |
| 2008 | — | 20,240 | |
| 2009 | — | 23,861 | |
| 2010 | — | 34,107 | |
| 2011 | — | 36,222 | |
| 2012 | — | 34,753 | |
| 2013 | — | 35,606 | |
| 2014 | — | 33,889 | |

Primary Government

| Fiscal Year | Total | Percentage of Personal Income ^a | Debt Per Capita | Total Personal Income ^a |
|-------------|-----------|--|-----------------|------------------------------------|
| | | | | |
| 2006 | 3,604,656 | 12.84 | 6,022 | 28,079,681 |
| 2007 | 3,525,675 | 11.33 | 5,813 | 31,104,558 |
| 2008 | 3,985,320 | 13.84 | 6,493 | 28,803,559 |
| 2009 | 3,872,142 | 13.26 | 6,200 | 29,201,816 |
| 2010 | 4,208,488 | 14.50 | 6,537 | 29,019,204 |
| 2011 | 4,378,833 | 14.60 | 6,802 | 29,987,391 |
| 2012 | 4,534,817 | 12.04 | 6,879 | 37,652,394 |
| 2013 | 4,593,047 | 11.42 | 6,901 | 40,204,185 |
| 2014 | 4,779,192 | N/A | 6,901 | N/A |

^a Personal income data is not available for 2014.

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 ^a | Per Capita |
| 2005 | \$ 794,075 | \$ 12,428 | \$ 796,896 | 0.90% | \$ 1,391 |
| 2006 | 746,365 | 15,724 | 744,633 | 0.78 | 1,287 |
| 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 | 0.60 | 1,344 |

Business-Type Activities

| Fiscal Year | 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 ^a | Per Capita |
|-------------|--|---|--|---|------------|
| | | | | | |
| 2006 | 70,023 | 72,489 | 140,512 | 15 | 243 |
| 2007 | 65,702 | 74,336 | 138,191 | 13 | 236 |
| 2008 | 64,524 | 69,123 | 138,860 | 11 | 234 |
| 2009 | 63,319 | 119,651 | 132,442 | 10 | 220 |
| 2010 | 62,093 | 126,463 | 181,744 | 15 | 299 |
| 2011 | 60,846 | 221,756 | 187,309 | 16 | 306 |
| 2012 | 59,589 | 221,756 | 281,345 | 24 | 456 |
| 2013 | 58,327 | 215,007 | 273,334 | 21 | 436 |
| 2014 | 56,470 | 249,395 | 305,865 | 21 | 478 |

Business-Type Activities

| Fiscal Year | Annual Debt Service Payments | | Net Operating Income ^a | Percentage of Debt Service to Net Operating Income ^a |
|-------------|------------------------------|----------|-----------------------------------|---|
| | 2005 | \$ 4,885 | | |
| 2006 | 4,907 | 4,462 | 4,462 | 109.97 |
| 2007 | 5,151 | 4,599 | 4,599 | 112.00 |
| 2008 | 4,654 | 4,119 | 4,119 | 112.99 |
| 2009 | 4,625 | 4,351 | 4,351 | 106.30 |
| 2010 | 4,578 | 4,097 | 4,097 | 111.74 |
| 2011 | 4,520 | 3,282 | 3,282 | 137.72 |
| 2012 | 4,438 | 3,866 | 3,866 | 114.80 |
| 2013 | 4,337 | 3,863 | 3,863 | 112.27 |
| 2014 | 4,796 | 4,634 | 4,634 | 103.50 |

Primary Government

| Fiscal Year | General Bonded Debt Outstanding (In Thousands) | Externally Restricted Fund Balance (In Thousands) | Net General Bonded Debt Outstanding (In Thousands) |
|-------------|--|---|--|
| | | | |
| 2006 | 900,869 | 15,724 | 885,145 |
| 2007 | 874,756 | 15,216 | 859,540 |
| 2008 | 882,242 | 14,288 | 867,954 |
| 2009 | 931,129 | 11,220 | 919,909 |
| 2010 | 1,020,699 | 9,804 | 1,010,895 |
| 2011 | 1,047,604 | 9,653 | 1,037,951 |
| 2012 | 1,110,365 | 9,719 | 1,100,646 |
| 2013 | 1,136,313 | 9,775 | 1,126,538 |
| 2014 | 1,177,143 | 10,131 | 1,167,012 |

^a Starting in 2011, estimated actual value of taxable property in the succeeding year is used for calculation.

^b General obligation bond debt service for the Downtown Parking Garage is being paid for by user fee revenues derived from the garage. The ultimate recourse for the payment of these bonds remains with the City's General Fund.

^c Excludes amortization.

Statistics

Table S-13 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT December 31, 2014

| Governmental Unit | Net Debt Outstanding (In Thousands) | Percentage Applicable to Seattle ^a | Amount Applicable to Seattle (In Thousands) |
|--|-------------------------------------|---|---|
| Debt Repaid with Property Taxes | | | |
| King County ^b | \$ 826,768 | 37.28% | \$ 309,046 |
| Port of Seattle | 225,420 | 37.38 | 84,262 |
| Seattle School District No. 001 | 45,381 | 99.47 | 45,140 |
| Highline School District No. 401 | 253,586 | 0.01 | 25 |
| Subtotal Overlapping Debt | 1,351,155 | | 438,473 |
| City of Seattle Direct Debt | 857,819 | 100.00 | 857,819 |
| Total Direct and Overlapping Debt | \$ 2,208,974 | | \$ 1,296,292 |

a Percentage rates were provided by King County except for City of Seattle.

b Excludes proprietary fund debt, public facilities debt financed from special taxes and hotel and motel tax-financed debt.

The City of Seattle

Table S-14 LEGAL DEBT MARGIN INFORMATION

| | General Capacity ^a | | Special Purpose Capacity ^a | | 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) | |
| Latest Certified Assessed Value - \$145,091,711^b | | | | | |
| 2.50% of Assessed Value | \$ — | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 10,881,878,355 |
| 1.50% of Assessed Value | 2,176,375,671 | (2,176,375,671) | — | — | — |
| | 2,176,375,671 | 1,450,917,114 | 3,627,292,785 | 3,627,292,785 | 10,881,878,355 |
| Statutory Debt Limit Less Debt Outstanding^c | | | | | |
| Bonds | (739,915,000) | (132,615,000) | — | — | (872,530,000) |
| Guarantee on PDA Bonds | (55,755,000) | — | — | — | (55,755,000) |
| Public Works Trust Fund Loans | (14,579,719) | — | — | — | (14,579,719) |
| Compensated Absences | (97,790,000) | — | — | — | (97,790,000) |
| Total Debt Outstanding | (908,039,719) | (132,615,000) | — | — | (1,040,654,719) |
| Add: | | | | | |
| Available Net Position In Redemption Funds | 10,130,770 | 4,667,439 | — | — | 14,798,209 |
| Compensated Absences for Sick Leave | 14,430,000 | — | — | — | 14,430,000 |
| Net Debt Outstanding | (883,478,949) | (127,947,561) | — | — | (1,011,426,510) |
| LEGAL DEBT MARGIN | \$ 1,292,896,722 | \$ 1,322,969,553 | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 9,870,451,845 |

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Percentage of Net Debt to Debt Limit |
|-------------|------------------|------------------------------------|-------------------|--------------------------------------|
| 2005 | \$ 7,177,997,496 | \$ 992,974,845 | \$ 6,185,022,651 | 13.83% |
| 2006 | 7,965,636,558 | 943,898,454 | 7,021,738,104 | 11.85 |
| 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 | 9,870,431,847 | 9.29 |

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.

RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued as of January 22, 2014 for taxes payable in 2013.

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.

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.

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.

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.

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 ^a | | | | | | | | |
|--|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|--|--|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage | | |
| | | | | Interest | Principal | | | |
| 2005 | \$ 749,289 | \$ 500,372 | \$ 248,917 | \$ 68,932 | \$ 64,596 | 1.86 | | |
| 2006 | 835,005 | 512,882 | 322,123 | 72,408 | 63,435 | 2.37 | | |
| 2007 | 783,775 | 527,353 | 256,422 | 69,858 | 66,755 | 1.88 | | |
| 2008 | 798,108 | 519,471 | 278,637 | 65,218 | 70,460 | 2.05 | | |
| 2009 | 690,760 | 491,065 | 199,695 | 70,514 | 74,350 | 1.38 | | |
| 2010 | 702,053 | 491,641 | 210,412 | 51,012 | 67,360 | 1.78 | | |
| 2011 | 754,391 | 484,529 | 269,862 | 85,038 | 61,650 | 1.84 | | |
| 2012 | 795,238 | 489,099 | 306,139 | 80,129 | 88,995 | 1.81 | | |
| 2013 | 833,834 | 514,269 | 319,565 | 80,960 | 91,840 | 1.85 | | |
| 2014 | 872,837 | 531,464 | 341,373 | 85,086 | 99,670 | 1.85 | | |

| WATER ^b | | | | | | | | |
|--------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|--|--|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage | | |
| | | | | Interest | Principal | | | |
| 2005 | \$ 146,119 | \$ 55,026 | \$ 91,093 | \$ 34,347 | \$ 19,970 | 1.68 | | |
| 2006 | 155,175 | 64,312 | 90,863 | 31,030 | 21,490 | 1.73 | | |
| 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 | | |

| DRAINAGE AND WASTEWATER ^c | | | | | | | | |
|--------------------------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|--|--|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage | | |
| | | | | Interest | Principal | | | |
| 2005 | \$ 176,482 | \$ 126,763 | \$ 49,719 | \$ 8,055 | \$ 10,168 | 2.73 | | |
| 2006 | 186,832 | 141,866 | 44,966 | 8,049 | 10,794 | 2.39 | | |
| 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 | | |

| SOLID WASTE ^d | | | | | | | | |
|--------------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|--|--|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage | | |
| | | | | Interest | Principal | | | |
| 2005 | \$ 111,231 | \$ 86,768 | \$ 24,463 | \$ 1,382 | \$ 3,965 | 4.58 | | |
| 2006 | 112,474 | 89,980 | 22,494 | 1,175 | 4,170 | 4.21 | | |
| 2007 | 121,931 | 93,562 | 28,369 | 978 | 4,390 | 5.28 | | |
| 2008 | 124,353 | 90,616 | 33,737 | 3048 | 4,690 | 4.36 | | |
| 2009 | 135,641 | 116,262 | 19,379 | 4,206 | 6,535 | 1.80 | | |
| 2010 | 146,980 | 118,270 | 28,710 | 3,865 | 1,980 | 4.91 | | |
| 2011 | 154,200 | 121,558 | 32,642 | 3,773 | 2,075 | 5.58 | | |
| 2012 | 156,927 | 121,980 | 34,947 | 6,079 | 2,960 | 3.87 | | |
| 2013 | 159,742 | 125,991 | 33,751 | 5,708 | 3,330 | 3.73 | | |
| 2014 | 157,498 | 122,948 | 34,550 | 6,976 | 3,495 | 3.30 | | |

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 Debt service requirements for outstanding bond anticipation notes (BAN) were not included in calculating bond coverage ratio. There were outstanding BANS in 2003-2006. 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 ^a | | Per Capita Income ^b | | Median Age King County ^d | Public School Enrollment ^e | King County Average Annual Unemployment Rate ^f |
|------|-------------------------|---------|--------------------------------|--------------------------|-------------------------------------|---------------------------------------|---|
| | King County | Seattle | King County | Region PMSA ^c | | | |
| 2005 | 1,808,300 | 573,000 | \$ 49,488 | \$ 45,680 | 36.83 | 46,239 | 4.8% |
| 2006 | 1,835,300 | 578,700 | 53,488 | 49,275 | 36.93 | 45,654 | 4.2 |
| 2007 | 1,861,300 | 586,200 | 57,710 | 53,061 | 36.97 | 45,262 | 3.7 |
| 2008 | 1,884,200 | 592,800 | 58,141 | 53,999 | 37.00 | 45,574 | 4.3 |
| 2009 | 1,909,300 | 602,000 | 53,933 | 50,644 | 37.08 | 45,944 | 7.9 |
| 2010 | 1,933,400 | 608,660 | 54,927 | 51,370 | 37.05 | 47,008 | 8.8 |
| 2011 | 1,942,600 | 612,100 | 57,837 | 53,931 | 37.40 | 48,496 | 8.1 |
| 2012 | 1,957,000 | 616,500 | 60,090 | 52,627 | 37.72 | 49,864 | 6.8 |
| 2013 | 1,981,900 | 626,600 | 62,770 | 55,190 | 37.70 | 51,010 | 8.1 |
| 2014 | 2,017,250 | 640,500 | N/A | N/A | 37.10 | 51,988 | 5.0 |

a. As of April 1. Source: Washington State Office of Financial Management, "2014 Population Trends for Washington State" estimates only.

b. Source: U. S. Bureau of Economic Analysis.

c. Source: U. S. Bureau of Economic Analysis includes Seattle, Bellevue, and Everett.

d. Source: Washington State Office of Financial Management.

e. Source: Seattle Public Schools.

f. Source: Washington State Employment Security Department, March 24, 2015.

Table S-17 PRINCIPAL INDUSTRIES^{gh}
Current Year and Nine Years Ago

| Industry | 2014 | | | 2005 | | |
|------------------------------------|---------------------|--------------------------|------|---------------------|--------------------------|------|
| | Number of Employees | Percentage of Employment | Rank | Number of Employees | Percentage of Employment | Rank |
| Professional and Business Services | 207,933 | 16.3% | 1 | 172,475 | 14.9% | 1 |
| Educational and Health Services | 167,983 | 13.1 | 2 | 132,933 | 11.5 | 2 |
| Retail Trade | 127,958 | 10.0 | 3 | 113,950 | 9.9 | 3 |
| Leisure and Hospitality | 124,883 | 9.8 | 4 | 105,992 | 9.2 | 5 |
| Manufacturing | 107,025 | 8.4 | 5 | 107,067 | 9.3 | 4 |
| Total Local Government | 92,400 | 7.2 | 6 | 85,242 | 7.4 | 6 |
| Information | 85,583 | 6.7 | 7 | 70,067 | 6.1 | 8 |
| Financial Activities | 72,000 | 5.6 | 8 | 79,367 | 6.9 | 7 |
| Wholesale Trade | 61,650 | 4.8 | 9 | 61,600 | 5.3 | 10 |
| Construction | 60,792 | 4.8 | 10 | 63,158 | 5.5 | 9 |
| Total Top Ten Industries | <u>1,108,207</u> | <u>86.7%</u> | | <u>991,851</u> | <u>86.0%</u> | |

g Source: Washington Employment Security Department Labor Market and Economic Analysis.

h Data is provided for King County, which includes the Seattle Metropolitan Area

Statistics

Table S-18
Page 1 of 2
FULL-TIME-EQUIVALENT^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|------------------|------------------|------------------|------------------|
| PUBLIC SAFETY | | | | | |
| Community Police Commission | 3.00 | — | — | — | — |
| Fire | 1,151.55 | 1,150.55 | 1,152.55 | 1,151.55 | 1,155.55 |
| Firemen's Pension Board | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Law | 169.60 | 169.60 | 159.10 | 160.60 | 155.10 |
| Municipal Court | 213.10 | 212.60 | 214.10 | 214.10 | 222.10 |
| Police | 1,999.35 | 1,947.35 | 1,930.85 | 1,934.85 | 1,922.25 |
| Police Relief and Pension Board | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Public Safety | — | — | — | 1.00 | 1.00 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Arts and Cultural Affairs | 30.84 | 28.09 | 19.85 | 20.60 | 23.10 |
| Library | 558.40 | 558.40 | 509.00 | 503.20 | 511.82 |
| Parks and Recreation | 888.45 | 853.57 | 863.09 | 890.89 | 1,002.49 |
| Seattle Center | 242.66 | 241.62 | 245.12 | 245.12 | 257.77 |
| HEALTH AND HUMAN SERVICES | | | | | |
| Human Services | 344.60 | 341.35 | 316.10 | 322.60 | 326.35 |
| Educational and Developmental Services Levy | 9.00 | 9.00 | 9.00 | — | — |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Economic Development | 25.50 | 22.50 | 24.00 | 22.00 | 20.00 |
| Housing | 37.00 | 37.50 | 37.50 | 38.50 | 40.50 |
| Neighborhoods | 46.00 | 42.50 | 40.50 | 74.75 | 86.50 |
| Neighborhood Matching Subfund | 7.00 | 6.00 | 6.00 | — | — |
| Planning and Development | 406.00 | 397.25 | 393.26 | 398.01 | 409.00 |
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | 1,857.25 | 1,830.25 | 1,810.50 | 1,810.50 | 1,839.10 |
| Seattle Public Utilities | 1,446.55 | 1,401.05 | 1,411.05 | 1,420.75 | 1,449.25 |
| Transportation | 793.00 | 727.50 | 721.00 | 768.50 | 792.00 |
| ADMINISTRATION | | | | | |
| City Auditor | 9.50 | 9.50 | 9.00 | 8.00 | 8.00 |
| City Budget | 29.50 | 28.50 | 27.50 | 28.50 | 0.00 |
| Civil Rights | 23.50 | 23.00 | 22.50 | 21.50 | 22.50 |
| Civil Service Commission | 2.60 | 2.60 | — | 1.80 | 1.80 |
| Employees' Retirement System | 20.00 | 18.00 | 18.00 | 15.50 | 15.50 |
| Ethics and Elections Commission | 6.20 | 6.20 | 5.20 | 5.20 | 5.20 |
| Finance and Administrative Services ^b | 602.25 | 528.75 | 521.75 | 523.75 | 579.00 |
| Hearing Examiner | 4.63 | 4.63 | 4.63 | 4.63 | 4.63 |
| Immigrant and Refugee Affairs | 3.00 | 3.00 | 2.00 | — | — |
| Information Technology | 194.25 | 192.25 | 190.25 | 195.00 | 205.00 |
| Intergovernmental Relations | 10.50 | 10.50 | 10.50 | 11.50 | 11.50 |
| Legislative | 86.50 | 86.50 | 86.00 | 86.00 | 89.00 |
| Mayor | 28.50 | 28.50 | 28.50 | 28.50 | 28.50 |
| Department of Human Resources ^d | 92.75 | 103.75 | 103.25 | 104.25 | 115.00 |
| Policy and Management ^c | — | — | — | — | — |
| Sustainability and Environment | 12.00 | 10.00 | 14.75 | 11.00 | 8.00 |
| Total Full-Time Equivalents | 11,358.53 | 11,039.36 | 10,913.40 | 11,029.65 | 11,314.51 |

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

The City of Seattle

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FULL-TIME-EQUIVALENT
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------------------|------------------|------------------|------------------|------------------|
| PUBLIC SAFETY | | | | | |
| Community Police Commission | — | — | — | — | — |
| Fire | 1,163.05 | 1,163.05 | 1,146.05 | 1,142.80 | 1,127.05 |
| Firemen's Pension Board | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Law | 154.10 | 155.10 | 152.10 | 147.60 | 137.60 |
| Municipal Court | 235.60 | 234.60 | 235.60 | 234.60 | 226.10 |
| Police | 1,859.75 | 1,851.75 | 1,851.25 | 1,840.25 | 1,805.75 |
| Police Relief and Pension Board | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Public Safety | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Arts and Cultural Affairs | 25.10 | 25.10 | 24.10 | 23.10 | 22.10 |
| Library | 527.46 | 533.41 | 529.03 | 506.17 | 478.56 |
| Parks and Recreation | 1,002.90 | 1,002.95 | 989.45 | 979.44 | 941.75 |
| Seattle Center | 271.53 | 278.30 | 278.30 | 264.80 | 253.90 |
| HEALTH AND HUMAN SERVICES | | | | | |
| Human Services | 337.85 | 323.85 | 323.60 | 314.85 | 305.10 |
| Educational and Developmental Services Levy | — | — | — | — | — |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Economic Development | 19.50 | 24.60 | 10.50 | 21.60 | 21.00 |
| Housing | 41.00 | 41.50 | 41.75 | 41.75 | 41.75 |
| Neighborhoods | 88.00 | 87.00 | 85.00 | 86.50 | 86.25 |
| Neighborhood Matching Subfund | — | — | — | — | — |
| Planning and Development | 437.00 | 441.00 | 434.00 | 394.50 | 374.00 |
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | 1,881.83 | 1,821.33 | 1,752.33 | 1,752.10 | 1,734.10 |
| Seattle Public Utilities | 1,481.00 | 1,458.06 | 1,367.94 | 1,402.40 | 1,399.40 |
| Transportation | 798.50 | 778.00 | 675.50 | 642.25 | 622.50 |
| ADMINISTRATION | | | | | |
| City Auditor | 8.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| City Budget | 36.00 | 38.00 | — | — | — |
| Civil Rights | 22.50 | 22.50 | 22.50 | 22.50 | 22.50 |
| Civil Service Commission | 1.80 | 1.80 | 1.80 | 1.60 | 1.60 |
| Employees' Retirement System | 15.50 | 14.50 | 14.50 | 12.50 | 12.50 |
| Ethics and Elections Commission | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 |
| Finance and Administrative Services ^b | 601.00 | 597.00 | 588.50 | 579.50 | 562.95 |
| Hearing Examiner | 4.75 | 4.75 | 4.50 | 4.50 | 4.90 |
| Immigrant and Refugee Affairs | — | — | — | — | — |
| Information Technology | 216.00 | 217.00 | 216.00 | 203.50 | 191.50 |
| Intergovernmental Relations | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| Legislative | 88.00 | 88.00 | 87.00 | 85.00 | 83.70 |
| Mayor | 24.50 | 25.50 | 24.50 | 22.50 | 22.50 |
| Department of Human Resources ^d | 128.00 | 123.50 | 121.50 | 105.00 | 101.50 |
| Policy and Management ^c | 18.00 | 18.50 | 18.50 | 16.00 | 15.00 |
| Sustainability and Environment | 7.00 | 7.00 | 6.00 | 5.00 | 4.00 |
| Total Full-Time Equivalents | 11,518.92 | 11,410.35 | 11,034.50 | 10,885.01 | 10,632.26 |

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

Statistics

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OPERATING INDICATORS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|------------------|------------------|------------------|------------------|------------------|
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Property fire loss | | | | | |
| Total City | \$ 16,571,652 | \$ 8,887,550 | \$ 11,340,687 | \$ 11,476,891 | \$ 11,021,455 |
| Per capita | \$ 25.87 | \$ 14.18 | \$ 18.4 | \$ 18.86 | \$ 18.11 |
| Police | | | | | |
| Municipal Court filings and citations | | | | | |
| Non-traffic criminal filings | 6,674 | 7,573 | 8,162 | 8,481 | 9,908 |
| Traffic criminal filings | 802 | 1048 | 953 | 1,109 | 4,752 |
| DUI filings | 1,074 | 1,111 | 1,369 | 1,667 | 1,343 |
| Non-traffic infraction filings | 2,182 | 2,190 | 3,122 | 4,787 | 5,501 |
| Traffic infraction filings | 41,467 | 42,091 | 36,872 | 46,136 | 55,108 |
| Parking infractions | 527,782 | 631,388 | 578,507 | 580,841 | 600,543 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Library | | | | | |
| Library cards in force | 464,787 | 458,644 | 453,000 | 456,534 | 502,903 |
| Parks and Recreation | | | | | |
| Park use permits issued | | | | | |
| Number | 759 | 651 | 646 | 670 | 614 |
| Amount | \$ 273,316 | \$ 511,114 | \$ 493,691 | \$ 454,327 | \$ 302,690 |
| Facility use permits issued including pools | | | | | |
| Number | 24,543 | 24,740 | 25,944 | 26,051 | 27,384 |
| Amount | \$ 7,278,825 | \$ 6,973,400 | \$ 6,502,337 | \$ 6,147,176 | \$ 5,014,973 |
| Facility use permits issued excluding pools | | | | | |
| Number | 23,749 | 24,182 | 25,353 | 25,472 | 26,661 |
| Amount | \$ 6,543,601 | \$ 6,313,899 | \$ 5,935,997 | \$ 5,573,454 | \$ 4,480,703 |
| Picnic permits issued | | | | | |
| Number | 4,027 | 3,967 | 3,664 | 3,463 | 3,658 |
| Amount | \$ 386,272 | \$ 381,309 | \$ 363,842 | \$ 345,209 | \$ 303,075 |
| Ball field usage | | | | | |
| Scheduled hours | 170,014 | 161,571 | 147,142 | 128,352 | 125,891 |
| Amount | \$ 2,797,013 | \$ 2,477,333 | \$ 2,668,292 | \$ 2,480,476 | \$ 1,909,705 |
| Weddings | | | | | |
| Number | 254 | 258 | 250 | 233 | 272 |
| Amount | \$ 89,486 | \$ 94,845 | \$ 94,295 | \$ 80,900 | \$ 89,350 |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Planning and Development | | | | | |
| Permits | | | | | |
| Number issued | 12,047 | 8,350 | 7,316 | 7,075 | 6,287 |
| Value of issued permits | \$ 3,789,737,682 | \$ 3,064,690,426 | \$ 2,450,807,519 | \$ 2,144,525,229 | \$ 1,582,129,040 |
| UTILITIES | | | | | |
| City Light | | | | | |
| Customers | 415,056 | 408,055 | 402,608 | 400,351 | 398,858 |
| Operating revenues | \$ 8,866,445,525 | \$ 842,229,890 | \$ 800,273,311 | \$ 771,464,570 | \$ 732,977,819 |
| Water | | | | | |
| Population served | 1,336,700 | 1,326,000 | 1,314,932 | 1,303,847 | 1,292,994 |
| Billed water consumption, daily average, in gallons | 113,863,391 | 113,107,019 | 112,036,939 | 110,200,000 | 110,424,484 |
| Operating revenues | \$ 242,946,509 | \$ 235,593,735 | \$ 213,474,169 | \$ 194,572,652 | \$ 195,203,465 |
| Drainage and Wastewater | | | | | |
| Operating revenues | \$ 341,999,940 | \$ 333,760,233 | \$ 304,001,717 | \$ 278,956,907 | \$ 249,733,795 |
| Solid Waste | | | | | |
| Customers | | | | | |
| Residential garbage customers | 160,063 | 163,413 | 164,241 | 166,637 | 165,541 |
| Residential dumpsters customers | 142,035 | 135,499 | 129,761 | 127,678 | 126,593 |
| Commercial garbage customers | 8,168 | 8,156 | 8,148 | 8,179 | 8,248 |
| Operating revenues | \$ 157,497,819 | \$ 159,741,503 | \$ 156,926,774 | \$ 154,200,068 | \$ 150,905,931 |

The City of Seattle

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OPERATING INDICATORS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|------------------|------------------|------------------|------------------|------------------|
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Property fire loss | | | | | |
| Total City | \$ 22,217,971 | \$ 16,351,377 | \$ 17,664,500 | \$ 18,340,656 | \$ 16,657,222 |
| Per capita | \$ 36.91 | \$ 27.52 | \$ 32.76 | \$ 31.69 | \$ 29.13 |
| Police | | | | | |
| Municipal Court filings and citations | | | | | |
| Non-traffic criminal filings | 10,724 | 9,461 | 12,003 | 12,882 | 12,098 |
| Traffic criminal filings | 5,344 | 5,124 | 5,100 | 4,156 | 2,098 |
| DUI filings | 1,422 | 1,167 | 1,390 | 1,496 | 1,437 |
| Non-traffic infraction filings | 6,111 | 6,437 | 7,880 | 7,310 | 7,416 |
| Traffic infraction filings | 57,960 | 69,949 | 74,490 | 59,828 | 59,120 |
| Parking infractions | 568,616 | 477,024 | 430,240 | 385,852 | 438,303 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Library | | | | | |
| Library cards in force | 465,325 | 432,790 | 448,104 | 403,415 | 454,990 |
| Parks and Recreation | | | | | |
| Park use permits issued | | | | | |
| Number | 639 | 599 | 529 | 667 | 649 |
| Amount | \$ 204,527 | \$ 212,403 | \$ 75,459 | \$ 217,782 | \$ 229,420 |
| Facility use permits issued including pools | | | | | |
| Number | 26,922 | 24,977 | 23,487 | N/A | N/A |
| Amount | \$ 4,957,236 | \$ 2,571,854 | \$ 2,374,230 | N/A | N/A |
| Facility use permits issued excluding pools | | | | | |
| Number | 26,190 | 23,577 | 22,113 | 2314 | N/A |
| Amount | \$ 4,469,322 | \$ 2,127,367 | \$ 1,997,402 | \$ 790,551 | \$ 567,975 |
| Picnic permits issued | | | | | |
| Number | 3,547 | 3,420 | 3,469 | 3,253 | 3,273 |
| Amount | \$ 249,110 | \$ 228,965 | \$ 229,715 | \$ 220,595 | \$ 218,045 |
| Ball field usage | | | | | |
| Scheduled hours | 161,937 | 147,911 | 145,481 | 144,760 | 142,360 |
| Amount | \$ 1,457,708 | \$ 1,444,393 | \$ 1,600,578 | \$ 1,413,035 | \$ 1,474,107 |
| Weddings | | | | | |
| Number | 268 | 235 | 254 | 238 | 197 |
| Amount | \$ 91,238 | \$ 80,955 | \$ 87,900 | \$ 82,079 | \$ 69,670 |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Planning and Development | | | | | |
| Permits | | | | | |
| Number issued | 5,917 | 7,890 | 8,865 | 8,576 | 7,178 |
| Value of issued permits | \$ 1,987,486,066 | \$ 2,580,055,297 | \$ 3,097,812,568 | \$ 2,021,878,195 | \$ 1,681,651,482 |
| UTILITIES | | | | | |
| City Light | | | | | |
| Customers | 394,731 | 387,715 | 383,127 | 379,230 | 375,869 |
| Operating revenues | \$ 723,128,042 | \$ 877,392,652 | \$ 832,524,784 | \$ 831,810,233 | \$ 748,552,561 |
| Water | | | | | |
| Population served | 1,280,557 | 1,265,878 | 1,251,998 | 1,236,849 | 1,221,601 |
| Billed water consumption, daily average, in gallons | 122,038,356 | 117,406,451 | 120,690,060 | 124,955,842 | 118,854,138 |
| Operating revenues | \$ 191,369,588 | \$ 164,405,030 | \$ 160,161,307 | \$ 155,175,008 | \$ 146,118,856 |
| Drainage and Wastewater | | | | | |
| Operating revenues | \$ 250,194,607 | \$ 224,109,335 | \$ 202,407,690 | \$ 186,832,412 | \$ 176,482,071 |
| Solid Waste | | | | | |
| Customers | | | | | |
| Residential garbage customers | 167,047 | 166,914 | 166,052 | 165,551 | 165,561 |
| Residential dumpsters customers | 127,971 | 122,503 | 119,667 | 117,899 | 115,838 |
| Commercial garbage customers | 8,462 | 9,747 | 8,505 | 8,481 | 8,697 |
| Operating revenues | \$ 135,641,160 | \$ 124,353,043 | \$ 121,930,923 | \$ 112,474,339 | \$ 111,230,835 |

Statistics

Table S-20
Page 1 of 4
CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------|------------|------------|------------|------------|
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Boats | 7 | 6 | 3 | 3 | 3 |
| Fire-fighting apparatus | 216 | 184 | 164 | 163 | 162 |
| Stations | 33 | 33 | 33 | 33 | 33 |
| Training towers | 2 | 2 | 2 | 2 | 2 |
| Alarm center | 1 | 1 | 1 | 1 | 1 |
| Utility shop | 1 | 1 | 1 | 1 | 1 |
| Police | | | | | |
| Precincts | 5 | 5 | 5 | 5 | 5 |
| Detached units | 7 | 7 | 7 | 7 | 7 |
| Vehicles | | | | | |
| Patrol cars | 280 | 272 | 273 | 270 | 270 |
| Motorcycles | 37 | 37 | 37 | 37 | 37 |
| Scoters | 80 | 75 | 73 | 67 | 63 |
| Trucks, vans, minibuses | 91 | 89 | 87 | 88 | 86 |
| Automobiles | 196 | 194 | 194 | 194 | 194 |
| Patrol boats | 10 | 10 | 10 | 10 | 10 |
| Bicycles | 154 | 154 | 154 | 154 | 154 |
| Horses | 7 | 7 | 7 | 7 | 8 |
| ARTS, CULTURE AND RECREATION | | | | | |
| Library | | | | | |
| 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 | 11,744,881 | 11,435,302 | 10,932,677 | 11,376,194 | 11,914,050 |
| Collection, print and non-print | 2,214,169 | 2,435,520 | 2,403,693 | 2,280,511 | 2,294,601 |
| Parks and Recreation | | | | | |
| Major parks | 14 | 14 | 14 | 14 | 13 |
| Open space acres acquired since 1989 | 731 | 711 | 695 | 665 | 663 |
| Total acreage | 6,367 | 6,298 | 6,251 | 6,188 | 6,185 |
| Children's play areas | 158 | 138 | 136 | 135 | 133 |
| Neighborhood playgrounds | 40 | 43 | 41 | 40 | 38 |
| Community playfields | 38 | 38 | 38 | 38 | 38 |
| Community recreation centers | 27 | 25 | 24 | 26 | 26 |
| Visual and performing arts centers | 5 | 5 | 6 | 6 | 6 |
| Theaters | 1 | 1 | 2 | 2 | 2 |
| Community indoor swimming pools | 8 | 8 | 8 | 8 | 8 |
| Outdoor heated pools (one saltwater) | 2 | 2 | 2 | 2 | 2 |
| Boulevards | 18 | 18 | 18 | 18 | 18 |
| Golf courses (includes one pitch and putt) | 5 | 5 | 5 | 5 | 5 |
| Squares, plazas, triangles | 64 | 64 | 64 | 64 | 64 |
| Viewpoints | 11 | 11 | 11 | 11 | 9 |
| Bathing beaches (life-guarded) | 9 | 9 | 9 | 9 | 9 |
| Bathing beaches | 9 | 9 | 9 | 9 | 9 |
| Aquarium specimens on exhibit ^a | — | — | — | — | 10,588 |

The City of Seattle

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Page 2 of 4
CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------------|-----------|-----------|-----------|-----------|
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Boats | 3 | 3 | 2 | 2 | 2 |
| Fire-fighting apparatus | 162 | 162 | 163 | 163 | 163 |
| Stations | 33 | 33 | 33 | 33 | 33 |
| Training towers | 2 | 2 | 1 | 1 | 1 |
| Alarm center | 1 | 1 | 1 | 1 | 1 |
| Utility shop | 1 | 1 | 1 | 1 | 1 |
| Police | | | | | |
| Precincts | 5 | 5 | 5 | 5 | 5 |
| Detached units | 7 | 7 | 7 | 7 | 7 |
| Vehicles | | | | | |
| Patrol cars | 270 | 270 | 265 | 252 | 252 |
| Motorcycles | 37 | 37 | 45 | 50 | 48 |
| Scoters | 58 | 58 | 50 | 53 | 55 |
| Trucks, vans, minibuses | 84 | 84 | 81 | 81 | 79 |
| Automobiles | 194 | 194 | 197 | 194 | 189 |
| Patrol boats | 10 | 10 | 10 | 10 | 9 |
| Bicycles | 146 | 146 | 137 | 137 | 137 |
| Horses | 8 | 8 | 8 | 8 | 8 |
| ARTS, CULTURE AND RECREATION | | | | | |
| Library | | | | | |
| Central and branch libraries | 27 | 24 | 24 | 24 | 24 |
| Mobile units | 4 | 4 | 4 | 4 | 4 |
| Books, audio and video materials, newspapers, and magazines - circulated | 10,025,029 | 9,085,490 | 8,661,263 | 7,449,761 | 6,575,866 |
| Collection, print and non-print | 2,446,355 | 2,352,381 | 2,273,440 | 2,173,903 | 1,889,599 |
| Parks and Recreation | | | | | |
| Major parks | 13 | 13 | 13 | 13 | 13 |
| Open space acres acquired since 1989 | 654 | 638 | 630 | 630 | 630 |
| Total acreage | 6,171 | 6,155 | 6,036 | 6,036 | 6,036 |
| Children's play areas | 131 | 130 | 130 | 130 | 130 |
| Neighborhood playgrounds | 38 | 38 | 38 | 38 | 38 |
| Community playfields | 33 | 33 | 33 | 33 | 33 |
| Community recreation centers | 26 | 26 | 26 | 25 | 25 |
| 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 | 62 | 62 | 62 | 62 | 62 |
| Viewpoints | 8 | 8 | 8 | 8 | 8 |
| Bathing beaches (life-guarded) | 9 | 9 | 9 | 9 | 7 |
| Bathing beaches | 9 | 9 | 9 | 9 | 9 |
| Aquarium specimens on exhibit ^a | 10,216 | 10,655 | 10,655 | 14,600 | 14,577 |

Statistics

Table S-20
Page 3 of 4
CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-----------|------------|------------|-----------|------------|
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | | | | | |
| Plant capacity (KW) | 1,975,100 | 1,991,600 | 1,991,600 | 1,920,700 | 1,920,700 |
| Maximum system load (KW) | 1,860,256 | 1,796,728 | 1,739,238 | 1,841,255 | 1,858,735 |
| Total system energy (1,000 KW) (firm load) | 9,844,209 | 10,016,469 | 10,121,611 | 9,865,376 | 10,139,898 |
| Meters | 422,613 | 406,274 | 407,614 | 406,195 | 402,854 |
| Water | | | | | |
| Reservoirs, standpipes, tanks | 29 | 26 | 27 | 27 | 27 |
| Fire hydrants | 18,000 | 18,655 | 18,550 | 18,503 | 18,473 |
| Water mains | | | | | |
| Supply, in miles | 193 | 182 | 182 | 187 | 187 |
| Water storage, in thousand gallons | — | — | — | — | — |
| Meters | 354,500 | 398,369 | 338,869 | 338,869 | 302,880 |
| | 191,403 | 187,159 | 188,883 | 188,457 | 188,226 |
| Drainage and Wastewater | | | | | |
| Combined sewers, life-to-date, in miles | | | | | |
| Sanitary sewers, life-to-date, in miles | 474 | 472 | 471 | 471 | 472 |
| Storm drains, life-to-date, in miles | 947 | 949 | 948 | 957 | 956 |
| Pumping stations | 481 | 479 | 474 | 473 | 470 |
| | 68 | 67 | 67 | 66 | 67 |
| Solid Waste | | | | | |
| Transfer stations | 2 | 2 | 2 | 2 | 2 |
| Transportation | | | | | |
| Arterial streets, in miles | 1,547 | 1,540 | 1,540 | 1,537 | 1,531 |
| Non-arterial streets (paved and unpaved), in miles | 2,407 | 2,412 | 2,412 | 2,411 | 2,412 |
| Sidewalks, in miles | 2,230 | 2,230 | 2,256 | 2,262 | 2,262 |
| Stairways | 509 | 505 | 507 | 507 | 498 |
| Length of stairways, in feet | 36,269 | 35,112 | 35,122 | 35,061 | 35,181 |
| Number of stairway treads | 23,344 | 24,050 | 24,050 | 24,009 | 23,950 |
| Street trees | | | | | |
| City-maintained | 41,000 | 41,000 | 41,000 | 40,000 | 40,000 |
| Maintained by property owners | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Total platted streets, in miles | 1,677 | 1,677 | 1,677 | 1,666 | 1,666 |
| Traffic signals | 1,041 | 1,070 | 1,060 | 1,053 | 1,040 |
| Parking meters | | | | | |
| Downtown | — | 6 | 93 | 231 | 941 |
| Outlying | — | 4 | 26 | 85 | 97 |
| Parking pay stations | | | | | |
| Downtown ^b | 892 | 961 | 973 | 998 | 856 |
| Outlying ^b | 1,112 | 1,174 | 1,198 | 1,227 | 1,315 |
| Bridges (movable) - City-owned and -operated | 4 | 4 | 4 | 4 | 4 |
| Bridges (fixed) | | | | | |
| City maintenance | 93 | 99 | 95 | 90 | 88 |
| Partial City maintenance | 54 | 32 | 44 | 44 | 54 |
| Retaining walls/seawalls | 580 | 592 | 592 | 592 | 592 |

The City of Seattle

Table S-20
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CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------------|------------|-----------|-----------|-----------|
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | | | | | |
| Plant capacity (KW) | 1,920,700 | 1,920,700 | 1,920,700 | 1,920,700 | 1,920,700 |
| Maximum system load (KW) | 1,900,878 | 1,767,805 | 1,822,342 | 1,714,080 | 1,798,926 |
| Total system energy (1,000 KW) (firm load) | 10,323,915 | 10,203,415 | 9,990,486 | 9,703,046 | 9,560,928 |
| Meters | 394,455 | 391,022 | 385,621 | 382,436 | 379,599 |
| Water | | | | | |
| Reservoirs, standpipes, tanks | 30 | 30 | 29 | 38 | 68 |
| Fire hydrants | 18,436 | 18,398 | 18,347 | 18,475 | 18,762 |
| Water mains | | | | | |
| Supply, in miles | 224 | 182 | 182 | 181 | 181 |
| Water storage, in thousand gallons | — | — | — | — | — |
| Meters | 370,000 | 377,080 | 377,080 | 494,080 | 494,080 |
| | 187,154 | 185,395 | 183,699 | 182,037 | 181,038 |
| Drainage and Wastewater | | | | | |
| Combined sewers, life-to-date, in miles | | | | | |
| Sanitary sewers, life-to-date, in miles | 473 | 444 | 444 | 464 | 451 |
| Storm drains, life-to-date, in miles | 958 | 985 | 985 | 968 | 972 |
| Pumping stations | 473 | 472 | 472 | 474 | 467 |
| | 65 | 68 | 68 | 68 | 68 |
| Solid Waste | | | | | |
| Transfer stations | 2 | 2 | 2 | 2 | 2 |
| Transportation | | | | | |
| Arterial streets, in miles | 1,531 | 1,531 | 1,534 | 1,534 | 1,534 |
| Non-arterial streets (paved and unpaved), in miles | 2,412 | 2,412 | 2,412 | 2,412 | 2,412 |
| Sidewalks, in miles | 2,258 | 2,256 | 1,956 | 1,956 | 1,954 |
| Stairways | 494 | 482 | 482 | 482 | 479 |
| Length of stairways, in feet | 35,215 | 34,775 | 34,643 | 34,643 | 33,683 |
| Number of stairway treads | 23,666 | 23,407 | 23,211 | 23,211 | 22,471 |
| Street trees | | | | | |
| City-maintained | 40,000 | 35,000 | 34,000 | 34,000 | 34,000 |
| Maintained by property owners | 125,000 | 105,000 | 100,000 | 100,000 | 100,000 |
| Total platted streets, in miles | 1,666 | 1,666 | 1,666 | 1,666 | 1,666 |
| Traffic signals | 1,030 | 1,001 | 991 | 1,000 | 1,000 |
| Parking meters | | | | | |
| Downtown | 941 | 700 | 747 | 2,819 | 4,298 |
| Outlying | 97 | 300 | 353 | 904 | 1,967 |
| Parking pay stations | | | | | |
| Downtown ^b | 850 | 1,215 | 925 | 758 | 500 |
| Outlying ^b | 1,127 | 630 | 565 | 318 | N/A |
| Bridges (movable) - City-owned and -operated | 4 | 4 | 4 | 4 | 4 |
| Bridges (fixed) | | | | | |
| City maintenance | 88 | 88 | 84 | 84 | 85 |
| Partial City maintenance | 55 | 55 | 55 | 61 | 58 |
| Retaining walls/seawalls | 582 | 582 | 582 | 582 | 561 |

a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

b City redefined areas starting in 2008.

Statistics

Page 1 of 3

MISCELLANEOUS STATISTICS
December 31, 2014 - Unless Otherwise Indicated

CITY GOVERNMENT

| | |
|-----------------------------------|------------------|
| Date of incorporation | December 2, 1869 |
| Present charter adopted | March 12, 1946 |
| Form: Mayor-Council (Nonpartisan) | |

GEOGRAPHICAL 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 | |
| 30-year average, mean annual | 52.5 |
| January 2014 average high | 49.3 |
| January 2014 average low | 39.4 |
| July 2014 average high | 80.4 |
| July 2014 average low | 58.0 |
| Rainfall | |
| 30-year average, in inches | 37.55 |
| 2014 in inches | 48.50 |

POPULATION

| Year | City of Seattle | Seattle Metropolitan Area ^{ab} |
|-----------------------|-----------------|---|
| 1940 | 368,302 | N/A |
| 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 |
| 2001 | 568,100 | 2,376,900 |
| 2002 | 570,800 | 2,402,300 |
| 2003 | 571,900 | 2,416,800 |
| 2004 | 572,600 | 2,433,100 |
| 2005 | 573,000 | 2,464,100 |
| 2006 | 578,700 | 2,507,100 |
| 2007 | 586,200 | 2,547,600 |
| 2008 | 592,800 | 2,580,800 |
| 2009 | 602,000 | 2,613,600 |
| 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 |
| King County | | 2,017,250 |
| Percentage in Seattle | | 31.8% |

a. Source: Washington State Office of Financial Management
b Based on population in King and Snohomish Counties.

The City of Seattle

Page 2 of 3

MISCELLANEOUS STATISTICS
December 31, 2014 - Unless Otherwise Indicated

ELECTIONS (November 4)

| | |
|--|---------|
| Active registered voters | 415,106 |
| Percentage voted last general election | 57.63 |
| Total voted | 239,321 |

PENSION BENEFICIARIES

| | |
|-----------------------|-------|
| Employees' Retirement | 6,020 |
| Firemen's Pension | 726 |
| Police Pension | 748 |

VITAL STATISTICS

| | |
|---------------------------------|------|
| Rates per thousand of residents | |
| Births (2013) | 12.6 |
| Deaths (2013) | 6.9 |

PUBLIC EDUCATION (2013-14 School Year)

| | |
|---|-----------|
| Enrollment (October 1) | 51,998 |
| Teachers (October 1) | 3,122 |
| School programs | |
| Regular elementary programs | 60 |
| Regular middle school programs | 10 |
| Regular high school programs | 12 |
| K-8 school programs | 10 |
| Alternative/Non-traditional school programs | 5 |
| Total number of school programs | <u>97</u> |

PROPERTY TAXES

| | |
|-----------------------------------|-------------------|
| Assessed valuation (January 2014) | \$128,205,753,919 |
| Tax levy (City) | \$390,707,880 |

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 | \$ 3.04836 | \$ 1,060.83 |
| Emergency Medical Services | 0.33500 | 116.58 |
| State of Washington | 2.47044 | 859.71 |
| School District No. 1 | 2.54933 | 887.17 |
| King County | 1.51604 | 527.58 |
| Port of Seattle | 0.21533 | 74.93 |
| King County Ferry District | 0.00349 | 1.21 |
| King County Flood Control Zone | 0.15369 | 53.48 |
| Totals | <u>\$ 10.29168</u> | <u>\$ 3,581.49</u> |

MISCELLANEOUS STATISTICS
December 31, 2014 - Unless Otherwise Indicated

PORT OF SEATTLE

Bonded Indebtedness

| | | |
|----------------------------------|----|---------------|
| General obligation bonds | \$ | 225,420,000 |
| Revenue bonds | | 2,587,510,000 |
| Passenger facility charges bonds | | 135,100,000 |
| Commercial Paper | | 42,655,000 |

Waterfront (mileage)

| | | |
|-------------|--|------|
| Salt water | | 13.4 |
| Fresh water | | 0.7 |

Value of Land Facilities

| | | |
|-------------------------------|----|---------------|
| Waterfront | \$ | 2,171,976,339 |
| Sea-Tac International Airport | \$ | 5,311,377,759 |

Marine Container Facilities/Capacities

4 container terminals with 11 berths covering 520 acres
1.59 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 | | 25 |
| Cargo airlines | | 5 |
| Charter airlines | | 3 |
| Loading bridges | | 69 |

2014 Port Activity (in millions)

| | | |
|--------|----|--------|
| Import | \$ | 14,258 |
| Export | \$ | 6,942 |

City of Seattle
2014 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:

Jacqui Anderson
Fon Chang
Cam Huynh
Scott Leong
July Maha
Hannah Mitchell-Shapiro
Jake Yoon

Senior Accountants:

Conrad Magbalot
Mena Nguyen

Accountant:

Grace Chou
April Nash

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 populated 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 ⁽¹⁾ | 4,130,163 | 1,269,749 | 493,846 |
| 1990 ⁽¹⁾ | 4,866,692 | 1,507,319 | 516,259 |
| 2000 ⁽¹⁾ | 5,894,121 | 1,737,034 | 563,374 |
| 2010 ⁽¹⁾ | 6,724,540 | 1,931,249 | 608,660 |
| | | | |
| 2011 ⁽²⁾ | 6,767,900 | 1,942,600 | 612,100 |
| 2012 ⁽²⁾ | 6,817,770 | 1,957,000 | 616,500 |
| 2013 ⁽²⁾ | 6,882,400 | 1,981,900 | 626,600 |
| 2014 ⁽²⁾ | 6,968,170 | 2,017,250 | 640,500 |
| 2015 ⁽²⁾ | 7,061,410 | 2,052,800 | 662,400 |

(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 | | | | | |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Seattle MD | \$ 51,370 | \$ 53,931 | \$ 56,267 | \$ 58,483 | \$ 62,481 |
| King County | 54,927 | 57,837 | 60,090 | 62,770 | 68,877 |
| State of Washington | 42,024 | 43,878 | 46,045 | 47,717 | 49,610 |
| U.S. | 39,791 | 41,560 | 43,735 | 44,765 | 46,049 |

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 City. 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(\$) | |
| 2010 | 241 | \$ 53,269,934 | 2,456 | \$ 192,261,935 | \$ 245,531,869 |
| 2011 | 316 | 71,808,767 | 2,857 | 376,591,834 | 448,400,601 |
| 2012 | 498 | 120,592,378 | 6,799 | 984,110,088 | 1,104,702,466 |
| 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 |

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 |
|---------------------|-------------------|-------------------|
| 2009 | \$ 39,594,903,520 | \$ 15,101,407,742 |
| 2010 | 39,275,353,140 | 14,783,168,932 |
| 2011 | 40,846,118,928 | 15,751,585,856 |
| 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 |
| 2014 ⁽¹⁾ | 36,236,439,424 | 14,591,277,196 |
| 2015 ⁽¹⁾ | 40,150,081,755 | 16,443,790,941 |

(1) Through the third quarter.

Source: Washington State Department of Revenue

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 | 80,100 |
| Joint Base Lewis-McChord | 60,000 |
| Microsoft Corp. | 41,700 |
| Navy Region Northwest | 37,700 |
| University of Washington | 34,700 |
| Amazon.com Inc. | 24,000 |
| Wal-Mart Stores, Inc. | 18,100 ⁽¹⁾ |
| Providence Health & Services | 17,600 |
| Fred Meyer Stores | 15,900 |
| Costco Wholesale Corp. | 14,900 |
| King County Government | 14,500 ⁽²⁾ |
| City of Seattle | 13,300 ⁽³⁾ |
| Starbucks Corp. | 12,400 ⁽¹⁾ |
| Franciscan Health System | 11,800 |
| Swedish Health Services | 11,600 |
| MultiCare Health System | 10,900 |

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

(2) Estimated employee count based on company square footage.

(3) Source: City of Seattle, as of November 2015. Figure includes temporary workers.

Source: *Puget Sound Business Journal Book of Lists, 2016*

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT⁽¹⁾

| | Annual Average | | | | |
|--------------------------------------|-----------------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Civilian Labor Force | 1,115,790 | 1,129,670 | 1,139,610 | 1,158,230 | 1,177,297 |
| Total Employment | 1,025,070 | 1,055,000 | 1,079,950 | 1,104,930 | 1,124,990 |
| Total Unemployment | 90,720 | 74,670 | 59,660 | 53,300 | 52,307 |
| Percent of Labor Force | 8.1% | 6.6% | 5.2% | 4.6% | 4.4% |
| NAICS INDUSTRY | 2011 | 2012 | 2013 | 2014 | 2015 |
| Total Nonfarm | 1,168,100 | 1,196,042 | 1,237,217 | 1,278,033 | 1,313,475 |
| Total Private | 1,003,175 | 1,030,608 | 1,069,975 | 1,108,425 | 1,139,325 |
| Goods Producing | 148,942 | 154,283 | 162,508 | 168,283 | 174,042 |
| Mining and Logging | 525 | 425 | 458 | 425 | 567 |
| Construction | 48,258 | 50,625 | 55,883 | 60,792 | 66,308 |
| Manufacturing | 100,192 | 103,225 | 106,167 | 107,025 | 107,167 |
| Service Providing | 1,019,158 | 1,041,758 | 1,074,708 | 1,109,750 | 1,139,433 |
| Trade, Transportation, and Utilities | 210,850 | 216,167 | 225,167 | 235,758 | 244,667 |
| Information | 80,183 | 81,017 | 82,617 | 85,583 | 89,400 |
| Financial Activities | 68,175 | 68,850 | 70,892 | 72,000 | 69,025 |
| Professional and Business Services | 184,567 | 192,525 | 201,042 | 207,933 | 216,083 |
| Educational and Health Services | 157,008 | 159,275 | 162,633 | 167,983 | 169,950 |
| Leisure and Hospitality | 111,075 | 114,850 | 120,575 | 124,883 | 129,675 |
| Other Services | 42,375 | 43,642 | 44,542 | 46,000 | 46,483 |
| Government | 164,925 | 165,433 | 167,242 | 169,608 | 174,150 |
| Workers in Labor/Management Disputes | 0 | 0 | 0 | 0 | 0 |
| | Mar. 2016 | | | | |
| Civilian Labor Force | 1,203,151 | | | | |
| Total Employment | 1,146,679 | | | | |
| Total Unemployment | 57,472 | | | | |
| Percent of Labor Force | 4.7% | | | | |

(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.

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 Legislation, 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 Legislation; (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.

