

OFFICIAL STATEMENT

New Issue  
Book-Entry Only

RATINGS	LTGO	UTGO
Moody's:	Aa1	Aaa
Standard & Poor's:	AAA	AAA
Fitch:	AA+	AAA

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

*In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issue date of the Bonds, 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 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. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "Legal and Tax Information" herein.*

THE CITY OF SEATTLE, WASHINGTON

\$62,770,000

LIMITED TAX GENERAL OBLIGATION  
IMPROVEMENT AND REFUNDING BONDS, 2014

\$16,400,000

UNLIMITED TAX GENERAL OBLIGATION  
IMPROVEMENT BONDS, 2014

DATED: DATE OF INITIAL DELIVERY

DUE: LTGO BONDS—MAY 1, AS SHOWN ON PAGE i  
UTGO BONDS—DECEMBER 1, AS SHOWN ON PAGE ii

The City of Seattle, Washington (the "City"), will issue its Limited Tax General Obligation Improvement and Refunding Bonds, 2014 (the "LTGO Bonds"), and Unlimited Tax General Obligation Improvement Bonds, 2014 (the "UTGO Bonds"), as fully registered bonds under a book-entry only system, registered in the name of Cede & Co. as bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). The LTGO Bonds and the UTGO Bonds are each referred to separately and interchangeably as a "Series" and are referred to together as the "Bonds."

DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form in denominations 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 LTGO Bonds is payable semiannually on each May 1 and November 1, beginning November 1, 2014. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2014. 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 The Bank of New York Mellon in New York, New York), 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 LTGO Bonds are being issued to pay for certain capital improvements, to make one or more loans to a City public development authority to refund certain of its outstanding City-guaranteed bonds, and to pay the costs of issuing the LTGO Bonds and refunding the refunded bonds. The UTGO Bonds are voter-approved bonds being issued to pay for part 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. See "Use of Proceeds."

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

The Bonds are general obligations of the City. For as 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 Bonds is offered for delivery by the Underwriter of such Series when, as, and if issued, subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The forms of Bond Counsel's opinion are attached hereto as Appendix A. It is expected that both 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 April 10, 2014.

*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: April 1, 2014

*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 third parties. 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.*

*Information on website addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon in making investment decisions regarding the Bonds.*

*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.*

*In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time without prior notice to any person.*

*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 Statements (“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 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.*

## MATURITY SCHEDULE

\$62,770,000

THE CITY OF SEATTLE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, 2014

<b>Due May 1</b>	<b>Amounts</b>	<b>Interest Rates</b>	<b>Yields</b>	<b>Prices</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
2015	\$ 6,785,000	5.000%	0.160%	105.115%	812626Y86
2016	7,135,000	5.000	0.430	109.354	812626Y94
2017	7,505,000	5.000	0.760	112.793	812626Z28
2018	7,935,000	5.000	1.040	115.695	812626Z36
2019	8,385,000	5.000	1.390	117.573	812626Z44
2020	1,830,000	5.000	1.780	118.414	812626Z51
2021	1,935,000	5.000	2.100	118.931	812626Z69
2022	2,035,000	5.000	2.320	119.593	812626Z77
2023	2,135,000	5.000	2.510	120.061	812626Z85
2024	2,240,000	4.000	2.640	111.943	812626Z93
2025	1,315,000	4.000	2.740	111.010 <sup>(2)</sup>	812626Z A6
2026	1,365,000	4.000	2.900	109.535 <sup>(2)</sup>	812626Z B4
2027	1,410,000	3.000	3.010	99.891	812626Z C2
2028	1,460,000	3.125	3.125	100.000	812626Z D0
2029	1,505,000	4.000	3.300	105.948 <sup>(2)</sup>	812626Z E8
2030	1,570,000	4.000	3.390	105.160 <sup>(2)</sup>	812626Z F5
2031	1,640,000	4.000	3.480	104.379 <sup>(2)</sup>	812626Z G3
2032	1,705,000	4.000	3.550	103.776 <sup>(2)</sup>	812626Z H1
2033	1,410,000	4.000	3.620	103.177 <sup>(2)</sup>	812626Z J7
2034	1,470,000	4.000	3.670	102.752 <sup>(2)</sup>	812626Z K4

(1) 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 take responsibility for the accuracy of the CUSIP numbers.

(2) Calculated to the May 1, 2024, par call date.

**MATURITY SCHEDULE**

**\$16,400,000**

**THE CITY OF SEATTLE, WASHINGTON**

**UNLIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2014**

**SERIAL BONDS**

<b>Due December 1</b>	<b>Amounts</b>	<b>Interest Rates</b>	<b>Yields</b>	<b>Prices</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
2015	\$ 315,000	3.00%	0.250%	104.502%	8126262L2
2016	320,000	3.00	0.510	106.524	8126262M0
2017	330,000	4.00	0.880	111.156	8126262N8
2018	345,000	4.00	1.200	112.603	8126262P3
2019	360,000	3.00	1.590	107.578	8126262Q1
2020	370,000	4.00	1.970	112.577	8126262R9
2021	385,000	4.00	2.230	112.370	8126262S7
2022	400,000	5.00	2.440	119.834	8126262T5
2023	420,000	5.00	2.570	120.632	8126262U2
2024	440,000	5.00	2.690	120.381 <sup>(2)</sup>	8126262V0
2025	465,000	5.00	2.790	119.400 <sup>(2)</sup>	8126262W8
2026	485,000	3.00	3.000	100.000	8126262X6
2027	500,000	3.00	3.090	99.000	8126262Y4
2028	515,000	4.00	3.210	106.789 <sup>(2)</sup>	8126262Z1
2029	535,000	4.00	3.300	105.988 <sup>(2)</sup>	8126263A5
2030	560,000	4.00	3.390	105.194 <sup>(2)</sup>	8126263B3
2031	580,000	4.00	3.480	104.408 <sup>(2)</sup>	8126263C1
2032	605,000	4.00	3.550	103.800 <sup>(2)</sup>	8126263D9
2033	630,000	4.00	3.620	103.198 <sup>(2)</sup>	8126263E7
2034	650,000	4.00	3.670	102.769 <sup>(2)</sup>	8126263F4
2035	680,000	4.00	3.720	102.343 <sup>(2)</sup>	8126263G2
2036	705,000	4.00	3.770	101.919 <sup>(2)</sup>	8126263H0
2037	735,000	4.00	3.860	101.161 <sup>(2)</sup>	8126263J6

**TERM BONDS**

<b>Due December 1</b>	<b>Amounts</b>	<b>Interest Rates</b>	<b>Yields</b>	<b>Prices</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
2039	\$ 1,560,000	4.00%	4.000%	100.000%	8126263K3
2043	3,510,000	4.00	4.058	99.000	8126263L1

(1) 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 take responsibility for the accuracy of the CUSIP numbers.

(2) Calculated to the June 1, 2024, par call date.

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**THE CITY OF SEATTLE**  
**CITY OFFICIALS AND CONSULTANTS**

**MAYOR AND CITY COUNCIL**

Edward B. Murray	Mayor
Tim Burgess	President, City Council
Sally Bagshaw	Council Member
Sally Clark	Council Member
Jean Godden	Council Member
Bruce Harrell	Council Member
Nick Licata	Council Member
Mike O'Brien	Council Member
Tom Rasmussen	Council Member
Kshama Sawant	Council Member

**CITY ADMINISTRATION**

Glen Lee	Director of Finance
Peter Holmes	City Attorney

**BOND COUNSEL**

Foster Pepper PLLC  
Seattle, Washington

**FINANCIAL ADVISOR**

Piper Jaffray & Co./Seattle-Northwest Division  
Seattle, Washington

**BOND REGISTRAR**

Washington State Fiscal Agent  
The Bank of New York Mellon  
New York, New York

**OFFICIAL STATEMENT**

**THE CITY OF SEATTLE, WASHINGTON**

**\$62,770,000**  
**LIMITED TAX GENERAL OBLIGATION**  
**IMPROVEMENT AND REFUNDING BONDS, 2014**

**\$16,400,000**  
**UNLIMITED TAX GENERAL OBLIGATION**  
**IMPROVEMENT BONDS, 2014**

**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 \$62,770,000 aggregate principal amount of its Limited Tax General Obligation Improvement and Refunding Bonds, 2014 (the “LTGO Bonds”), and \$16,400,000 aggregate principal amount of its Unlimited Tax General Obligation Improvement Bonds, 2014 (the “UTGO Bonds”), each dated the date of their initial issuance and delivery. In this Official Statement, the LTGO Bonds and the UTGO Bonds are each referred to separately and interchangeably as a “Series” and are referred to together as the “Bonds.”

Appendix A to this Official Statement is the forms of the legal opinions of Foster Pepper PLLC of Seattle, Washington (the “Bond Counsel”). Appendix B contains the City’s 2012 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 Constitution and laws of the State, of ordinances and resolutions of the City, and of other documents contained in this Official Statement are subject to the complete provisions thereof and do not purport to be complete statements of such laws or documents, copies of which may be obtained from the City upon request. 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”), the Seattle City Charter, and Ordinance 124341 and Resolution 31512 (for the LTGO Bonds) and Ordinance 124125 and Resolution 31513 (for the UTGO Bonds) (collectively, the “Bond Legislation”).

The UTGO Bonds are also 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. 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 second series of bonds issued under the Bond Authorization. The first series of bonds issued under this authorization was issued on June 4, 2013, in the amount of \$50,000,000; after the issuance

of the UTGO Bonds, the remaining authorization will be \$223,000,000. The City expects to issue the amounts remaining under the Bond Authorization in one or more series over the next three to five years.

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

The Bonds will be dated the date of their initial issuance and delivery. The LTGO Bonds will mature on May 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.

Interest on the LTGO Bonds is payable semiannually on each May 1 and November 1, beginning November 1, 2014, 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 December 1, 2014, at the rates set forth on page ii of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

### **Registration and Book-Entry Transfer System**

*Book-Entry Transfer System.* The Bonds will be issued as fully registered bonds and, when issued, registered in the name of Cede & Co. as nominee for DTC). DTC will act as the initial Securities Depository for the Bonds. Individual purchases and sales of the Bonds will be made in book-entry form only in denominations of \$5,000 or integral multiples thereof within a maturity of a Series (“Authorized Denominations”). Purchasers (“Beneficial Owners”) will not receive certificates representing their interest in the Bonds. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners will mean Cede & Co. or its successor and will not mean the Beneficial Owners of the Bonds. 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.

*Bond Registrar.* The principal of and interest on the Bonds will be payable by the fiscal agent of the State (the “Bond Registrar”), currently The Bank of New York Mellon in New York, New York (or such other fiscal agent or agents as the State may from time to time designate). So long as Cede & Co. is the Registered Owner of the Bonds, principal of and interest on the Bonds will be payable by wire transfer by the Bond Registrar to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds, as further described in Appendix D—Book-Entry Transfer System.

*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 next upcoming interest payment or redemption date. For purposes of this section, Record Date means, in the case of each interest payment date, the Bond Registrar’s close of business on the 15th day of the month immediately preceding such interest payment date, and, with respect to redemption of a Bond prior to its maturity, the Bond Registrar’s close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with the Bond Legislation. 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.

*Termination of Book-Entry System.* If the Bonds are no longer held in book-entry only form by the Securities Depository, the City will execute, authenticate, and deliver, at no cost to the Beneficial Owners, Bonds in fully registered form, in Authorized Denominations. The principal of the Bonds will then be payable upon due presentment and surrender to the Bond Registrar, and interest on the Bonds will then be 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 Owners, at the address appearing upon the registration books on the Record Date. The City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner.



## Payment of the Bonds

The principal of and interest on the Bonds are payable by the Bond Registrar, currently the fiscal agent of the State of Washington (currently The Bank of New York Mellon in New York, New York), 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 herein in Appendix D.

In the event that all or a portion of the Bonds are no longer registered in the name of DTC (see “Registration and Book-Entry Transfer System”), interest on such Bonds is payable by electronic transfer on the interest payment date, or by check, draft, or warrant 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 DTC is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

## Redemption of the Bonds

*Optional Redemption—LTGO Bonds.* The LTGO Bonds maturing on and before May 1, 2024, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the LTGO Bonds maturing on and after May 1, 2025, prior to their stated maturity dates at any time on and after May 1, 2024, 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, 2023, 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, 2024, prior to their stated maturity dates at any time on and after June 1, 2024, 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 of Term Bonds.* If not previously redeemed as described above or purchased or defeased under the provisions described below, the UTGO Term Bonds due on December 1, 2039, and December 1, 2043, will be called for redemption at a price of par, plus accrued interest to the date fixed for redemption, on December 1 in the years and amounts as follows:

UTGO 2039 TERM BOND		UTGO 2043 TERM BOND	
<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>
2038	\$ 765,000	2040	\$ 825,000
2039 <sup>(1)</sup>	795,000	2041	860,000
		2042	895,000
		2043 <sup>(1)</sup>	930,000

(1) Maturity.

If the City redeems all or a portion of the Term Bonds under the optional redemption provisions described above or purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased, or defeased (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”). If the Director of Finance does not make such a determination and there is no 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 bonds of a single maturity of a Series are to be redeemed prior to maturity, then:

- (i) if such Bonds are in book-entry form at the time of such redemption, DTC will select the specific Bonds in accordance with the Letter of Representations, and

- (ii) if such Bonds are not in book-entry form at the time of such redemption, the Bond Registrar is required to select the specific Bonds in such manner as the Bond Registrar determines.

The portion of any Bond of an amount more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof, to be selected, as the case may be, by DTC in accordance with the Letter of Representations or by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem to be fair and appropriate.

*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 at the time the Bond Registrar prepares the notice. The notice requirements will be deemed to have been fulfilled when notice is mailed, 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 “Description of the Bonds—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 Bonds by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded 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 notice of redemption has been duly rescinded or the Bonds called are not redeemed when presented pursuant to the call.

### **Purchase**

The City reserves the right to purchase in the open market any 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 obligations 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 of a Bond, to redeem and retire, release, refund, or defease such Bond(s) (the “defeased Bonds”), and to pay the costs of refunding or defeasing the defeased Bonds. If money and/or Government Obligations (defined below) maturing at a time 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, 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 as no longer outstanding and the Director of Finance 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.

#### **Failure to Pay Bonds**

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

#### **No Acceleration of the Bonds**

The Bonds are not subject to acceleration upon the occurrence of a default. The City is liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Registered Owners would be required to bring a separate action for each such payment not made. If the City encounters difficulties in making timely payment of debt service on its various general obligations, this could give rise to a difference in interests between Registered Owners of earlier and later maturing Bonds.

### **USE OF PROCEEDS**

*LTGO Bonds.* A portion of the proceeds of the LTGO Bonds will be used to pay for part of the costs of the design, construction, renovation, improvement, or replacement of the following projects of the City and to pay the costs of issuing the LTGO Bonds: South Park Bridge, North Precinct, Critical Infrastructure (SMT), Financial IT Upgrades, Data Center Short and Long, three IT projects, golf, and various capital projects at Benaroya Hall. In addition, a portion of the proceeds of the LTGO Bonds will be used to make one or more loans to a City public development authority (“PDA”) to refund certain of its outstanding City-guaranteed bonds (described below under “Refunding Plan”), and to pay the costs of administering the Refunding Plan.

*UTGO Bonds.* A portion of the proceeds of the UTGO Bonds will be used to pay for part of the costs of the design, construction, renovation, improvement, and replacement of the seawall and related infrastructure and to pay the costs of issuing the UTGO Bonds. The City’s plans to replace the seawall are specified in a series of written agreements between the City and the State. Under the same agreements, the City and the State have agreed that the State will replace the Alaskan Way viaduct with a bored tunnel, paid for with state and federal appropriations and anticipated future toll revenue. Both the City and State projects are presently underway and have similar scheduling end dates in 2016. The projects are located in close proximity to one another and require schedule and work sequencing and coordination. Disruptions to schedule and sequencing of the City’s seawall project caused by the viaduct project could occur. However, whether such disruptions might result in increased seawall project costs cannot be predicted at this time. Any change in the cost of the seawall project will not impair the City’s pledge to levy taxes for the payment of debt service on the Bonds (see “Security for the Bonds”).

## Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

	<u>LTGO</u>	<u>UTGO</u>	<u>TOTAL</u>
<b>SOURCES OF FUNDS</b>			
Par Amount of Bonds	\$ 62,770,000	\$ 16,400,000	\$ 79,170,000
Net Original Issue Premium	7,156,677	763,353	7,920,030
Principal Subaccount Contribution	77,508	-	77,508
Interest Subaccount Contribution	36	-	36
Existing Debt Service Reserve Fund	403,359	-	403,359
Total Sources of Funds	\$ 70,407,579	\$ 17,163,353	\$ 87,570,932
<b>USES OF FUNDS</b>			
LTGO Project Fund Deposit	\$ 65,019,000	\$ -	\$ 65,019,000
UTGO Project Fund Deposit	-	17,000,000	17,000,000
UTGO Debt Service Fund	-	47,759	47,759
Refunding Escrow Deposit	4,742,858	-	4,742,858
Debt Service Reserve Fund Deposit (2002A)	179,038	-	179,038
Debt Service Reserve Fund Deposit (2002B)	186,394	-	186,394
Costs of Issuance <sup>(1)</sup>	280,290	115,594	395,884
Total Uses of Funds	\$ 70,407,579	\$ 17,163,353	\$ 87,570,932

(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 LTGO Bonds will be used to make one or more loans to a City-chartered PDA, the Seattle Chinatown-International District Preservation and Development Authority ("SCIDPDA") to refund its outstanding City-guaranteed Special Obligation Bonds, 2002 Series A (Housing Facilities) (AMT), and 2002 Series B (Community Facilities) (together, the "Refunded Bonds"). The City will loan a portion of the proceeds of the LTGO Bonds to SCIDPDA pursuant to one or more Refinancing Agreements whereby SCIDPDA will be obligated to use the loan proceeds to carry out the refundings and pay the administrative costs of such refundings, and to repay the City from certain available revenues. The Refunded Bonds, identified in the table below, will be redeemed at a redemption price equal to the principal amount to be redeemed plus interest to the date set for redemption. The refunding is being undertaken to achieve debt service savings.

**REFUNDED BONDS**

<b>Bond</b>	<b>Maturity Date</b>	<b>Par Amount</b>	<b>Coupon</b>	<b>Call Price</b>	<b>Call Date</b>	<b>CUSIP Numbers</b>
<i>Seattle Chinatown-International District PDA, 2002 Series A (Housing Facilities) (AMT)</i>						
Serials	10/01/2014	\$ 80,000	4.625%	100%	05/12/2014	812571AL1
	10/01/2015	85,000	4.750	100	05/12/2014	812571AM9
	10/01/2016	90,000	4.875	100	05/12/2014	812571AN7
	10/01/2017	90,000	5.000	100	05/12/2014	812571AP2
2022 Term	10/01/2022	535,000	5.300	100	05/12/2014	812571AU1
2032 Term	10/01/2032	<u>1,600,000</u>	5.500	100	05/12/2014	812571BE6
Subtotal		\$ 2,480,000				
<i>Seattle Chinatown-International District PDA, 2002 Series B (Community Facilities)</i>						
Serials	10/01/2014	\$ 75,000	4.375%	100%	05/12/2014	812571BR7
	10/01/2015	75,000	4.500	100	05/12/2014	812571BS5
	10/01/2016	80,000	4.625	100	05/12/2014	812571BT3
	10/01/2017	85,000	4.750	100	05/12/2014	812571BU0
2022 Term	10/01/2022	490,000	5.000	100	05/12/2014	812571BZ9
2032 Term	10/01/2032	<u>1,430,000</u>	5.125	100	05/12/2014	812571CK1
Subtotal		\$ 2,235,000				
Total		<u>\$ 4,715,000</u>				

The City and SCIDPDA will enter into a Refunding Trust Agreement with U.S. Bank National Association, as Refunding Trustee, upon the delivery of the LTGO 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 LTGO 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 the principal of and accrued interest coming due on the redemption date of the Refunded Bonds.

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 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 will be verified by Causey Demgen & Moore, Inc., independent certified public accountants.

**SECURITY FOR THE BONDS**

The Bonds are general obligations of the City.

For as 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 each Series of the Bonds and the prompt payment of the principal of and interest on the Bonds. Certain taxes and other money deposited in the City's governmental funds are restricted by State law to specific purposes and may not be available to pay debt service on the Bonds. Under the State laws and constitution, excess levies approved by the voters for the purpose of retiring outstanding voter-approved indebtedness, such as the UTGO Bonds, may not be used for any other purpose. The City's authority to levy and collect taxes is subject to certain limitations, as more fully described under "General Fund Resources and Taxing Authority—Property Taxes, Limitations and Collections."

*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 (including SCIDPDA).* In addition, although the City intends to use certain payments received from SCIDPDA under the Refinancing Agreements to pay the portion of the debt service on the LTGO Bonds allocable to the Refunding Plans, it has *not* pledged these payments to bondholders. The Bonds are not secured by any lien or any other security interest in City property or any property of SCIDPDA.

The Bonds are not subject to acceleration. See "Description of the Bonds—No Acceleration." 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 2013 Results

On a preliminary basis, the City's financial performance for the fiscal year ended December 31, 2013, improved somewhat compared to the results anticipated in the 2013 and 2014 adopted budgets and reflects continued recovery from the recent recession. General Fund revenues are estimated to have increased by 4.9% in 2013 compared to 2012. Taxes make up the largest share of revenues to the General Fund and are estimated to have increased by 2.7%. The estimated changes in the four largest tax revenue components are as follows: property taxes declined by 2.7%, retail sales and use taxes increased by 6.8%, business taxes increased by 3.0%, and interfund business taxes (i.e., utility taxes) increased by 6.3%. The decline in property taxes was due to a one-time adjustment to the amount allowed under the statutory regular property tax limit and was related to the termination of a voter-approved levy increase authorization known as a levy lid lift. See "General Fund Tax Revenue Sources—General Property Taxes—Regular Property Tax Limitations—Regular Property Tax Amount Increase Limitation." The City has since changed its practice and now utilizes a more conservative approach in how it calculates and budgets for the regular levy capacity provided through levy lid lifts. Therefore, capacity reductions of this type are not expected to occur in the future.

Non-tax revenues are estimated to have increased by approximately 13.5%, led by increases in licenses and permit fees, fines and forfeitures, and programmatic income and miscellaneous revenues. Expenditures and net transfers out of the General Fund are estimated to have increased by approximately 9.6%. The largest General Fund expenditure component is for Public Safety, and this increased an estimated 7.4% compared to 2012. In 2012, the General Fund balance increased by more than \$70 million to almost \$275 million. The 2013 General Fund balance is projected to continue this positive trend, albeit more modestly, with the projected balance exceeding \$300 million.

### 2008 Through 2012 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) for the years 2008 through 2012.

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>					
Cash and Equity in Pooled Investments	\$ 195,159	\$ 144,220	\$ 111,993	\$ 153,880	\$ 237,915
Receivables, Net of Allowances					
Taxes	54,726	56,860	56,523	55,030	49,173
Accounts	4,100	3,558	3,358	3,611	2,307
Contracts and Notes	-	-	-	4	4
Special Assessments-Delinquent	-	-	-	-	-
Interest and Dividends	43	71	238	251	116
Unbilled and Others	2,039	925	68	429	-
Due from Other Funds	11,905	14,536	14,648	13,089	14,634
Interfund Loans	850	-	-	-	-
Due from Other Governments	58,425	44,272	41,317	38,935	39,326
Inventories	-	-	-	59	75
Prepaid and Other Current Assets	515	513	820	603	639
Deposits with Vendor	2	2	2	1	2
Contracts and Notes-Noncurrent	7,741	8,009	7,978	7,992	7,973
Advances to Other Funds	4,881	-	1,020	-	-
Deferred Charges and Other Assets	-	-	-	6	-
<b>Total Assets</b>	<b>\$ 340,386</b>	<b>\$ 272,966</b>	<b>\$ 237,965</b>	<b>\$ 273,890</b>	<b>\$ 352,164</b>
<b>Liabilities</b>					
Accounts Payable	\$ 27,222	\$ 22,557	\$ 24,113	\$ 22,901	\$ 19,570
Contracts Payable	139	123	578	508	576
Due to Other Funds	5,845	5,219	5,638	5,580	6,165
Due to Other Governments	2,853	3,915	2,286	2,245	2,640
Salaries, Benefits, and Taxes Payable	14,853	13,320	12,776	11,115	23,149
Interest Payable	752	759	933	867	174
Deposits Payable	66	88	194	251	367
Revenue Collected/Billed in Advance-Current	1,330	1,928	1,370	1,759	1,847
Other Current Liabilities	241	241	212	208	206
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	12,093	20,041	22,829	31,010	26,060
<b>Total Liabilities</b>	<b>\$ 65,394</b>	<b>\$ 68,191</b>	<b>\$ 70,929</b>	<b>\$ 76,444</b>	<b>\$ 80,754</b>
<b>Fund Balances<sup>(1)</sup></b>					
Reserves Legally Segregated for Future Use					
Capital Improvements	\$ -	\$ -	\$ 43,616	\$ 53,759	\$ 93,312
Continuing Appropriations	-	-	3,406	8,366	8,719
Debt Service	-	-	-	11,227	13,975
Encumbrances	-	-	963	2,585	2,282
Health Care Rate Stabilization	-	-	13,564	13,045	20,779
Revenues Not Available for Appropriation					
Petty Cash	-	-	811	1,080	1,258
Unreserved					
Reported in Major Funds					
Designated for Special Purpose	-	-	57,666	37,329	29,497
Undesignated	-	-	47,010	70,055	101,588
Nonspendable	555	572	-	-	-
Restricted	82,520	58,917	-	-	-
Committed	79,508	46,268	-	-	-
Assigned	6,417	19,253	-	-	-
Unassigned	105,992	79,765	-	-	-
<b>Total Fund Balances</b>	<b>\$ 274,992</b>	<b>\$ 204,775</b>	<b>\$ 167,036</b>	<b>\$ 197,446</b>	<b>\$ 271,410</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 340,386</b>	<b>\$ 272,966</b>	<b>\$ 237,965</b>	<b>\$ 273,890</b>	<b>\$ 352,164</b>

(1) As a result of the implementation of GASB Statement No. 54 in 2011, fund balance categorizations changed and the Library Fund is reported as part of the General Fund.



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

	2012	2011 <sup>(1)</sup>	2010	2009	2008
<b>Revenues</b>					
Taxes	\$ 846,011	\$ 790,966	\$ 761,170	\$ 756,909	\$ 745,455
Licenses and Permits	20,672	18,817	20,401	19,333	18,269
Grants, Shared Revenues, and Contributions	43,669	47,503	31,412	28,208	19,725
Charges for Services	51,388	53,844	66,863	69,018	62,547
Fines and Forfeits	34,243	33,992	30,936	28,519	22,110
Parking Fees and Space Rent	35,369	31,301	26,868	25,478	20,625
Program Income, Interest, and Miscellaneous Revenues	29,909	23,921	16,374	14,943	25,932
<b>Total Revenues</b>	<b>\$ 1,061,261</b>	<b>\$ 1,000,344</b>	<b>\$ 954,024</b>	<b>\$ 942,408</b>	<b>\$ 914,663</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	\$ 162,740	\$ 168,498	\$ 172,796	\$ 180,880	\$ 185,390
Judicial	26,654	25,855	26,300	26,812	26,584
Public Safety	458,957	445,170	437,716	424,794	415,201
Physical Environment	7,328	10,813	8,704	16,250	8,180
Transportation	12,031	12,529	10,823	13,236	11,355
Economic Environment	17,633	20,718	21,084	19,986	20,871
Health and Human Services	-	-	-	1,262	272
Culture and Recreation	59,712	58,098	26,398	10,798	5,545
<b>Capital Outlay</b>					
General Government	5,642	5,456	9,001	15,978	7,877
Public Safety	7,457	4,355	2,658	2,724	2,426
Physical Environment	-	-	-	-	5
Transportation	-	-	-	-	-
Economic Environment	69	-	-	-	-
Culture and Recreation	14,676	23,727	22,222	24,878	31,191
<b>Debt Service</b>					
Principal	4	4	-	-	-
Advance Refunding to Escrow	-	-	-	6	-
Interest	1	1	-	-	-
Bond Issuance Cost	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 772,904</b>	<b>\$ 775,224</b>	<b>\$ 737,702</b>	<b>\$ 737,604</b>	<b>\$ 714,897</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 288,357	\$ 225,120	\$ 216,322	\$ 204,804	\$ 199,766
<b>Other Financing Sources (Uses)</b>					
Long-Term Debt Issued	\$ -	\$ -	\$ -	\$ 1,471	\$ -
Refunding Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	53	-
Proceeds of Capital Leases	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Payments on Intergovernmental Agreements	-	-	-	-	-
Sales of Capital Assets	754	21,326	21,309	616	373
Transfers In	12,262	4,537	10,068	8,336	7,440
Transfers Out	(231,156)	(225,649)	(278,109)	(289,244)	(263,197)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (218,140)</b>	<b>\$ (199,786)</b>	<b>\$ (246,732)</b>	<b>\$ (278,768)</b>	<b>\$ (255,384)</b>
Net Change in Fund Balance	\$ 70,217	\$ 25,334	\$ (30,410)	\$ (73,964)	\$ (55,618)
Fund Balances-Beginning of Year	204,775	179,441 <sup>(1)</sup>	197,446	271,410	327,028
<b>Fund Balances-End of Year</b>	<b>\$ 274,992</b>	<b>\$ 204,775</b>	<b>\$ 167,036</b>	<b>\$ 197,446</b>	<b>\$ 271,410</b>

(1) As a result of the implementation of GASB Statement No. 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.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2008-2012

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

	2012	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>	2009 <sup>(1)</sup>	2008 <sup>(1)</sup>
<b>Revenues</b>					
Taxes	\$ 1,044,608	\$ 973,181	\$ 933,641	\$ 927,287	\$ 934,544
Licenses and Permits	25,238	22,966	26,514	28,298	29,091
Grants, Shared Revenues, and Contributions	177,775	167,813	179,842	173,231	133,772
Charges for Services	182,595	167,644	171,509	157,081	142,797
Fines and Forfeits	34,340	34,066	32,300	29,645	25,572
Parking Fees and Space Rent	57,107	51,004	46,858	42,404	37,961
Program Income, Interest, and Miscellaneous Revenues	43,649	39,706	26,037	34,011	102,077
<b>Total Revenues</b>	<b>\$ 1,565,312</b>	<b>\$ 1,456,380</b>	<b>\$ 1,416,701</b>	<b>\$ 1,391,957</b>	<b>\$ 1,405,814</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	\$ 180,187	\$ 193,697	\$ 203,607	\$ 186,046	\$ 195,947
Judicial	26,654	25,855	26,300	26,812	26,584
Public Safety	461,235	451,734	445,002	431,413	421,105
Physical Environment	7,748	11,190	9,058	16,528	8,454
Transportation	92,212	90,966	93,381	111,531	107,532
Economic Environment	128,711	106,234	123,430	103,462	109,903
Health and Human Services	67,103	73,100	73,956	76,471	70,032
Culture and Recreation	216,508	211,523	233,284	223,340	215,458
<b>Capital Outlay</b>					
General Government	10,684	13,862	16,799	24,651	12,953
Public Safety	27,743	8,320	21,815	20,781	12,643
Physical Environment	-	-	-	-	5
Transportation	228,272	167,590	169,636	179,231	100,636
Economic Environment	69	-	5	28	22
Culture and Recreation	55,507	50,383	63,521	72,905	72,322
<b>Debt Service<sup>(2)</sup></b>					
Principal	53,523	47,909	45,826	43,064	51,855
Advance Refunding to Escrow	-	-	-	6	35,152
Interest	25,339	26,754	24,596	24,191	35,738
Bond Issuance Cost	258	369	1,303	727	632
Other	305	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,582,058</b>	<b>\$ 1,479,486</b>	<b>\$ 1,551,519</b>	<b>\$ 1,541,187</b>	<b>\$ 1,476,973</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (16,746)</b>	<b>\$ (23,106)</b>	<b>\$ (134,818)</b>	<b>\$ (149,230)</b>	<b>\$ (71,159)</b>
<b>Other Financing Sources (Uses)</b>					
Long-Term Debt Issued	\$ 108,085	\$ 79,433	\$ 85,325	\$ 87,810	\$ 84,960
Refunding Debt Issued	-	-	115,185	4,390	54,870
Premium on Bonds Issued	21,140	5,181	13,270	8,152	7,545
Proceeds of Capital Leases	-	-	-	20	-
Payment to Refunded Bond Escrow Agent	(91,574)	-	(125,170)	(4,735)	(56,920)
Payments on Intergovernmental Agreements	-	-	-	(16,928)	-
Sales of Capital Assets	2,282	41,161	21,310	624	408
Transfers In	334,611	292,224	298,519	371,345	350,078
Transfers Out	(342,571)	(297,597)	(304,618)	(373,971)	(332,266)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 31,973</b>	<b>\$ 120,402</b>	<b>\$ 103,821</b>	<b>\$ 76,707</b>	<b>\$ 108,675</b>
<b>Net Change in Fund Balance</b>	<b>\$ 15,227</b>	<b>\$ 97,296</b>	<b>\$ (30,997)</b>	<b>\$ (72,523)</b>	<b>\$ 37,516</b>
<b>Fund Balances-Beginning of Year</b>	<b>623,107</b>	<b>525,811</b>	<b>556,808</b>	<b>629,331</b>	<b>591,815</b>
<b>Fund Balances-End of Year</b>	<b>\$ 638,334</b>	<b>\$ 623,107</b>	<b>\$ 525,811</b>	<b>\$ 556,808</b>	<b>\$ 629,331</b>

(1) Restated.

(2) Debt Service in the Other Governmental Fund excludes \$33 million of debt service paid in 2012 by the following funds: Fleets and Facilities, Downtown Garage, Information Technology, Water, Drainage and Wastewater, and Solid Waste. It includes \$2.4 million paid by LID 6750.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2008-2012

## GENERAL FUND TAX REVENUE SOURCES

The following table sets forth a breakdown of General Fund tax revenues for the years 2008 through 2012:

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

	2012	2011	2010	2009	2008
Taxes					
General Property	\$ 259,954	\$ 254,239	\$ 250,430	\$ 245,543	\$ 238,258
Retail Sales and Use	169,681	158,582	146,970	150,515	171,917
Business	243,784	231,162	223,482	228,960	217,304
Excise	54,797	35,316	28,998	27,879	36,257
Penalties and Interest	2,648	3,126	3,202	3,644	2,193
Interfund Business <sup>(1)</sup>	115,147	108,541	108,088	100,368	79,526
Total Taxes	<u>\$ 846,011</u>	<u>\$ 790,966</u>	<u>\$ 761,170</u>	<u>\$ 756,909</u>	<u>\$ 745,455</u>

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

Source: *City of Seattle Comprehensive Annual Financial Reports, 2008-2012*

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 2013 from 2012 levels by approximately (2.7)%, 6.8%, 3.0%, and 6.3%, respectively, as discussed above under “Financial Results—Preliminary 2013 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 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 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 for City Residents, Collection Year 2014 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 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 2014. See “The City of Seattle—Pension Plans.”

The City’s regular levy rate for collection in 2014 is \$2.90871 per \$1,000 of assessed value. However, \$1.10745 per \$1,000 of this 2014 levy is statutorily restricted to purposes described in certain levy lid lift ballot measures. See Table 7 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, the levy by the State may not exceed \$3.60 per \$1,000 of assessed value and the aggregate of all regular levies by all taxing districts (other than the State and other than certain specified levies) may not exceed \$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, and portions of certain levies by certain flood control zone districts. The aggregate of all overlapping levy rates within the City that are subject to the \$5.90 limitation is \$4.23854. The aggregate of all overlapping levy rates within the City that are subject to the 1% limitation is \$7.32912.

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. They are described below in Table 7—Representative Overlapping Levy Rates and City-Specific Tax Rates For City Residents.

*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) which 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, which are 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. The Waterfront Program Progress Report—Q4 2013, published in February 2014, projects that the amount of such financing could be as much as \$250 million.

*Assessed Value Determination.* The Assessor determines the value of all real and personal property throughout 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 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 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 which contains the total amount of taxes levied and to be collected. The tax roll is delivered to the King County Treasury Division Manager (an appointed official) by January 15 of each year, 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, *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 <sup>(1)</sup>	Ad Valorem Tax Levy	Tax Collected Year Due	Total Collected As of 12/31/13
2014	\$ 128,205,753,919	\$ 390,788,958	N/A	N/A
2013	116,995,513,489	384,420,997	98.49%	98.56%
2012	116,796,890,401	382,656,189	98.36%	99.61%
2011	119,424,060,925	365,494,860	98.45%	99.82%
2010	123,051,680,259	359,800,746	98.18%	99.97%

(1) Total assessed value less 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 <sup>(1)</sup>	UTGO Bonds	Total	General <sup>(1)</sup>	UTGO Bonds	Total
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	384,420,997
2012	3.12958	0.14701	3.27659	365,625,854	17,030,335	382,656,189
2011	2.91279	0.14807	3.06086	347,951,272	17,543,588	365,494,860
2010	2.78928	0.13564	2.92492	343,232,198	16,568,548	359,800,746

(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 the Pike Place Market, public housing, families and education, parks and open space, library, and transportation. A voter-approved EMS levy, which is not included in the \$3.60 per \$1,000 limit, is not shown in this table. See Table 7.

*Source: King County Department of Assessments*

**TABLE 7**  
**REPRESENTATIVE OVERLAPPING LEVY RATES AND CITY-SPECIFIC TAX RATES WITHIN THE CITY**  
**COLLECTION YEAR 2014**  
**(Per \$1,000 of Assessed Value)**

<b>Overlapping Rates within Seattle</b>	<b>2014</b>
City of Seattle	\$ 3.04835
King County	1.51605
State	2.47044
Port of Seattle	0.21533
Schools No. 1	2.54933
EMS	0.33500
Flood Zone	0.15369
Ferry District	0.00349
<b>Total within City of Seattle</b>	<b>\$ 10.29168</b>
<b>City of Seattle - Specific Rates</b>	
Current Expense Base and Pension	\$ 1.80126
Voted Lid Lifts	
Pike Place Market (2009-2014)	0.06093
Public Housing (2010-2016)	0.16157
Families and Education (2012-2018)	0.25541
Parks and Open Space (2009-2014)	0.18914
Library (2013-2019)	0.13392
Transportation (2007-2015)	0.30648
<b>Subtotal Voted Lid Lifts</b>	<b>\$ 1.10745</b>
<b>Subject to \$3.60 Limit</b>	<b>\$ 2.90871</b>
Voted Bonds	0.13964
<b>Subtotal City Rates</b>	<b>\$ 3.04835</b>

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 "Regular Property Tax Limitations."

Source: King County Department of Assessments



*Major Property Taxpayers.* The following table presents the ten property taxpayers within the City with the highest 2013 assessed value for tax collection year 2014.

**TABLE 8  
2014 LARGEST PROPERTY TAXPAYERS**

<b>Taxpayer<sup>(1)</sup></b>	<b>Type of Business</b>	<b>Assessed Value (\$)</b>	<b>Percentage of Total Assessed Value (%)</b>
Union Square Limited Partnership	Real Estate	\$ 570,514,075	0.44 %
1201 Tab Owner LLC (formerly Wright-Runstad)	Real Estate	436,468,031	0.34
FSP-RIC LLC (formerly Northwestern Mutual Life)	Insurance	418,009,177	0.32
The Boeing Company	Aerospace	399,813,868	0.31
City Centre Associates JV	Real Estate	365,107,346	0.28
Columbia Center Property	Real Estate	312,830,664	0.24
Martin Selig	Real Estate	247,107,028	0.19
Puget Sound Energy-Gas/Electric	Utility	236,689,177	0.18
Seattle Sheraton	Hotel	236,335,505	0.18
Qwest Corporation Inc. <sup>(2)</sup>	Communication	309,818,608	0.24
<b>Total</b>		<b>\$ 3,532,693,479</b>	<b>2.74 %</b>
<b>Total City Assessed Value for Tax Collection Year 2014</b>		<b>\$ 128,814,234,965</b>	

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

(2) Acquired by CenturyLink in 2011.

*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 9.5% is charged on all gross retail sales in the City. The 9.5% 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, and 0.1% for the support of criminal justice programs within the County. 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 Taxes 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**

Recent and pending 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, city taxing powers are adjusted by the State Legislature or by initiative measures. Legislation affecting the City’s taxing power 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 Computation" 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 9—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 the City 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 anticipates issuing the remaining \$223,000,000 of authorized but unissued unlimited tax general obligation bonds over the next three to five years. 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**

The following table sets forth the computation of the City's estimated legal debt capacity based on debt outstanding as of December 31, 2013, and a total assessed value for collection of taxes in 2014 of \$128,814,234,965. Giving effect to the issuance of the Bonds, there remains \$1,144,565,650 of unlimited tax general obligation debt capacity for general purposes and \$985,970,158 of limited tax general obligation debt capacity. The subsequent tables 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 9**  
**ESTIMATED LEGAL DEBT CAPACITY<sup>(1)</sup>**  
**(as of December 31, 2013)**

	General Capacity		Special Purpose Capacity		Total Capacity (7.5% of AV)
	A  Non-voted (1.5% of AV)	B  Voted (2.5% less Column A)	Voter-Approved Open Space and Parks (2.5% of AV)	Voter-Approved Utility Purpose (2.5% of AV)	
Total City Assessed Value as of February 13, 2014 <sup>(2)</sup>					
\$128,814,234,965					
2.5% of AV	\$ -	\$ 3,220,355,874	\$ 3,220,355,874	\$ 3,220,355,874	\$ 9,661,067,622
1.5% of AV	1,932,213,524	(1,932,213,524)	-	-	-
	\$ 1,932,213,524	\$ 1,288,142,350	\$ 3,220,355,874	\$ 3,220,355,874	\$ 9,661,067,622
Debt Outstanding <sup>(3)</sup>					
The Bonds	\$ (62,770,000)	\$ (16,400,000)	\$ -	\$ -	\$ (79,170,000)
Outstanding Bonds <sup>(4)</sup>	(738,976,920)	(128,410,000)	-	-	(867,386,920)
Accreted Value of 1998 E Bonds	(1,482,661)	-	-	-	(1,482,661)
Guarantees on PDA bonds <sup>(5)</sup>	(65,540,000)	-	-	-	(65,540,000)
Contingent Loans <sup>(6)</sup>	(5,805,000)				
Public Works Trust Fund Loans <sup>(7)</sup>	(16,630,724)				
Compensated Absences <sup>(8)</sup>	(78,193,146)	-	-	-	(78,193,146)
Total Debt Outstanding	\$ (969,398,451)	\$ (144,810,000)	\$ -	\$ -	\$ (1,114,208,451)
Available Net Assets in Redemption and Other Funds <sup>(9)</sup>	\$ 9,719,200	\$ 1,233,300	\$ -	\$ -	\$ 10,952,500
Compensated Absences for Sick Leave <sup>(8)</sup>	13,435,885	-	-	-	13,435,885
Net Debt Outstanding	\$ (946,243,366)	\$ (143,576,700)	\$ -	\$ -	\$ (1,089,820,066)
<b>Legal Debt Margin</b>	<b>\$ 985,970,158</b>	<b>\$ 1,144,565,650</b>	<b>\$ 3,220,355,874</b>	<b>\$ 3,220,355,874</b>	<b>\$ 8,571,247,556</b>

**FOOTNOTES TO TABLE:**

- (1) Legal debt limits are established by 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 13, 2014, for taxes payable in 2014.
- (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) Excludes the 1998 Series E deferred interest bonds, which are shown on the line below.
- (5) Includes the principal amounts of City-guaranteed bonds issued by the following PDAs established by the City: the Pike Place Market Preservation and Development Authority, the Seattle Indian Services Commission, the Museum Development Authority, and SCIDPDA. The bonds issued by SCIDPDA that are to be refunded by proceeds of the LTGO Bonds are excluded from this amount.
- (6) Contingent loan supporting the Washington State Housing Finance Commission Multifamily Revenue Bonds (Lowman Building Project), Series 2004.
- (7) 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 constitutional debt limits. Documentation relating to approximately \$7.9 million of the outstanding Public Works Trust Fund loans contains language purporting to permit acceleration upon payment default. The State no longer includes such language in its Public Works Trust Fund program and is cooperating with the City to remove it from older contracts, including those described here.
- (8) Preliminary numbers as of December 31, 2013. 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, 2013. 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 10**  
**SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

	Unlimited Tax							Limited Tax							
	Outstanding Bonds			The UTGO Bonds				Total UTGO	Outstanding Bonds <sup>(1)</sup>			The LTGO Bonds			Total LTGO
	Principal	Interest	Total	Principal	Interest	Total	Principal		Interest <sup>(2)</sup>	Total	Principal	Interest	Total		
2014	\$ 12,195,000	\$ 5,594,544	\$ 17,789,544	\$ -	\$ 419,297	\$ 419,297	\$ 18,208,841	\$ 63,882,925	\$ 32,776,908	\$ 96,659,832	\$ -	\$ 1,641,905	\$ 1,641,905	\$ 98,301,737	
2015	12,625,000	5,145,756	17,770,756	315,000	653,450	968,450	18,739,206	53,287,103	29,556,417	82,843,521	6,785,000	2,771,100	9,556,100	92,399,621	
2016	13,130,000	4,629,481	17,759,481	320,000	644,000	964,000	18,723,481	52,447,981	27,472,196	79,920,176	7,135,000	2,423,100	9,558,100	89,478,276	
2017	13,710,000	4,034,569	17,744,569	330,000	634,400	964,400	18,708,969	53,664,456	25,398,033	79,062,489	7,505,000	2,057,100	9,562,100	88,624,589	
2018	14,025,000	3,421,150	17,446,150	345,000	621,200	966,200	18,412,350	51,980,163	23,138,895	75,119,057	7,935,000	1,671,100	9,606,100	84,725,157	
2019	6,655,000	2,787,900	9,442,900	360,000	607,400	967,400	10,410,300	50,625,287	20,975,919	71,601,206	8,385,000	1,263,100	9,648,100	81,249,306	
2020	6,985,000	2,455,150	9,440,150	370,000	596,600	966,600	10,406,750	51,000,287	18,876,946	69,877,233	1,830,000	1,007,725	2,837,725	72,714,958	
2021	7,335,000	2,105,900	9,440,900	385,000	581,800	966,800	10,407,700	55,108,355	16,772,238	71,880,592	1,935,000	913,600	2,848,600	74,729,192	
2022	1,250,000	1,739,150	2,989,150	400,000	566,400	966,400	3,955,550	50,003,256	14,373,957	64,377,213	2,035,000	814,350	2,849,350	67,226,563	
2023	1,315,000	1,676,650	2,991,650	420,000	546,400	966,400	3,958,050	48,208,256	12,103,132	60,311,388	2,135,000	710,100	2,845,100	63,156,488	
2024	1,380,000	1,610,900	2,990,900	440,000	525,400	965,400	3,956,300	49,487,442	9,868,265	59,355,707	2,240,000	611,925	2,851,925	62,207,632	
2025	1,450,000	1,541,900	2,991,900	465,000	503,400	968,400	3,960,300	51,372,442	7,552,774	58,925,216	1,315,000	540,825	1,855,825	60,781,041	
2026	1,520,000	1,469,400	2,989,400	485,000	480,150	965,150	3,954,550	30,572,442	5,111,468	35,683,910	1,365,000	487,225	1,852,225	37,536,135	
2027	1,595,000	1,393,400	2,988,400	500,000	465,600	965,600	3,954,000	20,882,442	3,739,768	24,622,210	1,410,000	438,775	1,848,775	26,470,985	
2028	1,660,000	1,329,600	2,989,600	515,000	450,600	965,600	3,955,200	19,722,442	2,867,092	22,589,534	1,460,000	394,813	1,854,813	24,444,347	
2029	1,725,000	1,263,200	2,988,200	535,000	430,000	965,000	3,953,200	15,750,789	2,024,003	17,774,792	1,505,000	341,900	1,846,900	19,621,692	
2030	1,795,000	1,194,200	2,989,200	560,000	408,600	968,600	3,957,800	14,835,789	1,399,648	16,235,437	1,570,000	280,400	1,850,400	18,085,837	
2031	1,870,000	1,122,400	2,992,400	580,000	386,200	966,200	3,958,600	14,750,789	795,195	15,545,984	1,640,000	216,200	1,856,200	17,402,184	
2032	1,940,000	1,047,600	2,987,600	605,000	363,000	968,000	3,955,600	5,505,000	301,956	5,806,956	1,705,000	149,300	1,854,300	7,661,256	
2033	2,020,000	970,000	2,990,000	630,000	338,800	968,800	3,958,800	2,055,000	88,756	2,143,756	1,410,000	87,000	1,497,000	3,640,756	
2034	2,100,000	889,200	2,989,200	650,000	313,600	963,600	3,952,800	465,000	11,625	476,625	1,470,000	29,400	1,499,400	1,976,025	
2035	2,185,000	805,200	2,990,200	680,000	287,600	967,600	3,957,800	-	-	-	-	-	-	-	
2036	2,270,000	717,800	2,987,800	705,000	260,400	965,400	3,953,200	-	-	-	-	-	-	-	
2037	2,365,000	627,000	2,992,000	735,000	232,200	967,200	3,959,200	-	-	-	-	-	-	-	
2038	2,455,000	532,400	2,987,400	765,000	202,800	967,800	3,955,200	-	-	-	-	-	-	-	
2039	2,555,000	434,200	2,989,200	795,000	172,200	967,200	3,956,400	-	-	-	-	-	-	-	
2040	2,660,000	332,000	2,992,000	825,000	140,400	965,400	3,957,400	-	-	-	-	-	-	-	
2041	2,765,000	225,600	2,990,600	860,000	107,400	967,400	3,958,000	-	-	-	-	-	-	-	
2042	2,875,000	115,000	2,990,000	895,000	73,000	968,000	3,958,000	-	-	-	-	-	-	-	
2043	-	-	-	930,000	37,200	967,200	967,200	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 128,410,000</b>	<b>\$ 51,211,250</b>	<b>\$ 179,621,250</b>	<b>\$16,400,000</b>	<b>\$ 12,049,497</b>	<b>\$ 28,449,497</b>	<b>\$208,070,747</b>	<b>\$ 755,607,644</b>	<b>\$ 255,205,191</b>	<b>\$ 1,010,812,835</b>	<b>\$ 62,770,000</b>	<b>\$ 18,850,943</b>	<b>\$ 81,620,943</b>	<b>\$ 1,092,433,778</b>	

(1) Includes debt service on Public Works Trust Fund Loans. Does not include City-guarantees or contingent loan agreements with respect to debt issued by City-chartered PDAs.

(2) 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 11**  
**NET DIRECT AND OVERLAPPING DEBT**

Outstanding Direct Debt <sup>(1)</sup>	
Unlimited Tax General Obligation Bonds	\$ 128,410,000
The UTGO Bonds	16,400,000
Limited Tax General Obligation Bonds <sup>(2)</sup>	740,459,581
The LTGO Bonds	62,770,000
Less: Cash and Investments in Debt Service Funds <sup>(3)</sup>	<u>(10,952,500)</u>
Net Direct Debt	\$ 937,087,081
Estimated Overlapping Debt	
King County <sup>(4)(5)</sup>	\$ 314,462,467
Port of Seattle <sup>(6)</sup>	107,324,518
Seattle School District No. 001 <sup>(4)</sup>	47,135,860
Highline School District No. 401 <sup>(4)</sup>	<u>13,898</u>
Total Estimated Overlapping Debt	<u>\$ 468,936,744</u>
<b>Total Estimated Net Direct and Overlapping Debt</b>	<b><u>\$ 1,406,023,825</u></b>

- 
- (1) As of December 31, 2013. Excludes public corporation bonds guaranteed by the City.
- (2) Includes outstanding capital lease purchase agreements and the accreted value of the 1998E Bonds. Excludes the Public Works Trust Fund loans and City-guarantees or contingent loan agreements with respect to the debt issued by City-chartered PDAs. See Table 9—Estimated Legal Debt Capacity.
- (3) Preliminary, as of December 31, 2013.
- (4) As of December 31, 2013. Allocated to the City according to its share of 2014 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.
- (6) As of December 31, 2013. Allocated to the City based on its share of 2014 total assessed values.

**TABLE 12**  
**CITY BONDED DEBT RATIOS**

Total City Assessed Value for 2014 Collections <sup>(1)</sup>	\$128,814,234,965
2013 Population Estimate <sup>(2)</sup>	626,600
Assessed Valuation	100% of True and Fair Value
Net Direct Debt to Assessed Value	0.73%
Net Direct and Overlapping Debt to Assessed Value	1.09%
Per Capita Assessed Value	\$205,577
Per Capita Net Direct Debt	\$1,496
Per Capita Net Direct and Overlapping Debt	\$2,244
Net Direct Debt	\$937,087,081
Net Direct and Overlapping	\$1,406,023,825

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- (1) Source: King County Assessor.
- (2) Source: State of Washington Office of Financial Management's 2013 estimate.



## 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 seat of King County.

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, fire fighting and emergency medical services, planning, zoning, animal control, municipal court, and utilities. The City owns and operates water, electric, solid waste, and drainage and wastewater utilities, although King County provides wastewater treatment service. 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 seven Municipal Court judges are all elected to four-year terms. Until 2013, City Council members served four-year terms. Pursuant to a charter amendment initiated and approved by voters in November 2013 that created seven City Council districts and two at-large positions, all nine City Council positions will be up for re-election in 2015. The City Council members elected by district will serve a four-year term 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 re-election, 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 laws and Constitution 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 City's Comprehensive Annual Financial Report for 2012 is attached as Appendix B.

In 2005, pursuant to an initiative approved by the State's voters, the State Auditor's Office was given 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 2014 budget was adopted on November 25, 2013.

The City's adopted General Subfund budget is \$948.6 million in 2013 and \$1,023.9 million in 2014. According to the City's November 2013 forecast, total General Fund revenues are expected to increase by about 2.1% and 5.2% in 2013 and 2014, respectively. As part of its budgeting and management process, the City updates its projections for major revenue sources three times per year. This process is conducted utilizing a dedicated team of four economists with the assistance of regularly updated third-party national and local data and economic forecasts.

## **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; and any investments authorized by law for the State Treasurer or any local government of the State other than a metropolitan municipal corporation (other than bank certificates of deposit of banks or bank branches not located in the State). Under chapter 43.84 RCW, the State Treasurer (and, under chapter 39.59 RCW, cities and towns) may invest in the following: obligations of the United States or its agencies and of any corporation wholly owned by the government of the United States; State, county, municipal or school district general obligation bonds or general obligation warrants of taxing districts of the State, if within the statutory limitation of indebtedness; motor vehicle fund warrants; Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Fannie Mae notes, debentures and guaranteed certificates of participation and obligation of any other government-sponsored corporation whose obligations are eligible for collateral for advances to Federal Reserve System member banks; bankers' acceptances purchased in the secondary market; negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business in the United States; and commercial paper.

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 for the benefit of the general government in accordance with City ordinances or resolutions.

*Authorized Investments for Bond Proceeds.* Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe. In addition to the eligible investments discussed above, bond proceeds may also be invested, subject to certain restrictions, in mutual funds with portfolios consisting of (i) only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities

of less than four years; bonds of the State or of any local government in the State that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; (ii) bonds of states and local governments or other issuers authorized by law for investment by local governments that have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency; or (iii) securities otherwise authorized by law for investment by local governments.

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

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

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

As of December 31, 2013, the combined investment portfolios of the City, not including pensions, totaled \$1,438 million at par value. The City’s Investment Pool is constituted solely of City funds. The City does not invest any funds in other pools, with the exception of tax collection receipts initially held by King County. As of December 31, 2013, the annualized yield on the City’s investment portfolio was 0.75%. As of December 31, 2013, the average maturity of the portfolio was 921 days. Approximately 21.5%, or \$309.5 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	46.3%
U.S. Treasuries	15.7
Mortgage-Backed Securities	13.2
Taxable Municipal Bonds	10.9
Commercial Paper	10.7
Repurchase Agreements	3.1

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

*Interfund Loans.* The City municipal code authorizes the Director of Finance, after consultation with the Director of Administrative Services, the Budget Director, and the City Council Finance Committee Chair, to approve interfund loans for a duration of up to 90 days and to establish a rate of interest on such loans. Extension or renewal of interfund loans requires City Council approval by ordinance. The Director of Finance also is authorized by City ordinance to make loans to individual funds participating in a common investment portfolio by carrying funds in a negative cash position for a period of up to 90 days, or for a longer period upon approval by ordinance, to the extent that such loans can be supported prudently by the common investment portfolio and the borrowing fund is reasonably expected to be able to repay the loan. Loans of this type bear interest at the common investment portfolio’s rate of return.

### **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

City employees are covered by one of the following defined benefit pension plans: Seattle City Employees' Retirement System ("SCERS"), Firefighter's 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/>).

Nearly all permanent non-uniformed City employees, employees of the Seattle Public Library, and certain grandfathered employees of the County (and a predecessor agency of the County) are eligible for membership in SCERS. Current uniformed police and fire personnel are eligible for membership in LEOFF.

*Seattle City Employees' Retirement System.* SCERS is a single-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 Personnel Director, two active members and one retired member of the system, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

SCERS 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 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, 2013, there were 5,742 retirees and beneficiaries receiving benefits, and 8,465 active members of SCERS. There are an additional 1,973 terminated employees entitled to future benefits. From January 1, 2012, to January 1, 2013, the net number of active members increased by 0.4%, the net number of retirees receiving benefits increased by 2.9%, and the net number of vested terminated members decreased by 3.7%.

Certain demographic data as of the January 1, 2013, Actuarial Valuation (the "2012 Actuarial Valuation") is shown below:

**TABLE 13  
PLAN MEMBER DEMOGRAPHIC INFORMATION**

Age Range	Retirees and Beneficiaries			
	Receiving Benefits		Active Employees	
	Number	Percent	Number	Percent
<24	-	0.0%	86	1.0%
25-39	-	0.0%	1,747	20.6%
40-49	11 <sup>(1)</sup>	0.2% <sup>(1)</sup>	2,196	25.9%
50-59	348	6.2%	2,865	33.8%
60-69	2,243	39.6%	1,486	17.6%
70+	3,056	54.0%	85	1.0%

(1) Includes everyone under the age of 50.

Source: 2012 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 is for calendar year 2012; it was transmitted on June 10, 2013, by CliftonLarsonAllen LLP. In addition, Milliman Consultants and Actuaries, as consulting actuary, evaluates the funding status of SCERS annually; the most recent actuarial report is the 2012 Actuarial Valuation dated as of January 1, 2013. Historically, the City prepared actuarial valuations biennially, but in 2011 the City began preparing them annually. A valuation for calendar year 2013 (as of January 1, 2014) is expected to be completed by mid-2014.

As of January 1, 2013, the actuarial value of net assets available for benefits was \$1.920 billion and the actuarial accrued liability was \$3.025 billion. The 2013 valuation reflects the following assumptions:

Investment return	7.75%
Price inflation	3.50%
Expected annual average membership growth	1.00%
Wage inflation	4.00%
Interest on member contributions made prior to January 1, 2012 <sup>(1)</sup>	5.75%

(1) Contributions made on or after January 1, 2012, are assumed to accrue interest at 5.00%.

The unfunded actuarial accrued liability (“UAAL”) increased from \$905.0 million as of January 1, 2012, to \$1,105.2 million as of January 1, 2013. The funding ratio fell from 68.3% as of January 1, 2012, to 63.5% as of January 1, 2013, which decrease is attributed to recognition of asset losses in 2011 and 2008, somewhat offset by the recognition of asset gains from 2009, 2010, and 2012. Unlike most public pension systems, prior to January 1, 2011, all funding ratios 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 14**  
**HISTORICAL SCERS ACTUARIAL VALUATION INFORMATION<sup>(1)</sup>**

<b>Actuarial Valuation Date (January 1)<sup>(2)</sup></b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)<sup>(3)</sup></b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll<sup>(4)</sup></b>	<b>UAAL as % of Covered Payroll</b>
2004	\$ 1,527.5	\$ 1,778.9	\$ (251.4)	85.9%	\$ 424.7	59.2
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 <sup>(5)</sup>	2,013.7	2,709.0	(695.4)	74.3	563.2	123.5
2012 <sup>(5)</sup>	1,954.3	2,859.3	(905.0)	68.3	557.0	162.5
2013 <sup>(5)</sup>	1,920.1	3,025.3	(1,105.2)	63.5	567.8	194.6

(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 and 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: 2012 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 2012 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 and assumed exit age.

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

**TABLE 15  
CURRENT AND HISTORICAL EMPLOYER AND EMPLOYEE CONTRIBUTION RATES**

<b>Calendar Years (beginning January 1)</b>	<b>Employer Rate</b>	<b>Employee Rate</b>	<b>Total Contribution Rate</b>	<b>ARC<sup>(1)</sup></b>	<b>% of ARC Contributed<sup>(2)</sup></b>
2010	8.03 %	8.03 %	16.06 %	25.03 %	64 %
2011	9.03	9.03	18.06	21.30	85
2012	11.01	10.03	21.04	21.04	100
2013	12.89	10.03	22.92	22.92	100
2014	14.31	10.03	24.34	24.34	100

(1) Reflects total annual required contribution (i.e., employer plus employee contribution rates).

(2) Reflects total of employer and employee contribution rates, as percentage of total ARC.

*Source: Seattle Municipal Code; 2013 Budget; Actuarial Valuations*

In 2010 and 2011, the City failed to increase contribution rates sufficiently to fund the ARC. During 2010 and 2011, 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 passed Resolution 31334 affirming the City’s intent to fully fund the annual ARC each year with its budget. The City’s adopted 2013 and 2014 budgets fully fund the respective ARC by increasing the employer contribution rate to match the ARC determined by the 2011 and 2012 Actuarial Valuations.

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 has already been implemented, via 1% increases in 2011 and 2012. This contractual restriction shifts the risk of future increases to the City’s employer contribution. Most of the City’s existing collective bargaining contracts expired as of the end of 2013, and the City is actively negotiating renewals. See “Labor Relations.” The negotiations include exploring options for managing the system more cost-effectively in the long term.

Projected total actuarially required contribution rates reported in the 2012 Actuarial Valuation are shown in the table below:

**TABLE 16  
PROJECTED ACTUARIALLY REQUIRED TOTAL CONTRIBUTION RATES  
BY EMPLOYER AND EMPLOYEE**

<b>Contribution Year<sup>(1)</sup></b>	<b>Assuming 7.75% Returns</b>	<b>Range (90% Confidence Interval)</b>
2014	24.34%	24.34%-24.34%
2015	23.91	23.18-24.56
2016	23.69	22.08-25.22
2017	23.60	20.96-26.20
2018	23.26	19.50-26.90
2019	23.08	18.16-27.83

(1) Contribution year lags valuation year by one. For example, contribution year 2013 is based on the 2012 valuation results, amortized over 30 years, beginning in 2012 if the increase takes place in 2013.

*Source: 2012 Actuarial Valuation*

Employer contributions are expected to be \$89.6 million in 2014, of which approximately 42% is from Seattle City Light and Seattle Public Utilities and 58% is from the other general government departments. The employer share for employees of the utility funds is allocated to and paid out of those funds.

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 \$198 million (11.3%) during 2012, including member and employer contributions of \$119.6 million and revenue from investment activity totaling \$230.7 million. Expenses increased by \$8.2 million in 2012, primarily attributed to a \$10.1 million increase in retiree benefit payments offset by a \$1.8 million reduction in contribution refunds.

Table 17 below shows the historical market value of SCERS' net assets (as of each December 31). Table 18 below shows the revenue or loss from investment activity for the last nine years.

**TABLE 17  
MARKET VALUE OF ASSETS**

<b>Year (As of December 31)</b>	<b>Market Value of Assets (MVA)<sup>(1)</sup></b>
2004	\$ 1,684.5
2005	1,791.8
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

(1) In millions.

Source: SCERS Annual Reports

**TABLE 18  
SCERS INVESTMENT RETURNS**

<b>Year (As of December 31)</b>	<b>Net Investment Income (Loss)</b>	
	<b>Amount<sup>(1)</sup></b>	<b>%<sup>(2)</sup></b>
2004	\$ 171.3	11.5 %
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

(1) In millions.

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

Source: SCERS Annual Reports

The preliminary SCERS investment return for 2013 is 15.5%.



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

**TABLE 19**  
**HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS**

<b>Investment Categories (January 1)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2008</b>
Fixed Income <sup>(1)</sup>	19.9%	22.8%	15.5%	17.7%	11.7%
Domestic Stocks	30.4%	30.8%	41.9%	38.9%	37.5%
International Stocks	29.0%	25.5%	20.4%	18.8%	19.8%
Real Estate	11.3%	12.7%	10.3%	11.3%	14.1%
Alternative Investments <sup>(2)</sup>	9.4%	8.1%	11.9%	13.3%	17.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

- (1) Includes investments in U.S. government obligations, corporate bonds, mortgage-backed securities, and other government-related investments. Prior to 2011, SCERS tracked some of these categories separately.
- (2) Includes investments in the “mezzanine debt” category prior to 2011. Prior to 2011, SCERS tracked investments in a category called “mezzanine debt,” which investments were reassigned to the “alternative investments” and a minor portion were assigned to the “real estate” category, as appropriate for each investment. For purposes of this table, all pre-2011 mezzanine debt investments have been assigned to the “alternative investments” category.

*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.

Under RCW 41.28.005 and SMC 4.36.130, the Board’s investment policies define eligible investments to include securities lending transactions. Through a custodial agent, SCERS participates in a securities lending program whereby securities are lent from the system’s investment portfolio on a collateralized basis to third parties (primarily financial institutions) for the purpose of generating additional income to the system. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent. Lending is limited to a volume of less than \$75 million.

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

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

These pension plans provide retirement benefits, death benefits, and certain medical benefits for eligible active and retired employees. Retirement benefits are determined under chapters 41.18 and 41.26 RCW for the Firefighters’ Pension Fund, and under chapters 41.20 and 41.26 RCW for the Police Relief and Pension Fund. As of the most recent actuarial valuation, dated January 1, 2013, there were 884 fire employees (30 of whom are active employees) and 798 police (25 of whom are active employees) who met eligibility requirements. 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 valuation uses the Entry Age Actuarial Cost Method, values plan assets at fair value, and uses the following actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 3.75%; and projected salary increases, 3.25%. 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 Firefighter’s 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 2012, 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 2013 and 2014 budgets also anticipate fully funding the ARC and making partial payments toward the full funding of the AAL. As of January 1, 2013, the actuarial value of net assets available for benefits in the Firefighter’s Pension Fund was \$12.9 million, and the AAL was \$106.4 million. As a result, the UAAL was \$93.5 million and the funded ratio was 12.0%. The City’s employer contribution to the fund in 2012 was \$10.3 million, representing 140% of the ARC; there were no current member contributions. Under state law, partial funding of the Firefighters’ Pension Fund may be provided by an annual property tax levy of up to \$0.225 per \$1,000 of assessed value within the City. The City does not currently levy this additional property tax, but makes contributions out of the General Fund levy. The fund also receives a share of the State tax on fire insurance premiums.

The City funds the Police Relief and Pension Fund as benefits become due. As of January 1, 2013, the actuarial valuation for the Police Relief and Pension Fund was \$4.6 million, and the AAL was \$104.7 million. As a result, the UAAL was \$100.1 million and the funded ratio was 4.0%. The City’s employer contribution to the fund in 2013 was \$9.2 million, representing 143% of the ARC; there were no current member contributions. The fund also receives police auction proceeds of unclaimed property.

*Law Enforcement Officers’ and Firefighters’ 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 \$12.5 million in 2012 and \$11.7 million in 2011. The following table outlines the contribution rates of employees and employers under LEOFF.

**TABLE 20**  
**LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL**  
**(As of December 31, 2013)**

	Plan 1	Plan 2
Employer	0.18% <sup>(1)</sup>	5.23% <sup>(2)</sup>
Employee	0.00	8.62%
State	N/A	3.38%

(1) Includes a 0.18% (as of September 1, 2013) DRS administrative expense rate.

(2) Includes State contribution of 3.36%, effective July 1, 2013.

*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 2012 Comprehensive Annual Financial Report, attached as Appendix B.

According to the Office of the State Actuary, as of January 1, 2013, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 135% and LEOFF Plan 2 had a funded ratio of 119%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.9% annual rate of investment return, 3.75% general salary increases, and 3.0% consumer price index increase. Liabilities were valued using the “Projected Unit Credit”

cost method and assets were valued using the actuarial value of assets, 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 Firefighter’s 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 the Governmental Accounting Standards Board Statement No. 45 (“GASB 45”). While GASB 45 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. The City funds its OPEB on a pay-as-you-go basis.

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS or LEOFF plans. The last report was as of January 1, 2012, and showed the UAAL for the implicit rate subsidy was \$74.7 million; the City’s estimated contribution in 2012 was \$2.4 million. The valuation of the OPEB liability associated with the City’s Firefighter’s Pension Fund and Police Relief and Pension Fund is updated annually. As of January 1, 2013, the UAAL for OPEB in the City’s Firefighter’s Pension Fund was \$266.5 million; the estimated annual contribution in 2013 was \$10.9 million. As of January 1, 2013, the UAAL for OPEB in the Police Relief and Pension Fund was \$296.0 million; the estimated annual contribution in 2013 was \$12.5 million.

For additional information regarding the City’s OPEB liability, see Note 11 to the City’s 2012 Comprehensive Annual Financial Report attached as Appendix B.

### **Labor Relations**

As of February 2014, the City had 31 separate departments and offices with approximately 12,370 regular and temporary employees. Twenty-seven different unions and 50 bargaining units represent approximately 76% of the City’s regular employees. The City had agreements with the Coalition of City Unions (representing most of the non-uniformed employees) that expired at the end of 2013. The agreement with the Seattle Police Management Association expired at the end of 2011. Agreements with eight additional union groups expired during 2013. The City is actively negotiating renewals of these contracts. During these negotiations, the pre-existing agreements remain in effect.

### **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.

## **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 Washington 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% (referenda) 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.

## **FEDERAL SEQUESTRATION**

On March 1, 2013, the sequestration provisions of the Budget Control Act of 2011 (“Sequestration”) went into effect. Sequestration has had both indirect and direct effects on the City. Indirect effects include reduced federal spending that negatively affects the economy in general, including City revenue sources that are dependent on economic activity such as retail sales and use tax. Direct effects on the City could include a reduction in federal funds, including grant funds that come directly or indirectly from federal sources.

Sequestration has also resulted in and will continue to result in a reduction in the amount the City expects to receive from the federal government in connection with the interest payments due on its outstanding Limited Tax General Obligation Improvement Bonds, 2010A (Taxable Build America Bonds—Direct Payment). With respect to General Obligation Build America Bonds, 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, 2013, was reduced by 8.7% (\$45,893) and payments in 2014 are to be reduced by 7.2% (a reduction of approximately \$75,962 for the year). The recently adopted Bipartisan Budget Act of 2013 (the “Budget Act”) calls for Sequestration to remain in effect with regard to federal direct pay subsidy bonds, such as those of the City described above, through 2024, although the exact amount of any reduced subsidy in future years has not yet been announced. The City cannot predict how long the Sequestration may ultimately last and in what amounts, but has sufficient cash available in its general governmental funds to make timely debt service payments through its 2014 budget cycle, and does not expect sequestration to materially adversely affect its ability to make debt service payments in the current or future years. Certain outstanding City utility revenue bonds (payable solely from utility revenues) are also affected by Sequestration. The City expects to handle those reductions through the various pledged utility funds.

## **LEGAL AND TAX INFORMATION**

### **No Litigation Relating to 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. Because of the nature of its activities, the City is subject to certain pending legal actions which arise in the ordinary course of business. Based on the information currently

known, the City believes that the ultimate liability for any of such legal actions will not be material to the financial position of the City.

### **Other Litigation**

Various lawsuits and claims are pending against the City involving claims for money damages. (See the discussion of claims in Appendix B—The City’s 2012 Comprehensive Annual Financial Report—Note 16, Contingencies.) Based on its past experience, the City has concluded that its ability to repay 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 Bonds by the City are subject to the approving legal opinions of Foster Pepper PLLC, 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. An opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does 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 upon the occurrence of an event of default under the Bond Legislation 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.

In addition to the limitations on remedies contained in the Bond Legislation, 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 Foster Pepper PLLC, 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. The various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. Copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix A.

### **Tax Exemption**

*Exclusion from Gross Income.* In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Code that must be satisfied subsequent to the issue date of the Bonds, 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.

*Continuing Requirements.* The City is required to comply with certain requirements of the Code 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 proceeds of the

Bonds and the facilities financed or refinanced with proceeds of the Bonds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with 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. Bond Counsel has not undertaken and does not undertake to monitor the City's compliance with such requirements.

*Corporate Alternative Minimum Tax.* While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of \$40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds \$150,000, is then subject to a 20% minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed \$5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed \$7,500,000.

*Tax on Certain Passive Investment Income of S Corporations.* Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

*Foreign Branch Profits Tax.* Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

*Possible Consequences of Tax Compliance Audit.* The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

### **Certain Other Federal Tax Consequences of Ownership of the Bonds**

*Bonds Not "Qualified Tax-Exempt Obligations" for Financial Institutions.* Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax-exempt obligations," only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The City is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has not designated the Bonds as "qualified tax-exempt obligations" for purposes of the 80% financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Bonds is deductible for federal income tax purposes.

*Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies.* Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax-exempt interest received during the taxable year.

*Effect on Certain Social Security and Retirement Benefits.* Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

*Other Possible Federal Tax Consequences.* Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds should consult their own tax advisors.

*Potential Future Federal Tax Law Changes.* Current and future legislative proposals, if enacted into law, may directly or indirectly cause interest on the Bonds to be subject in whole or in part to federal income taxation, prevent the beneficial owners of the Bonds from realizing the full benefits of the current federal tax status of interest on the Bonds, or affect, perhaps significantly, the market value or marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the potential impact of any pending or proposed legislation or regulations.

*Original Issue Discount.* The LTGO Bonds maturing on May 1, 2027, and the UTGO Bonds maturing on December 1 in the years 2027 and 2043 have been sold at a price reflecting original issue discount (“Discount Bonds”). Under existing law, the original issue discount in the selling price of each Discount Bond, to the extent properly allocable to each owner of such Discount Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond.

The portion of original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. The accrual of such portion of the original issue discount will be included in the calculation of alternative minimum tax liability as described above, and may result in an alternative minimum tax liability even though the owner of such Discount Bond will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the first offering price at which a substantial amount of those Discount Bonds were sold to the public, or who do not purchase Discount Bonds in the initial public offering, should consult their own tax advisors with respect to the tax consequences of the ownership of such Discount Bonds. Owners of Discount Bonds who sell or otherwise dispose of such Discount Bonds prior to maturity should consult their own tax advisors with respect to the amount of original issue discount accrued over the period such Discount Bonds have been held and the amount of taxable gain or loss to be recognized upon that sale or other disposition of Discount Bonds. Owners of Discount Bonds also should consult their own tax advisors with respect to state and local tax consequences of owning such Discount Bonds.

*Original Issue Premium.* The LTGO Bonds maturing on May 1 in the years 2015 through 2026 and 2029 through 2034, and the UTGO Bonds maturing on December 1 in the years 2015 through 2025 and 2028 through 2037, have been sold at prices reflecting original issue premium (“Premium Bonds”). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period, and may affect the calculation of alternative minimum tax liability described above. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium 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 (“Rule 15c2-12”), 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), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the 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 authorized, issued and 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, 2013. The annual financial information may be provided in a single or 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 holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the 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 Rule 15c2-12 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 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 holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

*Other Continuing Disclosure Undertakings of the City.* The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12. The City believes that it has not failed to comply, in any material respect, with all such undertakings.

## OTHER BOND INFORMATION

### Ratings on the Bonds

The LTGO Bonds have been rated “Aa1,” “AAA,” and “AA+” 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. 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.

### Underwriting

The LTGO Bonds are being purchased by Bank of America Merrill Lynch (the “Underwriter for the LTGO Bonds”) at a price of \$69,830,690.37 and will be reoffered at a price of \$69,926,677.00. The UTGO Bonds are being purchased by Wells Fargo Bank, National Association (the “Underwriter for the UTGO Bonds”), at a price of \$17,088,732.80 and will be reoffered at a price of \$17,163,352.80.

The Underwriter for each Series of the Bonds 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 corresponding to the yields set forth on pages i and ii hereof, and such initial offering prices may be changed from time to time by the 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 Lee  
Glen Lee  
Director of Finance

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

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[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington  
\$62,770,000 Limited Tax General Obligation Improvement and Refunding Bonds, 2014

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 and of which attorneys within the firm involved in the issuance of the Bonds have no independent knowledge, 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 124341 and Resolution 31512 (together, 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 outstanding City-guaranteed bonds of a City development authority, 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 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;
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 and such other money as is lawfully available and pledged by the City to be levied within the constitutional and statutory limitations provided by law without the assent of the voters, 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; and

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,



[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington  
\$16,400,000 Unlimited Tax General Obligation Improvement Bonds, 2014

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 and of which attorneys within the firm involved in the issuance of the Bonds have no independent knowledge, 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 31513 (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;
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; and

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 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**The City of Seattle, Washington**  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2012



# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
December 31, 2012



**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, 2012*

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**The City of Seattle**

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# CITY OF SEATTLE ELECTED OFFICIALS

As of December 31, 2012

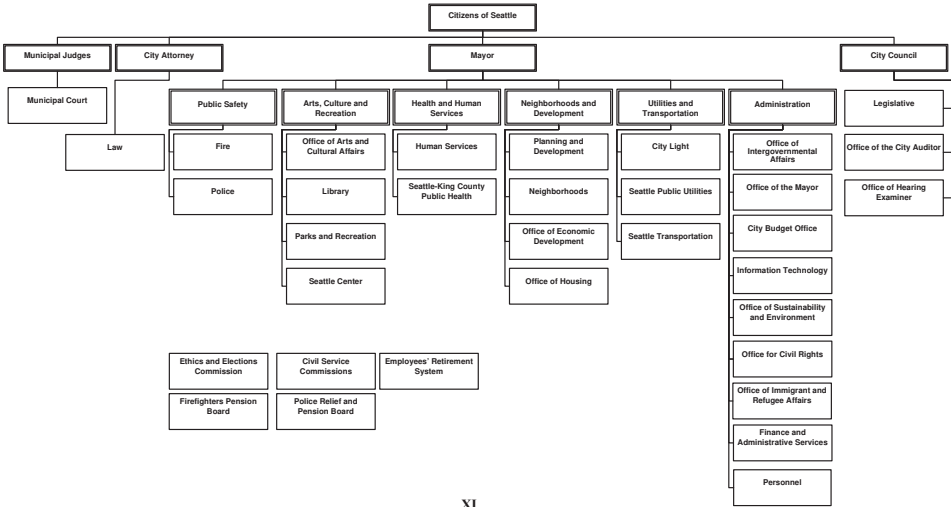


Mike McGinn  
Mayor



Peter Holmes  
City Attorney

## CITY ORGANIZATION CHART



XI

## CITY COUNCIL



Sally Bagshaw



Tim Burgess



Sally Clark  
Council President



Richard Conlin



Jean Godden



Bruce Harrell



Nick Licata



Mike O'Brien



Tom Rasmussen

XII



**City of Seattle**  
Department of Finance and Administrative Services  
Finance Services Division

June 28, 2013

The Honorable Mayor and  
Members of the City Council:

I am pleased to submit to you the 2012 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, 2012. 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 6, 2007, providing for a nonpartisan Mayor-Council form of government. The City Council is composed of nine members elected

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at large to four-year terms. 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.

## NATIONAL AND LOCAL ECONOMY

### U.S. Economy

The recession ended in June 2009, 18 months after it started, making it the longest recession in the post war period. By most measures, the recession was the worst since the Great Depression.

Recovery from this recession has been weak and uneven thus far. In each of its three years, the recovery has experienced a significant slowdown in mid-year. In 2010, the economy lost momentum in mid-year as inventory rebuilding slowed, stimulus spending began to plateau, and the European financial crisis emerged. The 2011 slowdown was caused by a steep rise in oil prices resulting from popular uprisings in several Middle East nations, and the disruption of the supply chains of global manufacturers caused by a major Japanese earthquake and tsunami. The weakened economy was then subjected to the debt ceiling standoff, in which Congress delayed raising the nation's debt ceiling until the U.S. was on the brink of default.

2012's mid-year slowdown followed a period of relative calm and healthy growth in late 2011 and early 2012, which saw employment gains average over 250,000 per month from December through February. The economy then slowed abruptly, with average employment growth dropping below 75,000 per month for the April – June period, before rebounding to 163,000 in July.

History tells us that recessions caused by financial crises are followed by weak recoveries, and thus far the current recovery is unfolding as expected. Despite the improvements in the financial markets, credit remains tight and consumers are under stress due to large declines in wealth, a weak job market, and sluggish income growth. Also weighing on the recovery is a slowing of growth in the rest of the world, the Eurozone debt crisis, and fiscal uncertainty in the U.S.

Forecasts predicted stronger growth in the second half of 2013 through 2015. Part of the reason for stronger growth in 2014 and 2015 is an expected gradual improvement in the housing market.

### Puget Sound Region Economy

The impact of national recessions on the Puget Sound Region's economy varies depending on the national recession's characteristics. For example, the 2001 recession was much more severe regionally than nationally, because the recession included a steep drop in air travel as a result of the September 11, 2001 terrorist attack. This caused a sharp falloff in the demand for commercial airliners, which led to substantial layoffs at Boeing. On the other hand, the region's economy performed better than the national economy during 1990-91 national recession, in part because Boeing employment held steady during the recession.

The impact of the 2007-09 recession on the local economy has been similar in severity to its impact on the national economy. While job loss was higher locally, the region's unemployment rate did not rise as high as the national rate and the region's housing market performed somewhat better than the nation's. Locally, the most severe job losses were in construction, manufacturing outside of aerospace, and finance. The only major industries to see a significant increase in employment during the downturn was education and health services.

Interestingly, although the region's rate of job loss exceeded that of the nation, the local unemployment rate peaked at 9.7%, below the national peak of 10.0%. One reason for this is that the region entered the recession with a significantly lower unemployment rate than the nation. As a result, the increase in the unemployment rate from pre-recession lows to recession highs was similar for the region and the nation. In addition, the region has suffered through a housing boom and bust over the past ten years, albeit less severe than that of the rest of the nation.

The Seattle metropolitan area has rebounded from the recession more strongly than the nation. Through October 2012, employment in the Seattle metropolitan area (King and Snohomish Co.) was up 6.6% from its post-recession low in February 2010, compared to a 3.1% gain in U.S. employment over the same period. Areas of strength in the local economy include aerospace, software publishing, professional, scientific, and technical services, health services, and mail order and internet retail. Boeing, which has a backlog of over 4,000 planes on order, is phasing in a series of production increases for its 737, 777, and 787 models in 2011-14. After significant delays the 787 is flying, work on the Air Force tanker is ramping up, and Boeing is moving forward with the 737 MAX, a re-engineered 737 that will have new fuel efficient engines. Since May 2010, Boeing has added 13,700 jobs in Washington State. Amazon, which is planning to build a new campus in the Denny Triangle, has also been hiring aggressively.

Despite a strong start, the region's recovery is expected to be weak by historical standards. The regional economic forecast foresees a modest recovery, in large part because the national recovery is expected to remain subdued. The Puget Sound Economic Forecaster expects employment to increase by 2.8% in 2012 and then grow gradually slow over time, dropping to 2.1% in 2015 and 1.8% in 2016. This is a slower rate of growth than is typical during recoveries, and is lower than the 2.5% average annual growth rate posted over the past 40 years (which includes periods of recession). Housing is expected to recover more slowly than the rest of the economy.

## INITIATIVES

### 2013 Adopted Budget

The 2013 Adopted Budget totals \$4.07 billion, including the City's \$948.6 million General Fund. Four years after the start of the Great Recession and three years following its lackadaisical conclusion, the City of Seattle is starting to see some easing on the General Fund budget constraints. While still not back to pre-recession levels, strength in the local economy relative to national trends, vigilant financial management, and continued efforts to find new and more efficient ways of doing business are giving the City more flexibility to make investments in emerging needs.

### Identifying Efficiencies in How the City Maintains its Assets

The 2013 Adopted budget achieves savings by managing City facilities and assets more efficiently; preserving public safety by launching a three-phase operational assessment of the Seattle Fire Department to identify opportunities for operational efficiencies; aligning staff resources with workload needs in several departments; lower salary and benefit costs; identifying new funding sources to sustain city treasures; select fee-based revenue increases; and strategically using fund balances to preserve services.

### Strategic Investments to Respond to Emerging Needs

Through a combination of modest improvements in the City's General Fund revenue outlook and the savings and efficiencies described previously, the City has more flexibility to make modest investments to address emerging needs. These investments can be described in five broad categories:

- Supporting a Well-Functioning Government
- Enhancing Public Safety
- Upholding the Human Services Safety Net
- Building a Sustainable Community
- Upgrading the City's Transportation Infrastructure

***Supporting a Well-Functioning Government***

The 2013 Adopted Budget makes a number of investments to ensure the City continues to function well. These include investments to promote the City's long-term financial sustainability through restoring the health of the Rainy Day Fund and continuing to stabilize the City's pension fund, as well as investments in a next generation data center which will provide more capacity, redundancy and resiliency.

***Enhancing Public Safety***

The 2013 Adopted Budget adds a reserve to allow the Seattle Police Department to continue directed emphasis patrols to prevent violent crime and apprehend violent offenders. Also, funds were added to continue to hire police officers to maintain a steady force of sworn officers.

***Upholding the Human Services Safety Net***

The 2013 Adopted Budget also makes investments to sustain and expand the human services safety net. These investments include support for victims of domestic violence, food services, senior centers, first time moms living in poverty, and homeless men, women and families.

***Building a sustainable Community***

The 2013 Adopted Budget continues to promote a sustainable community and economic development by providing additional resources for land-use planning, disaster planning, and environmental sustainability.

***Upgrading the City's Transportation Infrastructure***

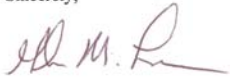
As Seattle's transportation infrastructure ages, it is important that the City makes investments to maintain these assets, as well as upgrading the system to support multi-modal transportation to ensure people and goods can move efficiently through the city. The 2013 Adopted Budget adds funding for improvements to high priority transit corridors, funding to support the First Hill Street Car Extension and the downtown connector which will link the South Lake Union and First Hill streetcars, and funding for a reliability study for State Route 520. The Adopted Budget also adds funds to support bicycle and pedestrian improvements.

**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, 2011. 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

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morinell*

President

*Jeffrey R. Emer*

Executive Director

## City of Seattle 2012 Comprehensive Annual Financial Report

### Department of Finance and Administrative Services

Fred Podesta, Director

Glen Lee, Finance Director

Jamie Carnell  
Jennifer Chan  
George Emerson

Mark Ellerbrook  
Katie Ewing  
Dave Hennes

Julie Johnson  
Thomas Kirn  
Quinnie Tan

### Citywide Accounting and Payroll Services Division

Janice Marsters, Director

Brandon Johns, Citywide Accounting Manager

Jacqui Anderson  
Charmaine Caros  
Fon Chang  
Grace Chou  
Scott Clarke

Chau Du  
Cam Huynh  
Conrad Magbalot  
Greg Klump

Hannah Mitchell- Shapiro  
Mena Nguyen  
Steve Spada  
Marie Tschirgi  
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

# **Financial Section**



**Washington State Auditor  
Troy Kelley**

**INDEPENDENT AUDITOR'S REPORT**

June 28, 2013

Mayor and City Council  
City of Seattle  
Seattle, Washington

**REPORT ON 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, 2012, 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, 100 percent, and 92 percent, respectively, of the assets, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement system, which represents 62 percent, 72 percent, and 29 percent, respectively, of the assets, 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 and the reports of other auditors are 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, 2012, 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.

**Report on Summarized Comparative Information**

The partial prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated October 26, 2012, based on our audit and the reports of 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. 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, 2011, from which such partial information was derived.

**Matters of Emphasis**

As described in Note 1, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements and Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Our opinion is not modified with respect to this matter.

**Other Matters**

**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 149 through 152, and pension trust fund information on pages 153 through 155 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 as a whole. The accompanying information listed as combining financial statements and supplementary information on pages 161 through 242 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section and Statistical Section 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 25, 2013, 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. 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,



**TROY KELLEY**  
STATE AUDITOR



# **Management's Discussion and Analysis**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Seattle (City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2012. 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.

### FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2012 the assets of the City of Seattle exceeded its liabilities by \$4.843 billion. Net investment in capital assets, net of depreciation and related debt, account for 85.8 percent of this amount (\$4.157 billion). The remaining net position of \$686.2 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$366.0 million (8.2 percent) during the fiscal year. The governmental net position increased by \$223.2 million (7.6 percent) over the amount reported in 2011. The business-type net position increased \$142.8 million (9.3 percent) in 2012.
- At the close of 2012 the City's governmental funds reported a combined ending fund balance of \$638.3 million, an increase of \$15.2 million (2.4 percent). Of the major funds, the fund balance of the General Fund increased \$70.2 million, the Transportation Fund decreased \$10.4 million, the Low-Income Housing Fund also decreased \$6.7 million, and the fund balances of the other nonmajor governmental funds decreased \$37.9 million. The national and local economies continued to improve; the City experienced moderate growth in its major revenues over 2011. The City's three major tax revenues sources, property taxes, business taxes, and sales taxes were up by \$23.5 million, \$19.2 million, and \$11.1 million, respectively, year over year.
- At the end of 2012 the unassigned fund balance for the General Fund was \$106.0 million or 13.7 percent of total General Fund expenditures of \$772.9 million. The General Fund's unassigned fund balance increased by approximately \$26.2 million from the prior year's amount of \$79.8 million. Total revenues for the General Fund increased \$60.9 million or 6.1 percent and expenditures decreased \$2.3 million. Total other financing uses increased \$18.4 million.
- The City's total outstanding bonded debt increased by approximately \$41.5 million (1.0 percent) to \$4.19 billion during the current fiscal year. During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) decreased by \$50.4 million while the total revenue bonds increased by \$91.9 million.

### 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 and liabilities, with the difference between the two 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 activities 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 cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining what financial resources are available in the near future to finance the City's programs.

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 funds statements follow the governmental funds 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.

## Management's Discussion and Analysis

### 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.

### 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 assets exceeded liabilities by \$4.843 billion.

### Statement of Net Position

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

	Governmental Activities		Business-Type Activities		Total	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Current and Other Assets	\$ 1,315,797	\$ 1,262,420	\$ 1,401,952	\$ 1,204,898	\$ 2,717,749	\$ 2,467,318
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	3,535,808	3,348,694	4,431,982	4,234,862	7,967,790	7,583,556
Total Assets	4,851,605	4,611,114	5,833,934	5,439,760	10,685,539	10,050,874
Current Liabilities	273,780	243,625	379,198	349,425	652,978	593,050
Noncurrent Liabilities	1,408,532	1,421,373	3,780,903	3,559,316	5,189,435	4,980,689
Total Liabilities	1,682,312	1,664,998	4,160,101	3,908,741	5,842,413	5,573,739
Net Position						
Net Investment in Capital Assets	2,783,984	2,627,462	1,372,935	1,243,622	4,156,919	3,871,084
Restricted	406,454	419,675	84,848	81,904	491,302	501,579
Unrestricted	(21,145)	(101,021)	216,050	205,493	194,905	104,472
Total Net Position	\$ 3,169,293	\$ 2,946,116	\$ 1,673,833	\$ 1,531,019	\$ 4,843,126	\$ 4,477,135

The largest portion of the City's net position (85.8 percent) reflects an investment of \$4.157 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, \$491.3 million (10.2 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$194.9 million (4.0 percent), may be used to meet the government's obligation to citizens and creditors. The governmental activities had a \$21.1 million deficit in unrestricted net position, due largely to employee and other postemployment benefit liabilities.

The net position for the business-type activities increased between 2011 and 2012 from \$1.531 billion to \$1.674 billion. The increase in net position is attributed primarily to the performance of the City Light Utility, which in 2012 generated \$800.3 million in charges for services and other revenues. City Light generated an operating income of \$138.3 million.

## The City of Seattle

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

	Governmental Activities		Business-Type Activities		Total	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Revenues						
Program Revenues						
Charges for Services	\$ 274,798	\$ 249,128	\$ 1,512,436	\$ 1,433,394	\$ 1,787,234	\$ 1,682,522
Operating Grants and Contributions	130,377	136,679	6,749	5,518	137,126	142,197
Capital Grants and Contributions	48,092	47,503	48,438	51,522	96,530	99,025
General Revenues						
Property Taxes	420,763	397,288	-	-	420,763	397,288
Sales Taxes	169,681	158,582	-	-	169,681	158,582
Business Taxes	358,931	339,703	-	-	358,931	339,703
Other Taxes	101,784	77,457	-	-	101,784	77,457
Other	7,960	19,760	12,408	12,002	20,368	31,762
Total Revenues	1,512,386	1,426,100	1,580,031	1,502,436	3,092,417	2,928,536
Expenses						
Governmental Activities						
General Government	167,363	179,498	-	-	167,363	179,498
Judicial	26,121	25,623	-	-	26,121	25,623
Public Safety	475,747	471,205	-	-	475,747	471,205
Physical Environment	6,357	10,697	-	-	6,357	10,697
Transportation	133,511	111,038	-	-	133,511	111,038
Economic Environment	125,917	101,242	-	-	125,917	101,242
Health and Human Services	65,266	71,399	-	-	65,266	71,399
Culture and Recreation	239,003	245,671	-	-	239,003	245,671
Interest on Long-Term Debt	39,829	40,425	-	-	39,829	40,425
Business-Type Activities						
Light	-	-	729,844	723,665	729,844	723,665
Water	-	-	203,610	198,929	203,610	198,929
Drainage and Wastewater	-	-	272,423	269,224	272,423	269,224
Solid Waste	-	-	150,115	149,157	150,115	149,157
Planning and Development	-	-	46,542	44,087	46,542	44,087
Downtown Parking Garage	-	-	7,712	7,740	7,712	7,740
Total Expenses	1,279,114	1,256,798	1,410,246	1,392,802	2,689,360	2,649,600
Excess Before Special Item and Transfers	233,272	169,302	169,785	109,634	403,057	278,936
Special Item - Environmental Remediation Transfers	(10,095)	(9,373)	(37,066)	538	(37,066)	538
Changes in Net Position	223,177	159,929	142,814	119,545	365,991	279,474
Net Position - Beginning of Year	2,946,116	2,786,187	1,531,019	1,411,474	4,477,135	4,197,661
Net Position - End of Year	\$ 3,169,293	\$ 2,946,116	\$ 1,673,833	\$ 1,531,019	\$ 4,843,126	\$ 4,477,135

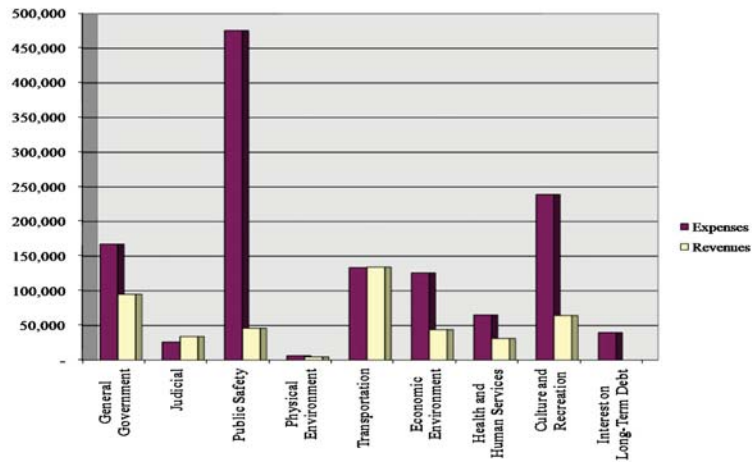
### Analysis of Changes in Net Position

In 2012 the City's total net position increased by \$366.0 million (8.2 percent). The increase is explained in the following discussion of governmental and business-type activities.

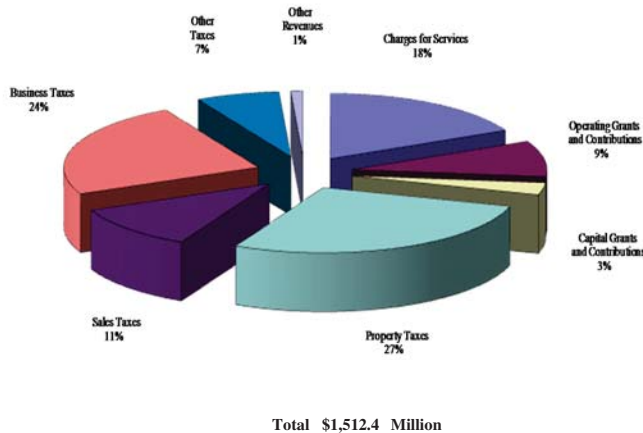
## Management's Discussion and Analysis

### Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES  
(In Thousands)



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



## The City of Seattle

**Governmental Activities.** The charts on the previous page present the City's governmental expenses and revenues by function and its revenue by source. Public safety is the largest governmental expense of the City, followed by culture and recreation, general government, transportation, economic environment, health and human services, judicial, physical environment functions, and interest on long-term debt. General revenues such as the property, business, and sales taxes are not shown by function because they are used to support citywide program activities. Governmental activities increased the City's net position by \$223.2 million in 2012 compared to an increase of \$159.9 million in 2011. Key factors in the change are as follows:

- Tax revenues collected and used to support citywide programs increased 8.0 percent, from \$973.0 million to \$1.051 billion for 2012.
- Program generated revenues were supported by the operating and capital grants, which totaled \$178.5 million. Total charges for services and other revenues grew from \$249.1 million in 2011 to \$274.8 million in 2012. The growth is attributed primarily to higher construction and design services revenues the City received from Sound Transit.
- Year over year expenses for the governmental activities increased 1.8 percent, from \$1.257 billion for 2011 to \$1.279 billion for 2012.

Property taxes, the largest source of revenue supporting governmental activities, totaled \$420.8 million in 2012. This reflects an increase of \$23.5 million or 8.0 percent compared to 2011's balance of \$397.2 million. 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.

Business taxes are the second largest contributor to governmental revenues. 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. In 2012, B&O tax revenues increased to \$358.9 million, a 5.7 percent increase over 2011.

The City Council authorizes the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required. The exception is grant contracts where funding is under \$15 thousand, which City departments can accept on their own behalf without an authorizing ordinance. In 2012 over \$54.5 million in additional grant funds were appropriated. The majority of the grant funds totaling \$15.2 million were appropriated to the Police Department and \$9.2 million to the Fire Department. Operating grants decreased \$6.3 million whereas capital grants increased \$589 thousand compared to 2011.

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. Sales tax revenues totaled \$169.7 million, an increase of \$11.1 million over 2011.

In 2012, total expenses for governmental activities were \$1.279 billion compared to \$1.257 billion, a 1.8 percent increase over 2011 expenses. General government expenses went down \$12.1 million, a 6.7 percent decrease over 2011. Overall general government expenses were 13.1 percent and 14.3 percent of total expenses for governmental activities in 2012 and 2011. The decrease is attributed mainly to a reduction in capital contributions to the Pike Place Market Public Development Authority, which decreased from \$17.8 million to \$6.1 million. The change in long-term liabilities was also a contributing factor to the decrease.

Judicial expenses remained stable, slightly increasing from \$25.6 million to \$26.1 million.

Public safety expenses totaled \$475.7 million, a 1.0 percent increase over 2011 expenses.

Physical environment expenses totaled \$6.4 million, a 40.6 percent decrease over 2011. The decrease is mainly caused by a \$4.6 million decrease in professional service costs, which are supported by a \$20 million Energy Efficiency and Conservation Block Grant.

Transportation's program expenses were up \$22.5 million (20.0 percent) to \$133.5 million. This increase reflects an increase in the Transportation Fund's capital program spending, up \$60.7 million over 2011. Of this amount, approximately \$20.0 million was not capitalizable and thus reported as 2012 expenses.

The 2012 program expenses for economic environment totaled \$125.9 million, an increase of \$24.7 million or 24.4 percent year over year. The increase was due to changes in program expenses for items such as funding for creating affordable rental housing, loans to low-income families, and consulting and contractor services to support the low-income housing programs.

## Management's Discussion and Analysis

Health and human services expenses showed a decrease of \$6.1 million or 8.6 percent to \$65.3 million. The decrease is primarily a result of spending cuts in the City's public health and aging and disability service program.

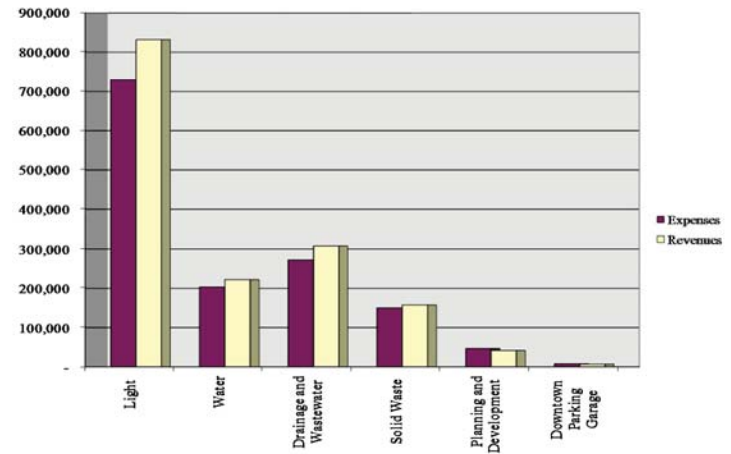
Culture and recreation expenses were down \$6.7 million in 2012 or 2.7 percent lower than 2011. This decrease is due mainly to a payment of \$11.5 million made in 2011 to Museum of History and Industry (MOHAI), to which there was no payment in 2012. The City's Park and Recreation Fund accounted almost for 50.0 percent, or \$120.2 million of the total culture and recreation expenses.

Interest on the City's long-term debt decreased approximately \$600 thousand in 2012, reflecting the City's debt refinancing activities.

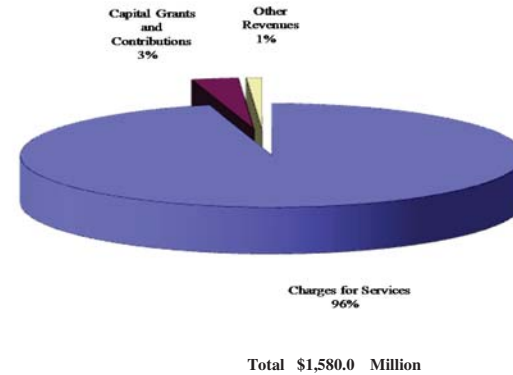
## The City of Seattle

### Business-Type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES  
(In Thousands)



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 \$1.674 billion, a 9.3 percent increase totaling \$142.8 million. Of this amount \$4.6 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 \$13.4 million increase in net position for 2012. A \$28.1 million increase in total operating revenues. Retail power revenues increased by \$8.3 million and wholesale power revenues decreased by \$32.3 million. Retail power revenues were higher as a result of the 3.2 percent across-the-board rate increase effective January 1, 2012. Lower costs of power purchased from the Bonneville Power Administration, and lower customer service expenses were factors contributing to the growth in net income and change in net position. This growth was offset by lower revenues from net wholesale energy sales, a decrease in capital grant activity, and increases in depreciation and administrative and general expenses.

The Water Utility experienced an increase of \$20.7 million in net position for 2012. Operating revenues increased by \$18.9 million reflecting 2012's rate increases. Direct service revenue increased by \$15.2 million, and wholesale/commercial revenues increased by \$5.9 million. The increase was offset by a decrease of \$4.9 million in the revenue stabilization account. Operating expenses also increased by \$8.9 million in 2012. Notable factors affecting this change included a \$2.7 million increase in city utility taxes reflecting the overall revenue increase. Depreciation and amortization increased by \$2.4 million due to an increase in depreciable assets. Additional increases to expenses included \$2.3 million in the general and administrative, and \$1.5 million in field operations. Total contributions and grants increased by \$5.4 million over 2011 which was primarily due to contributions for water mains, meters and hydrants, and \$3.5 million in donated assets.

The Drainage and Wastewater Utility net position increased \$0.8 million in 2012. Operating revenues increased by \$25.0 million primarily due to rate increases in 2012 for both wastewater and drainage revenues. The increase was offset by a rise in operating expenses of \$5.4 million. The increase in operating expenses was attributed to several factors, the most significant of which was an increase of \$3.5 million in city utility taxes as overall revenues increased. Depreciation and other amortization also increased by \$1.3 million due to an increase in depreciable assets. Total amount of contributions, grants and special items decreased by \$36.8 million mainly due to an increase in environmental remediation expenses.

The Solid Waste Utility realized a net increase of \$7.7 million in net position in 2012. Operating revenues increased by \$2.7 million mainly due to a rate increase in 2012. Revenues from direct services increased \$6.1 million, although offset by a \$2.9 million decline in transfer station revenues. Operating expenses for 2012 remained relatively stable with a \$0.4 million increase overall. The largest operating expense increase was related to contractual solid waste collection costs which increased by \$1.5 million. Depreciation and amortization expense grew by \$0.3 million, and taxes paid to the City increased \$0.5 million due to higher tonnage tax rates. These increases were offset by a \$2.1 million reduction in general and administrative and customer service expenses, reflecting a large amount of unfilled employment vacancies within the utility.

The Planning and Development Fund net position increased \$4.6 million in 2012 to end the year at \$6.9 million. Operating revenues increased by \$5.1 million while the operating expenses also increased by \$1.9 million. The revenue increase was mainly due to a steady recovery in building construction activities in 2012. Operating contributions and grants decreased by \$0.1 million. Transfers in from other City funds increased by \$0.7 million.

The Downtown Parking Garage Fund realized a decrease of \$1.1 million in net position. It continues to have insufficient revenues to fully cover its expenses including depreciation, which is not specifically included in its revenue structure. Due to reduced downtown retail sales activities and poor economic conditions, Facilities Operations Division is evaluating the ways to increase revenues and decrease expenses for the fund. For 2012 the fund's ending net position is a \$25.2 million deficit.

## 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)*

	General Fund		Major Funds		Low-Income Housing Fund	
	2012	2011	2012	2011	2012	2011
Revenues						
Taxes	\$ 846,011	\$ 790,966	\$ 72,391	\$ 68,928	\$ 18,039	\$ 18,645
Licenses and Permits	20,672	18,817	4,566	4,149	-	-
Grants, Shared Revenues, and Contributions	43,669	47,503	51,939	41,031	5,316	11,176
Charges for Services	51,388	53,844	78,176	65,403	395	19
Fines and Forfeits	34,243	33,992	27	36	-	-
Parking Fees and Space Rent	35,369	31,301	82	38	-	-
Program Income, Interest, and Miscellaneous Revenues	29,909	23,921	271	107	5,955	8,281
Total Revenues	1,061,261	1,000,344	207,452	179,692	29,705	38,121
Expenditures	772,904	775,224	309,828	247,377	36,473	26,433
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	-	-	6,000	248	-	-
Sales of Capital Assets	754	21,326	120	19,800	-	15
Transfers In (Out)	(218,894)	(221,112)	85,873	75,860	46	(265)
Total Other Financing Sources and Uses	(218,140)	(199,786)	91,993	95,908	46	(250)
Fund Balances						
Nonspendable	555	572	218	228	-	-
Restricted	82,520	58,917	24,313	18,851	75,344	77,772
Committed	79,508	58,713	26,517	42,352	4,522	8,816
Assigned	6,417	6,808	-	-	-	-
Unassigned	105,992	79,765	-	-	-	-
Total Fund Balances	\$ 274,992	\$ 204,775	\$ 51,048	\$ 61,431	\$ 79,866	\$ 86,588

Management's Discussion and Analysis

The City of Seattle

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

(In Thousands)

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2012	Restated 2011	2012	2011
Revenues				
Taxes	\$ 59,544	\$ 41,379	\$ 16,908	\$ 17,374
Licenses and Permits	-	-	-	-
Grants, Shared Revenues, and Contributions	67,374	65,024	1,044	530
Charges for Services	52,632	48,378	-	-
Fines and Forfeits	70	38	-	-
Parking Fees and Space Rent	21,350	19,339	306	326
Program Income, Interest, and Miscellaneous Revenues	4,372	3,919	572	655
Total Revenues	205,342	178,077	18,830	18,885
Expenditures	320,820	319,418	75,151	70,176
Other Financing Sources and Uses				
Long-Term Debt Issued and Refunding Payments, Net	-	10,687	-	-
Sales of Capital Assets	56	20	-	-
Transfers In (Out)	136,413	135,306	56,488	51,150
Total Other Financing Sources and Uses	136,469	146,013	56,488	51,150
Fund Balances				
Nonspendable	350	436	-	-
Restricted	57,769	40,281	10,666	10,499
Committed	9,209	8,988	-	-
Assigned	12,583	8,816	-	-
Unassigned	(12,463)	(12,064)	-	-
Total Fund Balances	\$ 67,448	\$ 46,457	\$ 10,666	\$ 10,499

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2012	Restated 2011
	2012	2011	2012	2011		
Revenues						
Taxes	\$ 31,715	\$ 35,889	\$ -	\$ -	\$ 1,044,608	\$ 973,181
Licenses and Permits	-	-	-	-	25,238	22,966
Grants, Shared Revenues, and Contributions	8,433	2,549	-	-	177,775	167,813
Charges for Services	4	-	-	-	182,595	167,644
Fines and Forfeits	-	-	-	-	34,340	34,066
Parking Fees and Space Rent	-	-	-	-	57,107	51,004
Program Income, Interest, and Miscellaneous Revenues	2,549	2,804	21	19	43,649	39,706
Total Revenues	42,701	41,242	21	19	1,565,312	1,456,380
Expenditures	66,863	40,828	19	30	1,582,058	1,479,486
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	31,651	73,679	-	-	37,651	84,614
Sales of Capital Assets	1,352	-	-	-	2,282	41,161
Transfers In (Out)	(67,876)	(46,302)	(10)	(10)	(7,960)	(5,373)
Total Other Financing Sources and Uses	(34,873)	27,377	(10)	(10)	31,973	120,402
Fund Balances						
Nonspendable	-	-	2,050	2,050	3,173	3,286
Restricted	153,680	211,187	112	120	404,404	417,627
Committed	-	-	-	-	119,756	118,869
Assigned	-	-	-	-	19,000	15,624
Unassigned	(1,528)	-	-	-	92,001	67,701
Total Fund Balances	\$ 152,152	\$ 211,187	\$ 2,162	\$ 2,170	\$ 638,334	\$ 623,107

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.

As of the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$638.3 million, an increase of \$15.2 million in comparison to 2011. Approximately \$92.0 million of this amount represents an unassigned fund balance available for all purpose spending; \$19.0 million is assigned for specific purposes by City's management, and \$119.8 million is committed by City Council. Approximately 63.3 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.

Revenues for governmental funds overall totaled approximately \$1.565 billion in the fiscal year ended December 31, 2012, an increase of approximately \$108.9 million or 7.5 percent from the prior year's balance of \$1.456 billion. Expenditures in governmental funds amounted to \$1.582 billion, an increase of approximately \$102.6 million or 6.9 percent compared to \$1.479 billion spent in 2011. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$16.7 million.

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 2011 and 2012 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 2012. At the end of 2012 the total fund balance of the General Fund was \$275.0 million. The fund balance increased by \$70.2 million in 2012 compared to 2011.

Total revenues for the General Fund amounted to \$1.061 billion, an increase of \$60.9 million or 6.1 percent higher than 2011. The increase is mostly attributable to higher tax revenues, which increased by \$55.0 million or 7.0 percent, between 2011 and 2012.

Revenues derived from grants, shared revenues and contributions decreased \$3.8 million in 2012. However, all other revenue sources increased from 2011. Program income, interest, and miscellaneous revenues were up \$6.0 million; parking fees and space rent were up \$4.1 million; and licenses and permits revenues were up \$1.9 million.

General Fund expenditures decreased slightly in 2012 to \$772.9 million, 0.3 percent lower than 2011. Public safety accounts for 60.0 percent of the General Fund's total expenditures in 2012. Public safety's two largest expenditures were for police and fire protection. For 2012 the Police Department incurred \$269.6 million and the Fire Department incurred \$170.1 million of expenditures.

The net other financing uses increased significantly by \$18.3 million. The change in financing uses was offset by a one-time entry in 2011, recording approximately \$20.6 million in proceeds from the sales of capital assets.

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 decreased by \$10.4 million. The \$207.5 million of revenues collected include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Transportation's expenditures totaled \$309.8 million for 2012, up \$62.5 million or 25.2 percent from 2011 due to an increase in capital activity. The Transportation Fund's other financing sources contributed \$96.0 million in 2012, although mainly comprised of transfers in 2012 this included \$19.8 million recorded for capital assets sales.

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 2012 fund balance of \$79.9 million reflects a decrease of \$6.7 million from 2011. Revenues from 2011 to 2012 decreased by \$8.4 million or 22.1 percent. The expenditures increased by \$10.0 million or 37.0 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 2012 the other **special revenue funds** (SRF) showed a \$21.0 million increase in fund balance as a result of increased operating revenues and stable operating expenditures. In 2011 the Families and Education Levy passed and generated approximately \$31.6 million of additional revenue for the City in 2012.

## Management's Discussion and Analysis

SRF expenditures increased slightly, up \$1.4 million to \$320.8 million compared to 2011. The expenditures in special revenue funds were mostly up from 2011 except for the Pike Place Market Renovation Fund, which shows significant decrease in activities as the renovation of the Pike Place Market facilities is near completion.

The other financing sources category decreased \$9.5 million, down 6.5 percent compared to 2011. The decrease is attributable to no issuance of long-term debt in 2012, which totaled approximately \$10.0 million in 2011.

The total fund balance of the **debt service funds** and **permanent funds** remained relatively unchanged between years. The debt service fund balance increased \$167 thousand to \$10.7 million, and the permanent fund balances decreased \$8 thousand to \$2.2 million at the end of 2012.

The fund balance in the **capital projects funds** decreased \$59.0 million or 28.0 percent from \$211.2 million to \$152.2 million at the end of 2012. 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.

## The City of Seattle

**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	\$ 796,071	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	12,992	-	-	-	7,680
Grants, Shared Revenues, and Contributions	34,285	-	-	-	-
Charges for Services	41,467	8,423	-	-	-
Fines and Forfeits	32,754	-	-	-	-
Parking Fees and Space Rent	34,497	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	2,959	547	34	16	402
Total Revenues	955,025	8,970	34	16	8,082
Expenditures	661,826	5,255	-	4,633	7,991
Other Financing Sources and Uses					
Sales of Capital Assets	4	-	-	-	-
Transfers In (Out)	(266,599)	1,191	(1,000)	4,967	(190)
Total Other Financing Sources and Uses	(266,595)	1,191	(1,000)	4,967	(190)
Fund Balances					
Nonspendable	191	-	-	-	-
Restricted	432	-	-	-	1,579
Committed	9,998	17,351	-	887	3,090
Assigned	3,020	-	2,672	-	-
Unassigned	42,474	-	-	-	-
Total Fund Balances	\$ 56,115	\$ 17,351	\$ 2,672	\$ 887	\$ 4,669

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
Revenues					
Taxes	\$ 49,940	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Grants, Shared Revenues, and Contributions	4,678	-	-	-	-
Charges for Services	1,269	-	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	307	-	100	-	-
Program Income, Interest, and Miscellaneous Revenues	449	-	2	-	-
Total Revenues	56,643	-	102	-	-
Expenditures	21,193	2,513	-	-	-
Other Financing Sources and Uses					
Sales of Capital Assets	750	-	-	-	-
Transfers In (Out)	(6,307)	2,779	-	-	(1,973)
Total Other Financing Sources and Uses	(5,557)	2,779	-	-	(1,973)
Fund Balances					
Nonspendable	2	-	-	-	-
Restricted	49,217	-	-	-	-
Committed	9,260	4,225	205	22	68
Assigned	-	-	-	-	-
Unassigned	21,458	-	-	-	42,060
Total Fund Balances	\$ 79,937	\$ 4,225	\$ 205	\$ 22	\$ 42,128



## 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	-	43	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-	20,720
Total Revenues	-	43	-	-	20,720
Expenditures	-	43	233	399	9,374
Other Financing Sources and Uses					
Sales of Capital Assets	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	273	-	83
Restricted	-	-	-	-	19,951
Committed	-	119	5,523	2,473	25,278
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	\$ -	\$ 119	\$ 5,796	\$ 2,473	\$ 45,312

	Group Term Life Insurance		Total General Fund	
	Library <sup>a</sup>	2012	2011	
Revenues				
Taxes	\$ -	\$ -	\$ 846,011	\$ 790,966
Licenses and Permits	-	-	20,672	18,817
Grants, Shared Revenues, and Contributions	-	4,706	43,669	47,503
Charges for Services	-	186	51,388	53,844
Fines and Forfeits	-	1,489	34,243	33,992
Parking Fees and Space Rent	-	465	35,369	31,301
Program Income, Interest, and Miscellaneous Revenues	4,630	150	29,909	23,921
Total Revenues	4,630	6,996	1,061,261	1,000,344
Expenditures	4,642	54,802	772,904	775,224
Other Financing Sources and Uses				
Sales of Capital Assets	-	-	754	21,326
Transfers In (Out)	-	48,238	(218,894)	(221,112)
Total Other Financing Sources and Uses	-	48,238	(218,140)	(199,786)
Fund Balances				
Nonspendable	-	6	555	572
Restricted	-	11,341	82,520	58,917
Committed	425	584	79,508	58,713
Assigned	-	725	6,417	6,808
Unassigned	-	-	105,992	79,765
Total Fund Balances	\$ 425	\$ 12,656	\$ 274,992	\$ 204,775

<sup>a</sup> 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 net income of \$105.6 million in 2012 compared to \$92.2 million in 2011, an increase of \$13.4 million (14.5 percent). Higher retail power sales, lower costs of power purchased from the Bonneville Power Administration, and lower customer service expenses were factors contributing to the growth in net income. This growth was offset by lower revenues from net wholesale energy sales, a decrease in capital grant activity, and increases in depreciation and administrative and general expenses.

Net cash provided by operating activities decreased by \$49.1 million to \$243.5 million in 2012, compared to \$292.6 million in 2011. Restricted assets increased by \$66.5 million to \$275.7 million in 2012, compared to \$209.2 million in 2011. In 2012 revenue from surplus power sales was less than the forecasted. To supplement the shortfall in revenue \$36.2 million was withdrawn from the Rate Stabilization Account's deferred revenue balance to supplement revenues. Interest income of \$1.0 million was earned on the RSA. The estimated excess of operating cash to achieve a debt service coverage ratio of 1.85 was \$22.0 million and this amount was transferred to the RSA from operating cash in December 2012 in accordance with Ordinance 124059. The net 2012 RSA cash transferred to operating cash was \$13.2 million.

Capital assets, net of accumulated depreciation and amortization, were \$2.352 billion and \$2.200 billion in 2012 and 2011, a net increase of \$152.0 million. The majority of the Utilities' capital asset additions were in the distribution system, transmission plant, hydraulic production, and other intangible assets. The net increase in capital assets was partially offset by a \$53.8 million increase in accumulated depreciation and amortization.

Total revenue bonds payables were \$1.779 billion in 2012 and \$1.680 billion in 2011, a net increase of \$99.0 million. In July 2012, the Utility issued a total of \$345.6 million of revenue and refunding revenue bonds. Interest expense was \$81.6 million in 2012 and \$79.9 million in 2011. Including long-term debt, the total liabilities were \$2.189 billion in 2012 and \$2.033 billion in 2011.

City Light's total net position was \$1.052 billion in 2012 and \$946.8 million in 2011.

**Water Utility.** The Utility realized an operating income of \$50.1 million in 2012 compared to \$40.1 million in 2011. Operating revenues increased by \$18.9 million and operating expenses increased by \$8.9 million between 2012 and 2011. The Utility realized a net income of \$20.7 million in 2012 compared to net income of \$1.8 million in 2011. The net income in 2012 was primarily due to a water rate increase, offset by \$8.9 million increase in operating expenses.

Net cash provided by operating activities increased to \$103.2 million in 2012 from \$83.9 million in 2011, an increase of \$19.3 million. Total operating and restricted cash and investments were \$85.4 million in 2012 compared to \$94.1 million in 2011, a decrease of \$8.7 million. This decrease in cash and investments was primarily due to use of construction funds for capital improvement projects.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2012, amounted to \$1.205 billion. This represents a net increase of approximately \$1.3 million in 2012. Major capital assets additions in 2012 included reservoir coverings and improvements, water infrastructure and rehabilitation, and various improvements for bridge, water distribution system, water main, and water transmission pipelines.

The Water Utility had \$919.6 million in outstanding revenue bonds in 2012 compared to \$977.2 million at year end 2011. The decrease of \$57.6 million was due to a combination of principal payments and the issuance of new bonds. The 2012 bond issue was used to fully refund the 2001 bonds and partially refund the 2003 and 2004 bonds.

The Water Utility's total net position was \$333.3 million in 2012 and \$312.7 million in 2011.

**Drainage and Wastewater Utility.** The Utility realized an operating income of \$45.5 million in 2012 compared to \$25.9 million in 2011. Operating revenues increased by \$25.0 million and operating expenses increased by \$5.4 million between 2012 and 2011. The Utility realized a net income of \$0.8 million in 2012 and \$18.0 million in 2011. The drop in 2012's net income is due to an increase in environmental remediation expenses, offset by the increase in wastewater and drainage rates.

Net cash provided by operating activities increased to \$72.6 million compared to \$38.4 million in 2011. Total operating and restricted cash and investments were \$160.7 million in 2012 compared to \$81.0 million in 2011. The \$79.7 million increase is primarily due to issuance of a new bond in 2012.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$699.1 million in 2012 from \$663.4 million in 2011, an increase of \$35.7 million. Acquisition of new assets included completion of the Madison Valley

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## Management's Discussion and Analysis

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Phase II project, installation of sewer pipes throughout several locations in the city, and building and water quality improvements near 7th and Riverside in South Park. There was also emergency rehabilitation work on sewer mainlines, improvements to surface water system field equipment, and replacement of a sluice gate in the Windermere basin.

The Drainage and Wastewater Utility had \$540.5 million outstanding revenue and refunding bond liabilities in 2012, as compared to \$486.6 million in 2011. In 2012 the City issued \$222.1 million of revenue bonds for its drainage and wastewater system and refunded \$151.9 million of 2001 and 2002 bonds, and partially 2004 bonds. Total liabilities, including revenue bonds, were \$707.1 million in 2012 and \$572.0 million in 2011.

Total net position for the Drainage and Wastewater Utility was \$271.0 million in 2012 and \$270.3 million in 2011.

**Solid Waste Utility.** The Utility realized an operating income of \$9.5 million in 2012 compared to \$7.1 million in 2011. Operating revenues increased by \$2.7 million and operating expenses increased by \$0.4 million between 2012 and 2011. The Utility realized a net income of \$7.7 million in 2012 compared to \$5.9 million in 2011. The net income in 2012 was primarily due to a rate increase effective January 2012.

Net cash provided by operating activities decreased to \$13.7 million in 2012 compared to \$17.9 million in 2011. Total operating and restricted cash and investments were \$32.3 million in 2012 and \$41.5 million in 2011. The \$9.2 million decrease in operating and restricted cash and investments is primarily due to construction payments on the South Transfer Station rebuild project.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$129.1 million in 2012 from \$117.9 million in 2011, an increase of \$11.2 million. The majority assets placed in service in 2012 included the South Transfer Station rebuild project, land acquisition related to the South Transfer Station, and information technology upgrades.

The Solid Waste Utility had \$119.2 million outstanding revenue bond liabilities in 2012 compared to \$122.2 million in 2011. The decline was due to \$3.0 million of principal payments paid in 2012.

Total net position for the Solid Waste Utility was \$29.0 million in 2012 and \$21.4 million in 2011.

### 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 2012 is \$1.969 billion; SCERS represents 99.1 percent of this amount.

SCERS assets held in trust for the payment of future benefits do not exceed the estimate of actuarially accrued liabilities as of December 31, 2012. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$198.0 million (11.3 percent) during 2012. For year ending 2012 the member and employer contributions totaled \$119.6 million; income from investment activity totaled \$230.7 million which was an increase from a loss in 2011 of \$8.3 million. Total expense for 2012 increased by \$8.2 million as compared to 2011. This increase is primarily attributed to a \$10.1 million increase in retiree benefits offset by a \$1.8 million reduction in contribution refunds. In 2012 the net increase in the number of retirees receiving benefits was 2.4 percent.

At December 31, 2012, 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 \$12.9 million and \$4.6 million, respectively.

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## The City of Seattle

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### GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund budgetary highlights, the Library Fund, which has its own legally adopted annual budget, is excluded from this discussion.

The General Fund's 2012 final appropriation budget, including support to other funds, was \$1.344 billion. This amount differed from the original budget due to supplemental appropriations approved by the City Council during the year and carry forward budgets from the prior year. In fiscal year 2012 the General Fund's original budget was \$1.281 billion.

The most significant budget activities are described below:

- At year-end 2012 actual expenditures and transfers were \$160.7 million less than budgeted. Of this amount \$123.9 million of the budget will be carried over into 2013 to cover outstanding encumbrances, grants, and capital spending.
- The total expenditures and encumbrances budget for the Real Estate Excise Tax (REET I and II) Cumulative Reserve Subfunds was \$55.1 million of which \$31.7 million of the budget was expended in 2012. The unspent budget will be carried forward for capital appropriation in 2013.
- The majority of the carryforward budget is within the General Subfund, 41.4 percent, and the REET I and REET II Cumulative Reserve Subfunds at 11.9 percent and 7.0 percent, respectively. The amount of carryforward budgets from 2011 was \$99.3 million; this amount increased 24.8 percent in 2012 to \$123.9 million.
- In 2012 \$28.6 million in additional grant funding was authorized in supplemental ordinances by the City Council. This includes \$13.3 million under agreement with the U.S. Department of Homeland Security (DHS) for funds available under the Port Security Grant Program (PSGP).
- 2012 current expenditures of the general government were \$328.7 million, which were 10.9 percent below the final budget of \$368.9 million. The excess budget is primarily due to the actual health care and judgment/claim costs that came in significantly less than forecasted and carryforward budgets for the City's multi-year grant projects.
- The current expenditures and capital outlay spending of the public safety in 2012 came in at \$466.4 million, \$36.3 million under the final budget of \$502.7 million, which is also primarily due to the amount of available grant funding within the Fire and Police departments that will continue into 2013. Detail information follows:
  - The Police Department's 2012 budget was \$289.0 million. This amount breaks into \$1.2 million for continuing and capital programs, \$25.5 million for grant programs, and the remaining \$262.3 million for operations. The 2012 actual expenditures were \$269.6 million, breaking down into grants of \$9.8 million, expenditures for capital and continuing projects of \$0.4 million, and the remaining \$259.4 million for operations.
  - The Fire Department's 2012 budget was \$183.8 million. This amount breaks into \$1.1 million for capital continuing programs, \$15.7 million for grant programs, and the remaining \$167.0 million for operations. The 2012 actual expenditures were \$170.1 million, breaking down into grants of \$3.6 million, expenditures for continuing and capital projects of \$0.4 million, and the remaining \$166.1 million for operations.
- The capital outlay spending in the general government and the culture and recreation functions of the City are reported significantly under budget. This is to be expected with the City loading budgets for projects that span multiple operating cycles and reporting periods. In 2012 the general government expended 21.7 percent of the budget, only \$5.6 million of the \$26.0 million budgeted. This was consistent within culture and recreation which reported spending only \$14.4 million of the \$50.0 million budgeted, or 28.7 percent of the 2012 capital outlay budget.
- General Fund actual revenues came in at \$1.220 billion, \$2.7 million higher than budget. 2012's total tax revenues of \$846.0 million were \$39.5 million over budget. Revenue recorded for grants and contributions was \$39.0 million compared to a budget of \$78.8 million, this was mainly 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	
	2012	Restated 2011	2012	2011	2012	Restated 2011
Land	\$ 537,852	\$ 534,093	\$ 155,063	\$ 133,634	\$ 692,915	\$ 667,727
Plant in Service, Excluding Land	-	-	3,908,086	3,688,841	3,908,086	3,688,841
Buildings and Improvements	1,559,739	1,531,238	32,070	34,074	1,591,809	1,565,312
Machinery and Equipment	117,285	124,119	1,604	2,447	118,889	126,566
Infrastructure	996,293	808,074	-	-	996,293	808,074
Construction in Progress	310,509	340,504	258,587	312,968	569,096	653,472
Other Capital Assets	14,130	11,871	76,572	62,770	90,702	74,641
<b>Total Capital Assets</b>	<b>\$ 3,535,808</b>	<b>\$ 3,349,899</b>	<b>\$ 4,431,982</b>	<b>\$ 4,234,734</b>	<b>\$ 7,967,790</b>	<b>\$ 7,584,633</b>

Capital assets, net of depreciation, for governmental activities increased by \$185.9 million in 2012. The main increase is attributable to the following:

- The Department of Transportation capitalized \$264.3 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress decreased \$56.6 million over last year.
- The Department of Parks and Recreation capitalized various community parks improvements and renovations at \$33.5 million.

Capital assets, net of depreciation, for business-type activities increased by \$197.2 million in 2012. Major increases included the following:

- City Light capital assets, net of accumulated depreciation, increased by \$151.9 million in 2012. This increase was primarily comprised of \$119.1 million for distribution plant assets.
- Drainage and Wastewater Utility net capital assets increased by \$35.7 million compared to last year. Major capital asset placed in service was for the completion of the Madison Valley Phase II project, sewer pipelines replacement and building pump station in the amount of \$14.7 million.
- Solid Waste Utility net capital assets increased by \$11.2 million for the year ended December 31, 2012. The Utility spent \$17.1 million relating to ongoing construction projects, including \$65.7 million for the new South Transfer Station.
- Water Utility net capital assets increased by \$1.3 million compared to last year. Major capital assets placed in service was the reservoir coverings and improvements in the amount of \$45.5 million.

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 2012 the City had \$4.190 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.149 billion in 2011. This represents an increase of approximately \$41.5 million (1.0 percent). Additionally, 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, decreased to \$13.0 million. In 2012 LTGO bonds were issued to finance various capital improvement projects including Mercer (\$4.39 million), Linden (\$4.335 million), Seawall (\$2.46 million), AWW-Parking/Program Management (\$2.51 million), Golf (\$3.775 million), Rainier Beach Community Center (\$5.9 million), Magnuson Park (\$2.795 million), Library II (\$0.67 million), Refinanced 2002 Bonds (\$25.04 million), Refinanced 2003 Bonds (\$4.68 million) and Refinanced 2005 Bonds (\$19.035 million) for a total of \$75.59 million. Additionally, 2012 UTGO Refinancing Bonds from 2002 totaled \$46.83 million.

The City also issued revenue bonds: \$345.6 million for the Light Fund to finance certain capital improvements and conservation programs and to advance refund certain higher-interest-bearing existing Municipal Light and Power parity

## The City of Seattle

bonds; and \$222.1 million to finance certain capital improvement projects of the City's Municipal Drainage and Wastewater system; additionally, \$238.8 million in Water Fund bonds were issued. 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). The City's LTGO bonds are rated Aa1 by Moody's, Aa+ by Fitch, and AAA by S&P. The City maintained its high bond ratings on its Light, Water, Drainage and Wastewater, and Solid Waste revenue bonds by Moody's and S&P; these bonds are not rated by Fitch.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2013 assessed value of taxable properties for the City is \$117.7 billion. At the end of 2012 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$986.8 million, well below the limit of \$8.826 billion, rendering the City's legal debt margin of \$7.840 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2012 the LTGO net outstanding debt was \$898.1 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$102.9 million (\$74.9 million for governmental activities and \$28.0 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$115.6 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

U.S. Economy. The worst recession in 80 years ended in June 2009, and the U.S. economy has been slowly recovering since then. The recovery has been led by business investment in equipment and software, a rise in exports, which has boosted the manufacturing sector, and a modest upturn in consumption. Housing is finally turning around, and is now a modest contributor to growth instead of a drag. Home sales, prices, and new home construction are now on the upswing. Since employment hit bottom in February 2010, the economy created 5.4 million jobs through December 2012, replacing 61 percent of the jobs lost during the downturn.

The economy picked up steam in the fourth quarter of 2011 and entered 2012 with modest momentum. However, it was soon slowed by a first quarter rise in energy prices, the end of a quiet period for the Eurozone as Spain and Italy faced rising interest rates for their debt, a slowdown in growth in emerging economies, and uncertainty over U.S. fiscal policies.

Following the mid-year slowdown, economic growth revived again in the fourth quarter. Contributing to the revival were the institution of a third round of quantitative easing (QE3) by the Federal Reserve in September, a new agreement by the European Central Bank to purchase sovereign debt that ushered in a period of calm in the Eurozone, and an increase in oil in gas production in the U.S. The pick-up in growth occurred despite the "fiscal cliff" looming at the end of the year.

Looking to the future, economists expect the recovery to remain sluggish. History tells us that recessions caused by financial crises are followed by weak recoveries, and thus far the current recovery is unfolding as expected. Despite improvements in the financial markets, credit remains tight and consumers are under stress due to large declines in wealth, a weak job market, and sluggish income growth. An ongoing drag on the economy is the uncertainty and political discord surrounding federal fiscal policy.

Seattle Metro Area Economy. The Seattle metro area has rebounded from the recession more strongly than the nation. Through December 2012, Seattle metro area (King and Snohomish Co.) employment was up 6.6 percent from its post-recession low in February 2010, compared to a 4.2 percent gain in U.S. employment over the same period. Areas of strength in the local economy include aerospace, software publishing, professional, scientific, and technical services, health services, and mail order and internet retail.

Boeing, the region's largest employer with over 85,000 employees, has been a key force in the region's recovery. At the end of 2012, Boeing had a backlog of over 4,000 planes on order, representing over seven years of production. The firm is phasing in a series of production increases for its 737, 777, and 787 models in 2011-2014, work on the Air Force tanker is ramping up, and a redesign of the 737 that will add new fuel efficient engines has been approved by Boeing's board. However, Boeing's new 787 has been grounded due to battery problems. Boeing is currently working on a fix for that problem.

The city of Seattle has been one of the fastest growing parts of the region, in part because of a construction boom focused largely in multi-family housing. The boom yielded a 29 percent increase in sales tax revenue from construction in 2012. In addition, Amazon, which has moved into its new South Lake Union office complex, has been hiring aggressively.

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## Management's Discussion and Analysis

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Despite a relatively healthy start, the region's recovery is expected to be weak by historical standards. The Puget Sound Economic Forecaster expects employment to increase at an average rate of 2.1 percent per year over the next five years. This is a much slower rate of growth than is typical during recoveries, and is lower than the 2.5 percent average annual growth rate posted over the past 40 years (which includes periods of recession). Housing has lagged the recovery of the rest of the economy, but in 2012 signs of a turnaround emerged. For example, average home prices as measured by the Case-Shiller index hit bottom in February 2012 after which they increased by 8.3 percent through December.

**General Subfund.** In 2012, general government revenues and other financing sources into the General Subfund totaled approximately \$964.3 million. General Subfund revenues and other financing sources are projected to be \$946.79 million in 2013 and \$987.24 million in 2014.

In 2012 the City saw continued recovery in tax revenues over 2011. Notable increases are the retail sales and business and occupation taxes, posting gains of 7.5 percent and 8.2 percent, respectively. A sharp rebound in construction activity coupled with moderate growth in professional, scientific, and tourism industries were the major contributing factors to the gains of these tax revenues. The growth of sales tax and business occupation tax revenues is expected to average 3.5 percent and 4.8 percent respectively over the 2013-2014 period. Looking forward, revenue is expected to continue growing at a modest but gradually increasing pace.

On-street parking and parking enforcement continued to be a source of revenue changes in 2012. Continuing in 2012 the City accelerated its transition to a data-driven, performance based approach to managing on-street parking, making numerous rate, boundary and time-limit changes throughout the City's paid parking areas. Overall, the changes, initiated in 2011 and continued in 2012, increased on-street parking revenues approximately \$4.3 million over 2011 to \$34.4 million. Scheduled loss of paid parking spaces due to the multi-year construction activity related to the Alaskan Way Viaduct replacement project, reconfiguration of the Mercer St. corridor, and several other road construction projects will negatively affect on the street parking revenues throughout the 2013-2014 period. The City also implemented a scofflaw booting program to improve payment compliance on parking citations in 2011. Revenues from the scofflaw booting program and the City's camera enforcement program performed as anticipated in 2012 and are expected to remain fairly stable in 2013 and 2014 at roughly \$1.5 million annually. Overall total enforcement revenues slightly increased to \$31.8 million in 2012 from \$31.3 million in 2011.

**Utilities.** Utility tax receipts from public utilities increased due mainly to scheduled rate increases in 2012. Water retail and drainage and wastewater rates went up by 8.7 percent and 4.2 percent respectively in 2012. These rate increases have led to higher utility tax revenues to the General Subfund in 2012. The utility rates are again slated to increase in 2013 and 2014, which will lead to higher tax revenues to the General Subfund in the 2013-2014 period. Utility tax receipts from private utilities slightly decreased in 2012 by 2.1 million. The decrease was attributable to lower gross income of private utility firms, which was negatively affected by low fuel prices, a lackluster economy and increased competition.

In 2012, Seattle City Light experienced an increase in retail power sales and a decrease in net wholesale energy revenues. Retail power revenues were higher as a result of the 3.2 percent across-the-board rate increase effective January 1, 2012. In 2010, the utility established, per City Ordinance 123260, a Rate Stabilization Account (RSA) to help mitigate future risks to fluctuations in wholesale revenue. During 2012, lower energy surplus available for sale combined with lower wholesale power prices were prime factors in the decline of net wholesale energy revenues compared to 2011. Operating revenues were augmented by transfers from and to the RSA. A net \$13.2 million of RSA deferred revenue was transferred into the operating fund to supplement lower than expected net wholesale revenues in accordance with Ordinance 124059 to achieve a debt service coverage ratio of 1.85. The debt service coverage ratio in 2012 was 1.81.

**Seattle Public Utilities (SPU).** In 2012, SPU experienced the effects of an upturn in the economy with improved revenues in all lines of business. Water revenues were higher as a result of an 8.7 percent retail rate increase and an 18.0 percent wholesale rate increase, both effective January 1, 2012. Total billed water demand also increased 1.6 percent in 2012 over 2011; however over the long-term demand is expected to decrease by roughly 1.0 percent a year. Wastewater and drainage revenues were higher as a result of a 3.9 percent sewer rate increase and an 11.4 percent drainage rate increase, both effective January 1, 2012. In addition, billed wastewater demand increased 3.6 percent in 2012 over 2011. Solid waste rates were increased by 6.5 percent for residential service effective January 1, 2012.

**Full Time-Equivalent (FTE) Positions.** Per Position Authorization Ordinance 123910, in the 2012 adopted budget, 109 net positions were eliminated citywide. The 2013 endorsed budget, presented with the 2012 adopted budget, includes 115 estimated additional positions.

### 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**

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**Government-wide Financial Statements**

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**Page 1 of 3**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**  
*(In Thousands)*

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2012	Restated 2011	
<b>ASSETS</b>					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 593,237	\$ 269,424	\$ 862,661	\$ 827,846	\$ 4,455
Restricted Cash and Equity in Pooled Investments	19,193	10	19,203	15,933	-
Investments	-	-	-	-	56,085
Receivables, Net of Allowances	91,159	208,269	299,428	286,182	-
Internal Balances	15,583	(15,583)	-	-	-
Due from Other Governments	120,978	9,681	130,659	96,818	-
Inventories	2,732	34,230	36,962	36,976	-
Prepaid and Other Current Assets	1,067	865	1,932	1,694	-
<b>Total Current Assets</b>	<b>843,949</b>	<b>506,896</b>	<b>1,350,845</b>	<b>1,265,449</b>	<b>60,540</b>
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	25,081	460,132	485,213	392,568	-
Unamortized Debt Costs	4,501	20,473	24,974	23,830	-
Contracts and Notes	412,625	1,905	414,530	373,941	-
Deferred Conservation Costs, Net	-	237,463	237,463	220,448	-
Deferred Landfill Closure and Postclosure Costs, Net	-	16,081	16,081	17,656	-
Deferred Environmental Costs and Recoveries	-	46,624	46,624	7,421	-
Net Pension Asset	16,599	-	16,599	47,677	-
Other Deferred Charges and Noncurrent Assets	13,042	112,378	125,420	118,328	-
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	537,852	155,063	692,915	667,727	-
Plant in Service, Excluding Land	-	3,908,086	3,908,086	3,688,841	-
Buildings and Improvements	1,559,739	32,070	1,591,809	1,565,312	-
Machinery and Equipment	117,285	1,604	118,889	125,618	4
Infrastructure	996,293	-	996,293	808,073	-
Construction in Progress	310,509	258,587	569,096	653,343	-
Other Capital Assets	14,130	76,572	90,702	74,642	-
<b>Total Noncurrent Assets</b>	<b>4,007,656</b>	<b>5,327,038</b>	<b>9,334,694</b>	<b>8,785,425</b>	<b>4</b>
<b>Total Assets</b>	<b>4,851,605</b>	<b>5,833,934</b>	<b>10,685,539</b>	<b>10,050,874</b>	<b>60,544</b>

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

**The City of Seattle**

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**Page 2 of 3**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**  
*(In Thousands)*

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2012	Restated 2011	
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	\$ 99,779	\$ 79,070	\$ 178,849	\$ 150,366	\$ 2,236
Salaries, Benefits, and Taxes Payable	23,165	11,409	34,574	29,891	-
Contracts Payable	10,814	-	10,814	4,870	-
Due to Other Governments	8,211	10,443	18,654	20,994	-
Interest Payable	11,815	57,199	69,014	71,253	-
Taxes Payable	46	11,475	11,521	12,067	-
Deposits Payable	651	-	651	679	-
Deferred Credits	4,753	29,165	33,918	25,521	-
Current Portion of Long-Term Debt					
Bonds Payable	68,935	144,277	213,212	202,988	-
Deferred Bond Interest	-	1,378	1,378	1,213	-
Compensated Absences Payable	20,519	3,005	23,524	21,505	-
Notes and Contracts Payable	2,075	2,273	4,348	3,960	-
Claims Payable	20,997	23,867	44,864	42,957	-
Habitat Conservation Program Liability	-	1,164	1,164	533	-
Landfill Closure and Postclosure Liability	-	1,398	1,398	1,645	-
Other Current Liabilities	2,020	3,075	5,095	2,608	-
<b>Total Current Liabilities</b>	<b>273,780</b>	<b>379,198</b>	<b>652,978</b>	<b>593,050</b>	<b>2,236</b>
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of					
Unamortized Premiums, Discounts, and Other	758,552	3,431,102	4,189,654	4,062,661	-
Deferred Bond Interest	-	593	593	1,672	-
Special Assessment Bonds with Governmental Commitment	13,005	-	13,005	14,305	-
Compensated Absences Payable	63,559	27,420	90,979	92,806	-
Claims Payable	54,154	119,528	173,682	109,105	-
Notes and Contracts Payable	16,673	32,490	49,163	46,934	-
Landfill Closure and Postclosure Liability	-	17,219	17,219	18,317	-
Vendor Deposits Payable	165	59	224	78	-
Habitat Conservation Program Liability	-	5,747	5,747	4,515	-
Deferred Credits	432,014	16,479	448,493	422,576	-
Deferred Revenue - Rate Stabilization Account	-	115,704	115,704	125,497	-
Arbitrage Rebate Liability	17	-	17	44	-
Unfunded Other Post Employment Benefits	64,208	11,912	76,120	71,355	-
Other Noncurrent Liabilities	6,185	2,650	8,835	10,824	-
<b>Total Noncurrent Liabilities</b>	<b>1,408,532</b>	<b>3,780,903</b>	<b>5,189,435</b>	<b>4,980,689</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,682,312</b>	<b>4,160,101</b>	<b>5,842,413</b>	<b>5,573,739</b>	<b>2,236</b>

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

**Government-wide Financial Statements**

**B-1** STATEMENT OF NET POSITION  
December 31, 2012  
(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2012	Restated 2011	
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 2,783,984	\$ 1,372,935	\$ 4,156,919	\$ 3,871,084	\$ 4
Restricted for					
Debt Service	10,666	31,428	42,094	39,940	-
Capital Projects	202,898	-	202,898	242,096	68
Rate Stabilization Account	-	25,026	25,026	25,007	-
Education and Development Services	28,540	-	28,540	14,260	11,874
Special Deposits	-	723	723	428	-
Deferred Conservation and Environmental Costs	-	6,278	6,278	6,089	-
Bonnevile Power Administration Projects	-	448	448	463	-
Deferred External Infrastructure Costs	-	6,834	6,834	7,114	-
Muckleshoot Settlement	-	230	230	294	-
Other Deferred Charges	-	13,881	13,881	13,068	-
Health Care Reserve	19,951	-	19,951	17,115	-
Transportation Programs	24,313	-	24,313	18,851	-
Low-Income Housing Programs	75,344	-	75,344	77,772	-
Other Purposes	42,692	-	42,692	37,032	-
Nonexpendable	2,050	-	2,050	2,050	27,018
Unrestricted	(21,145)	216,050	194,905	104,472	19,344
<b>Total Net Position</b>	<b>\$ 3,169,293</b>	<b>\$ 1,673,833</b>	<b>\$ 4,843,126</b>	<b>\$ 4,477,135</b>	<b>\$ 58,308</b>

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

**The City of Seattle**

**B-2** STATEMENT OF ACTIVITIES  
Page 1 of 2 For the Year Ended December 31, 2012  
(In Thousands)

Functions/Programs	Program Expenses		Program Revenues		
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 183,902	\$ (16,539)	\$ 79,048	\$ 15,847	\$ 171
Judicial	26,121	-	33,748	158	-
Public Safety	474,742	1,005	19,277	21,990	4,616
Physical Environment	6,357	-	-	4,639	-
Transportation	129,160	4,351	81,972	13,727	38,468
Economic Environment	125,917	-	7,303	34,611	2,168
Health and Human Services	65,266	-	-	31,217	-
Culture and Recreation	239,003	-	53,450	8,188	2,669
Interest on Long-Term Debt	39,829	-	-	-	-
<b>Total Governmental Activities</b>	<b>1,290,297</b>	<b>(11,183)</b>	<b>274,798</b>	<b>130,377</b>	<b>48,092</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	725,433	4,411	797,445	2,838	31,803
Water	201,804	1,806	213,164	544	8,383
Drainage and Wastewater	270,815	1,608	297,443	2,062	8,252
Solid Waste	149,488	627	156,927	754	-
Planning and Development	43,811	2,731	40,869	551	-
Downtown Parking Garage	7,712	-	6,588	-	-
<b>Total Business-Type Activities</b>	<b>1,399,063</b>	<b>11,183</b>	<b>1,512,436</b>	<b>6,749</b>	<b>48,438</b>
<b>Total Government-Wide Activities</b>	<b>\$ 2,689,360</b>	<b>\$ -</b>	<b>\$ 1,787,234</b>	<b>\$ 137,126</b>	<b>\$ 96,530</b>
<b>COMPONENT UNITS</b>	<b>\$ 5,373</b>	<b>\$ -</b>	<b>\$ 841</b>	<b>\$ 4,705</b>	<b>\$ -</b>

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

## Government-wide Financial Statements

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### STATEMENT OF ACTIVITIES

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For the Year Ended December 31, 2012

(In Thousands)

Net Revenue (Expense) and Changes in Net Position					
Primary Government					
Comparative Totals					
Governmental Activities	Business-Type Activities	2012	Restated 2011	Component Units	
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ (72,297)	\$ -	\$ (72,297)	\$ (81,926)	
Judicial	7,785	-	7,785	7,582	
Public Safety	(429,864)	-	(429,864)	(433,942)	
Physical Environment	(1,718)	-	(1,718)	(2,007)	
Transportation	656	-	656	(5,270)	
Economic Environment	(81,835)	-	(81,835)	(54,812)	
Health and Human Services	(34,049)	-	(34,049)	(36,295)	
Culture and Recreation	(174,696)	-	(174,696)	(176,393)	
Interest on Long-Term Debt	(39,829)	-	(39,829)	(40,425)	
Total Governmental Activities	(825,847)	-	(825,847)	(823,488)	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	-	102,242	102,242	87,976	
Water	-	18,481	18,481	(1,056)	
Drainage and Wastewater	-	35,334	35,334	15,115	
Solid Waste	-	7,566	7,566	5,743	
Planning and Development	-	(5,122)	(5,122)	(8,343)	
Downtown Parking Garage	-	(1,124)	(1,124)	(1,803)	
Total Business-Type Activities	-	157,377	157,377	97,632	
Total Government-Wide Activities	(825,847)	157,377	(668,470)	(725,856)	
<b>COMPONENT UNITS</b>					
				\$	173
<b>General Revenues</b>					
Property Taxes	420,763	-	420,763	397,288	-
Sales Taxes	169,681	-	169,681	158,582	-
Business Taxes	358,931	-	358,931	339,703	-
Excise Taxes	54,637	-	54,637	35,203	-
Other Taxes	44,352	-	44,352	39,014	-
Penalties and Interest on Delinquent Taxes	2,795	-	2,795	3,240	-
Unrestricted Investment Earnings	6,458	11,789	18,247	16,614	5,737
Gain on Sale of Capital Assets	1,502	619	2,121	15,148	-
Special Item - Environmental Remediation	-	(37,066)	(37,066)	538	-
Transfers	(10,095)	10,095	-	-	-
Total General Revenues (Loss), Special Item, and Transfers	1,049,024	(14,563)	1,034,461	1,005,330	5,737
Changes in Net Position	223,177	142,814	365,991	279,474	5,910
Net Position - Beginning of Year	2,946,116	1,531,019	4,477,135	4,200,726	52,398
Prior-Year Adjustments	-	-	-	(3,065)	-
Net Position - Beginning of Year as Restated	2,946,116	1,531,019	4,477,135	4,197,661	52,398
Net Position - End of Year	\$ 3,169,293	\$ 1,673,833	\$ 4,843,126	\$ 4,477,135	\$ 58,308

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



## **Fund 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.

## The City of Seattle

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### BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2012 (In Thousands)

	General	Transportation	Low-Income Housing
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 195,159	\$ 27,488	\$ 79,825
Receivables, Net of Allowances	-	-	-
Taxes	54,726	2,044	104
Accounts	4,100	1,295	206
Special Assessments - Delinquent	-	-	-
Interest and Dividends	43	146	41
Unbilled and Others	2,039	281	-
Due from Other Funds	11,905	15,857	1,069
Interfund Loans	850	-	-
Due from Other Governments	58,425	47,418	923
Inventories	-	-	-
Prepaid and Other Current Assets	515	216	-
Deposits With Vendor	2	-	-
Contracts and Notes - Noncurrent	7,741	-	357,530
Advances to Other Funds	4,881	-	-
Deferred Charges and Other Assets	-	-	-
<b>Total Assets</b>	<b>\$ 340,386</b>	<b>\$ 94,745</b>	<b>\$ 439,698</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 27,222	\$ 29,159	\$ 2,063
Contracts Payable	139	6,437	-
Due to Other Funds	5,845	1,669	175
Due to Other Governments	2,853	10	17
Salaries, Benefits, and Taxes Payable	14,853	2,010	-
Interest Payable	752	24	-
Deposits Payable	66	332	93
Revenue Collected/Billed in Advance - Current	1,330	-	-
Other Current Liabilities	241	-	-
Advances from Other Funds	-	-	-
Deferred Revenues	12,093	4,056	357,484
<b>Total Liabilities</b>	<b>65,394</b>	<b>43,697</b>	<b>359,832</b>

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

**Fund Financial Statements**

**B-3**  
**Page 2 of 4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Other Governmental	Comparative Totals	
		2012	Restated 2011
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 265,985	\$ 568,457	\$ 574,933
Receivables, Net of Allowances			
Taxes	1,105	57,979	62,368
Accounts	8,345	13,946	13,015
Special Assessments - Delinquent	265	265	195
Interest and Dividends	147	377	549
Unbilled and Others	1,249	3,569	2,121
Due from Other Funds	7,119	35,950	44,943
Interfund Loans	-	850	-
Due from Other Governments	13,858	120,624	84,955
Inventories	553	553	609
Prepaid and Other Current Assets	10	741	780
Deposits With Vendor	-	2	2
Contracts and Notes - Noncurrent	43,974	409,245	368,494
Advances to Other Funds	-	4,881	-
Deferred Charges and Other Assets	13,042	13,042	14,271
<b>Total Assets</b>	<b>\$ 355,652</b>	<b>\$ 1,230,481</b>	<b>\$ 1,167,235</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 26,557	\$ 85,001	\$ 65,266
Contracts Payable	1,739	8,315	4,871
Due to Other Funds	20,795	28,484	32,969
Due to Other Governments	5,293	8,173	10,647
Salaries, Benefits, and Taxes Payable	4,099	20,962	18,555
Interest Payable	(2)	774	786
Deposits Payable	160	651	678
Revenue Collected/Billed in Advance - Current	3,423	4,753	5,061
Other Current Liabilities	230	471	430
Advances from Other Funds	2,550	2,550	-
Deferred Revenues	58,380	432,013	404,865
<b>Total Liabilities</b>	<b>123,224</b>	<b>592,147</b>	<b>544,128</b>

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

**The City of Seattle**

**B-3**  
**Page 3 of 4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	General	Transportation	Low-Income Housing
Nonspendable	\$ 555	\$ 218	\$ -
Restricted	82,520	24,313	75,344
Committed	79,508	26,517	4,522
Assigned	6,417	-	-
Unassigned	105,992	-	-
<b>Total Fund Balance</b>	<b>274,992</b>	<b>51,048</b>	<b>79,866</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 340,386</b>	<b>\$ 94,745</b>	<b>\$ 439,698</b>

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

**Fund Financial Statements**

**B-3 BALANCE SHEET**  
**Page 4 of 4** **GOVERNMENTAL FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Other Governmental	Comparative Totals	
		2012	Restated 2011
<b>FUND BALANCES</b>			
Nonspendable	\$ 2,400	\$ 3,173	\$ 3,286
Restricted	222,227	404,404	417,627
Committed	9,209	119,756	118,869
Assigned	12,583	19,000	15,624
Unassigned	(13,991)	92,001	67,701
Total Fund Balance	232,428	638,334	623,107
Total Liabilities and Fund Balance	\$ 355,652		
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.		2,872,825	2,676,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		18,268	12,013
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.		450,189	434,372
Net pension asset net of pension obligations		16,599	47,677
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		(22,038)	(27,431)
Accrued Interest Payable		(7,106)	(6,627)
Current Portion of Long-Term Debt		(49,223)	(49,569)
Compensated Absences Payable		(19,987)	(18,240)
General Obligation Bonds Payable		(477,135)	(509,408)
Less Bond Discount and Premium		(43,138)	(25,792)
Special Assessment Bonds		(13,005)	(14,305)
Unamortized Losses on Refunding		1,533	593
Deferred Credits		3,569	3,399
Notes and Other Long-Term Liabilities		(19,007)	(14,733)
Compensated Absences - Long-Term		(58,206)	(60,562)
Claims Payable - Long-Term		(36,487)	(43,985)
Workers' Compensation		(16,127)	(15,155)
Arbitrage		(17)	(44)
Unfunded Other Post Employment Benefits		(62,048)	(57,670)
MOHAI Liabilities		(8,500)	(8,500)
Net Adjustments		2,530,959	2,323,009
Net Position of Governmental Activities	\$ 3,169,293	\$ 2,946,116	

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

**The City of Seattle**

**B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**Page 1 of 2** **IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	General	Transportation	Low-Income Housing
<b>REVENUES</b>			
Taxes	\$ 846,011	\$ 72,391	\$ 18,039
Licenses and Permits	20,672	4,566	-
Grants, Shared Revenues, and Contributions	43,669	51,939	5,316
Charges for Services	51,388	78,176	395
Fines and Forfeits	34,243	27	-
Parking Fees and Space Rent	35,369	82	-
Program Income, Interest, and Miscellaneous Revenues	29,909	271	5,955
Total Revenues	1,061,261	207,452	29,705
<b>EXPENDITURES</b>			
Current			
General Government	162,740	-	-
Judicial	26,654	-	-
Public Safety	458,957	-	-
Physical Environment	7,328	-	-
Transportation	12,031	79,442	-
Economic Environment	17,633	-	36,473
Health and Human Services	-	-	-
Culture and Recreation	59,712	-	-
Capital Outlay			
General Government	5,642	-	-
Public Safety	7,457	-	-
Transportation	-	228,262	-
Economic Environment	69	-	-
Culture and Recreation	14,676	-	-
Debt Service			
Principal	4	1,919	-
Interest	1	205	-
Bond Issuance Cost	-	-	-
Other	-	-	-
Total Expenditures	772,904	309,828	36,473
Excess (Deficiency) of Revenues over Expenditures	288,357	(102,376)	(6,768)
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	-	6,000	-
Premium on Bonds Issued	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Sales of Capital Assets	754	120	-
Transfers In	12,262	117,866	46
Transfers Out	(231,156)	(31,993)	-
Total Other Financing Sources (Uses)	(218,140)	91,993	46
Net Change in Fund Balance	70,217	(10,383)	(6,722)
Fund Balances - Beginning of Year	204,775	61,431	86,588
Fund Balances - End of Year	\$ 274,992	\$ 51,048	\$ 79,866

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, 2012  
(In Thousands)**

	Other Governmental	Comparative Totals	
		2012	Restated 2011
<b>REVENUES</b>			
Taxes	\$ 108,167	\$ 1,044,608	\$ 973,181
Licenses and Permits	-	25,238	22,966
Grants, Shared Revenues, and Contributions	76,851	177,775	167,813
Charges for Services	52,636	182,595	167,644
Fines and Forfeits	70	34,340	34,066
Parking Fees and Space Rent	21,656	57,107	51,004
Program Income, Interest, and Miscellaneous Revenues	7,514	43,649	39,706
<b>Total Revenues</b>	<b>266,894</b>	<b>1,565,312</b>	<b>1,456,380</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General Government	17,447	180,187	193,697
Judicial	-	26,654	25,855
Public Safety	2,278	461,235	451,734
Physical Environment	420	7,748	11,190
Transportation	739	92,212	90,966
Economic Environment	74,605	128,711	106,234
Health and Human Services	67,103	67,103	73,100
Culture and Recreation	156,796	216,508	211,523
Capital Outlay	-	-	-
General Government	5,042	10,684	13,862
Public Safety	20,286	27,743	8,320
Transportation	10	228,272	167,590
Economic Environment	-	69	-
Culture and Recreation	40,831	55,507	50,383
Debt Service	-	-	-
Principal	51,600	53,523	47,909
Interest	25,133	25,339	26,754
Bond Issuance Cost	258	258	369
Other	305	305	-
<b>Total Expenditures</b>	<b>462,853</b>	<b>1,582,058</b>	<b>1,479,486</b>
Excess (Deficiency) of Revenues over Expenditures	(195,959)	(16,746)	(23,106)
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	102,085	108,085	79,433
Premium on Bonds Issued	21,140	21,140	5,181
Payment to Refunded Bond Escrow Agent	(91,574)	(91,574)	-
Sales of Capital Assets	1,408	2,282	41,161
Transfers In	204,437	334,611	292,224
Transfers Out	(79,422)	(342,571)	(297,597)
<b>Total Other Financing Sources (Uses)</b>	<b>158,074</b>	<b>31,973</b>	<b>120,402</b>
Net Change in Fund Balance	(37,885)	15,227	97,296
Fund Balances - Beginning of Year	270,313	623,107	525,811
Fund Balances - End of Year	\$ 232,428	\$ 638,334	\$ 623,107

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, 2012  
(In Thousands)**

	Comparative Totals	
	2012	Restated 2011
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 15,227	\$ 97,296
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense:		
Depreciation expense for the year	(95,385)	(87,150)
Capital outlay reported as expenditures	306,489	216,082
Retirement and sale of capital assets	(775)	(29,790)
Capital assets received as donations	78	(496)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	256	(58)
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	(26,835)	(79,185)
Premium on general obligation bonds	(21,140)	(5,181)
Proceeds from bond refunding	(75,250)	-
Principal payments bonds/notes	53,523	47,910
Bond interest	(2,914)	(1,033)
Bond issuance costs	563	376
Remittance to refunding escrow using refunding proceeds	91,574	-
Amortization of debt expense	(394)	(347)
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	608	873
Injury and damage claims	13,047	1,968
Workers' compensation	(1,000)	1,160
Arbitrage	27	32
Unfunded OPEB liabilities	(4,378)	(12,473)
Net pension asset	(31,078)	7,856
Environmental liability	(326)	19
MOHAI liability	-	(8,500)
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	(4,595)	(2,675)
Net revenue of internal service funds activities reported with governmental activities	5,855	13,245
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 223,177</b>	<b>\$ 159,929</b>

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

## Fund Financial Statements

### MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 403,000 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 670,000 people. The utility also sells to 29 surrounding cities and water districts that provide water to an additional 634,000 people.

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

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

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

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

## The City of Seattle

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Page 1 of 12

### STATEMENT OF NET POSITION

#### PROPRIETARY FUNDS

December 31, 2012

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 156,305	\$ 165,411	\$ 12,461	\$ 7,298
Restricted Cash and Equity in Pooled Investments	-	-	10	68
Receivables, Net of Allowances	62,481	51,930	15,049	13,532
Accounts	224	277	1,126	1,134
Interest and Dividends	71,015	71,883	11,500	10,947
Unbilled	-	-	115	16
Energy Contracts, Notes, and Other Contracts	865	565	350	911
Due from Other Funds	2,860	6,721	630	755
Due from Other Governments	29,085	29,463	4,169	3,821
Materials and Supplies Inventory	675	567	61	77
Prepayments and Other Current Assets	-	-	-	-
Total Current Assets	323,510	326,817	45,471	38,559
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	275,697	209,187	72,929	86,762
Unamortized Bond Issue Costs, Net	10,908	9,931	4,595	4,918
Notes and Contracts Receivable	-	-	645	465
Deferred Conservation Costs, Net	201,081	190,543	36,382	29,905
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Deferred Environmental Costs and Recoveries	27,325	2,625	-	-
Deferred External Infrastructure Costs	-	-	-	-
Other Deferred Charges	50,540	40,060	10,979	17,974
Capital Assets	-	-	-	-
Land and Land Rights	65,123	63,128	42,911	41,554
Plant in Service, Excluding Land	3,593,397	3,424,798	1,741,105	1,664,690
Less Accumulated Depreciation	(1,511,169)	(1,457,324)	(603,283)	(559,487)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	132,370	110,306	23,359	56,020
Other Property, Net	72,474	59,402	933	928
Total Noncurrent Assets	2,917,746	2,652,656	1,330,555	1,343,729
Total Assets	3,241,256	2,979,473	1,376,026	1,382,288

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

**Fund Financial Statements**

**B-6**  
**Page 2 of 12**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 60,208	\$ 29,122	\$ 21,224	\$ 18,567
Restricted Cash and Equity in Pooled Investments	-	1,571	-	-
Receivables, Net of Allowances	-	-	-	-
Accounts	17,434	19,951	12,255	11,702
Interest and Dividends	122	67	15	31
Unbilled	16,728	15,914	321	371
Energy Contracts, Notes, and Other Contracts	47	45	-	-
Due from Other Funds	699	1,871	250	58
Due from Other Governments	4,835	2,345	924	945
Materials and Supplies Inventory	828	570	148	142
Prepayments and Other Current Assets	10	21	116	108
<b>Total Current Assets</b>	<b>100,911</b>	<b>71,477</b>	<b>35,253</b>	<b>31,924</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	100,443	50,356	11,055	22,890
Unamortized Bond Issue Costs, Net	3,450	3,089	1,341	1,403
Notes and Contracts Receivable	1,260	1,306	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	16,081	17,656
Deferred Environmental Costs and Recoveries	23,189	7,399	4,135	6,270
Deferred External Infrastructure Costs	20,223	20,578	-	-
Other Deferred Charges	29,455	24,618	1,181	827
Capital Assets	-	-	-	-
Land and Land Rights	19,583	14,280	14,565	1,791
Plant in Service, Excluding Land	861,228	831,909	145,168	76,636
Less Accumulated Depreciation	(265,807)	(246,247)	(52,553)	(46,134)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	83,224	62,822	19,634	83,820
Other Property, Net	903	671	2,262	1,769
<b>Total Noncurrent Assets</b>	<b>877,151</b>	<b>770,781</b>	<b>162,869</b>	<b>166,928</b>
<b>Total Assets</b>	<b>978,062</b>	<b>842,258</b>	<b>198,122</b>	<b>198,852</b>

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

**The City of Seattle**

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**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 19,226	\$ 13,748	\$ 269,424	\$ 234,146
Restricted Cash and Equity in Pooled Investments	-	-	10	1,639
Receivables, Net of Allowances	-	-	-	-
Accounts	657	894	107,876	98,009
Interest and Dividends	9	9	1,496	1,518
Unbilled	-	33	99,564	99,148
Energy Contracts, Notes, and Other Contracts	-	-	162	61
Due from Other Funds	812	524	2,976	3,929
Due from Other Governments	432	507	9,681	11,273
Materials and Supplies Inventory	-	-	34,230	33,996
Prepayments and Other Current Assets	3	-	865	773
<b>Total Current Assets</b>	<b>21,139</b>	<b>15,715</b>	<b>526,284</b>	<b>484,492</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	8	-	460,132	369,195
Unamortized Bond Issue Costs, Net	179	191	20,473	19,532
Notes and Contracts Receivable	-	-	1,905	1,771
Deferred Conservation Costs, Net	-	-	237,463	220,448
Deferred Landfill Closure and Postclosure Costs, Net	-	-	14,081	17,656
Deferred Environmental Costs and Recoveries	-	-	54,649	16,294
Deferred External Infrastructure Costs	-	-	20,223	20,578
Other Deferred Charges	-	-	92,155	83,479
Capital Assets	-	-	-	-
Land and Land Rights	12,881	12,881	155,063	133,634
Plant in Service, Excluding Land	-	-	6,340,898	5,998,033
Less Accumulated Depreciation	-	-	(2,432,812)	(2,309,192)
Buildings and Improvements	60,131	60,131	60,131	60,131
Less Accumulated Depreciation	(28,061)	(26,057)	(28,061)	(26,057)
Machinery and Equipment	14,980	15,336	14,980	15,336
Less Accumulated Depreciation	(13,376)	(12,761)	(13,376)	(12,761)
Construction in Progress	-	-	258,587	312,968
Other Property, Net	-	-	76,572	62,770
<b>Total Noncurrent Assets</b>	<b>46,742</b>	<b>49,721</b>	<b>5,335,063</b>	<b>4,983,815</b>
<b>Total Assets</b>	<b>67,881</b>	<b>65,436</b>	<b>5,861,347</b>	<b>5,468,307</b>

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

**Fund Financial Statements**

**B-6**  
**Page 4 of 12**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
<b>ASSETS</b>		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 24,779	\$ 18,767
Restricted Cash and Equity in Pooled Investments	19,193	14,294
Receivables, Net of Allowances		
Accounts	99	735
Interest and Dividends	34	42
Unbilled	4	84
Energy Contracts, Notes, and Other Contracts		
Due from Other Funds	6,986	5,774
Due from Other Governments	355	592
Materials and Supplies Inventory	2,179	2,371
Prepayments and Other Current Assets	324	139
<b>Total Current Assets</b>	<b>53,953</b>	<b>42,798</b>
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	25,081	23,373
Unamortized Bond Issue Costs, Net	932	898
Notes and Contracts Receivable	-	-
Deferred Conservation Costs, Net	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-
Deferred Environmental Costs and Recoveries	-	-
Deferred External Infrastructure Costs	-	-
Other Deferred Charges	-	-
Capital Assets		
Land and Land Rights	95,996	95,674
Plant in Service, Excluding Land		
Less Accumulated Depreciation	-	-
Buildings and Improvements	662,945	650,307
Less Accumulated Depreciation	(179,433)	(164,519)
Machinery and Equipment	203,592	195,991
Less Accumulated Depreciation	(120,263)	(106,499)
Construction in Progress	147	763
Other Property, Net	-	-
<b>Total Noncurrent Assets</b>	<b>688,997</b>	<b>695,988</b>
<b>Total Assets</b>	<b>742,950</b>	<b>738,786</b>

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

**The City of Seattle**

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**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 58,266	\$ 50,220	\$ 5,705	\$ 5,127
Salaries, Benefits, and Payroll Taxes Payable	6,300	5,192	1,741	1,466
Compensated Absences Payable	1,882	1,684	405	402
Due to Other Funds	7,791	8,305	4,000	4,553
Due to Other Governments	-	-	-	-
Interest Payable	29,516	31,173	17,446	18,172
Deferred Bond Interest	-	-	-	-
Taxes Payable	10,198	10,859	611	523
General Obligation Bonds Due Within One Year	91,840	88,850	32,630	31,425
Revenue Bonds Due Within One Year	16,294	8,350	1,313	1,626
Notes and Contracts Payable	-	-	1,188	858
Habitat Conservation Program Liability	-	-	1,164	533
Landfill Closure and Postclosure Liability	-	-	-	-
Deferred Credits	18,653	7,373	2,107	1,980
Other Current Liabilities	2,520	1,054	102	-
<b>Total Current Liabilities</b>	<b>243,260</b>	<b>213,060</b>	<b>68,412</b>	<b>66,665</b>
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	15,055	14,502	4,317	4,347
Claims Payable	53,542	35,305	3,811	3,967
Public Works Trust Loan	-	-	15,881	16,766
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	18	-
Habitat Conservation Program Liability	-	-	5,747	4,515
Deferred Credits	6,011	6,739	358	380
Deferred Revenue - Rate Stabilization Account	103,271	116,490	12,433	9,007
Unfunded Other Post Employment Benefits	6,079	5,884	2,086	2,033
Other Noncurrent Liabilities	119	156	25	4
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Deferred Bond Interest	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds	1,778,600	1,680,095	919,640	977,160
Less Bonds Due Within One Year	(91,840)	(88,850)	(32,630)	(31,425)
Bond Discount and Premium, Net	104,717	77,610	65,416	30,950
Deferred Loss on Advanced Refunding	(29,966)	(28,299)	(22,832)	(14,759)
<b>Total Noncurrent Liabilities</b>	<b>1,945,588</b>	<b>1,819,632</b>	<b>974,270</b>	<b>1,002,945</b>
<b>Total Liabilities</b>	<b>2,188,848</b>	<b>2,032,692</b>	<b>1,042,682</b>	<b>1,069,610</b>

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



## Fund Financial Statements

**B-6**  
**Page 6 of 12**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 11,125	\$ 8,638	\$ 8,338	\$ 10,671
Salaries, Benefits, and Payroll Taxes Payable	1,703	1,401	610	534
Compensated Absences Payable	377	374	138	137
Due to Other Funds	4,858	4,697	922	1,139
Due to Other Governments	10,443	10,339	-	-
Interest Payable	7,113	6,452	2,403	2,693
Deferred Bond Interest	-	-	-	-
Taxes Payable	289	246	289	285
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	15,215	13,695	3,330	2,960
Claims Payable	4,138	5,723	2,069	678
Notes and Contracts Payable	1,085	904	-	-
Habitat Conservation Program Liability	-	-	-	-
Landfill Closure and Postclosure Liability	-	-	1,398	1,645
Deferred Credits	2,647	3,266	5,758	7,841
Other Current Liabilities	453	18	-	-
<b>Total Current Liabilities</b>	<b>59,446</b>	<b>55,753</b>	<b>25,255</b>	<b>28,583</b>
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	4,023	4,051	1,472	1,482
Claims Payable	67,719	15,122	744	1,553
Public Works Trust Loan	16,609	17,694	-	-
Landfill Closure and Postclosure Liability	-	-	17,219	18,317
Vendor and Other Deposits Payable	33	14	-	-
Habitat Conservation Program Liability	-	-	-	-
Deferred Credits	-	-	-	-
Deferred Revenue - Rate Stabilization Account	-	-	-	-
Unfunded Other Post Employment Benefits	1,944	1,895	711	693
Other Noncurrent Liabilities	209	151	2,297	1,909
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Deferred Bond Interest	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds	540,495	486,610	119,205	122,165
Less Bonds Due Within One Year	(15,215)	(13,695)	(3,330)	(2,960)
Bond Discount and Premium, Net	39,262	8,556	5,681	5,938
Deferred Loss on Advanced Refunding	(7,474)	(4,152)	(163)	(186)
<b>Total Noncurrent Liabilities</b>	<b>647,605</b>	<b>516,246</b>	<b>143,836</b>	<b>148,911</b>
<b>Total Liabilities</b>	<b>707,051</b>	<b>571,999</b>	<b>169,091</b>	<b>177,494</b>

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

## The City of Seattle

**B-6**  
**Page 7 of 12**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 1,950	\$ 1,418	\$ 85,384	\$ 76,074
Salaries, Benefits, and Payroll Taxes Payable	1,055	853	11,409	9,446
Compensated Absences Payable	203	200	3,005	2,797
Due to Other Funds	296	2,470	17,867	21,164
Due to Other Governments	-	-	10,443	10,339
Interest Payable	721	721	57,199	59,211
Deferred Bond Interest	1,378	1,213	1,378	1,213
Taxes Payable	88	73	11,475	11,986
General Obligation Bonds Due Within One Year	1,262	1,257	1,262	1,257
Revenue Bonds Due Within One Year	-	-	143,015	136,930
Claims Payable	53	55	23,867	16,432
Notes and Contracts Payable	-	-	2,273	1,762
Habitat Conservation Program Liability	-	-	1,164	533
Landfill Closure and Postclosure Liability	-	-	1,398	1,645
Deferred Credits	-	-	29,165	20,460
Other Current Liabilities	-	29	3,075	1,101
<b>Total Current Liabilities</b>	<b>7,006</b>	<b>8,289</b>	<b>403,379</b>	<b>372,350</b>
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	3,181	-	3,181	-
Compensated Absences Payable	2,553	2,520	27,420	26,902
Claims Payable	118	114	125,934	56,061
Public Works Trust Loan	-	-	32,490	34,460
Landfill Closure and Postclosure Liability	-	-	17,219	18,317
Vendor and Other Deposits Payable	8	-	59	14
Habitat Conservation Program Liability	-	-	5,747	4,515
Deferred Credits	10,110	10,594	16,479	17,713
Deferred Revenue - Rate Stabilization Account	-	-	115,704	125,497
Unfunded Other Post Employment Benefits	1,092	1,064	11,912	11,569
Other Noncurrent Liabilities	-	-	2,650	2,220
General Obligation Bonds, Due Serially	59,589	60,846	59,589	60,846
Less Bonds Due Within One Year	(1,262)	(1,257)	(1,262)	(1,257)
Bond Discount and Premium, Net	3,209	3,411	3,209	3,411
Deferred Bond Interest	1,971	2,885	1,971	2,885
Less Accrued Interest Due Within One Year	(1,378)	(1,213)	(1,378)	(1,213)
Revenue Bonds	-	-	3,357,940	3,266,030
Less Bonds Due Within One Year	-	-	(143,015)	(136,930)
Bond Discount and Premium, Net	-	-	215,076	123,054
Deferred Loss on Advanced Refunding	-	-	(60,435)	(47,396)
<b>Total Noncurrent Liabilities</b>	<b>79,191</b>	<b>78,964</b>	<b>3,790,490</b>	<b>3,566,698</b>
<b>Total Liabilities</b>	<b>86,197</b>	<b>87,253</b>	<b>4,193,869</b>	<b>3,939,048</b>

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, 2012**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 8,345	\$ 9,026
Salaries, Benefits, and Payroll Taxes Payable	2,202	1,890
Compensated Absences Payable	533	469
Due to Other Funds	513	511
Due to Other Governments	37	7
Interest Payable	3,935	4,629
Deferred Bond Interest	46	82
Taxes Payable	19,712	15,230
General Obligation Bonds Due Within One Year	-	-
Revenue Bonds Due Within One Year	578	585
Claims Payable	-	-
Notes and Contracts Payable	-	-
Habitat Conservation Program Liability	-	-
Landfill Closure and Postclosure Liability	-	-
Deferred Credits	-	-
Other Current Liabilities	1,549	1,077
<b>Total Current Liabilities</b>	<b>37,450</b>	<b>33,506</b>
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable	-	-
Compensated Absences Payable	5,352	5,343
Claims Payable	1,281	1,225
Public Works Trust Loan	-	-
Landfill Closure and Postclosure Liability	-	-
Vendor and Other Deposits Payable	165	64
Habitat Conservation Program Liability	-	-
Deferred Credits	-	-
Deferred Revenue - Rate Stabilization Account	-	-
Unfunded Other Post Employment Benefits	2,160	2,116
Other Noncurrent Liabilities	185	104
General Obligation Bonds, Due Serially	246,593	263,133
Less Bonds Due Within One Year	(19,712)	(15,230)
Bond Discount and Premium, Net	12,932	12,393
Deferred Bond Interest	-	-
Less Accrued Interest Due Within One Year	-	-
Revenue Bonds	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Loss on Advanced Refunding	-	-
<b>Total Noncurrent Liabilities</b>	<b>248,956</b>	<b>269,148</b>
<b>Total Liabilities</b>	<b>286,406</b>	<b>302,654</b>

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

**The City of Seattle**

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**Page 9 of 12**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 842,603	\$ 732,940	\$ 303,630	\$ 290,542
Restricted for				
Debt Service	-	-	16,739	16,684
Rate Stabilization Account	25,000	25,000	26	7
Special Deposits and Other	723	428	-	-
Deferred Conservation and Environmental Costs	-	-	6,278	6,089
Bonneville Power Administration Projects	-	-	448	463
Deferred External Infrastructure Costs	-	-	-	-
Muckleshoot Settlement	-	-	230	294
Other Deferred Charges	-	-	3,830	4,109
Unrestricted	184,082	188,413	2,163	(5,510)
<b>Total Net Position</b>	<b>\$ 1,052,408</b>	<b>\$ 946,781</b>	<b>\$ 333,344</b>	<b>\$ 312,678</b>

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

**Fund Financial Statements**

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2012  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 230,457	\$ 223,132	\$ 15,180	\$ 15,340
Restricted for				
Debt Service	14,689	12,757	-	-
Rate Stabilization Account	-	-	-	-
Special Deposits and Other	-	-	-	-
Deferred Conservation and Environmental Costs	-	-	-	-
Bonneville Power Administration Projects	-	-	-	-
Deferred External Infrastructure Costs	6,834	7,114	-	-
Muckleshoot Settlement	-	-	-	-
Other Deferred Charges	9,954	8,512	97	447
Unrestricted	9,077	18,744	13,754	5,571
Total Net Position	\$ 271,011	\$ 270,259	\$ 29,031	\$ 21,358

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, 2012  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ (18,935)	\$ (18,332)	\$ 1,372,935	\$ 1,243,622
Restricted for				
Debt Service	-	-	31,428	29,441
Rate Stabilization Account	-	-	25,026	25,007
Special Deposits and Other	-	-	723	428
Deferred Conservation and Environmental Costs	-	-	6,278	6,089
Bonneville Power Administration Projects	-	-	448	463
Deferred External Infrastructure Costs	-	-	6,834	7,114
Muckleshoot Settlement	-	-	230	294
Other Deferred Charges	-	-	13,881	13,068
Unrestricted	619	(3,485)	209,695	203,733
Total Net Position	\$ (18,316)	\$ (21,817)	1,667,478	1,529,259
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			6,355	1,760
Net Position of Business-Type Activities			\$ 1,673,833	\$ 1,531,019

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, 2012  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 404,593	\$ 397,841
Restricted for		
Debt Service	-	-
Rate Stabilization Account	-	-
Special Deposits and Other	-	-
Deferred Conservation and Environmental Costs	-	-
Bonneville Power Administration Projects	-	-
Deferred External Infrastructure Costs	-	-
Muckleshoot Settlement	-	-
Other Deferred Charges	-	-
Unrestricted	51,951	38,291
<b>Total Net Position</b>	<b>\$ 456,544</b>	<b>\$ 436,132</b>

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, 2012  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2012	2011	2012	2011
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 800,273	\$ 772,157	\$ 213,474	\$ 194,573
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	204,133	206,853	-	-
Short-Term Wholesale Power Purchases	11,764	11,433	-	-
Generation	32,289	29,297	-	-
Transmission	46,979	47,878	-	-
Distribution	60,855	58,311	-	-
Energy Management and Other Power Expenses	38,851	38,353	-	-
Pre-Capital Planning and Development	-	-	1,038	1,331
Utility Systems Management	-	-	13,739	14,717
Field Operations	-	-	24,332	22,836
Project Delivery	-	-	4,865	4,311
Customer Services	31,296	43,120	7,383	7,454
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	66,114	57,727	29,545	27,274
City Business and Occupation Taxes	40,928	40,008	25,938	23,280
Other Taxes	33,957	33,605	8,064	7,232
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	94,810	88,805	48,493	46,062
Total Operating Expenses	661,976	655,390	163,397	154,497
Operating Income (Loss)	138,297	116,767	50,077	40,076
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	5,217	4,944	2,842	2,888
Interest Expense	(81,567)	(79,930)	(44,655)	(46,589)
Amortization of Bonds Premiums and Discounts, Net	10,207	9,950	2,719	1,907
Amortization of Refunding Loss	(4,709)	(4,911)	(1,315)	(1,349)
Amortization of Debt Costs	(1,106)	(1,146)	(244)	(258)
Gain (Loss) on Sale of Capital Assets	182	304	273	544
Contributions and Grants	2,838	1,398	544	435
Others, Net	4,465	3,853	2,042	1,047
Total Nonoperating Revenues (Expenses)	(64,473)	(65,538)	(37,794)	(41,375)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	73,824	51,229	12,283	(1,299)
Capital Contributions and Grants	31,803	40,927	8,383	3,096
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	-	-	-	-
Change in Net Position	105,627	92,156	20,666	1,797
Net Position - Beginning of Year	946,781	854,625	312,678	310,881
Prior-Year Adjustment	-	-	-	-
Net Position - Beginning of Year as Restated	946,781	854,625	312,678	310,881
Net Position - End of Year	<b>\$ 1,052,408</b>	<b>\$ 946,781</b>	<b>\$ 333,344</b>	<b>\$ 312,678</b>

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

**Fund Financial Statements**

**B-7 STATEMENT OF REVENUES, EXPENSES, AND  
Page 2 of 4 CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 304,002	\$ 278,957	\$ 156,927	\$ 154,200
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Pre-Capital Planning and Development	2,101	2,565	94	134
Utility Systems Management	17,304	16,574	3,082	2,734
Field Operations	19,588	18,874	7,533	7,572
Project Delivery	12,363	11,368	819	781
Customer Services	6,056	5,207	5,726	6,071
Wastewater Treatment	125,744	125,252	-	-
Solid Waste Collection	-	-	91,786	90,248
Operations and Maintenance	-	-	-	-
General and Administrative	14,658	17,368	11,174	12,914
City Business and Occupation Taxes	35,375	32,449	15,538	15,051
Other Taxes	4,172	3,582	2,666	2,789
Amortization of Landfill and Postclosure Costs	-	-	1,358	1,341
Depreciation and Other Amortization	21,157	19,832	7,659	7,423
Total Operating Expenses	258,518	253,071	147,435	147,058
Operating Income (Loss)	45,484	25,886	9,492	7,142
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	3,270	2,820	296	321
Interest Expense	(21,704)	(21,130)	(2,891)	(3,012)
Amortization of Bonds Premiums and Discounts, Net	897	377	256	195
Amortization of Refunding Loss	(351)	(274)	(23)	(23)
Amortization of Debt Costs	(139)	(139)	(62)	(52)
Gain (Loss) on Sale of Capital Assets	41	13	133	64
Contributions and Grants	2,062	2,310	754	718
Others, Net	6	93	(282)	559
Total Nonoperating Revenues (Expenses)	(15,918)	(15,930)	(1,819)	(1,230)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	29,566	9,956	7,673	5,912
Capital Contributions and Grants	8,252	7,476	-	23
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	(37,066)	538	-	-
Change in Net Position	752	17,970	7,673	5,935
Net Position - Beginning of Year	270,259	252,289	21,358	15,423
Prior-Year Adjustment	-	-	-	-
Net Position - Beginning of Year as Restated	270,259	252,289	21,358	15,423
Net Position - End of Year	\$ 271,011	\$ 270,259	\$ 29,031	\$ 21,358

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

**The City of Seattle**

**B-7 STATEMENT OF REVENUES, EXPENSES, AND  
Page 3 of 4 CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 48,734	\$ 43,004	\$ 1,523,410	\$ 1,442,891
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	-	-	204,133	206,853
Short-Term Wholesale Power Purchases	-	-	11,764	11,433
Generation	-	-	32,289	29,297
Transmission	-	-	46,979	47,878
Distribution	-	-	60,855	58,311
Energy Management and Other Power Expenses	-	-	38,851	38,353
Pre-Capital Planning and Development	-	-	3,233	4,030
Utility Systems Management	-	-	34,125	34,025
Field Operations	-	-	51,453	49,282
Project Delivery	-	-	18,047	16,460
Customer Services	-	-	50,461	61,852
Wastewater Treatment	-	-	125,744	125,252
Solid Waste Collection	-	-	91,786	90,248
Operations and Maintenance	39,082	36,430	39,082	36,430
General and Administrative	10,944	10,984	132,435	126,267
City Business and Occupation Taxes	14	13	117,793	110,801
Other Taxes	31	28	48,890	47,236
Amortization of Landfill and Postclosure Costs	-	-	1,358	1,341
Depreciation and Other Amortization	2,972	3,591	175,091	165,713
Total Operating Expenses	53,043	51,046	1,284,369	1,261,062
Operating Income (Loss)	(4,309)	(8,042)	239,041	181,829
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	164	105	11,789	11,078
Interest Expense	(3,182)	(3,273)	(153,999)	(153,934)
Amortization of Bonds Premiums and Discounts, Net	203	203	14,282	12,632
Amortization of Refunding Loss	-	-	(6,398)	(6,557)
Amortization of Debt Costs	(11)	(11)	(1,562)	(1,606)
Gain (Loss) on Sale of Capital Assets	(10)	-	619	925
Contributions and Grants	551	657	6,749	5,518
Others, Net	-	-	6,231	5,552
Total Nonoperating Revenues (Expenses)	(2,285)	(2,319)	(122,289)	(126,392)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(6,594)	(10,361)	116,752	55,437
Capital Contributions and Grants	-	-	48,438	51,522
Transfers In	10,095	9,373	10,095	9,373
Transfers Out	-	-	-	-
Environmental Remediation	-	-	(37,066)	538
Change in Net Position	3,501	(988)	138,219	116,870
Net Position - Beginning of Year	(21,817)	(18,888)	1,529,259	1,414,330
Prior-Year Adjustment	-	(1,941)	-	(1,941)
Net Position - Beginning of Year as Restated	(21,817)	(20,829)	1,529,259	1,412,389
Net Position - End of Year	\$ (18,316)	\$ (21,817)	1,667,478	1,529,259
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			6,355	1,760
Net Position of Business-Type Activities			\$ 1,673,833	\$ 1,531,019
Change in Net Position as above			138,219	116,870
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			4,595	2,675
Adjusted Change in Net Position of Business-Type Activities			\$ 142,814	\$ 119,545

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

**Fund Financial Statements**

**B-7** STATEMENT OF REVENUES, EXPENSES, AND  
**Page 4 of 4** CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
<b>OPERATING REVENUES</b>		
Charges for Services and Other Revenues	\$ 198,187	\$ 185,559
<b>OPERATING EXPENSES</b>		
Long-Term Purchased Power	-	-
Short-Term Wholesale Power Purchases	-	-
Generation	-	-
Transmission	-	-
Distribution	-	-
Energy Management and Other Power Expenses	-	-
Pre-Capital Planning and Development	-	-
Utility Systems Management	-	-
Field Operations	-	-
Project Delivery	-	-
Customer Services	-	-
Wastewater Treatment	-	-
Solid Waste Collection	-	-
Operations and Maintenance	131,902	131,844
General and Administrative	15,105	12,010
City Business and Occupation Taxes	4	4
Other Taxes	342	337
Amortization of Landfill and Postclosure Costs	-	-
Depreciation and Other Amortization	34,667	32,655
Total Operating Expenses	182,020	176,850
Operating Income (Loss)	16,167	8,709
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and Interest Income	612	485
Interest Expense	(11,576)	(12,638)
Amortization of Bonds Premiums and Discounts, Net	1,227	1,169
Amortization of Refunding Loss	-	-
Amortization of Debt Costs	(310)	(89)
Gain (Loss) on Sale of Capital Assets	(5)	2,339
Contributions and Grants	1,678	1,048
Others, Net	27	7,689
Total Nonoperating Revenues (Expenses)	(8,347)	3
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	7,820	8,712
Capital Contributions and Grants	14,728	8,533
Transfers In	1,864	-
Transfers Out	(4,000)	(4,000)
Environmental Remediation	-	-
Change in Net Position	20,412	13,245
Net Position - Beginning of Year	436,132	424,011
Prior-Year Adjustment	-	(1,124)
Net Position - Beginning of Year as Restated	436,132	422,887
Net Position - End of Year	\$ 456,544	\$ 436,132

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

**The City of Seattle**

**B-8** STATEMENT OF CASH FLOWS  
**Page 1 of 8** PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 786,874	\$ 825,562	\$ 218,394	\$ 194,415
Cash Paid to Suppliers	(251,532)	(261,132)	(24,593)	(24,912)
Cash Paid to Employees	(216,299)	(199,511)	(57,023)	(54,454)
Cash Paid for Taxes	(75,530)	(72,281)	(33,573)	(31,108)
Net Cash from Operating Activities	243,513	292,638	103,205	83,941
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants Received	2,915	1,921	539	441
Rental Income	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	7,477	9,901	-	-
Payments for Energy Conservation Augmentation	(24,136)	(27,670)	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Payments for Environmental Liabilities	-	-	-	-
Net Cash from Noncapital Financing Activities	(13,744)	(15,848)	539	441
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	387,564	323,519	284,588	-
Principal Payments on Long-Term Debt and Refunding	(88,995)	(61,650)	(313,407)	(29,998)
Capital Expenditures and Deferred Charges Paid	(252,121)	(197,005)	(43,230)	(50,989)
Interest Paid on Long-Term Debt	(84,748)	(85,038)	(47,426)	(49,601)
Capital Fees and Grants Received	33,733	21,362	5,160	1,739
Payment to Trustee for Deceased Bonds	(170,493)	(104,165)	-	-
Interest Received for Suburban Infrastructure Improvements	1,298	1,303	-	-
Debt Issuance Costs	(2,715)	(1,452)	(1,384)	-
Proceeds from Sale of Capital Assets	140	315	448	267
Net Cash from Capital and Related Financing Activities	(176,337)	(102,811)	(115,251)	(128,582)
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>				
Proceeds from Sale of Investments	-	234,522	-	18,100
Purchases of Investments	-	(195,652)	-	-
Interest Received on Investments	3,972	3,404	2,779	2,906
Net Cash from Investing Activities	3,972	42,274	2,779	21,006
Net Increase (Decrease) in Cash and Equity in Pooled Investments	57,404	216,253	(8,728)	(23,194)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	374,598	158,345	94,128	117,322
End of Year	\$ 432,002	\$ 374,598	\$ 85,400	\$ 94,128
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 156,305	\$ 165,411	\$ 12,461	\$ 7,298
Current Restricted Cash and Equity in Pooled Investments	-	-	10	68
Noncurrent Restricted Cash and Equity in Pooled Investments	275,697	209,187	72,929	86,762
Total Cash at the End of the Year	\$ 432,002	\$ 374,598	\$ 85,400	\$ 94,128

<sup>a</sup> 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**

**B-8 STATEMENT OF CASH FLOWS**  
**Page 2 of 8 PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 308,773	\$ 272,773	\$ 160,233	\$ 158,896
Cash Paid to Suppliers	(148,169)	(148,865)	(109,809)	(102,296)
Cash Paid to Employees	(48,798)	(49,701)	(18,587)	(20,211)
Cash Paid for Taxes	(39,186)	(35,822)	(18,108)	(18,461)
Net Cash from Operating Activities	72,620	38,385	13,729	17,928
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants Received	1,702	2,205	340	723
Rental Income	-	-	-	2
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Payments for Environmental Liabilities	(1,001)	(2,848)	-	-
Net Cash from Noncapital Financing Activities	701	(643)	340	725
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	255,886	3,818	-	48,457
Principal Payments on Long-Term Debt and Refunding	(173,902)	(14,020)	(2,960)	(2,075)
Capital Expenditures and Deferred Charges Paid	(56,117)	(49,442)	(14,479)	(42,132)
Interest Paid on Long-Term Debt	(24,378)	(24,308)	(6,081)	(3,775)
Capital Fees and Grants Received	3,106	2,939	-	-
Payment to Trustee for Defeased Bonds	-	-	-	-
Interest Received for Suburban Infrastructure Improvements	-	-	-	-
Debt Issuance Costs	(1,573)	-	(171)	(166)
Proceeds from Sale of Capital Assets	44	112	133	112
Net Cash from Capital and Related Financing Activities	3,066	(80,901)	(23,558)	421
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>				
Proceeds from Sale of Investments	-	24,600	-	-
Purchases of Investments	-	-	-	-
Interest Received on Investments	3,215	2,835	311	307
Net Cash from Investing Activities	3,215	27,435	311	307
Net Increase (Decrease) in Cash and Equity in Pooled Investments	79,602	(15,724)	(9,178)	19,381
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	81,049	96,773	41,457	22,076
End of Year	\$ 160,651	\$ 81,049	\$ 32,279	\$ 41,457
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 60,208	\$ 29,122	\$ 21,224	\$ 18,567
Current Restricted Cash and Equity in Pooled Investments	-	1,571	-	-
Noncurrent Restricted Cash and Equity in Pooled Investments	100,443	50,356	11,055	22,890
Total Cash at the End of the Year	\$ 160,651	\$ 81,049	\$ 32,279	\$ 41,457

<sup>a</sup> 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.

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**The City of Seattle**

**B-8 STATEMENT OF CASH FLOWS**  
**Page 3 of 8 PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 49,760	\$ 44,304	\$ 1,524,034	\$ 1,495,950
Cash Paid to Suppliers	(24,050)	(22,772)	(558,153)	(559,977)
Cash Paid to Employees	(25,108)	(24,045)	(365,815)	(347,922)
Cash Paid for Taxes	(1,457)	(1,355)	(167,854)	(159,027)
Net Cash from Operating Activities	(855)	(3,868)	432,212	429,024
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants Received	509	657	6,005	5,947
Rental Income	-	-	-	2
Transfers In	10,095	9,373	10,095	9,373
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	7,477	9,901
Payments for Energy Conservation Augmentation	-	-	(24,136)	(27,670)
Proceeds from Interfund Loans	3,181	2,250	3,181	2,250
Principal Payments on Interfund Loans	(2,250)	(1,130)	(2,250)	(1,130)
Payments for Environmental Liabilities	-	-	(1,001)	(2,848)
Net Cash from Noncapital Financing Activities	11,535	11,150	(629)	(4,175)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-	928,038	375,794
Principal Payments on Long-Term Debt and Refunding	(1,257)	(1,247)	(580,521)	(108,990)
Capital Expenditures and Deferred Charges Paid	(7)	-	(365,954)	(339,568)
Interest Paid on Long-Term Debt	(4,094)	(3,940)	(166,727)	(166,662)
Capital Fees and Grants Received	-	-	41,999	26,040
Payment to Trustee for Defeased Bonds	-	-	(170,493)	(104,165)
Interest Received for Suburban Infrastructure Improvements	-	-	1,298	1,303
Debt Issuance Costs	-	-	(5,843)	(1,618)
Proceeds from Sale of Capital Assets	-	-	765	806
Net Cash from Capital and Related Financing Activities	(5,358)	(5,187)	(317,438)	(317,060)
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>				
Proceeds from Sale of Investments	-	-	-	277,222
Purchases of Investments	-	-	-	(195,652)
Interest Received on Investments	164	106	10,441	9,558
Net Cash from Investing Activities	164	106	10,441	91,128
Net Increase (Decrease) in Cash and Equity in Pooled Investments	5,486	2,201	124,586	198,917
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	13,748	11,547	604,980	406,063
End of Year	\$ 19,234	\$ 13,748	\$ 729,566	\$ 604,980
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 19,226	\$ 13,748	\$ 269,424	\$ 234,146
Current Restricted Cash and Equity in Pooled Investments	-	-	10	1,639
Noncurrent Restricted Cash and Equity in Pooled Investments	8	-	460,132	369,195
Total Cash at the End of the Year	\$ 19,234	\$ 13,748	\$ 729,566	\$ 604,980

<sup>a</sup> 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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Page 4 of 8

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 197,887	\$ 187,849
Cash Paid to Suppliers	(72,718)	(70,260)
Cash Paid to Employees	(73,760)	(68,174)
Cash Paid for Taxes	(380)	(309)
Net Cash from Operating Activities	51,029	49,106
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Grants Received	1,678	1,048
Rental Income	-	-
Transfers In	1,864	-
Transfers Out	(4,000)	(4,000)
Receipts for Energy Conservation Augmentation	-	-
Payments for Energy Conservation Augmentation	-	-
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
Payments for Environmental Liabilities	-	-
Net Cash from Noncapital Financing Activities	(458)	(2,952)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-
Principal Payments on Long-Term Debt and Refunding	(16,002)	(15,633)
Capital Expenditures and Deferred Charges Paid	(17,266)	(9,156)
Interest Paid on Long-Term Debt	(12,086)	(12,747)
Capital Fees and Grants Received	6,787	593
Payment to Trustee for Defeased Bonds	-	-
Interest Received for Suburban Infrastructure Improvements	-	-
Debt Issuance Costs	-	-
Proceeds from Sale of Capital Assets	(5)	2,339
Net Cash from Capital and Related Financing Activities	(38,572)	(34,604)
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>		
Proceeds from Sale of Investments	-	-
Purchases of Investments	-	-
Interest Received on Investments	620	477
Net Cash from Investing Activities	620	477
Net Increase (Decrease) in Cash and Equity in Pooled Investments	12,619	12,027
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of Year	56,434	44,407
End of Year	\$ 69,053	\$ 56,434
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating Cash and Equity in Pooled Investments	\$ 24,779	\$ 18,767
Current Restricted Cash and Equity in Pooled Investments	19,193	14,294
Noncurrent Restricted Cash and Equity in Pooled Investments	25,081	23,373
Total Cash at the End of the Year	\$ 69,053	\$ 56,434

<sup>a</sup> 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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Page 5 of 8

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 138,297	\$ 116,767	\$ 50,077	\$ 40,076
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	94,810	88,805	48,493	46,062
Depreciation on Fleet Allocated to Construction Work in Progress	2,110	1,920	-	-
Amortization of Deferred Power Costs	17,769	12,373	-	-
Nonoperating Revenues and Expenses	-	-	3,192	2,156
Changes in Operating Assets and Liabilities				
Accounts Receivable	(3,107)	5,746	(1,517)	86
Unbilled Receivables	867	(2,200)	(552)	(748)
Bad Debt Expense	(328)	14,091	-	-
Power Revenue and Expense	1,349	(9,155)	-	-
Other Receivables	2,023	1,107	(279)	(460)
Due from Other Funds	(54)	2,284	561	705
Due from Other Governments	(3,968)	(82)	(129)	572
Materials and Supplies Inventory	(1,850)	(3,542)	(348)	254
Accounts Payable	7,673	2,026	578	(196)
Salaries, Benefits, and Payroll Taxes Payable	1,107	556	275	107
Compensated Absences Payable	751	646	(27)	(69)
Due to Other Funds	515	1,176	(553)	(2,406)
Due to Other Governments	-	-	-	-
Claims Payable	16,712	2,433	(470)	(145)
Taxes Payable	661	927	87	(18)
Deferred Credits	-	-	-	-
Other Deferred Assets and Charges	(27,116)	(6,426)	-	-
Other Assets and Liabilities	8,511	961	321	(598)
Rate Stabilization Deferred Revenue	(13,219)	62,225	3,496	(1,437)
Total Adjustments	105,216	175,871	53,128	43,865
Net Cash from Operating Activities	\$ 243,513	\$ 292,638	\$ 103,205	\$ 83,941
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ 528	\$ 9,817	\$ -	\$ -
Amortization of Debt Related Costs, Net	4,392	3,893	-	-
Change in Valuation of Power Exchange Assets or Liabilities	334	181	-	-
Allowance for Funds Used During Construction	3,524	4,280	-	-
Power Exchange Revenues	3,964	7,378	-	-
Power Exchange Expenses	(4,204)	(7,568)	-	-
Power Revenue Netted against Power Expenses	4,812	6,330	-	-
Power Expense Netted against Power Revenues	(10,063)	(13,494)	-	-
Fair Value Adjustment of Long-Term Investments	-	-	-	8
Contributed Infrastructure	-	-	3,476	1,095
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	\$ 3,287	\$ 10,817	\$ 3,476	\$ 1,103

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



**Fund Financial Statements**

**B-8 STATEMENT OF CASH FLOWS**  
**Page 6 of 8 PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 45,484	\$ 25,886	\$ 9,492	\$ 7,142
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	21,157	19,832	9,017	8,764
Depreciation on Fleet Allocated to Construction Work in Progress	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Nonoperating Revenues and Expenses	2,428	1,293	412	1,227
Changes in Operating Assets and Liabilities				
Accounts Receivable	2,517	(2,968)	(554)	166
Unbilled Receivables	(814)	(1,688)	51	(8)
Bad Debt Expense	-	-	-	-
Power Revenue and Expense	-	-	-	-
Other Receivables	45	(1,351)	-	-
Due from Other Funds	1,172	\$40	(191)	51
Due from Other Governments	(172)	(984)	430	(45)
Materials and Supplies Inventory	(258)	38	(6)	(4)
Accounts Payable	2,487	(399)	(2,333)	942
Salaries, Benefits, and Payroll Taxes Payable	302	135	76	36
Compensated Absences Payable	(25)	142	(9)	13
Due to Other Funds	161	(1,907)	(308)	(331)
Due to Other Governments	104	1,087	-	-
Claims Payable	(1,968)	(312)	582	(403)
Taxes Payable	42	1	95	(157)
Deferred Credits	(179)	(1,032)	(2,078)	(229)
Other Deferred Assets and Charges	-	-	-	-
Other Assets and Liabilities	137	72	(947)	764
Rate Stabilization Deferred Revenue	-	-	-	-
Total Adjustments	27,136	12,499	4,237	10,786
Net Cash from Operating Activities	\$ 72,620	\$ 38,385	\$ 13,729	\$ 17,928
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ -	\$ -	\$ -	\$ -
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	-	-	-	-
Fair Value Adjustment of Long-Term Investments	-	4	-	-
Contributed Infrastructure	1,983	4,209	-	23
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	\$ 1,983	\$ 4,213	\$ -	\$ 23

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

**The City of Seattle**

**B-8 STATEMENT OF CASH FLOWS**  
**Page 7 of 8 PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (4,309)	\$ (8,042)	\$ 239,041	\$ 181,829
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	2,973	3,591	176,450	167,054
Depreciation on Fleet Allocated to Construction Work in Progress	-	-	2,110	1,920
Amortization of Deferred Power Costs	-	-	17,769	12,373
Nonoperating Revenues and Expenses	-	-	6,032	4,676
Changes in Operating Assets and Liabilities				
Accounts Receivable	280	117	(2,381)	3,147
Unbilled Receivables	33	3	(415)	(4,641)
Bad Debt Expense	-	-	(328)	14,091
Power Revenue and Expense	-	-	1,349	(9,155)
Other Receivables	-	-	1,789	(704)
Due from Other Funds	(289)	120	1,199	3,700
Due from Other Governments	74	(35)	(3,765)	(574)
Materials and Supplies Inventory	-	-	(2,462)	(3,254)
Accounts Payable	532	386	8,937	2,759
Salaries, Benefits, and Payroll Taxes Payable	202	69	1,962	903
Compensated Absences Payable	36	55	726	787
Due to Other Funds	76	(143)	(109)	(3,611)
Due to Other Governments	-	-	104	1,087
Claims Payable	2	(15)	14,858	1,558
Taxes Payable	15	(13)	900	740
Deferred Credits	(513)	(197)	(2,770)	(1,458)
Other Deferred Assets and Charges	-	-	(27,116)	(6,426)
Other Assets and Liabilities	33	236	8,055	1,435
Rate Stabilization Deferred Revenue	-	-	(9,723)	60,788
Total Adjustments	3,454	4,174	193,171	247,195
Net Cash from Operating Activities	\$ (855)	\$ (3,868)	\$ 432,212	\$ 429,024
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ -	\$ -	\$ 528	\$ 9,817
Amortization of Debt Related Costs, Net	-	-	4,392	3,893
Change in Valuation of Power Exchange Assets or Liabilities	-	-	334	181
Allowance for Funds Used During Construction	-	-	3,524	4,280
Power Exchange Revenues	-	-	3,964	7,378
Power Exchange Expenses	-	-	(4,204)	(7,568)
Power Revenue Netted against Power Expenses	-	-	4,812	6,330
Power Expense Netted against Power Revenues	-	-	(10,063)	(13,494)
Fair Value Adjustment of Long-Term Investments	-	-	-	12
Contributed Infrastructure	-	-	5,459	5,327
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	\$ -	\$ -	\$ 8,746	\$ 16,156

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

**Fund Financial Statements**

B-8  
Page 8 of 8

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 16,167	\$ 8,709
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>		
Depreciation and Amortization	34,667	32,655
Depreciation on Fleet Allocated to Construction Work in Progress	-	-
Amortization of Deferred Power Costs	-	-
Nonoperating Revenues and Expenses	-	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	636	800
Unbilled Receivables	80	(84)
Bad Debt Expense	-	-
Power Revenue and Expense	-	-
Other Receivables	-	-
Due from Other Funds	(1,212)	1,683
Due from Other Governments	236	(110)
Materials and Supplies Inventory	192	27
Accounts Payable	(681)	3,121
Salaries, Benefits, and Payroll Taxes Payable	312	647
Compensated Absences Payable	74	2,124
Due to Other Funds	2	(913)
Due to Other Governments	29	7
Claims Payable	(49)	90
Taxes Payable	(35)	33
Deferred Credits	-	-
Other Deferred Assets and Charges	-	-
Other Assets and Liabilities	513	317
Rate Stabilization Deferred Revenue	-	-
Total Adjustments	<u>34,862</u>	<u>40,397</u>
Net Cash from Operating Activities	<u>\$ 51,029</u>	<u>\$ 49,106</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
In-Kind Capital Contributions	\$ 14,728	\$ 7,941
Amortization of Debt Related Costs, Net	917	1,080
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	-	-
Fair Value Adjustment of Long-Term Investments	-	-
Contributed Infrastructure	-	-
Settlement from Nextel	27	7,688
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 15,672</u>	<u>\$ 16,709</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**

**B-9 STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2012  
(In Thousands)**

	Pension Trust Funds	S. L. Denny Private-Purpose Trust	Agency Funds
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 21,577	\$ 212	\$ 12,325
Short-Term Investments	47,639	-	-
Securities Lending Collateral	10,155	-	-
Investments at Fair Value			
U.S. Government Obligations	97,064	-	-
Mortgage-Backed Securities	150,552	-	-
Government Related and Other	113,394	-	-
Domestic Corporate Bonds	20,593	-	-
Domestic Stocks	581,330	-	-
International Stocks	554,959	-	-
Real Estate	216,761	-	-
Alternative/Venture Capital	179,703	-	-
Total Investments at Fair Value	1,914,356	-	-
Receivables			
Members	2,453	-	-
Employers	2,230	-	123
Due from Other Funds	1,125	-	-
Other	712	-	-
Interest and Dividends	2,726	-	-
Sales Proceeds	3,087	-	-
Total Receivables	12,333	-	123
Total Assets	2,006,060	212	12,448
<b>LIABILITIES</b>			
Accounts Payable	-	-	1,166
Refunds Payable and Other	3,159	-	-
Salaries, Benefits, and Payroll Taxes Payable	-	-	3,417
Deposits Payable	-	-	7,855
Claims/Judgments Payable	-	-	10
Securities Lending Collateral	14,748	-	-
Investment Commitments Payable	19,150	-	-
Total Liabilities	37,057	-	12,448
Net Position Held in Trust for Pension Benefits and Other Purposes	<u>\$ 1,969,003</u>	<u>\$ 212</u>	<u>\$ -</u>

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

**The City of Seattle**

**B-10 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Pension Trust Funds	S.L. Denny Private-Purpose Trust
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 101,578	\$ -
Plan Member	57,086	-
Total Contributions	158,664	-
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	204,271	-
Interest	9,858	2
Dividends	23,654	-
Total Investment Activities Income	237,783	2
Investment Activities Expenses		
Investment Management Fees	6,314	-
Performance Measurement Fees	499	-
Investment Custodial Fees	250	-
Total Investment Activities Expenses	7,063	-
Net Income from Investment Activities	230,720	2
From Securities Lending Activities		
Securities Lending Income	16	-
Borrower Rebates	83	-
Total Securities Lending Income	99	-
Securities Lending Expenses		
Management Fees	25	-
Total Securities Lending Expenses	25	-
Net Income from Securities Lending Activities	74	-
Total Net Investment Income	230,794	2
Other Income	2,044	-
Total Additions	391,502	2
<b>DEDUCTIONS</b>		
Benefits	171,219	-
Refund of Contributions	14,914	-
Administrative Expense	4,513	-
Total Deductions	190,646	-
Change in Net Position	200,856	2
Net Position - Beginning of Year	1,768,147	210
Net Position - End of Year	<u>\$ 1,969,003</u>	<u>\$ 212</u>

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

**Notes to  
Financial Statements**

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## NOTES TO FINANCIAL STATEMENTS

### December 31, 2012

#### (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 unit may be found in Note 12. The City does not have other relationships with organizations of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

#### Indicators of Financial Accountability

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

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

#### Joint Venture

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

#### Organizations Excluded: Related Organizations

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

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

#### ACCOUNTING STANDARDS

In 2012, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. Service Concession Arrangements were identified within the City's governmental funds, reported on the government-wide financial statements with additional disclosures reported in Note 14.

In 2012, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Implementation of GASB Statement No. 62 did not have a significant impact on the City's financial statements.

In 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Revised language on the face of the financial statements and throughout this report reflects the requirements of this Statement.

In 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It provides clearer fund balance classifications and clarifies the existing governmental fund type definitions. New fund balance classifications include nonspendable, restricted, committed, assigned, and unassigned. Details for the City's fund balance classifications are found under the Fund Balances section of this note.

The Library Fund, previously a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting.

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

#### Statement of Net Position

The Statement of Net Position reports all financial and capital resources. The difference between government-wide assets and liabilities 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.

For permanent endowments, net position is displayed showing the nonexpendable and the expendable components separately. Nonexpendable net position is those that are required to be retained in perpetuity and are reported as restricted net position. Unrestricted net position is those that are not "net investment in capital assets" or "restricted."

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## Notes to Financial Statements

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### 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 include charges for services, grants, and contributions that are restricted for specific purposes. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activity within governmental funds of the City is eliminated, except for the effect of services provided by the business-type activities, 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 to rehabilitate, replace, and preserve low-income housing stock and to assist low-income tenants in Seattle. It is supported by a seven-year housing levy approved by the voters in 2009 and federal grants. The fund accounts for long-term housing loan assistance programs that are either deferred or amortized. Most of the loans are deferred and are payable in full on sale, on change of use, or at the end of the loan term. Terms will generally permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extending the loan term. A majority of the current loans are deferred for 50 years and may be extended for an additional 25 years. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels.

The City reports the following major proprietary funds:

The **Light Fund** (City Light) accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Utility supplies electricity to approximately 403,000 customers in the Seattle area as well as to other city agencies.

The **Water Fund** accounts for operating the City's water utility. The Utility 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 670,000 people. The Utility also sells to 29 surrounding cities and water districts that provide water to an additional 634,000 people.

The **Drainage and Wastewater Fund** accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities, which consist of 1,893 miles of sewers and drainage mainlines and 66 pumping stations, are necessary to 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; collection and recycling of yard waste and other recyclable materials; operation of two 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 Utility.

Additionally, the City reports the following fund types:

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## The City of Seattle

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**Permanent funds** account for resources that are legally restricted to the extent that only earnings, and not principal, are available for disbursement. Earnings of the **H. H. Dearborn Fund** and the **Beach Maintenance Trust Fund** are used for charitable purposes and maintenance of public beaches, respectively.

**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. The City has three 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.

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 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Basis of accounting refers to the timing of when revenues and expenditures or 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 revenues. 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 deferred 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 deferred 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 deferred revenues. Earned but unbilled revenues are accrued.

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## Notes to Financial Statements

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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.

### 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, LIABILITIES, AND NET POSITION OR EQUITY

#### 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.

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## The City of Seattle

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- 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. Venture capital and real estate equities are reported at fair value that has been determined by independent appraisers.

### 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

Inventories are generally valued using the weighted-average cost method and consist of expendable materials and supplies held for consumption.

The costs are recorded as expenditures in governmental funds at the time individual inventory 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.

Inventories in the proprietary funds are expensed as consumed.

### 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.

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 "backtrekking," 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:

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## Notes to Financial Statements

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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

Composite rates are used in the enterprise funds for depreciating asset groups. Consequently, when an asset is retired, its original cost together with removal costs less salvage is charged to accumulated depreciation. The cost of current maintenance and repairs is charged to expense, while the cost of renewals and betterments is capitalized.

### 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.

### Deferred Charges

Deferred charges may include preliminary costs of projects and information systems and programmatic conservation costs.

Costs for proposed projects incurred by the enterprise funds pending construction of the facility are deferred. Costs relating to projects ultimately constructed are transferred to utility plant; costs are charged to expense if a project is abandoned or deferred if the costs are to be recovered through future use. 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.

In the proprietary funds the bond premium and discount are amortized using either straight-line or effective-interest method over the term of the bonds. The excess costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using either straight-line or effective-interest methods over the shorter of the remaining life of the old debt or the life of the new bond issue. Bond issue costs are amortized over the life of the bond. For all other funds, deferrals and amortizations are recognized and reported directly in the government-wide financial statements under governmental activities.

### 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.

### Accumulated Compensated Absences

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.

### Vacation Pay

Employees earn vacation based upon their date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation at retirement or termination is considered vested and payable to the employee.

### Sick Pay

Employees earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit.

The City is mandated, upon retirement of a represented employee who is covered by an agreement between the City and an individual union, that is part of the Coalition of City Unions, that has been duly ratified by members and upon receipt of a signed hold harmless agreement and membership form, to contribute on behalf of such employee to the City's Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association (HRA-VEBA) program an amount equal to 35 percent of the member's unused sick leave balance. If the eligible employee fails to submit the signed hold harmless agreement and the membership enrollment form by their last working day of employment, their entire sick leave balance is forfeited.

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## The City of Seattle

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Retiring employees who are not eligible to participate in the HRA-VEBA program may elect to either cash out 25 percent of the value of their sick leave balance or defer receipt of 35 percent of the value of their sick leave balance to the City's 457 Plan and Trust, subject to the year-to-date or life-to-date limitations on deferrals and contributions to such account. If the 35-percent value of the sick leave balance exceeds the maximum amount deferred to the City's 457 Plan and Trust, the employee shall receive a taxable cash payment equal to the amount, if any, by which the 25 percent of value of the sick leave balance exceeds the portion of the 35-percent amount that was allowed to be deferred.

### Other Compensated Absences

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 compensated absences are payable at retirement or termination.

### Risk Management

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 16).

### Other Accrued Liabilities

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

### 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.

### Deferred Revenues

Deferred revenues include amounts collected before revenue recognition criteria are met as well as amounts recorded as receivables, which under the modified accrual basis of accounting, are measurable but not yet available. The deferred items consist primarily of delinquent property taxes, contracts, 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.

Deferred credits include deferred revenues and revenues collected or billed in advance.

### 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 or resolution, establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. 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.



## Notes to Financial Statements

A summary of governmental fund balances at December 31, 2012, is as follows:

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

Fund Balances	General	Transportation	Low-Income Housing	Other Governmental	Total
Nonspendable					
Petty Cash	\$ 51	\$ 2	\$ -	\$ 25	\$ 78
Prepaid Items and Advances	503	216	-	-	719
Inventory	-	-	-	324	324
Permanent Funds	-	-	-	2,050	2,050
Restricted					
Capital and Continuing Programs	49,217	-	-	153,681	202,898
Health Care Reserve	19,951	-	-	-	19,951
Library	11,341	-	-	-	11,341
Transportation	-	24,313	-	-	24,313
Low-Income Housing	-	-	75,344	-	75,344
Debt Service	-	-	-	10,666	10,666
Municipal Arts	-	-	-	6,575	6,575
Educational and Developmental Services	-	-	-	28,540	28,540
Business Improvement Areas	-	-	-	4,793	4,793
General Trust	-	-	-	4,158	4,158
General Donation and Gift Trusts	-	-	-	4,887	4,887
Other Purposes	2,011	-	-	8,927	10,938
Committed					
General	9,998	-	-	-	9,998
Capital and Continuing Programs	9,260	-	-	-	9,260
Health Care Reserve	25,278	-	-	-	25,278
Employee Benefit Trust Funds	8,540	-	-	-	8,540
Library	584	-	-	-	584
Judgement and Claims	17,351	-	-	-	17,351
Transportation	-	26,517	-	-	26,517
Low-Income Housing	-	-	4,522	-	4,522
Human Services	-	-	-	881	881
Parks and Recreation	-	-	-	60	60
Seattle Center	-	-	-	8,268	8,268
Other Purposes	8,497	-	-	-	8,497
Assigned					
General	3,020	-	-	-	3,020
Municipal Jail	2,672	-	-	-	2,672
Library	725	-	-	-	725
Office of Housing	-	-	-	1,931	1,931
Human Services	-	-	-	2,893	2,893
Parks and Recreation	-	-	-	7,760	7,760
Unassigned					
General	42,474	-	-	-	42,474
Rate Stabilization Account	21,458	-	-	-	21,458
Emergency Subfund	42,060	-	-	-	42,060
Central Waterfront Improvement	-	-	-	(1,528)	(1,528)
Seattle Streetcar	-	-	-	(3,367)	(3,367)
Seattle Center	-	-	-	(9,096)	(9,096)
<b>Total</b>	<b>\$ 274,991</b>	<b>\$ 51,048</b>	<b>\$ 79,866</b>	<b>\$ 232,428</b>	<b>\$ 638,333</b>

### 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 0.25 percent of forecasted tax revenues for 2012 and 0.5 percent thereafter; 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 2012, the RSA reported an ending fund balance of \$21.7 million.

The City maintains the Emergency Subfund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Subfund shall be accompanied with an ordinance approve by three-fourths of the City Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. The City may also choose to reimburse the Emergency Subfund during the year for any expenditure incurred, by transferring unexpended and unencumbered balance from another City fund or subfund, or from other

## The City of Seattle

reimbursements the City may receive. At the end of fiscal year 2012, the Emergency Subfund reported an ending fund balance of \$42.1 million.

### Program Revenues

Program revenues are revenues derived directly from the program itself. These revenues reduce the net cost of the function to be financed from the City's general revenues. The Statement of Activities separately reports three categories of program revenues: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenues that do not meet the criteria of program revenues are reported as general revenues.

### 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, 2011, from which the summarized information was derived.

## (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. 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)

	2012
Annual Budget	\$ 1,181,881
Carryovers	
Encumbrances	2,551
Continuing Appropriations	96,657
Budget Revisions	63,229
<b>Total Budget</b>	<b>\$ 1,344,318</b>

The CIP plan is also proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multiyear expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

## Notes to Financial Statements

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to both City and non-City organizations. Legal authority is established each year by a separate appropriation ordinance for the Housing and Community Development Revenue Sharing Fund.

Budgetary control for the operating budget generally is maintained at the budget control level within departments with the following exceptions: the Library Fund has its total budget set at fund level by the City Council, but its actual expenditures are controlled by the Library Board; capital projects programmed in the CIP are controlled at the project or project-phase level or program depending on legal requirements; grant-funded activities are controlled as prescribed by law and federal regulations.

The City Council may by ordinance abrogate, decrease, or 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 \$500,000. 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 had negative net position of \$25.2 million as of December 31, 2012. The negative fund equity is mostly attributable to cumulative depreciation expenses which were not planned to be covered by Parking Garage's operating revenues. The 2012 payment for interest and principal was \$3.18 million compared to \$2.25 million in 2011. Ordinance 123694 authorizes the Parking Garage to carry a cash loan of not more than \$4 million at any given time until December 31, 2012. This has been amended by Ordinance 124123 which authorizes the Parking Garage to carry a cash loan of not more than \$5 million at any given time until December 31, 2014. In addition, the City appropriated \$2,813,058 to support the Parking Garage fund when needed in 2013. The management strategy for the Parking Garage is to generate sufficient operating revenues to cover debt service payments and cash expenses. The Parking Garage operating revenues are not designed to cover depreciation expenses. Accordingly, the Parking Garage's negative fund equity will continue.

The Seattle Streetcar Fund 10810 had negative fund balance of \$3.37 million as of December 31, 2012. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the allowable amount of the interfund loan from the City's Consolidated Residual Cash Pool to \$3.65 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 negative fund balance of \$1.53 million at December 31, 2012. 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 loan is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance.

## The City of Seattle

### (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, 2012, 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, 2012, 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, 2012, 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, 2012	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 162,391	2
U.S. Treasury and U.S. Government-Backed Securities	67,448	482
U.S. Government Agency Securities	647,690	335
U.S. Government Agency Mortgage-Backed Securities	156,167	2,162
Commercial Paper	176,955	40
Municipal Bonds	182,164	549
Total	<u>\$ 1,392,815</u>	
Weighted Average Maturity of the City's Pooled Investments		592

**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 statutes and investment policy, the City may purchase securities that carry the highest credit ratings issued by Moody's Investors Service, Standard & Poor's, and/or Fitch Ratings. 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

## Notes to Financial Statements

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.

**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: 10 percent of the portfolio per bank for certificates of deposit or bankers' acceptances; and 5 percent per commercial paper or municipal bond issuer. U.S. government agency collateralized mortgage obligations and pass-through securities are limited to a maximum asset allocation of 25 percent of the total portfolio. The City is not limited in its allocation to obligations of: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government.

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

Issuer	Fair Value	Percent of Total Investments
Federal National Mortgage Association (Fannie Mae)	\$ 301,416	22 %
Federal Home Loan Bank	258,633	19
Federal Home Loan Mortgage Corporation (Freddie Mac)	206,792	15

**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 counterparty or the 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. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2012, the collateral underlying the City's repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

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.

## The City of Seattle

### 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	\$ 97,032
Domestic Corporate Bonds	150,552
Other Fixed Income	133,987
Domestic Stocks	581,330
International Stocks	554,959
Real Estate	216,761
Alternative Investments	179,703
<b>Total</b>	<b>\$ 1,914,324</b>

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

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

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

Investment Type	Fair Value	Investment Maturities (In Years)			
		<1	1 - 5	6 - 10	>10
U.S. Government					
Treasuries, Notes, and Bonds	\$ 68,869	\$ 7	\$ 29,206	\$ 17,095	\$ 22,561
Treasury Inflation-Protected Securities	18,968	-	-	17,799	1,169
Agencies	5,072	100	592	2,554	1,826
Municipal	4,123	429	976	1,337	1,381
Mortgage-Backed					
Government Pass-Throughs	87,333	6,224	33,483	2,201	45,425
Corporate Pass-Throughs	11,385	-	391	-	10,994
Government Collateralized Mortgage Obligations	14,675	5,668	218	351	8,438
Corporate					
Bonds	103,924	10,119	39,933	41,382	12,490
Asset-Backed	19,927	6,173	10,165	1,943	1,646
Private Placements	21,154	1,913	10,419	4,665	4,157
Other	5,548	450	3,965	63	1,070
Foreign Sovereign					
Bonds	20,593	-	8,254	12,113	226
<b>Total Portfolio</b>	<b>\$ 381,571</b>	<b>\$ 31,083</b>	<b>\$ 137,602</b>	<b>\$ 101,503</b>	<b>\$ 111,383</b>

**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.

## Notes to Financial Statements

**Table 3-5 SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S**  
(In Thousands)

Investment Type	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
U.S. Government								
Treasury Notes and Bonds	\$ -	\$ 68,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6
Agencies	-	3,565	1,507	-	-	-	-	-
Securities-Other	-	1,169	-	-	-	-	-	-
Municipal	-	238	3,290	-	-	-	-	595
Mortgage-Backed								
Government Pass-Throughs	-	87,333	-	-	-	-	-	-
Corporate Pass-Throughs	3,381	645	1,244	2,353	85	-	-	3,677
Government CMO's	625	11,364	398	761	-	179	930	418
Corporate								
Bonds	17,799	6,912	44,386	45,206	5,297	12,338	-	-
Asset-Backed	12,156	2,312	156	3,144	245	377	755	783
Private Placements	3,062	2,871	3,896	6,892	43	22	424	3,945
Other	-	1,621	3,804	-	123	-	-	-
Foreign Sovereign								
Bonds	297	1,015	2,154	6,910	-	-	-	-
Total Portfolio	\$ 37,320	\$ 187,908	\$ 60,835	\$ 65,266	\$ 5,793	\$ 12,916	\$ 2,109	\$ 9,424

**Table 3-6 SCERS' ASSET ALLOCATION**

Asset Class	Actual	Target
Cash and Cash Equivalents	3.1 %	0.0 %
Equities		
Domestic	29.4	25.0
International	28.1	27.0
Fixed Income	19.3	20.0
Alternative	9.1	10.0
Real Estate	11.0	12.0
Covered Calls	0.0	6.0
Total	100.0 %	100.0 %

**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

## The City of Seattle

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, 2012, 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	2012		2011	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 5,264	\$ 5,374	\$ 100	\$ 102
U.S. Corporate Fixed Income	470	481	1,660	1,705
U.S. Equities	7,349	7,550	4,970	5,104
Total Securities Lent	\$ 13,083	\$ 13,405	\$ 6,730	\$ 6,911
Collateral	2012		2011	
U.S. Corporate Obligations	\$ -		\$ 3,500	
Repurchase Agreements	9,579		1,829	
Asset-Backed Securities	1,395		1,582	
Payable/Receivable	2,430		-	
Total Collateral	\$ 13,404		\$ 6,911	
Fair Value of Collateral Held	\$ 10,153		\$ 3,490	

### 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.

**Notes to Financial Statements**

**(4) RECEIVABLES AND INTERFUND TRANSACTIONS**

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

	December 31 2012 Revenues	December 31 2012 Receivables
Property Taxes	\$ 420,763	\$ 17,185
General Business and Occupation Taxes	358,931	55,243
Totals	<u>\$ 779,694</u>	<u>\$ 72,428</u>

**TAXING POWERS AND LIMITATIONS**

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.97 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2012. In addition, the levy included \$1.31 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2012 levy was \$3.27 per \$1,000 of assessed value. Not included in this total is the levy for Emergency Medical Services, which was renewed by voters at election in November 2007 at \$0.30 per \$1,000 of assessed value and remained at \$0.30 per \$1,000 of assessed value in 2012.

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, 2012, as reported in the fund financial statements.

**The City of Seattle**

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

Receivable Fund	Payable Fund(s)	Amount
General	Drainage and Wastewater	\$ 3,313
	Nonmajor Enterprise	22
	Nonmajor Governmental	740
	Internal Service	121
	Low-Income Housing	173
	Transportation	451
	Light	4,161
	Solid Waste	523
	Water	2,401
	Total General Fund	11,905
Transportation	Drainage and Wastewater	158
	Nonmajor Enterprise	124
	General	1,122
	Nonmajor Governmental	13,516
	Internal Service	52
	Light	443
	Solid Waste	7
	Water	436
Total Transportation Fund	15,858	
Light	Drainage and Wastewater	346
	General	840
	Nonmajor Governmental	5
	Internal Service	50
	Fiduciary	7
	Transportation	15
	Solid Waste	201
	Water	238
Total Light Fund <sup>b</sup>	1,702	
Water	Drainage and Wastewater	48
	General	113
	Nonmajor Governmental	64
	Transportation	64
	Light	58
	Solid Waste	3
Total Water Fund	350	
Low-Income Housing	General	262
	Light	807
Total Low-Income Housing Fund	1,069	
Solid Waste	Nonmajor Governmental	25
	Light	37
	Water	187
	Total Solid Waste Fund	249
Drainage and Wastewater	Nonmajor Enterprise	19
	General	29
	Nonmajor Governmental	8
	Transportation	143
	Light	290
	Solid Waste	3
	Water	207
	Total Drainage and Wastewater Fund	699

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

<sup>b</sup> Some amounts vary from the Statement of Net Position due to differential classification within the proprietary funds.

**Notes to Financial Statements**

**The City of Seattle**

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

Receivable Fund	Payable Fund(s)	Amount	
Nonmajor Governmental	Drainage and Wastewater	\$ 118	
	Nonmajor Enterprise	2	
	General	806	
	Nonmajor Governmental	5,570	
	Internal Service	145	
	Low-Income Housing	2	
	Transportation	54	
	Light	351	
	Solid Waste	55	
	Water	17	
	Total Nonmajor Governmental Funds	7,120	
	Fiduciary	General	79
		Light	41
Total Fiduciary Funds		120	
Nonmajor Enterprise	Drainage and Wastewater	563	
	General	43	
	Nonmajor Governmental	41	
	Internal Service	9	
	Transportation	51	
	Light	104	
Total Nonmajor Enterprise Funds	811		
Internal Service	Drainage and Wastewater	311	
	Nonmajor Enterprise	130	
	General	2,553	
	Nonmajor Governmental	826	
	Internal Service	136	
	Transportation	891	
	Light	1,500	
	Solid Waste	130	
Water	513		
Total Internal Service Funds	6,990		
Grand Total		\$ 46,873	

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

The balances in Table 4-2 resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made.

**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	Seattle Center Fund	\$ 1,700
	Central Waterfront Improvement Fund	850
	Downtown Parking Garage Fund	3,181
Total City		\$ 5,731

These interfund loans have all been approved by the City Council through ordinance. The Seattle Center's loan was approved by Ordinances 123644 and 124031 and is due to current economic conditions that prevent the Seattle Center's cash receipts from being sufficient to maintain a consistent positive cash balance. The Central Waterfront Improvement Fund's loan was approved by Ordinance 123761 and is intended to cover current costs that could be covered by a future Local Improvement District. The Downtown Parking Garage's loan was authorized by Ordinances 123694 and 124123 and is to be repaid by December 31, 2014 either from operating revenues of the Garage or the General Fund.

**Table 4-4 INTERFUND TRANSFERS**  
(In Thousands)

Transfers In	Transfers Out				Total
	General	Internal Service	Nonmajor Governmental	Transportation	
General Fund	\$ -	\$ 4,000	\$ 162	\$ 8,100	\$ 12,262
Internal Service	1,864	-	-	-	1,864
Low-Income Housing	46	-	-	-	46
Nonmajor Enterprise	10,095	-	-	-	10,095
Nonmajor Governmental	174,818	-	5,726	23,893	204,437
Transportation	44,333	-	73,533	-	117,866
Total Transfers	\$ 231,156	\$ 4,000	\$ 79,421	\$ 31,993	\$ 346,570

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.

**(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS**

The Seattle City Light (SCL) engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve the 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.

## Notes to Financial Statements

The following table presents (in thousands) 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 2012	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 28,553	\$ 26,434	\$ 2,119
Purchases	8,677	8,001	(676)
<b>Total</b>	<b>\$ 37,230</b>	<b>\$ 34,435</b>	<b>\$ 1,443</b>

Year 2011	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 16,444	\$ 16,861	\$ (417)
Purchases	6,028	5,752	(276)
<b>Total</b>	<b>\$ 22,472</b>	<b>\$ 22,613</b>	<b>\$ (693)</b>

Fair value measurements at December 31, 2012 and 2011 used an income valuation technique consisting of Kiodes Forward Curves and Platts M2M Power Curves respectively, 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 2012 and 2011. 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.

## The City of Seattle

### (6) CAPITAL ASSETS

**Table 6-1** **CHANGES IN CAPITAL ASSETS<sup>a</sup>**  
(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
<b>GOVERNMENTAL ACTIVITIES<sup>b</sup></b>				
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 534,093	\$ 4,534	\$ 775	\$ 537,852
Construction in Progress	340,504	297,290	327,285	310,509
<b>Total Capital Assets Not Being Depreciated</b>	<b>874,597</b>	<b>301,824</b>	<b>328,060</b>	<b>848,361</b>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and Improvements	2,120,879	82,279	1,011	2,202,147
Machinery and Equipment	305,357	25,169	10,283	320,243
Infrastructure	1,422,806	234,300	-	1,657,106
Other Capital Assets	13,479	2,432	-	15,911
<b>Total Capital Assets Being Depreciated</b>	<b>3,862,521</b>	<b>344,180</b>	<b>11,294</b>	<b>4,195,407</b>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	589,641	53,360	593	642,408
Machinery and Equipment	181,238	30,480	8,760	202,958
Infrastructure	614,732	46,080	-	660,812
Other Capital Assets	1,608	173	-	1,781
<b>Total Accumulated Depreciation</b>	<b>1,387,219</b>	<b>130,093</b>	<b>9,353</b>	<b>1,507,959</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,475,302</b>	<b>214,087</b>	<b>1,941</b>	<b>2,687,448</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,349,899</b>	<b>\$ 515,911</b>	<b>\$ 330,001</b>	<b>\$ 3,535,809</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 133,634	\$ 21,571	\$ 143	\$ 155,062
Construction in Progress	312,968	372,622	427,005	258,585
Other Capital Assets	3,368	730	-	4,098
<b>Total Capital Assets Not Being Depreciated</b>	<b>449,970</b>	<b>394,923</b>	<b>427,148</b>	<b>417,745</b>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Plant in Service, Excluding Land	5,998,033	382,313	39,447	6,340,899
Buildings	60,131	-	-	60,131
Machinery and Equipment	15,169	173	362	14,980
Other Capital Assets	62,046	14,446	1,059	75,433
<b>Total Capital Assets Being Depreciated</b>	<b>6,135,379</b>	<b>396,932</b>	<b>40,868</b>	<b>6,491,443</b>
<b>Accumulated Depreciation</b>				
Plant in Service, Excluding Land	2,309,192	173,918	50,299	2,432,811
Buildings	26,056	2,004	-	28,060
Machinery and Equipment	12,722	1,007	352	13,377
Other Capital Assets	2,644	857	542	2,959
<b>Total Accumulated Depreciation</b>	<b>2,350,614</b>	<b>177,786</b>	<b>51,193</b>	<b>2,477,207</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,784,765</b>	<b>219,146</b>	<b>(10,325)</b>	<b>4,014,236</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 4,234,735</b>	<b>\$ 614,069</b>	<b>\$ 416,823</b>	<b>\$ 4,431,981</b>

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

<sup>b</sup> The capital assets for governmental activities include the capital assets of the internal service funds. Schedules H-1, H-2, and H-3 provide additional information on the capital assets of the governmental funds.

**Notes to Financial Statements**

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

<b>GOVERNMENTAL ACTIVITIES</b>		
General Government	\$	4,787
Public Safety		5,900
Transportation		46,792
Economic Environment		12
Culture and Recreation		37,894
Subtotal		95,385
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets		34,708
Total Governmental Activities	\$	130,093
<b>BUSINESS-TYPE ACTIVITIES</b>		
Light	\$	104,567
Water		44,026
Solid Waste		6,493
Drainage and Wastewater		19,689
Planning and Development		1,007
Parking Garage		2,004
Total Business-Type Activities	\$	177,786

**(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 2012 and 2011. The tables show the accrued liabilities by group between governmental activities, business-type activities, and pension trust funds, and further by type of funds, as applicable.

**GOVERNMENTAL ACTIVITIES**

**Governmental Funds**

Unpaid compensated absences associated with governmental fund operations of \$78.1 million and \$78.8 million at December 31, 2012 and 2011, respectively, have been recorded in the government-wide financial statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$16.2 million and \$16.8 million at the end of 2012 and 2011, respectively; accumulated unpaid vacation pay of \$48.5 million and \$49.7 million at the end of 2012 and 2011, respectively; and the balance for sick leave (estimated based on the termination method) of \$13.4 million and \$12.3 million at December 31, 2012 and 2011, respectively.

**Internal Service Funds**

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

	2012	2011
Finance and Administrative Services	\$ 4,148	\$ 4,077
Information Technology	1,737	1,734
Totals	\$ 5,885	\$ 5,811

**The City of Seattle**

**BUSINESS-TYPE ACTIVITIES**

**Enterprise Funds**

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

	2012	2011
Light	\$ 16,616	\$ 16,186
Water	4,722	4,749
Drainage and Wastewater	4,400	4,425
Solid Waste	1,610	1,619
Planning and Development	2,756	2,720
Totals	\$ 30,104	\$ 29,699

**PENSION TRUST FUNDS**

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

	2012	2011
Employees' Retirement	\$ 111	\$ 121
Firemen's Pension	64	30
Police Relief and Pension	54	39
Totals	\$ 229	\$ 190

Compensated absences in governmental activities and business-type activities are presented in the aggregate in Note 9, Long-Term Debt, Table 9-9, which also shows 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.



## Notes to Financial Statements

Table 8-1

### CAPITAL LEASES (In Thousands)

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 20
Less Accumulated Depreciation	(14)
December 31, 2012	<u>\$ 6</u>
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2013	\$ 5
2014	2
Total Minimum Lease Payments	7
Less Interest	(1)
Principal	<u>\$ 6</u>

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 \$4.5 million in 2012 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 rent in the amount of approximately \$297 thousand in 2012 on the lease. Rents are paid as they become due and payable.

## The City of Seattle

Minimum payments under the leases are:

Table 8-2

### OPERATING LEASE COMMITMENTS GOVERNMENTAL ACTIVITIES (In Thousands)

Year Ending December 31	Minimum Lease Payments		
	Facilities Operations	Seattle Center	Total
2013	\$ 4,190	\$ 297	\$ 4,487
2014	2,772	297	3,069
2015	1,936	175	2,111
2016	1,277	-	1,277
2017	828	-	828
Total	<u>\$ 11,003</u>	<u>\$ 769</u>	<u>\$ 11,772</u>

#### Business-Type Activities

In December 1994 the City entered into an agreement on behalf of the Seattle City Light Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996 the City purchased the building in which these facilities are located, thus becoming the Department's lessor. This lease extended through December 2006. Beginning in 2007 the Department made monthly lease payments to the City through the central cost allocation process, similar to all other payments for tenancy of the City property and through the budget process. The Department also leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense under all leases totaled \$1.3 million and \$1.1 million in 2012 and 2011, respectively.

The 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 2012 and 2011 were: \$393,513 and \$384,595 for the Water Fund; \$110,248 and \$108,115 for the Drainage and Wastewater Fund, and \$183,979 and \$177,747 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	
2013	\$ 1,148	\$ 275	\$ 70	\$ 180	\$ 1,673
2014	1,039	249	59	176	1,523
2015	1,051	257	62	182	1,552
2016	984	221	53	156	1,414
2017	847	11	-	-	858
2018 - 2022	-	57	-	-	57
2023 - 2027	-	57	-	-	57
2028	-	23	-	-	23
Total	<u>\$ 5,069</u>	<u>\$ 1,150</u>	<u>\$ 244</u>	<u>\$ 694</u>	<u>\$ 7,157</u>

## Notes to Financial Statements

### 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)		
	2012	2011
Non-City Property Occupied by City Departments	\$ 5.2	\$ 5.1
City-Owned Property Occupied by City Departments	51.4	51.2
City-Owned Property Leased to Non-City Tenants	2.6	2.3
<b>Total</b>	<b>\$ 59.2</b>	<b>\$ 58.6</b>

Additionally, in 2012 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.6 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2012 the City recognized \$6.6 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 2011 was \$1.467 billion. The amount of bonds outstanding at December 31, 2011 was \$883.0 million. The following paragraphs discuss the general obligation bonds issued during 2012. No outstanding general obligation bonds were defeased in 2012.

On May 16, 2012, the City issued the \$75.6 million LTGO Various Purpose & Refunding Bonds, 2012, with an interest rate of 4.6 percent which mature serially from September 1, 2012 through September 1, 2032. On that day there were also \$46.8 million in UTGO refunding bonds issued. The proceeds of these LTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Mercer, Linden, Seawall, Parking/program Management, Golf, Rainier Beach Community Center, Magnuson Park and Library Information Technology. In addition, 2002 Bonds were refunded as part of the 2012 issue as follows: 2002 LTGO for \$25.0 million, 2003 LTGO at \$4.7 million, and 2005 LTGO for \$19.0 million. The UTGO Refunding was of the 2002 UTGO bond issue.

The City had no short-term general obligation debt at the end of 2012.

## The City of Seattle

The following table presents the individual general obligation bonds outstanding as of December 31, 2012, and other relevant information on each outstanding bond issue.

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

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2012	To Date <sup>a</sup>	
<b>LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED</b>							
Refunding - Various LTGO Bonds, 1998, Series B	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 1,390	\$ 43,710	\$ -
Deferred Interest Parking Garage, 1998, Series E	11/12/98	12/15/01-14	4.714	13,042	1,257	11,083	1,959 <sup>b</sup>
Improvement (Various) and Refunding, 2002	01/30/02	07/01/02-32	4.778	125,510	4,625	125,510	-
Various Purpose and Refunding, 2003	02/26/03	08/01/04-23	3.469	60,855	1,130	59,680	1,175
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	6,180	35,920	55,885
Various Purpose and Refunding, 2005	03/23/05	08/01/05-28	4.167	129,540	5,770	72,930	56,610
Various Purpose and Refunding, 2006	04/26/06	03/01/07-26	4.254	24,905	1,815	9,805	15,100
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	2,860	13,010	82,540
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	8,065	26,795	113,035
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	11,590	27,820	72,040
Improvement and Refunding, 2010, Series A <sup>c</sup>	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	6,440	9,660	125,735
Various Purpose, 2011	03/16/11	03/01/11-31	4.431	79,185	2,560	2,560	76,625
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	4.603	75,590	220	220	75,370
<b>Total Limited Tax General Obligation Bonds</b>				<b>1,181,287</b>	<b>53,902</b>	<b>438,703</b>	<b>742,584</b>
<b>UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED</b>							
Refunding-Variou UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470	53,865	1,460	51,960	1,905
Improvement (Library Facilities) and Refunding, 2002	09/26/02	12/01/03-21	3.892	117,025	4,845	117,025	-
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	6,070	19,050	41,820
Refunding-Variou UTGO Bonds, 2012	05/16/12	12/01/12-21	4.603	46,825	595	595	46,230
<b>Total Unlimited Tax General Obligation Bonds</b>				<b>278,585</b>	<b>12,970</b>	<b>188,630</b>	<b>89,955</b>
<b>Total General Obligation Bonds</b>				<b>\$ 1,459,872</b>	<b>\$ 66,872</b>	<b>\$ 627,333</b>	<b>\$ 832,539</b>

<sup>a</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

<sup>b</sup> The accreted value of the outstanding bonds as of December 31, 2012, is \$3,930,035. The difference is also recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund, where the bond outstanding is also recorded.

<sup>c</sup> Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

The requirements to amortize the general obligation bonds as of December 31, 2012, 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.

## Notes to Financial Statements

**Table 9-2 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**

Year Ending December 31	GENERAL OBLIGATION BONDS				
	(In Thousands)				Total
	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	
2013	\$ 68,935	\$ 35,483	\$ 1,262	\$ 4,259	\$ 109,939
2014	65,095	32,311	1,857	3,740	103,003
2015	54,245	29,535	2,950	2,824	89,554
2016	53,925	26,949	3,280	2,676	86,830
2017	55,660	24,379	3,630	2,512	86,181
2018 - 2022	245,630	84,539	24,340	9,438	363,947
2023 - 2027	167,265	33,422	21,615	2,536	224,838
2028 - 2032	61,290	6,320	655	33	68,298
2033 - 2034	905	46	-	-	951
Total	\$ 772,950	\$ 272,984	\$ 59,589	\$ 28,018	\$ 1,133,541

### 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 2012 was \$13.0 million. There were no new bond issues in 2012.

The following table shows more detail on the outstanding issue.

**Table 9-3 SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds
					2012	To Date	Outstanding
							December 31
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-24	4.102	\$ 21,925	\$ 1,300	\$ 8,920	\$ 13,005

The requirements to amortize the special assessments with governmental commitment as of December 31, 2012, are shown below.

**Table 9-4 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**

Year Ending December 31	(In Thousands)		
	Principal	Interest	Total
2013	\$ 1,220	\$ 36	\$ 1,256
2014	1,220	48	1,268
2015	1,220	48	1,268
2016	1,220	49	1,269
2017	1,220	49	1,269
2018 - 2022	4,860	203	5,063
2023 - 2024	2,045	85	2,130
Total	\$ 13,005	\$ 518	\$ 13,523

## The City of Seattle

### 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. Additional amount of \$0.2 million was drawn against the notes in 2011 and the City paid \$2.1 million and \$0.2 million in principal and interest, respectively, in 2012. The outstanding balance on the notes at December 31, 2012, is \$13.3 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2012.

**Table 9-5 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**

#### SEATTLE DEPARTMENT OF TRANSPORTATION PUBLIC WORKS TRUST LOAN NOTES (In Thousands)

Year Ending December 31	Principal	Interest	Total
2013	\$ 2,071	\$ 200	\$ 2,271
2014	1,699	166	1,865
2015	1,560	136	1,696
2016	1,370	109	1,479
2017	1,167	83	1,250
2018 - 2022	4,034	171	4,205
2023	566	6	572
Total	\$ 12,467	\$ 871	\$ 13,338

### 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 2011 was approximately \$4.291 billion. The total outstanding amount at December 31, 2011, was \$3.266 billion. During 2012 an additional \$806.5 million of revenue bonds were issued.

#### City Light

On July 17, 2012, pursuant to City Ordinance 123752, the City issued \$345.6 million Municipal Light and Power Improvement and Refunding Revenue Bonds (Parity), which included 2012A Tax Exempt Bonds in (\$293.3 million), 2012B Taxable Bonds (\$9.4 million) and 2012C Taxable Clean Renewable Energy Bonds (\$43 million). Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

#### Water

On May 30, 2012, pursuant to City Ordinance 121939, the City issued \$238.8 million Water System Refunding Revenue Bonds with an average coupon rate of 2.631 percent and maturing on September 1, 2034. Proceeds of the bonds were used to refund \$263.8 million of prior lien bonds, Series 2001 Parity, 2003 Parity, Refunding, and 2004 Parity. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

#### Drainage and Wastewater

On June 27, 2012, pursuant to City Ordinances 121938 and 123753, the City issued \$222.1 million in Drainage and Wastewater Improvement and Refunding Revenue Bonds (Parity). The bonds were issued with an average coupon rate of 3.327 percent and maturing on September 1, 2042. A portion of the proceeds were used to refund \$151.9 million of prior lien bonds, Series 2001, 2002 and 2004, and the remainder of proceeds were used to finance certain capital projects. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

The business-type funds had no short-term debt at December 31, 2012.

## Notes to Financial Statements

The following table presents the individual revenue bonds outstanding as of December 31, 2012, 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
					2012	To Date <sup>a</sup>	
<b>MUNICIPAL LIGHT AND POWER (ML&amp;P) BONDS</b>							
2002 Parity, Refunding	12/04/02	12/01/03-14	3.470	\$ 87,735	\$ 13,450	\$ 87,735	\$ -
2003 Parity, Refunding	08/20/03	11/01/04-28	3.517	251,850	125,635	247,440	4,410
2004 Parity	12/23/04	08/01/05-29	4.159	284,855	48,145	111,295	173,560
2008 Parity	12/30/08	04/01/09-29	5.522	257,375	13,485	41,735	215,640
2010 Parity, Series A <sup>b</sup>	05/26/10	02/01/21-40	3.566	181,625	-	-	181,625
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	35,500	44,850	552,020
2010 Parity, Series C <sup>c</sup>	05/26/10	02/01/11-40	3.112	13,275	-	-	13,275
2011 Parity, Series A, Refunding	02/08/11	02/01/11-36	4.544	296,315	10,770	13,735	282,580
2011 Parity, Series B <sup>d</sup>	02/08/11	02/01/11-27	1.957	10,000	-	-	10,000
2012 Parity, Series A	07/17/12	06/01/41	3.147	293,280	-	-	293,280
2012 Parity, Series B, Refunding	07/17/12	12/01/14	0.750	9,355	145	145	9,210
2012 Parity, Series C <sup>d</sup>	07/17/12	06/01/33	0.586	43,000	-	-	43,000
Total Light Bonds				2,325,535	247,130	546,935	1,778,600
<b>MUNICIPAL WATER BONDS</b>							
2001 Parity	11/20/01	11/01/05-31	4.972	52,525	44,320	52,525	-
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	160,240	245,835	25,485
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	69,905	80,920	3,830
2005 Parity, Refunding	12/28/05	09/01/06-29	4.482	138,040	4,820	19,860	118,180
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424	189,970	4,640	16,955	173,015
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	4,940	19,875	185,205
2010 Parity, Series A	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	4,980	13,240	68,520
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	2,445	2,445	236,325
Total Water Bonds				1,371,295	296,290	451,655	919,640
<b>MUNICIPAL DRAINAGE AND WASTEWATER BONDS</b>							
2001 Parity	07/01/01	11/01/02-31	5.260	60,680	48,880	60,680	-
2002 Refunding	12/17/02	07/01/03-32	4.751	78,550	62,675	78,550	-
2004 Parity	10/28/04	09/01/05-34	4.583	62,010	43,880	51,750	10,260
2006 Refunding	11/01/06	02/01/07-37	4.423	121,765	3,895	17,560	104,205
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,515	5,710	78,935
2009 Parity, Series A <sup>b</sup>	12/17/09	11/01/17-39	3.538	102,535	-	-	102,535
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	2.907	36,680	3,245	10,095	26,585
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	4,115	4,115	217,975
Total Drainage and Wastewater Bonds				768,955	168,205	228,460	540,495
<b>SOLID WASTE BONDS</b>							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	2,185	7,945	74,230
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	775	775	44,975
Total Solid Waste Bonds				127,925	2,960	8,720	119,205
Total Utility Revenue Bonds				\$ 4,593,710	\$ 714,585	\$ 1,235,770	\$ 3,357,940

<sup>a</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

<sup>b</sup> Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>c</sup> Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>d</sup> Issued as taxable New Clean Renewable Energy Bonds.

## The City of Seattle

The requirements to amortize the revenue bonds as of December 31, 2012, 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	
2013	\$ 91,840	\$ 86,447	\$ 32,630	\$ 44,793	\$ 15,215	\$ 25,837	\$ 3,330	\$ 5,708	\$ 305,800
2014	96,645	82,173	33,545	43,369	15,825	25,282	3,495	5,549	305,883
2015	98,915	77,345	35,015	41,836	16,415	24,620	3,665	5,371	303,182
2016	97,455	72,410	36,700	40,126	17,220	23,899	3,855	5,185	296,850
2017	98,475	67,504	38,450	38,334	18,070	23,124	4,045	4,989	292,991
2018 - 2022	476,230	266,770	219,315	161,417	100,670	101,743	22,170	21,737	1,370,052
2023 - 2027	405,350	150,455	222,345	104,763	98,505	76,594	27,355	15,688	1,099,055
2028 - 2032	184,555	76,946	169,805	55,464	113,360	51,391	34,675	8,383	694,579
2033 - 2037	151,815	37,157	104,430	21,606	39,670	32,305	16,615	1,568	405,166
2038 - 2042	79,320	6,622	27,405	2,626	105,545	9,257	-	-	230,775
Total	\$ 1,778,600	\$ 923,829	\$ 919,640	\$ 554,334	\$ 540,495	\$ 394,052	\$ 119,205	\$ 74,178	\$ 5,304,333

### 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

During 1993, the Fund entered into a loan agreement to borrow up to \$2.2 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 1.0 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Magnolia Manor Reservoir project. As of December 31, 2012, this loan has an outstanding balance of \$0.1 million.

In 2008, the Fund entered into a loan agreement to borrow \$8.1 million from the same program at 1.5 percent interest per year and a repayment period of 17 to 18 years. Proceeds from this loan were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2012, this loan has an outstanding balance of \$5.9 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the same program at 1.5 percent per annum and payable in 18 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2012, this loan has an outstanding balance of \$2.4 million.

Also in 2009, the Fund entered into two loan agreements to borrow, totaling \$9.1 million, from the same program to be used to finance the Maple Lead 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, 2012, these loans have an outstanding balance of \$8.7 million.

Amounts paid for all loans in 2012 totaled \$858 thousand and \$231 thousand, in principal and interest, respectively. The combined outstanding balance of the loans at December 31, 2012 is \$17.1 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 its 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 20 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2012, this loan has an outstanding balance of \$2.4 million.

## Notes to Financial Statements

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, 2012, the loan has an outstanding balance of \$2.3 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 20 years. As of December 31, 2012, the loan has an outstanding balance of \$2.6 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2010. As of December 31, 2012, the loan has an outstanding balance of \$6.4 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. In 2010, the Fund borrowed \$0.7 million of which \$0.4 million is forgivable. More draw downs are anticipated in the future. As of December 31, 2012, the loan has an outstanding balance of \$0.5 million.

In 2011, the Fund was approved for a public works trust fund 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, 2012, the loan has an outstanding balance of \$3.6 million.

Amounts paid to all loans in 2012 totaled \$914 thousand in principal and approximately \$195 thousand in interest. Total loans outstanding as of December 31, 2012 are \$17.7 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	
2013	\$ 1,188	\$ 367	\$ 1,075	\$ 186	\$ 2,816
2014	1,069	210	1,083	175	2,537
2015	1,069	196	1,092	163	2,520
2016	1,070	181	1,101	152	2,504
2017	1,070	167	1,110	140	2,487
2018 - 2022	5,348	616	5,538	521	12,023
2023 - 2027	4,686	258	4,541	250	9,735
2028 - 2032	1,569	38	2,144	40	3,791
Total	\$ 17,069	\$ 2,033	\$ 17,684	\$ 1,627	\$ 38,413

## The City of Seattle

The following table shows the long-term liability activities during the year ended December 31, 2012.

**Table 9-9 CHANGES IN LONG-TERM LIABILITIES<sup>a</sup>  
(In Thousands)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 822,110	\$ 122,415	\$ 171,575	\$ 772,950	\$ 68,935
Add (Deduct) Deferred Amounts					
Issuance Premiums	38,187	21,709	3,824	56,072	-
Issuance Discounts	(2)	-	-	(2)	-
On Refunding	(593)	(940)	-	(1,533)	-
Special Assessment Bonds with Governmental Commitment <sup>b</sup>	14,305	-	1,300	13,005	-
Total Bonds Payable	874,007	143,184	176,699	840,492	68,935
Notes and Contracts					
Capital Leases	10	-	4	6	4
Other Notes and Contracts	14,662	6,000	1,920	18,742	2,071
Total Notes and Contracts	14,672	6,000	1,924	18,748	2,075
Compensated Absences	84,612	72,867	73,401	84,078	20,519
Claims Payable					
Workers' Compensation	24,209	1,049	-	25,258	7,849
General Liability	60,918	-	13,531	47,387	10,900
Health Care Claims	1,764	484	-	2,248	2,248
Environmental Liability <sup>c</sup>					
General Contamination Cleanup	60	199	-	259	-
Total Claims Payable <sup>d</sup>	86,951	1,732	13,531	75,152	20,997
Arbitrage Rebate Liability	44	-	27	17	-
Total Long-Term Liabilities from Governmental Activities	\$ 1,060,286	\$ 223,783	\$ 265,582	\$ 1,018,487	\$ 112,526
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 60,846	\$ -	\$ 1,257	\$ 59,589	\$ 1,262
Revenue Bonds	3,266,031	806,495	714,585	3,357,941	143,015
Add (Deduct) Deferred Amounts					
Issuance Premiums	127,647	121,241	25,494	223,394	-
Issuance Discounts	(1,184)	-	454	(1,638)	-
On Refunding	(47,395)	(19,579)	(3,067)	(69,907)	-
Total Bonds Payable	3,405,945	908,157	738,723	3,575,379	144,277
Accrued Interest - Deferred Interest Bonds	2,884	-	913	1,971	1,378
Notes and Contracts - Other	36,222	313	1,772	34,763	2,273
Compensated Absences	29,699	10,424	9,698	30,425	3,006
Claims Payable					
Workers' Compensation	9,265	3,029	2,657	9,637	2,995
General Liability	21,222	2,786	5,639	18,369	4,225
Environmental Liability <sup>c</sup>					
General Contamination Cleanup	34,624	91,042	10,278	115,388	16,646
Total Claims Payable <sup>d</sup>	65,111	96,857	18,574	143,394	23,866
Habitat Conservation Program Liability	5,048	4,370	2,507	6,911	1,164
Landfill Closure and Postclosure Costs	19,962	-	1,345	18,617	1,398
Total Long-Term Liabilities from Business-Type Activities	\$ 3,564,871	\$ 1,020,121	\$ 773,532	\$ 3,811,460	\$ 177,362

<sup>a</sup> Some amounts may have rounding differences with the Statement of Net Position.

<sup>b</sup> The Special Assessment Bonds carry neither premiums nor discounts.

<sup>c</sup> See Note 10, Environmental Liabilities for a detailed discussion.

<sup>d</sup> See Note 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.

## Notes to Financial Statements

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 \$5.6 million and \$1.8 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 2012.

#### General Government

The refunding portion of the \$122.4 million LTGO Various Purpose and Refunding, 2012, and UTGO Refunding- Various UTGO Bonds, 2012, Improvement and Refunding Bonds 2012, issued by the City on May 16, 2012, were used partially refund 2002 LTGO Refunding of 1992 for \$7.8 million, 2002 LTGO bonds for \$19.1 million, 2003 LTGO of \$5.3 million, 2005 LTGO of \$20.2 million and \$53.6 million 2002 UTGO. The aggregate total debt service on the refunded bonds requires a cash flow of \$149.9 million, including \$43.9 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$132.3 million, including interest of \$36.2 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$17.6 million, and the aggregate economic gain amounted to approximately \$15.4 million at net present value.

#### City Light

The refunding portion of the \$214.4 million in 2012 provided both new money to the Department and advance refunded \$158.1 million of the outstanding 2002 bond series and portions of the 2003 and 2004 bond series. In addition to advance refunding the 2002, 2003 and 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 of \$12.6 million.

The refunding resulted in the recognition of a loss on refunding of \$10.6 million, and the economic gain totaled \$20.2 million at net present value. The arbitrage yield for the bonds is as follows: 2012A tax exempt ML&P bonds 2.99 percent, 2012B taxable ML& P bonds 0.63 percent, and 2012C taxable Clean Renewable Energy bonds 0.45 percent.

#### Water

The Water System Refunding Revenue Bonds (Parity) issued on May 30, 2012 in the amount of \$238.8 million were used to refund \$44.3 million of 2001 Parity bonds; \$151.3 million of 2003 bonds, and \$68.1 million of 2004 bonds. The difference between the cash flows required to service the old and new debt and complete the refunding totaled approximately \$46.7 million, and the economic gain amount to approximately \$45.5 million at present value.

## The City of Seattle

### Drainage and Wastewater

The refunding portion of the \$222.1 million 2012 Parity and Refunding Drainage and Wastewater Improvement and Refunding Revenue Bonds, in the amount of \$151.9 million, was used to refund \$48.9 million of 2001 bonds, \$60.4 million of 2002 bonds, and \$42.5 million of 2004 bonds. The difference between the cash flows required to service and old and new debt and complete the refunding totaled approximately \$32.3 million, and the economic gain amounted to approximately \$24.3 million at present value.

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 2012	Defeased Outstanding December 31	
<b>GENERAL OBLIGATION BONDS</b>								
Limited Tax (Non-Voted)								
Refunding - Various LTGO Bonds, 1998, Series B, Defeased 9/26/05								
	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 620	\$ 620	\$ -	
Improvement (Various) and Refunding, 2002, Defeased 9/26/05								
	01/30/02	07/01/02-32	4.778	124,820	8,470	8,470	-	
Improvement (Various) and Refunding, 2002, Refunded 3/31/10								
					30,275	30,275	-	
Improvement (Various) and Refunding, 2002, Refunded 5/16/12								
					26,920	26,920	-	
Various Purpose and Refunding, 2002, Series B Defeased 12/17/08								
	09/26/02	10/01/03-14	3.127	64,560	64,560	64,560	-	
Various Purpose and Refunding, 2003, Defeased 4/4/07								
	02/26/03	08/01/04-23	3.469	48,480	2,715	795	1,920	
Various Purpose and Refunding, 2003, Defeased 8/30/07								
					3,180	780	2,400	
Various Purpose and Refunding, 2003, Defeased 12/17/08								
					6,480	4,000	2,480	
Various Purpose and Refunding, 2003, Refunded 5/16/12								
					5,320	-	5,320	
Various Purpose and Refunding, 2005, Refunded 5/16/12								
	03/23/05	08/01/05-28	4.603	129,540	20,160	-	20,160	
Unlimited Tax (Voted)								
Improvement (Library Facilities) and Refunding, 2002, Refunded 5/16/12								
	09/26/02	12/01/03-21	4.603	117,025	53,560	53,560	-	
<b>REVENUE BONDS</b>								
Municipal Light and Power								
2002 Parity, Refunding, Refunded 7/17/12								
	12/04/02	12/01/03-14	3.470	87,735	9,140	9,140	-	
2003 Parity, Refunding, Refunded 7/17/12								
	08/20/03	11/01/04-28	4.440	251,850	121,435	-	121,435	
2004 Parity, Refunded 7/17/12								
	12/23/04	08/01/05-29	4.230	284,855	27,560	-	27,560	
Municipal Water								
2001 Parity, Refunded 5/30/12								
	11/20/01	11/01/05-31	4.972	52,525	44,320	44,320	-	
2003 Parity Refunding, Refunded 5/30/12								
	05/12/03	12/31/03-33	4.083	271,320	151,340	-	151,340	
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								
2001 Parity, Refunded 6/27/12								
	07/03/01	11/01/02-31	5.260	60,680	48,880	48,880	-	
2002 Parity Refunding, Refunded 6/27/12								
	12/17/02	07/01/03-32	4.751	78,550	60,440	60,440	-	
2004 Parity, Refunded 6/27/12								
	10/28/04	09/01/05-34	4.583	62,010	42,540	-	42,540	
Total Refunded/Defeased Bonds					\$ 1,762,410	\$ 796,040	\$ 352,760	\$ 443,280

### 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 no arbitrage rebate in 2010 on its general obligation bonds and revenue bonds. In 2011, the City paid arbitrage rebate of \$19 thousand on its general obligation bonds and none on revenue bonds. As of December 31, 2012, arbitrage rebate liability on general obligation bonds and revenue bonds are \$17 thousand and none, respectively.

**(10) ENVIRONMENTAL LIABILITIES**

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. Harbor Island was designated as a federal Superfund site by the Environmental Protection Agency (EPA) in 1983. 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. In 2006 the EPA issued an Administrative Order on Consent (AOC) for a supplemental Remedial Investigation and Feasibility Study (RI/FS). Subsequent to an agreement between the EPA, the Port of Seattle (Port), King County, and the City, the Port alone signed the order. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the work required by the EPA. No specific requirements for remediation by Potentially Responsible Parties (PRPs) have been made by the EPA as of the date of this note. The RI/FS is anticipated to be completed by 2014.
- The Lower Duwamish Waterway Superfund Site. The site was designated as a federal Superfund site by the EPA in 2001 for contaminated sediments due to land ownership or use of property along the river, discharges from storm drains, and combined sewer outflows into the river. The City is one of four parties who signed an AOC with the EPA and Washington State Department of Ecology (DOE) to conduct a RI/FS to prepare a site remedy. In November 2012 the EPA approved the feasibility study which provides sufficient information to support selection of a remedy. The regulators recommended an option and the City recorded its share of the total estimated cost. The EPA issued general notification letters to parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The City and other three parties who signed the AOC with the EPA have agreed to invite some of those parties to participate in an alternative dispute resolution process to resolve their respective share of past and future costs. The EPA announced their proposed cleanup plan for public comment in February 2013. EPA is expected to issue a Record of Decision in 2014.

The City and other PRPs have voluntarily agreed to initiate cleanup of two early action sites identified during the Remedial Investigation under AOC for Slip 4 and Terminal 117. The cleanup work at Slip 4 was completed in February 2012 and monitoring is ongoing. For Terminal 117, the cleanup of the sediments and the upland is expected to begin in 2013 while the cleanup of the adjacent streets is anticipated to begin in 2014.

- 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 possible removal of contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay a specific percentage of the costs for DOE's implementation of the order. The order requires completion and then implementation of a RI/FS work plan. Boeing and the City will pay remediation costs at their own facilities. During the cleanup an abandoned structure containing oil was discovered. The structure was partly on the City's property and partially underground on property the City sold to King County in the 1960s. The City removed the oil from the part of the structure on its own property. King County plans to remove the part of the structure on its property and is seeking some level of reimbursement from the City. At this time the costs of removal are unknown and it has not been determined whether the City will share those costs. It is also unknown whether the DOE will require further work.
- Gas Works Park Sediment Site. In 2002 the DOE named the City and Puget Sound Energy (PSE) as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and PSE signed an Agreed Order with the DOE in 2005 to initiate a City-led RI/FS in the western portion of the site and a PSE-led RI/FS in the eastern portion. In fall of 2012 the City and PSE entered into a Settlement, Release, and Cost Allocation Agreement that puts PSE 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 20.0 percent of the shared costs incurred by PSE for the cleanup work. The RI/FS includes 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. Recently the EPA has begun in-depth discussions with DOE and PSE is collecting additional site data. As a result, a Clean-up Action Plan is expected from the DOE in about 2016.
- 7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Avenue South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012.
- South Park. The DOE has indicated that it will require the cleanup and remediation of the historic South Park landfill sites under the State Model Toxics Control Act. No specific requirements for remediation by PRPs have been made by the DOE as of the date of this note. In order to manage the liability, the City is working with the DOE and other PRPs on a RI/FS to evaluate the risk to human health and the environment and to assess the feasibility of cleanup options for use in the ultimate remedial actions that the DOE may require. The RI/FS is anticipated to be completed in late 2013. One PRP is planning an interim cleanup action on the site to be constructed in the 2013-2014 timeframe but DOE has

not yet approved the plan. The City has reached a settlement agreement with the PRP who plans to conduct the interim action. The agreement settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

- South Park Bus Barn. The South Park Bus Barn, located near the South Park Landfill, was entered into the DOE's Voluntary Cleanup Program. This parcel of property was purchased by the City in 2008, and currently no other PRP has been named. The remedial action was substantially completed in 2010. The site is currently being monitored to verify the effectiveness of the remediation.

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 \$0.7 million and \$27 thousand, at December 31, 2012 and 2011, 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 \$0.5 million and \$0.3 million, at December 31, 2012 and 2011, respectively.

The changes in the provision for environmental liability (in thousands) at December 31, 2012 and 2011 are as follows:

	2012	2011
Beginning Environmental Liability, Net of Recovery Payments or Amortization	\$ 34,685	\$ 44,357
Incurred Environmental Liability	(8,588)	(10,529)
Ending Environmental Liability, Net of Recovery	\$ 115,647	\$ 34,685

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2012 and 2011, is as follows:

	2012	2011
Claims Payable, Current	\$ 16,646	\$ 7,537
Claims Payable, Noncurrent	99,001	27,148
Total	\$ 115,647	\$ 34,685

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.

## Notes to Financial Statements

## The City of Seattle

**Table 11-1 PENSION PLAN INFORMATION**

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	LEOFF Plan 1	LEOFF Plan 2
Actuarial Valuation Date	1/1/2012	1/1/2012	1/1/2012	6/30/2011	6/30/2011
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Aggregate <sup>a</sup>
Asset Valuation Method	5-Year Smoothing Method	Fair Value	Fair Value	8-Year Graded Smoothed Fair Value <sup>b</sup>	8-Year Graded Smoothed Fair Value <sup>b</sup>
Amortization Method	Level %	Level \$	Level \$	Level %/Level \$ <sup>c</sup>	N/A
Period	Does Not Amortize <sup>d</sup>	30.0 years	30.0 years	12.5 years	N/A
Approach	Open	Closed	Closed	Closed	N/A
Actuarial Assumptions					
Inflation Rate (CPI)	3.50%	2.75% <sup>e</sup>	2.75% <sup>e</sup>	3.00%	3.00%
Investment Rate of Return	7.75%	4.00%	4.00%	7.90%	8.00%
Projected Salary Increases - General	4.00%	3.75% <sup>e</sup>	3.75% <sup>e</sup>	4.00%	4.50%
Projected Salary Increases - Step Merit	N/A	N/A	N/A	Varies <sup>f</sup>	Varies <sup>f</sup>
Postretirement Benefit Increases	1.50%	Varies <sup>g</sup>	Varies <sup>g</sup>	3.00%	CPI Increase

<sup>a</sup> The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

<sup>b</sup> 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.

<sup>c</sup> Funding is Level %; GASB is Level \$.

<sup>d</sup> As of the January 1, 2012 valuation, the Contribution Rate of 21.04% is not sufficient to amortize the UAAL over the maximum allowable period of 30 years. Please refer to the complete actuarial study available from SCERS for details.

<sup>e</sup> Long-term assumption.

<sup>f</sup> For specific information, please refer to the 2010 Actuarial Valuation Report issued by the Washington Office of the State Actuary.

<sup>g</sup> Based upon salary increase assumptions for benefits that increased based on salary. Based upon CPI assumptions for benefits that increased based upon CPI.

### 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, 2012:

Retirees and Beneficiaries Receiving Benefits	5,714
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,121
Active Plan Members, Vested and Non-vested	8,465

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

### Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

SCERS funding policy provides for periodic employee and employer contributions at actuarially determined rates expressed as percentages of annual covered payroll to accumulate sufficient assets to pay benefits when due. Funds accumulated and investment earnings are used to pay present and future benefit obligations and administrative expenses. The employer contribution rate is determined by the actuarial formula identified as the Entry-Age Actuarial Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total necessary contributions, including amounts necessary to pay administrative costs, are determined through biennial actuarial valuations.

Actuarially determined contribution rates for 2011 were 9.03 percent for members and 9.03 percent for the employer. Plan member and employer contributions for 2011 are \$50,415,119 and \$50,301,263, 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, 2012, and covers calendar year 2011. Based on this valuation, the Actuarial Value of Assets (AVA) is \$1.954 billion; the Actuarial Accrued Liability (AAL) is \$2.859 billion; the Unfunded Actuarial Accrued Liability (UAAL) is \$905.0 million; and the Funded Ratio was 68.3 percent.

An actuarial study with valuation date of January 1, 2013, is presently underway, and expected to be available at the Retirement Office after July 1, 2013.



## Notes to Financial Statements

The three-year trend information (in thousands) is presented directly below. The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for years ending 2011 and 2010 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)
2009	\$ 46,933	\$ 46,650	99 %	\$ (77,866)
2010	93,924	45,225	48	(29,167)
2011	72,346	50,301	69	(7,122)

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
2011	\$73,028	\$(2,260)	\$1,578	\$72,346	\$50,301	\$22,045	\$(29,167)	\$(7,122)

Seattle City Employees' Retirement System's net pension asset decreased from \$29.2 million to \$7.1 million, a decrease of \$22.1 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, 2011 (In Thousands)**

	2011	2010
Total Normal Cost Rate	15.19 %	15.23 %
Employee Contribution Rate	9.03	8.03
Employer Normal Cost Rate	6.16	7.20
Total Employer Contribution Rate <sup>a</sup>	9.03 %	8.03 %
Amortization Payment Rate	2.87	0.83
Amortization Period (Year)	Does Not Amortize	Does Not Amortize
GASB 27 Amortization Rate	6.95	9.80
Total Annual Required Contribution (ARC) Rate <sup>b</sup>	13.11	17.00
Covered Employee Payroll <sup>c</sup>	\$ 557,046	\$ 563,198
ARC	\$ 73,028	\$ 95,744
Interest on Net Pension Obligation (NPO)	\$(2,260)	\$(6,034)
Adjustment to ARC	1,578	4,214
Annual Pension Cost (APC)	\$ 72,346	\$ 93,924
Employer Contribution	\$ 50,301	\$ 45,225
Change in NPO	\$ 22,045	\$ 48,699
NPO at Beginning of Year	\$(29,167)	\$(77,866)
NPO at End of Year	\$ (7,122)	\$ (29,167)

<sup>a</sup> Contribution rates are based on the January 1, 2011, Valuation Date Study that covers the calendar year 2010.

<sup>b</sup> 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.

<sup>c</sup> Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date.

## The City of Seattle

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
\$1,954,300	\$2,859,300	\$905,000	68.3%	\$557,000	162.5%

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 920 fire and 964 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare. Total postemployment medical benefits for Firemen's Pension were \$10.2 million in 2011 and \$10.4 million in 2010; and for Police Relief and Pension, \$11.7 million in 2011 and \$12.0 million in 2010.

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.

## Notes to Financial Statements

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2012:

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits Terminated Plan Members Entitled To But Not Yet Receiving Benefits	778	789
Active Plan Members, Vested	29	25
Active Plan Members, Nonvested	-	-

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 December 1, 2013, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2013.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2012, 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	2009	\$ 8,320	137 %	\$ (6,566)
	2010	8,098	90	(5,723)
	2011	7,333	113	(6,652)
Police Relief and Pension Fund	2009	8,343	95	1,803
	2010	7,872	125	(167)
	2011	8,537	131	(2,825)

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 City of Seattle

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	\$10,877	\$138,611	\$127,734	8.0%	N/A	N/A
Police Relief and Pension Fund	3,746	111,458	107,712	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 \$9.6 million as of December 31, 2011. 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, 2011, based on the actuarial valuation as of January 1, 2012, was \$138.6 million for Firemen's Pension and \$111.5 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 \$6.7 million net pension asset at December 31, 2011. The net pension obligation of the Police Relief and Pension Fund is a \$2.8 million net pension asset at December 31, 2011.

**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, 2011  
(In Thousands)**

	Firemen's Pension			Police Relief and Pension		
	2011	2010	2009	2011	2010	2009
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of UAAL - Beginning of Year	6,940	7,668	7,909	8,206	7,602	8,005
Interest to End of Year <sup>a</sup>	278	307	356	328	304	360
ARC at End of Year	7,218	7,975	8,265	8,534	7,906	8,365
Interest on NPO	(229)	(263)	(156)	(7)	72	63
Adjustment to ARC	344	386	211	10	(106)	(85)
Annual Pension Cost (APC)	7,333	8,098	8,320	8,537	7,872	8,343
Employer Contribution <sup>b</sup>	8,262	7,255	11,421	11,195	9,842	7,938
Change in NPO	(929)	843	(3,101)	(2,658)	(1,970)	405
NPO at Beginning of Year	(5,723)	(6,566)	(3,465)	(167)	1,803	1,398
NPO at End of Year	<u>\$ (6,652)</u>	<u>\$ (5,723)</u>	<u>\$ (6,566)</u>	<u>\$ (2,825)</u>	<u>\$ (167)</u>	<u>\$ 1,803</u>

<sup>a</sup> The assumed interest rate is 4.0% for all years; it is net of investment expenses.

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

## Notes to Financial Statements

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2012.

**Table 11-4** **STATEMENT OF FIDUCIARY NET POSITION**  
**FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS**  
**December 31, 2012**

	<i>(In Thousands)</i>			
	Firemen's Pension	Police Relief and Pension	2012	2011
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 13,684	\$ 4,449	\$ 18,133	\$ 16,863
Investments at Fair Value				
U.S. Government Obligations	32	-	32	15
Receivables				
Due from Other Funds	-	1,125	1,125	-
Other	712	-	712	1
Interest and Dividends	5	396	401	12
Total Receivables	717	1,521	2,238	13
Total Assets	14,433	5,970	20,403	16,891
<b>LIABILITIES</b>				
Refunds Payable and Other	1,490	1	1,491	2,268
Securities Lending Collateral	-	1,344	1,344	-
Total Liabilities	1,490	1,345	2,835	2,268
Net Position Held in Trust for Pension Benefits	\$ 12,943	\$ 4,625	\$ 17,568	\$ 14,623

## The City of Seattle

**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, 2012**  
*(In Thousands)*

	Defined Benefit		Postemployment Healthcare		2012	2011
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension		
<b>ADDITIONS</b>						
Contributions Employer	\$ 9,404	\$ 8,354	\$ 9,471	\$ 11,833	\$ 39,062	\$ 40,011
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	17	-	-	-	17	6
Interest	76	-	-	-	76	79
Total Net Investment Income	93	-	-	-	93	85
Other Income	1,553	490	-	-	2,043	2,343
Total Additions	11,050	8,844	9,471	11,833	41,198	42,439
<b>DEDUCTIONS</b>						
Benefits	8,345	7,435	9,471	11,833	37,084	39,306
Administrative Expense	639	530	-	-	1,169	1,045
Total Deductions	8,984	7,965	9,471	11,833	38,253	40,351
Change in Net Position	2,066	879	-	-	2,945	2,088
Net Position - Beginning of Year	10,877	3,746	-	-	14,623	12,535
Net Position - End of Year	\$ 12,943	\$ 4,625	\$ -	\$ -	\$ 17,568	\$ 14,623

### 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 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 a major 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 for Plan 2. 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. During fiscal year 2011 the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

## Notes to Financial Statements

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 (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. LEOFF Plan 2 members may purchase up to five years of additional service credit at retirement.

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, 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 duty death benefit of \$150,000 is provided to Plan 1 and Plan 2 members.

Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each 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 allowance or service retirement allowance.

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

Effective March 17, 2010:

- Senate Bill 6546 provides that the Director of Fire Protection, who was previously a member of LEOFF Plan 2, now has the choice to continue membership in LEOFF Plan 2 while employed in this role. This position is otherwise covered by PERS.

Effective June 10, 2010:

- House Bill 1679 provides that the payment of medical insurance premiums for qualifying LEOFF Plan 2 and WSPRS members who are catastrophically disabled in the line of duty, and their spouses and dependent children will now be made for LEOFF Plan 2 members and for WSPRS members.
- House Bill 2196 provides that PERS Plan 1 members who retired on or after January 1, 1998, can use any service transferred from LEOFF Plan 1 to qualify for military service credit at no cost.

## The City of Seattle

- House Bill 2519 gives additional benefits are provided to survivors of police officers, fire fighters, and state patrol officers killed in the line of duty.
- Senate Bill 6453 provides that shared leave can now be treated as reportable compensation for LEOFF Plan 2 members. Earnings can be used in the calculation of a member's benefit and service credit will be earned according to hours reported.

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 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.

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2011. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 54 participating employers in LEOFF Plan 1 and 373 participating employers in Plan 2 as of June 30, 2012. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2011:

	Plan 1	Plan 2
Retirees and Beneficiaries Receiving Benefits	7,932	2,015
Terminated Members Entitled To But Not Yet Receiving Benefits	1	655
Active Plan Members, Vested	250	13,692
Active Plan Members, Nonvested	-	3,113
<b>Total</b>	<b>8,183</b>	<b>19,475</b>

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 56 under Plan 1 and 2,207 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.drswa.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

## Notes to Financial Statements

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 at the end of fiscal year 2012.

### 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 2012 are as follows:

	LEOFF Actual Contribution Rates	
	Plan 1	Plan 2
Employer (includes an administrative expense rate of 0.16 percent)	0.16 %	5.24 %
Employee	-	8.62
State of Washington Contributions	-	3.38

Administration of the LEOFF plans was funded by an employer rate of 0.16 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 2012 the state contributed \$52.8 million to 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
2010	\$ -	N/A	\$ 112.2	114 %
2011	-	N/A	84.0	157
2012	-	N/A	97.3	137

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
2010	\$ 14	\$ 12,061
2011	12	11,728
2012	10	12,452

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

## The City of Seattle

### 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, 2012	June 30, 2011
Plan 1	\$ 33,351	\$ 43,400
Plan 2	1,997,577	1,849,759

**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, 2012	June 30, 2011
Plan 1	\$ 4,869,838	\$ 5,141,273
Plan 2	4,642,917	4,534,925

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

## Notes to Financial Statements

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, 2012; this valuation is performed on alternate years. The actuarial valuation date of January 1, 2012 also included disclosure information for 2011 which was based on the January 1, 2010 valuation. The amount of expected contributions and changes in net obligation for Firemen's Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2012.

**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	\$ 8,064,000	\$ 15,106,487	\$ 16,332,593	\$ 39,503,080
Interest on Net OPEB Obligation	1,340,000	615,520	486,293	2,441,813
Adjustment to Annual Required Contribution	(1,969,000)	(925,756)	(731,396)	(3,626,152)
Annual OPEB Cost (Expense)	7,435,000	14,796,251	16,087,490	38,318,741
Expected Contribution (Employer-Paid Benefits)	2,441,000	10,192,114	11,659,346	24,292,460
Increase in Net OPEB Obligation	4,994,000	4,604,137	4,428,144	14,026,281
Net OPEB Obligation – Beginning of Year	34,548,000	15,387,992	12,157,319	62,093,311
Net OPEB Obligation – End of Year	\$ 39,542,000	\$ 19,992,129	\$ 16,585,463	\$ 76,119,592

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, 2012, for Healthcare Blended Premium Subsidy and January 1, 2012, for Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for years ending 2011, 2010, and 2009. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information 2011 based on the January 1, 2010 valuation.

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	12/31/2009	\$ 10,368,000	30.9%	\$ 27,612,000
	12/31/2010	10,825,000	35.9	34,548,000
	12/31/2011	7,435,000	32.9	39,542,000
Firemen's Pension (LEOFF1)	12/31/2009	13,996,040	65.0	11,189,996
	12/31/2010	14,674,740	71.0	15,387,992
	12/31/2011	14,796,251	69.0	19,992,129
Police Relief and Pension (LEOFF1)	12/31/2009	15,174,858	78.0	8,183,007
	12/31/2010	16,025,887	75.0	12,157,319
	12/31/2011	16,087,490	72.0	16,585,463

## The City of Seattle

### 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. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for 2011 based on the January 1, 2010 valuation. Following is the funded status (in thousands) for each of the plans for years ending 2011, 2010, and 2009:

	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	1/1/2010	-	\$ 93,519	\$ 93,519	-	\$869,116	10.8%
	1/1/2011	-	99,394	99,394	-	866,207	11.5
	1/1/2012	-	74,729	74,729	-	891,552	8.4
Firemen's Pension (LEOFF1)	1/1/2010	-	242,493	242,493	-	N/A	N/A
	1/1/2011	-	241,443	241,443	-	N/A	N/A
	1/1/2012	-	236,301	236,301	-	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2010	-	264,219	264,219	-	N/A	N/A
	1/1/2011	-	261,040	261,040	-	N/A	N/A
	1/1/2012	-	252,098	252,098	-	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:

**Notes to Financial Statements**

**Table 11-7 OPEB INFORMATION**

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2012	1/1/2012	1/1/2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service	30-year, closed as of 1/1/2007	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	25 years	25 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	3.88%	4.0%	4.0%
Medical Inflation		7.0%, grading down to 4.6% in 2081 and beyond.	7.0%, grading down to 4.6% in 2081 and beyond.
Traditional and Preventive Plans	9.0%		
Group Health Standard and Deductible Plans	8.5%		
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	60% 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

**The City of Seattle**

**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 128.05 for retirees and 142.17 for spouses.		
Preventive Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 127.61% and 142.06%.		
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 147.08% for retirees and spouses.		
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.

## Notes to Financial Statements

### 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. Nine subsidiaries have been established since the program's inception; 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.

The following presents condensed financial statements for each of the discretely presented component units:

**Table 12-1** **CONDENSED STATEMENT OF NET POSITION**  
**SEATTLE PUBLIC LIBRARY FOUNDATION AND**  
**SEATTLE INVESTMENT FUND LLC**  
**December 31, 2012**  
*(In Thousands)*

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Cash and Other Assets	\$ 3,191	\$ 8,224	\$ 1,264	\$ 976	\$ 4,455	\$ 9,200
Investments	56,080	45,204	5	3	56,085	45,207
Capital Assets, Net	4	-	-	-	4	-
Total Assets	59,275	53,428	1,269	979	60,544	54,407
<b>LIABILITIES</b>						
Current Liabilities	2,035	1,672	201	337	2,236	2,009
Total Liabilities	2,035	1,672	201	337	2,236	2,009
<b>NET POSITION</b>						
Net Investment in Capital Assets	4	-	-	-	4	-
Restricted	38,960	35,995	-	-	38,960	35,995
Unrestricted	18,276	15,761	1,068	642	19,344	16,403
Total Net Position	\$ 57,240	\$ 51,756	\$ 1,068	\$ 642	\$ 58,308	\$ 52,398

## The City of Seattle

**Table 12-2**

**CONDENSED STATEMENT OF ACTIVITIES**  
**SEATTLE PUBLIC LIBRARY FOUNDATION AND**  
**SEATTLE INVESTMENT FUND LLC**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2012	2011	2012	2011	2012	2011
<b>PROGRAM REVENUES</b>						
Contributions/Endowment Gain	\$ 4,705	\$ 4,969	\$ -	\$ -	\$ 4,705	\$ 4,969
Placement/Management Fee Income	-	-	841	665	841	665
Total Program Revenues	4,705	4,969	841	665	5,546	5,634
<b>GENERAL REVENUES</b>						
Investment Income	5,737	454	-	-	5,737	454
Total Program Support and Revenues	10,442	5,423	841	665	11,283	6,088
<b>EXPENSES</b>						
Support to Seattle Public Library	4,138	4,069	-	-	4,138	4,069
Management and General	572	404	415	323	987	727
Fundraising	248	289	-	-	248	289
Total Expenses	4,958	4,762	415	323	5,373	5,085
Change in Net Position	5,484	661	426	342	5,910	1,003
<b>NET POSITION</b>						
Net Position - Beginning of Year	51,756	51,095	642	300	52,398	51,395
Net Position - End of Year	\$ 57,240	\$ 51,756	\$ 1,068	\$ 642	\$ 58,308	\$ 52,398

### BLENDING 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, 2012, 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 2012, WDC paid \$1.2 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) SERVICE CONCESSION ARRANGEMENTS**

The following represent the City's qualifying agreement:

- Seacrest Boathouse. Seacrest Boathouse is the last remaining public boathouse in Seattle. The City desired to continue concession operations at the boathouse, but the offered boat rentals and retail sales of fishing equipment were not profitable. The addition of a restaurant would increase revenue and have the site remain open for year-round operation. In 2002, the City entered into a seven-year agreement, later extended through 2012 with Alki Crab & Fish Co. (Alki Crab), under which Alki Crab agreed to provide building improvements and operate a boat and sports equipment rental service and restaurant at Seacrest Boathouse and Park. Alki Crab was required to operate and maintain the facility in accordance with the concession agreement. Alki Crab agreed to provide improvements totaling \$60 thousand over the course of the arrangement, and pay the City 5.0 percent of the revenues it earns from boathouse activities pursuant to the agreement. As of the end of 2012, the City is involved in resolving a dispute with the operator related to unauthorized changes and removal of certain improvements. Depending on the outcome, the final value of improvements actually provided may be less than the original estimate. The City reports the boathouse and marina as a capital asset with a carrying amount of \$646,737. 2012 was the final year of the service concession arrangement between the City and Alki Crab; no deferred inflows are reported.
- Seattle Center Monorail (Monorail). In 1994, the City entered into an agreement with Seattle Monorail Services (SMS), under which SMS has administered and operated the Monorail system for an initial period of 2.5 years that was later extended four times between 1996 and 2011 for a term ending 2014. The City determined that contracting with an outside service provider for Monorail operations and maintenance would enhance the efficiency of Monorail operations while resulting in cost savings for the City. SMS receives the revenues from user fees and charges, with a portion of this revenue used as installment payments due to the City over the course of the arrangement. As of year-end 2012, the present value of these installment payments is estimated at \$598,100. SMS is required to operate and maintain the Monorail in accordance with the Monorail System Concession Agreement. Under this arrangement, the City is responsible for a share of total maintenance costs on the system. The City's 2013 Adopted and 2014 Endorsed budgets authorize maintenance costs of \$537,216 per year. The City reports the Monorail trains and tracks as a capital asset with a carrying amount of \$9,958,586 at year-end. Outstanding maintenance obligations are estimated to be higher than the total outstanding installment payments and therefore no deferred inflow is reported for 2012.
- Tennis Facility at Magnuson Park. In 2008, the City entered into an agreement with Seattle Court Sports Unlimited (SCSU), under which the group would construct and operate an indoor/outdoor public tennis facility for 20 years. This agreement supports the City's vision for the development of Magnuson Park including expanded recreational opportunities, while relieving the City of the associated financial liability. For the right to manage and operate the facility SCSU will pay the City agreed upon installment payments along with 10.0 percent of the revenues it earns from short term third party facility rentals. The construction of the facility is planned for completion in 2013.

**(15) COMMITMENTS**

**GENERAL**

**Capital Improvement Program**

The City adopted the 2012-2013 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$4.329 billion for the years 2012-2017. The adopted CIP for 2012 was \$711.0 million, consisting of \$428.4 million for City-owned utilities and \$282.6 million for nonutility departments. The utility allocations are: \$260.7 million for City Light, \$50.1 million for Water, \$89.0 million for Drainage and Wastewater, \$16.8 million for Solid Waste, and \$11.8 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

**CITY LIGHT**

Energy received under long-term purchased-power agreements in average annual megawatts (aaMW) is shown in the following table.

**Table 15-1 LONG-TERM PURCHASED POWER**  
(In Average Annual Megawatts)

	2012	2011
Bonneville Power Administration Block	269.8	247.6
Bonneville Power Administration Slice	371.6	461.9
Lucky Peak	45.7	44.4
British Columbia - High Ross Agreement	35.1	35.8
Renewable Energy - State Line Wind	41.6	47.2
Grant County Public Utility District	4.1	3.7
Grand Coulee Project Hydroelectric Authority	29.1	27.1
British Columbia - Boundary Encroachment	1.4	2.0
Renewable Energy - Other	8.6	9.7
Exchanges and Loss Returns Energy at fair value	16.4	17.7
Long-Term Purchased Power Booked Out	(35.8)	(36.6)
<b>Total Long-Term Purchased Power</b>	<b>787.6</b>	<b>860.5</b>

**Purchased and Wholesale Power**

**Bonneville Power Administration**

City Light (the Utility) purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a seventeen-year contract for the period October 1, 2011 through September 30, 2028. Block quantities, Slice percentage, and BPA 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 the Utility 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 3.65663 initial Slice percentage, no later than fifteen days prior to the first day of each BPA's fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.63323, the same as the previous fiscal year. The cost of Slice power is based on the Utility's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

The previous ten-year contract to purchase both Block and Slice energy from BPA expired September 30, 2011. This agreement provided power equal to the Utility's annual net requirement, defined as the difference between projected load and firm resources declared to serve the load. The Block product provided fixed amounts of power per month. The Slice percentage was 4.6676 during the duration of the contract.

BPA'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

## Notes to Financial Statements

Northwest Power Act. The Utility received \$5.7 million and \$5.9 million in 2012 and 2011, respectively in payments and billing credits related to both the Block and Slice agreements as a result of the Court decision.

### Lucky Peak

In 1984 the Utility entered into a purchased-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 Federal Energy Regulatory Commission (FERC) license expires in 2030. The agreement, which expires in 2038, obligates the Utility 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.

The Utility provided and billed Lucky Peak \$0.5 million and \$0.3 million for services in 2012 and 2011, respectively. These amounts are recorded as offsets to purchased power expense. The Utility paid \$3.4 million and \$3.2 million for energy from Lucky Peak in 2012 and 2011, respectively.

The Utility's receivables from Luck Peak were less than \$0.1 million at December 31, 2012 and 2011, respectively. The Utility's payables to Lucky Peak were \$0.5 million and \$0.4 million at December 31, 2012 and 2011, respectively.

### British Columbia-High Ross Agreement

In 1984 an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Utility 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 eighty years.

In addition to the direct costs of energy under the agreement, the Utility 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 the Utility plant-in-service as an intangible asset as defined in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and are being amortized to purchased power expense over thirty five years through 2035.

### Energy Exchange

Northern California Power Agency (NCPA) and the Utility executed a long-term Capacity and Energy Exchange Agreement in March 1993. The Utility 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 its seven-year advance written notice to the Utility terminating the agreement effective no later than May 31, 2018.

### 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. The Utility's 2012 resource portfolio met the 3 percent target. Long-term renewable purchase or exchange agreements were executed with the Sacramento Municipal Utility District in 2007, Waste Management Renewable Energy, LLC in 2009, the existing Steline Wind Project contract and the King County Wastewater Treatment Division in 2010.

### Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2012 and 2011, were valued using Kiodek Forward Curves and Platts M2M Power Curves, respectively, and Dow Jones U.S. Daily Electricity Price Indexes 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 Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

## The City of Seattle

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

The Utility's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2013 through 2065, undiscounted, are shown in the following table.

**Table 15-2** ESTIMATED FUTURE PAYMENTS UNDER PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS  
(In Thousands)

Year Ending December 31	Estimated Payments <sup>a</sup>
2013	\$ 269,491
2014	284,306
2015	290,229
2016	293,813
2017	297,009
2018 - 2022	1,556,078
2023 - 2027 <sup>b</sup>	1,472,803
2028 - 2032 <sup>c</sup>	296,030
2033 - 2037	96,410
2038 - 2042 <sup>d</sup>	45,873
2043 - 2047	40,794
2048 - 2065	50,875
Total	\$ 4,993,711

<sup>a</sup> 2013 to 2019 includes estimated REP recoveries from BPA.

<sup>b</sup> BPA transmission contract expires July 31, 2025.

<sup>c</sup> BPA Block and Slice contract expires September 30, 2028.

<sup>d</sup> Lucky Peak contract expires September 30, 2038.

Payments under these long-term power contracts totaled \$210.1 million and \$215.4 million in 2012 and 2011, respectively. Payments under the transmission agreements amounted to \$36.4 million and \$38.9 million in 2012 and 2011, respectively.

### Skagit and South Fork Tolt Licensing Mitigation and Compliance

In 1995 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, the Utility 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, 2012, to be \$124.5 million, of which \$105.9 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.7 million, of which \$1.2 million was expended through 2012. 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 2012 dollars. Utility 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.

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## Notes to Financial Statements

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### *Federal Energy Regulatory Commission Fees*

Estimated federal land use and administrative fees related to hydroelectric licenses total \$342.3 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and South Fork 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 new license issued by FERC expires. The new Boundary FERC license and related issues are discussed below.

### *New Boundary License*

The Utility's FERC license for the Boundary Project expired on September 30, 2011 and a new license was issued on March 30, 2013. The terms and conditions of the new license are currently under evaluation.

As part of the application process, the Utility 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 the Utility's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures. If the license FERC approved is significantly different than the terms of the settlement, the Utility and/or other parties to the settlement may request a rehearing at FERC. Under those circumstances, FERC would determine the scope of the rehearing and could issue a stay of the entire license order. Any stay of the entire order would delay implementation of the order until such time as FERC concludes its proceedings. Alternatively, FERC could determine that the scope of any rehearing relates only to issues in dispute and could order implementation of the remaining issues in the license order. As noted above, the settlement is under evaluation by all parties as a result of the recently issued FERC license.

Total application process costs related to the new license are estimated at \$48.9 million, of which \$48.6 million had been expended and deferred as of December 31, 2012. The new license will require additional mitigation efforts for endangered species, including water quality standards. The cost projections for such mitigation over the expected fifty-year life of the license, included in the Utility's license application, were estimated to be \$438.1 million adjusted to 2012 dollars, of which \$3.5 million was expended through 2012. The new license was issued with a forty-two year life. Projected mitigation cost estimates are subject to revision as more information becomes available.

### *Endangered Species*

Several fish species that inhabit waters where hydroelectric projects are owned by the Utility or where the Utility purchases power have been listed under the Endangered Species Act (ESA) as threatened or endangered. Although the species were listed after FERC licenses were issued for all of the Utility's hydroelectric projects, the ESA listings still affect operations of the Utility's Boundary, Skagit, South Fork 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, the Utility'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.

The Utility, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Utility 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 the Utility's share of the Early Action program from inception in 1999 through December 31, 2012 are estimated to be \$6.9 million, and \$0.8 million has been allocated for the program in the 2013 budget.

### *Project Impact Payments*

Effective August 2010 the Utility renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over ten years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of the Utility's hydroelectric projects. Effective February 2009, the Utility renewed its contract with Whatcom County committing to pay a total of \$15.8 million over fifteen years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project located on the Pend Oreille River affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$1.6 million and \$1.6 million to Pend Oreille County, and \$1.0 million and \$0.9 million to Whatcom County in 2012 and 2011, respectively.

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## The City of Seattle

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### SEATTLE PUBLIC UTILITIES (SPU)

#### **Water Fund**

##### *Habitat Conservation Program Liability*

SPU 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 City Light in the Cedar River Watershed while allowing the City 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 \$106.8 million (in 2012 dollars) over a period of 50 years. Expenses are being funded from a combination of operating revenues and issuance of revenue bonds. The cost of HCP to SPU is \$72.4 million thru 2012. The remaining cost of \$34.4 million is comprised of a \$6.9 million liability and an estimate of \$27.5 million for construction and operating commitments. The construction activities will be capitalized and the operating activities will be expensed as incurred.

##### *Distribution System Reservoirs*

The Water Fund 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 five reservoirs is expected to be approximately \$143.7 million through the year 2016, and the cost beyond 2016 is not estimable. The total cost incurred in 2012 and 2011 were \$139.1 million and \$112.4 million, respectively.

##### *Wholesale Water Supply Contracts*

In 2011 SPU signed new water supply contracts with eight wholesale customers whose contracts expired in January 2011. Six of the customers signed full or partial requirements contracts that are very similar to the full and partial requirements contracts already in place with the majority of the Water utility's wholesale customers. These new full and partial requirements contracts do not change the City's obligation to supply water. All eight of these new contracts expire December 31, 2062.

#### **Drainage and Wastewater Fund**

##### *Wastewater Disposal Agreement*

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the Division) expiring in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division'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. The 2012 and 2011 payments to the Division were \$124.5 million and \$123.7 million, respectively.

#### **Solid Waste Fund**

##### *Contractual Obligations*

The City contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. Effective March 30, 2009, the City 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 collection during 2012 and 2011 were \$40.8 million and \$40.4 million, respectively. Commercial services paid under these contracts during 2012 and 2011 were \$29.5 million and \$29.8 million, respectively.

In 1990 the City signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of non-recyclable City waste. WWS agreed to reduce the contract price in exchange for extending the contract to March 29, 2009. Effective March 30, 2009, a new contract was negotiated with WWS resulting in a reduced rate of \$39.65 per ton. The contract provides for annual increases in the rate per ton based on a formula driven by the Consumer Price Index resulting in the current rate of \$40.99 per ton. SPU paid WWS \$13.0 million in 2012 and \$12.8 million in 2011 under this contract.

The City also negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). The first opt-out date on the disposal contract was extended to March 29, 2009, in exchange for price reductions every two years beginning in 2003. The City renegotiated a new long-term yard waste processing contract with CGC in 2008 which became effective March 30, 2009. The current tonnage rate is \$27.39 per ton and the first opt-out date is in 2013. The yearly payment to CGC in 2012 and 2011 were \$2.5 million and \$2.4 million, respectively.

## Notes to Financial Statements

Effective April 1, 2009, the City commenced a new contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables, including food waste for both commercial and residential customers. The new contract includes the collection of compostable materials, which is a service not originally provided by the City. The contract is scheduled to end on March 31, 2013, with an option to extend the contract for a three-year period at that time. Total annual payment for recycling processing under this contract was \$2.3 million in 2012 and 2011.

### Landfill Closure and Postclosure Care

At December 31, 2012, accrued landfill closure and postclosure costs consisted 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 postclosure costs in the revenue requirements used to set future solid waste rates. Therefore, total estimated landfill closure and postclosure care costs are accrued and also reflected as a future costs in the accompanying financial statements. These costs are being amortized as they are recovered from ratepayers. Actual costs for closure and postclosure 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 postclosure costs will continue to amortize until 2024.

In prior years SPU delivered its refuse to two leased disposal sites: 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 at the Midway site in 1983 and at the Kent-Highlands site in 1986.

## (16) 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.

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 2012 to resolve litigation. No structured settlements were entered into by the City in 2012. No large liability settlements were received in 2012. No settlements made in 2012, 2011, or 2010 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 Personnel Department estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2012 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, and other claims at year-end 2011 and for health care as of year-end 2012. The undiscounted IBNR amount totaled \$35.1 million and \$57.8 million at December 31, 2012 and 2011, respectively. The \$22.7 million decrease in the IBNR amount in 2012 compared to 2011 was mainly due to the lower City's estimated liabilities by \$16.5 million while the liability reserves increased by \$2.8 million. Changes in the reserves and liability estimates for workers' compensation claims accounted for the remaining \$3.4 million decrease in IBNR.

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

## The City of Seattle

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 \$0.4 million in 2012 and \$0.3 million in 2011. 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 0.784 percent for 2012 and 0.824 percent for 2011, the City's average annual rates of return on investments. The total discounted liability at December 31, 2012, was \$102.9 million consisting of \$65.8 million for general liability, \$2.2 million for health care, and \$34.9 million for workers' compensation.

**Table 16-1**  
**RECONCILIATION OF CHANGES IN**  
**AGGREGATE LIABILITIES FOR CLAIMS**  
*(In Thousands)*

	General Liability		Health Care		Workers' Compensation		Total City	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>UNDISCOUNTED</b>								
Balance - Beginning of Fiscal Year	\$ 84,223	\$ 85,476	\$ 1,778	\$ 3,721	\$ 34,481	\$ 36,238	\$ 120,482	\$ 125,435
Less Payments and Expenses								
During the Year	(10,092)	(18,267)	(105,068)	(85,674)	(12,628)	(13,325)	(127,788)	(117,266)
Plus Claims and Changes in Estimates	(6,399)	17,014	105,555	83,731	14,171	11,568	113,327	112,313
Balance - End of Fiscal Year	\$ 67,732	\$ 84,223	\$ 2,265	\$ 1,778	\$ 36,024	\$ 34,481	\$ 106,021	\$ 120,482
<b>UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 48,811	\$ 62,462	\$ 2,265	\$ 1,778	\$ 26,075	\$ 24,936	\$ 77,151	\$ 89,176
Business-Type Activities	18,921	21,760	-	-	9,949	9,545	28,870	31,305
Fiduciary Activities	-	1	-	-	-	-	-	1
Balance - End of Fiscal Year	\$ 67,732	\$ 84,223	\$ 2,265	\$ 1,778	\$ 36,024	\$ 34,481	\$ 106,021	\$ 120,482
<b>DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 47,387	\$ 60,917	\$ 2,248	\$ 1,764	\$ 25,258	\$ 24,209	\$ 74,893	\$ 86,890
Business-Type Activities	18,369	21,222	-	-	9,637	9,266	28,006	30,488
Fiduciary Activities	-	1	-	-	-	-	-	1
Balance - End of Fiscal Year	\$ 65,756	\$ 82,140	\$ 2,248	\$ 1,764	\$ 34,895	\$ 33,475	\$ 102,899	\$ 117,379

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

- Boeing West Substation. In 2002 the Boeing Company discovered PCB contamination in soil adjacent to a City Light substation at Boeing's Plant 2. Boeing initially claimed the contamination came from City Light equipment and that City Light therefore was liable for more than \$2.0 million that Boeing had spent and additional money Boeing was spending to investigate and remove contaminated material. City Light denied that its equipment was the source and considers its liability to be zero. Boeing has not reasserted its claim for several years. Whether or not City Light will ultimately be deemed liable is unknown.
- 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 approved by the trial court and FERC. Under the settlement, the City resolved this matter for

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## Notes to Financial Statements

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\$9.0 million, none of which needed to be immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent 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 \$1.8 million in payments in the Pacific Northwest Refund Case, half of which has been paid to the California parties pursuant to the settlement.

Pacific Northwest Refund Case and Appeal. In the proceeding before FERC various buyers of energy, including the City, sought refunds on energy sales in the Pacific Northwest between May 2000 and June 2001. City Light's claims currently are in excess of \$100.0 million. In 2003 FERC declined to grant refunds on the grounds that there was no equitable way to do so. The City and other parties appealed to the Ninth Circuit. In August 2007 the Ninth Circuit held that FERC had abused its discretion in denying all refund relief in the Pacific Northwest and remanded the case to FERC for further proceedings. In December 2007 various buyers of energy filed petitions for rehearing in the Ninth Circuit. On April 9, 2009, the Ninth Circuit denied those petitions for rehearing and on April 16, 2009, the Ninth Circuit issued the mandate remanding the case to FERC. In September 2009 the sellers filed a Petition for a Writ of Certiorari in the United States Supreme Court. That petition was denied on January 11, 2010. On remand, FERC has ordered a settlement process and has encouraged the parties to engage in settlement discussions. The City has engaged in settlement discussions with various entities from which it purchased power during 2000 and 2001. These discussions have resulted in settlement agreements with 12 entities with a combined settlement amount of \$2.5 million. As discussed above, to date \$1.8 million of this amount has been received by the City. The start of the administrative trial has been rescheduled from April 15, 2013 to May 7, 2013.

- **Business Tax Refunds.** A Seattle-based company appealed its business and occupation (B&O) tax assessment of \$1.5 million in 2008. The issue on appeal is whether the company is allowed to allocate the income earned from its 450 Seattle-based employees to a California Limited Liability Company. The California company has no employees and no property. The company performs services in Seattle and, pursuant to a contract with the California company, sends out invoices in the California company's name. The Regulatory Services and Operations Division assessed the Seattle company for the income. If the Seattle company prevails, it is possible that other companies will attempt to use similar structures to avoid taxes and the Seattle company would be able to avoid paying the B&O tax it would otherwise owe for 2009. The City prevailed in a hearing before the City of Seattle Hearing Examiner in June 2009. The company then appealed to the King County Superior Court and the City prevailed on February 23, 2010. The company appealed to the Court of Appeals. Oral argument in the court of appeals was heard on March 2, 2011. The Court of Appeals ruled in favor of the City on September 12, 2011. The company petitioned the Washington Supreme Court for review, and the Court declined to review the case on February 12, 2012. The Court's denial of petition for review terminates the appeal. The Revenue Department for the City can release the assessed taxes from the holding account.
- **Leaks and Cracks in Reservoirs.** The City discovered leaks in various reservoirs and cracks in a not-yet completed reservoir. Discussions with the designer and contractor 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.
- **Other Miscellaneous Lawsuit and Claim.** A lawsuit was filed due to a traffic accident involving a Seattle City Light vehicle. Another lawsuit involving alleged serious injuries from an electrical shock caused by a high voltage power line. Both lawsuits were settled in 2012 and 2013.

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

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## The City of Seattle

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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, 2012, eleven accounts remained outstanding with a combined total amount of \$28.5 million. BEDI grant funds amount to \$3.75 million, of which a portion is being held as loan loss reserves for the eleven accounts.

### GUARANTEES OF THE INDEBTEDNESS OF OTHERS

The City has contingent liability for the following bonds issued by public development authorities chartered by the City which are not component units of the City:

#### *Museum Development Authority*

Special obligation bonds issued on November 16, 2005, in the amount of \$60,720,000, of which \$53,190,000 was outstanding at December 31, 2012. 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 of which \$3,850,000 was outstanding on December 31, 2012. The bonds will be fully retired on November 1, 2017.

#### *Seattle Chinatown-International District Preservation and Development Authority*

Special obligation bonds, Series A, issued on December 12, 2002, in the amount of \$7,700,000. The outstanding amount at December 31, 2012, was \$2,555,000. The bonds will be fully retired by October 1, 2032.

Special obligation bonds, Series B, issued on December 12, 2002, in the amount of \$2,790,000. The outstanding amount at December 31, 2012, was \$2,305,000. The bonds will be fully retired by October 1, 2032.

Special obligation refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount at December 31, 2012, was \$6,145,000. The bonds will be fully retired by August 1, 2026.

#### *Seattle Indian Services Commission*

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000. The amount outstanding at December 31, 2012, was \$1,625,000. The bonds will be fully retired on November 1, 2017.

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000, of which \$4,075,000 was outstanding as of December 31, 2012. The bonds will be fully retired on November 1, 2024.

## (17) RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING PRINCIPLES, AND RECLASSIFICATIONS

In 2010 the City, in its Planning and Development Fund, incorrectly classified approximately \$167 thousand in capital outlay associated with Online Electrical Permitting System as current expenditures. The fund also identified its accounts receivable balances relating to Land Use Permits that were deemed to be uncollectible. These receivables span the years 2005 through 2010 totaling \$2.1 million were written off. The receivables write-offs included a correction of \$600 thousand bad debt write-offs that was done incorrectly in 2011 by reducing revenues. Therefore, restatements to the 2011 government-wide financial statements for business-type activities and the corresponding proprietary fund financial statements were required. The results were a prior-period adjustment totaling \$1.9 million and restatements of the 2011 financial statements in a total net amount of \$567 thousand. The prior-period adjustment and the restatements represent increases in revenues and expenses, decrease in accounts receivables, increase in machinery and equipment, and an offsetting reduction to the 2011 net position.

Ordinance 124037 was passed in November 2012 to authorize Department of Finance and Administrative Services (FAS) to transfer 198 vehicles that were leased from the City by Public Health - Seattle and King County. As a result, FAS restated 2011's capital assets by reducing the total net book value by \$1.1 million. This also created a \$514 thousand loss on the sale of capital assets for 2011. Additionally, refunding Public Health's capital replacement costs restated 2011's other revenues recorded by \$512 thousand, and increased the balance of other currently liabilities by \$1.1 million. FAS also recorded a

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## Notes to Financial Statements

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prior-period adjustment to reduce 2011's beginning balance of net position by \$1.1 million for distribution of 2010's accumulated balance of capital replacement costs.

In 2011, fund balance in the Judgment and Claims subfund was reported in the assigned fund balance classification. To better align with a method used to classify other funds' fund balances, the 2011 fund balance in the Judgment and Claims subfund has been reclassified from the assigned fund balance classification to the committed fund balance classification.

In mid 2012, the Seattle Transportation Benefit District (presented as a nonmajor governmental fund in the City's financial statements with the same name) received a bill from the King County Department of Elections for services provided during the November 2011 general election. While not a material omission, this cost was larger than anticipated and was not properly accrued in the 2011 period. To allow comparative analysis of 2012 and 2011 balances, 2011 comparative amounts were restated to show impact of the billed \$378 thousand as a decrease in restricted fund balance and net position where applicable for this fund.

In 2011, capitalized assets reported were over stated by \$1.1 million for buildings, and under reported improvements by \$462 thousand and equipment by \$460 thousand in equipment. The changes in the capitalization of building, improvements and equipment including accumulated depreciation, resulted in a restatement that decreases the capital asset balances reported in 2011 by \$577 thousand.

Certain other reclassifications were made in the financial statements for the prior year to conform to the presentation in the current year.

### (18) SUBSEQUENT EVENTS

On June 4, 2013, pursuant to City Ordinances 124053 and 124125 the City issued (1) \$42.3 million of Limited Tax General Obligation (LTGO) Improvement Bonds with an average coupon rate of 3.671 percent and a final maturity of October 1, 2033; (2) \$55.1 million of taxable LTGO Improvement and Refunding Bonds, an average coupon rate of 1.341 percent and a final maturity of January 1, 2025; and (3) \$50.0 million of Unlimited Tax General Obligation Improvement Bonds, an average coupon rate of 4.11 percent and a final maturity of December 1, 2042.

**Required Supplementary  
Information**

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**Required Supplementary Information**

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

**The City of Seattle**

**C-1 GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended December 31, 2012  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 257,624	\$ 257,624	\$ 259,954	\$ 2,330
Retail Sales and Use Taxes	159,582	159,582	169,681	10,099
Business Taxes	240,670	240,670	243,784	3,114
Excise Taxes	33,744	33,744	54,797	21,053
Other Taxes	-	-	2,648	2,648
Interfund Business Taxes	114,848	114,848	115,147	299
Total Taxes	806,468	806,468	846,011	39,543
Licenses and Permits	18,671	18,671	20,672	2,001
Grants, Shared Revenues, and Contributions	50,152	78,763	38,964	(39,799)
Charges for Services	55,586	57,609	56,039	(1,570)
Fines and Forfeits	37,467	37,467	32,754	(4,713)
Parking Fees and Space Rent	32,412	32,412	34,903	2,491
Program Income, Interest, and Miscellaneous Revenues	186,089	186,089	190,872	4,783
Total Revenues	1,186,845	1,217,479	1,220,215	2,736
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	357,896	368,948	328,689	40,259
Judicial	26,720	26,720	26,654	66
Public Safety	462,585	489,148	458,957	30,191
Physical Environment	3,676	5,674	7,329	(1,655)
Transportation	12,250	12,250	12,031	219
Economic Environment	18,084	23,061	17,633	5,428
Culture and Recreation	6,128	6,168	5,219	949
Capital Outlay				
General Government	25,794	25,978	5,642	20,336
Public Safety	5,007	13,515	7,457	6,058
Physical Environment	10,109	10,109	-	10,109
Transportation	1,334	1,334	-	1,334
Economic Environment	5,853	1,522	69	1,453
Culture and Recreation	49,119	50,016	14,372	35,644
Total Expenditures and Encumbrances	984,555	1,034,443	884,052	150,391
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	202,290	183,036	336,163	153,127
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	5,795	5,795	753	(5,042)
Transfers In	24,089	32,604	32,431	(173)
Transfers Out	(296,533)	(309,876)	(299,563)	10,313
Total Other Financing Sources (Uses)	(266,649)	(271,477)	(266,379)	5,098
Net Change in Fund Balance	\$ (64,359)	\$ (88,441)	69,784	\$ 158,225
Budgetary Fund Balance - Beginning of Year			139,778	
Net Change in Encumbrances			(1,175)	
Net Change in Unappropriable Reserves			(24,121)	
Budgetary Fund Balance - End of Year			184,266	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			74,342	
Encumbrances			3,728	
Reimbursements				
Budgeted as Revenues			165,950	
Budgeted as Expenditures			(165,950)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			12,656	
Fund Balance (GAAP) - End of Year			\$ 274,992	



**Required Supplementary Information**

C-2  
**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 40,694	\$ 40,694	\$ 40,998	\$ 304
Business Taxes	24,608	24,608	31,204	6,596
Other Taxes	-	-	189	189
Total Taxes	65,302	65,302	72,391	7,089
Licenses and Permits	409	409	4,566	4,157
Grants, Shared Revenues, and Contributions	46,479	65,718	52,304	(13,414)
Charges for Services	109,065	119,516	78,176	(41,340)
Fines and Forfeits	-	-	27	27
Parking Fees and Space Rent	-	-	82	82
Program Income, Interest, and Miscellaneous Revenues	-	-	271	271
<b>Total Revenues</b>	<b>221,255</b>	<b>250,945</b>	<b>207,817</b>	<b>(43,128)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
Transportation	98,913	99,835	79,807	20,028
Capital Outlay				
Transportation	432,303	449,528	228,262	221,266
Debt Service				
Principal	-	-	1,919	(1,919)
Interest	26,111	26,111	205	25,906
<b>Total Expenditures and Encumbrances</b>	<b>557,327</b>	<b>575,474</b>	<b>310,193</b>	<b>265,281</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(336,072)	(324,529)	(102,376)	222,153
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	5,752	5,752	6,000	248
Sales of Capital Assets	-	-	120	120
Transfers In	82,715	85,256	117,866	32,610
Transfers Out	-	(378)	(31,993)	(31,615)
<b>Total Other Financing Sources (Uses)</b>	<b>88,467</b>	<b>90,630</b>	<b>91,993</b>	<b>1,363</b>
<b>Net Change in Fund Balance</b>	<b>\$ (247,605)</b>	<b>\$ (233,899)</b>	<b>(10,383)</b>	<b>\$ 223,516</b>
Budgetary Fund Balance - Beginning of Year			28,298	
Net Change in Encumbrances			50	
Net Change in Unappropriable Reserves			(15,074)	
<b>Budgetary Fund Balance - End of Year</b>			<b>2,891</b>	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			48,157	
Pass-Through Receipts				
Budgeted as Revenues			(365)	
Budgeted as Expenditures			365	
<b>Fund Balance (GAAP) - End of Year</b>			<b>\$ 51,048</b>	

**The City of Seattle**

C-3  
**LOW-INCOME HOUSING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
General Property Taxes	\$ 18,136	\$ 18,136	\$ 18,039	\$ (97)
Grants, Shared Revenues, and Contributions	20,130	18,820	5,316	(13,504)
Charges for Services	1,582	1,582	395	(1,187)
Program Income, Interest, and Miscellaneous Revenues	7,379	7,379	5,955	(1,424)
<b>Total Revenues</b>	<b>47,227</b>	<b>45,917</b>	<b>29,705</b>	<b>(16,212)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
Economic Environment	34,114	38,434	36,473	1,961
Capital Outlay				
Economic Environment	93,242	87,928	-	87,928
<b>Total Expenditures and Encumbrances</b>	<b>127,356</b>	<b>126,362</b>	<b>36,473</b>	<b>89,889</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(80,129)	(80,445)	(6,768)	73,677
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	46	46	46	-
<b>Net Change in Fund Balance</b>	<b>\$ (80,083)</b>	<b>\$ (80,399)</b>	<b>(6,722)</b>	<b>\$ 73,677</b>
Budgetary Fund Balance - Beginning of Year			(6,715)	
Net Change in Encumbrances			60	
Net Change in Unappropriable Reserves			4,011	
<b>Budgetary Fund Balance - End of Year</b>			<b>(9,366)</b>	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			89,232	
<b>Fund Balance (GAAP) - End of Year</b>			<b>\$ 79,866</b>	

**Required Supplementary Information**

**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.

**The City of Seattle**

C-4

**PENSION PLAN INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

**December 31, 2012**

*(In Thousands)*

Retirement System	Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) <sup>a</sup>	Unfunded Actuarial Accrued Liabilities (UAAL) <sup>b</sup>	Funded Ratio	Covered Payroll <sup>c</sup>	UAAL as a Percentage of Covered Payroll
<b>Seattle City Employees' Retirement System (SCERS)</b>	2004	\$ 1,527,500	\$ 1,778,900	\$ 251,400	85.9 %	\$ 424,700	59.2 %
	2006	1,791,800	2,017,500	225,800	88.8	447,000	50.5
	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 <sup>d</sup>	563,200	123.5
	2012	1,954,300	2,859,300	905,000	68.3	557,000	162.5
<b>Firemen's Pension Fund</b>	2007	10,045	154,518	144,473	7.0	N/A	N/A
	2008	9,005	168,384	159,379	5.0	N/A	N/A
	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
<b>Police Relief and Pension Fund</b>	2007	1,327	119,280	117,953	1.0	N/A	N/A
	2008	805	138,897	138,092	1.0	N/A	N/A
	2009	423	132,118 <sup>e</sup>	131,695 <sup>c</sup>	0.0	N/A	N/A
	2010	280	129,393	129,113	0.0	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

<sup>a</sup> 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.

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

<sup>c</sup> 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.

<sup>d</sup> 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.

<sup>e</sup> Reflects a \$514,000 actuarial adjustment for the 2009 AAL and UAAL.

## Required Supplementary Information

C-5

### PENSION PLAN INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2012

(In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll <sup>a</sup>	Actual Employer Contribution <sup>b</sup>	Actual Employer Contribution Percentage <sup>b</sup>	Annual Required Contribution (ARC) <sup>c</sup>	Percentage of ARC Contributed
Seattle City Employees' Retirement System (SCERS)	2006	\$ 472,500	\$ 37,900	8.03 %	8.03 %	100 %
	2007	501,900	40,300	8.03	8.03	100
	2008	570,530	45,814	8.03	8.03	100
	2009	580,948	46,650	8.03	8.03	100
	2010 <sup>d</sup>	563,198	45,225	8.03	17.00	47
	2011	557,000	50,300	9.03	13.11	69
Firemen's Pension Fund	2006	N/A	9,385	N/A	\$ 9,385	100
	2007 <sup>e</sup>	N/A	8,633	N/A	9,533	91
	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
Police Relief and Pension Fund	2006	N/A	6,056	N/A	\$ 6,056	100
	2007 <sup>e</sup>	N/A	5,885	N/A	7,783	76
	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

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> The latest actuarial valuation for SCERS was completed as of January 1, 2011.

<sup>e</sup> Projected benefit payments and liabilities increased significantly between the 2005 actuarial valuation and the valuation completed in 2007. The primary contributing factor was the change in actuarial assumptions to reflect that long-run wages were expected to increase faster than the Consumer Price Index.

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

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**Nonmajor  
Governmental Funds**

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## Nonmajor Governmental Funds

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### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

The **Park 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 **Business Improvement Areas Fund** accounts for moneys that businesses assess themselves for parking, festivals, and other nongovernmental activities.

The **Seattle Transportation Benefit District Fund** accounts for the independent taxing district created and governed by the City Council. The purpose of the district is to fund transportation improvements within the boundaries of the City through an imposed \$20 vehicle registration fee. See Note 12, Component Units, for additional information pertaining to the district.

The **General Trust Fund** accounts for amounts received with restrictions under contractual agreements.

The **Municipal Arts Fund** receives at least one percent of the total cost of City capital construction projects. The City uses these moneys to buy visual arts.

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## The City of Seattle

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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 **2005 Multipurpose Long-Term General Obligation Bond Fund** was established in 2004 to account for startup activities related to the acquisition of parking pay stations. The fund obtained a bridge loan in 2004 from the City's consolidated residual cash pool. The loan was repaid and additional capital improvement programs were funded in 2005 when the 2005 bonds were issued. The 2005 bond issue included financing for the Central Library Garage, Pier 59 Aquarium improvement, Fremont Bridge approaches and bridgeway, and SR519 projects (Ordinances 121329 and 121663).

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 **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).

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

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## Nonmajor Governmental Funds

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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 **Denny Triangle Public Amenity Fund** was established in 2001 to account for proceeds from contributions by developers in the Denny Triangle using the Transfer of Development Credits (TDC) Program provisions and from contributions by King County to fund amenities in the Denny Triangle Urban Village in support of the TDC program, and interest earned on such funds (Ordinance 119729).

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 **2002B Long-Term General Obligation Project Fund** was established to account for the proceeds of \$46.9 million limited tax general obligation bonds issued in September 2002 to provide funding for various new capital projects of the City in 2002 (Ordinance 120894).

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

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## The City of Seattle

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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).

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 **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).

### PERMANENT FUNDS

The **H. H. Dearborn Fund** holds a \$50,000 nonexpendable 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, 2012**

*(In Thousands)*

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2012	Restated 2011
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 84,139	\$ 10,510	\$ 169,169	\$ 2,167	\$ 265,985	\$ 308,075
Receivables, Net of Allowances						
Taxes	214	87	804	-	1,105	2,218
Accounts	8,329	-	16	-	8,345	7,999
Special Assessments - Delinquent Interest and Dividends	-	(4)	265	1	265	195
Unbilled and Others	63		87		147	238
Due from Other Funds	1,231	-	18	-	1,249	1,101
Due from Other Governments	2,569	97	4,453	-	7,119	3,306
Inventories	12,575	12	1,271	-	13,858	13,933
Prepaid and Other Current Assets	553	-	-	-	553	609
Contracts and Notes - Noncurrent	10	-	-	-	10	42
Deferred Charges and Other Assets	43,974	-	-	-	43,974	44,761
	-	4	13,038	-	13,042	14,271
<b>Total Assets</b>	<b>\$ 153,657</b>	<b>\$ 10,706</b>	<b>\$ 189,121</b>	<b>\$ 2,168</b>	<b>\$ 355,652</b>	<b>\$ 396,748</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 20,479	\$ -	\$ 6,076	\$ 2	\$ 26,557	\$ 23,822
Contracts Payable	592	-	1,147	-	1,739	901
Due to Other Funds	6,097	-	14,694	4	20,795	26,318
Due to Other Governments	5,277	10	6	-	5,293	6,732
Salaries, Benefits, and Taxes Payable	4,086	-	13	-	4,099	3,526
Interest Payable	2	(4)	-	-	(2)	3
Deposits Payable	146	-	14	-	160	170
Revenue Collected/Billed in Advance - Current	2,937	-	486	-	3,423	3,127
Other Current Liabilities	230	-	-	-	230	189
Advances from Other Funds	1,700	-	850	-	2,550	-
Deferred Revenues	44,663	34	13,683	-	58,380	61,647
<b>Total Liabilities</b>	<b>86,209</b>	<b>40</b>	<b>36,969</b>	<b>6</b>	<b>123,224</b>	<b>126,435</b>
<b>FUND BALANCES</b>						
Nonspendable	350	-	-	2,050	2,400	2,486
Restricted	57,769	10,666	153,680	112	222,227	262,087
Committed	9,209	-	-	-	9,209	8,988
Assigned	12,583	-	-	-	12,583	8,816
Unassigned	(12,463)	-	(1,528)	-	(13,991)	(12,064)
<b>Total Fund Balances</b>	<b>67,448</b>	<b>10,666</b>	<b>152,152</b>	<b>2,162</b>	<b>232,428</b>	<b>270,313</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 153,657</b>	<b>\$ 10,706</b>	<b>\$ 189,121</b>	<b>\$ 2,168</b>	<b>\$ 355,652</b>	<b>\$ 396,748</b>

**The City of Seattle**

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE**

**December 31, 2012**

*(In Thousands)*

	Park and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 12,630	\$ 182	\$ 546	\$ 1,558
Receivables, Net of Allowances				
Taxes	-	-	-	63
Accounts	1,650	19	-	-
Interest and Dividends	1	-	-	1
Unbilled and Others	33	-	-	-
Due from Other Funds	1,079	-	-	-
Due from Other Governments	237	57	-	8
Inventories	325	-	-	-
Prepaid and Other Current Assets	-	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-
<b>Total Assets</b>	<b>\$ 15,955</b>	<b>\$ 258</b>	<b>\$ 546</b>	<b>\$ 1,630</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,533	\$ -	\$ 3	\$ -
Contracts Payable	592	-	-	-
Due to Other Funds	896	3,624	41	-
Due to Other Governments	-	-	-	3
Salaries, Benefits, and Taxes Payable	2,155	-	-	-
Interest Payable	1	1	-	-
Deposits Payable	141	-	-	-
Revenue Collected/Billed in Advance - Current	906	-	-	-
Other Current Liabilities	230	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	22	-	-	-
<b>Total Liabilities</b>	<b>7,476</b>	<b>3,625</b>	<b>44</b>	<b>3</b>
<b>FUND BALANCES</b>				
Nonspendable	329	-	-	-
Restricted	331	-	502	1,627
Committed	60	-	-	-
Assigned	7,759	-	-	-
Unassigned	-	(3,367)	-	-
<b>Total Fund Balances</b>	<b>8,479</b>	<b>(3,367)</b>	<b>502</b>	<b>1,627</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,955</b>	<b>\$ 258</b>	<b>\$ 546</b>	<b>\$ 1,630</b>



**Nonmajor Governmental Funds**

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COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2012  
(In Thousands)

	Seattle Center	Human Services Operating	Office of Housing	Housing and Community Development Revenue Sharing
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 148	\$ 14,432	\$ 1,448	\$ 1,580
Receivables, Net of Allowances	-	-	-	-
Taxes	-	-	-	-
Accounts	2,860	51	89	167
Interest and Dividends	23	12	-	1
Unbilled and Others	1,097	101	-	-
Due from Other Funds	83	791	140	-
Due from Other Governments	-	10,362	503	803
Inventories	228	-	-	-
Prepaid and Other Current Assets	-	10	-	-
Contracts and Notes - Noncurrent	-	650	-	43,324
<b>Total Assets</b>	<b>\$ 4,439</b>	<b>\$ 26,409</b>	<b>\$ 2,180</b>	<b>\$ 45,875</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 574	\$ 12,054	\$ 64	\$ 705
Contracts Payable	-	-	-	-
Due to Other Funds	185	60	60	213
Due to Other Governments	-	5,247	-	-
Salaries, Benefits, and Taxes Payable	909	819	106	-
Interest Payable	-	-	-	-
Deposits Payable	4	-	1	-
Revenue Collected/Billed in Advance - Current	-	1,903	-	74
Other Current Liabilities	-	-	-	-
Advances from Other Funds	1,700	-	-	-
Deferred Revenues	472	650	18	43,324
<b>Total Liabilities</b>	<b>3,844</b>	<b>20,733</b>	<b>249</b>	<b>44,316</b>
<b>FUND BALANCES</b>				
Nonspendable	21	-	-	-
Restricted	1,402	1,902	-	1,559
Committed	8,268	881	-	-
Assigned	-	2,893	1,931	-
Unassigned	(9,096)	-	-	-
<b>Total Fund Balances</b>	<b>595</b>	<b>5,676</b>	<b>1,931</b>	<b>1,559</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,439</b>	<b>\$ 26,409</b>	<b>\$ 2,180</b>	<b>\$ 45,875</b>

**The City of Seattle**

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Page 3 of 4  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2012  
(In Thousands)

	Education and Development Services	Business Improvement Areas	Seattle Transportation Benefit District	General Trust
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 32,130	\$ 2,185	\$ 1,547	\$ 4,234
Receivables, Net of Allowances	-	-	-	-
Taxes	151	-	-	-
Accounts	-	3,388	-	2
Interest and Dividends	16	1	1	2
Unbilled and Others	-	-	-	-
Due from Other Funds	355	5	-	8
Due from Other Governments	32	-	573	-
Inventories	-	-	-	-
Prepaid and Other Current Assets	-	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-
<b>Total Assets</b>	<b>\$ 32,684</b>	<b>\$ 5,579</b>	<b>\$ 2,121</b>	<b>\$ 4,246</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,214	\$ 786	\$ 392	\$ 8
Contracts Payable	-	-	-	-
Due to Other Funds	688	-	237	48
Due to Other Governments	27	-	-	-
Salaries, Benefits, and Taxes Payable	38	-	-	31
Interest Payable	-	-	-	-
Deposits Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Other Current Liabilities	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	177	-	-	-
<b>Total Liabilities</b>	<b>4,144</b>	<b>786</b>	<b>629</b>	<b>87</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	28,540	4,793	1,492	4,159
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>28,540</b>	<b>4,793</b>	<b>1,492</b>	<b>4,159</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,684</b>	<b>\$ 5,579</b>	<b>\$ 2,121</b>	<b>\$ 4,246</b>

**Nonmajor Governmental Funds**

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**Page 4 of 4**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE**  
**December 31, 2012**  
*(In Thousands)*

	Municipal Arts	General Donations and Gift Trust	Comparative Totals	
			2012	Restated 2011
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 6,591	\$ 4,928	\$ 84,139	\$ 62,133
Receivables, Net of Allowances				
Taxes	-	-	214	735
Accounts	-	103	8,329	7,999
Interest and Dividends	3	2	63	68
Unbilled and Others	-	-	1,231	1,101
Due from Other Funds	106	2	2,569	3,151
Due from Other Governments	-	-	12,575	13,182
Inventories	-	-	553	609
Prepaid and Other Current Assets	-	-	10	42
Contracts and Notes - Noncurrent	-	-	43,974	44,761
<b>Total Assets</b>	<b>\$ 6,700</b>	<b>\$ 5,035</b>	<b>\$ 153,657</b>	<b>\$ 133,781</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 99	\$ 47	\$ 20,479	\$ 19,576
Contracts Payable	-	-	592	395
Due to Other Funds	4	41	6,097	7,782
Due to Other Governments	-	-	5,277	6,726
Salaries, Benefits, and Taxes Payable	22	6	4,086	3,526
Interest Payable	-	-	2	3
Deposits Payable	-	-	146	156
Revenue Collected/Billed in Advance - Current	-	54	2,937	2,857
Other Current Liabilities	-	-	230	189
Advances from Other Funds	-	-	1,700	-
Deferred Revenues	-	-	44,663	46,114
<b>Total Liabilities</b>	<b>125</b>	<b>148</b>	<b>86,209</b>	<b>87,324</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	350	436
Restricted	6,575	4,887	57,769	40,281
Committed	-	-	9,209	8,988
Assigned	-	-	12,583	8,816
Unassigned	-	-	(12,463)	(12,064)
<b>Total Fund Balances</b>	<b>6,575</b>	<b>4,887</b>	<b>67,448</b>	<b>46,457</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,700</b>	<b>\$ 5,035</b>	<b>\$ 153,657</b>	<b>\$ 133,781</b>

**The City of Seattle**

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**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DEBT SERVICE**  
**December 31, 2012**  
*(In Thousands)*

	General Bond Interest and Redemption	Interfund Notes Payable – Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2012	2011
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 9,654	\$ 8	\$ 848	\$ 10,510	\$ 10,445
Receivables, Net of Allowances					
Taxes	87	-	-	87	460
Interest and Dividends	(4)	-	-	(4)	1
Due from Other Funds	97	-	-	97	-
Due from Other Governments	12	-	-	12	7
Deferred Charges and Other Assets	-	6	(2)	4	6
<b>Total Assets</b>	<b>\$ 9,846</b>	<b>\$ 14</b>	<b>\$ 846</b>	<b>\$ 10,706</b>	<b>\$ 10,919</b>
<b>LIABILITIES</b>					
Due to Other Governments	\$ 10	\$ -	\$ -	\$ 10	\$ 6
Interest Payable	(4)	-	-	(4)	-
Deferred Revenues	28	6	-	34	414
<b>Total Liabilities</b>	<b>34</b>	<b>6</b>	<b>-</b>	<b>40</b>	<b>420</b>
<b>FUND BALANCES</b>					
Restricted	9,812	8	846	10,666	10,499
<b>Total Fund Balances</b>	<b>9,812</b>	<b>8</b>	<b>846</b>	<b>10,666</b>	<b>10,499</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,846</b>	<b>\$ 14</b>	<b>\$ 846</b>	<b>\$ 10,706</b>	<b>\$ 10,919</b>

**Nonmajor Governmental Funds**

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**Page 1 of 6**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**December 31, 2012**  
*(In Thousands)*

	2005 Multipurpose Long-Term General Obligation Bond	Transportation Bond	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ -	\$ 6	\$ 460	\$ 1,105	\$ 50
Receivables, Net of Allowances	-	-	-	-	-
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	-	-
Interest and Dividends	-	-	-	1	-
Unbilled and Others	-	-	-	-	-
Due from Other Funds	-	-	1	-	-
Due from Other Governments	-	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>\$ 461</b>	<b>\$ 1,106</b>	<b>\$ 50</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	2	68	-
Due to Other Governments	-	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>68</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted	-	6	459	1,038	50
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>6</b>	<b>459</b>	<b>1,038</b>	<b>50</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>\$ 461</b>	<b>\$ 1,106</b>	<b>\$ 50</b>

**The City of Seattle**

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**Page 2 of 6**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**December 31, 2012**  
*(In Thousands)*

	City Facilities Renovation and Improvement	Conservation Futures	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy	Denny Triangle Public Amenity
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 88	\$ 31	\$ 122	\$ 41,295	\$ -
Receivables, Net of Allowances	-	-	-	762	-
Taxes	-	-	-	16	-
Accounts	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	21	-
Interest and Dividends	-	-	-	-	-
Unbilled and Others	-	-	-	-	-
Due from Other Funds	-	-	-	263	-
Due from Other Governments	-	-	-	31	-
Deferred Charges and Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 88</b>	<b>\$ 31</b>	<b>\$ 122</b>	<b>\$ 42,388</b>	<b>\$ -</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,238	\$ -
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	615	-
Due to Other Governments	-	-	-	6	-
Salaries, Benefits, and Taxes Payable	-	-	-	13	-
Deposits Payable	-	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	486	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	-	645	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,003</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted	88	31	122	39,385	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>88</b>	<b>31</b>	<b>122</b>	<b>39,385</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 88</b>	<b>\$ 31</b>	<b>\$ 122</b>	<b>\$ 42,388</b>	<b>\$ -</b>

**Nonmajor Governmental Funds**

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**Page 3 of 6**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**December 31, 2012**  
*(In Thousands)*

	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center	South Police Stations	Public Safety Information Technology	2003 Fire Facilities
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 2,090	\$ 1,296	\$ 2	\$ 535	\$ 28,636
Receivables, Net of Allowances	-	-	-	-	42
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	-	-
Interest and Dividends	1	1	-	-	14
Unbilled and Others	-	-	-	-	18
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	1,240
Deferred Charges and Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,091</b>	<b>\$ 1,297</b>	<b>\$ 2</b>	<b>\$ 535</b>	<b>\$ 29,950</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 467	\$ -	\$ -	\$ -	\$ 2,561
Contracts Payable	-	-	-	-	381
Due to Other Funds	13	-	-	-	185
Due to Other Governments	-	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-	-
Deposits Payable	-	-	-	-	14
Revenue Collected/Billed in Advance - Current	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,141</b>
<b>FUND BALANCES</b>					
Restricted	1,611	1,297	2	535	26,809
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,611</b>	<b>1,297</b>	<b>2</b>	<b>535</b>	<b>26,809</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,091</b>	<b>\$ 1,297</b>	<b>\$ 2</b>	<b>\$ 535</b>	<b>\$ 29,950</b>

**The City of Seattle**

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**Page 4 of 6**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**December 31, 2012**  
*(In Thousands)*

	2002B Long-Term General Obligation Project	2003 Long-Term General Obligation Project	2006 Multipurpose Long-Term General Obligation Bond	Local Improvement, District No. 6750	2007 Multipurpose Long-Term General Obligation Bond
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ -	\$ 11	\$ 64	\$ 90	\$ 75
Receivables, Net of Allowances	-	-	-	-	-
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	265	-
Interest and Dividends	-	-	-	1	-
Unbilled and Others	-	-	-	-	-
Due from Other Funds	-	-	-	-	1
Due from Other Governments	-	-	-	-	-
Deferred Charges and Other Assets	-	-	-	13,038	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 11</b>	<b>\$ 64</b>	<b>\$ 13,394</b>	<b>\$ 76</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	63
Due to Other Governments	-	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	-	13,038	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,038</b>	<b>63</b>
<b>FUND BALANCES</b>					
Restricted	-	11	64	356	13
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>11</b>	<b>64</b>	<b>356</b>	<b>13</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 11</b>	<b>\$ 64</b>	<b>\$ 13,394</b>	<b>\$ 76</b>

**Nonmajor Governmental Funds**

**D-4** **COMBINING BALANCE SHEET**  
**Page 5 of 6** **NONMAJOR GOVERNMENTAL FUNDS**

**CAPITAL PROJECTS**  
**December 31, 2012**  
*(In Thousands)*

	2008	2009	2010	2011	2012
	Multipurpose Long-Term General Obligation Bond	Multipurpose Long-Term General Obligation Bond	Multipurpose Long-Term General Obligation Bond	Multipurpose Long-Term General Obligation Bond	Multipurpose Long-Term General Obligation Bond
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 8,260	\$ 3,888	\$ 13,935	\$ 44,014	\$ 23,088
Receivables, Net of Allowances	-	-	-	-	-
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	-	-
Interest and Dividends	4	2	8	22	12
Unbilled and Others	-	-	-	-	-
Due from Other Funds	23	-	-	4,165	-
Due from Other Governments	-	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 8,287</b>	<b>\$ 3,890</b>	<b>\$ 13,943</b>	<b>\$ 48,201</b>	<b>\$ 23,100</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 84	\$ 113	\$ 346	\$ 930	\$ 337
Contracts Payable	75	487	183	21	-
Due to Other Funds	124	42	2,590	5,889	4,397
Due to Other Governments	-	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>283</b>	<b>642</b>	<b>3,119</b>	<b>6,840</b>	<b>4,734</b>
<b>FUND BALANCES</b>					
Restricted	8,004	3,248	10,824	41,361	18,366
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>8,004</b>	<b>3,248</b>	<b>10,824</b>	<b>41,361</b>	<b>18,366</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,287</b>	<b>\$ 3,890</b>	<b>\$ 13,943</b>	<b>\$ 48,201</b>	<b>\$ 23,100</b>

**The City of Seattle**

**D-4** **COMBINING BALANCE SHEET**  
**Page 6 of 6** **NONMAJOR GOVERNMENTAL FUNDS**

**CAPITAL PROJECTS**  
**December 31, 2012**  
*(In Thousands)*

	Comparative Totals	
	2012	2011
<b>ASSETS</b>		
Cash and Equity in Pooled Investments	\$ 28	\$ 169,169
Receivables, Net of Allowances	-	-
Taxes	-	804
Accounts	-	16
Special Assessments - Delinquent	-	265
Interest and Dividends	-	87
Unbilled and Others	-	18
Due from Other Funds	-	4,453
Due from Other Governments	-	1,271
Deferred Charges and Other Assets	-	13,038
<b>Total Assets</b>	<b>\$ 28</b>	<b>\$ 189,121</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ 6,076
Contracts Payable	-	1,147
Due to Other Funds	706	14,694
Due to Other Governments	-	6
Salaries, Benefits, and Taxes Payable	-	13
Deposits Payable	-	14
Revenue Collected/Billed in Advance - Current	-	486
Advances from Other Funds	850	850
Deferred Revenues	-	13,683
<b>Total Liabilities</b>	<b>1,556</b>	<b>36,969</b>
<b>FUND BALANCES</b>		
Restricted	-	153,680
Unassigned	(1,528)	(1,528)
<b>Total Fund Balances</b>	<b>(1,528)</b>	<b>152,152</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 28</b>	<b>\$ 189,121</b>

**Nonmajor Governmental Funds**

D-5

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT  
December 31, 2012  
(In Thousands)**

	H. H. Dearborn	Beach Maintenance Trust	Comparative Totals	
			2012	2011
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 150	\$ 2,017	\$ 2,167	\$ 2,167
Receivables, Net of Allowances	-	1	1	3
Interest and Dividends	-	-	-	-
Total Assets	\$ 150	\$ 2,018	\$ 2,168	\$ 2,170
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 2	\$ 2	\$ -
Due to Other Funds	-	4	4	-
Total Liabilities	-	6	6	-
<b>FUND BALANCES</b>				
Nonspendable	50	2,000	2,050	2,050
Restricted	100	12	112	120
Total Fund Balances	150	2,012	2,162	2,170
Total Liabilities and Fund Balances	\$ 150	\$ 2,018	\$ 2,168	\$ 2,170

**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, 2012  
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2012	Restated 2011
<b>REVENUES</b>						
Taxes	\$ 59,544	\$ 16,908	\$ 31,715	\$ -	\$ 108,167	\$ 94,642
Grants, Shared Revenues, and Contributions	67,374	1,044	8,433	-	76,851	68,103
Charges for Services	52,632	-	4	-	52,636	48,378
Fines and Forfeits	70	-	-	-	70	38
Parking Fees and Space Rent	21,350	306	-	-	21,656	19,665
Program Income, Interest, and Miscellaneous Revenues	4,372	572	2,549	21	7,514	7,397
Total Revenues	205,342	18,830	42,701	21	266,894	238,223
<b>EXPENDITURES</b>						
Current						
General Government	17,447	-	-	-	17,447	25,199
Public Safety	2,278	-	-	-	2,278	6,564
Physical Environment	420	-	-	-	420	377
Transportation	739	-	-	-	739	1,060
Economic Environment	74,605	-	-	-	74,605	59,083
Health and Human Services	67,103	-	-	-	67,103	73,100
Culture and Recreation	156,796	-	-	-	156,796	153,425
Capital Outlay						
General Government	-	-	5,042	-	5,042	8,406
Public Safety	267	-	20,019	-	20,286	3,965
Transportation	-	-	10	-	10	-
Culture and Recreation	1,165	-	39,647	19	40,831	26,656
Debt Service						
Principal	-	50,300	1,300	-	51,600	45,736
Interest	-	24,546	587	-	25,133	26,512
Bond Issuance Cost	-	-	258	-	258	369
Other	-	305	-	-	305	-
Total Expenditures	320,820	75,151	66,863	19	462,853	430,452
Excess (Deficiency) of Revenues over Expenditures	(115,478)	(56,321)	(24,162)	2	(195,959)	(192,229)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	-	75,250	26,835	-	102,085	79,185
Premium on Bonds Issued	-	16,324	4,816	-	21,140	5,181
Payment to Refunded Bond Escrow Agent	-	(91,574)	-	-	(91,574)	-
Sales of Capital Assets	56	-	1,352	-	1,408	20
Transfers In	147,749	56,488	200	-	204,437	195,600
Transfers Out	(11,336)	-	(68,076)	(10)	(79,422)	(55,456)
Total Other Financing Sources (Uses)	136,469	56,488	(34,873)	(10)	158,074	224,530
Net Change in Fund Balance	20,991	167	(59,035)	(8)	(37,885)	32,301
Fund Balances - Beginning of Year	46,457	10,499	211,187	2,170	270,313	238,012
Fund Balances - End of Year	\$ 67,448	\$ 10,666	\$ 152,152	\$ 2,162	\$ 232,428	\$ 270,313

**Nonmajor Governmental Funds**

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES  
 Page 1 of 4  
 NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Park and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 12,445
Grants, Shared Revenues, and Contributions	295	256	-	-
Charges for Services	34,529	415	-	-
Fines and Forfeits	1	-	-	-
Parking Fees and Space Rent	5,449	-	-	-
Program Income, Interest, and Miscellaneous Revenues	1,351	(26)	-	(12)
<b>Total Revenues</b>	<b>41,625</b>	<b>645</b>	<b>-</b>	<b>12,433</b>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	6,126
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	724	-	-
Economic Environment	-	-	-	-
Health and Human Services	-	-	-	-
Culture and Recreation	119,265	-	70	-
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	911	-	110	-
<b>Total Expenditures</b>	<b>120,176</b>	<b>724</b>	<b>180</b>	<b>6,126</b>
Excess (Deficiency) of Revenues over Expenditures	(78,551)	(79)	(180)	6,307
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Sales of Capital Assets	56	-	-	-
Transfers In	80,600	-	-	-
Transfers Out	(743)	-	-	(4,102)
<b>Total Other Financing Sources (Uses)</b>	<b>79,913</b>	<b>-</b>	<b>-</b>	<b>(4,102)</b>
Net Change in Fund Balance	1,362	(79)	(180)	2,205
Fund Balances - Beginning of Year	7,117	(3,288)	682	(578)
Fund Balances - End of Year	\$ 8,479	\$ (3,367)	\$ 502	\$ 1,627

**The City of Seattle**

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES  
 Page 2 of 4  
 NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Seattle Center	Human Services Operating	Office of Housing	Housing and Community Development Revenue Sharing
<b>REVENUES</b>				
Taxes	\$ -	\$ 935	\$ 1,465	\$ -
Grants, Shared Revenues, and Contributions	23	49,473	1,638	12,225
Charges for Services	5,928	1,298	867	-
Fines and Forfeits	-	69	-	-
Parking Fees and Space Rent	15,874	-	27	-
Program Income, Interest, and Miscellaneous Revenues	149	107	847	1,494
<b>Total Revenues</b>	<b>21,974</b>	<b>51,882</b>	<b>4,844</b>	<b>13,719</b>
<b>EXPENDITURES</b>				
Current				
General Government	-	11,321	-	-
Public Safety	-	887	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	45,028	4,655	12,768
Health and Human Services	-	49,220	-	-
Culture and Recreation	34,473	-	-	-
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	144	-	-	-
<b>Total Expenditures</b>	<b>34,617</b>	<b>106,456</b>	<b>4,655</b>	<b>12,768</b>
Excess (Deficiency) of Revenues over Expenditures	(12,643)	(54,574)	189	951
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Sales of Capital Assets	-	-	-	-
Transfers In	12,747	54,317	39	-
Transfers Out	(220)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>12,527</b>	<b>54,317</b>	<b>39</b>	<b>-</b>
Net Change in Fund Balance	(116)	(257)	228	951
Fund Balances - Beginning of Year	711	5,933	1,703	608
Fund Balances - End of Year	\$ 595	\$ 5,676	\$ 1,931	\$ 1,559

**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, 2012  
 (In Thousands)

	Education and Development Services	Business Improvement Areas	Seattle Transportation Benefit District	General Trust
<b>REVENUES</b>				
Taxes	\$ 31,777	\$ 12,922	\$ -	\$ -
Grants, Shared Revenues, and Contributions	125	-	-	1,323
Charges for Services	-	-	7,179	-
Fines and Forfeits	-	-	-	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	253	27	20	39
<b>Total Revenues</b>	<b>32,155</b>	<b>12,949</b>	<b>7,199</b>	<b>1,362</b>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	793
Physical Environment	-	-	-	-
Transportation	-	-	15	-
Economic Environment	-	11,930	-	-
Health and Human Services	17,875	-	-	-
Culture and Recreation	-	-	-	164
Capital Outlay				
Public Safety	-	-	-	267
Culture and Recreation	-	-	-	-
<b>Total Expenditures</b>	<b>17,875</b>	<b>11,930</b>	<b>15</b>	<b>1,224</b>
Excess (Deficiency) of Revenues over Expenditures	14,280	1,019	7,184	138
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Sales of Capital Assets	-	-	-	46
Transfers In	-	-	-	(11)
Transfers Out	-	-	(6,260)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(6,260)</b>	<b>35</b>
Net Change in Fund Balance	14,280	1,019	924	173
Fund Balances - Beginning of Year	14,260	3,774	568	3,986
Fund Balances - End of Year	\$ 28,540	\$ 4,793	\$ 1,492	\$ 4,159

**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, 2012  
 (In Thousands)

	Municipal Arts	General Donations and Gift Trust	Comparative Totals	
			2012	Restated 2011
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 59,544	\$ 41,379
Grants, Shared Revenues, and Contributions	-	2,016	67,374	65,024
Charges for Services	2,416	-	52,632	48,378
Fines and Forfeits	-	-	70	38
Parking Fees and Space Rent	-	-	21,350	19,339
Program Income, Interest, and Miscellaneous Revenues	77	46	4,372	3,919
<b>Total Revenues</b>	<b>2,493</b>	<b>2,062</b>	<b>205,342</b>	<b>178,077</b>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	17,447	25,199
Public Safety	-	598	2,278	6,564
Physical Environment	-	420	420	377
Transportation	-	-	739	1,060
Economic Environment	-	224	74,605	59,083
Health and Human Services	-	8	67,103	73,100
Culture and Recreation	2,798	26	156,796	153,425
Capital Outlay				
Public Safety	-	-	267	15
Culture and Recreation	-	-	1,165	595
<b>Total Expenditures</b>	<b>2,798</b>	<b>1,276</b>	<b>320,820</b>	<b>319,418</b>
Excess (Deficiency) of Revenues over Expenditures	(305)	786	(115,478)	(141,341)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	-	-	-	10,005
Premium on Bonds Issued	-	-	-	682
Sales of Capital Assets	-	-	56	20
Transfers In	-	-	147,749	144,231
Transfers Out	-	-	(11,336)	(8,925)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>136,469</b>	<b>146,013</b>
Net Change in Fund Balance	(305)	786	20,991	4,672
Fund Balances - Beginning of Year	6,880	4,101	46,457	41,785
Fund Balances - End of Year	\$ 6,575	\$ 4,887	\$ 67,448	\$ 46,457



**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, 2012  
(In Thousands)**

	General Bond Interest and Redemption	Interfund Notes Payable – Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2012	2011
<b>REVENUES</b>					
Taxes	\$ 16,908	\$ -	\$ -	\$ 16,908	\$ 17,374
Grants, Shared Revenues, and Contributions	1,044	-	-	1,044	530
Parking Fees and Space Rent	306	-	-	306	326
Program Income, Interest, and Miscellaneous Revenues	564	-	8	572	655
<b>Total Revenues</b>	<b>18,822</b>	<b>-</b>	<b>8</b>	<b>18,830</b>	<b>18,885</b>
<b>EXPENDITURES</b>					
Debt Service					
Principal	50,300	-	-	50,300	44,306
Interest	24,546	-	-	24,546	25,870
Other	305	-	-	305	-
<b>Total Expenditures</b>	<b>75,151</b>	<b>-</b>	<b>-</b>	<b>75,151</b>	<b>70,176</b>
Excess (Deficiency) of Revenues over Expenditures	(56,329)	-	8	(56,321)	(51,291)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	75,250	-	-	75,250	-
Premium on Bonds Issued	16,324	-	-	16,324	-
Payment to Refunded Bond Escrow Agent	(91,574)	-	-	(91,574)	-
Transfers In	56,488	-	-	56,488	51,150
<b>Total Other Financing Sources (Uses)</b>	<b>56,488</b>	<b>-</b>	<b>-</b>	<b>56,488</b>	<b>51,150</b>
Net Change in Fund Balance	159	-	8	167	(141)
Fund Balances - Beginning of Year	9,653	8	838	10,499	10,640
<b>Fund Balances - End of Year</b>	<b>\$ 9,812</b>	<b>\$ 8</b>	<b>\$ 846</b>	<b>\$ 10,666</b>	<b>\$ 10,499</b>

**The City of Seattle**

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
Page 1 of 6  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2012  
(In Thousands)**

	2005				
	Multipurpose Long-Term General Obligation Bond	Transportation Bond	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	-	-
Charges for Services	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	-	24	11	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>11</b>	<b>-</b>
<b>EXPENDITURES</b>					
Capital Outlay					
General Government	-	-	-	-	-
Public Safety	-	-	58	-	-
Transportation	-	-	-	-	-
Culture and Recreation	-	-	-	323	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>58</b>	<b>323</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	-	-	(34)	(312)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(2)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(2)	-	(34)	(312)	-
Fund Balances - Beginning of Year	2	6	493	1,350	50
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>\$ 459</b>	<b>\$ 1,038</b>	<b>\$ 50</b>

**Nonmajor Governmental Funds**

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**Page 2 of 6**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	City Facilities Renovation and Improvement	Conservation Futures	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy	Denny Triangle Public Amenity
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 24,152	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	2,384	-
Charges for Services	-	-	-	4	-
Program Income, Interest, and Miscellaneous Revenues	1	-	3	389	-
<b>Total Revenues</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>26,929</b>	<b>-</b>
<b>EXPENDITURES</b>					
Capital Outlay	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	10
Culture and Recreation	-	-	192	20,075	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>20,075</b>	<b>10</b>
Excess (Deficiency) of Revenues over Expenditures	1	-	(189)	6,854	(10)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	(1,343)	(36)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,343)</b>	<b>(36)</b>
Net Change in Fund Balance	1	-	(189)	5,511	(46)
Fund Balances - Beginning of Year	87	31	311	33,874	46
Fund Balances - End of Year	\$ 88	\$ 31	\$ 122	\$ 39,385	\$ -

**The City of Seattle**

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**Page 3 of 6**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center	South Police Stations	Public Safety Information Technology	2003 Fire Facilities
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 7,539
Grants, Shared Revenues, and Contributions	200	-	-	-	4,616
Charges for Services	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	23	12	-	-	295
<b>Total Revenues</b>	<b>223</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>12,450</b>
<b>EXPENDITURES</b>					
Capital Outlay	-	-	-	-	-
General Government	-	1	-	-	-
Public Safety	-	-	-	-	19,961
Transportation	-	-	-	-	-
Culture and Recreation	1,124	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,124</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>19,961</b>
Excess (Deficiency) of Revenues over Expenditures	(901)	11	-	-	(7,511)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	1,352
Transfers In	200	-	-	-	-
Transfers Out	-	-	-	-	(74)
<b>Total Other Financing Sources (Uses)</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,278</b>
Net Change in Fund Balance	(701)	11	-	-	(6,233)
Fund Balances - Beginning of Year	2,312	1,286	2	535	33,042
Fund Balances - End of Year	\$ 1,611	\$ 1,297	\$ 2	\$ 535	\$ 26,809

**Nonmajor Governmental Funds**

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**

Page 4 of 6

**IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2012  
(In Thousands)**

	2002B Long-Term General Obligation Project	2003 Long-Term General Obligation Project	2006 Multipurpose Long-Term General Obligation Bond	Local Improvement, District No. 6750	2007 Multipurpose Long-Term General Obligation Bond
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 24	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	1,233	-
Charges for Services	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	(1)	-	-	646	4
<b>Total Revenues</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>1,903</b>	<b>4</b>
<b>EXPENDITURES</b>					
Capital Outlay	-	-	-	25	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and Recreation	-	-	-	-	100
Debt Service	-	-	-	1,300	-
Principal	-	-	-	587	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,912</b>	<b>100</b>
Excess (Deficiency) of Revenues over Expenditures	(1)	-	-	(9)	(96)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(10)	-	-	-	(651)
<b>Total Other Financing Sources (Uses)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(651)</b>
Net Change in Fund Balance	(11)	-	-	(9)	(747)
Fund Balances - Beginning of Year	11	11	64	365	760
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ 11</b>	<b>\$ 64</b>	<b>\$ 356</b>	<b>\$ 13</b>

**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, 2012  
(In Thousands)**

	2008 Multipurpose Long-Term General Obligation Bond	2009 Multipurpose Long-Term General Obligation Bond	2010 Multipurpose Long-Term General Obligation Bond	2011 Multipurpose Long-Term General Obligation Bond	2012 Multipurpose Long-Term General Obligation Bond
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	-	-
Charges for Services	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	96	67	238	543	201
<b>Total Revenues</b>	<b>96</b>	<b>67</b>	<b>238</b>	<b>543</b>	<b>201</b>
<b>EXPENDITURES</b>					
Capital Outlay	-	-	-	-	-
General Government	2,673	307	1,609	427	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and Recreation	-	2,768	300	6,622	8,143
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	258
<b>Total Expenditures</b>	<b>2,673</b>	<b>3,075</b>	<b>1,909</b>	<b>7,049</b>	<b>8,401</b>
Excess (Deficiency) of Revenues over Expenditures	(2,577)	(3,008)	(1,671)	(6,506)	(8,200)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	-	-	-	-	26,835
Premium on Bonds Issued	-	-	-	-	4,816
Sales of Capital Assets	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(3,054)	(11,632)	(28,222)	(16,442)	(5,085)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,054)</b>	<b>(11,632)</b>	<b>(28,222)</b>	<b>(16,442)</b>	<b>26,566</b>
Net Change in Fund Balance	(5,631)	(14,640)	(29,893)	(22,948)	18,366
Fund Balances - Beginning of Year	13,635	17,888	40,717	64,309	-
<b>Fund Balances - End of Year</b>	<b>\$ 8,004</b>	<b>\$ 3,248</b>	<b>\$ 10,824</b>	<b>\$ 41,361</b>	<b>\$ 18,366</b>

**Nonmajor Governmental Funds**

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**Page 6 of 6**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

		Comparative Totals	
	Central Waterfront Improvement	2012	2011
<b>REVENUES</b>			
Taxes	\$ -	\$ 31,715	\$ 35,889
Grants, Shared Revenues, and Contributions	-	8,433	2,549
Charges for Services	-	4	-
Program Income, Interest, and Miscellaneous Revenues	(3)	2,549	2,804
Total Revenues	(3)	42,701	41,242
<b>EXPENDITURES</b>			
Capital Outlay			
General Government	-	5,042	8,406
Public Safety	-	20,019	3,950
Transportation	-	10	-
Culture and Recreation	-	39,647	26,031
Debt Service			
Principal	-	1,300	1,430
Interest	-	587	642
Bond Issuance Cost	-	258	369
Total Expenditures	-	66,863	40,828
Excess (Deficiency) of Revenues over Expenditures	(3)	(24,162)	414
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	-	26,835	69,180
Premium on Bonds Issued	-	4,816	4,499
Sales of Capital Assets	-	1,352	-
Transfers In	-	200	219
Transfers Out	(1,525)	(68,076)	(46,521)
Total Other Financing Sources (Uses)	(1,525)	(34,873)	27,377
Net Change in Fund Balance	(1,528)	(59,035)	27,791
Fund Balances - Beginning of Year	-	211,187	183,396
Fund Balances - End of Year	\$ (1,528)	\$ 152,152	\$ 211,187

**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, 2012**  
*(In Thousands)*

		Comparative Totals		
	H. H. Dearborn	Beach Maintenance Trust	2012	2011
<b>REVENUES</b>				
Program Income, Interest, and Miscellaneous Revenues	\$ 2	\$ 19	\$ 21	\$ 19
Total Revenues	2	19	21	19
<b>EXPENDITURES</b>				
Capital Outlay				
Culture and Recreation	-	19	19	30
Total Expenditures	-	19	19	30
Excess (Deficiency) of Revenues over Expenditures	2	-	2	(11)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(10)	-	(10)	(10)
Total Other Financing Sources (Uses)	(10)	-	(10)	(10)
Net Change in Fund Balance	(8)	-	(8)	(21)
Fund Balances - Beginning of Year	158	2,012	2,170	2,191
Fund Balances - End of Year	\$ 150	\$ 2,012	\$ 2,162	\$ 2,170

## **Budget and Actual**

**Budget and Actual**

**D-11** **GENERAL FUND**  
**Page 1 of 4** **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 257,624	\$ 259,954	\$ -	\$ 2,330
Retail Sales and Use Taxes	159,582	169,681	-	10,099
Business Taxes	240,670	243,784	-	3,114
Excise Taxes	33,744	54,797	-	21,053
Other Taxes	-	2,648	-	2,648
Interfund Business Taxes	114,848	115,147	-	299
Total Taxes	806,468	846,011	-	39,543
Licenses and Permits	18,671	20,672	-	2,001
Grants, Shared Revenues, and Contributions	78,763	38,964	-	(39,799)
Charges for Services	57,609	56,039	-	(1,570)
Fines and Forfeits	37,467	32,754	-	(4,713)
Parking Fees and Space Rent	32,412	34,903	-	2,491
Program Income, Interest, and Miscellaneous Revenues	186,089	190,872	-	4,783
Total Revenues	1,217,479	1,220,215	-	2,736
<b>EXPENDITURES AND ENCUMBRANCES</b>				
CITY AUDITOR	1,349	1,148	81	120
CITY BUDGET OFFICE	4,259	3,787	153	319
CIVIL SERVICE COMMISSIONS	357	323	-	34
CRIMINAL JUSTICE				
Jail Services	16,573	13,520	-	3,053
Indigent Defense Services	6,170	5,495	-	675
Total Criminal Justice	22,743	19,015	-	3,728
ETHICS AND ELECTIONS	846	792	-	54
EXECUTIVE				
Sustainability and Environment	14,170	5,727	7,617	826
Mayor's Office	3,644	3,270	223	151
Economic Development	7,606	6,668	387	551
Intergovernmental Relations	2,101	1,886	51	164
Civil Rights	2,678	2,529	10	139
Total Executive	30,199	20,080	8,288	1,831
FINANCE AND ADMINISTRATIVE SERVICES	419	197	-	222

**The City of Seattle**

**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, 2012**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>FINANCE GENERAL</b>				
Appropriations to Special Purpose Funds	\$ 31,596	\$ 31,133	\$ -	\$ 463
Reserves	42,047	27,013	1,232	13,802
Support to Operating Funds	41,392	40,256	-	1,136
Transferred Programs	1,555	717	345	293
Support to Parks Capital Expenditures	3	2	-	1
Total Finance General	116,393	99,121	1,577	15,695
<b>FIRE</b>				
Administration	15,420	14,910	11	499
Risk Management	2,799	2,784	7	8
Operations	138,382	137,687	79	616
Fire Prevention	6,667	6,583	11	73
Grants and Reimbursables	20,573	8,097	1,511	10,965
Total Department	183,841	170,061	1,619	12,161
<b>HEARING EXAMINER</b>				
	623	588	-	35
<b>IMMIGRANT AND REFUGEE AFFAIRS</b>				
	238	133	-	105
<b>LAW</b>				
Administration	1,755	1,744	10	1
Civil Law	10,880	10,378	-	502
Criminal Prosecution	6,290	6,219	-	71
Precinct Liaison	415	394	-	21
Total Department	19,340	18,735	10	595
<b>LEGISLATIVE</b>				
	12,029	11,440	91	498
<b>LIBRARY</b>				
	233	147	119	(33)
<b>MUNICIPAL COURT</b>				
Court Operations	15,510	15,463	-	47
Corporate Services	5,995	5,981	-	14
Court Compliance	5,214	5,210	-	4
Total Department	26,719	26,654	-	65
<b>NEIGHBORHOODS</b>				
Director's Office	1,205	1,174	-	31
Customer Service and Operations	1,467	1,448	-	19
Community Building	2,476	2,393	35	48
Youth Violence Prevention	4,556	3,473	-	1,083
Total Department	9,704	8,488	35	1,181

**Budget and Actual**

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, 2012  
 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
PERSONNEL				
Employment and Training	\$ 3,014	\$ 2,965	\$ 9	\$ 40
Employee Health Services	2,806	2,789	-	17
Citywide Personnel	2,647	2,628	3	16
Labor Relations and Class Compensation	3,136	3,116	-	20
Total Department	11,603	11,498	12	93
POLICE				
Chief of Police	31,731	15,603	3,205	12,923
Professional Accountability	2,053	2,045	-	8
Chief of Staff Program	25,101	24,551	-	550
Deputy Chief Operations	2,393	2,380	-	13
Special Operations Bureau	46,908	46,487	17	404
Patrol Operations Program	1,292	1,230	-	62
West Precinct Patrol	28,971	28,671	(1)	301
North Precinct Patrol	30,989	30,796	-	193
South Precinct Patrol	16,488	16,438	-	50
East Precinct Patrol	22,560	22,523	-	37
Southwest Precinct Patrol	14,952	14,936	-	16
Criminal Investigation Administration	7,682	7,575	1	106
Violent Crimes Investigation	6,803	6,780	-	23
Narcotics Investigation	4,874	4,369	-	505
Coordinated Criminal Investigations	4,127	4,124	-	3
Special Victims Program	6,168	5,923	-	245
Field Support	35,868	35,188	386	294
Total Department	288,960	269,619	3,608	15,733
JUDGMENTS/CLAIMS				
Judgments and Claims	21,700	8,678	-	13,022
Police Actions	2,630	1,414	-	1,216
Total Judgments/Claims	24,330	10,092	-	14,238
ARTS ACCOUNT	5,344	4,633	710	1
CABLE TELEVISION FRANCHISE	7,991	7,991	-	-
CUMULATIVE RESERVE				
Real Estate Excise Tax I	21,587	7,031	3,250	11,306
Real Estate Excise Tax II	14,342	7,909	1,378	5,055
Capital Projects Asset Preservation	9,252	2,645	420	6,187
Unrestricted	30,312	3,607	718	25,987
Total Cumulative Reserve	75,493	21,192	5,766	48,535

The City of Seattle

D-11 GENERAL FUND  
 Page 4 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
NEIGHBORHOOD MATCHING	\$ 7,241	\$ 2,513	\$ 1,025	\$ 3,703
TRANSIT BENEFIT	4,900	4,621	-	279
SPECIAL EMPLOYMENT	322	43	-	279
INDUSTRIAL INSURANCE	17,373	15,062	-	2,311
UNEMPLOYMENT COMPENSATION	2,821	1,897	-	924
HEALTH CARE	152,612	148,829	-	3,783
GROUP TERM LIFE INSURANCE	6,164	5,353	-	811
Total Expenditures and Encumbrances	1,034,446	884,052	23,094	127,300
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	183,033	336,163	(23,094)	130,036
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	5,795	754	-	(5,041)
Transfers In	32,604	32,431	-	(173)
Transfers Out	(309,876)	(299,563)	-	10,313
Total Other Financing Sources (Uses)	(271,477)	(266,378)	-	5,099
Net Change in Fund Balance	\$ (88,444)	69,785	\$ (23,094)	\$ 135,135
Fund Balance - Beginning of Year		192,551		
Fund Balance - End of Year		\$ 262,336		

**Budget and Actual**

**D-12 TRANSPORTATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 40,694	\$ 40,998	\$ -	\$ 304
Business Taxes	24,608	31,204	-	6,596
Other Taxes	-	189	-	189
Total Taxes	<u>65,302</u>	<u>72,391</u>	<u>-</u>	<u>7,089</u>
Licenses and Permits	409	4,566	-	4,157
Grants, Shared Revenues, and Contributions	65,718	52,304	-	(13,414)
Charges for Services	119,516	78,176	-	(41,340)
Fines and Forfeits	-	27	-	27
Parking Fees and Space Rent	-	82	-	82
Program Income, Interest, and Miscellaneous Revenues	-	271	-	271
Total Revenues	<u>250,945</u>	<u>207,817</u>	<u>-</u>	<u>(43,128)</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Bridges and Structures	7,721	7,201	-	520
Engineering Services	2,343	2,393	-	(50)
Mobility Operations	36,504	31,442	-	5,062
Right-of-Way Management	11,524	11,156	-	368
Street Maintenance	22,019	21,621	-	398
Urban Forestry	4,603	4,572	-	31
Department Management	10,569	(1,489)	-	12,058
General Expense	30,286	5,035	-	25,251
Transportation Infrastructure	378	-	-	378
Major Maintenance/Replacement	121,763	66,906	-	54,857
Major Projects	225,447	111,805	-	113,642
Mobility Capital	102,317	49,551	-	52,766
Total Expenditures and Encumbrances	<u>575,474</u>	<u>310,193</u>	<u>-</u>	<u>265,281</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(324,529)	(102,376)	-	222,153
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	5,752	6,000	-	248
Sales of Capital Assets	-	120	-	120
Transfers In	85,256	117,866	-	32,610
Transfers Out	(378)	(31,993)	-	(31,615)
Total Other Financing Sources (Uses)	<u>90,630</u>	<u>91,993</u>	<u>-</u>	<u>1,363</u>
Net Change in Fund Balance	<u>\$ (233,899)</u>	<u>(10,383)</u>	<u>\$ -</u>	<u>\$ 223,516</u>
Fund Balance - Beginning of Year		<u>61,431</u>		
Fund Balance - End of Year		<u>\$ 51,048</u>		

**The City of Seattle**

**D-13 LOW-INCOME HOUSING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
General Property Taxes	\$ 18,136	\$ 18,039	\$ -	\$ (97)
Grants, Shared Revenues, and Contributions	18,820	5,316	-	(13,504)
Charges for Services	1,582	395	-	(1,187)
Program Income, Interest, and Miscellaneous Revenues	7,379	5,955	-	(1,424)
Total Revenues	<u>45,917</u>	<u>29,705</u>	<u>-</u>	<u>(16,212)</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Community Development	46	-	-	46
Administration and Management	9,037	3,514	-	5,523
Multifamily Production and Preservation	96,254	23,452	-	72,802
Single Family	21,025	9,507	-	11,518
Total Expenditures and Encumbrances	<u>126,362</u>	<u>36,473</u>	<u>-</u>	<u>89,889</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(80,445)	(6,768)	-	73,677
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	46	46	-	-
Net Change in Fund Balance	<u>\$ (80,399)</u>	<u>(6,722)</u>	<u>\$ -</u>	<u>\$ 73,677</u>
Fund Balance - Beginning of Year		<u>86,588</u>		
Fund Balance - End of Year		<u>\$ 79,866</u>		



**Budget and Actual**

**D-14** **PARK AND RECREATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ 611	\$ 295	\$ -	\$ (316)
Charges for Services	33,230	34,529	-	1,299
Fines and Forfeits	-	1	-	1
Parking Fees and Space Rent	4,537	5,449	-	912
Program Income, Interest, and Miscellaneous Revenues	1,152	1,351	-	199
<b>Total Revenues</b>	<b>39,530</b>	<b>41,625</b>	<b>-</b>	<b>2,095</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Gasworks Park Contamination Remediation	20	11	-	9
Swimming, Boating, and Aquatics	7,705	7,671	-	34
Recreation Facilities and Programs	21,016	22,425	580	(1,989)
Facility and Structure Maintenance	13,789	13,069	207	513
Park Cleaning, Landscaping, and Restoration	27,396	25,947	45	1,404
Seattle Conservation Corps	4,157	3,314	46	797
Seattle Aquarium	3,724	3,291	-	433
Woodland Park Zoo	6,606	6,604	-	2
Planning, Development, and Acquisition	6,161	5,898	-	263
Judgments and Claims	1,143	1,143	-	-
Finance and Administration	7,910	7,592	-	318
Policy Direction and Leadership	4,944	5,022	60	(138)
Golf	8,494	8,493	-	1
Environmental Learning and Programs	3,254	3,235	-	19
Natural Resources Management	6,593	6,461	90	42
<b>Total Expenditures and Encumbrances</b>	<b>122,912</b>	<b>120,176</b>	<b>1,028</b>	<b>1,708</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(83,382)	(78,551)	(1,028)	3,803
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	-	56	-	56
Transfers In	81,673	80,600	-	(1,073)
Transfers Out	(1,109)	(743)	-	366
<b>Total Other Financing Sources (Uses)</b>	<b>80,564</b>	<b>79,913</b>	<b>-</b>	<b>(651)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,818)</b>	<b>1,362</b>	<b>\$ (1,028)</b>	<b>\$ 3,152</b>
Fund Balance - Beginning of Year		7,117		
Fund Balance - End of Year		\$ 8,479		

**The City of Seattle**

**D-15** **LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ 6,530	\$ 4,706	\$ -	\$ (1,824)
Charges for Services	219	186	-	(33)
Fines and Forfeits	1,564	1,489	-	(75)
Parking Fees and Space Rent	462	465	-	3
Program Income, Interest, and Miscellaneous Revenues	411	150	-	(261)
<b>Total Revenues</b>	<b>9,186</b>	<b>6,996</b>	<b>-</b>	<b>(2,190)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Administrative Services	8,877	8,610	-	267
City Librarian's Office	2,181	1,944	-	237
Library Capital Improvements	1	-	-	1
Library Services	40,305	39,894	-	411
Grants, Trusts, and Memorials	12,638	4,354	-	8,284
<b>Total Expenditures and Encumbrances</b>	<b>64,002</b>	<b>54,802</b>	<b>-</b>	<b>9,200</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(54,816)	(47,806)	-	7,010
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	49,515	48,661	-	(854)
Transfers Out	(432)	(423)	-	9
<b>Total Other Financing Sources (Uses)</b>	<b>49,083</b>	<b>48,238</b>	<b>-</b>	<b>(845)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (5,733)</b>	<b>432</b>	<b>\$ -</b>	<b>\$ 6,165</b>
Fund Balance - Beginning of Year		12,224		
Fund Balance - End of Year		\$ 12,656		

**Budget and Actual**

**D-16 SEATTLE CENTER FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
Grants, Shared Revenues, and Contributions	\$ -	\$ 23	\$ -	\$ 23
Charges for Services	8,301	5,928	-	(2,373)
Parking Fees and Space Rent	13,662	15,874	-	2,212
Program Income, Interest, and Miscellaneous Revenues	(352)	149	-	501
<b>Total Revenues</b>	<b>21,611</b>	<b>21,974</b>	<b>-</b>	<b>363</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Access	1,135	1,134	-	1
Administration	6,921	6,920	-	1
Cultural Facilities	213	211	-	2
Commercial Events	1,017	1,017	-	-
Festivals	915	915	-	-
Campus Grounds	11,560	11,560	-	-
Judgments and Claims	932	932	-	-
Key Arena	5,801	5,791	-	10
McCaw Hall	4,100	4,100	-	-
Community Programs	2,037	2,037	-	-
<b>Total Expenditures and Encumbrances</b>	<b>34,631</b>	<b>34,617</b>	<b>-</b>	<b>14</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(13,020)	(12,643)	-	377
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	12,876	12,747	-	(129)
Transfers Out	(231)	(220)	-	11
<b>Total Other Financing Sources (Uses)</b>	<b>12,645</b>	<b>12,527</b>	<b>-</b>	<b>(118)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (375)</b>	<b>\$ (116)</b>	<b>\$ -</b>	<b>\$ 259</b>
Fund Balance - Beginning of Year		711		
Fund Balance - End of Year		\$ 595		

**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, 2012**  
*(In Thousands)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
General Property Taxes	\$ -	\$ 935	\$ -	\$ 935
Grants, Shared Revenues, and Contributions	51,955	49,473	-	(2,482)
Charges for Services	2,190	1,298	-	(892)
Fines and Forfeits	25	69	-	44
Program Income, Interest, and Miscellaneous Revenues	80	107	-	27
<b>Total Revenues</b>	<b>54,250</b>	<b>51,882</b>	<b>-</b>	<b>(2,368)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Youth and Family Empowerment	19,878	18,953	-	925
Transitional Living and Support	33,026	27,055	80	5,891
Aging and Disability Services	34,825	31,731	-	3,094
Leadership and Administration	7,383	6,968	21	394
Public Health Services	11,870	11,809	60	1
Community Support and Self-Sufficiency	11,383	9,940	-	1,443
<b>Total Expenditures and Encumbrances</b>	<b>118,365</b>	<b>106,456</b>	<b>161</b>	<b>11,748</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(64,115)	(54,574)	(161)	9,380
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	54,352	54,317	-	(35)
<b>Net Change in Fund Balance</b>	<b>\$ (9,763)</b>	<b>(257)</b>	<b>\$ (161)</b>	<b>\$ 9,345</b>
Fund Balance - Beginning of Year		5,933		
Fund Balance - End of Year		\$ 5,676		

**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, 2012  
(In Thousands)**

	Final Budget	Actual	Encumbrances	Variance
<b>REVENUES</b>				
General Property Taxes	\$ -	\$ 1,465	\$ -	\$ 1,465
Grants, Shared Revenues, and Contributions	2,999	1,638	-	(1,361)
Charges for Services	4,419	867	-	(3,552)
Parking Fees and Space Rent	-	27	-	27
Program Income, Interest, and Miscellaneous Revenues	-	847	-	847
Total Revenues	7,418	4,844	-	(2,574)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Office of Housing	4,556	4,417	16	123
HUD Challenge Grant	2,999	238	-	2,761
Total Expenditures and Encumbrances	7,555	4,655	16	2,884
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(137)	189	(16)	310
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	39	39	-	-
Net Change in Fund Balance	\$ (98)	228	\$ (16)	\$ 310
Fund Balance - Beginning of Year		1,703		
Fund Balance - End of Year		\$ 1,931		

**Nonmajor  
Enterprise Funds**

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## Nonmajor Enterprise Funds

### NONMAJOR ENTERPRISE FUNDS

The **Planning and Development Fund** accounts for building permit fees and moneys from the General Fund as well as the cost of enforcing the City's land use and building construction codes.

The **Downtown Parking Garage Fund** accounts for the proceeds from the sale of bonds to pay for the cost of effecting the beneficial transfer to the City of the parking garage at Pacific Place in downtown Seattle. This fund also accounts for the operation of the garage.

## The City of Seattle

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### COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

December 31, 2012

(In Thousands)

	Planning and Development	
	2012	Restated 2011
<b>ASSETS</b>		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 19,134	\$ 13,738
Receivables, Net of Allowances		
Accounts	632	789
Interest and Dividends	9	9
Unbilled	-	33
Due from Other Funds	812	524
Due from Other Governments	432	507
Prepayments and Other Current Assets	3	-
Total Current Assets	21,022	15,600
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	8	-
Unamortized Bond Issue Costs, Net	-	-
Capital Assets		
Land and Land Rights	-	-
Buildings and Improvements	-	-
Less Accumulated Depreciation	-	-
Machinery and Equipment	14,329	14,685
Less Accumulated Depreciation	(12,725)	(12,110)
Total Noncurrent Assets	1,612	2,575
Total Assets	22,634	18,175

**Nonmajor Enterprise Funds**

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Page 2 of 4  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
December 31, 2012  
(In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2012	2011	2012	Restated 2011
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 92	\$ 10	\$ 19,226	\$ 13,748
Receivables, Net of Allowances				
Accounts	25	105	657	894
Interest and Dividends	-	-	9	9
Unbilled	-	-	-	33
Due from Other Funds	-	-	812	524
Due from Other Governments	-	-	432	507
Prepayments and Other Current Assets	-	-	3	-
Total Current Assets	117	115	21,139	15,715
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	-	-	8	-
Unamortized Bond Issue Costs, Net	179	191	179	191
Capital Assets				
Land and Land Rights	12,881	12,881	12,881	12,881
Buildings and Improvements	60,131	60,131	60,131	60,131
Less Accumulated Depreciation	(28,061)	(26,057)	(28,061)	(26,057)
Machinery and Equipment	651	651	14,980	15,336
Less Accumulated Depreciation	(651)	(651)	(13,376)	(12,761)
Total Noncurrent Assets	45,130	47,146	46,742	49,721
Total Assets	45,247	47,261	67,881	65,436

**The City of Seattle**

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Page 3 of 4  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
December 31, 2012  
(In Thousands)

	Planning and Development	
	2012	Restated 2011
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 398	\$ 364
Salaries, Benefits, and Payroll Taxes Payable	1,055	853
Compensated Absences Payable	203	200
Due to Other Funds	158	124
Interest Payable	-	-
Deferred Bond Interest	-	-
Taxes Payable	-	-
General Obligation Bonds Due Within One Year	-	-
Claims Payable	53	55
Other Current Liabilities	-	29
Total Current Liabilities	1,867	1,625
<i>Noncurrent Liabilities</i>		
Compensated Absences Payable	2,553	2,520
Claims Payable	118	114
Vendor and Other Deposits Payable	8	-
General Obligation Bonds, Due Serially	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Bond Interest	-	-
Less Accrued Interest Due Within One Year	-	-
Deferred Credits	10,110	10,594
Unfunded Other Post Employment Benefits	1,092	1,064
Advances from Other Funds	-	-
Total Noncurrent Liabilities	13,881	14,292
Total Liabilities	15,748	15,917
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,603	2,575
Unrestricted	5,283	(317)
Total Net Position	\$ 6,886	\$ 2,258

**Nonmajor Enterprise Funds**

E-1 COMBINING STATEMENT OF NET POSITION  
 Page 4 of 4 NONMAJOR ENTERPRISE FUNDS  
 December 31, 2012  
 (In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2012	2011	2012	Restated 2011
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 1,552	\$ 1,054	\$ 1,950	\$ 1,418
Salaries, Benefits, and Payroll Taxes Payable	-	-	1,055	853
Compensated Absences Payable	-	-	203	200
Due to Other Funds	138	2,346	296	2,470
Interest Payable	721	721	721	721
Deferred Bond Interest	1,378	1,213	1,378	1,213
Taxes Payable	88	73	88	73
General Obligation Bonds Due Within One Year	1,262	1,257	1,262	1,257
Claims Payable	-	-	53	55
Other Current Liabilities	-	-	-	29
Total Current Liabilities	5,139	6,664	7,006	8,289
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	-	-	2,553	2,520
Claims Payable	-	-	118	114
Vendor and Other Deposits Payable	-	-	8	-
General Obligation Bonds, Due Serially	59,589	60,846	59,589	60,846
Less Bonds Due Within One Year	(1,262)	(1,257)	(1,262)	(1,257)
Bond Discount and Premium, Net	3,209	3,411	3,209	3,411
Deferred Bond Interest	1,971	2,885	1,971	2,885
Less Accrued Interest Due Within One Year	(1,378)	(1,213)	(1,378)	(1,213)
Deferred Credits	-	-	10,110	10,594
Unfunded Other Post Employment Benefits	-	-	1,092	1,064
Advances from Other Funds	3,181	-	3,181	-
Total Noncurrent Liabilities	65,310	64,672	79,191	78,964
Total Liabilities	70,449	71,336	86,197	87,253
<b>NET POSITION</b>				
Net Investment in Capital Assets	(20,538)	(20,907)	(18,935)	(18,332)
Unrestricted	(4,664)	(3,168)	619	(3,485)
Total Net Position	\$ (25,202)	\$ (24,075)	\$ (18,316)	\$ (21,817)

**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, 2012  
 (In Thousands)

	Planning and Development	
	2012	Restated 2011
<b>OPERATING REVENUES</b>		
Charges for Services and Other Fees	\$ 42,146	\$ 37,067
<b>OPERATING EXPENSES</b>		
Operations and Maintenance	36,406	33,816
General and Administrative	10,944	10,984
City Business and Occupation Taxes	-	-
Other Taxes	-	-
Depreciation and Amortization	968	1,587
Total Operating Expenses	48,318	46,387
Operating Income (Loss)	(6,172)	(9,320)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and Interest Income	164	105
Interest Expense	-	-
Amortization of Bonds Premiums	-	-
Amortization of Debt Costs	-	-
Gain (Loss) on Sale of Capital Assets	(10)	-
Contributions and Grants	551	657
Total Nonoperating Revenues (Expenses)	705	762
Income (Loss) Before Capital Contributions and Grants and Transfers	(5,467)	(8,558)
Transfers In	10,095	9,373
Change in Net Position	4,628	815
Net Position - Beginning of Year	2,258	3,384
Prior-Year Adjustment	-	(1,941)
Net Position - Beginning of Year as Restated	2,258	1,443
Net Position - End of Year	\$ 6,886	\$ 2,258

**Nonmajor Enterprise Funds**

E-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2012	2011	2012	Restated 2011
<b>OPERATING REVENUES</b>				
Charges for Services and Other Fees	\$ 6,588	\$ 5,937	\$ 48,734	\$ 43,004
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	2,676	2,614	39,082	36,430
General and Administrative	-	-	10,944	10,984
City Business and Occupation Taxes	14	13	14	13
Other Taxes	31	28	31	28
Depreciation and Amortization	2,004	2,004	2,972	3,591
Total Operating Expenses	4,725	4,659	53,043	51,046
Operating Income (Loss)	1,863	1,278	(4,309)	(8,042)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	-	-	164	105
Interest Expense	(3,182)	(3,273)	(3,182)	(3,273)
Amortization of Bonds Premiums	203	203	203	203
Amortization of Debt Costs	(11)	(11)	(11)	(11)
Gain (Loss) on Sale of Capital Assets	-	-	(10)	-
Contributions and Grants	-	-	551	657
Total Nonoperating Revenues (Expenses)	(2,990)	(3,081)	(2,285)	(2,319)
Income (Loss) Before Capital Contributions and Grants and Transfers	(1,127)	(1,803)	(6,594)	(10,361)
Transfers In	-	-	10,095	9,373
Change in Net Position	(1,127)	(1,803)	3,501	(988)
Net Position - Beginning of Year	(24,075)	(22,272)	(21,817)	(18,888)
Prior-Year Adjustment	-	-	-	(1,941)
Net Position - Beginning of Year as Restated	(24,075)	(22,272)	(21,817)	(20,829)
Net Position - End of Year	\$ (25,202)	\$ (24,075)	\$ (18,316)	\$ (21,817)

**The City of Seattle**

E-3 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 For the Year Ended December 31, 2012  
 (In Thousands)

	Planning and Development	
	2012	Restated 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 41,652	\$ 37,101
Cash Paid to Suppliers	(21,901)	(20,939)
Cash Paid to Employees	(25,108)	(24,045)
Cash Paid for Taxes	-	-
Net Cash from Operating Activities	(5,357)	(7,883)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Grants	509	657
Transfers In	10,095	9,373
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
Net Cash from Noncapital Financing Activities	10,604	10,030
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Long-Term Debt	-	-
Capital Expenditures and Deferred Charges Paid	(7)	-
Interest Paid on Long-Term Debt	-	-
Net Cash from Capital and Related Financing Activities	(7)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	164	105
Net Increase (Decrease) in Cash and Equity in Pooled Investments	5,404	2,252
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of Year	13,738	11,486
End of Year	\$ 19,142	\$ 13,738
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating Cash and Equity in Pooled Investments	\$ 19,134	\$ 13,738
Noncurrent Restricted Cash and Equity in Pooled Investments	8	-
Total Cash at the End of the Year	\$ 19,142	\$ 13,738



**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, 2012  
(In Thousands)**

	Downtown Parking Garage		Comparative Totals	
	2012	2011	2012	Restated 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 8,108	\$ 7,203	\$ 49,760	\$ 44,304
Cash Paid to Suppliers	(2,149)	(1,833)	(24,050)	(22,772)
Cash Paid to Employees	-	-	(25,108)	(24,045)
Cash Paid for Taxes	(1,457)	(1,355)	(1,457)	(1,355)
Net Cash from Operating Activities	4,502	4,015	(855)	(3,868)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants	-	-	509	657
Transfers In	-	-	10,095	9,373
Proceeds from Interfund Loans	3,181	2,250	3,181	2,250
Principal Payments on Interfund Loans	(2,250)	(1,130)	(2,250)	(1,130)
Net Cash from Noncapital Financing Activities	931	1,120	11,535	11,150
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Long-Term Debt	(1,257)	(1,247)	(1,257)	(1,247)
Capital Expenditures and Deferred Charges Paid	-	-	(7)	-
Interest Paid on Long-Term Debt	(4,094)	(3,940)	(4,094)	(3,940)
Net Cash from Capital and Related Financing Activities	(5,351)	(5,187)	(5,358)	(5,187)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received on Investments	-	1	164	106
Net Increase (Decrease) in Cash and Equity in Pooled Investments	82	(51)	5,486	2,201
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	10	61	13,748	11,547
End of Year	\$ 92	\$ 10	\$ 19,234	\$ 13,748
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 92	\$ 10	\$ 19,226	\$ 13,748
Noncurrent Restricted Cash and Equity in Pooled Investments	-	-	8	-
Total Cash at the End of the Year	\$ 92	\$ 10	\$ 19,234	\$ 13,748

**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, 2012  
(In Thousands)**

	Planning and Development	
	2012	Restated 2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (6,172)	\$ (9,320)
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>		
Depreciation and Amortization	969	1,587
Changes in Operating Assets and Liabilities		
Accounts Receivable	200	143
Unbilled Receivables	33	3
Due from Other Funds	(289)	120
Due from Other Governments	74	(35)
Accounts Payable	34	(381)
Salaries, Benefits, and Payroll Taxes Payable	202	69
Compensated Absences Payable	36	55
Due to Other Funds	34	(148)
Claims Payable	2	(15)
Taxes Payable	-	-
Deferred Credits	(513)	(197)
Other Assets and Liabilities	33	236
Total Adjustments	815	1,437
Net Cash from Operating Activities	\$ (5,357)	\$ (7,883)

## 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, 2012**  
*(In Thousands)*

	Downtown Parking Garage		Comparative Totals	
	2012	2011	2012	Restated 2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,863	\$ 1,278	\$ (4,309)	\$ (8,042)
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	2,004	2,004	2,973	3,591
Changes in Operating Assets and Liabilities				
Accounts Receivable	80	(26)	280	117
Unbilled Receivables	-	-	33	3
Due from Other Funds	-	-	(289)	120
Due from Other Governments	-	-	74	(35)
Accounts Payable	498	767	532	386
Salaries, Benefits, and Payroll Taxes Payable	-	-	202	69
Compensated Absences Payable	-	-	36	55
Due to Other Funds	42	5	76	(143)
Claims Payable	-	-	2	(15)
Taxes Payable	15	(13)	15	(13)
Deferred Credits	-	-	(513)	(197)
Other Assets and Liabilities	-	-	33	236
Total Adjustments	<u>2,639</u>	<u>2,737</u>	<u>3,454</u>	<u>4,174</u>
Net Cash from Operating Activities	<u>\$ 4,502</u>	<u>\$ 4,015</u>	<u>\$ (855)</u>	<u>\$ (3,868)</u>

## **Internal Service Funds**

## Internal Service Funds

### INTERNAL SERVICE FUNDS

The **Finance and Administrative Services Fund** accounts for support services to other City departments in the areas of financial services, business technology, contracting and purchasing services, fleet management; building and related facility operations and maintenance; architecture, engineering, and space planning; and real estate management. Additional services provide for the City are regulatory services and operations; and the customer service bureau.

The **Information Technology Fund** accounts for support services provided by the Department of Information Technology to other City departments. The services include managing the City's information technology resources, including Citywide telecommunications, data communications, and the physical infrastructure that supports them; the City's telephone system, radio system, and fiber optic network; Citywide application infrastructure; and interactive media services.

## The City of Seattle

### F-1 COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS December 31, 2012 (In Thousands)

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2012	Restated 2011
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Equity in Pooled Investments	\$ 19,851	\$ 4,928	\$ 24,779	\$ 18,767
Restricted Cash and Equity in Pooled Investments	19,193	-	19,193	14,294
Receivables, Net of Allowances				
Accounts	48	51	99	735
Interest and Dividends	20	14	34	42
Unbilled	4	-	4	84
Due from Other Funds	5,140	1,846	6,986	5,774
Due from Other Governments	127	228	355	592
Materials and Supplies Inventory	1,862	317	2,179	2,371
Prepayments and Other	19	305	324	139
<b>Total Current Assets</b>	<b>46,264</b>	<b>7,689</b>	<b>53,953</b>	<b>42,798</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	2,484	22,597	25,081	23,373
Unamortized Bond Issue Costs, Net	925	7	932	898
Capital Assets				
Land and Land Rights	95,996	-	95,996	95,674
Buildings and Improvements	662,848	97	662,945	650,307
Less Accumulated Depreciation	(179,427)	(6)	(179,433)	(164,519)
Machinery and Equipment	149,931	53,661	203,592	195,991
Less Accumulated Depreciation	(90,171)	(30,092)	(120,263)	(106,499)
Construction in Progress	147	-	147	763
<b>Total Noncurrent Assets</b>	<b>642,733</b>	<b>46,264</b>	<b>688,997</b>	<b>695,988</b>
<b>Total Assets</b>	<b>688,997</b>	<b>53,953</b>	<b>742,950</b>	<b>738,786</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	5,834	2,511	8,345	9,026
Salaries, Benefits, and Payroll Taxes Payable	1,494	708	2,202	1,890
Due to Other Funds	336	177	513	511
Due to Other Governments	37	-	37	7
Interest Payable	3,911	24	3,935	4,629
Taxes Payable	37	9	46	82
Current Portion of Long-Term Debt				
General Obligation Bonds Due Within One Year	17,572	2,140	19,712	15,230
Claims Payable	559	19	578	585
Compensated Absences Payable	306	227	533	469
Other Current Liabilities	1,549	-	1,549	1,077
<b>Total Current Liabilities</b>	<b>31,635</b>	<b>5,815</b>	<b>37,450</b>	<b>33,506</b>
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	3,842	1,510	5,352	5,343
Claims Payable	1,239	42	1,281	1,225
Vendor and Other Deposits Payable	165	-	165	64
General Obligation Bonds, Due Serially	244,453	2,140	246,593	263,133
Less Bonds Due Within One Year	(17,572)	(2,140)	(19,712)	(15,230)
Bond Discount and Premium	12,874	58	12,932	12,393
Unfunded Other Post Employment Benefits	1,511	649	2,160	2,116
Other Noncurrent Liabilities	181	4	185	104
<b>Total Noncurrent Liabilities</b>	<b>246,693</b>	<b>2,263</b>	<b>248,956</b>	<b>269,148</b>
<b>Total Liabilities</b>	<b>278,328</b>	<b>8,078</b>	<b>286,406</b>	<b>302,654</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	382,922	21,671	404,593	397,841
Unrestricted	27,747	24,204	51,951	38,291
<b>Total Net Position</b>	<b>\$ 410,669</b>	<b>\$ 45,875</b>	<b>\$ 456,544</b>	<b>\$ 436,132</b>

**Internal Service Funds**

**F-2** **COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2012	Restated 2011
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 64,482	\$ 47,177	\$ 111,659	\$ 103,871
Rents, Parking, and Concessions	86,528	-	86,528	81,688
Total Operating Revenues	151,010	47,177	198,187	185,559
<b>OPERATING EXPENSES</b>				
Operations and Maintenance	96,422	35,489	131,902	131,844
General and Administrative	9,070	6,035	15,105	12,010
City Business and Occupation Taxes	4	-	4	4
Other Taxes	341	1	342	337
Depreciation and Amortization	28,630	6,037	34,667	32,655
Total Operating Expenses	134,467	47,553	182,020	176,850
Operating Income (Loss)	16,543	(376)	16,167	8,709
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	355	257	612	485
Interest Expense	(11,425)	(151)	(11,576)	(12,638)
Amortization of Bonds Premiums	1,043	184	1,227	1,169
Amortization of Debt Costs	(289)	(21)	(310)	(89)
Gain (Loss) on Sale of Capital Assets	(5)	-	(5)	2,339
Contributions and Grants	212	1,466	1,678	1,048
Others, Net	-	27	27	7,689
Total Nonoperating Revenues (Expenses)	(10,109)	1,762	(8,347)	3
Income (Loss) Before Contributions, Grants, and Transfers	6,434	1,386	7,820	8,712
Capital Contributions and Grants	14,728	-	14,728	8,533
Transfers In	1,864	-	1,864	-
Transfers Out	(4,000)	-	(4,000)	(4,000)
Change in Net Position	19,026	1,386	20,412	13,245
Net Position - Beginning of Year	391,643	44,489	436,132	424,011
Prior-Year Adjustment	-	-	-	(1,124)
Net Position - Beginning of Year as Restated	391,643	44,489	436,132	422,887
Net Position - End of Year	\$ 410,669	\$ 45,875	\$ 456,544	\$ 436,132

**The City of Seattle**

**F-3** **COMBINING STATEMENT OF CASH FLOWS  
Page 1 of 2** **INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2012  
(In Thousands)**

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2012	Restated 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 150,616	\$ 47,271	\$ 197,887	\$ 187,849
Cash Paid to Suppliers	(54,757)	(17,961)	(72,718)	(70,260)
Cash Paid to Employees	(50,241)	(23,519)	(73,760)	(68,174)
Cash Paid for Taxes	(385)	5	(380)	(309)
Net Cash from Operating Activities	45,233	5,796	51,029	49,106
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants and Contributions Received	212	1,466	1,678	1,048
Transfers In	1,864	-	1,864	-
Transfers Out	(4,000)	-	(4,000)	(4,000)
Net Cash from Noncapital Financing Activities	(1,924)	1,466	(458)	(2,952)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt	(12,843)	(3,159)	(16,002)	(15,633)
Capital Fees and Grants Received	6,787	-	6,787	593
Capital Expenditures and Deferred Charges Paid	(14,446)	(2,820)	(17,266)	(9,156)
Interest Paid on Long-Term Debt	(12,094)	8	(12,086)	(12,747)
Proceeds from Sale of Capital Assets	(5)	-	(5)	2,339
Net Cash from Capital and Related Financing Activities	(32,601)	(5,971)	(38,572)	(34,604)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Investment Income Received	358	262	620	477
Net Increase (Decrease) in Cash and Equity in Pooled Investments	11,066	1,553	12,619	12,027
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	30,462	25,972	56,434	44,407
End of Year	\$ 41,528	\$ 27,525	\$ 69,053	\$ 56,434
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Current Assets Cash and Equity in Pooled Investments	\$ 19,851	\$ 4,928	\$ 24,779	\$ 18,767
Current Restricted Cash and Equity in Pooled Investments	19,193	-	19,193	14,294
Noncurrent Restricted Cash and Equity in Pooled Investments	2,484	22,597	25,081	23,373
Total Cash at the End of the Year	\$ 41,528	\$ 27,525	\$ 69,053	\$ 56,434

## Internal Service Funds

**F-3**  
**Page 2 of 2**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2012	Restated 2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 16,543	\$ (376)	\$ 16,167	\$ 8,709
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	28,630	6,037	34,667	32,655
Changes in Operating Assets and Liabilities				
Accounts Receivable	18	618	636	800
Unbilled Receivables	80	-	80	(84)
Due from Other Funds	(697)	(515)	(1,212)	1,683
Due from Other Governments	205	31	236	(110)
Materials and Supplies Inventory	210	(18)	192	27
Accounts Payable	(879)	198	(681)	3,121
Salaries, Benefits, and Payroll Taxes Payable	218	94	312	647
Compensated Absences Payable	71	3	74	2,124
Due to Other Funds	9	(7)	2	(913)
Due to Other Governments	29	-	29	7
Claims Payable	44	5	49	90
Taxes Payable	(41)	6	(35)	33
Other Assets and Liabilities	793	(280)	513	317
Total Adjustments	28,690	6,172	34,862	40,397
Net Cash from Operating Activities	\$ 45,233	\$ 5,796	\$ 51,029	\$ 49,106
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ 14,728	\$ -	\$ 14,728	\$ 7,941
Amortization of Debt Related Costs, Net	754	163	917	1,080
Settlement from Nextel	-	27	27	7,688

## **Fiduciary Funds**

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## Fiduciary Funds

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### 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, 2012**  
*(In Thousands)*

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	Comparative Totals	
				2012	2011
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 3,444	\$ 13,684	\$ 4,449	\$ 21,577	\$ 18,639
Short-Term Investments	47,639	-	-	47,639	62,878
Securities Lending Collateral	10,155	-	-	10,155	3,490
Investments at Fair Value					
U.S. Government Obligations	97,032	32	-	97,064	82,664
Mortgage-Backed Securities	150,552	-	-	150,552	130,050
Government Related and Other	113,394	-	-	113,394	21,304
Domestic Corporate Bonds	20,593	-	-	20,593	137,745
Domestic Stocks	581,330	-	-	581,330	506,950
International Stocks	554,959	-	-	554,959	417,843
Real Estate	216,761	-	-	216,761	208,281
Alternative/Venture Capital	179,703	-	-	179,703	183,043
Total Investments at Fair Value	1,914,324	32	-	1,914,356	1,687,880
Receivables					
Members	2,453	-	-	2,453	-
Employers	2,230	-	-	2,230	3,647
Due from Other Funds	-	-	1,125	1,125	-
Other	-	712	-	712	1
Interest and Dividends	2,325	5	396	2,726	2,293
Sales Proceeds	3,087	-	-	3,087	-
Total Receivables	10,095	717	1,521	12,333	5,941
Total Assets	1,985,657	14,433	5,970	2,006,060	1,778,828
<b>LIABILITIES</b>					
Refunds Payable and Other	1,668	1,490	1	3,159	3,770
Securities Lending Collateral	13,404	-	1,344	14,748	6,911
Investment Commitments Payable	19,150	-	-	19,150	-
Total Liabilities	34,222	1,490	1,345	37,057	10,681
Net Position Held in Trust for Pension Benefits	\$ 1,951,435	\$ 12,943	\$ 4,625	\$ 1,969,003	\$ 1,768,147

## The City of Seattle

**G-2** **COMBINING STATEMENT OF CHANGES**  
**Page 1 of 2** **IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Defined Benefit		
	Employees' Retirement	Firemen's Pension	Police Relief and Pension
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 62,516	\$ 9,404	\$ 8,354
Plan Member	57,086	-	-
Total Contributions	119,602	9,404	8,354
Investment Income (Loss)			
From Investment Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	204,254	17	-
Interest	9,782	76	-
Dividends	23,654	-	-
Total Investment Activities Income (Loss)	237,690	93	-
Investment Activities Expenses			
Investment Management Fees	6,314	-	-
Performance Measurement Fees	499	-	-
Investment Custodial Fees	250	-	-
Total Investment Activities Expenses	7,063	-	-
Net Income (Loss) from Investment Activities	230,627	93	-
From Securities Lending Activities			
Securities Lending Income	16	-	-
Borrower Rebates	83	-	-
Total Securities Lending Income	99	-	-
Securities Lending Expenses			
Management Fees	25	-	-
Total Securities Lending Expenses	25	-	-
Net Income from Securities Lending Activities	74	-	-
Total Net Investment Income (Loss)	230,701	93	-
Other Income	1	1,553	490
Total Additions	350,304	11,050	8,844
<b>DEDUCTIONS</b>			
Benefits	134,135	8,345	7,435
Refund of Contributions	14,914	-	-
Administrative Expense	3,344	639	530
Total Deductions	152,393	8,984	7,965
Change in Net Position	197,911	2,066	879
Net Position - Beginning of Year	1,753,524	10,877	3,746
Net Position - End of Year	\$ 1,951,435	\$ 12,943	\$ 4,625

**Fiduciary Funds**

**G-2** **COMBINING STATEMENT OF CHANGES**  
**Page 2 of 2** **IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Postemployment Healthcare		Comparative Totals	
	Firemen's Pension	Police Relief and Pension	2012	2011
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 9,471	\$ 11,833	\$ 101,578	\$ 90,312
Plan Member	-	-	57,086	50,415
Total Contributions	9,471	11,833	158,664	140,727
Investment Income (Loss)				
From Investment Activities				
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	204,271	(36,057)
Interest	-	-	9,858	8,665
Dividends	-	-	23,654	19,184
Total Investment Activities Income (Loss)	-	-	237,783	(8,208)
Investment Activities Expenses				
Investment Management Fees	-	-	6,314	6,984
Performance Measurement Fees	-	-	499	364
Investment Custodial Fees	-	-	250	144
Total Investment Activities Expenses	-	-	7,063	7,492
Net Income (Loss) from Investment Activities	-	-	230,720	(15,700)
From Securities Lending Activities				
Securities Lending Income	-	-	16	17
Borrower Rebates	-	-	83	43
Total Securities Lending Income	-	-	99	60
Securities Lending Expenses				
Management Fees	-	-	25	15
Total Securities Lending Expenses	-	-	25	15
Net Income from Securities Lending Activities	-	-	74	45
Total Net Investment Income (Loss)	-	-	230,794	(15,655)
Other Income	-	-	2,044	2,343
Total Additions	9,471	11,833	391,502	127,415
<b>DEDUCTIONS</b>				
Benefits	9,471	11,833	171,219	163,368
Refund of Contributions	-	-	14,914	16,677
Administrative Expense	-	-	4,513	4,513
Total Deductions	9,471	11,833	190,646	184,558
Change in Net Position	-	-	200,856	(57,143)
Net Position - Beginning of Year	-	-	1,768,147	1,825,290
Net Position - End of Year	\$ -	\$ -	\$ 1,969,003	\$ 1,768,147

**The City of Seattle**

**G-3** **COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Page 1 of 2** **AGENCY FUNDS**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	Balance January 1	Additions	Deductions	Balance December 31
<b>GUARANTY DEPOSITS FUND</b>				
<b>Assets</b>				
Cash	\$ 7,380	\$ 3,959	\$ 3,653	\$ 7,686
Total Assets	\$ 7,380	\$ 3,959	\$ 3,653	\$ 7,686
<b>Liabilities</b>				
Deposits Payable	\$ 7,380	\$ 1,270	\$ 964	\$ 7,686
Total Liabilities	\$ 7,380	\$ 1,270	\$ 964	\$ 7,686
<b>PAYROLL WITHHOLDING FUND</b>				
<b>Assets</b>				
Cash	\$ 10,895	\$ 243,432	\$ 250,846	\$ 3,481
Total Assets	\$ 10,895	\$ 243,432	\$ 250,846	\$ 3,481
<b>Liabilities</b>				
Accounts Payable	\$ 278	\$ 8,911	\$ 9,023	\$ 166
Salaries, Benefits, and Payroll Taxes Payable	10,608	243,419	250,722	3,305
Claims/Judgments Payable	9	1	-	10
Total Liabilities	\$ 10,895	\$ 252,331	\$ 259,745	\$ 3,481
<b>MULTIFAMILY RENTAL HOUSING IMPROVEMENT FUND</b>				
<b>Assets</b>				
Cash	\$ 190	\$ -	\$ 21	\$ 169
Total Assets	\$ 190	\$ -	\$ 21	\$ 169
<b>Liabilities</b>				
Deposits Payable	\$ 190	\$ -	\$ 21	\$ 169
Total Liabilities	\$ 190	\$ -	\$ 21	\$ 169
<b>SALARY FUND</b>				
<b>Assets</b>				
Cash	\$ 4,192	\$ 599,329	\$ 603,532	\$ (11)
Accounts Receivable	278	123	278	123
Total Assets	\$ 4,470	\$ 599,452	\$ 603,810	\$ 112
<b>Liabilities</b>				
Salaries, Benefits, and Payroll Taxes Payable	\$ 4,470	\$ 598,589	\$ 602,947	\$ 112
Total Liabilities	\$ 4,470	\$ 598,589	\$ 602,947	\$ 112

**Fiduciary Funds**

G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Page 2 of 2

AGENCY FUNDS

For the Year Ended December 31, 2012

(In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
<b>VOUCHER FUND</b>				
<i>Assets</i>				
Cash	\$ 928	\$ 3,028,595	\$ 3,028,523	\$ 1,000
Total Assets	<u>\$ 928</u>	<u>\$ 3,028,595</u>	<u>\$ 3,028,523</u>	<u>\$ 1,000</u>
<i>Liabilities</i>				
Accounts Payable	\$ 928	\$ 3,059,520	\$ 3,059,448	\$ 1,000
Total Liabilities	<u>\$ 928</u>	<u>\$ 3,059,520</u>	<u>\$ 3,059,448</u>	<u>\$ 1,000</u>
<b>PASS-THROUGH GRANTS FUND</b>				
<i>Assets</i>				
Cash	\$ -	\$ 365	\$ 365	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 365</u>	<u>\$ 365</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<i>Assets</i>				
Cash and Equity in Pooled Investments	\$ 23,585	\$ 3,875,680	\$ 3,886,940	\$ 12,325
Accounts Receivable	278	123	278	123
Total Assets	<u>\$ 23,863</u>	<u>\$ 3,875,803</u>	<u>\$ 3,887,218</u>	<u>\$ 12,448</u>
<i>Liabilities</i>				
Accounts Payable	\$ 1,206	\$ 3,068,431	\$ 3,068,471	\$ 1,166
Salaries, Benefits, and Payroll Taxes Payable	15,078	842,008	853,669	3,417
Deposits Payable	7,570	1,270	985	7,855
Claims/Judgments Payable	9	1	-	10
Total Liabilities	<u>\$ 23,863</u>	<u>\$ 3,911,710</u>	<u>\$ 3,923,125</u>	<u>\$ 12,448</u>

## **Capital Assets**

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**Capital Assets**

**H-1 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**December 31, 2012**  
*(In Thousands)*

	<u>2012</u>	<u>Restated 2011</u>
<b>CAPITAL ASSETS</b>		
Land	\$ 441,856	\$ 438,419
Buildings	853,042	824,397
Improvements Other than Buildings	686,161	646,175
Equipment	116,652	105,587
Infrastructure	1,657,106	1,422,806
Construction in Progress	310,362	339,740
Other Capital Assets	<u>15,911</u>	<u>13,479</u>
Total Capital Assets	<u>\$ 4,081,090</u>	<u>\$ 3,790,603</u>
<b>INVESTMENT IN CAPITAL ASSETS FROM</b>		
General Fund	\$ 279,125	\$ 266,847
Special Revenue Funds	2,780,622	2,523,832
Capital Project Funds	913,687	892,346
Donations	<u>107,656</u>	<u>107,578</u>
Total Investment in Capital Assets	<u>\$ 4,081,090</u>	<u>\$ 3,790,603</u>

**The City of Seattle**

**H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Page 1 of 2**  
**SCHEDULE BY FUNCTION**  
**December 31, 2012**  
*(In Thousands)*

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General Government	\$ 23,311	\$ 103,622	\$ 154
Security of Persons and Property	-	-	-
Transportation	116,778	38,339	181
Economic Environment	910	-	-
Judicial	-	-	-
Culture and Recreation	<u>300,857</u>	<u>711,081</u>	<u>685,826</u>
Total	<u>\$ 441,856</u>	<u>\$ 853,042</u>	<u>\$ 686,161</u>

**Capital Assets**

**H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Page 2 of 2 SCHEDULE BY FUNCTION**  
**December 31, 2012**  
*(In Thousands)*

	<u>Equipment</u>	<u>Infrastructure</u>	<u>Other Capital Assets</u>	<u>Total</u>
General Government	\$ 27,707	\$ -	\$ -	\$ 154,794
Security of Persons and Property	53,968	-	-	53,968
Transportation	11,004	1,657,106	1,397	1,824,805
Economic Environment	95	-	-	1,005
Judicial	82	-	-	82
Culture and Recreation	23,796	-	14,514	1,736,074
Total	<u>\$ 116,652</u>	<u>\$ 1,657,106</u>	<u>\$ 15,911</u>	3,770,728
Construction in Progress				310,362
Total Investment in Capital Assets				<u>\$ 4,081,090</u>

**The City of Seattle**

**H-3 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION**  
**For the Year Ended December 31, 2012**  
*(In Thousands)*

	<u>Restated Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
General Government	\$ 155,505	\$ 64	\$ 775	\$ 154,794
Security of Persons and Property	45,803	8,289	124	53,968
Transportation	1,559,402	265,403	-	1,824,805
Economic Environment	1,005	-	-	1,005
Judicial	82	-	-	82
Culture and Recreation	1,689,066	47,502	494	1,736,074
Total	3,450,863	321,258	1,393	3,770,728
Construction in Progress	339,740	296,802	326,180	310,362
Total Investment in Capital Assets	<u>\$ 3,790,603</u>	<u>\$ 618,060</u>	<u>\$ 327,573</u>	<u>\$ 4,081,090</u>

# Statistics

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## Statistics

### STATISTICAL INFORMATION

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

#### Financial Trends

These tables contain information to help the reader understand how the City's financial performance and well-being have changed over time.

- S-1 Net Position by Component
- S-2 Changes in Net Position
- S-3 Fund Balances of Governmental Funds
- S-4 Changes in Fund Balances of Governmental Funds

#### Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue sources.

- S-5 Tax Revenues by Source
- S-6 Assessed Value and Estimated Actual Value of Taxable Property
- S-7 Direct and Overlapping Property Tax Rates
- S-8 Principal Property Taxpayers
- S-9 Principal Revenue Sources
- S-10 Property Tax Levies and Collections

#### Debt Capacity

These tables contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- S-11 Ratios of Outstanding Debt by Type
- S-12 Ratios of Net General Bonded Debt Outstanding
- S-13 Direct and Overlapping Governmental Activities Debt
- S-14 Legal Debt Margin Information
- S-15 Pledged-Revenue Coverage

#### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- S-16 Demographic and Economic Statistics
- S-17 Principal Industries

#### Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- S-18 Full-Time-Equivalent City Government Employees by Department/Office
- S-19 Operating Indicators by Department/Office
- S-20 Capital Asset Statistics by Department/Office
- Miscellaneous Statistics

## The City of Seattle

Table S-1

### NET POSITION BY COMPONENT <sup>a</sup>

Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(In Thousands)

	2012	2011	2010	2009	2008
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 2,783,984	\$ 2,627,462	\$ 2,513,808	\$ 2,350,564	\$ 2,184,161
Restricted	406,454	419,675	372,289	225,157	271,204
Unrestricted	(21,145)	(101,021)	(98,786)	146,711	194,962
Total Governmental Activities Net Position	\$ 3,169,293	\$ 2,946,116	\$ 2,787,311	\$ 2,722,432	\$ 2,650,327
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 1,372,935	\$ 1,243,622	\$ 1,228,030	\$ 1,257,195	\$ 1,128,319
Restricted	84,848	81,904	79,372	71,801	63,913
Unrestricted	216,050	205,493	106,013	49,827	166,634
Total Business-Type Activities Net Position	\$ 1,673,833	\$ 1,531,019	\$ 1,413,415	\$ 1,378,823	\$ 1,358,866
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	\$ 4,156,919	\$ 3,871,084	\$ 3,741,838	\$ 3,607,759	\$ 3,312,480
Restricted	491,302	501,579	451,661	296,958	335,117
Unrestricted	194,905	104,472	7,227	196,538	361,596
Total Primary Government Net Position	\$ 4,843,126	\$ 4,477,135	\$ 4,200,726	\$ 4,101,255	\$ 4,009,193
<hr/>					
	2007	2006	2005	2004	2003
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 2,011,575	\$ 1,825,203	\$ 1,679,338	\$ 1,584,694	\$ 1,454,419
Restricted	194,618	183,340	142,509	101,326	126,508
Unrestricted	322,784	273,696	211,426	137,995	140,079
Total Governmental Activities Net Position	\$ 2,528,977	\$ 2,282,239	\$ 2,033,273	\$ 1,824,015	\$ 1,721,006
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 967,028	\$ 813,091	\$ 664,469	\$ 641,015	\$ 676,051
Restricted	48,561	59,161	147,980	114,795	178,897
Unrestricted	195,226	234,582	125,159	90,616	(33,219)
Total Business-Type Activities Net Position	\$ 1,210,815	\$ 1,106,834	\$ 937,608	\$ 846,426	\$ 821,729
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	\$ 2,978,603	\$ 2,638,294	\$ 2,343,807	\$ 2,225,709	\$ 2,130,470
Restricted	243,179	242,501	290,489	216,121	305,405
Unrestricted	518,010	508,278	336,585	228,611	106,860
Total Primary Government Net Position	\$ 3,739,792	\$ 3,389,073	\$ 2,970,881	\$ 2,670,441	\$ 2,542,735

<sup>a</sup> In 2011, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statement - 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 the current. Restatements were not made to the presentation for years 2003-2009.



Statistics

Table S-2  
Page 1 of 4

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

	2012	2011	2010	2009	2008
<b>EXPENSES</b>					
<i>Governmental Activities</i>					
General Government	\$ 167,363	\$ 179,498	\$ 182,058	\$ 106,732	\$ 143,855
Judicial	26,121	25,623	26,298	27,526	26,762
Public Safety	475,747	471,205	476,861	473,527	455,701
Physical Environment	6,357	10,697	8,346	32,543	7,707
Transportation	133,511	111,038	122,376	137,015	127,872
Economic Environment	123,917	101,242	119,595	98,940	104,660
Health and Human Services	65,266	71,399	72,680	75,788	69,181
Culture and Recreation	239,003	245,671	258,639	249,160	257,578
Interest on Long-Term Debt	39,829	40,425	38,929	36,825	39,336
Total Governmental Activities Expenses	1,279,114	1,256,798	1,305,782	1,238,056	1,232,652
<i>Business-Type Activities</i>					
Light	729,844	723,665	730,758	733,405	791,837
Water	203,610	198,929	209,554	200,921	180,855
Drainage and Wastewater	272,423	269,224	245,589	244,295	231,318
Solid Waste	150,115	149,157	141,852	145,526	120,941
Planning and Development	46,542	44,087	47,099	55,954	56,882
Downtown Parking Garage	7,712	7,740	7,648	7,824	8,545
Total Business-Type Activities Expenses	1,410,246	1,392,802	1,383,100	1,387,925	1,390,378
Total Primary Government Expenses	2,689,360	2,649,600	2,688,882	2,625,981	2,623,030
<b>PROGRAM REVENUES</b>					
<i>Governmental Activities</i>					
Charges for Services					
General Government	79,048	73,960	60,333	58,127	102,697
Judicial	33,748	33,048	31,078	28,376	22,032
Public Safety	19,277	18,939	18,848	22,740	16,254
Physical Environment	-	2	1,985	1,745	1,632
Transportation	81,972	64,331	55,680	62,230	44,093
Economic Environment	7,303	7,299	4,419	11,922	17,440
Health and Human Services	-	1,276	9	12	17
Culture and Recreation	53,450	50,273	54,886	58,977	59,586
Operating Grants and Contributions	130,377	136,679	118,619	104,382	95,236
Capital Grants and Contributions	48,092	47,503	56,377	36,834	31,527
Total Governmental Activities Program Revenues	453,267	433,310	402,234	385,342	390,509
<i>Business-Type Activities</i>					
Charges for Services					
Light	797,445	769,316	729,650	717,775	872,099
Water	213,164	194,342	194,987	190,283	163,996
Drainage and Wastewater	297,443	274,553	245,959	244,773	216,957
Solid Waste	156,927	154,159	146,944	135,393	124,353
Planning and Development	40,869	35,087	28,627	33,379	42,929
Downtown Parking Garage	6,588	5,937	6,580	6,862	6,530
Operating Grants and Contributions	6,749	5,518	5,953	4,789	4,099
Capital Grants and Contributions	48,438	51,522	41,846	59,983	81,425
Total Business-Type Activities Program Revenues	1,567,623	1,490,434	1,400,546	1,393,237	1,512,388
Total Primary Government Program Revenues	2,020,890	1,923,744	1,802,780	1,778,579	1,902,897
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(825,847)	(823,488)	(903,548)	(852,714)	(842,143)
Business-Type Activities	157,376	174,462	174,462	5,312	12,010
Total Primary Government Net Expense	(668,470)	(725,856)	(886,102)	(847,402)	(720,133)

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)

	2007	2006	2005	2004	2003
<b>EXPENSES</b>					
<i>Governmental Activities</i>					
General Government	\$ 103,323	\$ 128,758	\$ 102,362	\$ 104,281	\$ 101,322
Judicial	24,030	20,344	18,429	19,169	19,211
Public Safety	396,669	354,083	325,416	322,244	298,120
Physical Environment	9,991	7,331	6,614	5,530	5,513
Transportation	124,493	87,610	87,542	88,606	92,749
Economic Environment	98,337	78,957	91,060	78,455	85,130
Health and Human Services	63,276	56,904	56,572	51,565	52,406
Culture and Recreation	224,455	215,081	199,169	196,280	164,488
Interest on Long-Term Debt	34,048	35,399	39,539	41,499	43,216
Total Governmental Activities Expenses	1,078,622	984,467	926,703	907,629	862,155
<i>Business-Type Activities</i>					
Light	764,786	699,164	683,476	772,827	777,631
Water	169,631	161,943	148,992	127,865	124,611
Drainage and Wastewater	225,833	199,378	178,447	168,689	156,786
Solid Waste	119,714	114,527	110,044	112,920	112,114
Planning and Development	86,139	80,203	43,487	45,320	37,114
Downtown Parking Garage	8,336	8,035	8,414	8,421	8,284
Total Business-Type Activities Expenses	1,344,439	1,233,250	1,172,860	1,236,042	1,216,540
Total Primary Government Expenses	2,423,061	2,217,717	2,099,563	2,143,671	2,078,695
<b>PROGRAM REVENUES</b>					
<i>Governmental Activities</i>					
Charges for Services					
General Government	69,636	51,071	47,054	43,857	47,394
Judicial	19,851	17,852	16,794	18,162	16,637
Public Safety	21,850	14,422	12,788	10,372	9,703
Physical Environment	1,660	1,587	1,220	1,064	985
Transportation	28,860	25,306	28,936	17,970	16,699
Economic Environment	25,100	7,519	12,765	11,072	9,759
Health and Human Services	17	62	4	5	-
Culture and Recreation	57,283	62,768	50,192	49,925	43,860
Operating Grants and Contributions	93,184	93,850	93,656	86,701	82,391
Capital Grants and Contributions	31,577	52,174	66,991	55,051	37,007
Total Governmental Activities Program Revenues	349,018	326,611	330,400	294,179	264,435
<i>Business-Type Activities</i>					
Charges for Services					
Light	829,679	817,310	733,865	763,793	738,802
Water	159,967	153,171	145,865	141,305	129,414
Drainage and Wastewater	201,139	186,118	175,782	162,126	150,631
Solid Waste	121,913	112,474	111,228	115,144	114,821
Planning and Development	49,471	44,655	37,695	32,449	27,541
Downtown Parking Garage	6,805	6,608	6,180	6,185	5,559
Operating Grants and Contributions	6,208	2,412	2,973	2,618	667
Capital Grants and Contributions	53,063	49,437	30,750	21,014	31,493
Total Business-Type Activities Program Revenues	1,428,245	1,372,185	1,244,338	1,244,634	1,198,928
Total Primary Government Program Revenues	1,777,263	1,698,796	1,574,738	1,538,813	1,463,363
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(729,604)	(657,856)	(596,303)	(613,450)	(597,720)
Business-Type Activities	83,835	138,935	71,478	85,335	(17,612)
Total Primary Government Net Expense	(645,769)	(518,921)	(524,825)	(604,858)	(615,332)

Statistics

Table S-2  
Page 3 of 4  
CHANGES IN NET POSITION  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(In Thousands)

	2012	2011	2010	2009	2008
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 420,763	\$ 397,288	\$ 391,798	\$ 388,341	\$ 368,515
Sales Taxes	169,681	158,582	146,970	150,515	171,917
Business Taxes	358,931	339,703	331,570	329,572	330,369
Excise Taxes	54,637	35,203	28,815	27,710	36,091
Other Taxes	44,352	39,014	31,119	28,582	25,395
Penalties and Interest on Delinquent Taxes	2,795	3,240	3,475	3,867	2,410
Unrestricted Investment Earnings	6,458	5,536	4,685	8,898	24,140
Gain (Loss) on Sale of Capital Assets	1,502	14,224	40,095	(2,422)	15,461
Transfers	(10,095)	(9,373)	(10,100)	(10,245)	(10,803)
Total Governmental Activities	1,049,024	983,417	968,427	924,818	963,495
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	11,789	11,078	8,796	4,837	13,530
Gain on Sale of Capital Assets	619	924	198	4,495	1,708
Special Item - Environmental Remediation	(37,066)	538	(1,948)	(4,289)	-
Transfers	10,095	9,373	10,100	10,245	10,803
Total Business-Type Activities	(14,563)	21,913	17,146	15,288	26,041
Total Primary Government	1,034,461	1,005,330	985,573	940,106	989,536
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	223,177	159,929	64,879	72,104	121,352
Business-Type Activities	142,814	119,545	34,592	20,600	148,051
Total Primary Government	\$ 365,991	\$ 279,474	\$ 99,471	\$ 92,704	\$ 269,403

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)

	2007	2006	2005	2004	2003
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 359,651	\$ 318,490	\$ 311,613	\$ 296,789	\$ 252,702
Sales Taxes	171,846	155,311	146,060	130,961	124,951
Business Taxes	332,238	311,015	280,139	253,733	248,467
Excise Taxes	76,918	58,397	55,507	43,766	32,661
Other Taxes	12,765	4,929	4,636	4,196	3,799
Penalties and Interest on Delinquent Taxes	4,276	3,349	2,125	1,941	4,131
Unrestricted Investment Earnings	33,155	22,021	10,288	5,366	9,370
Gain (Loss) on Sale of Capital Assets	891	35,353	2,921	2,296	4,323
Transfers	(10,612)	(9,260)	(8,456)	(9,738)	(9,569)
Total Governmental Activities	981,128	899,605	804,833	729,310	670,835
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	19,106	16,241	10,811	4,269	6,114
Gain on Sale of Capital Assets	276	1,823	438	2,100	7,469
Special Item - Environmental Remediation	-	-	-	-	-
Transfers	10,612	9,260	8,456	9,738	9,569
Total Business-Type Activities	29,994	27,324	19,705	16,107	23,152
Total Primary Government	1,011,122	926,929	824,538	745,417	693,987
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	251,524	241,749	208,530	115,860	73,115
Business-Type Activities	113,800	166,259	91,183	24,699	5,540
Total Primary Government	\$ 365,324	\$ 408,008	\$ 299,713	\$ 140,559	\$ 78,655

Statistics

Table S-3 FUND BALANCES OF GOVERNMENTAL FUNDS <sup>a</sup>  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(In Thousands)

	2012	2011	2010	2009	2008
<b>GENERAL FUND</b>					
Nonspendable	\$ 555	\$ 572	\$ 401	\$ -	\$ -
Restricted	82,520	58,917	63,695	-	-
Committed	79,508	58,713	44,240	-	-
Assigned	6,417	6,808	17,958	-	-
Unassigned	105,992	79,765	53,147	-	-
Reserved	-	-	-	78,835	140,325
Unreserved	-	-	-	118,611	131,085
Total General Fund	\$ 274,992	\$ 204,775	\$ 179,441	\$ 197,446	\$ 271,410
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 2,618	\$ 2,714	\$ 2,447	\$ -	\$ -
Restricted	321,884	358,710	306,545	-	-
Committed	40,248	60,156	41,379	-	-
Assigned	12,583	8,816	7,910	-	-
Unassigned	(13,991)	(12,064)	(11,911)	-	-
Reserved	-	-	-	319,104	261,463
Unreserved, Reported in	-	-	-	-	-
Special Revenue Funds	-	-	-	40,157	96,337
Capital Projects Funds	-	-	-	-	-
Permanent Funds	-	-	-	101	121
Total All Other Governmental Funds	\$ 363,342	\$ 418,332	\$ 346,370	\$ 359,362	\$ 357,921
<b>GENERAL FUND</b>					
	2007	2006	2005	2004	2003
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	129,350	91,018	95,855	91,507	76,590
Unreserved	197,678	150,280	107,817	40,669	42,228
Total General Fund	\$ 327,028	\$ 241,298	\$ 203,672	\$ 132,176	\$ 118,818
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	226,965	218,682	185,917	185,176	250,350
Unreserved, Reported in	-	-	-	-	-
Special Revenue Funds	39,589	41,694	31,368	18,391	10,586
Capital Projects Funds	(1,846)	(3,125)	-	(3,138)	-
Permanent Funds	83	-	-	19	161
Total All Other Governmental Funds	\$ 264,791	\$ 257,251	\$ 217,285	\$ 200,448	\$ 261,097

<sup>a</sup> 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)

	2012	2011	2010	2009	2008
<b>REVENUES</b>					
Taxes	\$ 1,044,608	\$ 973,181	\$ 933,641	\$ 927,287	\$ 934,544
Licenses and Permits	25,238	22,966	26,514	28,298	29,091
Grants, Shared Revenues, and Contributions	177,775	167,813	179,842	173,231	133,772
Charges for Services	182,595	167,644	171,509	157,081	142,797
Fines and Forfeits	34,340	34,066	32,300	29,645	25,572
Parking Fees and Space Rent	57,107	51,004	46,858	42,404	37,961
Program Income, Interest, and Miscellaneous Revenues	43,649	39,706	26,037	34,011	102,077
Total Revenues	1,565,312	1,456,380	1,416,701	1,391,957	1,405,814
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	180,187	193,697	203,607	202,974	195,947
Judicial	26,654	25,855	26,300	26,812	26,584
Public Safety	461,235	451,734	445,002	431,413	421,105
Physical Environment	7,748	11,190	9,058	16,528	8,454
Transportation	92,212	90,966	93,381	111,531	107,532
Economic Environment	128,711	106,234	123,430	103,462	109,903
Health and Human Services	67,103	73,100	73,956	76,471	70,032
Culture and Recreation	216,508	211,523	233,284	223,340	215,458
Capital Outlay	-	-	-	-	-
General Government	10,684	13,862	16,799	24,651	12,953
Judicial	-	-	-	-	-
Public Safety	27,743	8,320	21,815	20,781	12,643
Physical Environment	-	-	-	-	5
Transportation	228,272	167,590	169,636	179,231	100,636
Economic Environment	69	-	5	28	22
Culture and Recreation	55,507	50,383	63,521	72,905	72,322
Debt Service	-	-	-	-	-
Principal	53,523	47,909	45,826	43,064	51,855
Advance Refunding to Escrow	-	-	-	6	35,152
Interest	25,339	26,754	24,596	24,191	35,738
Bond Issuance Cost	258	369	1,303	727	632
Other	305	-	-	-	-
Total Expenditures	1,582,058	1,479,486	1,551,519	1,558,115	1,476,973
Excess (Deficiency) of Revenues over Expenditures	(16,746)	(23,106)	(134,818)	(166,158)	(71,159)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	108,085	79,433	85,325	87,810	84,960
Refunding Debt Issued	-	-	115,185	4,390	54,870
Premium on Bonds Issued	21,140	5,181	13,270	8,152	7,545
Capital Leases Issued	-	-	-	20	-
Payment to Refunded Bond Escrow Agent	(91,574)	-	(125,170)	(4,735)	(56,920)
Sales of Capital Assets	2,282	41,161	21,310	624	408
Transfers In	334,611	292,224	298,519	371,345	350,078
Transfers Out	(342,571)	(297,597)	(304,618)	(373,971)	(332,266)
Total Other Financing Sources (Uses)	31,973	120,402	103,821	93,635	108,675
Net Change in Fund Balance	\$ 15,227	\$ 97,296	\$ (30,997)	\$ (72,523)	\$ 37,516
<b>Debt Service as a Percentage of Noncapital Expenditures</b>					
	6.18%	5.91%	5.28%	5.28%	6.72%

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)

	2007	2006	2005	2004	2003
<b>REVENUES</b>					
Taxes	\$ 957,242	\$ 851,366	\$ 799,928	\$ 731,373	\$ 667,039
Licenses and Permits	33,439	28,348	25,612	19,028	17,500
Grants, Shared Revenues, and Contributions	130,869	158,922	155,130	140,551	120,257
Charges for Services	149,049	125,245	127,436	112,690	111,736
Fines and Forfeits	22,701	21,230	19,759	20,795	19,498
Parking Fees and Space Rent	38,029	44,742	42,703	49,548	48,119
Program Income, Interest, and Miscellaneous Revenues	81,200	46,892	68,968	32,497	36,183
Total Revenues	1,412,529	1,276,745	1,239,536	1,106,482	1,020,332
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	154,672	160,282	136,309	135,100	137,943
Judicial	24,142	20,569	19,229	19,057	19,116
Public Safety	377,367	352,395	333,548	310,112	296,290
Physical Environment	107,522	7,574	6,902	5,814	5,996
Transportation	95,474	82,612	94,806	69,448	83,412
Economic Environment	103,350	83,327	95,186	82,525	91,244
Health and Human Services	64,490	58,723	57,017	51,177	52,058
Culture and Recreation	199,214	191,618	181,318	182,128	170,820
<b>Capital Outlay</b>					
General Government	16,823	42,691	36,885	50,014	73,730
Judicial	-	-	6	-	-
Public Safety	38,345	3,928	4,829	5,804	3,433
Physical Environment	10	-	-	-	-
Transportation	105,079	80,913	61,555	43,788	18,459
Economic Environment	270	16	-	-	2
Culture and Recreation	88,641	85,438	77,023	97,426	184,961
<b>Debt Service</b>					
Principal	61,236	71,672	92,198	50,736	45,241
Advance Refunding to Escrow	6,270	-	9,596	4,558	5,368
Interest	34,923	37,599	36,462	40,254	42,101
Bond Issuance Cost	256	380	438	799	381
Other	-	177	160	-	139
Total Expenditures	1,381,314	1,279,914	1,243,347	1,148,900	1,230,694
Excess (Deficiency) of Revenues over Expenditures	31,215	(3,169)	(3,811)	(42,418)	(210,362)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	36,365	49,635	60,840	-	59,481
Refunding Debt Issued	60,870	2,195	71,450	91,805	4,040
Premium on Bonds Issued	4,178	378	7,837	4,322	2,747
Capital Leases Issued	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	(62,535)	(2,253)	(75,412)	(92,833)	(4,039)
Sales of Capital Assets	4,348	35,756	27,218	2,980	6,865
Transfers In	306,914	282,578	290,069	231,518	245,334
Transfers Out	(288,087)	(287,529)	(289,857)	(242,663)	(259,938)
Total Other Financing Sources (Uses)	62,053	80,760	92,145	(4,871)	54,490
Net Change in Fund Balance	\$ 93,268	\$ 77,591	\$ 88,334	\$ (47,289)	\$ (155,872)
<b>Debt Service as a Percentage of Noncapital Expenditures</b>					
	8.39%	10.16%	11.98%	9.45%	9.33%

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
2003	\$ 268,300	\$ 124,952	\$ 248,468	\$ 32,661	\$ 7,930	\$ 682,311
2004	296,775	130,961	253,733	43,766	6,137	731,372
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

Table S-6

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years

Fiscal Year	Assessed and Estimated Actual Value <sup>a</sup> (In Thousands)			Total Direct Tax Rate	Average Annual Growth	Assessed Value Per Capita
	Real Property	Personal Property	Total			
2003	\$ 75,582,369	\$ 4,545,919	\$ 80,128,288	\$ 3,401	6.12 %	\$ 140,109
2004	79,724,601	4,213,495	83,938,096	3,597	4.75	146,591
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

<sup>a</sup> Real property has been assessed at 100 percent of estimated actual value.

Statistics

Table S-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES <sup>a</sup>  
Last Ten Fiscal Years  
(In Mills or Dollars per Thousand of Assessed Value)

Year of Levy	City of Seattle					Overlapping					Dollars Levied <sup>d</sup> (\$1,000)	Annual Growth
	General Fund <sup>b</sup>	Special Revenue Funds	Debt Service Funds	Fire Pension <sup>c</sup>	City Total	State	County	School	Port of Seattle	Total		
2003	2.250	0.600	0.356	0.195	3.401	2.897	1.349	2.395	0.259	10.301	\$ 825,422	2.5 %
2004	2.402	0.880	0.315	-	3.597	2.757	1.431	2.360	0.254	10.399	872,872	5.7
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	2.084	1.091	0.252	-	3.427	2.325	1.290	2.006	0.232	9.280	985,615	6.9
2008	1.997	0.904	0.173	-	3.074	2.132	1.363	1.895	0.224	8.688	1,056,632	7.2
2009	1.825	0.896	0.134	-	2.855	1.963	1.239	1.718	0.197	7.972	1,098,723	4.0
2010	2.084	1.005	0.136	-	3.225	2.222	1.394	1.985	0.216	9.042	1,118,329	2.0
2011	2.175	1.038	0.148	-	3.361	2.280	1.451	2.342	0.224	9.658	1,160,092	3.7
2012	2.269	1.161	0.147	-	3.577	2.422	1.536	2.400	0.230	10.165	1,187,240	2.3

<sup>a</sup> Source: King County Assessor and City of Seattle Budget Office.

<sup>b</sup> For the purposes of this table the City's share of the Countywide Emergency Medical Service (EMS) levy is included in the General Fund's tax levy rate. EMS rate is 0.300 in 2012.

<sup>c</sup> Fire Pension receives a percentage of the General Fund levy that is set by the City Council. However, starting in 2004, Seattle does not have a separate levy rate for this purpose.

<sup>d</sup> Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

Table S-8 PRINCIPAL PROPERTY TAXPAYERS <sup>c</sup>  
Current Year and Nine Years Ago

Taxpayer <sup>f</sup>	2012			2003		
	Assessed Valuation <sup>g</sup> (In Millions)	Percentage of Assessed Valuation	Rank	Assessed Valuation <sup>g</sup> (In Millions)	Percentage of Assessed Valuation	Rank
The Boeing Company	\$ 457.3	0.39 %	1	\$ 341.8	0.41 %	5
Union Square Limited Partnership	432.8	0.37	2	367.1	0.44	4
Qwest Corporation, Inc.	429.2	0.36	3			
Wright-Runstad & Co.	354.1	0.30	4			
Columbia Center Property	277.3	0.24	5			
City Centre Associates JV	273.2	0.23	6			
Martin Selig	246.6	0.21	7	329.2	0.39	6
Puget Sound Energy-Gas/Electric	202.1	0.17	8	206.7	0.25	9
Seattle Sheraton	195.2	0.17	9			
Northwestern Mutual Life Ins.	188.5	0.16	10			
U.S. West Communications				695.8	0.83	1
Bank of America				385.2	0.46	3
EOP Northwest Properties				385.3	0.46	2
Gerald D Hines				274.8	0.33	7
Washington Mutual Bank/Wright-Runstad				269.8	0.32	8
Bentall Corporation				204.6	0.24	10

<sup>c</sup> Source: King County Assessor.

<sup>f</sup> The above listing includes taxpayers paying real and personal property taxes as property owners. It does not include taxpayers paying leasehold excise taxes based on rental payments for property they lease from other entities.

<sup>g</sup> Assessed valuations for taxes collected in the succeeding year.

The City of Seattle

Table S-9 PRINCIPAL REVENUE SOURCES  
Page 1 of 2  
Current Year and Nine Years Ago  
(In Thousands)

Customer Name	CITY LIGHT <sup>a</sup>					
	2012			2003		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Nucor Corporation	\$ 22,562	3.40 %	1	\$ 14,903	2.70 %	2
University of Washington	22,498	3.39	2	15,064	2.73	1
City of Seattle	19,004	2.86	3	5,540	1.00	7
Boeing Company	14,311	2.15	4	13,434	2.43	3
International Gateway/Sabey	10,780	1.62	5			
King County <sup>b</sup>	10,334	1.56	6	6,546	1.19	5
US Government	6,513	0.98	7	6,470	1.17	6
Saint Gobain	5,628	0.85	8	8,307	1.50	4
2001 Sixth LLC	5,488	0.83	9			
Swedish Hospital	4,273	0.64	10	5,019	0.91	8
Unico Properties/Union Square Ltd.				4,313	0.78	9
Jorgensen Forge Co.				748	0.14	10
Total Top Ten	\$ 121,391	18.28 %		\$ 80,344	14.55 %	

<sup>a</sup> Source: Seattle City Light billing records.

<sup>b</sup> 2011 revenue for King County included Metro Transit due to the merger of King County and Metro Transit in 2004.

Customer Name	WATER <sup>c</sup>					
	2012			2006 <sup>d</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Cascade Water Alliance	\$ 19,339	9.50 %	1	\$ 14,148	15.41 %	1
Northshore Utility District	4,933	2.40	2	4,351	4.74	2
Highline Water District	3,987	2.00	3	3,385	3.69	3
Soos Creek Water and Sewer District	3,510	1.70	4	3,357	3.66	4
Woodinville Water District	3,178	1.60	5	2,141	2.33	6
University of Washington	3,091	1.50	6	2,076	2.26	7
City of Seattle	2,800	1.40	7	2,297	2.50	5
King County Water District #20	2,270	1.10	8	1,866	2.03	8
Port of Seattle	2,136	1.00	9	1,583	1.72	10
City of Mercer Island	2,010	1.00	10			
Cedar River Water & Sewer District				1,784	1.94	9
Total Top Ten	\$ 47,254	23.20 %		\$ 36,988	40.28 %	

<sup>c</sup> Source: Seattle Public Utilities (SPU) billing records.

<sup>d</sup> Using 2006 data, the latest and closest available in 2006 CAFR. SPU changed its billing system in 2003.

Statistics

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

Customer Name	DRAINAGE AND WASTEWATER <sup>a</sup>					
	2012			2003		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 7,556	2.55 %	1	\$ 4,475	3.01 %	1
City of Seattle	6,714	2.23	2	1,404	0.94	3
Port of Seattle	4,158	1.40	3	1,237	0.83	4
Seattle Housing Authority	3,666	1.24	4	2,678	1.80	2
King County	2,797	0.94	5	1,097	0.74	5
Seattle Public Schools	2,221	0.75	6	921	0.62	6
BNSF Railway Co.	1,101	0.37	7			
Darigold	992	0.33	8	388	0.26	10
Harborview Medical Center	820	0.28	9	450	0.30	8
Swedish Medical Center	814	0.27	10	648	0.44	7
Westin Hotel				393	0.26	9
Total Top Ten	\$ 30,839	10.36 %		\$ 13,691	9.20 %	

<sup>a</sup> Source: Seattle Public Utilities (SPU) billing records.

SOLID WASTE <sup>b</sup>

Customer Name	2012			2006 <sup>c</sup>		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 847	0.54 %	1	\$ 474	0.42 %	1
Fred Meyer/QFC	726	0.46	2			
Starbucks	652	0.42	3			
Goodwill Industries	602	0.38	4	287	0.26	3
Seattle Housing Authority	547	0.35	5	323	0.29	2
Swedish Medical Center	432	0.28	6	222	0.20	5
Pike Place Market	423	0.27	7	211	0.19	6
University of Washington	412	0.26	8			
Safeway	315	0.20	9			
Seattle Pacific University	299	0.19	10			
VW Vender Haul				243	0.22	4
Harbor View Environmental 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	\$ 5,255	3.35 %		\$ 2,442	2.19 %	

<sup>b</sup> Source: Seattle Public Utilities (SPU) billing records.

<sup>c</sup> Using 2006 data, the latest and closest available in 2006 CAFR. SPU changed its commercial garbage billing system in 2009.

The City of Seattle

Table S-10  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

Fiscal Year	Original Levy	Adjusted Levy <sup>a</sup>	Collected within the Fiscal Year of the Levy				Total Collections to Date		
			Amount	Percentage of Adjusted Levy	Subsequent Adjustments to Date	Net Levy to Date	Subsequent Collections	Amount	Percentage of Net Levy
2003	\$ 270,978,698	\$ 269,473,186	\$ 264,040,918	97.98 %	\$ (8,509)	\$ 269,464,677	\$ 713	\$ 264,041,631	97.99 %
2004	300,255,001	297,969,060	292,541,786	98.18	(12,961)	297,956,099	4,137	292,545,923	98.18
2005	314,357,618	313,008,315	307,392,432	98.21	(18,528)	312,989,787	9,356	307,401,788	98.21
2006	321,085,515	320,407,560	314,611,894	98.19	(661)	320,406,899	45,338	314,657,232	98.21
2007	361,810,037	360,253,854	354,036,495	98.27	(28,161)	360,225,693	540,927	354,577,422	98.43
2008	371,971,172	370,579,618	363,923,901	98.20	(71,478)	370,508,140	1,156,736	365,080,637	98.54
2009	391,665,366	389,564,212	382,220,305	98.11	(54,452)	389,509,760	6,747,725	388,968,030	99.86
2010	396,716,770	394,203,623	387,023,382	98.18	150,251	394,353,874	1,999,951	389,023,333	98.65
2011	401,332,061	399,082,252	392,544,843	98.36	(29,777)	399,052,475	4,595,670	397,140,513	99.52
2012	417,706,022	415,720,650	408,919,797	98.36	-	415,720,650	-	408,919,797	98.36

<sup>a</sup> 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	Special Assessment Bonds	Notes and Contracts	Capital Leases
2003	\$ 885,715	\$ -	\$ 22,838	\$ 19
2004	835,020	-	21,233	62
2005	794,075	-	21,890	29
2006	746,365	21,925	24,494	15
2007	720,025	20,545	21,923	3
2008	721,160	19,205	19,738	-
2009	771,065	17,705	18,854	18
2010	801,695	15,735	16,582	14
2011	822,110	14,305	14,662	10
2012	772,950	13,005	18,748	6

Fiscal Year	Business-Type Activities						
	General Obligation Bonds	Light and Power Bonds	Water Bonds	Drainage and Wastewater Bonds	Solid Waste Bonds	Solid Waste Revenue Anticipation Notes	Notes and Contracts
2003	\$ 73,177	\$ 1,521,526	\$ 731,485	\$ 244,410	\$ 29,230	\$ 6,200	\$ 1,219
2004	72,174	1,537,246	795,635	301,195	25,460	7,976	1,832
2005	71,124	1,472,650	776,790	294,870	21,495	11,976	14,942
2006	70,023	1,409,215	861,670	334,625	17,325	23,576	10,942
2007	65,702	1,342,460	841,785	325,460	91,695	-	7,048
2008	64,524	1,529,375	1,025,480	402,035	87,005	-	20,240
2009	63,319	1,383,050	903,985	513,070	80,470	-	23,861
2010	62,093	1,536,775	1,006,300	499,785	78,491	-	34,107
2011	60,846	1,680,095	977,160	486,610	122,165	-	36,222
2012	59,589	1,778,600	919,640	540,495	119,205	-	34,753

Fiscal Year	Primary Government			
	Total	Percentage of Personal Income <sup>a</sup>	Debt Per Capita	Total Personal Income <sup>a</sup>
2003	\$ 3,515,819	13.46 %	\$ 6,106	\$ 26,115,814
2004	3,597,833	13.89	6,243	25,905,569
2005	3,479,680	13.46	6,009	25,857,198
2006	3,520,175	12.54	6,022	28,079,681
2007	3,436,646	11.05	5,813	31,104,558
2008	3,888,762	13.50	6,493	28,803,559
2009	3,775,397	12.93	6,200	29,201,816
2010	4,051,577	13.96	6,537	29,019,204
2011	4,214,185	14.05	6,802	29,987,391
2012	4,256,991	N/A	6,935	N/A

<sup>a</sup> Personal income data is not available for 2012.

The City of Seattle

Table S-12 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Per Capita
	General Bonded Debt Outstanding (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property <sup>a</sup>	
2003	\$ 885,715	\$ 12,297	\$ 873,418	1.11 %	\$ 1,549
2004	835,020	14,252	820,768	0.99	1,458
2005	794,075	12,428	781,647	0.90	1,386
2006	746,365	15,724	730,641	0.78	1,290
2007	720,025	15,216	704,809	0.68	1,228
2008	721,160	14,288	706,872	0.59	1,216
2009	771,065	11,220	759,845	0.56	1,281
2010	801,695	9,804	791,891	0.65	1,310
2011	822,110	9,653	812,457	0.70	1,343
2012	772,950	9,719	763,231	0.66	1,254

Fiscal Year	Business-Type Activities				Per Capita
	General Bonded Debt Outstanding (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property <sup>a</sup>	
2003	\$ 73,177	\$ -	\$ 73,177	0.09 %	\$ 128
2004	72,174	-	72,174	0.09	126
2005	71,124	-	71,124	0.08	124
2006	70,023	-	70,023	0.07	121
2007	65,702	-	65,702	0.06	112
2008	64,524	-	64,524	0.05	109
2009	63,319	-	63,319	0.05	105
2010	62,093	-	62,093	0.05	101
2011	60,846	-	60,846	0.05	99
2012	59,589	-	59,589	0.05	97

Fiscal Year	Business-Type Activities		
	Annual Debt Service Payments	Net Operating Income <sup>c</sup>	Percentage of Debt Service to Net Operating Income <sup>c</sup>
2003	\$ 4,218	\$ 3,590	117.49 %
2004	4,859	4,174	116.41
2005	4,885	4,154	117.60
2006	4,907	4,462	109.97
2007	5,151	4,599	112.00
2008	4,654	4,119	112.99
2009	4,625	4,351	106.30
2010	4,578	4,097	111.74
2011	4,520	3,282	137.72
2012	4,438	3,866	114.80

Fiscal Year	Primary Government		
	General Bonded Debt Outstanding (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)
2003	\$ 958,892	\$ 12,297	\$ 946,595
2004	907,194	14,252	892,942
2005	865,199	12,428	852,771
2006	816,388	15,724	800,664
2007	785,727	15,216	770,511
2008	785,684	14,288	771,396
2009	834,384	11,220	823,164
2010	865,788	9,804	855,984
2011	882,956	9,653	873,303
2012	832,539	9,719	822,820

<sup>a</sup> Starting in 2011, estimated actual value of taxable property in the succeeding year is used for calculation.

<sup>b</sup> General obligation bond debt service for the Downtown Parking Garage 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.

<sup>c</sup> Excludes amortization.

Statistics

Table S-13

DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT  
December 31, 2012

Governmental Unit	Net Debt Outstanding (In Thousands)	Percentage Applicable to Seattle <sup>a</sup>	Amount Applicable to Seattle (In Thousands)
<b>Debt Repaid with Property Taxes</b>			
King County <sup>b</sup>	\$ 845,987	37.39 %	\$ 316,315
Port of Seattle	312,005	37.39	116,659
Seattle School District No. 001	128,742	99.31	127,854
Highline School District No. 401	273,411	0.01	27
Subtotal Overlapping Debt	1,560,145		560,855
City of Seattle Direct Debt	904,388	100.00	904,388
Total Direct and Overlapping Debt	\$ 2,464,533		\$ 1,465,243

<sup>a</sup> Percentage rates were provided by King County except for City of Seattle.

<sup>b</sup> Excludes proprietary fund debt, public facilities debt financed from special taxes and hotel and motel tax-financed debt.

The City of Seattle

Table S-14

LEGAL DEBT MARGIN INFORMATION

	General Capacity <sup>a</sup>		Special Purpose Capacity <sup>a</sup>		Total Capacity
	Councilmanic (1.5% of Assessed Value)	Voter-Approved (2.5% of Assessed Value)	Open Spaces and Parks (2.5% of Assessed Value)	Utility Purposes (2.5% of Assessed Value)	
<b>Latest Certified Assessed Value - \$117,686,522,416<sup>b</sup></b>					
2.50% of Assessed Value	\$ -	\$ 2,942,163,060	\$ 2,942,163,060	\$ 2,942,163,060	\$ 8,826,489,180
1.50% of Assessed Value	1,765,297,836	(1,765,297,836)	-	-	-
	1,765,297,836	1,176,865,224	2,942,163,060	2,942,163,060	8,826,489,180
<b>Statutory Debt Limit Less Debt Outstanding<sup>c</sup></b>					
Bonds	(744,555,000) <sup>d</sup>	(89,955,000)	-	-	(834,510,000)
Guarantee on PDA Bonds <sup>e</sup>	(73,745,000)	-	-	-	(73,745,000)
Contingent Loans <sup>f</sup>	(6,030,000)	-	-	-	(6,030,000)
Public Works Trust Fund Loans <sup>g</sup>	(18,742,361)	-	-	-	(18,742,361)
Compensated Absences <sup>h</sup>	(78,193,146)	-	-	-	(78,193,146)
Total Debt Outstanding	(921,265,507)	(89,955,000)	-	-	(1,011,220,507)
<b>Add:</b>					
Available Net Position In Redemption Funds <sup>i</sup>	9,719,200	1,233,300	-	-	10,952,500
Compensated Absences for Sick Leave <sup>h</sup>	13,435,885	-	-	-	13,435,885
Net Debt Outstanding	(898,110,422)	(88,721,700)	-	-	(986,832,122)
<b>LEGAL DEBT MARGIN</b>	<b>\$ 867,187,414</b>	<b>\$ 1,088,143,524</b>	<b>\$ 2,942,163,060</b>	<b>\$ 2,942,163,060</b>	<b>\$ 7,839,657,058</b>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
2003	\$ 6,295,357,173	\$ 1,058,206,882	\$ 5,237,150,291	16.81 %
2004	6,620,857,929	978,203,235	5,642,354,694	14.77
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

<sup>a</sup> Legal debt limits are established by the state constitution and by statutes, including RCW 39.36.020 and 35.42.200. The prescribed limits prohibit the City's debt from exceeding 1.5 percent of assessed value of taxable property without a vote of the people, and a total of 2.5 percent (statutory) and 5.0 percent (constitutional) of assessed value of taxable property for general municipal purposes with a vote of the people.

<sup>b</sup> RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued as of January 23, 2013 for taxes payable in 2013.

<sup>c</sup> State law and the State Auditor's Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating the legal debt margin, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.

<sup>d</sup> \$3,930,000, the accreted value of the 1998, Series E, bonds as of December 31, 2012, and not its par value outstanding of \$1,959,070, is recognized in this table.

<sup>e</sup> The City guarantees Public Development Authority bonds which create contingent obligations. Currently the City is contingently liable on debt issued by the Museum Development Authority, the Pike Place Market Preservation and Development Authority, the Seattle-Chinatown International District Preservation Development Authority, and the Seattle Indian Service Commission.

<sup>f</sup> Contingent loan supporting the Washington State Housing Finance Commission Multifamily Revenue Bonds (Lowman Building Project), Series 2004.

<sup>g</sup> Includes City obligations to repay loans from the Washington State Public Works Assistance Account while accounting procedures prescribed by the State Auditor currently do not include amounts loaned by the state and federal governments in calculating debt capacity. However, the City's bond counsel does include state and federal loans to the City, including Public Works Assistance Account indebtedness, as within the applicable statutory and constitutional debt limits.

<sup>h</sup> The State Auditor requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt margin. All compensated absences except the sick leave estimate meet this criterion. The City's bond counsel does include compensated absences as debt for the purpose of calculating the City's debt capacity.

<sup>i</sup> Does not include available net position in the Local Improvement Guaranty Fund, Interfund Notes Payable Fund, and Local Improvement District No. 6750 Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.



Statistics

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

Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
				CITY LIGHT PARITY AND JUNIOR LIEN BONDS <sup>a</sup>		
2003	\$ 741,559	\$ 577,077	\$ 164,482	\$ 68,689	\$ 37,030	1.56
2004	775,245	579,866	195,379	73,668	49,705	1.58
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

Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
				WATER <sup>b</sup>		
2003	\$ 129,561	\$ 52,323	\$ 77,238	\$ 23,987	\$ 23,135	1.64
2004	141,313	54,806	86,507	31,891	19,200	1.69
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	194,873	78,141	116,732	49,412	29,140	1.48
2012	213,474	78,339	135,135	47,245	31,425	1.72

Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
				DRAINAGE AND WASTEWATER <sup>c</sup>		
2003	\$ 150,722	\$ 118,052	\$ 32,670	\$ 7,023	\$ 8,403	2.12
2004	162,118	123,369	38,749	7,987	9,689	2.19
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

Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
				SOLID WASTE <sup>d</sup>		
2003	\$ 111,738	\$ 85,669	\$ 26,069	\$ 1,767	\$ 3,585	4.87
2004	112,168	86,457	25,711	1,580	3,770	4.81
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	3,048	4,690	4.36
2009	135,641	116,262	19,379	4,206	6,535	1.80
2010	146,980	118,270	28,710	3,865	1,980	4.91
2011	154,200	121,558	32,642	3,773	2,075	5.58
2012	156,927	121,980	34,947	6,079	2,960	3.87

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> 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 does not include city public utility taxes, depreciation and amortization, interest paid on revenue bonds, amortization of debt expenses and loss, capitalized interest, and amortization of landfill and postclosure costs.

The City of Seattle

Table S-16 DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years

Year	Population <sup>a</sup>		Per Capita Income <sup>b</sup>		Median Age <sup>d</sup> King County	Public School Enrollment <sup>e</sup>	King County Average Annual Unemployment Rate
	King County	Seattle	King County	Region PMSA <sup>c</sup>			
2003	1,779,300	571,900	\$ 45,334	\$ 41,788	36.38	46,699	6.8 %
2004	1,788,300	572,600	49,533	45,122	36.60	46,418	4.6
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	N/A	N/A	37.72	49,864	6.8

<sup>a</sup> As of April 1. Source: Washington State Office of Financial Management, "2012 Population Trends for Washington State" estimates only. Adjusted for 2010 census.

<sup>b</sup> Source: U. S. Bureau of Economic Analysis, adjusted for years 2009 and 2010. 2012 is not available.

<sup>c</sup> Source: U. S. Bureau of Economic Analysis includes Seattle, Bellevue, and Everett adjusted for years 2009 and 2010. 2012 is not available.

<sup>d</sup> Source: Washington State Office of Financial Management, adjusted for years 2010 and 2011.

<sup>e</sup> Source: Seattle Public Schools.

<sup>f</sup> Source: Washington State Employment Security Department, March 6, 2013.

Table S-17 PRINCIPAL INDUSTRIES<sup>g,h</sup>  
Current Year and Nine Years Ago

Industry	2012			2003		
	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment	Rank
Professional and Business Services	215,200	14.9 %	1	176,083	13.3 %	1
Educational and Health Services	173,325	12.0	2	135,692	10.2	4
Manufacturing	167,450	11.6	3	149,033	11.3	2
Retail Trade	145,583	10.1	4	140,383	10.6	3
Leisure and Hospitality	137,600	9.5	5	119,650	9.0	5
Total Local Government	118,125	8.2	6	114,092	8.6	6
Information	86,792	6.0	7	71,650	5.4	9
Financial Activities	79,317	5.5	8	92,550	7.0	7
Wholesale Trade	67,533	4.7	9	66,725	5.0	10
Construction	65,408	4.5	10	74,267	5.6	8
Total Top Ten Industries	1,256,333	87.0 %		1,140,125	86.0 %	

<sup>g</sup> Source: Washington Employment Security Department Labor Market and Economic Analysis.

<sup>h</sup> Data is provided for King County, which includes the Seattle Metropolitan Area.

Statistics

Table S-18  
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FULL-TIME-EQUIVALENT<sup>a</sup>  
CITY GOVERNMENT EMPLOYEES  
BY DEPARTMENT/OFFICE

	Last Ten Fiscal Years				
	2012	2011	2010	2009	2008
<b>PUBLIC SAFETY</b>					
Fire	1,152.55	1,151.55	1,155.55	1,163.05	1,163.05
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	160.60	155.10	156.10	154.10	155.10
Municipal Court	214.10	214.10	222.10	235.60	234.60
Police	1,930.85	1,934.85	1,922.25	1,859.75	1,851.75
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
Public Safety	-	1.00	1.00	1.00	1.00
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	19.85	20.60	23.10	25.10	25.10
Library	509.00	503.20	511.82	527.46	533.41
Parks and Recreation	863.09	890.89	1,002.49	1,002.90	1,002.95
Seattle Center	245.12	245.12	257.77	271.53	278.30
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	316.10	322.60	326.35	337.85	323.85
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	24.00	22.00	20.00	19.50	24.60
Housing	37.50	38.50	40.50	41.00	41.50
Neighborhoods	40.50	74.75	86.50	88.00	87.00
Planning and Development	393.26	398.01	409.00	437.00	441.00
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,810.50	1,810.50	1,839.10	1,881.83	1,821.33
Seattle Public Utilities	1,411.05	1,420.75	1,449.25	1,481.00	1,458.06
Transportation	721.00	768.50	792.00	798.50	778.00
<b>ADMINISTRATION</b>					
City Auditor	9.00	8.00	8.00	8.00	9.00
Civil Rights	22.50	21.50	22.50	22.50	22.50
Civil Service Commission	-	1.80	1.80	1.80	1.80
Employees' Retirement System	18.00	15.50	15.50	15.50	14.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.20
Finance and Administrative Services <sup>b</sup>	521.75	523.75	579.00	601.00	597.00
Hearing Examiner	4.63	4.63	4.63	4.75	4.75
Information Technology	190.25	195.00	205.00	216.00	217.00
Intergovernmental Relations	10.50	11.50	11.50	10.50	10.50
Legislative	86.00	86.00	89.00	88.00	88.00
Mayor	28.50	28.50	28.50	24.50	25.50
Personnel	103.25	104.25	115.00	128.00	123.50
Policy and Management <sup>c</sup>	-	-	-	18.00	18.50
Sustainability and Environment	14.75	11.00	8.00	7.00	7.00
Total Full-Time Equivalents	10,870.40	10,995.65	11,315.51	11,482.92	11,372.35

<sup>a</sup> Source: City of Seattle Adopted Budgets.

<sup>b</sup> Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

<sup>c</sup> The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

The City of Seattle

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FULL-TIME-EQUIVALENT<sup>a</sup>  
CITY GOVERNMENT EMPLOYEES  
BY DEPARTMENT/OFFICE

	Last Ten Fiscal Years				
	2007	2006	2005	2004	2003
<b>PUBLIC SAFETY</b>					
Fire	1,146.05	1,142.80	1,127.05	1,117.00	1,109.75
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	152.10	147.60	137.60	146.10	144.60
Municipal Court	235.60	234.60	226.10	229.35	227.85
Police	1,851.25	1,840.25	1,805.75	1,823.75	1,815.25
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
Public Safety	1.00	1.00	1.00	1.00	1.00
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	24.10	23.10	22.10	19.85	20.60
Library	529.03	506.17	478.56	452.31	445.80
Parks and Recreation	989.45	979.44	941.75	940.72	1,069.78
Seattle Center	278.30	264.80	253.90	284.82	287.62
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	323.60	314.85	305.10	324.35	327.85
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	10.50	21.60	21.00	23.00	23.75
Housing	41.75	41.75	41.75	43.25	43.50
Neighborhoods	85.00	86.50	86.25	87.00	92.13
Planning and Development	434.00	394.50	374.00	370.25	348.75
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,752.33	1,752.10	1,734.10	1,778.10	1,786.10
Seattle Public Utilities	1,367.94	1,402.40	1,399.40	1,392.90	1,366.73
Transportation	675.50	642.25	622.50	631.50	627.50
<b>ADMINISTRATION</b>					
City Auditor	9.00	9.00	9.00	11.00	11.00
Civil Rights	22.50	22.50	22.50	21.50	22.00
Civil Service Commission	1.80	1.60	1.60	1.60	1.50
Employees' Retirement System	14.50	12.50	12.50	13.50	13.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.20
Finance and Administrative Services <sup>b</sup>	588.50	579.50	562.95	594.45	593.35
Hearing Examiner	4.50	4.50	4.90	4.90	4.70
Information Technology	216.00	203.50	191.50	190.50	174.00
Intergovernmental Relations	10.50	10.50	10.50	11.50	11.50
Legislative	87.00	85.00	83.70	81.70	79.70
Mayor	24.50	22.50	22.50	23.50	23.50
Personnel	121.50	105.00	101.50	128.00	123.50
Policy and Management <sup>c</sup>	18.50	16.00	15.00	16.00	15.65
Sustainability and Environment	6.00	5.00	4.00	4.00	4.00
Total Full-Time Equivalents	11,034.50	10,885.01	10,632.26	10,779.60	10,828.66

<sup>a</sup> Source: City of Seattle Adopted Budgets.

<sup>b</sup> Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

<sup>c</sup> The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

Statistics

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OPERATING INDICATORS  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2012	2011	2010	2009	2008
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$11,340,687	\$11,476,891	\$11,021,455	\$22,217,971	\$16,351,377
Per capita	\$18.40	\$18.86	\$18.11	\$36.91	\$27.52
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	8,162	8,481	9,908	10,724	9,461
Traffic criminal filings	953	1,109	4,752	5,344	5,124
DUI filings	1,369	1,667	1,343	1,422	1,167
Non-traffic infraction filings	3,122	4,787	5,501	6,111	6,437
Traffic infraction filings	36,872	46,136	55,108	57,960	69,949
Parking infractions	578,507	580,841	600,543	568,616	477,024
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	453,000	456,534	502,903	465,325	432,790
<b>Parks and Recreation</b>					
Park use permits issued					
Number	646	670	614	639	599
Amount	\$493,691	\$454,327	\$302,690	\$204,527	\$212,403
Facility use permits issued including pools					
Number	25,944	26,051	27,384	26,922	24,977
Amount	\$6,502,337	\$6,147,176	\$5,014,973	\$4,957,236	\$2,571,854
Facility use permits issued excluding pools					
Number	25,353	25,472	26,661	26,190	23,577
Amount	\$5,935,997	\$5,573,454	\$4,480,703	\$4,469,322	\$2,127,367
Picnic permits issued					
Number	3,664	3,463	3,658	3,547	3,420
Amount	\$636,842	\$345,209	\$303,075	\$249,110	\$228,965
Ball field usage					
Scheduled hours	147,142	128,352	125,891	161,937	147,911
Amount	\$2,668,292	\$2,480,476	\$1,909,705	\$1,457,708	\$1,444,393
Weddings					
Number	250	233	272	268	235
Amount	\$94,295	\$80,900	\$89,350	\$91,238	\$80,955
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Planning and Development</b>					
Permits					
Number issued	7,316	7,075	6,287	5,917	7,890
Value of issued permits	\$2,450,807,519	\$2,144,525,229	\$1,582,129,040	\$1,987,486,066	\$2,580,055,297
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Customers	402,608	400,351	398,858	394,731	387,715
Operating revenues	\$800,273,311	\$771,464,570	\$732,977,819	\$723,128,042	\$877,392,652
<b>Water</b>					
Population served	1,314,932	1,303,847	1,292,994	1,280,557	1,265,878
Billed water consumption, daily average, in gallons	112,036,939	110,200,000	110,424,484	122,038,356	117,406,451
Operating revenues	\$213,474,169	\$194,572,652	\$195,203,465	\$191,369,588	\$164,405,030
<b>Drainage and Wastewater</b>					
Operating revenues	\$304,001,717	\$278,956,907	\$249,733,795	\$250,194,607	\$224,109,335
<b>Solid Waste</b>					
Customers					
Residential garbage customers	164,241	166,637	165,541	167,047	166,914
Residential dumpsters customers	129,761	127,678	126,593	127,971	122,503
Commercial garbage customers	8,148	8,179	8,248	8,462	9,747
Operating revenues	\$156,926,774	\$154,200,068	\$150,905,931	\$135,641,160	\$124,353,043

The City of Seattle

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OPERATING INDICATORS  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2007	2006	2005	2004	2003
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$17,664,500	\$18,340,656	\$16,657,222	\$45,790,140	\$22,433,417
Per capita	\$32.76	\$31.69	\$29.13	\$80.07	\$39.23
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	12,003	12,882	12,098	10,704	10,502
Traffic criminal filings	5,100	4,156	2,098	N/A	N/A
DUI filings	1,390	1,496	1,437	N/A	N/A
Non-traffic infraction filings	7,880	7,310	7,416	6,715	17,350
Traffic infraction filings	74,490	59,828	59,120	56,556	72,104
Parking infractions	430,240	385,852	438,303	505,790	441,048
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	448,104	403,415	454,990	386,127	352,194
<b>Parks and Recreation</b>					
Park use permits issued					
Number	529	667	649	658	633
Amount	\$75,459	\$217,782	\$229,420	\$371,419	\$457,360
Facility use permits issued including pools					
Number	23,487	N/A	N/A	N/A	N/A
Amount	\$2,374,230	N/A	N/A	N/A	N/A
Facility use permits issued excluding pools					
Number	22,113	2,314	N/A	N/A	N/A
Amount	\$1,997,402	\$790,551	\$567,975	\$377,523	\$338,630
Picnic permits issued					
Number	3,469	3,253	3,273	3,028	2,921
Amount	\$229,715	\$220,595	\$218,045	\$194,404	\$175,663
Ball field usage					
Scheduled hours	145,481	144,760	142,360	147,482	138,976
Amount	\$1,600,578	\$1,413,035	\$1,474,107	\$1,236,699	\$982,042
Weddings					
Number	254	238	197	165	160
Amount	\$87,900	\$82,079	\$69,670	\$36,770	\$38,820
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Planning and Development</b>					
Permits					
Number issued	8,865	8,576	7,178	7,209	6,683
Value of issued permits	\$3,097,812,568	\$2,021,878,195	\$1,681,651,482	\$1,597,232,563	\$1,175,475,274
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Customers	383,127	379,230	375,869	372,818	365,445
Operating revenues	\$832,524,784	\$831,810,233	\$748,552,561	\$777,918,589	\$741,761,472
<b>Water</b>					
Population served	1,251,998	1,236,849	1,221,601	1,216,705	1,214,692
Billed water consumption, daily average, in gallons	120,690,060	124,955,842	118,854,138	127,725,423	130,670,298
Operating revenues	\$160,161,307	\$155,175,008	\$146,118,856	\$141,313,235	\$129,561,327
<b>Drainage and Wastewater</b>					
Operating revenues	\$202,407,690	\$186,832,412	\$176,482,071	\$162,117,805	\$150,721,637
<b>Solid Waste</b>					
Customers					
Residential garbage customers	166,052	165,551	165,561	163,977	91,317
Residential dumpsters customers	119,667	117,899	115,838	155,581	111,822
Commercial garbage customers	8,505	8,481	8,697	8,618	8,710
Operating revenues	\$112,930,923	\$112,474,339	\$111,230,835	\$112,167,705	\$111,738,282

Statistics

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CAPITAL ASSET STATISTICS  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2012	2011	2010	2009	2008
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Boats	3	3	3	3	3
Fire-fighting apparatus	164	163	162	162	162
Stations	33	33	33	33	33
Training towers	2	2	2	2	2
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
<b>Police</b>					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
Vehicles					
Patrol cars	273	270	270	270	270
Motorcycles	37	37	37	37	37
Scooters	73	67	63	58	58
Trucks, vans, minibuses	87	88	86	84	84
Automobiles	194	194	194	194	194
Patrol boats	10	10	10	10	10
Bicycles	154	154	154	146	146
Horses	7	7	8	8	8
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	27	27	27	27	27
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	11,435,302	10,932,677	11,376,194	11,914,050	10,025,029
Collection, print and non-print	2,435,520	2,403,693	2,280,511	2,294,601	2,446,355
<b>Parks and Recreation</b>					
Major parks	14	14	14	13	13
Open space acres acquired since 1989	711	695	665	663	654
Total acreage	6,298	6,251	6,188	6,185	6,171
Children's play areas	138	136	135	133	131
Neighborhood playgrounds	43	41	40	38	38
Community playfields	38	38	38	38	33
Community recreation centers	25	24	26	26	26
Visual and performing arts centers	5	6	6	6	6
Theaters	1	2	2	2	2
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards	18	18	18	18	18
Golf courses (includes one pitch and putt)	5	5	5	5	5
Squares, plazas, triangles	64	64	64	64	62
Viewpoints	11	11	11	9	8
Bathing beaches (life-guarded)	9	9	9	9	9
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit <sup>a</sup>	-	-	-	10,588	10,216

<sup>a</sup> As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

The City of Seattle

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CAPITAL ASSET STATISTICS  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2007	2006	2005	2004	2003
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Boats	2	2	2	2	2
Fire-fighting apparatus	163	163	163	163	163
Stations	33	33	33	33	33
Training towers	1	1	1	1	1
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
<b>Police</b>					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
Vehicles					
Patrol cars	265	252	252	252	252
Motorcycles	45	50	48	48	41
Scooters	50	53	55	58	63
Trucks, vans, minibuses	81	81	79	69	67
Automobiles	197	194	189	187	181
Patrol boats	10	10	9	7	7
Bicycles	137	137	137	126	126
Horses	8	8	8	9	9
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	24	24	24	24	24
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	9,085,490	8,661,263	7,449,761	6,575,866	5,804,388
Collection, print and non-print	2,352,381	2,273,440	2,173,903	1,889,599	2,004,718
<b>Parks and Recreation</b>					
Major parks	13	13	13	13	13
Open space acres acquired since 1989	638	630	630	630	630
Total acreage	6,155	6,036	6,036	6,036	6,036
Children's play areas	130	130	130	130	130
Neighborhood playgrounds	38	38	38	38	38
Community playfields	33	33	33	33	33
Community recreation centers	26	26	25	25	24
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	7	7
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit <sup>a</sup>	10,655	10,655	14,600	14,577	14,577

<sup>a</sup> As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

Statistics

Table S-20  
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CAPITAL ASSET STATISTICS  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2012	2011	2010	2009	2008
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	1,991,600	1,991,600	1,920,700	1,920,700	1,920,700
Maximum system load (KW)	1,796,728	1,739,238	1,841,255	1,858,735	1,900,878
Total system energy (1,000 KW) (firm load)	10,016,469	10,121,611	9,865,376	10,139,898	10,323,915
Meters	406,274	407,614	406,195	402,854	394,455
<b>Water</b>					
Reservoirs, standpipes, tanks	26	27	27	27	30
Fire hydrants	18,655	18,550	18,503	18,473	18,436
Water mains					
Supply, in miles	182	182	187	187	224
Water storage, in thousand gallons	398,369	338,869	338,869	302,880	370,000
Meters	187,159	188,883	188,457	188,226	187,154
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	472	471	471	472	473
Sanitary sewers, life-to-date, in miles	949	948	957	956	958
Storm drains, life-to-date, in miles	479	474	473	470	473
Pumping stations	67	67	66	67	65
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in miles	1,540	1,540	1,537	1,531	1,531
Non-arterial streets (paved and unpaved), in miles	2,412	2,412	2,411	2,412	2,412
Sidewalks, in miles	2,230	2,256	2,262	2,262	2,258
Stairways	505	507	507	498	494
Length of stairways, in feet	35,112	35,122	35,061	35,181	35,215
Number of stairway treads	24,050	24,050	24,009	23,950	23,666
Street trees					
City-maintained	41,000	41,000	40,000	40,000	40,000
Maintained by property owners	125,000	125,000	125,000	125,000	125,000
Total planted streets, in miles	1,677	1,677	1,666	1,666	1,666
Traffic signals	1,070	1,060	1,053	1,040	1,030
Parking meters					
Downtown	6	93	231	941	941
Outlying	4	26	85	97	97
Parking pay stations					
Downtown <sup>b</sup>	961	973	998	856	850
Outlying <sup>b</sup>	1,174	1,198	1,227	1,315	1,127
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	99	95	90	88	88
Partial City maintenance	32	44	44	54	55
Retaining walls/seawalls	592	592	592	592	582

<sup>b</sup> City redefined areas starting in 2008.

The City of Seattle

Table S-20  
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CAPITAL ASSET STATISTICS  
BY DEPARTMENT/OFFICE  
Last Ten Fiscal Years

	2007	2006	2005	2004	2003
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	1,920,700	1,920,700	1,920,700	1,920,700	1,920,700
Maximum system load (KW)	1,767,805	1,822,342	1,714,080	1,798,926	1,645,998
Total system energy (1,000 KW) (firm load)	10,203,415	9,990,486	9,703,046	9,560,928	9,610,856
Meters	391,022	385,621	382,436	379,599	380,828
<b>Water</b>					
Reservoirs, standpipes, tanks	30	29	38	68	38
Fire hydrants	18,398	18,347	18,475	18,762	18,356
Water mains					
Supply, in miles	182	182	181	181	181
Water storage, in thousand gallons	377,080	377,080	494,080	494,080	506,570
Meters	185,395	183,699	182,037	181,038	180,149
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	444	444	464	451	587
Sanitary sewers, life-to-date, in miles	985	985	968	972	908
Storm drains, life-to-date, in miles	472	472	474	467	461
Pumping stations	68	68	68	68	68
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in miles	1,531	1,534	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	2,256	1,956	1,956	1,954	1,953
Stairways	482	482	482	479	479
Length of stairways, in feet	34,775	34,643	34,643	33,683	33,683
Number of stairway treads	23,407	23,211	23,211	22,471	22,471
Street trees					
City-maintained	35,000	34,000	34,000	34,000	34,000
Maintained by property owners	105,000	100,000	100,000	100,000	100,000
Total planted streets, in miles	1,666	1,666	1,666	1,666	1,666
Traffic signals	1,001	991	1,000	1,000	1,000
Parking meters					
Downtown	700	747	2,819	4,298	7,136
Outlying	300	353	904	1,967	1,967
Parking pay stations					
Downtown <sup>b</sup>	1,215	925	758	500	N/A
Outlying <sup>b</sup>	630	565	318	N/A	N/A
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	88	84	84	85	85
Partial City maintenance	55	55	61	58	58
Retaining walls/seawalls	582	582	582	561	561

<sup>b</sup> City redefined areas starting in 2008.

## Statistics

### MISCELLANEOUS STATISTICS

December 31, 2012 - 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 52.4  
 January 2012 average high 49.0  
 January 2012 average low 28.5  
 July 2012 average high 70.5  
 July 2012 average low 58.0  
 Rainfall  
 30-year average, in inches 37.41  
 2012-in inches 48.26

#### POPULATION

Year	City of Seattle	Seattle Metropolitan Area <sup>ab</sup>
1930	365,583	N/A
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

King County 1,957,000  
 Percentage in Seattle 31.5%

<sup>a</sup> Source: Washington State Office of Financial Management.

<sup>b</sup> Based on population in King and Snohomish Counties.

#### ELECTIONS (November 6)

Active registered voters 416,547  
 Percentage voted last general election 84.55  
 Total voted 350,663

#### PENSION BENEFICIARIES

Employees' Retirement 5,714  
 Firemen's Pension 778  
 Police Pension 789

#### VITAL STATISTICS

Rates per thousand of residents  
 Births (2011) 12.9  
 Deaths (2011) 7.0

#### PUBLIC EDUCATION (2012-13 School Year)

Enrollment (October 1) 49,864  
 Teachers and other certified employees (October 1) 3,463  
 School programs  
 Regular elementary programs 59  
 Regular middle school programs 9  
 Regular high school programs 12  
 K-8 school programs 10  
 Alternative/Non-traditional school programs 5  
 Total number of school programs 95

#### PROPERTY TAXES

Assessed valuation (January 2012) \$116,995,513,489  
 Tax levy (City) \$384,273,967

#### 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	\$3,28556	\$1,143.37
Emergency Medical Services	0.30000	104.40
State of Washington	2.56720	893.39
School District No. 1	2.44752	851.74
King County	1.54051	536.10
Port of Seattle	0.23324	81.17
King County Ferry District	0.00378	1.32
King County Flood Control Zone	0.13210	45.97
Totals	\$10.50991	\$3,657.45

#### PORT OF SEATTLE

##### Bonded Indebtedness

General obligation bonds \$ 312,005,000  
 Revenue bonds 2,791,205,000  
 Passenger facility charges bonds 157,150,000  
 Commercial Paper 42,655,000

##### Waterfront (mileage)

Salt water 13.4  
 Fresh water 0.7

##### Value of Land Facilities

Waterfront \$2,180,273,444  
 Sea-Tac International Airport \$5,118,096,927

##### Marine Container Facilities/Capacities

4 container terminals with 11 berths covering 526 acres  
 1.869 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 24  
 Cargo airlines 3  
 Charter airlines 4  
 Loading bridges 74

##### 2012 Port Activity (in millions)

Import \$28,332  
 Export \$10,089

## City of Seattle 2012 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  
 Hannah Mitchell-Shapiro  
 Jake Yoon

#### Senior Accountants:

Conrad Magbalot  
 Mena Nguyen

#### Accountant:

Grace Chou

#### Sr. Management Systems Analyst:

Steve Spada

#### Temporary Employment Services:

Greg Klump, Strategic Analyst  
 Charmaine Caros, Sr. Accountant

**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, 29% reside in King 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.

<b>POPULATION</b>			
<u>Year</u>	<u>Washington</u>	<u>King County</u>	<u>Seattle</u>
1980 <sup>(1)</sup>	4,130,163	1,269,749	493,846
1990 <sup>(1)</sup>	4,866,692	1,507,319	516,259
2000 <sup>(1)</sup>	5,894,121	1,737,034	563,374
2007 <sup>(2)</sup>	6,488,800	1,861,300	586,200
2008 <sup>(2)</sup>	6,587,600	1,884,200	592,800
2009 <sup>(2)</sup>	6,668,200	1,909,300	602,000
2010 <sup>(1)</sup>	6,724,540	1,931,249	608,660
2011 <sup>(2)</sup>	6,767,900	1,942,600	612,100
2012 <sup>(2)</sup>	6,817,770	1,957,000	616,500
2013 <sup>(2)</sup>	6,882,400	1,981,900	626,600

(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 United States.

<b>PER CAPITA INCOME</b>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Seattle MD	\$ 54,621	\$ 50,644	\$ 51,370	\$ 53,931	\$ 56,267
King County	58,628	53,933	54,927	57,837	60,090
State of Washington	44,106	41,504	42,024	43,878	46,045
United States	40,947	38,637	39,791	41,560	43,735

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 King County. The value of public construction is not included in this table.

### CITY OF SEATTLE RESIDENTIAL BUILDING PERMIT VALUES

Year	New Single Family Units		New Multi-Family Units		Total Value(\$)
	Number	Value(\$)	Number	Value(\$)	
2009	216	\$ 47,666,932	562	\$ 67,880,407	\$ 115,547,339
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
2013 <sup>(1)</sup>	293	87,881,829	537	85,545,788	98,799,505
2014 <sup>(1)</sup>	330	99,534,836	124	16,199,249	36,739,890

(1) Estimates through January.

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
2008	45,711,920,389	17,096,581,492
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
2012 <sup>(1)</sup>	31,738,681,110	12,569,514,615
2013 <sup>(1)</sup>	34,082,121,712	13,389,463,842

(1) Through 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 as of December 2012.

### PUGET SOUND AREA MAJOR EMPLOYERS

<b>Employer</b>	<b>Employees<sup>(1)</sup></b>
The Boeing Company	85,000
Joint Base Lewis-McChord	56,000
Navy Region Northwest	43,000
Microsoft Corp.	41,700
University of Washington	29,800
Providence Health and Services	20,200
Wal-Mart Stores, Inc.	18,000
Fred Meyer Stores	14,600
King County Government	14,400 <sup>(2)</sup>
City of Seattle	12,370 <sup>(3)</sup>
U.S. Postal Service	11,900
Starbucks Corp.	10,800
MultiCare Health System	10,300
Franciscan Health System	9,900
Nordstrom, Inc.	9,300
Costco Wholesale Corp.	8,900
PeaceHealth	8,800

(1) Does not include part-time or seasonal employment figures. Amazon.com Inc. did not participate in the survey that produced the table, but if it had, it is likely that it would have been ranked in this list of major employers.

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

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

Source: *Puget Sound Business Journal Book of Lists, 2014 (rounded)*

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

	<b>Annual Average</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Civilian Labor Force	1,117,710	1,111,000	1,114,310	1,118,930	1,139,610
Total Employment	1,021,770	1,009,510	1,023,300	1,042,540	1,079,950
Total Unemployment	95,940	101,490	91,010	76,390	59,660
Percent of Labor Force	8.6%	9.1%	8.2%	6.8%	5.2%
<b>NAICS INDUSTRY</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total Nonfarm	1,153,542	1,134,767	1,153,692	1,181,900	1,232,500
Total Private	986,342	967,808	988,767	1,016,467	1,065,150
Goods Producing	160,442	148,158	148,942	154,375	159,483
Natural Resources and Mining	508	467	525	425	450
Construction	57,142	49,675	48,258	50,625	53,217
Manufacturing	102,792	98,017	100,192	103,308	105,800
Services Providing	993,100	986,608	1,004,750	1,027,525	1,073,017
Trade, Transportation, and Utilities	209,175	206,350	211,158	216,975	225,133
Information	80,192	79,408	80,183	81,058	82,258
Financial Activities	72,783	69,233	68,717	68,458	70,683
Professional and Business Services	176,792	176,675	184,567	192,408	200,217
Educational and Health Services	137,683	138,142	141,750	144,867	163,283
Leisure and Hospitality	108,117	108,700	111,075	114,933	119,858
Other Services	41,158	41,142	42,375	43,392	44,233
Government	167,200	166,958	164,925	165,433	167,350
Workers in Labor/Management Disputes	0	0	0	0	0
	<b>Jan. 2014</b>				
Civilian Labor Force	1,146,700				
Total Employment	1,087,030				
Total Unemployment	59,670				
Percent of Labor Force	5.2%				

(1) Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department

**APPENDIX D**  
**BOOK-ENTRY TRANSFER SYSTEM**

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## BOOK-ENTRY TRANSFER SYSTEM

*The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the “beneficial owners”) should confirm the following with DTC or its participants (the “Participants”).*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

*The following information has been provided by the City.*

The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners of Bonds under the Bond 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.



