

OFFICIAL STATEMENT

New Issue
Book-Entry Only

Moody's Rating: Aa3
Standard & Poor's Rating: AA
(See "Other Bond Information—Ratings" herein.)

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—Tax Exemption" and "—Certain Other Federal Tax Consequences" herein.

\$45,750,000

THE CITY OF SEATTLE, WASHINGTON
SOLID WASTE REVENUE BONDS, 2011

DATED: DATE OF INITIAL DELIVERY

DUE: AUGUST 1, AS SHOWN ON PAGE i

The City of Seattle, Washington, Solid Waste Revenue Bonds, 2011 (the "Bonds"), will be issued by The City of Seattle (the "City") as fully registered bonds under a book-entry only system, registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC").

DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Interest on the Bonds will be paid semiannually on each February 1 and August 1, beginning February 1, 2012. 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—Book-Entry Transfer System" and in Appendix D.

The Bonds are being issued to pay for part of the costs of various projects of the City's Solid Waste System, to fund a reserve for the Parity Bonds, and to pay the issuance costs of the Bonds.

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

The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue of the Solid Waste System and by money in the Bond Account. This pledge constitutes a lien and charge on Net Revenue on a parity with that of the Outstanding Parity Bonds and any Future Parity Bonds and prior and superior to any other lien or charge. See "Security for the Bonds."

The Bonds do not constitute general obligations of the City, the State of Washington (the "State"), or any political subdivision of the State, or a lien or charge upon any general fund or upon any money or other property of the City, the State or any political subdivision of the State not specifically pledged thereto by the ordinance authorizing the issuance of the Bonds. Neither the full faith and credit nor the taxing power of the City, nor any revenues of the City derived from sources other than the Solid Waste System, are pledged to the payment of the Bonds.

MATURITY SCHEDULE ON PAGE i

The Bonds are offered for delivery by the purchaser, when, as, and if issued, subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The form of Bond Counsel's opinion is attached hereto as Appendix B. It is expected that the Bonds will be ready for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about June 22, 2011.

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 to the making of an informed investment decision.

Dated: June 8, 2011

No dealer, broker, salesperson, or any other person has been authorized by the City to give any information or to make any representations in connection with the issuance and sale of the Bonds other than those contained in this Official Statement, and, if given or made, such other 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 the solicitation of an offer to buy the Bonds, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The information set forth herein has been furnished by the City, DTC and certain other sources that the City believes to be reliable. The information and expressions of opinion contained herein are subject to change without notice. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact or representations that the estimates will be realized.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

This Official Statement contains forecasts, projections, and estimates that are based upon expectations and assumptions that existed at the time such forecasts, projections, and estimates were prepared. In light of the important factors that may materially affect forecasted conditions, the inclusion in this Official Statement of such forecasts, projections, and estimates should not be regarded as a representation by the City that such forecasts, projections, and estimates will occur. Such forecasts, projections, and estimates are not intended as representations of fact or as guarantees of results. If and when included in this Official Statement, the words "plan," "expect," "forecast," "estimate," "budget," "project," "intends," "anticipates," and similar words are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic conditions, changes in political conditions, weather conditions, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation, and various other events, conditions, and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date they were prepared.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have they been registered under the securities laws of any state.

MATURITY SCHEDULE

\$45,750,000

THE CITY OF SEATTLE, WASHINGTON SOLID WASTE REVENUE BONDS, 2011

SERIAL BONDS

Due August 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers ⁽¹⁾
2012	\$ 775,000	3.000%	0.50%	102.759%	812702BA5
2013	1,035,000	4.000	0.79	106.697	812702BB3
2014	1,080,000	5.000	1.11	111.851	812702BC1
2015	1,130,000	5.000	1.43	114.193	812702BD9
2016	1,190,000	5.000	1.63	116.451	812702BE7
2017	1,245,000	5.000	2.06	116.791	812702BF4
2018	1,310,000	5.000	2.40	116.895	812702BG2
2019	1,375,000	5.000	2.70	116.645	812702BH0
2020	1,445,000	5.000	2.94	116.353	812702BJ6
2021	1,515,000	5.000	3.12	116.188	812702BK3
2022	1,590,000	5.000	3.30 ⁽²⁾	114.507	812702BL1
2023	1,670,000	5.000	3.46 ⁽²⁾	113.038	812702BM9
2024	1,755,000	5.000	3.62 ⁽²⁾	111.591	812702BN7
2025	1,845,000	5.000	3.78 ⁽²⁾	110.166	812702BP2
2026	1,935,000	5.000	3.91 ⁽²⁾	109.025	812702BQ0
2027	2,030,000	4.000	4.15	98.247	812702BR8
2028	2,115,000	4.250	4.25	100.000	812702BS6
2029	2,205,000	4.250	4.30	99.371	812702BT4
2030	2,295,000	4.250	4.40	98.071	812702BU1
2031	2,395,000	4.375	4.50	98.353	812702BV9
2032	2,500,000	5.000	4.45 ⁽²⁾	104.433	812702BW7
2033	2,625,000	5.000	4.54 ⁽²⁾	103.691	812702BX5
2034	2,755,000	5.000	4.61 ⁽²⁾	103.118	812702BY3

TERM BONDS

Due August 1	Amount	Interest Rate	Yield	Price	CUSIP Number ⁽¹⁾
2036	\$ 5,935,000	5.000%	4.70% ⁽²⁾	102.387%	812702BZ0

(1) CUSIP is a registered trademark of the American Bankers Association. 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 numbers for a specific maturity are subject to change after the issuance of the Bonds. Neither the City nor the successful bidder takes responsibility for the accuracy of the CUSIP numbers.

(2) Calculated to the August 1, 2021, par call date.

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THE CITY OF SEATTLE
CITY OFFICIALS AND CONSULTANTS

MAYOR AND CITY COUNCIL

Michael McGinn	Mayor
Richard Conlin	President, City Council
Sally Bagshaw	Council Member
Tim Burgess	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

CITY ADMINISTRATION

Glen Lee	Director of Finance
Peter Holmes	City Attorney

SEATTLE PUBLIC UTILITIES

Ray Hoffman	Director
Martin Baker	Deputy Director for Corporate Strategies and Communications
Kimberly Collier	Deputy Director for Human Resources and Service Equity
(vacant)	Deputy Director for Field Operations and Maintenance
Melina Thung	Deputy Director of Finance and Administration
Susan Sanchez	Deputy Director for Customer Service
Nancy Ahern	Deputy Director for Utility Systems Management
Linda De Boldt	Deputy Director for Project Delivery

FINANCIAL ADVISOR

Seattle-Northwest Securities Corporation
Seattle, Washington

BOND COUNSEL

Foster Pepper PLLC
Seattle, Washington

OFFICIAL STATEMENT

\$45,750,000

THE CITY OF SEATTLE, WASHINGTON SOLID WASTE REVENUE BONDS, 2011

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"), furnishes this Official Statement in connection with the offering of \$45,750,000 aggregate principal amount of its Solid Waste Revenue Bonds, 2011 (the "Bonds"), dated the date of their initial delivery. This Official Statement, which includes the cover, inside cover and appendices, contains certain information related to such offering and sale concerning the City, the Bonds, Seattle Public Utilities ("SPU"), and the City's solid waste system (the "Solid Waste System").

The Bonds are to be issued by the City pursuant to chapter 35.92 of the Revised Code of Washington ("RCW"), the Seattle City Charter, Ordinance 123576, passed by the City Council on April 11, 2011 (the "Ordinance"), and Resolution 31301, adopted on June 8, 2011 (the "Resolution," and together with the Ordinance, the "Bond Legislation").

Appendix A to this Official Statement is a copy of the Ordinance. Appendix B is the form of approving legal opinion of Foster Pepper PLLC of Seattle, Washington ("Bond Counsel"). Appendix C is the Solid Waste System's audited 2010 financial statements. Appendix D is a description of DTC procedures with respect to book-entry bonds. Appendix E provides demographic and economic information. Capitalized terms that are not defined herein have the meanings set forth in Section 1 of the Ordinance and in the Resolution.

DESCRIPTION OF THE BONDS

Registration and Denomination

The Bonds are issuable only as fully registered bonds under a book-entry transfer system, registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof within a single maturity.

The Bonds will be dated the date of their initial delivery, and will mature on the dates and in the amounts set forth on page i of this Official Statement. Interest on the Bonds is payable semiannually on each February 1 and August 1, beginning February 1, 2012, at the rates set forth on page i 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. Principal is payable on August 1, in the years and in the amounts shown on page i of this Official Statement.

The principal of and interest on the Bonds are payable by the City's Bond Registrar, currently the State's fiscal agent (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 under "Book-Entry Transfer System" and Appendix D.

Redemption of Bonds

Optional Redemption. The Bonds maturing on or before August 1, 2021, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds maturing on or after August 1, 2022, prior to their stated maturity dates at any time on and after August 1, 2021, as a whole or in part, at a price of par plus accrued interest to the date fixed for redemption.

Mandatory Redemption. If not previously redeemed as described above or purchased under the provisions described below, the Term Bonds due on August 1, 2036, will be called for redemption (in such manner as the

Bond Registrar may determine) at a price of par, plus accrued interest to the date fixed for redemption, on August 1 in the years and amounts as follows:

TERM BONDS	
<u>Years</u>	<u>Amounts</u>
2035	\$ 2,895,000
2036*	3,040,000

* Maturity.

If the City redeems 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 one or more scheduled mandatory redemption amounts for those Term Bonds in a manner to be determined by the City or, if no such determination is made, on a *pro rata* basis.

Partial Redemption. 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. Notice of any intended redemption will 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 the Bonds are held in book-entry form, notices will be given in accordance with procedures established by DTC. See “Book-Entry Transfer System” and Appendix D.

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 on or 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 Bond or 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.

Book-Entry Transfer System

Book-Entry Bonds. DTC will act as initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the Bonds, as set forth on page i of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix D for additional information. *As indicated therein, certain information in Appendix D has been obtained from DTC. The City makes no representation as to the accuracy or completeness of information in Appendix D provided by DTC. Purchasers of the Bonds should confirm its contents with DTC or its participants.*

Termination of Book-Entry Transfer System. If DTC resigns as the securities depository and the City is unable to retain a qualified successor to DTC, or if the City determines that a continuation of the book-entry transfer system is not in the best interest of the City, the City will deliver at no cost to the beneficial owners of the Bonds or their nominees Bonds in registered certificate form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar. Interest on the Bonds will be

payable by check or draft mailed by the Bond Registrar on the interest payment date to the persons in whose names such Bonds are registered, at the address appearing upon the Bond Register on the 15th day of the month next preceding the interest payment date (the "Record Date") or, at the request of the owner of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to the account in the United States designated in writing by the owner prior to the Record Date. The Bonds then will be transferable as provided in the Ordinance.

Refunding or Defeasance of Bonds

The City may issue refunding obligations or use money available from any other lawful source to redeem, retire, release, refund, or defease the Bonds or any portion thereof (the "Defeased Bonds"). If sufficient money and/or Government Obligations (taking into account known earned income from the investment thereof) are set aside in a special fund pledged irrevocably to the redemption, retirement, release, refunding, or defeasance of the Defeased Bonds (the "Trust Account"), then all right and interest of the owners of the Defeased Bonds in the pledges and covenants of the Ordinance and in the revenues and the funds and accounts pledged to the payment of the Defeased Bonds will cease and become void. Such owners thereafter will have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account.

The term "Government Obligations" has the meaning given in chapter 39.53.010 RCW, as amended, 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.

After the establishing and full funding of such a Trust Account, the City then may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it may determine.

USE OF PROCEEDS

The Bonds are being issued to pay for part of the costs of various projects of the City's Solid Waste System, to fund a reserve for the Parity Bonds, and to pay the issuance costs of the Bonds.

Sources and Uses of Funds

The proceeds of the Bonds are to be applied as follows:

SOURCES OF FUNDS	
Par Amount of Bonds	\$ 45,750,000
Net Original Issue Premium	<u>3,031,751</u>
Total Sources of Funds	<u>\$ 48,781,751</u>
 USES OF FUNDS	
Project Fund Deposit	\$ 43,401,610
Reserve Subaccount Deposit	4,878,175
Costs of Issuance*	<u>501,966</u>
Total Uses of Funds	<u>\$ 48,781,751</u>

* Includes underwriter's discount, rating agency fees, financial advisory fees, legal fees, printing costs, and other costs.

SECURITY FOR THE BONDS

Pledge of Net Revenue

The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue of the Solid Waste System and by money in the Bond Account, including the Reserve Subaccount. The Bond Account has been created in the Solid Waste Fund for the sole purpose of paying the principal of and premium, if any, and interest on the Parity Bonds, including the Bonds. The Bond Account consists of the Principal and Interest Subaccount, the Reserve Subaccount and any additional subaccounts deemed necessary by the City. The City has agreed to pay into the Principal and Interest Subaccount, on or prior to the respective dates on which principal of and interest on the Parity Bonds are payable, certain fixed amounts from the Net Revenue of the Solid Waste System sufficient to pay such principal and interest when due, as required by the Ordinance. This pledge constitutes a lien and charge on the Net Revenue prior and superior to any other lien or charge. See Appendix A—Section 14, Security for Parity Bonds and Section 15, Flow of Funds.

The Bonds do not constitute general obligations of the City, the State, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the State or any political subdivision of the State not specifically pledged thereto by the Ordinance. Neither the full faith and credit nor the taxing power of the City, nor any revenues of the City derived from sources other than the Solid Waste System, are pledged to the payment of the Bonds.

Reserve Subaccount

The Reserve Subaccount has been created in the Bond Account to secure the payment of the principal of and interest on the Parity Bonds. The City has covenanted to maintain the Reserve Subaccount at the lesser of Maximum Annual Debt Service or the maximum amount permitted by the Internal Revenue Code of 1986, as amended (the “Code”), as a “reasonably required reserve or replacement fund” (the “Reserve Requirement”), so long as any Parity Bonds remain outstanding, except that the Reserve Requirement allocable to Future Parity Bonds may be funded over five years after their issuance. Under the Ordinance, the City may provide all or any portion of the Reserve Requirement with Qualified Insurance. “Qualified Insurance,” as of the time of issuance, must be rated in one of the two highest rating categories by Moody’s Investors Service Inc. (“Moody’s”) and Standard & Poor’s Ratings Services, a Division of The McGraw Hill Companies, Inc. (“S&P”) or their comparably recognized business successors, but does not cease to be considered “Qualified Insurance” due to any subsequent ratings downgrade. The Reserve Requirement is currently funded by Qualified Insurance in the amount of \$5,853,000 provided by MBIA Insurance Corporation (and reinsured by National Public Finance Guarantee Corporation, a wholly-owned subsidiary of MBIA Inc.) that expires on February 1, 2033.

Upon the issuance of the Bonds, the Reserve Requirement will be \$9,044,244. Upon the issuance of the Bonds, the City expects to deposit \$4,878,175 of Bond proceeds in the Reserve Subaccount, an amount that exceeds the required incremental deposit to the Reserve Subaccount due to the Bonds by \$1,686,931. See “Use of Proceeds” and Appendix A—Section 1, Definitions and Section 14, Security for Parity Bonds.

Outstanding Parity Bonds

The only outstanding obligations (other than the Bonds) payable from the Bond Account are the Solid Waste Revenue and Refunding Bonds, 2007, of the City issued in December 2007, currently outstanding in the amount of \$76,415,000 with a stated final maturity of 2033 (the “Outstanding Parity Bonds”). See “—Debt Service Requirements.” The Outstanding Parity Bonds, the Bonds and any Future Parity Bonds are referred to collectively herein as the “Parity Bonds.”

Additional Obligations

Future Parity Bonds. Future Parity Bonds may be issued upon satisfaction of certain conditions set forth in the Ordinance. Among other conditions, at the time of the delivery of the Future Parity Bonds to the initial purchasers, the City must have on file a certificate of both the Finance Director and the Director of SPU (the “Parity Certificate”) demonstrating that either (i) during any 12 consecutive months out of the immediately preceding 24 months Adjusted Net Revenue, taking into account certain revenue adjustments, was at least

equal to 1.25 times the Annual Debt Service in that year (the “Coverage Requirement”) on all Parity Bonds plus the Future Parity Bonds proposed to be issued or (ii) in the opinion of both the Finance Director and the Director of SPU, the Adjusted Net Revenue will be at least equal to the Coverage Requirement for the five years next following the earlier of (a) the end of the period during which interest on the Future Parity Bonds to be issued is capitalized or, if no interest is capitalized, the fiscal year in which the Future Parity Bonds are issued or (b) the date on which all new facilities financed with those Future Parity Bonds are expected to commence operations. See Appendix A—Section 17, Issuance of Future Parity Bonds.

Parity Payment Agreements. The City may enter into one or more Parity Payment Agreements secured by a pledge and lien on Net Revenue on a parity with the Bonds subject to the satisfaction of the requirements for the issuance of Future Parity Bonds. See Appendix A—Section 1, Definitions and Section 17, Issuance of Future Parity Bonds.

Contract Resource Obligations. The City may enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of solid waste collection, transportation, treatment, or disposal or other commodity or service related to the Solid Waste System and may determine that all payments under the Contract Resource Obligation (including payments prior to the time such commodity or service is being provided, or during a suspension or after termination of supply or service) will be a Maintenance and Operation Expense, upon compliance with certain requirements of the Ordinance. See Appendix A—Section 20, Contract Resource Obligations.

Future Subordinate Lien Bonds. In the Ordinance, the City has reserved the right to issue revenue bonds or other obligations having a lien on Net Revenue subordinate to the lien of the Parity Bonds.

Rate Covenant

The City has covenanted to establish, maintain and collect rates and charges for solid waste services and facilities which will produce Adjusted Net Revenue in each fiscal year at least equal to the Coverage Requirement (in any fiscal year, the amount of Adjusted Net Revenue equal to at least 1.25 times Adjusted Annual Debt Service in that year on all Parity Bonds then Outstanding). See Appendix A—Section 16, Parity Bond Covenants.

Other Covenants

In the Ordinance, the City has entered into other covenants, including with respect to (i) maintenance of the Solid Waste System, (ii) sale of the Solid Waste System and (iii) preservation of tax exemption for interest on the Bonds. See Appendix A—Section 16, Parity Bond Covenants and Section 24, Preservation of Tax Exemption for Interest on Tax-Exempt Bonds.

Rate Stabilization Account

The City may deposit Gross Revenue and other money into the Rate Stabilization Account and may withdraw money from that account for inclusion in Adjusted Gross Revenue for any fiscal year of the City. No deposit of Gross Revenue will be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement. See Appendix A—Section 18, Rate Stabilization Account.

No Acceleration of the Bonds

The Bonds are not subject to acceleration upon the occurrence of a default. The City, therefore, would be liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal or interest on the Parity 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 Parity Bonds.

Combined Utility Systems

The City has reserved the right to combine the Solid Waste System with other City utility systems.

Separate Utility Systems

The City has reserved the right to create, acquire, construct, finance, own, and operate one or more additional systems for solid waste collection, transportation, treatment, or disposal, or other commodity or service related to the Solid Waste System. The revenue of that separate utility system will not be included in the Gross Revenue of the Solid Waste System and may be pledged to the payment of any revenue obligations issued with respect thereto. See Appendix A—Section 19, Separate Utility Systems.

Debt Service Requirements

The following table shows the debt service scheduled to be paid from the Net Revenue of the Solid Waste System, after giving effect to the issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

Year	Outstanding Parity Bonds			The Bonds			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2011	\$ 2,075,000	\$ 3,773,375	\$ 5,848,375 *	\$ -	\$ -	\$ -	\$ 5,848,375
2012	2,185,000	3,666,875	5,851,875	775,000	2,412,585	3,187,585	9,039,460
2013	2,295,000	3,554,875	5,849,875	1,035,000	2,153,519	3,188,519	9,038,394
2014	2,415,000	3,437,125	5,852,125	1,080,000	2,112,119	3,192,119	9,044,244
2015	2,535,000	3,313,375	5,848,375	1,130,000	2,058,119	3,188,119	9,036,494
2016	2,665,000	3,183,375	5,848,375	1,190,000	2,001,619	3,191,619	9,039,994
2017	2,800,000	3,046,750	5,846,750	1,245,000	1,942,119	3,187,119	9,033,869
2018	2,950,000	2,903,000	5,853,000	1,310,000	1,879,869	3,189,869	9,042,869
2019	3,095,000	2,751,875	5,846,875	1,375,000	1,814,369	3,189,369	9,036,244
2020	2,815,000	2,604,125	5,419,125	1,445,000	1,745,619	3,190,619	8,609,744
2021	2,960,000	2,459,750	5,419,750	1,515,000	1,673,369	3,188,369	8,608,119
2022	3,115,000	2,307,875	5,422,875	1,590,000	1,597,619	3,187,619	8,610,494
2023	3,270,000	2,148,250	5,418,250	1,670,000	1,518,119	3,188,119	8,606,369
2024	3,440,000	1,980,500	5,420,500	1,755,000	1,434,619	3,189,619	8,610,119
2025	3,615,000	1,804,125	5,419,125	1,845,000	1,346,869	3,191,869	8,610,994
2026	3,800,000	1,618,750	5,418,750	1,935,000	1,254,619	3,189,619	8,608,369
2027	3,995,000	1,423,875	5,418,875	2,030,000	1,157,869	3,187,869	8,606,744
2028	4,200,000	1,219,000	5,419,000	2,115,000	1,076,669	3,191,669	8,610,669
2029	4,415,000	1,003,625	5,418,625	2,205,000	986,781	3,191,781	8,610,406
2030	4,635,000	788,963	5,423,963	2,295,000	893,069	3,188,069	8,612,031
2031	4,845,000	575,663	5,420,663	2,395,000	795,531	3,190,531	8,611,194
2032	5,070,000	352,575	5,422,575	2,500,000	690,750	3,190,750	8,613,325
2033	5,300,000	119,250	5,419,250	2,625,000	565,750	3,190,750	8,610,000
2034	-	-	-	2,755,000	434,500	3,189,500	3,189,500
2035	-	-	-	2,895,000	296,750	3,191,750	3,191,750
2036	-	-	-	3,040,000	152,000	3,192,000	3,192,000
Total	\$ 78,490,000	\$ 50,036,950	\$ 128,526,950	\$ 45,750,000	\$ 33,994,817	\$ 79,744,817	\$ 208,271,767

* Includes February 1, 2011, principal and interest payment.

SEATTLE PUBLIC UTILITIES

Administrative Structure

The City's water, drainage, wastewater, and solid waste utility services are consolidated administratively into a single entity known as Seattle Public Utilities ("SPU"). Within SPU, there are three separate funds: the Water Fund, the Drainage and Wastewater Fund, and the Solid Waste Fund. The City has reserved the right to combine the Solid Waste System, including the Solid Waste Fund, with other City utility systems, funds and accounts. The City also has reserved the right to combine the Water System (including the Water Fund) and the Drainage and Wastewater System (including the Drainage and Wastewater Fund) with other City utility systems, funds and accounts.

Management

SPU consists of the Director's Office and six Executive Branches: Human Resources and Service Equity, Field Operations and Maintenance, Finance and Administration, Customer Service, Project Delivery, and Utilities System Management. The Director administers SPU in accordance with policies established by the Mayor of the City (the "Mayor") and the City Council. Brief biographies of the members of SPU's executive management team follow.

Ray Hoffman, Director. Mr. Hoffman was appointed Director of SPU in May 2010, after serving as Acting Director of SPU since January 2009. Prior to this appointment, he served as director of Corporate Policy and Performance, overseeing SPU's external governmental relations, legislative affairs, risk management, performance measurement, and Superfund response. He is SPU's former lead for regional affairs and negotiations, and has worked in recycling planning and solid waste program development for the department. Mr. Hoffman has a doctorate from the University of Washington School of Business, as well as a bachelor's degree and master's degree in accounting from the University of Illinois.

Martin Baker, Deputy Director for Corporate Strategies and Communications. Mr. Baker was appointed to this position in July 2010, after serving in an acting capacity since January 2009. Previously, he served as a Strategic Advisor in the Director's Office. Prior to joining SPU, Mr. Baker served as Deputy Director, Habitat Program, with the Washington Department of Fish and Wildlife, Public Affairs Director of Regional Transit Authority (predecessor to Sound Transit), and Executive Director of the Washington Environmental Council. He graduated from the University of Washington with both a master's degree and a bachelor's degree in history.

Kimberly Collier, Deputy Director for Human Resources and Service Equity. Ms. Collier was appointed to this position in 2009. Prior to joining SPU, she was a human resources executive for Cox Communications in Arizona. A graduate of the College of New Jersey, Ms. Collier earned a bachelor's degree in management.

Deputy Director for Field Operations and Maintenance. This position became vacant in April 2011. SPU plans to conduct a national recruitment process, and expects to fill the position by the end of August 2011.

Melina Thung, Deputy Director for Finance and Administration. Ms. Thung was appointed to this position in 2005. Prior to that, she was Finance Director for SPU. She holds a bachelor's degree in international relations from Georgetown University, a master's degree in public administration from the University of Washington, and a master's degree in finance from Seattle University.

Susan Sánchez, Deputy Director for Customer Service. Ms. Sánchez was appointed to this role in October 2010, after serving in an acting capacity since December 2009. Prior to this, she was the Customer Programs and Contract Management Division Director for SPU. Prior to joining SPU, she was Director of the Race and Social Justice Office for Seattle Department of Transportation, after serving more than five years as the Director of the Seattle Department of Transportation's Policy and Planning Division. She holds a bachelor's degree in Urban Planning from the University of Washington.

Nancy Ahern, Deputy Director for Utility Systems Management. Ms. Ahern was appointed to this position in 2005. She joined SPU in 2001 as Deputy Director for Resource Management. Prior to that appointment she was

manager of the Water and Land Resources Division for King County. Ms. Ahern holds a bachelor's degree in biology and environmental studies from Principia College and a Ph.D. degree in natural resource management from the University of Michigan.

Linda De Boldt, Deputy Director for Project Delivery. Ms. De Boldt was appointed to this position in 2007. She is a professional engineer with 23 years of experience in public works engineering and management for the City. She has worked for the City as a design engineer, engineering manager, and division director in the fields of transportation, drainage, wastewater, water supply and treatment, and environmental restoration. She graduated from the University of Washington with a bachelor's degree in civil engineering.

Employee Relations and Employment Retirement System

Currently SPU has approximately 1,346 employees, almost all of whom are members of the City's Employee Retirement System. See "The City of Seattle—Pension System." Approximately 70% of SPU employees are represented under one of 14 labor agreements with unions. SPU is in negotiations with one of its 14 unions on a labor agreement that expired on December 31, 2010. Of the remaining labor agreements, one is effective through December 31, 2011, and the remainder are effective through December 31, 2013. SPU believes that labor relations are satisfactory. See "The City of Seattle—Labor Relations."

SOLID WASTE SYSTEM

General

In 1961, the City organized its solid waste operations as a separate utility within the Engineering Department, and its funding changed from general taxes to fees for utility services provided. The City's solid waste system has been administered by SPU since 1997. In 2006, SPU reorganized its business processes around the wastewater, drainage, water, and solid waste areas, each with a manager responsible for ensuring that assets within the business area perform adequately to meet defined customer service levels.

Solid Waste Operations

Collection. The City has contracted with private companies for waste collection for almost a century. The City transferred commercial collection to State-regulated franchises during the period 1960-2000, and then returned the services to City contracts in 2001. Residential collection has been continuously contracted. With limited exceptions, City ordinance prohibits collection of non-recyclable waste within the City by companies that are not under contract with the City. The City currently contracts for collection services with Waste Management of Washington ("Waste Management"), a subsidiary of Waste Management, Inc. and Cleanscapes, Inc. Each contract covers designated areas in the City and includes garbage, recycling, and food/yard waste collection from businesses and residents. The current collection contracts went into effect in 2009. The collection contract with Cleanscapes Inc. expires in 2017, with City options to extend the term to 2019 and 2021, and the collection contract with Waste Management expires in 2019, with City options to extend the terms to 2021. Independent private operations also provide commercial recycling collection in the City.

Transfer. The City owns and operates two transfer stations that receive garbage and food/yard waste collected by the collection contractors or that are self-hauled by the public and small businesses. Each transfer station has a separate annual solid waste operating permit issued by Public Health—Seattle & King County. Both stations are currently in compliance with the terms of their operating permits. The City also contracts with Waste Management to transfer approximately 30% of contractor-collected garbage and food/yard waste. The City and Waste Management deliver sealed containers of compacted garbage to the railhead operated by the City's disposal contractor, designated by ordinance as the receiving facility (the "Railhead"). Food/yard waste is delivered by trailers to the City's local organics processing contractor. The City stations also provide recycling drop-off services for self-haul customers. Household hazardous materials are collected at two facilities in the City for processing, disposal, or reuse.

Processing. The City contracts with Rabanco Ltd (a subsidiary of Republic Services) for processing of contractor-collected recyclables. The current processing contract with Rabanco Ltd expires in 2013, with an option by the City to extend to 2016 and an additional option by Rabanco to extend to 2019. The City's

contract with Cedar Grove Composting, Inc. for processing of food/yard waste expires in 2013, with an option by the City to extend to 2015.

The following table shows the amounts of solid waste disposed of and recycled in the last five years.

**TABLE 1
SOLID WASTE TONNAGES
2006-2010**

	2006	2007	2008	2009	2010
Garbage-Tons Disposed					
Residential Collection	133,774	133,341	127,167	118,726	114,135
Self-Haul Garbage	103,422	107,098	90,702	81,565	79,293
Private Transfer Stations (Commercial Collection)	201,222	198,968	176,774	151,398	142,180
Total Tons Disposed	438,418	439,407	394,643	351,689	335,608
Garbage as Percent of Total Tons Generated	55%	52%	50%	49%	48%
Recycling					
Private Recycling ⁽¹⁾	186,255	226,110	218,293	189,793	178,275
Residential Curbside Recycling	65,372	66,121	61,956	58,786	57,131
Apartment Recycling	19,159	20,501	19,932	17,798	19,267
Residential Curbside Yard and Food Waste	51,539	54,573	56,364	74,230	79,952
Self-Haul Yard Waste	15,521	16,110	13,045	10,149	7,682
Self-Haul Recycling	8,349	9,337	7,509	6,179	4,939
Composting ⁽²⁾	17,100	16,300	16,300	10,800	10,800
Total Tons Recycled	363,295	409,052	393,399	367,735	358,046
Recycling as Percent of Total Tons Generated	45%	48%	50%	51%	52% ⁽³⁾
Total Tons Generated	801,713	848,459	788,042	719,424	693,654

(1) 2006 estimate based on Department of Ecology Recycling Surveys; 2007-2009 estimates based on required reports received by SPU from recyclers in Seattle; 2010 estimate applies 2009's commercial recycling rate to 2010 tons generated.

(2) Composting figures are estimates of waste that is composted on an individual basis and never enters the Solid Waste System. These figures are based on surveys and include grasscycling and backyard food waste and yard waste composting.

(3) Preliminary.

Source: SPU Economic Services

Disposal. The City contracts with Waste Management to haul the City's waste by rail from Seattle and dispose of the waste at Waste Management's Columbia Ridge landfill in Arlington, Oregon, owned by Waste Management Disposal Services of Oregon, Inc., a subsidiary of Waste Management, Inc. If Columbia Ridge were to close, Waste Management would be obligated to deliver the waste to an identified alternative landfill. The disposal contract expires in 2028, with City options to opt out in 2019 and 2021.

Historic Landfills. The City operated two landfills from the 1960s through the 1980s that were designated by the United States Environmental Protection Agency ("EPA") as Superfund sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). In the early to mid-1990s, both landfills were closed and the post-closure maintenance and environmental monitoring period began. Normally EPA would have jurisdiction over all site activities. These two sites are State Lead sites, which

means the Washington State Department of Ecology (“DOE”) is the lead regulatory agency with EPA oversight. Both Midway and Kent Highlands are re-evaluated every five years as required under CERCLA. During the five-year reviews, changes in monitoring frequency are formally approved. Interim changes in monitoring are also possible between the five-year reviews, and will be included in the next five-year review. Between 1995 and 2008, groundwater monitoring requirements at both sites were reduced from quarterly to semi-annually, and in the 2010 Midway five-year review, the frequency was reduced to annually. Reporting requirements at Kent Highlands have also been reduced to a single annual report. Monitoring and maintenance of the landfill closure components is expected to continue for at least another 20 years. In the past, the City also operated other landfills that are currently closed, one of which is the subject of pending litigation. See “Solid Waste System—Environmental Liability.”

Revenues

There are five primary sources of Solid Waste System revenues: residential collection charges, commercial collection charges, self-haul charges, commercial disposal charges, and tax revenues that are designated by ordinance for the support of certain programs of the Solid Waste System.

The following table lists the Solid Waste System’s ten largest customers:

**TABLE 2
TEN LARGEST CUSTOMERS**

	2010 Charge	% of Total Revenue
Seattle Housing Authority	\$ 982,330	0.65%
Seattle Public Schools	894,691	0.59%
University of Washington	853,099	0.57%
Goodwill Industries-Seattle	820,101	0.54%
QFC	683,295	0.45%
Seattle Parks Department	614,854	0.41%
Starbucks	607,634	0.40%
The Salvation Army	493,405	0.33%
Swedish Medical Center	420,949	0.28%
Pike Place Market	381,327	0.25%
Total-Ten Largest Customers	\$ 6,751,685	4.47%

Source: SPU Finance and Administration

Residential Collection Charges. All residents of the City are required by City ordinance to subscribe to garbage collection service. Residential households are charged directly by the City for solid waste services. This charge is part of a combined utility bill that also includes charges for water and wastewater services. In 2010, residential collection charges generated approximately \$86.2 million, or 57% of total Solid Waste System revenue.

Commercial Collection Charges. Commercial customers are charged by the haulers contracting with the City for commercial collection, who then remit those payments to the City. In 2010, commercial collection charges generated approximately \$45.3 million, or 30% of total Solid Waste System revenue. In 2010, the ten largest commercial solid waste customers generated \$3.9 million in charges, or 2.6% of total Solid Waste System revenue.

Self-Haul Charges. The City’s two public transfer stations accept garbage, yard waste, wood waste, and source-separated recyclable material from the general public and small businesses. These customers are assessed charges based on the type of waste, type of vehicle, and/or weight of the load. See “Rates.” In 2010, these charges generated approximately \$15.3 million, or 10% of total Solid Waste System revenue. In 2010, the ten largest City transfer station credit customers generated \$4.8 million in charges, or 3.2% of total Solid Waste System revenue.

Commercial Disposal Charges. Non-contract commercial waste is brought by the private transfer stations to the Railhead, where it is placed on trains and hauled to Columbia Ridge. The City assesses a per-ton tipping fee for this waste. In 2010, these charges generated \$0.4 million, less than 1% of total Solid Waste System revenue.

Taxes. The City levies a tax on SPU and others on non-recycled waste transferred in the City. By ordinance, this tax revenue is transferred from the City's general fund to the Solid Waste Fund for landfill closure, low-income rate assistance, litter control, and Solid Waste System planning purposes. In 2010, the Solid Waste Fund received \$3.9 million in tax revenues, or 2.6% of total Solid Waste System revenue.

Expenses

Collection. Payments to the City's collection contractors are the single largest expense of the Solid Waste Fund. In 2010, expenses for single-family residential collection were \$40.4 million, or 27% of total Solid Waste System expenses. Expenses for commercial and multi-family collection were \$29.1 million in 2010, or 19% of total Solid Waste System expenses. In combination, these collection contract expenses were \$69.5 million in 2010, or 46% of total Solid Waste System expenses.

Transfer. Operating expenses at the City's transfer stations were \$9.2 million in 2010, or 6% of total Solid Waste System expenses.

Processing. In 2010, payments to Rabanco Ltd for processing of recycled materials, excluding gain or loss on recovered materials sold, were \$2.5 million, or 1.7% of Solid Waste System expenses. Payments to Cedar Grove Inc. for processing of food and yard waste were \$3.1 million in 2010, or 2.1% of Solid Waste System expenses.

Disposal. Payments for hauling and disposal of garbage totaled \$13.5 million in 2010, or 9% of total Solid Waste System expenses.

Taxes. Solid waste garbage revenues are subject to an 11.5% City Utility Tax (amounting to \$11.3 million, or 7.5% of Solid Waste Fund expenses in 2010), which is paid to the City's General Fund. The City also pays \$8.69 per ton of transferred garbage (totaling \$2.9 million in 2010). This amount, plus an additional amount paid by other transfer station operators in the City, is ultimately paid back to the Solid Waste Fund, as discussed under "Revenues—Taxes." The Solid Waste System is subject to a 1.8% State Business and Occupation Tax, and it passes through a 3.6% State Refuse Tax on garbage collection revenues, together totaling \$6.2 million in 2010.

Other Operations and Maintenance. Expenses in this category include customer service, billing, program planning, finance and administration, and general overhead. In 2010, other operations and maintenance totaled \$23.6 million, or 16% of Solid Waste System expenses.

Operating Results

Table 3—Operating Results shows audited historical revenues and expenses of the Solid Waste System for the years 2006 through 2010 and projected revenues and expenses for 2011 and 2012. The projections assume a 2.0% inflation rate, 5.75% interest cost on new long-term fixed-rate bonds, 0.5% interest earnings on cash balances, and an average residential rate increase of 6.3% effective January 1, 2012.

SPU does not as a matter of course make public projections as to future sales, earnings or other results. However, the management of SPU has prepared the prospective financial information set forth below to describe operating results to provide readers of this Official Statement information related to projected revenues and expenses of the Solid Waste System. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of SPU's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Solid Waste System. However, this information is not fact and should not be relied

upon as being necessarily indicative of future results, and potential purchasers of the Bonds and the readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

The financial statements of the Solid Waste System as of and for the fiscal year ended December 31, 2010, included herein as Appendix C, have been audited by Moss Adams LLP, independent accountants, as stated in its report appearing herein. SPU has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Moss Adams LLP has not participated in any way in the preparation or review of this Official Statement.

**TABLE 3
SOLID WASTE SYSTEM
OPERATING RESULTS**

	Actual					Projected	
	2006	2007	2008	2009 ⁽³⁾	2010	2011	2012
Operating Revenue							
Residential Collection Services	\$ 54,124,883	\$ 56,715,997	\$ 60,308,713	\$ 71,638,049	\$ 86,158,616	\$ 92,019,065	\$ 97,798,848
Commercial Collection Services	37,390,125	41,038,215	40,887,773	43,876,850	45,279,472	47,271,870	46,933,145
Disposal and Other	20,959,331	24,176,711	23,156,557	20,126,261	19,467,843	16,378,808	16,355,632
Total Operating Revenue	\$112,474,339	\$121,930,923	\$124,353,043	\$135,641,160	\$150,905,931	\$155,669,743	\$161,087,625
Other Income							
Interest Income-Other (net)	\$ (294,945)	\$ (304,981)	\$ 2,872,483	\$ 1,513,123	\$ 945,784	\$ 364,830	\$ 355,532
Total Revenue	\$112,179,394	\$121,625,942	\$127,225,526	\$137,154,283	\$151,851,715	\$156,034,573	\$161,443,157
Operating Expenses							
Operating and Maintenance Expenses							
Expenses	\$ 88,034,870	\$ 91,206,870	\$ 91,168,733	\$ 116,811,790	\$ 120,648,005	\$ 126,380,576	\$ 129,502,144
Taxes Other Than City Taxes	1,520,032	1,641,680	1,693,836	1,945,194	2,459,613	2,806,689	2,908,960
Other Expenses							
City Taxes	15,498,432	17,291,929	17,188,604	17,531,911	14,182,762	14,808,178	15,305,516
Depreciation and Amortization	7,216,773	7,092,902	8,117,898	7,789,093	6,915,931	9,529,920	9,909,493
Total Operating Expenses	\$112,270,107	\$117,233,381	\$118,169,071	\$144,077,988	\$144,206,311	\$153,525,363	\$157,626,113
Interest Expenses and Amortization of Debt Issue Costs and Net Discount	\$ 1,582,938	\$ 1,522,585	\$ 3,143,559	\$ 2,617,551	\$ 2,441,941	\$ 4,034,364	\$ 5,125,383
Net Income ⁽¹⁾	\$ (1,211,771)	\$ 3,422,684	\$ 6,641,164	\$ (8,559,596)	\$ 5,985,869	\$ (1,142,581)	\$ (1,308,339)
Operating and Capital Fees, Contributions and Grants	\$ 461,880	\$ 552,708	\$ 728,268	\$ 981,660	\$ 782,406	\$ 382,573	\$ -
Interest on Line of Credit	665,647	887,604	(106)	-	-	-	-
Accrued and Other Non-Cash Expenses	-	(72,316)	(1,354,209)	-	-	-	-
Revenue Available for Debt Service ⁽²⁾	\$ 22,420,725	\$ 28,370,180	\$ 33,737,122	\$ 19,378,959	\$ 29,526,503	\$ 27,229,881	\$ 29,032,053
Parity Bonds Debt Service	\$ 5,344,560	\$ 5,368,285	\$ 7,737,802	\$ 10,740,969	\$ 5,844,850	\$ 7,250,717	\$ 9,577,381
Parity Bonds Debt Service Coverage	4.20	5.28	4.36	1.80	5.05	3.76	3.03

(1) Net Income includes Operating and Capital Grants, Contributions and Grants.

(2) Revenue Available for Debt Service = Net Income + City Taxes + Depreciation + Interest Expense + Debt Cost Amortization + Accrued and Other Non-Cash Expense. Under the City Charter, City taxes are payable after payment of debt service.

(3) The increase in expenses in 2009 was driven by new collection contracts. Debt service in 2009 was unusually high due to final payments on the Series 1999 Bonds combined with the first full year payments on the Series 2007 Bonds, while revenue available for debt service was unusually low because of the economic downturn. See "Management Discussion and Analysis of Operating Results."

Source: 2006-2010: SPU Audited Financial Statements; 2011-2012: SPU Finance and Administration

Management Discussion and Analysis of Operating Results

This section provides a brief discussion of operating results for the period 2006-2010 based on information in Table 3, and the Management's Discussion and Analysis included in Appendix C—2010 Audited Financial Statements of the Solid Waste System.

Net income improved from 2006 to 2008 due to improved operating revenue and modest expense growth. Revenue growth resulted, in part, from 4.4% and 6.7% rate increases in 2007 and 2008, respectively.

In 2009, operating expenses increased substantially as a result of the higher cost of new collection contracts. Simultaneously, revenues fell below expectations due to the recession. A large 27% increase in rates mitigated much of the impact of these factors; nevertheless, net income dropped significantly in 2009. Debt service coverage also dropped in 2009, as a result of these factors combined with additional debt service from the first phase of debt financing for the new transfer stations. See "Future Capital Improvements."

The new collection contracts, which took effect in March 2009, were awarded through a competitive bid process. The higher cost of these contracts is due partly to a recognition that the old contracts had below-inflation rates of escalation and to certain service enhancements, including implementation of mandatory weekly food and yard waste collection for single-family customers and expanded recycling service.

The economic downturn began to negatively impact self-haul tonnage and commercial subscription levels during the second half of 2008. In 2009, the recession reduced commercial and self-haul revenues well below forecast. A portion of these lost revenues was offset by avoided collection, processing, and disposal costs.

In January 2010, an 8% System-wide rate increase (which had been adopted in 2008) went into effect. Overall economic conditions suppressed demand for services, but also contributed to favorable contract inflation adjustments in April 2010. With the Series 1999 Bonds retired and net income above policy levels, debt service coverage in 2010 improved substantially, to a level well above the policy minimum of 1.70 times annual debt service. See "Financial Policies."

Rates

Establishment of Rates. Residential and commercial solid waste collection rates are proposed by the Mayor, reviewed by the City Council, and adopted by ordinance after public hearings. The Mayor and the City Council have exclusive authority to set rates and charges for solid waste services. The City is not subject to the rate-making jurisdiction of the Washington Utilities and Transportation Commission or any other State or federal agency.

Current Rates. All City residents are required by ordinance to subscribe to garbage collection service. Both residential and commercial customers can choose the level of service. The rate structures encourage customers to recycle and minimize the amount of garbage collected.

The following table provides a history of average System-wide rate increases.

**TABLE 4
AVERAGE SYSTEM-WIDE RATE INCREASES**

2006	0.0%
2007	4.4
2008	6.7
2009	27.0
2010	8.0
2011	6.0
2012 (adopted)	3.5

Source: SPU Finance and Administration

The following tables show monthly rates for various levels of residential service, the number of residential customers subscribing to each level of service, representative solid waste bills for the City compared to other cities in the State, and City transfer station rates compared to the County's rates.

TABLE 5
2011 MONTHLY RESIDENTIAL RATE SCHEDULE

Service Units	Rate ⁽¹⁾
No Can (minimum rate)	\$6.85
Micro-Can	16.55
Mini-Can	20.30
One Can	26.40
Additional Cans (per-can rate)	26.40
Non-Compacted Dumpster (one cubic yard, once/week, one container) ⁽²⁾	195.34
Compacted Dumpster (three cubic yards, once/week, one container) ⁽²⁾	564.47
Yard Waste Mini-Can	4.35
Yard Waste 32-Gallon Can	6.50
Yard Waste 96-Gallon Can	8.35

(1) Rates listed are for curb/alley service. Backyard service rates are approximately 40% higher.

(2) Dumpster rates vary with size and number of containers as well as frequency of collection. Dumpster rates shown include a \$28.20 monthly account fee.

Source: Solid Waste Rates Ordinance and SPU Finance and Administration

TABLE 6
NUMBER OF CUSTOMERS BY CLASS

Customer Class	2006	2007	2008	2009	2010
Variable Cans					
No Can/Vacancy	2,350	2,287	2,155	2,433	2,577
Micro-Can	7,011	7,549	8,599	13,414	14,667
Mini-Can	36,556	36,860	37,697	42,139	41,778
32-Gallon Can ⁽¹⁾	127,365	128,014	127,554	109,012	98,742
Two or More 32-Gallon Cans	n/a	n/a	n/a	n/a	7,777
Total Variable Cans	173,282	174,710	176,005	166,998	165,541
Dumpster Premises ⁽²⁾	117,899	119,667	122,503	124,778	n/a
Dumpster Accounts	5,555	5,526	5,523	5,450	5,303
Commercial Accounts	8,481	8,505	8,371	8,462	8,248
Active Transfer Station Credit Accounts	351	454	338	317	314

(1) All can units, including additional cans on accounts for 2005-2009. Those with two or more 32-gallon cans are reported separately in 2010.

(2) Number of individual residential units utilizing dumpsters. Per-unit fee eliminated in March 2009.

Source: SPU Finance and Administration

TABLE 7
REGIONAL COMPARISONS OF AVERAGE MONTHLY BILLS
(Rates in Effect as of February 15, 2011)

City	State	Residential⁽¹⁾	Commercial⁽²⁾
Bellevue	Washington	\$ 18.15	\$ 197.11
Seattle	Washington	34.75	376.73
Spokane	Washington	29.28	274.61
Tacoma	Washington	35.95	282.95

- (1) Residential service assumes a 32-gallon garbage can, 96-gallon yard waste cart, and recycling service.
(2) Commercial service assumes a three-cubic-yard uncompacted container picked up one time per week or equivalent. Amounts shown include taxes.

Source: SPU Finance and Administration

TABLE 8
REGIONAL COMPARISON OF TRANSFER STATION RATES

Garbage	Seattle	King County
Per Ton	\$145.00	\$102.05
Minimum Charge	30.00	17.25

Source: SPU Finance and Administration

Billing. SPU accounts are billed bimonthly for residential and small commercial customers and monthly for larger accounts. Residential customers receive a combined utility bill that itemizes amounts due for water, wastewater, and solid waste services. Payments received from the combined utility bills are allocated to the appropriate funds. If a payment received from a residential customer is insufficient to cover the total amount due and payable under the combined utility bill, that payment is credited first to the Solid Waste Fund. The balance of the payment is credited to the Drainage and Wastewater Fund and then, if funds are available, to the Water Fund. If an account is 33 days past due, customers receive a water shut-off notice. Under State law, water may be shut off when an account is delinquent. Delinquent charges bear interest at the rate of 12% *per annum*.

Commercial customers are billed directly by the companies under contract with the City to collect commercial solid waste. Customers who self-haul garbage, yard waste, and wood waste to the City's two transfer stations either pay with cash or by credit card at the time they deliver their waste, or are billed directly by SPU on a monthly basis. If a credit customer fails to pay its bill on a timely basis, SPU terminates that customer's line of credit at the City-owned transfer stations, sends repeated notices to the customer demanding payment, and, if these measures fail to produce payment, transmits the matter to the City's Law Department for collection.

The City's utility billing function is co-managed by both SPU and Seattle City Light ("SCL"). SPU provides customer service through the call center and walk-in center. SCL operates and manages the billing system. SPU and SCL bill and reimburse each other for these services.

Financial Policies

The Mayor and City Council have established financial policies by resolution for SPU, including the Solid Waste System. In accordance with these policies, solid waste rates are set to achieve generally positive net income, cash balances of 20 days of contract payments, a minimum \$2.5 million (in 2003 dollars) cash contribution to capital spending, and a minimum debt service coverage ratio on fixed-rate long-term Parity Bonds of 1.70 times annual debt service.

Interfund Loans

The City's Director of Finance is authorized to provide additional liquidity to the Solid Waste Fund through the use of interfund loans from the City common investment portfolio (the "Investment Pool"). See "The City of Seattle—Financial Management—Interfund Loans."

Solid Waste Comprehensive Plan

The City's Solid Waste Comprehensive Plan was updated and approved in 1998 and amended in 2004 (the "1998 Plan"). One of the City's principal goals, first established in 1988 and included in the 1998 Plan, has been to achieve a 60% recycling rate. The 2004 amendment to the 1998 Plan established 2008 as the year for achieving the 60% recycling rate. Progress toward the recycling goal has been slower than expected. In 2006, the City achieved a 47.6% recycling rate. In 2007, the City Council adopted a resolution establishing new goals for the City's recycling rate: 60% by 2012 and 70% by 2025. In 2009, the City achieved a 51% recycling rate.

The next Solid Waste Comprehensive Plan update is projected to be submitted to the State in 2011, with approval of the final plan expected in 2012. The plan is expected to incorporate the resolution's new goals and outline improved, augmented, and new programs to achieve them. The City expects to place greater emphasis on waste reduction and its long-term benefits, while maintaining continuous recycling program improvements and maximizing the efficiency and cost-effectiveness of collection and transfer services. The proposed rates and budgets for future years are expected to include the additional resources needed to support these programs.

Emergency Operations Plan

Seattle's position as a Pacific Rim center of manufacturing, technology, trade, and tourism makes it vulnerable to both natural and human-caused hazards. The City's geography and built environment put it at risk for catastrophic events such as earthquakes, pandemics, and terrorism. Because of these hazards, the City must maintain an integrated emergency management system in which all hazards are considered in a central planning structure.

Future Capital Improvements

Development of the facilities needed for the rehabilitation, enhancement, and expansion of the Solid Waste System are guided by the Solid Waste Comprehensive Plan and the multi-year capital improvement plan ("CIP"), which is developed within the framework of the Solid Waste Comprehensive Plan and included in the multi-year capital improvement plan of the City as a whole. The City's capital improvement plan is reviewed, revised, and adopted annually by the Mayor and City Council as part of the City's budget process. One of the primary goals of the CIP is to replace the City's two transfer stations, which were built in 1966.

In the period 2011 through 2016, the CIP requires a higher than historical level of investment due mainly to the transfer station improvements. Transfer station improvements will be made in three phases to allow continuity of operations. Construction of the new South Transfer Station began in November 2010 on a site adjacent to the existing facility. Construction is 40% complete as of May 2011, and testing is expected to take place after substantial completion in the spring of 2012. The new South Transfer Station is expected to open in the summer of 2012. The North Transfer Station will be demolished and rebuilt on the existing site. Design concept selection began in 2010 and will be finalized in 2011, with design and permitting scheduled for 2011 through 2013. Demolition of the existing North Station and construction of the new facility is expected to take place during an 18-month window in 2013 and 2014. Demolition of the old South Transfer Station and replacement with recycling facilities is scheduled for 2015-2016.

SPU expects to finance the CIP with a combination of bond proceeds and current revenues. In addition to the Bonds, the City expects to issue long-term debt to finance approximately \$99 million of CIP spending during this period. Annual debt service on Parity Bonds is expected to increase from \$5.8 million in 2010 to \$17.3 million in 2016.

The CIP is organized into four program areas designed to reflect current CIP priorities and promote better fiscal management: (i) New Facilities (including the replacement of the two City-owned transfer stations), (ii) Rehabilitation and Heavy Equipment, (iii) Shared Cost Projects, and (iv) Technology, as shown in the

table below. The amounts shown for each program area in 2011-2016 are based on the adopted City budget and SPU management estimates.

TABLE 9
2011-2016 CAPITAL IMPROVEMENT PROGRAM*
(\$000)

Program Area	2011	2012	2013	2014	2015	2016	Total
New Facilities	\$ 42,470	\$ 6,283	\$ 16,573	\$ 38,950	\$ 43,967	\$ 3,590	\$ 151,834
Rehabilitation and Heavy Equipment	236	243	53	44	45	46	666
Shared Cost Projects	1,674	2,066	1,888	1,879	1,935	2,086	11,529
Technology	1,274	1,924	4,327	4,960	2,624	2,072	17,182
Total	\$ 45,654	\$ 10,517	\$ 22,841	\$ 45,834	\$ 48,571	\$ 7,794	\$ 181,212
Funding Sources							
Debt Financing							
Outstanding Bonds	\$ 11,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,498
The Bonds	26,227	7,529	9,657	-	-	-	43,414
Future Parity Bonds	-	-	9,657	41,251	43,714	3,884	98,506
Total Debt Financing	\$ 37,725	\$ 7,529	\$ 19,314	\$ 41,251	\$ 43,714	\$ 3,884	\$ 153,417
Internally Generated Funds	7,929	2,988	3,526	4,583	4,857	3,910	27,794
Total	\$ 45,654	\$ 10,517	\$ 22,841	\$ 45,834	\$ 48,571	\$ 7,794	\$ 181,212

* A 90% CIP accomplishment rate is assumed in all years.

Note: Totals may not add due to rounding.

Source: SPU Finance and Administration

Environmental Liability

The State DOE has named the City as a potentially liable party for investigation and cleanup of the former South Park Landfill due to SPU's operation of the landfill and ownership of a portion of the site. While SPU's ultimate liability has not been determined at this time, the City believes that it will fall within a range that will have no adverse effect on the ability of the City to pay principal of and interest on the Bonds when due. Since January 1, 2008, the Solid Waste Fund has implemented GASB 49 to account for environmental liabilities (Appendix C—2010 Audited Financial Statements of the Solid Waste System—Notes 1 and 2).

Flow Control

Pursuant to contract and ordinance, the City controls the delivery of solid waste to particular facilities ("flow control"). In recent years, flow control has been challenged as an impermissible restriction on interstate commerce under the U.S. constitution. In *C&A Carbone v. Clarkstown*, the U.S. Supreme Court held that a municipal ordinance requiring the delivery of all solid waste generated within a town to a designated privately-owned transfer station was invalid economic protectionism under the dormant commerce clause. Since *Carbone*, municipal flow control requirements created by contract have been challenged under the commerce clause and have been upheld. See, e.g., *Village of Rockville Centre v. Town of Hempstead*. In April 2007, the U.S. Supreme Court limited the scope of *Carbone* by upholding a local government regulation that required delivery of solid waste to a government-owned facility. In *United Haulers Association v. Oneida-Herkimer*, the Court held that an ordinance that treats all private haulers equally in requiring their use of a government-owned disposal facility does not violate the dormant commerce clause of the U.S. Constitution.

All commercial and residential solid waste collected under the City's current collection contracts is required, by the contract terms, to be delivered to either two City-owned and -operated transfer stations or to two privately-owned and -operated transfer stations (collectively, the "Receiving Facilities"). In addition, under the current commercial collection contracts, the City reserves the right to direct construction and demolition

waste to designated disposal sites. In 2008, the Washington Supreme Court in *Ventenbergs v. City of Seattle* rejected a challenge to the City's contracts which allowed only the two commercial haulers under contract with the City to pick up and transport construction and demolition waste. In upholding those contracts, the Supreme Court relied in part on a prior 1994 decision, *Weyerhaeuser v. Pierce County*, and expressly reiterated the principle that although a city may contract with a private company, the municipality ultimately remains responsible for collection and disposal of solid waste.

To the extent that the City's ordinance directs solid waste to privately-owned facilities, it is possible that it could be subject to constitutional challenge. However, the City believes that, if it were to lose such a challenge, there would be no adverse effect on the ability of the City to pay principal of and interest on the Bonds when due.

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 "County"). The City's elected officials include a mayor, nine City Council members, and a city attorney. These officials are elected at large to four-year terms. The City provides four utility services funded by rates and charges: electricity, water, drainage and wastewater, and solid waste.

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 the 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>, which website address is not incorporated herein by reference. In addition, the City's utilities are audited annually by an external auditor. See Appendix C—2010 Audited Financial Statements of the Solid Waste System.

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). 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 from 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 the budget at least 30 days before the beginning of the next fiscal year. The 2011 budget was adopted on November 22, 2010.

Investments. The information in this section does not pertain to pension funds, which are administered by the Seattle City Employees' Retirement System (see "Pension System"), and the proceeds of certain debt 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 Washington State law and City Council-approved policies, by the Department of Finance and Administrative Services in a variety of securities, including:

- (i) United States Treasury and agency issues;
- (ii) bankers' acceptances sold on the secondary market;
- (iii) repurchase and reverse repurchase agreements, when structured with securities eligible for purchase and when executed under an approved Master Repurchase Agreement with selected primary dealers; and
- (iv) commercial paper purchased in the secondary market which has received the highest ratings of at least two nationally recognized rating agencies.

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 about the City's investment portfolio to the Mayor and the City Council. The City's investment operations are reviewed by the State Auditor.

As of March 31, 2011, the combined investment portfolios of the City totaled \$1,265 million at book 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 the County and funds of the Seattle City Employees' Retirement System and the Deferred Compensation Plan. For the 12-month period ending March 31, 2011, the yield on the City's investment portfolio was 0.60%. As of March 31, 2011, the average maturity of the portfolio was 513 days. Approximately 26%, or \$329.6 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:

Government-Sponsored Enterprises	68.1%
Commercial Paper	22.3
U.S. Treasuries	5.4
Repurchase Agreements	3.2
Taxable Municipal Bonds	0.9
Mortgage-Backed Securities	0.1

Interfund Loans. The City municipal code authorizes the Director of Finance, after consultation with the Director of Finance and 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.

Risk Management

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. The policies provide \$30 million limits above a \$6.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any dam. The City also purchases all risk property insurance, including earthquake and flood perils, that provide up to \$500 million in limits subject to a schedule of deductibles. 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. Bonds are purchased for public official, notary public and pension exposures.

Pension System

City employees are covered in 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; the State administers LEOFF through the Department of Retirement Systems.

Nearly all permanent non-uniformed City employees, employees of the Seattle Public Library, and certain grandfathered employees of Metro and King County participate in SCERS, a single-employer public employee retirement system. SCERS estimated its total assets to be \$1.708 billion as of September 30, 2010.

Contribution rates for SCERS in 2009 and 2010 were 8.03% for employees and 8.03% for the City as employer. Employee and employer contributions in 2009 were each \$46.7 million. City utilities pay the employer share for their employees.

Actuarial data for SCERS are determined through biennial actuarial valuations. The most recent actuarial valuation of SCERS was conducted by Milliman, Inc. as of January 1, 2010, and reflects the following assumptions: investment return, 7.75%; price inflation, 3.50%; and wage inflation, 4.00%. Based on this valuation, the actuarial value of net assets available for benefits was \$1.645 billion and the actuarial accrued liability was \$2.654 billion. The unfunded actuarial accrued liability was \$1.008 billion and the funding ratio was 62.0%.

On the basis of the prior actuarial valuation, as of January 1, 2008, the SCERS funding ratio was 92.4%. The decrease in funding ratio is due mainly to the reflection of large asset losses since the prior actuarial valuation. Because SCERS uses the market value of assets to calculate its funding ratio and does not use "smoothing" over a period of years in valuing assets, the full impact of the asset loss since the prior actuarial valuation is reflected in the most recent actuarial valuation.

According to the most recent actuarial valuation, the current combined employee and employer contribution rate of 16.06% of covered payroll is not sufficient to amortize the SCERS unfunded actuarial accrued liability over any period. For the years 2007 through 2010, the City contributed not less than 99% of the annual required contribution to SCERS. However, starting in 2011, the City does not expect to increase its combined contribution rate to the 25.03% rate specified in the most recent actuarial valuation as the rate required to amortize the unfunded actuarial accrued liability over a period of 30 years. Instead, the City expects to increase both employee and employer contribution rates by 1.00% effective January 1, 2011 (for a combined rate of 18.06%), and an additional 1.00% effective January 1, 2012 (for a combined rate of 20.06%). Under the City's existing collective bargaining contracts, most of which expire at the end of 2012, increases in the employee contribution rate are limited to a total of 2.00%.

The Firefighter's Pension Fund and the Police Relief and Pension Fund are single-employer pension plans that were established by the City in compliance with State law. 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. However, the City was still liable for all benefits of employees in service at that time plus certain future benefits. The City is not required to adopt a plan to fund the actuarial accrued liability of these City 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 by the year 2018 (which was subsequently extended to 2023). For 2011, the City has elected to make the annual required contribution but not to make any additional contribution toward funding the actuarial accrued liability of the Firefighter's Pension Fund. As of January 1, 2010, the actuarial value of net assets available for benefits in the Firefighter's Pension Fund was \$13.3 million, and the actuarial accrued liability was \$143.5 million. As a result, the unfunded actuarial accrued liability was \$130.2 million and the funding ratio was 9.0%. The City's employer contribution to the fund in 2009 was \$11.4 million; there were no current member contributions.

The City funds the Police Relief and Pension Fund as benefits become due. As of January 1, 2010, the unfunded actuarial accrued liability in the Police Relief and Pension Fund was \$129.1 million. The City's employer contribution to the fund in 2009 was \$7.9 million; there were no current member contributions.

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 afterward are Plan 2 members. Membership in LEOFF includes all full-time fully compensated local law enforcement officers and firefighters in the State.

Actuarial data for LEOFF are determined annually by the Office of the State Actuary. The most recent actuarial valuation of LEOFF was conducted as of June 30, 2009. Based on this valuation, the actuarial accrued surplus of Plan 1 was \$1.135 billion and the funded ratio was 125%; the actuarial accrued surplus of Plan 2 was \$1.215 billion and the funded ratio was 128%.

Employee and employer contribution rates (calculated as a percentage of covered payroll) are developed by the Office of the State Actuary to fully fund LEOFF. The contribution rates for Plan 1 are currently zero for employees and 0.16% for employers, all of which is allocated to administrative expenses. The contribution rates for Plan 2 are currently 8.46% for employees, 5.24% for employers (which includes 0.16% for administrative expenses) and 3.38% for the State. The City's employer contributions in 2009 were \$15 thousand for Plan 1 and \$11.5 million for Plan 2.

Other Post-Employment Retirement 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 the liability be funded. The City funds its OPEB on a pay-as-you-go basis.

As of January 1, 2008, the unfunded actuarial accrued liability for the implicit rate subsidy was \$78.8 million; the City's contribution in 2009 was \$2.3 million. As of January 1, 2010, the unfunded actuarial accrued liability for OPEB in the City's Firefighter's Pension Fund was \$242.5 million; the City's contribution in 2009 was \$9.2 million. As of January 1, 2010, the unfunded actuarial accrued liability for OPEB in the Police Relief and Pension Fund was \$263.4 million; the City's contribution in 2009 was \$11.9 million.

Labor Relations

The City has 28 separate departments and offices with approximately 11,500 regular and temporary employees. Twenty-five different unions and 47 bargaining units represent approximately 76% of the City's regular employees. The City has agreements with the coalition of City unions (representing most of the non-uniformed employees), that expire at the end of 2013. Agreements with the Seattle Dispatchers' Guild; International Association of Machinists and Aerospace Workers, District Lodge 160, Local 289 and 79; Firefighters Local 27; Fire Chiefs Local 2898; and the Seattle Police Management Association extend through 2011. Two agreements with the International Brotherhood of Electrical Workers Local 77 expire on January 22, 2013. The City's labor agreement with the Seattle Police Officers' Guild and an additional agreement with the International Brotherhood of Electrical Workers Local 77 expired at the end of 2010. The City is actively negotiating renewals of these contracts.

INITIATIVE AND REFERENDUM

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 legislation passed by the State Legislature to 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.

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

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.

Other Litigation

In addition to the matters described in this Official Statement under “Solid Waste Management—Environmental Liability,” the City is a named defendant in various legal actions and claims that arise during the normal course of business. Some of these are covered by insurance and some are in amounts the City does not consider material to the Solid Waste System. An unfavorable outcome in these matters, taken individually or in the aggregate, in the opinion of City management will not have a material adverse effect on the operations or financial position of the Solid Waste System. In addition, the City is occasionally a named defendant in legal actions the City believes to be frivolous.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Bonds by the City are subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

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.

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.

Original Issue Discount. The Bonds maturing on August 1, 2027, and on August 1 in the years 2029 through and including 2031 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 Bonds maturing on August 1 in the years 2012 through and including 2026 and the years 2032 through and including 2034, and the Term Bonds maturing on August 1, 2036, 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.

Certain Other Federal Tax Consequences

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.

Continuing Disclosure Undertaking

Basic Undertaking to Provide Annual Financial Information and Notice of Material Events. To meet the requirements of paragraph (b)(5) of United States Securities and Exchange Commission Rule 15c2-12 (the “Rule”), as applicable to a participating underwriter for the Bonds, the City will undertake in the Resolution (the “Undertaking”) for the benefit of holders of the Bonds, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (“MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

Annual Financial Information. The City will provide or cause to be provided to the MSRB annual financial information and operating data of the type included in this Official Statement with respect to the Solid Waste System as generally described below (“annual financial information”):

- (i) annual financial statements of the Solid Waste System, 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 bonded debt secured by Net Revenue of the Solid Waste System;
- (iii) debt service coverage ratios;
- (iv) summary operating statistics for the Solid Waste System, including data of the type herein in the tables entitled “Solid Waste Tonnages,” “Transfer Station Charges,” and “Number of Customers by Class”; and
- (v) current rates.

Annual financial information 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, as such fiscal year may be changed as permitted or required by State law, commencing with the City’s fiscal year ended December 31, 2011. The annual financial information may be provided in a single document or in multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the Securities and Exchange Commission.

The City 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 above.

Material Events. The City further will provide or cause to be provided to the MSRB timely notice of the occurrence of any of the following events with respect to the Bonds, not more than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls (other than scheduled mandatory redemption of Term Bonds), if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of the City (a “Bankruptcy Event”);
- (xiii) 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
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

A Bankruptcy Event is considered to occur when either of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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 the Rule.

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

Termination of Undertaking. The City’s obligations under the Undertaking will terminate upon the legal defeasance of all of the Bonds. In addition, the City’s obligations under the Undertaking will terminate if those provisions of the Rule that require the City to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking. The City has agreed to proceed with due diligence to cause any 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 the Rule. The City has complied with all such undertakings during the past five years.

OTHER BOND INFORMATION

Ratings

The Bonds have been rated “Aa3” and “AA” by Moody’s and S&P, respectively. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. 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 or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Purchaser of the Bonds

The Bonds are being purchased by J.P. Morgan Securities LLC at a price of \$48,457,464.48, and will be reoffered at a price of \$48,781,751.00. The Bonds will be reoffered at the prices set forth on page i of this Official Statement.

The purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on page i hereof, and such initial offering prices may be changed from time to time by the purchaser.

Official Statement

So far as any statements are made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Information concerning the City, SPU and the Solid Waste System contained in this Official Statement has been furnished by the City. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of any of the Bonds.

Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The City specifically disclaims any obligations 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 under “Legal and Tax Information—Continuing Disclosure Undertaking.”

The execution and delivery of this Official Statement have been duly authorized by the City.

The City of Seattle

By: /s/

Glen Lee
Director of Finance

APPENDIX A
ORDINANCE

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ORDINANCE _____

AN ORDINANCE relating to financing the solid waste system of The City of Seattle, Washington; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and paying the costs of issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

Passed _____, 2011

ORDINANCE _____

AN ORDINANCE relating to financing the solid waste system of The City of Seattle, Washington; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and paying the costs of issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle, Washington (the "City") owns, maintains and operates a solid waste collection and disposal system as part of Seattle Public Utilities (the "Solid Waste System"); which Solid Waste System has from time to time required various additions, improvements and extensions; and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Solid Waste System as set forth in this ordinance (the "Plan of Additions"); and

WHEREAS, pursuant to the bond legislation described in Exhibit A the City issued its solid waste revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a lien and charge on the Net Revenue of the Solid Waste System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions; and

WHEREAS, pursuant to Ordinance 121940, the City authorized the issuance and sale of solid waste revenue bonds for the purpose, among other things, of paying all or part of the costs of refunding certain of the City's solid waste revenue bonds; and

WHEREAS, the City has determined that it is in the best interest of the City to authorize the issuance and sale, subject to the provisions of this ordinance, of solid waste revenue bonds as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide a bond reserve and to pay the costs of issuing and selling those bonds; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and phrases shall have the meanings set forth below.

"**Accreted Value**" means with respect to any Capital Appreciation Bonds (a) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing

1 such Capital Appreciation Bonds and (b) as of any date other than a Valuation Date, the sum of
2 (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction,
3 the numerator of which is the number of days having elapsed from the preceding Valuation
4 Date and the denominator of which is the number of days from such preceding Valuation Date
5 to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value
6 accrues during any semiannual period in equal daily amounts on the basis of a year of twelve
7 30-day months, times (B) the difference between the Accreted Values for such Valuation
8 Dates.

9 “**Adjusted Annual Debt Service**” for any fiscal year means Annual Debt Service
10 minus (1) an amount equal to earnings from investments in the Reserve Subaccount and
11 (2) Annual Debt Service provided for by Parity Bond proceeds.

12 “**Adjusted Gross Revenue**” for any period means Gross Revenue plus withdrawals
13 from the Rate Stabilization Account made during that period, and minus (1) earnings from
14 investments in the Reserve Subaccount and (2) deposits into the Rate Stabilization Account
15 made during that period.

16 “**Adjusted Net Revenue**” means Adjusted Gross Revenue less Maintenance and
17 Operation Expenses.

18 “**Annual Debt Service**” for any calendar year means the sum of the amounts required
19 in such calendar year to pay:

- 20 (a) the interest due in such calendar year on all Parity Bonds outstanding,
21 excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; and
- 22 (b) the principal of all outstanding Serial Bonds due in such calendar year;
23 and
- 24 (c) the Sinking Fund Requirement, if any, for such calendar year.

25 For purposes of this definition, the principal and interest portions of the Accreted Value
26 of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund
27

1 Requirement shall be included in the calculations of accrued and unpaid and accruing interest
2 or principal in such manner and during such period of time as is specified in any Parity Bond
3 Ordinance authorizing such Capital Appreciation Bonds.

4 For purposes of calculating and determining compliance with the Reserve Requirement,
5 the Coverage Requirement and conditions for the issuance of Future Parity Bonds and/or
6 entering into Parity Payment Agreements:

7 (i) Generally. Except as otherwise provided by subparagraph (ii) with respect to
8 Variable Interest Rate Bonds and by subparagraph (iii) below with respect to Parity Bonds with
9 respect to which a Payment Agreement is in force, interest on any issue of Parity Bonds shall
10 be calculated based on the actual amount of accrued, accreted or otherwise accumulated interest
11 that is payable in respect of that issue taken as a whole, at the rate or rates set forth in the
12 applicable Parity Bond Ordinance;

13 (ii) Interest on Variable Interest Rate Bonds. The amount of interest deemed to be
14 payable on any issue of Variable Interest Rate Bonds shall be calculated on the assumption that
15 the interest rate on those bonds would be equal to the rate that is 90% of the average RBI
16 during the four calendar quarters preceding the quarter in which the calculation is made;

17 (iii) Interest on Parity Bonds With Respect to Which a Payment Agreement is in
18 Force. Debt service on Parity Bonds with respect to which a Payment Agreement is in force
19 shall be based on the net economic effect on the City expected to be produced by the terms of
20 the Parity Bonds and the terms of the Payment Agreement, including but not limited to the
21 effects produced by the following: (A) Parity Bonds that would, but for a Payment Agreement,
22 be treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as
23 obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that would, but for a
24 Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead
25 shall be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the
26 amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment
27

1 Agreement is in force shall be an amount equal to the amount of interest that would be payable
2 at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus
3 Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment
4 Agreement Receipts and Payment Agreement Payments under a Payment Agreement that
5 includes a variable rate component determined by reference to a pricing mechanism or index
6 that is not the same as the pricing mechanism or index used to determine the variable rate
7 interest component on the Parity Bonds to which the Payment Agreement is related, it shall be
8 assumed that the fixed rate used in calculating Payment Agreement Payments will be equal to
9 105% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or
10 index specified by the Payment Agreement is the same as the pricing mechanism or index
11 specified by the Parity Bonds. Notwithstanding the other provisions of this subparagraph (iii),
12 the City shall not be required to (but may in its discretion) take into account in determining
13 Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less;
14 (iv) Parity Payment Agreements. No additional debt service shall be taken into
15 account with respect to a Parity Payment Agreement for any period during which Payment
16 Agreement Payments on that Parity Payment Agreement are taken into account in determining
17 Annual Debt Service on related Parity Bonds under subparagraph (iii) of this definition.
18 However, for any period during which Payment Agreement Payments are not taken into
19 account in calculating Annual Debt Service on any outstanding Parity Bonds because the Parity
20 Payment Agreement is not then related to any outstanding Parity Bonds, payments on that
21 Parity Payment Agreement shall be taken into account by assuming:

(A) City Obligated To Make Payments Based On Fixed Rate. If the City is
22 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified
23 Counterparty is obligated to make payments based on a variable rate index, that payments by
24 the City will be based on the assumed fixed payor rate, and that payments by the Qualified
25 Counterparty will be based on a rate equal to the average rate determined by the variable rate

index specified by the Parity Payment Agreement during the four calendar quarters preceding
the quarter in which the calculation is made, and

(B) City Obligated To Make Payments Based On Variable Rate Index. If the
City is obligated to make Payment Agreement Payments based on a variable rate index and the
Qualified Counterparty is obligated to make payment based on a fixed rate, that payments by
the City will be based on a rate equal to the average rate determined by the variable rate index
specified by the Parity Payment Agreement during the four calendar quarters preceding the
quarter in which the calculation is made, and that the Qualified Counterparty will make
payments based on the fixed rate specified by the Parity Payment Agreement.

“Bond Account” means that special account known as the Solid Waste System
Revenue Bond Account, created in the Solid Waste Fund by Ordinance 118975 for the payment
of the principal of and interest on the Parity Bonds.

“Bond Counsel” means a firm of lawyers nationally recognized and accepted as bond
counsel and so employed by the City for any purpose under this ordinance applicable to the use
of that term.

“Bond Register” means the books or records maintained by the Bond Registrar for the
purpose of registration of the Bonds.

“Bond Registrar” or “Registrar” means the Fiscal Agent of the State of Washington,
or any successor bond registrar selected by the City, whose duties include the registration and
authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership
of the Bonds, and paying the principal of and premium, if any, and interest on the Bonds.

“Bond Resolution” means the resolution or resolutions of the City Council adopted
pursuant to this ordinance to specify certain additional provisions of each series of the Bonds
and their sale.

“Bonds” means the bonds issued in one or more series from time to time pursuant to,
under the authority of and for the purposes provided in this ordinance.

1 **“Capital Appreciation Bonds”** means any Parity Bonds as to which interest is payable
2 only at the maturity or prior redemption of such Parity Bonds. For the purpose of (a) receiving
3 payment of the redemption premium, if any, of a Capital Appreciation Bond that is redeemed
4 prior to maturity, or (b) computing the principal amount of Parity Bonds held by the owner of a
5 Capital Appreciation Bond in giving to the City or the paying agent for those bonds any notice,
6 consent, request, or demand pursuant to this ordinance or for any purpose whatsoever, the
7 principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.
8 **“CIP”** means the portion or portions relating to the Solid Waste System of the “2011-
9 2016 Capital Improvement Program” of the City as adopted by the City in Ordinance 123442,
10 together with any previously adopted Capital Improvement Program of the City, as the CIP
11 may be amended, updated, supplemented or replaced from time to time by ordinance.
12 **“City”** means The City of Seattle, Washington.
13 **“City Clerk”** means the City Clerk of the City, or any other officer who succeeds to
14 substantially all of the responsibilities of that office specified in this ordinance.
15 **“City Council”** means the City Council of the City.
16 **“Closing Date”** means the date on which a series of Bonds is delivered to the initial
17 purchaser or purchasers thereof upon payment in full therefor.
18 **“Code”** means the Internal Revenue Code of 1986, as amended, and applicable rules
19 and regulations promulgated thereunder.
20 **“Construction Account”** means the “Solid Waste Construction Account 2011” created
21 in the Solid Waste Fund by this ordinance.
22 **“Contract Resource Obligation”** means an obligation of the City, designated as a
23 Contract Resource Obligation and entered into pursuant to Section 20, to make payments for
24 collection, transportation, treatment and disposal of solid waste, or other commodity or service
25 related to the Solid Waste System, to another person or entity (including without limitation a
26 separate utility system created pursuant to Section 19).

1 **“Coverage Requirement”** in any fiscal year means the amount of Adjusted Net
2 Revenue equal to at least 1.25 times Adjusted Annual Debt Service in that year on all Parity
3 Bonds then Outstanding.
4 **“Director of Finance”** means the Director of the Department of Finance of the City or
5 any other officer who succeeds to substantially all of the responsibilities of that office specified
6 in this ordinance.
7 **“DTC”** means The Depository Trust Company, New York, New York, as initial
8 Securities Depository for the Bonds.
9 **“Event of Default”** means an Event of Default as defined in Section 23.
10 **“Future Parity Bonds”** means any fixed or variable rate revenue bonds of the City
11 (other than the Bonds) issued hereafter having a charge or lien upon the Net Revenue for
12 payment of the principal thereof and interest thereon equal in priority to the charge or lien upon
13 the Net Revenue for the payment of the principal of and interest on the Outstanding Parity
14 Bonds and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any
15 other obligations issued in compliance with Section 17.
16 **“Government Obligations”** means those government obligations defined by RCW
17 39.53.010(9) as it now reads or hereafter may be amended or replaced.
18 **“Gross Revenue”** means (a) all income, revenues, receipts and profits derived by the
19 City through the ownership and operation of the Solid Waste System; (b) Payment Agreement
20 Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and
21 (c) the investment income earned on money held in any fund or account of the City, including
22 any bond redemption funds and the accounts therein, in connection with the ownership and
23 operation of the Solid Waste System. Gross Revenue does not include: (A) income derived
24 from investments irrevocably pledged to the payment of any defeased bonds payable from
25 Gross Revenue; (B) investment income earned on money in any fund or account created or
26 maintained solely for the purpose of complying with the arbitrage rebate provisions of the

1 Code; (C) any gifts, grants, donations or other funds received by the City from any State or
2 federal agency or other person if such gifts, grants, donations or other funds are the subject of
3 any limitation or reservation imposed by the donor or grantor or imposed by law or
4 administrative regulation to which the donor or grantor is subject, limiting the application of
5 such funds in a manner inconsistent with the application of Gross Revenue hereunder; (D) the
6 proceeds of any borrowing for capital improvements (or the refinancing thereof); (E) the
7 earnings of any separate utility system acquired or constructed by the City pursuant to Section
8 19; and (F) the proceeds of any liability or other insurance, including but not limited to
9 insurance proceeds compensating the City for the loss of a capital asset, but excluding business
10 interruption insurance or other insurance of like nature insuring against the loss of revenues.

11 **“Letter of Representations”** means the Blanket Issuer Letter of Representations
12 between the City and DTC, as it may be amended from time to time.

13 **“Maintenance and Operation Expenses”** means all expenses incurred by the City in
14 causing the Solid Waste System to be operated and maintained in good repair, working order
15 and conditions, including without limitation: deposits, premiums, assessments or other
16 payments for insurance (other than payments out of proceeds of Parity Bonds), if any, on the
17 Solid Waste System; payments into pension funds; State-imposed taxes; amounts due under
18 Contract Resource Obligations (but only at the times described in Section 20); payments made
19 to any other person or entity for the collection, transportation, treatment or disposal of solid
20 waste or other commodity or service related to the Solid Waste System; and payments with
21 respect to any other expenses of the Solid Waste System that are properly treated as operation
22 and maintenance expenses under generally accepted accounting principles. Maintenance and
23 Operation Expenses does not include any depreciation, amortization, or taxes levied or imposed
24 by the City or payments to the City in lieu of taxes, or capital additions or capital replacement.
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1 **“Maximum Annual Debt Service”** means, at the time of calculation, the maximum
2 amount of Annual Debt Service that will become due in any calendar year on all then-
3 outstanding Parity Bonds.

4 **“Mayor”** means the Mayor of the City.

5 **“Moody’s”** means Moody’s Investors Service, Inc.

6 **“Net Revenue”** means Gross Revenue less Maintenance and Operation Expenses.

7 **“Outstanding Parity Bonds”** means the then-outstanding 2007 Bonds, as described in
8 Exhibit A.

9 **“Parity Bond Ordinance”** means any ordinance or resolution duly enacted by the City
10 providing for the issuance of Parity Bonds, and any other ordinance or resolution amending or
11 supplementing the provisions of any Parity Bond Ordinance as originally enacted or as
12 theretofore amended or supplemented.

13 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds and any Future Parity
14 Bonds.

15 **“Parity Payment Agreement”** means a Payment Agreement, under which the City’s
16 obligations are expressly stated to constitute a charge and lien on the Net Revenue equal in rank
17 with the charge and lien upon such Net Revenue required to be paid into the Bond Account to
18 pay and secure the payment of the principal of and interest on Parity Bonds.

19 **“Payment Agreement”** means a written contract entered into, for the purpose of
20 managing or reducing the City’s exposure to fluctuations or levels of interest rates or for other
21 interest rate, investment, asset or liability management purposes, by the City and a Qualified
22 Counterparty on either a current or forward basis as authorized by any applicable laws of the
23 State in connection with, or incidental to, the issuance, incurring or carrying of particular
24 bonds, notes, bond anticipation notes, commercial paper or other obligations for borrowed
25 money, or lease, installment purchase or other similar financing agreements or certificates of
26 participation therein, that provides for an exchange of payments based on interest rates, ceilings
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1 or floors on such payments, options on such payments, or any combination thereof or any
2 similar device.
3 **“Payment Agreement Payments”** means the amounts periodically required to be paid
4 by the City to the Qualified Counterparty pursuant to a Payment Agreement.
5 **“Payment Agreement Receipts”** means the amounts periodically required to be paid
6 by the Qualified Counterparty to the City pursuant to a Payment Agreement.
7 **“Permitted Investments”** means any investments or investment agreements permitted
8 for the investment of City funds under the laws of the State as amended from time to time.
9 **“Plan of Additions”** means the CIP, as it may be modified hereafter as described
10 herein.
11 **“Principal and Interest Subaccount”** means the subaccount of that name created in
12 the Bond Account by Ordinance 118975.
13 **“Professional Utility Consultant”** means the independent person(s) or firm(s) selected
14 by the City having a favorable reputation for skill and experience with solid waste systems of
15 comparable size and character to the Solid Waste System in such areas as are relevant to the
16 purposes for which they were retained.
17 **“Qualified Counterparty”** means a party (other than the City or a person related to the
18 City) who is the other party to a Payment Agreement and who is qualified to act as the other
19 party to a Payment Agreement under any applicable laws of the State.
20 **“Qualified Insurance”** means any municipal bond insurance policy or surety bond
21 issued by any insurance company licensed to conduct an insurance business in any state of the
22 United States (or by a service corporation acting on behalf of one or more such insurance
23 companies) which insurance company or companies, as of the time of issuance of such policy
24 or surety bond, are rated in one of the two highest rating categories by Moody’s and S&P or
25 their comparably recognized business successors.
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1 **“Qualified Letter of Credit”** means any letter of credit issued by a financial institution
2 for the account of the City on behalf of the owners of Parity Bonds, which institution maintains
3 an office, agency or branch in the United States and as of the time of issuance of such letter of
4 credit is rated in one of the two highest rating categories by Moody’s and S&P or their
5 comparably recognized business successors.
6 **“Rate Stabilization Account”** means the account of that name created in the Solid
7 Waste Fund pursuant to Ordinance 118975.
8 **“Rating Agencies”** means Moody’s and S&P, and their successors and any other
9 nationally-recognized securities rating agency or agencies rating Parity Bonds at the request of
10 the City.
11 **“RBI”** means *The Bond Buyer* Revenue Bond Index or comparable index, or, if no
12 comparable index can be obtained, 80% of the interest rate for actively traded 30 year United
13 States Treasury obligations.
14 **“Registered Owner”** means the person shown on the Bond Register as the Registered
15 Owner of each Bond.
16 **“Reserve Requirement”** means, at any time, the lesser of (a) Maximum Annual Debt
17 Service; or (b) the maximum amount permitted by the Code as a “reasonably required reserve
18 or replacement fund.”
19 **“Reserve Subaccount”** means the subaccount of that name created in the Bond
20 Account by Ordinance 118975.
21 **“S&P”** means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill
22 Companies, Inc.
23 **“Securities Depository”** means DTC or such other securities depository as the City
24 may designate in a certificate of the City delivered to the Bond Registrar.
25 **“Serial Bonds”** means Parity Bonds maturing in specified years, for which no Sinking
26 Fund Requirements are mandated.
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1 **“Sinking Fund Subaccount”** means any subaccount created in the Bond Account to
2 amortize the principal or make mandatory redemptions of Term Bonds.
3 **“Sinking Fund Requirement”** means, for any calendar year, the principal amount and
4 premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid
5 into any Sinking Fund Subaccount for such calendar year as established by the Parity Bond
6 Ordinance authorizing the issuance of such Term Bonds.
7 **“Solid Waste Fund”** means the special fund of the City of that name heretofore created
8 and established by the City Council.
9 **“Solid Waste System”** means the entire solid waste collection, transportation and
10 disposal system of the City, created by Ordinance 90379, as amended, together with all
11 additions thereto and betterments and extensions thereof at any time made, acquired or
12 constructed, together with any other utility systems of the City hereafter combined with the
13 Solid Waste System. The Solid Waste System shall not include any separate utility system
14 acquired or constructed by the City pursuant to Section 19.
15 **“State”** means the State of Washington.
16 **“Tax Credit Subsidy”** means the tax credit payable by the United States Treasury in
17 respect of a Tax Credit Subsidy Bond.
18 **“Tax Credit Subsidy Bond”** means any Parity Bond that is designated by the City as a
19 “build America bond” or other tax credit bond, pursuant to the Code, and which is further
20 designated as a “qualified bond” under Section 6431 of the Code, and with respect to which the
21 City is eligible to receive a tax credit payable by the United States Treasury.
22 **“Tax-Exempt Bonds”** means Bonds of any series, the interest on which is intended on
23 the date of issuance to be excluded from gross income for federal income tax purposes.
24 **“Term Bonds”** means any Parity Bonds identified as such in the Parity Bond
25 Ordinance authorizing the issuance thereof, which Parity Bond Ordinance requires that such
26 bonds be purchased, redeemed or paid prior to maturity in a schedule established thereby.
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1 **“Undertaking”** means the City’s undertaking in the Bond Resolution, to the extent
2 applicable, to provide certain disclosure as provided by Section 25.
3 **“Valuation Date”** means, with respect to any Capital Appreciation Bonds, the date or
4 dates set forth in any Parity Bond Ordinance authorizing such Parity Bonds on which specific
5 Accreted Values are assigned to the Capital Appreciation Bonds.
6 **“Variable Interest Rate”** means any variable interest rate or rates to be borne by any
7 Parity Bonds. The method of computing such a variable interest rate shall be as specified in the
8 Parity Bond Ordinance authorizing or specifying the terms of such Parity Bonds, which Parity
9 Bond Ordinance also shall specify either (i) the particular period or periods of time or manner
10 of determining such period or periods of time for which each value of such variable interest rate
11 shall remain in effect or (ii) the time or times upon which any change in such variable interest
12 rate shall become effective.
13 **“Variable Interest Rate Bonds”** means, for any period of time, any Parity Bonds that
14 bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as
15 Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity
16 Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the
17 applicable Parity Bond Ordinance, or the net economic effect of a Payment Agreement with
18 respect to particular Parity Bonds, in either case is to produce obligations that bear interest at a
19 fixed interest rate; and Parity Bonds with respect to which a Payment Agreement is in force
20 shall be treated as Variable Interest Rate Bonds if the net economic effect of the Payment
21 Agreement is to produce obligations that bear interest at a Variable Interest Rate.

22 **Section 2. Adoption of Plan of Additions.** The CIP constitutes a system or plan of
23 additions and betterments to and extensions of the Solid Waste System (the “Plan of
24 Additions”). To the extent not previously specified, adopted and ordered to be carried out by
25 ordinance of the City, the City specifies, adopts and orders to be carried out the Plan of
26 Additions as generally provided for in the CIP. The estimated cost of the Plan of Additions, as
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1 nearly as may be determined, is declared to be \$188,294,134, of which approximately
2 \$54,400,000 is expected to be financed from the proceeds of the Bonds.

3 The Plan of Additions shall include any amendments, updates, supplements or
4 replacements to the CIP, all of which automatically shall constitute amendments to the Plan of
5 Additions. The Plan of Additions also may be modified, without amending the CIP, to include
6 other improvements if the City determines by ordinance that those amendments or other
7 improvements constitute a system or plan of additions to or betterments or extensions of the
8 Solid Waste System.

9 The Plan of Additions includes the purchase and installation of all materials, supplies,
10 appliances, equipment and facilities, the acquisition of all permits, franchises, property and
11 property rights, other capital assets and all engineering, consulting and other professional
12 services and studies (whether performed by the City or by other public or private entities)
13 necessary or convenient to carry out the Plan of Additions.

14 **Section 3. Authorization and Description of Bonds.** The City shall issue and sell
15 the Bonds in the aggregate principal amount of not to exceed \$61,100,000 for the purposes of
16 paying all or part of the cost of (i) carrying out the Plan of Additions, (ii) providing a bond
17 reserve and (iii) issuing and selling the Bonds. The Bonds may be issued in one or more series.
18 Each series of the Bonds shall be issued as Parity Bonds and may be combined with other
19 Parity Bonds authorized separately.

20 The Bonds shall be dated and have such title, year and series or other designation as
21 determined by the Director of Finance or as specified by the Bond Resolution; shall be in the
22 denomination of \$5,000 or any integral multiple thereof within a single maturity or such other
23 denomination specified in the Bond Resolution; and shall be numbered separately, in the
24 manner and with any additional designation as the Bond Registrar deems necessary for the
25 purpose of identification. The Bonds shall mature on the dates and in the amounts and bear
26 interest payable on the dates and at the rates specified in the Bond Resolution, except that the
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1 net interest cost shall not exceed a weighted average rate of ten percent per annum. The final
2 maturity of any series of Bonds shall not exceed 40 years from the issue date for that series.

3 The Bonds shall be subject to optional redemption on the terms and at the times
4 specified in the Bond Resolution, and all or some of the Bonds may be Term Bonds with
5 mandatory redemption amounts, all as specified by the Bond Resolution. The Director of
6 Finance also may specify in Bond closing documents the respective amounts of each maturity
7 of the Bonds allocated to paying the costs of carrying out the Plan of Additions.

8 **Section 4. Bond Resolution.** With respect to each series of Bonds, the City
9 Council may adopt the Bond Resolution and in that resolution may provide for the matters
10 described in this ordinance, including the manner of sale and delivery of and payment for the
11 Bonds and such other matters that the City Council deems necessary and appropriate to carry
12 out the purposes of this ordinance. Once adopted, the Bond Resolution shall be deemed a part
13 of this ordinance as if set forth herein.

14 For each series of Bonds, the Bond Resolution may provide for Qualified Insurance or a
15 Qualified Letter of Credit, and conditions or covenants relating thereto, including additional
16 terms, conditions and covenants relating to the Bonds that are required by the bond insurer or
17 letter of credit provider and are consistent with the provisions of this ordinance, including but
18 not limited to restrictions on investments and requirements of notice to and consent of the bond
19 insurer or letter of credit provider.

20 For each series of Bonds, the Bond Resolution may approve and authorize the execution
21 and delivery on behalf of the City of any contracts consistent with the provisions of this
22 ordinance for which the City's approval is necessary or to which the City is a party and that are
23 related or incidental to the initial issuance and sale of the Bonds, the establishment of the
24 interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited
25 to Payment Agreements and similar contracts for such purposes.
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1 The Bond Resolution may specify that one or more series of Bonds are Tax Credit
2 Subsidy Bonds.
3 The City Council may specify in the Bond Resolution the amount, if any, from the
4 proceeds of or accrued interest on the Bonds to be deposited into specified funds, subfunds,
5 accounts and subaccounts. In the absence of such a determination and specification in the
6 Bond Resolution, the Director of Finance may make such determination and specification.

7 **Section 5. Registration and Transfer or Exchange of Bonds.** The Bonds shall be
8 issued only in registered form as to both principal and interest and recorded on the Bond
9 Register. The Bond Register shall contain the name and mailing address of the Registered
10 Owner of each Bond and the principal amount and number of each of the Bonds held by each
11 Registered Owner.

12 Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any
13 authorized denomination of an equal aggregate principal amount and of the same series, interest
14 rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon
15 and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the
16 Registered Owner or transferee. The Bond Registrar shall not be obligated to exchange or
17 transfer any Bond during the 15 days preceding any principal payment or redemption date (or
18 other record date established by the Bond Registrar).

19 The City appoints DTC as initial Securities Depository for the Bonds. For so long as
20 DTC is the Securities Depository for the Bonds, DTC or its nominee shall be deemed to be the
21 Registered Owner of the Bonds for all purposes hereunder, and all references in this ordinance
22 or the Bond Resolution to the Registered Owners of the Bonds shall mean DTC or its nominee
23 and shall not mean the owners of any beneficial interests in the Bonds.

24 Bonds executed and delivered in fully immobilized form shall be executed and
25 delivered in the form of one fully-registered immobilized certificate for each maturity of each
26 series of the Bonds representing the aggregate principal amount of the Bonds of that maturity,
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1 which Bonds shall (except as provided below for the discontinuation or substitution of
2 Securities Depository) be registered in the name of Cede & Co., as nominee of DTC; however,
3 if DTC shall request that the Bonds be registered in the name of a different nominee, the Bond
4 Registrar shall exchange all or any portion of the Bonds for an equal aggregate principal
5 amount of Bonds registered in the name of such other nominee or nominees of DTC. No
6 person other than DTC or its nominee shall be entitled to receive from the City or the Bond
7 Registrar any Bond or any other evidence of ownership of the Bonds, or any right to receive
8 any payment in respect thereof, unless DTC or its nominee shall transfer record ownership of
9 all or any portion of the Bonds on the Bond Register, in connection with discontinuing the book
10 entry system as provided below or otherwise.

11 So long as the Bonds are registered in the name of DTC or any nominee thereof, all
12 payments of the principal or interest with respect to the Bonds shall be made to DTC or its
13 nominee in immediately available funds on the dates provided for such payments under this
14 ordinance and the Bond Resolution and at such times and in the manner provided in the Letter
15 of Representations. Each such payment to DTC or its nominee shall be valid and effective to
16 fully discharge all liability of the City or the Bond Registrar with respect to the principal or
17 interest with respect to the Bonds to the extent of the sum or sums so paid. In the event of the
18 redemption of less than all of the Bonds of any maturity of a series, the Bond Registrar shall
19 not require surrender by DTC or its nominee of the Bonds so redeemed, and DTC or its
20 nominee may retain such Bonds and make an appropriate notation thereon as to the amount of
21 such partial redemption. DTC shall deliver to the Bond Registrar, upon request, a written
22 confirmation of such partial redemption. The records maintained by the Bond Registrar shall
23 be conclusive as to the amount of the Bonds of such maturity that have been redeemed.

24 All transfers of beneficial ownership interests in Bonds registered in the name of DTC
25 or its nominee shall be effected by the procedures of DTC's participants and/or indirect
26 participants for recording and transferring the ownership of beneficial interests in bonds.
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1 The City and the Bond Registrar may treat DTC (or its nominee) as the sole and
2 exclusive Registered Owner of the Bonds registered in its name for the purposes of payment of
3 the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or
4 portions thereof to be redeemed, giving any notice permitted or required to be given to
5 Registered Owners under this ordinance or the Bond Resolution, registering the transfer of
6 Bonds, obtaining any consent or other action to be taken by Registered Owners of Bonds and
7 for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by
8 any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or
9 obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership
10 interest in the Bonds under or through DTC or any such participant, or any other person which
11 is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (1)
12 the Bonds; (2) any records maintained by DTC or any such participant; (3) the payment by
13 DTC or any such participant of any amount in respect of the principal of, premium, if any, or
14 interest with respect to the Bonds; (4) any notice which is permitted or required to be given to
15 Registered Owners of Bonds under this ordinance or the Bond Resolution; (5) the selection by
16 DTC or any such direct or indirect participant of any person to receive payment in the event of
17 a partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as
18 Registered Owner of the Bonds.

19 So long as the Bonds are registered in the name of DTC or any nominee thereof, all
20 notices required or permitted to be given to the Registered Owners of such Bonds under this
21 ordinance or the Bond Resolution shall be given to DTC as provided in the Letter of
22 Representations, in form and content satisfactory to DTC, the City and the Bond Registrar.

23 In connection with any notice or other communication to be provided to Registered
24 Owners pursuant to this ordinance or the Bond Resolution by the City or the Bond Registrar
25 with respect to any consent or other action to be taken by Registered Owners of the Bonds,
26 DTC shall consider the date of receipt of notice requesting such consent or other action as the
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1 record date for such consent or other action; however, the City or the Bond Registrar may
2 establish a special record date for such consent or other action and shall give DTC notice of
3 such special record date not less than 15 calendar days in advance of such special record date to
4 the extent practical.

5 Any successor Bond Registrar, in its written acceptance of its duties under this
6 ordinance and the Bond Resolution, shall agree to take any actions necessary from time to time
7 to comply with the requirements of the Letter of Representations.

8 The book-entry system for registration of the ownership of the Bonds in fully
9 immobilized form may be discontinued at any time if: (1) after notice to the City and the Bond
10 Registrar, DTC determines to resign as Securities Depository for the Bonds; or (2) after notice
11 to DTC and the Bond Registrar, the City determines that a continuation of the system of book-
12 entry transfers through DTC (or through a successor Securities Depository) is not in the best
13 interests of the City. In each of such events (unless, in the case described in clause (1) above,
14 the City appoints a successor Securities Depository), the Bonds shall be delivered in registered
15 certificate form to such persons, and in such maturities and principal amounts, as may be
16 designated by DTC, but without any liability on the part of the City or the Bond Registrar for
17 the accuracy of such designation. Whenever DTC requests the City and the Bond Registrar to
18 do so, or whenever the City requests DTC and the Bond Registrar to do so after the
19 determination by the City to replace DTC with a successor Securities Depository, the City and
20 the Bond Registrar shall cooperate with DTC in taking appropriate action after reasonable
21 notice to arrange for another Securities Depository to maintain custody of certificates
22 evidencing the Bonds.

23 **Section 6. Mutilated, Lost, Stolen and Destroyed Bonds.** In case any Bonds
24 issued hereunder shall become mutilated or be destroyed, stolen or lost, the City may, if not
25 then prohibited or otherwise required by law, cause to be executed and delivered a new Bond of
26 like amount, series, interest rate, maturity date and tenor in exchange and substitution for and
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1 upon cancellation of such mutilated Bonds, or in lieu of and in substitution for such destroyed,
2 stolen or lost Bonds, upon payment by the Registered Owner thereof of the reasonable
3 expenses and charges of the City and the Bond Registrar in connection therewith, and in the
4 case of a Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence
5 satisfactory to the City that such Bond was destroyed, stolen or lost, and of the ownership
6 thereof, and furnishing the City and the Bond Registrar with indemnity satisfactory to each of
7 them. If the mutilated, destroyed, stolen or lost Bond already has matured or been called for
8 redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to
9 payment. If the provisions of State law at any time differ from the provisions of this Section
10 with respect to the requirements or procedures for replacing or otherwise handling mutilated,
11 lost, stolen or destroyed Bonds, then the provisions of State law shall prevail.

12 **Section 7. Payment of Bond Principal and Interest.** Principal of, premium, if
13 any, and interest on the Bonds shall be payable in lawful money of the United States of
14 America. Interest on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar
15 on the interest payment date to the Registered Owners at the addresses appearing on the Bond
16 Register on the fifteenth day of the month preceding the interest payment date (or other record
17 date established in the Bond Resolution) (the "Record Date") or, at the request of the
18 Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds, by wire
19 transfer to an account in the United States designated in writing by such Registered Owner
20 prior to the Record Date. Principal of and premium, if any, on the Bonds shall be payable upon
21 presentation and surrender of the Bonds to the Bond Registrar. Notwithstanding the foregoing,
22 payment of any Bonds registered in the name of DTC or its nominee, shall be made in
23 accordance with the Letter of Representations.

24 The Bonds shall be payable solely out of the Bond Account and shall not be general
25 obligations of the City.

26 **Section 8. Redemption and Purchase of Bonds.**

1 **(a) Optional Redemption.** All or some of the Bonds may be subject to redemption
2 at the option of the City at the times and on the terms set forth in the Bond Resolution.

3 **(b) Mandatory Redemption.** The City shall redeem any Term Bonds, if not
4 redeemed under the optional redemption provisions set forth in the Bond Resolution or
5 purchased under the provisions set forth below, randomly (or in such other manner as the Bond
6 Registrar shall determine) at par plus accrued interest on the dates and in the years and
7 principal amounts as set forth in the Bond Resolution.

8 If the City redeems Term Bonds under the optional redemption provisions set forth in
9 the Bond Resolution, purchases or defeases Term Bonds, the Term Bonds so redeemed,
10 purchased or defeased (irrespective of their actual redemption or purchase price) shall be
11 credited at the par amount thereof against one or more scheduled mandatory redemption
12 amounts for those Term Bonds. The Director of Finance shall determine the manner in which
13 the credit is to be allocated and shall notify the Bond Registrar in writing of such allocation at
14 least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds
15 for which notice of redemption has not already been given. If no such determination is made,
16 such allocation shall be on a pro rata basis unless otherwise provided in the Bond Resolution.

17 **(c) Partial Redemption.** Unless otherwise provided in the Bond Resolution,
18 whenever less than all of the Bonds of a single maturity of a series are to be redeemed, the
19 Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that
20 maturity randomly, or in such other manner as the Bond Registrar shall determine, except that,
21 for so long as the Bonds are registered in the name of DTC or its nominee, DTC shall select the
22 Bonds or portions thereof to be redeemed in accordance with the Letter of Representations. In
23 no event shall any Bond be outstanding in a principal amount that is not an authorized
24 denomination.

25 Portions of the principal amount of any Bond, in integral amounts of \$5,000, may be
26 redeemed, unless otherwise provided in the Bond Resolution. If less than all of the principal

1 amount of any Bond is redeemed, upon surrender of that Bond at either of the principal office
2 of the Bond Registrar, there shall be issued to the Registered Owner, without charge therefor, a
3 new Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and
4 interest rate in any of the denominations authorized by the Bond Resolution in the aggregate
5 total principal amount remaining unredeemed.

6 (d) **Purchase.** The City reserves the right and option to purchase any or all of the
7 Bonds at any time at any price acceptable to the City plus accrued interest to the date of
8 purchase. The principal amount of Term Bonds purchased pursuant to this Section shall be
9 credited at the par amount thereof against the next mandatory redemption requirement that is at
10 least 60 days after the date of purchase, or as otherwise directed by the Director of Finance.

11 (e) **Bonds to be Canceled.** All Bonds purchased or redeemed under this Section
12 shall be canceled.

13 **Section 9. Notice of Redemption.** The City shall cause notice of any intended
14 redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed
15 for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be
16 redeemed at the address appearing on the Bond Register at the time the Bond Registrar
17 prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled
18 when notice has been mailed as so provided, whether or not it is actually received by the
19 Registered Owner of any Bond. Interest on Bonds called for redemption shall cease to accrue
20 on the date fixed for redemption unless the Bond or Bonds called are not redeemed when
21 presented pursuant to the call. In addition, the redemption notice shall be mailed by the Bond
22 Registrar within the same period, postage prepaid, to the Rating Agencies at their offices in
23 New York, New York, or their successors, to any bond insurer for the Bonds, and to such other
24 persons and with such additional information as the Director of Finance shall determine or as
25 specified in the Bond Resolution, but these additional mailings shall not be a condition
26 precedent to the redemption of Bonds.

1 Notwithstanding the provisions of the foregoing paragraph, in the case of an optional
2 redemption, the notice may state that the City retains the right to rescind the redemption notice
3 and the related optional redemption of Bonds by giving a notice of rescission to the affected
4 registered owners at any time on or prior to the scheduled optional redemption date. Any
5 notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which
6 the notice of optional redemption has been rescinded shall remain outstanding.

7 **Section 10. Failure to Redeem Bonds.** If any Bond is not redeemed when properly
8 presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at
9 the same rate provided in the Bond from and after its maturity or call date until that Bond,
10 principal, premium, if any, and interest, is paid in full or until sufficient money for its payment
11 in full is on deposit in the Bond Account and the Bond has been called for payment by giving
12 notice of that call to the Registered Owner of each of those unpaid Bonds.

13 **Section 11. Form and Execution of Bonds.** The Bonds shall be typed, photocopied,
14 printed or lithographed on good bond paper in a form consistent with the provisions of this
15 ordinance, the Bond Resolution and State law, shall be signed by the Mayor and Director of
16 Finance, either or both of whose signatures may be manual or in facsimile, and the seal of the
17 City or a facsimile reproduction thereof shall be impressed or printed thereon.

18 Only Bonds bearing a Certificate of Authentication in substantially the following form
19 (with the designation, year, and series of the Bonds completed consistent with this ordinance),
20 manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled
21 to the benefits of this ordinance:

22 **CERTIFICATE OF AUTHENTICATION**

23 This Bond is one of the fully registered The City of Seattle, Washington, Solid
24 Waste Revenue Bonds, [Year], [Series], described in the Bond Ordinance.

25 Bond Registrar
26 By: _____

27 Authorized Signer

1 The authorized signing of a Certificate of Authentication shall be conclusive evidence that the
2 Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the
3 benefits of this ordinance.

4 If any officer whose facsimile signature appears on the Bonds ceases to be an officer of
5 the City authorized to sign bonds before the Bonds bearing his or her facsimile signature are
6 authenticated or delivered by the Bond Registrar or issued by the City, those Bonds
7 nevertheless may be authenticated, delivered and issued and, when authenticated, issued and
8 delivered, shall be as binding on the City as though that person had continued to be an officer
9 of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by
10 any person who, on the actual date of signing of the Bond, is an officer of the City authorized
11 to sign bonds, although he or she did not hold the required office on the date of issuance of the
12 Bonds.

13 **Section 12. Bond Registrar: Appointment of Other Agents.** The Bond Registrar
14 shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the
15 registration and transfer of the Bonds which shall be open to inspection by the City at all times.
16 The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds
17 transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to
18 serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's
19 powers and duties under this ordinance and SMC Chapter 5.10 establishing a system of
20 registration for the City's bonds and obligations, as that chapter now exists or may be amended.

21 The City reserves the right in its discretion to appoint special paying agents, registrars
22 or trustees in connection with the payment of some or all of the principal of or interest on the
23 Bonds. If a new Bond Registrar is appointed by the City, notice of the name and address of the
24 new Bond Registrar shall be mailed to the Registered Owners of the Bonds. The notice may be
25 mailed together with the next interest payment due on the Bonds, but, to the extent practicable,
26 shall be mailed not less than 15 days prior to a maturity date of the principal of any Bond.
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1 The Bond Registrar shall be responsible for its representations contained in the Bond
2 Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the
3 Registered Owner of Bonds with the same rights it would have if it were not the Bond Registrar
4 and, to the extent permitted by law, may act as depository for and permit any of its officers or
5 directors to act as members of, or in any other capacity with respect to, any committee formed
6 to protect the rights of the Registered Owners of the Bonds.

7 **Section 13. Finding of Sufficiency of Gross Revenue.** A series of Bonds will be
8 issued only if the City finds and determines by the Bond Resolution (a) that the issuance and
9 sale of such Bonds is in the best interest of the City and in the public interest, and (b) that the
10 Gross Revenue, at the rates charged and to be charged from time to time by the Solid Waste
11 System consistent with Section 16(a), will be sufficient, in the judgment of the City, to meet all
12 Maintenance and Operation Expenses and to provide the amounts previously pledged to pay
13 and secure the payment of the principal of and interest on all outstanding obligations that are
14 payable out of such Gross Revenue and the principal and interest on the Bonds authorized. In
15 making such findings and determinations, the City shall have due regard to the cost of
16 operation and maintenance of the Solid Waste System and to any portion of the Gross Revenue
17 pledged for the payment of any bonds, warrants or other indebtedness.

18 **Section 14. Security for Parity Bonds.**

19 **(a) Pledge of Net Revenue.** The Bonds shall be special limited obligations of the
20 City payable from and secured solely by the Net Revenue and by money in the Bond Account,
21 including the Reserve Subaccount. The Net Revenue is pledged to make the payments into the
22 Bond Account and the Reserve Subaccount required by paragraphs (b) and (c) of this Section,
23 which pledge shall constitute a lien and charge upon such Net Revenue prior and superior to all
24 other liens and charges whatsoever.

25 The Bonds shall not in any manner or to any extent constitute general obligations of the
26 City, the State or any political subdivision of the State or a lien or charge upon any general
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1 fund or upon any money or other property of the City, the State or any political subdivision of
2 the State not specifically pledged thereto by this ordinance.

3 (b) **Bond Account; Principal and Interest Subaccount.** A special account of the
4 City known as the "Bond Account" has been created and shall be maintained as a separate
5 account within the Solid Waste Fund, for the sole purpose of paying the principal of and
6 premium, if any, and interest on the Parity Bonds as the same shall become due. The Bond
7 Account consists of the Principal and Interest Subaccount and the Reserve Subaccount and
8 such additional subaccounts as the Director of Finance may deem necessary. The Parity Bonds
9 shall be payable, principal, premium, if any, and interest, out of the Bond Account.

10 From and after the issuance of the Bonds, and so long thereafter as any Parity Bonds are
11 outstanding against the Bond Account (including any Payment Agreement Payments required
12 to be made under any Parity Payment Agreements), the Director of Finance shall set aside and
13 pay into the Principal and Interest Subaccount on or prior to the respective dates on which the
14 interest on or principal of and interest on the Parity Bonds shall become due and payable
15 certain fixed amounts out of the Net Revenue sufficient to pay such interest or principal and
16 interest as the same shall become due.

17 Money in the Principal and Interest Subaccount shall, to the fullest extent practicable
18 and reasonable, be invested and reinvested at the direction of the Director of Finance solely in,
19 and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on
20 money and investments in the Principal and Interest Subaccount shall be deposited in and used
21 for the purposes of that subaccount.

22 (c) **Reserve Subaccount.**

23 (i) Investment. The Reserve Subaccount previously has been created and
24 maintained as a subaccount within the Bond Account for the purpose of securing the payment
25 of the principal of and interest on all Parity Bonds outstanding (including amounts due under
26 any Parity Payment Agreements if required under such agreement).

1 Money held in the Reserve Subaccount shall, to the fullest extent practicable and
2 reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and
3 obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on
4 money and investments in the Reserve Subaccount shall be deposited in that fund and credited
5 against amounts required to be deposited therein until the Reserve Subaccount is fully funded,
6 and thereafter such earnings shall be deposited in the Principal and Interest Subaccount.

7 (ii) Funding of Reserve Requirement.

8 (A) The City shall provide in the Bond Resolution with respect to the
9 Bonds or in the Parity Bond Ordinance or resolution authorizing the issuance of any Future
10 Parity Bonds for the deposit into the Reserve Subaccount out of the Net Revenue (or out of any
11 other funds of the City on hand and legally available therefor, including proceeds of the Bonds
12 or of the Future Parity Bonds being issued or any other Future Parity Bonds) of periodic
13 payments so that by five years from the date of such Future Parity Bonds there will have been
14 paid into the Reserve Subaccount an amount which, together with the money already on deposit
15 therein, will be at least equal to the Reserve Requirement for all Parity Bonds outstanding at the
16 end of that five-year period.

17 (B) Notwithstanding the foregoing, the Bond Resolution or any
18 Parity Bond Ordinance may provide for the City to obtain Qualified Insurance or a Qualified
19 Letter of Credit for specific amounts required to be paid into the Reserve Subaccount. The
20 amount available to be drawn upon under such Qualified Insurance or Qualified Letter of
21 Credit shall be credited against the amounts required to be maintained in the Reserve
22 Subaccount by Section 14(c)(ii)(A).

23 (C) Such Qualified Letter of Credit or Qualified Insurance shall not
24 be cancelable on less than three years' notice. If the City receives any such notice of
25 cancellation, the City shall substitute Qualified Insurance or a Qualified Letter of Credit in the
26 amount required pursuant to Section 14(c)(ii)(B) or in the alternative shall create a special

1 account in the Solid Waste Fund and deposit therein, on or before the 25th day of each of the
2 36 succeeding calendar months, 1/36th of the amount sufficient, together with other money and
3 investments on deposit in the Reserve Subaccount, to equal the Reserve Requirement on the
4 date any such cancellation shall become effective. Such amounts shall be transferred from
5 money in the Solid Waste Fund (after making provision for payment of Maintenance and
6 Operation Expenses and for the required payments into the Principal and Interest Subaccount).
7 Amounts on deposit in such special account shall not be available to pay debt service on Parity
8 Bonds or for any other purpose of the City, and shall be transferred to the Reserve Subaccount
9 on the effective date of any cancellation of a Qualified Letter of Credit or Qualified Insurance
10 to make up the deficiency caused thereby.

(D) If the amount in the Reserve Subaccount shall be less than the
11 Reserve Requirement (taking into account the five year period referred to in
12 Section 14(c)(ii)(A), the City shall transfer to the Reserve Subaccount money in an amount
13 sufficient to restore the Reserve Subaccount to the Reserve Requirement within 12 months after
14 the date of such deficiency. The City shall transfer such amounts from money in the Solid
15 Waste Fund (after making provision for payment of Maintenance and Operation Expenses and
16 for the required payments into the Principal and Interest Subaccount). If the amount in the
17 Reserve Subaccount shall be greater than the Reserve Requirement, then and only then may the
18 City withdraw such excess from the Reserve Subaccount and deposit such excess in the Solid
19 Waste Fund to be used for any lawful purpose.

(iii) Use of Reserve Subaccount for Refunding Bonds. If any Parity Bonds
20 are refunded, the money set aside in the Reserve Subaccount to secure the payment of such
21 Parity Bonds may be used to retire such Parity Bonds or may be transferred to any Reserve
22 Subaccount or account which may be created to secure the payment of any bonds issued to
23 refund such Parity Bonds, as long as the money left remaining in the Reserve Subaccount is at

least equal, together with any Qualified Insurance or Qualified Letters of Credit, to the Reserve
2 Subaccount Requirement.

(iv) Use of Reserve Subaccount for Payment of Debt Service. If the money
3 in the Principal and Interest Subaccount is insufficient to meet maturing installments of either
4 interest on or principal of and interest on the Parity Bonds payable out of the Bond Account
5 (including amounts payable under any Parity Payment Agreement), such deficiency shall be
6 made up from the Reserve Subaccount by the withdrawal of money or proceeds of Qualified
7 Insurance or Qualified Letters of Credit therefrom, as the case may be. Any deficiency created
8 in the Reserve Subaccount by reason of any such withdrawal or claim against Qualified
9 Insurance or a Qualified Letter of Credit shall then be made up out of the Net Revenue, after
10 making necessary provision for the payments required to be made for debt service on any
11 outstanding Parity Bonds consistent with Section 15.

(v) Withdrawals From Reserve Subaccount. Money in the Reserve
12 Subaccount may be withdrawn by the City for any lawful purpose as long as the aggregate of
13 any money, Qualified Insurance and Qualified Letters of Credit left remaining on deposit in the
14 Reserve Subaccount is at least equal to the Reserve Requirement for the Parity Bonds then
15 outstanding.

The City reserves the right to substitute Qualified Insurance or a Qualified Letter of
16 Credit for money previously deposited in the Reserve Subaccount and to withdraw such money
17 to the extent described in the preceding paragraph.

Any withdrawals from subaccounts within the Reserve Subaccount shall be made on a
18 pro rata basis except when the provider of a Qualified Letter of Credit or Qualified Insurance
19 requires all cash and investments in the Reserve Subaccount to be withdrawn before draws on
20 the Qualified Letter of Credit or Qualified Insurance, or unless the City receives an opinion of
21 Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the

1 exclusion of interest on the Parity Bonds then outstanding from gross income for federal
2 income tax purposes.

3 **Section 15. Flow of Funds.** The Gross Revenue of the Solid Waste System shall be
4 used for the following purposes only and shall be applied in the following order of priority:

5 (a) To pay Maintenance and Operations Expenses;

6 (b) To pay interest on Parity Bonds and Payment Agreement Payments when due;

7 (c) To pay the principal of Parity Bonds as it comes due at maturity or as the
8 principal is required to be paid pursuant to mandatory redemption requirements applicable to
9 Term Bonds;

10 (d) To make all payments required to be made into the Reserve Subaccount;

11 (e) To make all payments required to be made into any revenue bond, note, warrant
12 or other revenue obligation redemption fund, debt service account or reserve account created to
13 pay or secure the payment of the principal of and interest on any revenue bonds, notes, warrants
14 or other obligations of the City having a lien upon the Net Revenue junior and inferior to the
15 lien thereon for the payment of the principal of and interest on the Parity Bonds; and

16 (f) To retire by redemption or purchase any outstanding revenue bonds or other
17 revenue obligations of the Solid Waste System, to make necessary additional betterments,
18 improvements and repairs to or extensions and replacements of Solid Waste System, to make
19 deposits into the Rate Stabilization Account, or for any other lawful purposes of the Solid
20 Waste System.

21 The City may transfer any money from any funds or accounts of the Solid Waste
22 System legally available therefor, except bond redemption funds, refunding escrow funds or
23 defeasance funds, to meet the required payments to be made into the Bond Account.

1 **Section 16. Parity Bond Covenants.**

2 (a) **Establishment and Collection of Rates and Charges.** The City will establish,
3 maintain and collect rates and charges for services and facilities provided by the Solid Waste
4 System and will adjust those rates and charges from time to time so that:

5 (i) Gross Revenue will be sufficient to (A) pay all Maintenance and
6 Operation Expenses, (B) pay when due all amounts that the City is obligated to pay into the
7 Bond Account and the subaccounts therein, and (C) pay all taxes, assessments or other
8 governmental charges lawfully imposed on the Solid Waste System or the revenue therefrom or
9 payments in lieu thereof and any and all other amounts which the City may now or hereafter
10 become obligated to pay from the Gross Revenue by law or contract; and

11 (ii) Adjusted Net Revenue in each fiscal year will be at least equal to the
12 Coverage Requirement; and
13 (iii) Except to aid the poor or infirm, it will not furnish or supply or permit
14 the furnishing or supplying of any service or facility in connection with the operation of the
15 Solid Waste System free of charge to any person, firm or corporation, public or private.

16 The failure of the City to comply with subparagraphs (i) and (ii) of this subsection shall
17 not be an Event of Default under this ordinance if the City promptly retains a Professional
18 Utility Consultant to recommend to the City Council adjustments in the rates of the Solid
19 Waste System necessary to meet the requirements of those subparagraphs and if the City
20 Council adopts the recommended modifications within 180 days of the date the failure became
21 known to the City Council.

22 (b) **Maintenance and Operation of the Solid Waste System.** The City will
23 operate the properties of the Solid Waste System in an efficient manner and at a reasonable
24 cost, and will maintain, preserve and keep, or cause to be maintained, preserved and kept, the
25 properties of the Solid Waste System in good repair, working order and condition; and from
26 time to time will make or cause to be made all necessary and proper repairs, renewals and
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1 replacements thereto so that at all times the business carried on in connection therewith will be
2 properly and advantageously conducted.

3 (c) **Liens Upon the Solid Waste System.** Except as otherwise provided in this
4 ordinance, the City will not at any time create or permit to accrue or to exist any lien or other
5 encumbrance or indebtedness upon the Gross Revenue or any part thereof, prior or superior to
6 the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be
7 paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid,
8 might become a lien or charge upon the Gross Revenue or any part thereof, prior or superior to,
9 or on a parity with, the lien of the Parity Bonds, or which might impair the security of the
10 Parity Bonds.

11 (d) **Books and Accounts.** The City will keep proper books, records and accounts
12 with respect to the operations, income and expenditures of the Solid Waste System in
13 accordance with generally accepted accounting practices applicable to governmental utilities
14 and any applicable rules and regulations prescribed by the State. The City will prepare or cause
15 to be prepared annual financial and operating statements as soon as practicable after the close
16 of each fiscal year showing in reasonable detail the financial condition of the Solid Waste
17 System as of the close of the previous year, and the income and expenses for such year,
18 including the amounts paid into the Bond Account and into any and all special funds or
19 accounts created pursuant to the provisions of this ordinance, the status of all funds and
20 accounts as of the end of such year, and the amounts expended for maintenance, renewals,
21 replacements and capital additions to the Solid Waste System. A copy of such annual financial
22 statements shall be sent to any owner of Parity Bonds upon written request therefor being made
23 to the City. The City may charge a reasonable cost for providing such financial statements.

24 (e) **Collection of Delinquent Accounts.** On at least an annual basis, the City will
25 determine all accounts that are delinquent and will take such actions as the City determines are
26 reasonably necessary to enforce payment of those delinquent accounts.

1 (f) **Maintenance of Insurance.** The City at all times will carry fire and extended
2 coverage, public liability and property damage and such other forms of insurance with
3 responsible insurers and with policies payable to the City on such of the buildings, equipment,
4 works, plants, facilities and properties of the Solid Waste System as are ordinarily carried by
5 municipal or privately owned utilities engaged in the operation of the like systems, and against
6 such claims for damages as are ordinarily carried by municipal or privately owned utilities
7 engaged in the operation of like systems, or, in the City's sole discretion, it will self-insure or
8 will participate in an insurance pool or pools with reserves adequate, in the reasonable
9 judgment of the City, to protect the Solid Waste System against loss.

10 (g) **Condemnation Awards and Insurance Proceeds.** If the City receives any
11 condemnation awards or proceeds of an insurance policy in connection with any loss of or
12 damage to any property of the Solid Waste System, the City shall apply the condemnation
13 award or insurance proceeds, in the City's sole discretion, either (i) to the cost of replacing or
14 repairing the lost or damaged properties, (ii) to the payment, purchase or redemption of Parity
15 Bonds, or (iii) to the cost of improvements to the Solid Waste System.

16 (h) **Sale of System.** The City will sell, transfer or otherwise dispose of all or any
17 part of the works, plant, properties, facilities or other component of the Solid Waste System or
18 any real or personal property comprising a part of the Solid Waste System only consistent with
19 one or more of the following:

20 (i) The City in its discretion may carry out such a sale, transfer or
21 disposition (each, as used in this paragraph (h), a "transfer") if the facilities or property
22 transferred are not material to the operation of the Solid Waste System, or shall have become
23 unserviceable, inadequate, obsolete or unfit to be used in the operation of the Solid Waste
24 System or are no longer necessary, material or useful to the operation of the Solid Waste
25 System; or

1 (ii) The City in its discretion may carry out such a transfer if the aggregate
2 depreciated cost value of the facilities or property being transferred under this subparagraph (ii)
3 in any fiscal year comprises no more than 5% of the total assets of the Solid Waste System; or
4 (iii) The City in its discretion may carry out such a transfer if the proceeds
5 from such transfer are used to acquire new useful operating facilities or properties of the Solid
6 Waste System, or are used to retire outstanding Parity Bonds or other revenue obligations of the
7 Solid Waste System, if, at the time of such transfer, there is on file with the City Clerk a
8 certificate of the Director of Finance and the Director of Seattle Public Utilities demonstrating
9 that in his or her professional opinion, upon such transfer and the use of proceeds of the transfer
10 as proposed by the City, the remaining facilities of the Solid Waste System will retain their
11 operational integrity and, based on the financial statements for the most recent fiscal year
12 available, the proposed transfer would not prevent the Solid Waste System from complying
13 with the rate covenants contained in Section 16(a) during the five fiscal years following the
14 fiscal year in which the transfer is to occur. The Director of Finance and the Director of Seattle
15 Public Utilities shall take into account (A) the reduction in revenue and expenses, if any,
16 resulting from the transfer, (B) the use of any proceeds of the transfer for the redemption of
17 Parity Bonds, (C) the Director of Finance and the Director of Seattle Public Utilities' estimate
18 of revenue from customers anticipated to be served by any additions to and betterments and
19 extensions of the Solid Waste System financed in part by the proposed portion of the proceeds
20 of the transfer and (D) any other adjustment permitted in the preparation of a certificate under
21 Section 17(a)(ii) of this ordinance. Before such a transfer, the City also must obtain
22 confirmation from each of the Rating Agencies to the effect that the rating then in effect will
23 not be reduced or withdrawn upon such transfer.

24 **Section 17. Issuance of Future Parity Bonds.**

25 (a) **General.** Except as provided in Section 17(b) for the issuance of refunding
26 Parity Bonds, Future Parity Bonds may be issued (and Parity Payment Agreements may be
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28 entered into), from time to time in one or more series for any lawful purpose of the Solid Waste
29 System, only if at the time of the delivery of each series of Future Parity Bonds to the initial
30 purchasers thereof (or on the effective date of the Parity Payment Agreement):

31 (i) There is no deficiency in the Bond Account or in any of the accounts
32 therein and provision has been made to meet the Reserve Requirement for all Parity Bonds then
33 outstanding plus such proposed series of Future Parity Bonds; and

34 (ii) There shall have been filed with the City either:

35 (A) A certificate of both the Director of Finance and the Director of
36 Seattle Public Utilities demonstrating that during any 12 consecutive calendar months out of
37 the immediately preceding 24 calendar months Adjusted Net Revenue was at least equal to the
38 Coverage Requirement of all Parity Bonds plus the Future Parity Bonds proposed to be issued
39 (and assuming that the debt service of the proposed Future Parity Bonds for that 12 month
40 period was the average Annual Debt Service for those proposed bonds); or

41 (B) a certificate of both the Director of Finance and the Director of
42 Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of
43 either office) that in their opinion the Adjusted Net Revenue for the five fiscal years next
44 following the earlier of (i) the end of the period during which interest on those Future Parity
45 Bonds is to be capitalized or, if no interest is capitalized, the fiscal year in which the Future
46 Parity Bonds are issued, or (ii) the date on which the substantially all new facilities financed
47 with those Future Parity Bonds are expected to commence operations, such Adjusted Net
48 Revenue further adjusted as provided in paragraphs (I) through (IV) below, will be at least
49 equal to the Coverage Requirement. That certificate may take into account the following
50 adjustments.

51 (I) Any changes in rates in effect and being charged, or rates
52 expected to be charged in accordance with a program of specific rates, rate levels or increases
53 in overall rate revenue approved by ordinance or resolution;

1 (II) Net revenue from customers of the Solid Waste System
2 who have become customers during the 12 consecutive month period or thereafter, and their
3 estimate of net revenue from any customers to be connected to the Solid Waste System who
4 have paid the required connection charges, adjusted to reflect one year's net revenue from those
5 customers;
6 (III) Their estimate of net revenue from customers anticipated
7 to be served by facilities or improvements financed in substantial part by those Future Parity
8 Bonds (or additional Parity Bonds expected to be issued during the five-year period); and
9 (IV) Net revenue from any person, firm, corporation or
10 municipal corporation under any executed contract for solid waste disposal or other utility
11 service, which revenue was not included in the historical Net Revenue of the Solid Waste
12 System.

13 **(b) Issuance of Refunding Parity Bonds.**

14 (i) Without complying with the provisions of Section 17(a), the City may at
15 any time and from time to time issue one or more series of refunding Parity Bonds, but only if
16 there shall have been filed with the City a certificate of the Director of Finance stating that
17 immediately after the issuance of such refunding Parity Bonds the Annual Debt Service in any
18 calendar year that Parity Bonds (other than such refunding Parity Bonds) are then outstanding
19 shall not be increased by more than \$5,000 by reason of the issuance of such refunding Parity
20 Bonds.

21 (ii) Parity Bonds of any one or more series or one or more maturities within
22 a series may be refunded by a single series of refunding Parity Bonds, which Parity Bonds to be
23 refunded shall be specified in the Parity Bond Ordinance providing for the issuance of the
24 refunding Parity Bonds, and the principal amount of such refunding Parity Bonds may include
25 amounts necessary to pay the principal of the Parity Bonds to be refunded, interest thereon to
26 the date of payment or redemption thereof, any premium payable thereon upon such payment
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1 or redemption, the costs of issuance of such refunding Parity Bonds and an amount, if any,
2 required to fund the Reserve Requirement. The proceeds of the refunding Parity Bonds shall be
3 held and applied in such manner as is provided in the Parity Bond Ordinance providing for the
4 issuance of such refunding Parity Bonds, so that upon the delivery of such refunding Parity
5 Bonds the Parity Bonds to be refunded thereby shall be deemed to be no longer outstanding in
6 accordance with the provisions of the Parity Bond Ordinance providing for the issuance of
7 those bonds.

8 (iii) Refunding Parity Bonds may also be issued upon compliance with the
9 provisions of Section 17(a).

10 (iv) Nothing contained in this ordinance shall prohibit or prevent, or be
11 deemed or construed to prohibit or prevent, the City from issuing refunding Parity Bonds to
12 fund or refund maturing Parity Bonds of the City for the payment of which money is not
13 otherwise available without complying with this Section 17.

14 (c) **No Limitation on Junior Lien Bonds.** Nothing in this ordinance shall prevent
15 the City from issuing revenue bonds or other obligations having a lien and charge on the Net
16 Revenue subordinate to the lien and charge of the Parity Bonds.

17 **Section 18. Rate Stabilization Account.** There has been created in the Solid Waste
18 Fund a separate account known as the Rate Stabilization Account. The City may at any time,
19 as determined by the City and as consistent with Section 15, deposit in the Rate Stabilization
20 Account Gross Revenue and any other money received by the Solid Waste System and
21 available to be used therefor. The City may withdraw any or all of the money from the Rate
22 Stabilization Account for inclusion in the Adjusted Gross Revenue for any fiscal year of the
23 City. Such deposits or withdrawals may be made up to and including the date 90 days after the
24 end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Gross
25 Revenue.

1 No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the
2 extent that such deposit would prevent the City from meeting the Coverage Requirement in the
3 relevant fiscal year.

4 **Section 19. Separate Utility Systems.** The City may create, acquire, construct,
5 finance, own and operate one or more additional systems for solid waste collection,
6 transportation, treatment or disposal, or other commodity or service related to the Solid Waste
7 System. The revenue of that separate utility system shall not be included in the Gross Revenue
8 of the Solid Waste System and may be pledged to the payment of revenue obligations issued to
9 purchase, construct, condemn or otherwise acquire or expand the separate utility system.
10 Neither the Gross Revenue nor the Net Revenue of the Solid Waste System shall be pledged by
11 the City to the payment of any obligations of a separate utility system except (1) as a Contract
12 Resource Obligation upon compliance with Section 20 and/or (2), with respect to the Net
13 Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

14 **Section 20. Contract Resource Obligations.** The City may at any time enter into
15 one or more Contract Resource Obligations for the acquisition, from facilities to be
16 constructed, of solid waste collection, transportation, treatment or disposal, or other commodity
17 or service relating to the Solid Waste System. The City may determine that, and may agree
18 under a Contract Resource Obligation to provide that, all payments under that Contract
19 Resource Obligation (including payments prior to the time that the solid waste collection,
20 transportation, treatment or disposal of other commodity or service is being provided, or during
21 a suspension or after termination of commodity or service) shall be Maintenance and Operation
22 Expenses if the following requirements are met at the time such a Contract Resource Obligation
23 is entered into:

24 (a) No event of default under a Parity Bond Ordinance has occurred
25 and is continuing.

26 (b) There shall be on file a certificate of a Professional Utility
27 Consultant stating that (i) the payments to be made by the City in connection with
the Contract Resource Obligation are reasonable for the commodities provided or

1 services rendered; (ii) the source of any new commodities or services, and any
2 facilities to be constructed to provide the commodities or services, are sound from
3 a solid waste collection, transportation, treatment and disposal, or other
4 commodity or service planning standpoint, are technically and economically
5 feasible in accordance with prudent utility practice, and are likely to provide
6 commodities or services no later than a date set forth in the Professional Utility
7 Consultant's certification; and (iii) the Adjusted Net Revenue (further adjusted by
8 the Professional Utility Consultant's estimate of the payments to be made in
9 accordance with the Contract Resource Obligation) for the five fiscal years
10 following the year in which the Contract Resource Obligation is incurred, as such
11 Adjusted Net Revenue is estimated by the Professional Utility Consultant in
12 accordance with the provisions of and adjustments permitted in Section 17(a)(ii),
13 will be at least equal to the Coverage Requirement.

14 Payments required to be made under Contract Resource Obligations shall not be subject
15 to acceleration. Nothing in this Section shall be deemed to prevent the City from entering into
16 other agreements for the acquisition of solid waste collection, transportation, treatment or
17 disposal, or other commodity or service, from existing facilities and from treating those
18 payments as Maintenance and Operation Expenses. Nothing in this Section shall be deemed to
19 prevent the City from entering into other agreements for the acquisition of solid waste
20 collection, transportation, treatment or disposal, or other commodity or service, from facilities
21 to be constructed and from agreeing to make payments with respect thereto, such payments
22 constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.

23 **Section 21. Refunding or Defeasance of Bonds.** The Bonds are hereby designated
24 "Refundable Bonds" for purposes of Ordinance 121940. The City may issue refunding bonds
25 pursuant to the laws of the State or use money available from any other lawful source to pay
26 when due the principal of and premium, if any, and interest on the Bonds, or any portion
27 thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or
28 defease those Bonds (the "defeased Bonds") and to pay the costs of such refunding or
29 defeasance. If money and/or Government Obligations sufficient in amount, together with
30 known earned income from the investments thereof, to redeem and retire, release, refund or
31 defease the defeased Bonds in accordance with their terms, are set aside in a special trust fund

1 or escrow account irrevocably pledged to that redemption, retirement or defeasance (the "trust
2 account"), then all right and interest of the Registered Owners of the defeased Bonds in the
3 covenants of this ordinance and in the Net Revenue and the funds and accounts pledged to the
4 payment of the defeased Bonds, other than the right to receive the funds so set aside and
5 pledged, thereafter shall cease and become void. Such Registered Owners thereafter shall have
6 the right to receive payment of the principal of and interest or redemption price on the defeased
7 Bonds from the trust account. The City shall include in the refunding or defeasance plan such
8 provisions as the City deems necessary for the random selection of any defeased Bonds that
9 constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be
10 given to the Registered Owners of the defeased Bonds and to such other persons as the City
11 shall determine, and for any required replacement of Bond certificates for defeased Bonds.

12 After the establishing and full funding of such a trust account, the defeased Bonds shall
13 be deemed no longer outstanding, and the City may then apply any money in any other fund or
14 account established for the payment or redemption of the defeased Bonds to any lawful
15 purposes as it shall determine, subject only to the rights of the owners of any other Parity
16 Bonds.

17 If the refunding or defeasance plan provides that the defeased Bonds or the refunding
18 bonds to be issued be secured by money and/or Government Obligations pending the prior
19 redemption of the defeased Bonds and if such refunding or defeasance plan also provides that
20 certain money and/or Government Obligations are pledged irrevocably for the prior redemption
21 of the defeased Bonds included in that refunding or defeasance plan, then only the debt service
22 on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is
23 not so secured by the refunding plan, shall be included in the computation of the Coverage
24 Requirement for the issuance of Future Parity Bonds, and the annual computation of the
25 Coverage Requirement for determining compliance with the rate covenants.

26 **Section 22. Amendments.**

1 **(a) Amendments Without Parity Bond Owners' Consent.** The City Council
2 from time to time and at any time may pass a resolution or resolutions, or ordinance or
3 ordinances, supplemental hereto, which resolution or resolutions, ordinance or ordinances
4 thereafter shall become a part of this ordinance, for any one or more of the following purposes:

5 (i) To add to the covenants and agreements of the City contained in this
6 ordinance other covenants and agreements thereafter to be observed which shall not adversely
7 affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right
8 or power herein reserved to or conferred upon the City.

9 (ii) To make such provisions for the purpose of curing any ambiguities or of
10 curing, correcting or supplementing any defective provision contained in this ordinance in
11 regard to matters or questions arising under this ordinance as the City Council may deem
12 necessary or desirable and not inconsistent with this ordinance and which shall not adversely
13 affect the interests of owners of any Parity Bonds then outstanding in any material respect.

14 (iii) To make such changes as are necessary to permit the Bonds to be held in
15 registered certificate form or in fully immobilized form by a Securities Depository other than
16 DTC.

17 Any such supplemental resolution or ordinance of the City may be passed without the
18 consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the
19 provisions of Section 22(b), but only upon receipt by the City of an opinion of Bond Counsel to
20 the effect that the amendment is permitted by the terms of this ordinance. The City shall
21 deliver a copy of any such supplemental resolution or ordinance to the Rating Agencies prior to
22 its passage by the City.

23 **(b) Amendments With Parity Bond Owners' Consent.** The City Council may,
24 with the consent of the registered owners of not less than 60% in aggregate principal amount of
25 the Parity Bonds then outstanding, pass a resolution or resolutions or ordinance or ordinances
26 supplemental hereto for the purpose of adding any provisions to or changing in any manner or

1 eliminating any of the provisions of this ordinance or of any supplemental resolution or
2 ordinance, except no such supplemental resolution or ordinance shall:
3 (i) Extend the fixed maturity of any Parity Bonds, or reduce the rate of
4 interest thereon, or extend the times of payment of interest from their respective due dates, or
5 reduce the amount of the principal thereof, or reduce any premium payable on the redemption
6 thereof, without the consent of the registered owner of each Parity Bond so affected; or
7 (ii) Reduce the aforesaid percentage of registered owners required to
8 approve any such supplemental resolution or ordinance, without the consent of the registered
9 owners of all of the Parity Bonds then outstanding.
10 For purposes of determining whether the registered owners of the requisite percentage
11 of principal amount of Parity Bonds have consented to any amendment to this ordinance, the
12 Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount
13 thereof.
14 It shall not be necessary for the consent of registered owners under this paragraph (b) to
15 approve the particular form of any proposed supplemental ordinance or resolution, but it shall
16 be sufficient if such consent shall approve the substance thereof.
17 (c) **Effect of Amendment.** Upon the passage of any supplemental resolution or
18 ordinance pursuant to the provisions of this Section, this ordinance shall be deemed to be
19 modified and amended in accordance therewith, and the respective rights, duties and
20 obligations of the City under this ordinance shall thereafter be determined, exercised and
21 enforced thereunder, subject in all respects to such modification and amendments, and all the
22 terms and conditions of any such supplemental resolution or ordinance shall be deemed to be a
23 part of the terms and conditions of this ordinance for any and all purposes.
24 (d) **Notation on Bonds.** Parity Bonds executed and delivered after the execution of
25 any supplemental resolution or ordinance passed pursuant to the provisions of this Section may
26 have a notation as to any matter provided for in such supplemental resolution or ordinance, and
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1 if such supplemental resolution or ordinance shall so provide, new bonds modified to conform,
2 in the opinion of the Director of Finance, to any modification of this ordinance contained in any
3 such supplemental resolution or ordinance may be prepared by the City and delivered without
4 cost to the owners of any affected Parity Bonds then outstanding, upon surrender for
5 cancellation of such bonds in equal aggregate principal amounts.
6 (e) **Amendments Relating to Tax Credit Subsidy Bonds.** The Registered Owners
7 from time to time of the outstanding Bonds, by taking and holding the same, shall be deemed to
8 have consented to the adoption by the City of any supplemental resolution or ordinance passed
9 pursuant to the provisions of this Section for any one or more of the following purposes:
10 (i) When calculating "Annual Debt Service," to permit or require Tax
11 Credit Subsidies expected to be received by the City in any period to be credited against
12 amounts required to be paid in respect of interest on the Parity Bonds in that period; and
13 (ii) To permit or require Tax Credit Subsidies to be deposited into the
14 Principal and Interest Subaccount and credited against the Net Revenue otherwise required to
15 be deposited into the Principal and Interest Subaccount.

16 **Section 23. Defaults and Remedies.**

17 (a) **Events of Default.** The following shall constitute "Events of Default" with
18 respect to the Bonds:
19 (i) If a default is made in the payment of the principal of or interest on any
20 of the Bonds when the same shall become due and payable; or
21 (ii) If the City defaults in the observance and performance of any other of
22 the covenants, conditions and agreements on the part of the City set forth in this ordinance or in
23 any Parity Bond Ordinance (except as otherwise provided herein or in such Parity Bond
24 Ordinance) and such default or defaults have continued for a period of six months after they
25 have received from the Bond Owners' Trustee (as defined below) or from the registered owners
26 of not less than 25% in principal amount of the Parity Bonds, a written notice specifying and
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1 demanding the cure of such default. However, if the default in the observance and performance
2 of any other of the covenants, conditions and agreements is one which cannot be completely
3 remedied within the six months after written notice has been given, it shall not be an Event of
4 Default with respect to the Bonds as long as the City has taken active steps within the six
5 months after written notice has been given to remedy the default and is diligently pursuing such
6 remedy.

7 **(b) Bond Owners' Trustee.** So long as such Event of Default has not been
8 remedied, a Bond Owners' trustee (the "Bond Owners' Trustee") may be appointed by the
9 registered owners of 25% in principal amount of the Parity Bonds, by an instrument or
10 concurrent instruments in writing signed and acknowledged by such registered owners of the
11 Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bond Owners'
12 Trustee, notification thereof being given to the City. That appointment shall become effective
13 immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners'
14 Trustee appointed under the provisions of this Section shall be a bank or trust company
15 organized under the laws of the State of Washington or the State of New York or a national
16 banking association. The bank or trust company acting as Bond Owners' Trustee may be
17 removed at any time, and a successor Bond Owners' Trustee may be appointed, by the
18 registered owners of a majority in principal amount of the Parity Bonds, by an instrument or
19 concurrent instruments in writing signed and acknowledged by such registered owners or by
20 their attorneys-in-fact duly authorized. The Bond Owners' Trustee may require such security
21 and indemnity as may be reasonable against the costs, expenses and liabilities that may be
22 incurred in the performance of its duties.

23 In the event that any Event of Default in the sole judgment of the Bond Owners' Trustee
24 is cured and the Bond Owners' Trustee furnishes to the City a certificate so stating, that Event
25 of Default shall be conclusively deemed to be cured and the City, the Bond Owners' Trustee
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1 and the registered owners of the Parity Bonds shall be restored to the same rights and position
2 which they would have held if no Event of Default had occurred.

3 The Bond Owners' Trustee appointed in the manner herein provided, and each
4 successor thereto, is declared to be a trustee for the registered owners of all the Parity Bonds
5 and is empowered to exercise all the rights and powers herein conferred on the Bond Owners'
6 Trustee.

7 **(c) Suits at Law or in Equity.** Upon the happening of an Event of Default and
8 during the continuance thereof, the Bond Owners' Trustee may, and upon the written request of
9 the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding
10 shall, take such steps and institute such suits, actions or other proceedings, all as it may deem
11 appropriate for the protection and enforcement of the rights of the registered owners of the
12 Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other
13 appropriate relief, and may enforce the specific performance of any covenant, agreement or
14 condition contained in this ordinance or in any of the Parity Bonds.

15 Nothing contained in this Section shall, in any event or under any circumstance, be
16 deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the
17 remedy of acceleration is expressly denied to the registered owners of the Parity Bonds under
18 any circumstances including, without limitation, upon the occurrence and continuance of an
19 Event of Default.

20 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder
21 shall be brought in its name as trustee for the registered owners of the Parity Bonds and all such
22 rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may
23 be enforced by the Bond Owners' Trustee without the possession of any of those Parity Bonds
24 and without the production of the same at any trial or proceedings relative thereto except where
25 otherwise required by law. Any such suit, action or proceeding instituted by the Bond Owners'
26 Trustee shall be brought for the ratable benefit of all of the registered owners of those Parity
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1 Bonds, subject to the provisions of this ordinance. The respective registered owners of the
2 Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to
3 appoint the Bond Owners' Trustee the true and lawful trustee of the respective registered
4 owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to
5 receive as trustee and deposit in trust any sums becoming distributable on account of those
6 Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts
7 with respect thereto that the registered owner himself or herself might have done in person.
8 Nothing herein shall be deemed to authorize or empower the Bond Owners' Trustee to consent
9 to accept or adopt, on behalf of any registered owner of the Parity Bonds, any plan of
10 reorganization or adjustment affecting the Parity Bonds or any right of any registered owner
11 thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the
12 registered owners thereof in any receivership, insolvency, liquidation, bankruptcy,
13 reorganization or other proceeding to which the City is a party.

14 **(d) Application of Money Collected by Bond Owners' Trustee.** Any money
15 collected by the Bond Owners' Trustee at any time pursuant to this Section shall be applied in
16 the following order of priority:

17 (i) first, to the payment of the charges, expenses, advances and
18 compensation of the Bond Owners' Trustee and the charges, expenses, counsel fees,
19 disbursements and compensation of its agents and attorneys; and

20 (ii) second, to the payment to the persons entitled thereto of all installments
21 of interest then due on the Parity Bonds in the order of maturity of such installments and, if the
22 amount available shall not be sufficient to pay in full any installment or installments maturing
23 on the same date, then to the payment thereof ratably, according to the amounts due thereon to
24 the persons entitled thereto, without any discrimination or preference; and

25 (iii) third, to the payment to the persons entitled thereto of the unpaid
26 principal amounts of any Parity Bonds which shall have become due (other than Parity Bonds
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1 previously called for redemption for the payment of which money is held pursuant to the
2 provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the
3 order of their due dates and, if the amount available shall not be sufficient to pay in full the
4 principal amounts due on the same date, then to the payment thereof ratably, according to the
5 principal amounts due thereon to the persons entitled thereto, without any discrimination or
6 preference.

7 **(e) Duties and Obligations of Bond Owners' Trustee.** The Bond Owners'
8 Trustee shall not be liable except for the performance of such duties as are specifically set forth
9 herein. During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights
10 and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as
11 a prudent person would exercise or use under the circumstances in the conduct of his or her
12 own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act
13 hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent
14 failure to act or its own willful misconduct. The duties and obligations of the Bond Owners'
15 Trustee shall be determined solely by the express provisions of this ordinance, and no implied
16 powers, duties or obligations of the Bond Owners' Trustee shall be read into this ordinance.

17 The Bond Owners' Trustee shall not be required to expend or risk its own funds or
18 otherwise incur individual liability in the performance of any of its duties or in the exercise of
19 any of its rights or powers as the Bond Owners' Trustee, except as may result from its own
20 negligent action, its own negligent failure to act or its own willful misconduct.

21 The Bond Owners' Trustee shall not be bound to recognize any person as a registered
22 owner of any Parity Bond until his or her title thereto, if disputed, has been established to its
23 reasonable satisfaction.

24 The Bond Owners' Trustee may consult with counsel and the opinion of such counsel
25 shall be full and complete authorization and protection in respect of any action taken or
26 suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The
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1 Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm or
2 corporation employed and selected by it with reasonable care.

3 (f) **Suits by Individual Parity Bond Owners Restricted.** No owner of any one or
4 more Parity Bonds shall have any right to institute any action, suit or proceeding at law or in
5 equity for the enforcement of same unless:

6 (i) an Event of Default has happened and is continuing; and

7 (ii) a Bond Owners' Trustee has been appointed; and

8 (iii) such owner previously shall have given to the Bond Owners' Trustee
9 written notice of the Event of Default on account of which such suit, action or proceeding is to
10 be instituted; and

11 (iv) the registered owners of 25% in principal amount of the Parity Bonds,
12 after the occurrence of such Event of Default, have made written request of the Bond Owners'
13 Trustee and have afforded the Bond Owners' Trustee a reasonable opportunity to institute such
14 suit, action or proceeding; and

15 (v) there have been offered to the Bond Owners' Trustee security and
16 indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or
17 thereby; and

18 (vi) the Bond Owners' Trustee has refused or neglected to comply with such
19 request within a reasonable time.

20 No owner of any Parity Bond shall have any right in any manner whatever by his or her
21 action to affect or impair the obligation of the City to pay from the Net Revenue the principal
22 of and interest on the Parity Bonds to the respective owners thereof when due.

23 (g) **Failure to Comply With Undertaking.** Notwithstanding anything in this
24 Section to the contrary, the failure of the City or any obligated person to comply with any
25 Undertaking adopted by the Bond Resolution pursuant to Section 25 shall not constitute an
26 Event of Default hereunder, and the sole remedy of any holder of a Bond shall be to seek an
27

order of specific performance from an appropriate court to compel the City to comply with the
2 Undertaking.

3 **Section 24. Preservation of Tax Exemption for Interest on Tax-Exempt Bonds.**
4 The City covenants that it will take all actions consistent with the terms of the Bonds, this
5 ordinance and the Bond Resolution, reasonably within its power and necessary to prevent
6 interest on the Tax-Exempt Bonds from being included in gross income for federal income tax
7 purposes, and it will neither take any action nor make or permit any use of proceeds of the
8 Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of
9 the Bonds, which will cause interest on the Tax-Exempt Bonds to be included in gross income
10 for federal income tax purposes.

11 **Section 25. Continuing Disclosure.** The City shall undertake to provide for the
12 benefit of holders of the Bonds, to the extent applicable, disclosure of certain financial
13 information and operating data of the type included in the final official statement for the Bonds,
14 as well as disclosure of certain events respecting the Bonds, in the manner and to the extent
15 required by United States Securities and Exchange Commission Rule 15c2-12(b)(5). The
16 particular terms of the Undertaking shall be set forth in the Bond Resolution.

17 **Section 26. Construction Account; Deposit of Proceeds.** An account to be known
18 as the Solid Waste Construction Account, 2011 (the "Construction Account") is created in the
19 Solid Waste Fund. The principal proceeds of the sale of the Bonds remaining after the deposit
20 of accrued interest on the Bonds, if any, into the Principal and Interest Subaccount and the
21 deposit of any proceeds as determined by the Bond Resolution into the Reserve Subaccount,
22 shall be deposited into the Construction Account, unless otherwise specified in the Bond
23 Resolution or directed by the Director of Finance, to be used for the purpose of paying part of
24 the costs of carrying out the Plan of Additions and to pay for the costs of issuance of the Bonds.
25 Until needed to pay such costs, the City may invest principal proceeds and interest thereon
26 temporarily in any legal investment, and the investment earnings may, as determined by the
27

1 Director of Finance, be retained in the Construction Account and be spent for the purposes of
2 that fund or deposited in the Parity Bond Account.

3 **Section 27. Sale of Bonds.** The Director of Finance may provide for the sale of each
4 series of Bonds (or any portion thereof) by public sale or by a negotiated sale with an
5 underwriter or other financial institution chosen through a selection process acceptable to the
6 Director of Finance. The Director of Finance is authorized to specify a date and time of sale of
7 the Bonds, to give notice of that sale, to determine any bid requirements and criteria for
8 determining the award of the bid, to provide for the use of an electronic bidding mechanism,
9 and to specify other matters in his or her determination necessary, appropriate, or desirable to
10 carry out the sale of the Bonds. The terms of that sale shall be consistent with this ordinance
11 and the Bond Resolution and shall be confirmed by the Bond Resolution. The Bonds shall be
12 delivered to the purchasers as provided in the Bond Resolution immediately upon payment to
13 the City of the purchase price plus accrued interest, if any, to the Closing Date in immediately
14 available federal funds in Seattle, Washington, at the City's expense or at another time or place
15 upon which the Director of Finance and the purchaser may mutually agree at the purchaser's
16 expense.

17 If one or more series of Bonds are sold and issued as Tax Credit Subsidy Bonds, the
18 Director of Finance is hereby authorized on behalf of the City to take such actions and enter
19 into such agreements as are necessary or appropriate for the City to receive from the United
20 States Treasury the applicable Tax Credit Subsidies.

21 CUSIP numbers will be printed on the Bonds if requested by the purchasers, but neither
22 failure to print CUSIP numbers on any Bond nor error with respect thereto shall constitute
23 cause for a failure or refusal by the purchasers to accept delivery of and pay for the Bonds in
24 accordance with the purchase offer. All expenses in relation to the printing of CUSIP numbers
25 on the Bonds shall be paid by the City, but the fee of the CUSIP Service Bureau for the
26 assignment of those numbers shall be the responsibility of and shall be paid by the purchasers.

1 The City will cause the Bonds to be typed, photocopied, printed or lithographed, sealed
2 and executed and will furnish the approving legal opinion of Bond Counsel, the opinion also
3 being printed on each Bond unless the Bond is typed or photocopied.

4 **Section 28. General Authorization.** The Mayor and the Director of Finance of the
5 City and each of the other appropriate officers of the City are each authorized and directed to
6 do everything as in their judgment may be necessary, appropriate or desirable in order to carry
7 out the terms and provisions of, and complete the transactions contemplated by, this ordinance.
8 In particular, and without limitation, the Director of Finance may, in his or her discretion and
9 without further action by the City Council, (i) issue requests for proposals for underwriting or
10 financing facilities and execute engagement letters with underwriters, bond insurers or other
11 financial institutions based on responses to such requests, (ii) deem final and approve the
12 distribution of any preliminary official statement or official statement relating to the Bonds,
13 (iii) comply with any continuing disclosure requirements applicable to the Bonds and (iv)
14 change the Bond Registrar or any securities depository appointed for the Bonds.

15 **Section 29. Severability.** The provisions of this ordinance are declared to be
16 separate and severable. If a court of competent jurisdiction, all appeals having been exhausted
17 or all appeal periods having run, finds any provision of this ordinance to be invalid or
18 unenforceable as to any person or circumstance, such offending provision shall, if feasible, be
19 deemed to be modified to be within the limits of enforceability or validity. However, if the
20 offending provision cannot be so modified, it shall be null and void with respect to the
21 particular person or circumstance, and all other provisions of this ordinance in all other
22 respects, and the offending provision with respect to all other persons and all other
23 circumstances, shall remain valid and enforceable.

24 **Section 30. Ratification of Prior Acts.** Any action taken consistent with the
25 authority of this ordinance, after its passage but prior to the effective date, is ratified, approved
26 and confirmed.

1 **Section 31. Headings.** The section headings in this ordinance are used for
 2 convenience only and shall not constitute a substantive portion of this ordinance.

3 **Section 32. Effective Date.** This ordinance shall take effect and be in force 30 days
 4 from and after its approval by the Mayor, but if not approved and returned by the Mayor within
 5 ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

6 Passed by the City Council the ____ day of _____, 2011, and signed by me
 7 in open session in authentication of its passage this ____ day of _____, 2011.

8
 9
 10 President _____ of the City Council
 11 Approved by me this ____ day of _____, 2011.

12
 13 _____ Michael McGinn, Mayor
 14
 15 Filed by me this ____ day of _____, 2011.

16
 17 _____
 18 (SEAL) City Clerk
 19

20
 21 Attachment: Exhibit A: CITY OF SEATTLE Outstanding Solid Waste Parity Bonds
 22
 23
 24
 25
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 27
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1 **EXHIBIT A**
 2 **CITY OF SEATTLE**
 3 **Outstanding Solid Waste Parity Bonds**

Issue Name	Dated Date	Original Par Amount	Outstanding Balance 2/21/2011	Bond Legislation
Solid Waste Revenue and Refunding Bonds, 2007 (the "2007 Bonds")	12/12/2007	\$82,175,000	\$76,415,000	Ordinance 121940, Ordinance 122498, and Resolution 31032

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APPENDIX B
FORM OF BOND COUNSEL OPINION

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[FORM OF BOND COUNSEL OPINION]

[Closing Date]

The City of Seattle, Washington

Re: The City of Seattle, Washington
\$45,750,000 Solid Waste Revenue Bonds, 2011

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 with 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 and pursuant to Ordinance 123576 and Resolution 31301 (the “Bond Legislation”) to provide the funds to pay the cost of various projects of the City’s Solid Waste System, to fund a reserve for the Parity Bonds, and 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.

Based upon the foregoing, 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, 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 the ordinances of the City relating thereto.

3. The Bonds constitute valid and binding obligations of the City payable solely out of the Net Revenue of the Solid Waste System and money in the Bond Account (including the Reserve Subaccount therein) and the Rate Stabilization Account, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the principles of equity if equitable remedies are sought.

4. The Bonds are not general obligations of the City.

5. 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.

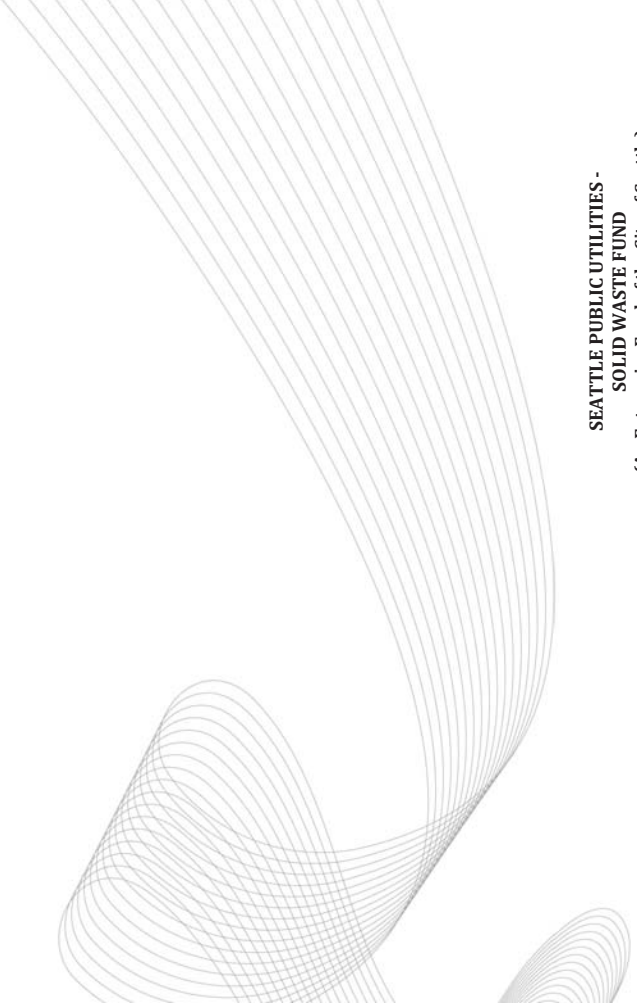
We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX C

2010 AUDITED FINANCIAL STATEMENTS OF THE SOLID WASTE SYSTEM

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**SEATTLE PUBLIC UTILITIES -
SOLID WASTE FUND**
(An Enterprise Fund of the City of Seattle)

Report of Independent Auditors and
Financial Statements with Required
Supplementary Information and
Supplemental Information

December 31, 2010 and 2009

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants
Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

To the Director of Seattle Public Utilities
Solid Waste Fund
Seattle, Washington

We have audited the accompanying balance sheets of Seattle Public Utilities - Solid Waste Fund (the "Fund") as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Public Utilities - Solid Waste Fund as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis preceding the financial statements is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental information following the financial statements is also not a required part of the basic financial statements but is supplemental information provided for purposes of additional analysis. We did not audit or perform any other procedures on this information and express no opinion on it.

Moss Adams LLP

Seattle, Washington
April 27, 2011

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

As management of Seattle Public Utilities ("SPU"), a department of the City of Seattle (the "City"), we offer readers of SPU's financial statements this narrative overview and analysis of the financial activities of the Solid Waste Fund (the "Fund") for the fiscal years ended December 31, 2010 and 2009. The revenues, expenses, assets, and liabilities of the City of Seattle's solid waste system are recorded in the Solid Waste Fund, the functions of which are primarily supported by user fees and charges charged to customers. The financial situation of other aspects of Seattle City government, including other utility services and general government operations, are reported elsewhere.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements include Management's Discussion and Analysis and basic financial statements with accompanying notes.

Basic Financial Statements - The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The basic financial statements begin on page 10 of this report and are comprised of three components: (1) Balance Sheets, (2) Statements of Revenues, Expenses, and Changes in Net Assets, and (3) Statements of Cash Flows.

The Balance Sheets present information, as of December 31, 2010 and 2009, on all of the Fund's assets and liabilities, with the difference between the two reported as net assets. They also provide information about the nature and amounts of investments in resources (assets), obligations to the Fund's creditors (liabilities), and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The Statements of Revenues, Expenses, and Changes in Net Assets present changes in the Fund's net assets for the years ended December 31, 2010 and 2009. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. These statements reflect the results of the Fund's operations for the years identified to provide information about the Fund's credit worthiness and its ability to successfully recover all its costs through service fees and other charges.

The Statements of Cash Flows are required to provide information about the Fund's cash receipts and cash payments during the years ended December 31, 2010 and 2009. To provide answers to questions about sources, uses, and impacts to cash, these statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities for the reporting period.

Notes to the Financial Statements - The notes are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the data provided in the financial statements, such as for certain estimates and financing details. The notes to the financial statements begin on page 15 of this report.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

FINANCIAL ANALYSIS

Increases or decreases in net assets may serve over time as a useful indicator of whether the Fund's financial position is improving or deteriorating. At December 31, 2010, the Fund had a surplus in total net assets of \$15.4 million compared to a surplus of \$9.4 million in 2009. During the year, the Fund's overall position improved, with an increase in net assets of \$6.0 million (63.4%), compared to an \$8.6 million (47.8%) decrease in 2009. The following summary balance sheets present the assets of the Fund and show the mix of liabilities and net assets used to acquire these assets.

SUMMARY BALANCE SHEETS

	2010	2009	2008
ASSETS			
Current assets	\$ 23,677,574	\$ 17,718,497	\$ 25,882,236
Capital assets, net	80,339,414	66,998,313	54,540,996
Other	40,303,559	62,445,283	81,799,080
Total assets	<u>144,320,547</u>	<u>147,162,093</u>	<u>162,222,312</u>
LIABILITIES			
Current liabilities	26,479,803	27,345,657	28,438,575
Long-term debt	79,307,108	81,493,711	83,536,464
Other	23,111,033	28,885,992	32,250,944
Total liabilities	<u>128,897,944</u>	<u>137,725,360</u>	<u>144,225,983</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,579,960	13,094,185	9,423,964
Restricted	1,000,792	63,348	392,584
Unrestricted	<u>(1,158,149)</u>	<u>(3,720,800)</u>	<u>8,179,781</u>
Total net assets	<u>\$ 15,422,603</u>	<u>\$ 9,436,733</u>	<u>\$ 17,996,329</u>

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

FINANCIAL ANALYSIS (Continued)

2010 Compared to 2009

Assets - Current assets increased \$6.0 million (33.6%) over the prior year. Operating cash increased \$6.4 million due to reduced bond principal and interest payments and the timing of payment for year-end construction invoices. These changes were offset by an increase in the allowance for doubtful accounts of \$0.7 million, attributed to accounts associated with a prior commercial contractor.

Other assets decreased \$22.1 million (35.5%) from the prior year, primarily due to a change in the construction fund cash, of which \$16.8 million was spent on construction projects. In addition, the deferred landfill closure and post-closure costs decreased \$5.4 million. The reduction is attributed to lower estimated consultant costs and staff time as a result of the reduced monitoring requirements.

Liabilities - Current liabilities decreased \$0.9 million (3.2%) from the prior year. This is mostly attributed to a \$4.2 million decrease in the current portion of the environmental liability since remediation work for one of the Fund's environmental sites was substantially complete in 2010. This decrease was offset by \$1.4 million increase in deferred credits resulting from services billed in advance and an increase in accounts payable of \$2.0 million.

Other liabilities decreased \$5.8 million (20.0%) from 2009. The most significant factor affecting this change is a \$4.6 million decrease in the noncurrent portion of the landfill closure and postclosure liability. The liability for monitoring frequency was reduced, resulting in future lower staff and consultant costs. In addition, the environmental liabilities declined by \$1.6 million because remediation work at one site is substantially complete. The decrease was offset by an increase of \$0.3 million in escrow deposits collected from a contractor responsible for construction at the South Transfer Station.

Net Assets - A portion of the Fund's net assets (\$15.6 million) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers. Consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. During 2010, net assets invested in capital assets increased \$2.6 million due to increases in the balance of construction in progress and capital assets placed in service, offset by reduced levels of debt.

The Fund's restricted net assets represent resources that are subject to restrictions on how they may be used. This portion of net assets increased \$0.9 million due to reductions in the environmental liabilities and deferred environmental costs.

The remaining portion of the Fund's net assets is in a deficit position (\$1.1 million deficit) and represents resources that are unrestricted.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

FINANCIAL ANALYSIS (Continued)

2009 Compared to 2008

Assets - Current assets decreased \$8.2 million (31.7%) over the prior year. This decrease was primarily due to a \$10.2 million decline in unrestricted cash offset by a \$1.7 million increase in accounts receivable. The decrease in cash is mostly due to increased solid waste contract costs.

Other assets decreased \$19.4 million (23.7%), due in part to a \$13.7 million reduction in restricted cash resulting from the use of bond proceeds to fund construction projects. Another factor contributing to the decrease was a \$5.6 million reduction in deferred charges, attributable to lower environmental costs and amortization of the deferred landfill closure and post closure expenses.

Liabilities - Current liabilities decreased \$1.1 million (3.8%) from 2008. This is mostly attributed to a \$4.5 million decrease in revenue bonds due within one year because two of the Fund's bond issues were paid off in 2009. This decrease was offset by a \$3.2 million increase in current deferred credits resulting from rate increases for services billed in advance.

Other liabilities decreased \$3.4 million (10.4%). The most significant factor affecting this change is a \$2.7 million decrease in the noncurrent portion of environmental liabilities. The liability for one site was reduced from the prior year as the construction bids were considerably lower than anticipated.

Net Assets - A portion of the Fund's net assets (\$13.1 million) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers. Consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. During 2009, net assets invested in capital assets increased \$3.7 million due to increases in the balance of construction in progress and capital assets placed in service, offset by reduced levels of debt.

The Fund's restricted net assets represent resources that are subject to restrictions on how they may be used. This portion of net assets decreased \$0.3 million due mostly to changes in environmental liabilities and deferred environmental costs.

The remaining portion of the Fund's net assets is in a deficit position (\$3.7 million deficit) and represents resources that are unrestricted. This balance decreased \$11.9 million mostly due to \$25.1 million increase in operating expenses for the solid waste contract costs and offset by increased revenues of \$11.3 million.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

FINANCIAL ANALYSIS (Continued)

The following summary statements of revenues, expenses, and changes in net assets present the annual surplus (or deficit) of revenues over expenses (the change in net assets):

	SUMMARY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
	2010	2009	2008
Operating revenues	\$ 150,905,931	\$ 135,641,160	\$ 124,353,043
Operating expenses	<u>(144,206,310)</u>	<u>(144,077,988)</u>	<u>(118,169,071)</u>
Net operating income (loss)	6,699,621	(8,436,828)	6,183,972
Other expenses, net of other revenues	(1,496,157)	(1,104,428)	(271,076)
Fees, contributions, and grants	<u>782,406</u>	<u>981,660</u>	<u>728,268</u>
Change in net assets	<u>\$ 5,985,870</u>	<u>\$ (8,559,596)</u>	<u>\$ 6,641,164</u>

2010 Compared to 2009

Current year operating revenues increased approximately \$15.3 million or 11.2% compared to the prior year. The key factor affecting this change was an approximate 11.5% increase in rates effective January 1, 2010. The remaining variance of 8.6% is because the rate increase in 2009 did not take effect until March 30, 2009.

Operating expenses increased \$0.1 million (0.1%) compared to 2009. The impacts of the increase in commercial solid waste contract costs of \$6.0 million were significantly reduced by savings in payroll costs, city taxes and landfill closure costs. The payroll savings of \$0.7 million resulted from mandatory furloughs, reduction in overtime and higher-labor costs charged to capital projects. City tax savings of \$3.3 million were realized from the cancellation of the landfill closure tax effective January 1, 2010. The customer service branch spent \$0.7 million less than in 2009 on professional service and public relations contracts. The higher expense on these contracts in 2009 was a result of the new solid waste services being implemented in March 2009. Finally, the landfill closure costs were fully amortized in 2009 resulting in a \$1.2 million reduction in amortization costs.

Other expenses, net of other revenues, increased \$0.4 million (35.5%). The main factor affecting this change was a decrease in interest income. The Fund's cash reserve balances dropped by \$10.4 million due to increased construction costs at the South Transfer Station.

Fees, contributions, and grants decreased \$0.2 million (20.3%) primarily because of the South Park Landfill MTCA grant received from the Washington State Department of Ecology. In 2009, the Fund was allowed to receive a grant reimbursement for retroactive costs spanning back to 2007 resulting in higher than average operating grant revenues. During 2010, the Fund was only reimbursed for costs incurred during the operating year.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

FINANCIAL ANALYSIS (Continued)

2009 Compared to 2008

Current year operating revenues increased approximately \$11.3 million or 9.1% compared to the prior year. The key factor affecting this increase was an increase in rates.

Operating expenses increased \$25.9 million or 21.9% compared to 2008. The primary cause of this increase was increased contract costs for solid waste collection. The Fund entered into new contracts with external parties effective March 30, 2009, which increased the costs for hauling residential and commercial garbage. In addition, the Fund commenced a new food waste program, resulting in an additional expense for recycling processing.

Other expenses, net of other revenues, increased \$0.8 million (307.4%). This is mostly due to a \$1.8 million reduction in interest income earned as the Fund's cash balances, both restricted and unrestricted, decreased \$24 million during the year. This was offset by rental income from leasing property owned by the Fund and miscellaneous non operating reimbursements received during the year.

Fees, contributions, and grants increased \$0.3 million (34.8%) due to a grant received from the Washington State Department of Ecology for environmental cleanup of the South Park Landfill.

CAPITAL ASSETS

The following table summarizes capital assets, net of accumulated depreciation, by major asset category as of December 31, 2010, 2009, and 2008:

	2010	2009	2008
Land and land rights	\$ 1,791,096	\$ 1,791,096	\$ 1,791,096
Buildings	1,756,295	2,124,853	2,607,368
Structures	482,850	520,000	-
Machinery and equipment	25,684,052	21,729,388	12,015,959
Computer systems	5,889,296	4,653,179	6,699,083
Construction in progress	42,966,810	34,414,914	29,662,607
Other property	1,769,015	1,764,883	1,764,883
Capital assets, net of accumulated depreciation	\$ 80,339,414	\$ 66,998,313	\$ 54,540,996

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

CAPITAL ASSETS (Continued)

Additional information about the Fund's capital assets can be found in Note 3 of this report.

2010 Compared to 2009

The Fund's capital assets (net of accumulated depreciation) for the year ended December 31, 2010 is \$80.3 million. This represents an increase of approximately \$13.3 million (19.9%) compared to 2009. The Fund spent \$17.8 million for construction projects, of which \$9.1 million was capitalized as assets and deferred charges. This increase in assets was offset by \$0.9 million for asset retirements and \$5.6 million for depreciation.

Highlights of the Fund's capital assets placed in service during 2010 include the following:

- \$5.6 million for new solid waste containers.
- \$0.4 million for the Enterprise Project Management System (EPMS).
- \$0.8 million for the SWDI Data Warehouse to maintain the solid waste contractor data.
- \$0.3 million for the Customer Contact Management application used by the call center, and
- \$0.3 million for the South Transfer Station hazardous household waste building.

Highlights of the Fund's construction in progress activity during 2010 include the following:

- \$9.3 million for the South Transfer Station rebuild;
- \$1.1 million for the North Transfer Station rebuild.

2009 Compared to 2008

The Fund's investment in capital assets (net of accumulated depreciation) for the year ended December 31, 2009 is \$67.0 million. This represents an increase of approximately \$12.5 million (22.8%) compared to 2008. The Fund spent \$16.3 million for construction projects, of which \$11.3 million was capitalized as assets and deferred charges. This increase in assets was offset by \$1.6 million for asset retirements and \$5.2 million for depreciation.

Highlights of the Fund's capital assets placed in service during 2009 include the following:

- \$9.3 million for new solid waste containers.
- \$1.2 million for the purchase of a new scale deck at the South Transfer Station.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009

CAPITAL ASSETS (Continued)

Highlights of the Fund's construction in progress activity during 2009 include the following:

- \$2.5 million for replacing the existing South Recycling and Disposal station.
- \$0.5 million for replacing the existing North Recycling and Disposal station.
- \$0.6 million for facilities master plan implementation, which includes the design of the new North and South Transfer Station facilities. In addition, the plan includes an environmental review of the parcels of land at these sites.

DEBT ADMINISTRATION

The Fund's debt primarily consists of bonded debt, which is secured solely by solid waste revenues and provides financing for capital improvements. The Fund maintained the credit ratings on its bonds of AA- by Standard & Poor's Rating Service and Aa3 from Moody's Investors Service. Additional information about the Fund's long-term debt can be found in Note 4 of this report.

2010 Compared to 2009

At the end of 2010, the Fund had \$78.5 million in bonded debt, as compared to \$80.5 million in 2009, all of which was secured solely by solid waste revenues. This decrease of \$2.0 million represents payments of debt principal during 2010. The Fund continues to use proceeds of the 2007 revenue and refunding bonds to finance various capital projects.

2009 Compared to 2008

At the end of 2009, the Fund had \$80.5 million in bonded debt, as compared to \$87.0 million in 2008, all of which was secured solely by solid waste revenues. This decrease of \$6.5 million represents payments of debt principal during 2009.

ECONOMIC FACTORS AFFECTING NEXT YEAR

Effective January 1, 2011, the Fund adopted a rate increase of approximately 7.5% for residential services. This rate increase is expected to bring an additional \$9.1 million in operating revenues to the Fund in 2011.

REQUESTS FOR INFORMATION

The Fund's financial statements are designed to provide a general overview of the Fund's finances, as well as to demonstrate the Fund's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Seattle Public Utilities, Finance and Administration Branch, Finance Division, PO Box 34018, Seattle, WA 98124-4018, telephone: (206) 684-3000.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and equity in pooled investments	\$ 10,270,459	\$ 3,888,857
Accounts receivable, net of allowance for doubtful accounts of \$1,274,976 and \$580,216, respectively	11,867,489	12,190,929
Unbilled revenues	363,406	157,298
Due from other City funds	109,065	239,336
Due from other governments	899,370	1,055,673
Materials and supplies inventory	138,472	153,949
Other	29,313	32,455
Total current assets	<u>23,677,574</u>	<u>17,718,497</u>
RESTRICTED ASSETS		
Construction fund	307,592	-
Escrow deposits	11,498,384	28,302,479
Cash and equity in pooled investments	11,805,976	28,302,479
Total restricted assets	<u>12,611,952</u>	<u>28,302,479</u>
DEFERRED CHARGES AND OTHER		
Unamortized bond issue costs	964,394	1,006,323
Deferred environmental costs	8,339,537	8,071,537
Deferred landfill closure and postclosure costs	18,771,546	24,133,410
Other deferred charges	422,106	931,534
Total deferred charges and other	<u>28,497,583</u>	<u>34,142,804</u>
CAPITAL ASSETS, at cost		
Capital assets, excluding land	74,199,745	64,598,178
Less accumulated depreciation	<u>(40,387,252)</u>	<u>(35,570,758)</u>
	33,812,493	29,027,420
Construction in progress	42,966,810	34,414,914
Land and land rights	1,791,096	1,791,096
Other property	1,769,015	1,764,883
Total capital assets	<u>80,339,414</u>	<u>66,998,313</u>
TOTAL	<u>\$ 144,320,547</u>	<u>\$ 147,162,093</u>

See accompanying notes.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2010 AND 2009

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,728,674	\$ 7,679,295
Accrued payroll and payroll taxes payable	498,181	483,167
Taxes payable	441,403	508,576
Interest payable	1,593,854	1,626,854
Due to other City funds	1,470,759	1,555,331
Claims payable	287,529	275,427
Compensated absences payable	133,389	145,099
Revenue bonds due within one year	2,075,000	1,980,000
Environmental liability	894,000	5,088,194
Accrued landfill closure and postclosure costs	1,291,784	1,337,520
Deferred credits and other	8,065,230	6,666,194
Total current liabilities	<u>26,479,803</u>	<u>27,345,657</u>
REVENUE BONDS		
Revenue bonds, due serially	78,490,000	80,470,000
Less revenue bonds due within one year	(2,075,000)	(1,980,000)
Bond premiums	3,101,198	3,236,033
Loss on refunding	(209,090)	(232,322)
Total revenue bonds	<u>79,307,108</u>	<u>81,493,711</u>
NONCURRENT AND OTHER LIABILITIES		
Environmental liability	824,565	2,463,347
Accrued landfill closure/postclosure costs, net of current portion	19,362,171	23,923,292
Compensated absences payable	1,472,577	1,508,642
Other postemployment benefits	517,017	420,913
Claims payable	627,111	569,798
Other noncurrent liabilities	307,592	-
Total noncurrent and other liabilities	<u>23,111,033</u>	<u>28,885,992</u>
Total liabilities	<u>128,897,944</u>	<u>137,725,360</u>
NET ASSETS		
Invested in capital assets, net of related debt	15,579,960	13,094,185
Restricted	1,000,792	63,348
Unrestricted accumulated deficit	(1,158,149)	(3,720,800)
Total net assets	<u>15,422,603</u>	<u>9,436,733</u>
TOTAL	<u>\$ 144,320,547</u>	<u>\$ 147,162,093</u>

See accompanying notes.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Direct service	\$ 86,158,616	\$ 71,638,049
Commercial service	45,279,472	43,876,850
Other	19,467,843	20,126,261
Total operating revenues	<u>150,905,931</u>	<u>135,641,160</u>
OPERATING EXPENSES		
Solid waste collection	90,850,804	84,805,488
Pre-capital planning and development	85,931	68,577
Utility systems management	1,504,141	1,828,417
Field operations	7,819,448	8,332,370
Project delivery	568,893	494,815
Customer services	10,290,593	11,848,719
General and administrative	9,528,194	9,433,404
City taxes	14,182,762	17,531,911
Other taxes	2,459,613	1,945,194
Depreciation and amortization	5,307,037	4,943,941
Amortization of landfill closure and postclosure costs	1,608,894	2,845,152
Total operating expenses	<u>144,206,310</u>	<u>144,077,988</u>
NET OPERATING INCOME (LOSS)	<u>6,699,621</u>	<u>(8,436,828)</u>
OTHER INCOME (EXPENSES)		
Investment income	213,261	611,140
Interest expense	(2,511,614)	(2,612,838)
Amortization of bond premiums	134,835	206,212
Amortization of bond refunding loss	(23,232)	(143,459)
Amortization of debt expenses	(41,930)	(67,467)
Loss on sale of capital assets	(9,691)	(392,904)
Other, net	742,214	1,294,888
Total other expenses	<u>(1,496,157)</u>	<u>(1,104,428)</u>
FEEES, CONTRIBUTIONS, AND GRANTS		
Capital fees, contributions, and grants	-	408,977
Operating fees, contributions, and grants	782,406	572,683
Total fees, contributions, and grants	<u>782,406</u>	<u>981,660</u>
CHANGE IN NET ASSETS	5,985,870	(8,559,596)
NET ASSETS		
Beginning of year	9,436,733	17,996,329
End of year	<u>\$ 15,422,603</u>	<u>\$ 9,436,733</u>

See accompanying notes.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 152,708,874	\$ 137,445,422
Cash paid to suppliers	(105,302,667)	(97,020,579)
Cash paid to employees	(20,466,081)	(21,539,197)
Cash paid for taxes	(15,867,261)	(18,980,466)
Net cash provided by operating activities	<u>11,072,865</u>	<u>(94,820)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Environmental liabilities	-	-
Operating grants received	782,406	572,683
Rental income	1,596	446,435
Other non operating cash inflows	1,367,812	1,400,837
Net cash provided by (used in) non-capital financing activities	<u>2,151,814</u>	<u>2,419,955</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of fixed assets	66,291	157,233
Capital grants received	-	408,977
Principal payments on revenue bonds	(1,980,000)	(6,535,000)
Capital expenditures and deferred charges	(17,787,996)	(16,818,199)
Interest paid on long-term debt	(3,866,504)	(4,191,090)
Net cash used in capital and related financing activities	<u>(23,568,209)</u>	<u>(26,978,079)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	228,629	720,283
NET DECREASE IN CASH AND EQUITY IN POOLED INVESTMENTS	<u>(10,114,901)</u>	<u>(23,932,661)</u>
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	32,191,336	56,123,997
End of year	<u>\$ 22,076,435</u>	<u>\$ 32,191,336</u>

See accompanying notes.

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SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income (loss)	\$ 6,699,621	\$ (8,436,828)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Amortization of landfill closure and postclosure costs	1,608,894	2,845,152
Depreciation and amortization	5,307,037	4,943,941
Changes in operating assets and liabilities		
Unbilled revenues	(206,108)	123,326
Accounts receivable	323,440	(1,694,367)
Due from other City funds	130,271	84,252
Due from other governments	156,303	(549,231)
Deferred environmental costs	-	2,499,165
Materials and supplies inventory	15,477	(143,190)
Other assets	(12,225)	-
Accounts payable	2,049,379	350,831
Vendor deposit payable	307,592	(5,886)
Accrued payroll and payroll taxes payable	15,014	(548,098)
Taxes payable	(67,173)	111,545
Compensated absences payable	(47,775)	227,139
Other post-employment benefits	96,104	147,518
Due to other City funds	(84,572)	356,695
Claims payable	69,415	12,642
Accrued landfill closure and post-closure costs	(853,887)	(779,626)
Environmental liability	(5,832,976)	(2,860,084)
Deferred credits and other liabilities	1,399,034	3,220,284
Total adjustments	<u>4,373,244</u>	<u>8,342,008</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,072,865</u>	<u>\$ (94,820)</u>
NONCASH TRANSACTIONS		
Increase in fair value of investments	\$ 11,175	\$ 95,509

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Note 1 - Operations and Summary of Significant Accounting Policies

Operations - The City of Seattle, Seattle Public Utilities - Solid Waste Fund (the "Fund") is a public utility enterprise fund of the City of Seattle (the "City"). The Fund was established to account for the solid waste activities of Seattle Public Utilities ("SPU"). These activities include the collection and disposal of residential and commercial garbage, recycling, and yard waste, operation of the City's two transfer stations and two household hazardous waste facilities, and management of the post closure maintenance and environmental monitoring of the City's two closed landfills. The collection, disposal and/or processing of garbage, yard waste, and recyclable materials is performed by private contractors, under contract with the Fund.

On January 1, 1997, the City created SPU, which brought together under one administrative umbrella the water, solid waste, and drainage and wastewater functions of the City as well as certain engineering functions. The Fund (as well as SPU's other funds) remains separate for accounting purposes.

SPU receives certain services from other departments and agencies of the City, including some that are normally considered to be general and administrative. The Fund is charged a share of these costs and additionally pays a business and occupation tax to the City's General Fund. During 2010 and 2009, the Fund paid \$3,580,089 and \$3,759,455, respectively, to the City for its share of general and administrative services. Additionally, the Fund paid \$11,324,302 in 2010 and \$10,663,805 in 2009 to the City for business and occupation taxes, as well as \$2,858,460 and \$6,868,107 in tonnage taxes on waste collected and transferred in the City for disposal.

Solid waste collection and disposal services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$718,854 in 2010 and \$691,715 in 2009 from the City for solid waste services provided.

The utility billing function is co-managed by both SPU and Seattle City Light ("SCL"). SPU provides customer service through the call center and walk-in center. SCL operates and manages the billing system, Combined Customer Services System ("CCSS"). SPU and SCL billed and reimbursed each other for these services in 2010 and 2009. Within SPU, the cost and reimbursements were shared among its three utility funds (Water, Drainage and Wastewater, and Solid Waste). The Fund received reimbursements related to the call center and walk-in center of \$1,589,558 in 2010 and \$1,605,083 in 2009. The Fund paid \$307,173 and \$298,343 for CCSS services in 2010 and 2009, respectively, which does not include reimbursements to SCL for the Fund's share of capital costs to upgrade the CCSS system.

The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances passed by the Seattle City Council. Accounting policies and financial reporting are regulated by the Washington State Auditor's Office, and conform to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Fund has chosen to apply all pronouncements and interpretations issued by the GASB, as well as those issued by the Financial Accounting Standards Board on or before November 30, 1989, except when they conflict with the GASB.

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

Basis of Accounting - The Fund is accounted for on a flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. With the flow of economic resources measurement focus, all assets and liabilities associated with the Fund's operations are included on the balance sheets. The operating statements present increases (revenues) and decreases (expenses) in total net assets.

Cash and Equity in Pooled Investments - Cash resources of the Fund are combined with cash resources of the City to form a pool of cash that is managed by the City's Finance and Administration Services Department. Under the City's investment policy, the Finance and Administration Services Department invests all temporary cash surpluses either directly or through a "sweep account." 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. The Fund's share of the pool is included in the accompanying Balance Sheets under the caption "cash and equity in pooled investments." The pool operates like a demand deposit account in that all City departments may deposit cash at any time and can also withdraw cash out of the pool without prior notice or penalty. Accordingly, the Statements of Cash Flows reconcile to cash and equity in pooled investments. Cash and equity in pooled investments are reported at fair market value.

Receivables and Unbilled Revenues - 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. Receivables are shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed. Activity between funds that is outstanding at the end of the year, not related to the provision of utility services, is reported as due from other funds.

Allowance for Doubtful Accounts - A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely.

Materials and Supplies Inventory - The Fund values its inventory based on a moving average method. The most recent total cost of an inventory item is divided by the total units of the item that remain in the inventory to determine the moving average cost of the item. The moving average cost is then applied to all the units of the inventory item.

Restricted Assets - The construction fund accounts are comprised of unexpended bond proceeds, all of which are scheduled to be spent during 2011.

Unamortized Bond Issue Costs - Costs associated with the issuance of bonds are amortized to expense over the term of the related debt. Amortization expense is calculated under the straight-line method.

Deferred Environmental Costs - The Fund is involved in several remediation efforts around the City (see Note 10). The estimated costs associated with these efforts are deferred when accrued and will be amortized over the period of recovery through rates.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
 (An Enterprise Fund of the City of Seattle)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

Other Deferred Charges - Other deferred charges primarily include costs related to leasehold improvements and plans such as the Comprehensive Solid Waste plan. The Fund amortizes these charges over a 5 to 30 year period.

Capital Assets - Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct materials, labor, and indirect costs such as engineering, supervision, payroll taxes, pension benefits, and interest relating to the financing of projects under construction. The cost of current repairs and maintenance is charged to expense, while the cost of improvements is capitalized. SPU's policy is to capitalize assets with a cost of \$5,000 or more. Capital contributions are recorded as revenue under "Fees, contributions, and grants."

Construction in Progress - Capitalizable costs incurred on projects that are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

Other Property - Other property is stated at cost, or if contributed, the fair value at the date of contribution. In 1990, the Fund purchased 350 acres of land surrounding the Kent-Highlands landfill. A portion of this land will become part of the landfill area, with the excess held for sale. This property is carried at cost as other property on the balance sheets. Other property also includes artwork acquired through the City's "One Percent for Art" program, which supports the City ordinance established to direct the inclusion of works of art in public spaces within the City.

Depreciation - Capital assets are depreciated on the straight-line method over estimated useful lives as follows:

Buildings	10-50 years
Transfer stations, scale houses, and related improvements	5-33 years
Machinery and equipment	3-20 years
Structures	10-15 years
Computer systems	5-8 years

For most assets, it is SPU's policy to begin depreciation in the year following acquisition and to record a full year's depreciation in the year of disposition. This does not apply to heavy equipment, for which depreciation begins in the month following the equipment's in-service date to more accurately allocate equipment costs to various activities.

Environmental Liabilities - The Fund has accrued a liability for pollution remediation activities in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 outlines five specific obligating events that give rise to estimating expected pollution remediation outlays. These outlays may be accrued as a liability and expensed or if appropriate, capitalized.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
 (An Enterprise Fund of the City of Seattle)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

The Fund will accrue a liability if any of the following obligating events occurs:

- The Fund is compelled to take pollution remediation action because of an imminent endangerment.
- The Fund violates a pollution prevention-related permit or license.
- The Fund is named, or evidence indicates it will be named, by a regulator as a potentially responsible party (PRP) for remediation.
- The Fund is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The Fund commences or legally obligates itself to commence pollution remediation.

Most pollution remediation outlays do not qualify for capitalization and the Fund does not anticipate significant capitalized costs in the future. More information about environmental liabilities can be found in Note 10 of this report.

Compensated Absences - 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 normal termination is considered vested and payable to the employee. Earned but unused vacation is accrued as a liability of the Fund. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit.

Employees who submit the required documentation to be represented by the Coalition of City Unions are paid 35% of the value of unused sick leave upon retirement as part of the Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association (HRA-VEBA) program. If the employee fails to submit the required documentation by their last working day of employment, their sick leave balance is forfeited.

Retiring employees who are ineligible to participate in the HRA-VEBA program may elect to receive 25% of the value of unused sick leave upon retirement or defer receipt of 35% 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. If the 35% 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. The cash payment is equal to the amount by which the 25% value of the sick leave balance exceeds the 35% that was allowed to be deferred. The Fund records a liability for estimated sick leave payments.

Operating Revenues - Revenues are recorded through cycle billings rendered to customers monthly or bimonthly. Amounts billed but not earned at year-end are recorded as unearned revenues on the Fund's balance sheet. The Fund accrues and records unbilled collection service revenues in the financial statements for services provided from the date of the last billing to year-end.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

Other operating revenues include revenues generated from the Fund's two transfer stations and tonnage fees. Transfer station revenues are collected from self-haul customers who deliver their garbage, yard waste, wood waste, appliances and tires for a fee to the two transfer stations. Tonnage fees are revenues collected from businesses engaged in operating transfer stations and collecting garbage.

Operating Expenses - Certain expenses of the Fund are reported on the statement of revenues, expenses and changes in net assets by functional category. The types of work performed within each category are as follows:

- Pre-capital planning and development - Provides planning services and other related costs prior to the start of capital projects.
- Utility systems management - Accounts for the overall management of the Fund's infrastructure assets, assuring they are properly designed, constructed, operated and protected.
- Field operations - Operates and maintains the Fund's solid waste systems.
- Project delivery - Provides project management and engineering services to the Fund and executes the Fund's capital projects from start to completion.
- Customer services - Invoices the Fund's customers for services provided and is the primary point of contact for customers.

Taxes - The Fund paid 11.5% City utility tax on residential and commercial revenues, net of yard waste, recycling, and other costs related to waste reduction. The Fund paid 0.85% City business license tax on retail, services and wholesale sales. The Fund also is charged two taxes by the City based on solid waste tonnage for operating transfer stations and collecting garbage within the City of Seattle. The tonnage tax rate increased to \$8.50 per ton from \$7.50 per ton in 2009. In addition, the Fund paid 2.75% business and occupation tax to the State on the services provided to residential, commercial and transfer station customers. The State tax rates remained the same for 2010.

Other Revenues and Expenses - This includes the non operating revenues and expenses that arise from transactions not related directly to the major income-earning operations of the utility and are of a recurring nature. Major items are investment and interest income, interest expense, amortization of debt expenses, amortization of debt discounts, premiums and refunding losses, sale of capital assets and rental income.

Net Assets - The Balance Sheet reports all financial and capital resources. The difference between assets and liabilities is net assets. There are three components of net assets: invested in capital assets - net of related debt, restricted, and unrestricted.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

Invested in capital assets, net of related debt 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 assets are restricted when constraints placed on net asset 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. The Fund's restricted net assets as of December 31, 2010 and 2009 are related to the bond debt reserve funds and certain deferred charges. Unrestricted net assets are those that are not "invested in capital assets, net of related debt" or "restricted."

Arbitrage Rebate Requirement - The Fund is subject to the Internal Revenue Code ("IRC"), Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed be surrendered to the Internal Revenue Service. As such, the Fund would record such a rebate as a liability. The Fund has no arbitrage liability as of December 31, 2010 and 2009.

Accounting Changes - The Fund adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as of January 1, 2010. This statement clarified the definition of intangible assets as used in the description of capital assets in GASB Statement No. 34. The adoption of GASB 51 did not have a significant impact on the Fund's financial statements for 2010 or 2009.

The Fund adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of January 1, 2010. This statement provides guidance for the recognition, measurement and disclosure of activity related to derivative instruments held by state and local governments. The adoption of GASB 53 did not have a significant impact on the Fund's financial statements for 2010 or 2009.

GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in 2009. The statement was effective upon issuance and ensured integration of the GAAP hierarchy for state and local governments into GASB literature. This statement had no impact on the Fund's financial statements for 2010 or 2009.

GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The statement was effective immediately upon its issuance and incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' *Statements on Auditing Standards*. Further, it addressed three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. This statement had no impact on the Fund's financial statements for 2010 or 2009.

GASB issued Statement No. 59 *Financial Instruments Omnibus*, to update and improve existing financial reporting and disclosure standards of certain financial instruments and external investment pools. This statement will become effective for periods beginning after June 15, 2010 and will likely not have a significant impact on the Fund's financial statements for 2010 or 2009.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Estimates and assumptions are used to record landfill closure and post closure costs, unbilled collection services, allowance for doubtful accounts, accrued sick leave, capitalized interest, depreciation, environmental liabilities, and other contingencies. Changes in these estimates and assumptions may have a material impact on the financial statements.

Significant Risks and Uncertainty - The Fund is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, weather and natural disaster-related disruptions, collective bargaining labor disputes, Environmental Protection Agency regulations, and federal government regulations or orders concerning the operation, maintenance, and licensing of facilities.

Reclassifications - Certain reclassifications have been made to prior year balances to provide a presentation consistent with the current year.

Note 2 - Cash and Investments

Custodial Credit Risk - Deposits - As of December 31, 2010 and 2009, the City's pool contained cash on deposit with the City's custodial banks in the amounts of \$16,663,123 and \$17,221,632, respectively. The deposits in excess of \$250,000 in both 2010 and 2009 were uninsured and uncollateralized. As such, these deposits were exposed to custodial credit risk, which is the risk that the deposits may not be returned to the City in the event of a bank failure. The City attempts to minimize exposure to custodial credit risk for deposits by requiring the depository bank to have sufficient capital to support the activity of the City. In addition, banks having a deposit relationship with the City are required to provide financial statements for the City's use in reviewing the bank's financial condition.

All deposits not covered by FDIC insurance are under the regulation of the Washington State Public Deposit Protection Commission (the "Commission") established in RCW 39.58 for public depository financial institutions. The Commission requires a pledge agreement and a trustee for each public depository financial institution. The trustee ensures eligible collateral defined as securities and designated for the benefit of public depositories as described in RCW 39.58.050 (5) and (6), are segregated from all other assets. Eligible collateral is utilized by the trustee when the Commission has determined a loss, net of deposit insurance, has been incurred by a public depository financial institution.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 - Cash and Investments (Continued)

Investments - As of December 31, the City's pooled investments and dedicated investments of other funds were as follows:

	2010		Weighted Average Maturity (Days)
	City Pool	Other Dedicated Investments	Total
U.S. Government Agencies	\$ 628,004,011	\$ 81,534,156	\$ 709,538,167
Commercial Paper	256,364,545	-	256,364,545
Repurchase Agreements	56,365,904	-	56,365,904
U.S. Government Obligations	39,624,611	-	39,624,611
State and Local Governments	1,020,110	-	1,020,110
	<u>\$ 981,379,181</u>	<u>\$ 81,534,156</u>	<u>\$ 1,062,913,337</u>
	Portfolio Weighted Average Maturity		
	458		

	2009		Weighted Average Maturity (Days)
	City Pool	Other Dedicated Investments	Total
U.S. Government Agencies	\$ 483,159,285	\$ -	\$ 483,159,285
Commercial Paper	221,242,855	16,289,929	237,532,784
Repurchase Agreements	116,779,375	-	116,779,375
U.S. Government Obligations	13,495,782	83,569,314	97,065,096
State and Local Governments	10,136,607	-	10,136,607
	<u>\$ 844,813,904</u>	<u>\$ 99,859,243</u>	<u>\$ 944,673,147</u>
	Portfolio Weighted Average Maturity		
	335		

As of December 31, the Fund's share of the City Pool was as follows:

	2010	2009
Cash and equity in pooled investments	\$ 10,270,459	\$ 3,888,857
Restricted cash and equity in pooled investments	11,805,976	28,302,479
	<u>\$ 22,076,435</u>	<u>\$ 32,191,336</u>
Balance as a percentage of City Pool cash and investments	2.2%	3.8%

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 - Cash and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages this risk by limiting the average maturity of investments to five years. However, the Fund's investments are selected for greater liquidity in order to support the Fund's cash flow needs and therefore typically have much shorter average maturities.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the City's investment policy, investments in commercial paper purchased on the secondary market are limited to those with maturities not longer than 180 days from purchase and with the highest rating by at least two nationally recognized statistical rating organizations ("NRSROs"). As of December 31, 2010 and 2009, the City's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 to A-1+ by Standard & Poor's Rating Service.

The City also purchases obligations of government-sponsored enterprises, which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. These include, but are not limited to, debt securities of Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, and Federal National Mortgage Association. As of December 31, 2010 and 2009, these investments were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Rating Service.

The City's investments in repurchase agreements require a signed and executed master repurchase agreement, a standardized form originally produced by the Bond Market Trade Association, with an approved repo counterparty of the City. The City conducts repo transactions with investment-grade rated primary dealers. Securities delivered as collateral must be priced at a minimum of 102% of their market value for U.S. treasury, U.S. agency debentures, and U.S. agency mortgage-backed pass-throughs. Potentially higher margins of 103% to 105% would be used for pricing collateral consisting of bankers' acceptances, or commercial paper. Parameters for acceptable collateral are determined by the City's investment policy, which abides by Washington State statute. As of December 31, 2010 and 2009, the securities underlying the City's investments in repurchase agreements have included U.S. treasuries, agency debentures and agency pass-throughs. The City has not accepted collateral containing credit risk, such as bankers' acceptances, or commercial paper. Repurchase agreements themselves do not have credit ratings. Rather, the City assumes counterparty risk in these collateralized transactions.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 - Cash and Investments (Continued)

Concentration of Credit Risk - The City's investment policy limits concentration of credit risk for the City's investments as a whole, inclusive of the Fund's investments. These policy limits vary for each investment category. The City's investments in which 5% or more is invested in any single issuer as of December 31 are as follows:

Issuer	2010		2009	
	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
Federal National Mortgage Association	\$ 276,373,623	26%	\$ 99,106,306	10%
Federal Home Loan Bank	218,644,903	21%	198,997,598	21%
Federal Home Loan Mortgage Corp	114,398,437	11%	111,610,027	12%
Federal Farm Credit Bank	100,121,203	9%	73,445,353	8%
Sheffield Receivables Corporation	54,343,164	5%	-	0%
Wells Fargo	-	0%	116,779,375	12%
United States Treasury	-	0%	97,065,095	10%

Note 3 - Capital Assets

Capital assets activity for the year ended December 31, 2010 consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 11,583,748	\$ 6,555	\$ -	\$ 11,590,303
Structures	520,000	16,500	-	536,500
Machinery and equipment	33,822,048	7,832,370	(867,502)	40,786,916
Computer systems	18,672,382	2,613,644	-	21,286,026
Total capital assets, excluding land	64,598,178	10,469,069	(867,502)	74,199,745
Less accumulated depreciation	(35,570,758)	(5,608,013)	791,519	(40,387,252)
	29,027,420	4,861,056	(75,983)	33,812,493
Construction in progress	34,414,914	17,837,442	(9,285,546)	42,966,810
Land and land rights	1,791,096	-	-	1,791,096
Other property	1,764,883	4,132	-	1,769,015
Capital assets, net	\$ 66,998,313	\$ 22,702,630	\$ (9,361,529)	\$ 80,339,414

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 3 - Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2009 consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 11,354,922	\$ 228,826	\$ -	\$ 11,583,748
Structures	23,470,289	520,000	-	520,000
Machinery and equipment	18,047,405	11,991,719	(1,639,960)	33,822,048
Computer systems	52,872,616	62,497	-	18,672,382
Total capital assets, excluding land	13,365,522	13,365,522	(1,639,960)	64,598,178
Less accumulated depreciation	(31,550,206)	(5,170,106)	1,499,554	(35,570,758)
	21,322,410	8,195,416	(490,406)	29,027,420
Construction in progress	29,662,607	16,269,555	(11,517,248)	34,414,914
Land and land rights	1,791,096	-	-	1,791,096
Other property	1,764,883	-	-	1,764,883
Capital assets, net	\$ 54,540,996	\$ 24,464,971	\$ (12,007,654)	\$ 66,998,313

During 2010 and 2009, the Fund capitalized interest costs relating to construction of \$1,321,890 and \$1,459,617, respectively.

Note 4 - Revenue Bonds

The Fund issues bonds to provide financing for capital improvements. Payment of debt service on the bonds is derived solely from the revenues generated by the Fund. The Fund has obtained reserve insurance policies to meet its reserve requirements.

Revenue bonds outstanding as of December 31, 2010 and 2009 consisted of the following Solid Waste bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2010	2009
2007 Revenue and Refunding	12/05/2007	2008-2033	4.0 - 5.0%	\$ 82,175,000	\$ 78,490,000	\$ 80,470,000

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 4 - Revenue Bonds (Continued)

Minimum debt service requirements to maturity on revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 2,075,000	\$ 3,773,375	\$ 5,848,375
2012	2,185,000	3,666,875	5,851,875
2013	2,295,000	3,554,875	5,849,875
2014	2,415,000	3,437,125	5,852,125
2015	2,535,000	3,313,375	5,848,375
2016 - 2020	14,325,000	14,489,125	28,814,125
2021 - 2025	16,400,000	10,700,500	27,100,500
2026 - 2030	21,045,000	6,054,213	27,099,213
2031 - 2034	15,215,000	1,047,488	16,262,488
	\$ 78,490,000	\$ 50,036,951	\$ 128,526,951

The following table shows the revenue bond activity during the year ended December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	\$ 80,470,000	\$ -	\$ (1,980,000)	\$ 78,490,000	\$ 2,075,000
Add (deduct) deferred amounts:					
Issuance premiums	3,236,033	-	(134,835)	3,101,198	-
Loss on refunding	(232,322)	-	232,322	(209,090)	-
Total bonds payable	\$ 83,473,711	\$ -	\$ (2,091,603)	\$ 81,382,108	\$ 2,075,000

The following table shows the revenue bond activity during the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	\$ 87,005,000	\$ -	\$ (6,535,000)	\$ 80,470,000	\$ 1,980,000
Add (deduct) deferred amounts:					
Issuance premiums	3,445,102	-	(209,069)	3,236,033	-
Issuance discounts	(2,857)	-	2,857	-	-
Loss on refunding	(375,781)	-	143,459	(232,322)	-
Total bonds payable	\$ 90,071,464	\$ -	\$ (6,597,753)	\$ 83,473,711	\$ 1,980,000

Prior Year Defeasance of Debt - In prior years, the Fund defeased certain obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the Balance Sheet. At December 31, 2010, no outstanding bonds are considered defeased.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 4 - Revenue Bonds (Continued)

Debt Service Coverage - The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service at least equal to 125% of annual debt service. Net revenue available for debt service, as defined by the bond covenants, was 505% of annual debt service for 2010.

Net revenue available for debt service for the year ended December 31, 2010 is determined as follows:

Change in net assets	\$ 5,985,870
Add:	
City business and occupation tax	14,182,762
Depreciation and amortization	5,307,037
Amortization of landfill closure and postclosure costs	1,608,894
Interest paid on revenue bonds	3,833,504
	<u>30,918,067</u>
Less:	
Amortization of bond premiums, debt expenses and refunding loss	69,672
Capitalized interest	1,321,890
Adjusted net revenue available for debt service	<u>\$ 29,526,505</u>
Debt service requirement (cash basis)	<u>\$ 5,844,850</u>
Coverage	505%

Note 5 - Leases

The Fund has non-cancelable operating lease commitments for real and personal property with minimum payments of \$171,300 in 2010 and \$164,667 in 2009. Rents are paid as they become due and payable.

Minimum payments under the leases as of December 31, 2010 are shown in the following table:

Year	Minimum Payments
2011	\$ 167,763
2012	163,808
2013	169,838
2014	175,868
2015	181,897
2016	155,768
	<u>\$ 1,014,942</u>

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6 - Retirement and Other Postemployment Benefit Plans

Pension Costs - All permanent Fund employees are eligible to participate in the Seattle City Employees' Retirement System (the "System"), a cost-sharing public employee retirement system operated by the City. Benefits vest after five years of covered service. City employees may retire after 30 years of service regardless of age; after age 52, with 20 or more years of service; after age 57, with ten or more years of service; and after age 62, with five or more years of service. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by City ordinances.

City employees are required to contribute 8.03% of their annual base salaries to the System. The City's contribution rate was 8.03% for 2010, 2009, and 2008. Employer rates are established by the City Council on a biannual basis. The Fund's contributions to the System for the years ended December 31, 20010, 2009, and 2008 were \$1,249,609, \$1,253,189, and \$1,254,322, respectively. The Fund's contribution in 2009 represents its full liability to the System.

The System issues stand-alone financial statements, which may be obtained by writing to the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 1000, Seattle, Washington, 98104, telephone: (206) 386-1292.

Employer contributions for the City are as follows (dollars in millions):

Year Ended December 31,	City Required Contribution	City Actual Contribution	Percentage Contributed
2008	\$ 45.8	\$ 45.8	100%
2009	\$ 46.7	\$ 46.7	100%
2010	\$ 45.2	\$ 45.2	100%

Actuarial data and assumptions

Valuation date	January 1, 2010
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30 years, open
Asset valuation method	Market
Investment rate of return	7.75%
Projected general wage inflation	4.0%
Postretirement benefit increases	1.5%

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

Schedules of funding progress are as follows (dollars in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age ¹ (b)	Unfunded AAL (AULA) ² (b-a)	Funded Ratio (a/b)	Covered Payroll ³ (c)	AULA as a % of Covered Payroll ((b-a)/c)
January 1, 2006	\$ 1,791.8	\$ 2,017.5	\$ 225.7	88.8%	\$ 447.0	50.5%
January 1, 2008	\$ 2,119.4	\$ 2,294.6	\$ 175.2	92.4%	\$ 501.9	34.9%
January 1, 2010	\$ 1,645.3	\$ 2,653.8	\$ 1,008.5	62.0%	\$ 580.9	173.6%

- Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.
- Actuarial accrued liabilities less actuarial value of assets.
- Covered payroll includes compensation paid to all active employees on which contributions are calculated.

The City performs an actuarial analysis on a biannual basis and expects to perform the next actuarial analysis in January 2012.

Deferred Compensation - The City offers all of its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code ("IRC") Section 457. The Plan permits employees to defer a portion of their salaries until future years. The deferred compensation is paid to employees upon termination, retirement, death, or unforeseen emergency.

The Plan is an eligible deferred compensation plan under Section 457 of the IRC of 1986, as amended, and a trust exempt from tax under IRC Sections 457(g) and 501(a). The Plan is operated for the exclusive benefit of participants and their beneficiaries. No part of the corpus or income of the Plan shall revert to the City or be used for, or diverted to, purposes other than the exclusive benefit of participants and their beneficiaries. The Plan is not reported in the financial statements of the City or the Fund.

It is the opinion of the City's legal counsel that the City has no liability for investment 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 does not manage any of the investment selections. By making the selection, participants accept and assume all risks inherent in the Plan and its administration.

Other Postemployment Benefits - Health care plans for active and retired employees are administered by the City of Seattle as single-employer defined benefit public employee health care plans.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

Eligible retirees (younger than age 65) may contribute to the medical plan and any additional health care programs contemplated or amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020.

The Seattle City Council authorizes the obligations of the plan members and the City as employer by passing ordinances and amendments regarding contributions to the plans. Eligible retirees self-pay 100% of the premiums based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The plan is financed on a pay-as-you-go basis, and the City was required to contribute \$3.2 million in 2010, \$3.0 million in 2009 and \$2.3 million in 2008.

The table below summarizes the City's annual cost, expected contributions to the plan, and changes in the net OPEB obligation for fiscal year ended December 31, 2010 and 2009. These calculations are based on the Actuarial Valuation Date of January 1, 2010. The City performs an actuarial analysis on a biannual basis and expects to receive the next actuarial analysis in June 2012.

	2010	2009
Annual Required Contribution	\$ 10,709,000	\$ 9,269,000
Interest on net OPEB obligation	898,000	693,000
Adjustment to Annual Required Contribution	(1,239,000)	(915,000)
Annual OPEB Cost (Expense)	10,368,000	9,047,000
Expected contribution (employer-paid benefits)	(3,202,000)	(2,954,000)
Increase in net OPEB obligation	7,166,000	6,093,000
Net OPEB Obligation - Beginning of year	20,446,000	14,353,000
Net OPEB Obligation - End of year	\$ 27,612,000	\$ 20,446,000
Fund's allocated share of City liability	\$ 5,170,017	\$ 4,209,913

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially-determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the types of benefits provided under the terms of the plan and on the pattern of shared costs between the employer and plan members, at the time of each valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial data and assumptions	January 1, 2010
Valuation date	Entry age normal
Actuarial cost method	Level dollar
Amortization method	30 years, open
Remaining amortization period	4.39%
Discount rate	10.0%, decreasing by 0.5% for each year for 10 years to an ultimate rate of 5%.
Health care cost trend rates - medical	40% of Active Employees who retire participate
Participation	General Service Actives and Retirees based on the Group Annuity Mortality (GAM) 1994 Static Table (Final) with ages set forward one year.
Mortality	60% of members electing coverage married or registered domestic partner. Male spouses two years older than their female spouses.
Marital status	Morbidity rate ranges for ages 50 through 64: 104.25% to 203.61% for male retirees, 76.78% to 149.96% for female retirees, 123.03% to 229.84% for male spouses, and 90.62% to 169.29% for female spouses.
Morbidity factors	Retirees' spouses pay a lower premium than retirees. Active employees with current spousal and/or dependent coverage elect same plan and coverage.
Other considerations	

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

Schedules of funding progress are as follows (dollars in millions):

Actuarial Value of Assets	AAL Entry Age	AULA	Funded Ratio	Covered Payroll	AULA as a % of Covered Payroll
Valuation Date	(a)	(b)	(a/b)	(c)	((b-a)/c)
January 1, 2006	\$ -	\$ 84.3	0.0%	NA	NA
January 1, 2008	\$ -	\$ 78.8	0.0%	NA	NA
January 1, 2010	\$ -	\$ 93.5	0.0%	NA	NA

The Health Care Sub Fund of the General Fund is reported in the City's Comprehensive Annual Financial Report, which can be obtained by writing the Department of Finance, City of Seattle, PO Box 94747, Seattle, Washington 98124-4747.

Note 7 - Claims Payable

The City and the Fund are self-insured for certain losses arising from personal and property damage claims by third parties and for casualty losses to the Fund's property. Liabilities for identified claims and claims incurred but not reported have been recorded by the Fund.

For 2010 and 2009, liabilities for workers' compensation claims as well as other claims are discounted over a 15-year period at the City's rate of return on investments, 1.027% and 1.650% respectively. Claims expected to be paid within one year were \$287,529 and \$275,427 at December 31, 2010 and 2009, respectively. The schedules below present the changes in the liability for workers' compensation claims and other claims (risk financing liabilities) as of December 31, 2010 and 2009:

	2010	2009
Beginning liability, undiscounted	\$ 890,954	\$ 945,642
Payments	(295,319)	(307,738)
Incurred claims and change in estimate	351,628	253,050
Ending liability, undiscounted	\$ 947,263	\$ 890,954
Ending liability, discounted (recorded balance at December 31)	\$ 914,640	\$ 845,225

The Fund is involved in litigation from time to time as a result of operations. Claims are pursued if determined to be in the best interest of the Fund's customers.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 8 - Compensated Absences

The Fund has recorded a liability for earned but unused holiday, compensatory, merit, and vacation leave, as well as estimated sick leave payments calculated based on the termination payment method. The schedules below show the compensated absences activity during the years ended December 31, 2010 and 2009:

	2010	2009
Beginning liability	\$ 1,653,741	\$ 1,426,602
Additions	1,800,290	2,054,476
Reductions	(1,848,065)	(1,827,337)
Ending liability	<u>\$ 1,605,966</u>	<u>\$ 1,653,741</u>

Note 9 - Contractual Obligations

The City contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. The residential and commercial collection contracts commenced on April 1, 2000. The contracts were scheduled to end on March 31, 2007; however, the City extended the contracts until March 29, 2009. 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 in 2010 and 2009 were \$42,029,008 and \$38,945,938, respectively. Commercial services paid under these contracts in 2010 and 2009 were \$34,067,805 and \$24,200,024, 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/ton. The Fund paid WWS \$13,460,342 and \$14,690,170 under this contract in 2010 and 2009, respectively.

The City also has 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 new tonnage rate is \$26.37/ton and the first opt-out date is in 2013. Total payments to CGC in 2010 and 2009, were \$2,382,251 and \$2,268,218, respectively.

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, from 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 payment for recycling processing in 2010 and 2009 were \$2,512,576 and \$2,016,167, respectively.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 10 - Environmental Liabilities

Following is a brief description of the significant sites that require environmental remediation:

South Park - The Washington State Department of Ecology ("DOE") has indicated that it will require the clean-up and remediation of the historic South Park Landfill site under the State Model Toxics Control Act. No specific requirements for remediation by potentially responsible parties ("PRP") have been made by the DOE as of the date of this report. In order to manage the liability, the City is working with the DOE and other PRPs on a Remedial Investigation ("RI") and Feasibility Study ("FS") to evaluate the risk to human health and the environment, and to assess the feasibility of clean-up options for use in the ultimate remedial actions that the DOE may require. The Remedial Investigation and Feasibility Study are anticipated to be completed in late 2011 or 2012.

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 Fund in 2008 and currently no PRPs other than SPU have been named. The remedial action was substantially completed in 2010.

The Fund 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. 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 increases or reductions, technology, or applicable laws or regulations.

The Fund is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted. The Fund's estimate for not yet realized recoveries from other PRPs for their share of remediation work that offset the Fund's estimated environmental liability was nominal in 2009. There were no realized recoveries from other PRPs in 2010.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
 (An Enterprise Fund of the City of Seattle)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

Note 10 - Environmental Liabilities (Continued)

The following changes in the provision for environmental liabilities at December 31 are:

	2010	2009
Beginning environmental liability, net of recoveries	\$ 7,551,541	\$ 10,411,625
Payments or amortization	(5,578,505)	(360,919)
Change in estimated liability	(254,471)	(2,499,165)
Ending environmental liability, net of recoveries	<u>\$ 1,718,565</u>	<u>\$ 7,551,541</u>

SUPPLEMENTAL INFORMATION

The provisions for environmental liabilities included in current and noncurrent liabilities at December 31 are:

	2010	2009
Environmental liability, current	\$ 894,000	\$ 5,088,194
Environmental liability, noncurrent	824,565	2,463,347
Ending liability	<u>\$ 1,718,565</u>	<u>\$ 7,551,541</u>

Note 11 - Landfill Closure and Post Closure Care

At December 31, 2010, accrued landfill closure and post closure costs consist primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the Fund's share of all landfill closure and post closure costs in the revenue requirements used to set future solid waste rates. Therefore, total estimated landfill closure and post closure care costs are accrued and also reflected as a deferred cost in the accompanying financial statements, in accordance with generally accepted accounting principles. These costs are being amortized as they are recovered from rate payers. Actual costs for closure and post closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and deferred when identified. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2024.

In prior years, the Fund delivered its refuse to two leased disposal sites: the Midway and Kent-Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. The Fund stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2010 AND 2009

Solid Waste Customers by Class

	2006	2007	2008	2009	2010
VARIABLE CANS					
No Can/Vacancy	2,350	2,287	2,155	2,433	2,577
Micro-Can	7,011	7,549	8,599	13,414	14,667
Mini Can	36,556	36,860	37,697	42,139	41,778
32 Gallon Can	127,365	128,014	127,554	109,012	98,742
Two or More 32 Gallon Cans	N/A	N/A	N/A	N/A	7,777
TOTAL VARIABLE CANS	173,282	174,710	176,005	166,998	165,541
DUMPSTER PREMISES ⁽¹⁾	117,899	119,667	122,503	124,778	
DUMPSTER ACCOUNTS	5,555	5,526	5,523	5,450	5,303
ACTIVE TRANSFER STATION CREDIT ACCOUNTS	351	454	338	317	314

⁽¹⁾ This item was eliminated as a result of rate restructuring in March 2009.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
(An Enterprise Fund of the City of Seattle)
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2010 AND 2009

Solid Waste Tonnage

	2006	2007	2008	2009	2010
GARBAGE					
Residential Collection	133,774	133,341	127,167	118,726	114,135
Self-Haul Garbage	103,422	107,098	90,702	81,565	79,283
Private Transfer Stations (Commercial Collection)	201,222	198,968	176,774	151,398	142,180
TOTAL TONS DISPOSED	438,418	439,407	394,643	351,689	335,607
Garbage as a % of Total Tons Generated	1	1	1	0	0
RECYCLING					
Private Recycling ⁽¹⁾	186,255	226,110	218,293	189,793	178,275
Residential Curbside Recycling	65,372	66,121	61,956	58,786	57,131
Apartment Recycling	19,159	20,501	19,932	17,798	19,267
Residential Curb Yard & Food Waste	51,539	54,573	56,364	74,230	79,952
Self-Haul Yard Waste	14,277	14,247	11,893	10,149	7,682
Self-Haul Wood Waste ⁽²⁾	1,244	1,863	1,152	-	-
Self-Haul Recycling	8,349	9,337	7,509	6,179	4,939
Composting ⁽³⁾	17,100	16,300	16,300	10,800	10,800
TOTAL TONS RECYCLED	363,295	409,051	393,399	367,735	358,045
Recycling as a % of Total Tons Generated	0	0	0	1	1
TOTAL TONS GENERATED	801,713	848,458	788,042	719,424	693,653

⁽¹⁾ 2006 is based on annual Department of Ecology Recycling Surveys. After 2006, the amounts required reports received by SPU from recyclers in Seattle, 2010 is an estimate

⁽²⁾ Wood waste no longer kept separate, it is put in with self haul yard waste

⁽³⁾ Composting figures are estimates based on surveys and include grasscycling and backyard food waste and yard waste composting. Surveys were conducted in 2005 and 2010.

SEATTLE PUBLIC UTILITIES - SOLID WASTE FUND
 (An Enterprise Fund of the City of Seattle)
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2010 AND 2009

Solid Waste Rate Schedule and Transfer Station Fees

2011 Monthly Residential Rate Schedule

Service Unit	Rates (Effective January 1, 2011)
No can (minimum charge)	\$ 6.85
Micro Can	\$ 16.55
Mini Can	\$ 20.30
One Can	\$ 26.40
Additional Cans (per can rate)	\$ 26.40
Non-compacted Dumpster (one cubic yard, once/week, one conta	\$ 195.34
Compacted Dumpster (three cubic yards, once/week, one contain	\$ 564.47
Yard Waste Mini-Can	\$ 4.35
Yard Waste 32-Gallon Can	\$ 6.50
Yard Waste 96-Gallon Can	\$ 8.35

(1) Rates listed are for curb/alley service. Backyard service rates are approximately 40% higher. Backyard services is not available for micro can, mini can or yard waste service.
 (2) Dumpster rates vary based on size and number of containers as well as the frequency of collection. Dumpster rates shown include a \$28.20 monthly account fee.

2011 Commercial Collection Rates

Like other solid waste rates, the City sets commercial rates through ordinance. Commercial rates vary with the type and level of service. A typical commercial customer has 3 cubic yards of garbage collected once per week. As of March 30, the cost of this service is \$376.73 per month, including a monthly account fee of \$20.80.

2011 Transfer Station Fees

Garbage	Rates (Effective January 1, 2010)
Sedans, SUVs, and Station Wagons	\$30.00 per trip
All other self-haul vehicles with garbage	\$145.00 per ton (\$30.00 minimum charge)
Yard and Wood Waste	
Sedans, SUVs, and Station Wagons	\$20.00 per trip
All other self-haul vehicles with yard waste	\$110.00 per ton (\$20.00 minimum charge)

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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 should confirm the following with DTC or its 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 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 Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

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 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 information above concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The following information has been provided by the City.

The Bond Registrar is not obligated to exchange or transfer any Bond during the 15 days preceding any principal or interest payment or redemption date.

The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Bonds registered in its 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 under the Ordinance or the Resolution, 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 any 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 Ordinance or the Resolution; (v) the selection by DTC or any such direct or indirect 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.

APPENDIX E
DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population

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

POPULATION			
Year	Washington	King County	Seattle
1980 ⁽¹⁾	4,130,163	1,269,749	493,846
1990 ⁽¹⁾	4,866,692	1,507,319	516,259
2000 ⁽¹⁾	5,894,121	1,737,034	563,374
2001 ⁽²⁾	5,974,900	1,758,300	568,100
2002 ⁽²⁾	6,041,700	1,774,300	570,800
2003 ⁽²⁾	6,098,300	1,779,300	571,900
2004 ⁽²⁾	6,167,800	1,788,300	572,600
2005 ⁽²⁾	6,256,400	1,808,300	573,000
2006 ⁽²⁾	6,375,600	1,835,300	578,700
2007 ⁽²⁾	6,488,000	1,861,300	586,200
2008 ⁽²⁾	6,587,600	1,884,200	592,800
2009 ⁽²⁾	6,668,200	1,909,300	602,000
2010 ⁽²⁾	6,733,250	1,933,400	612,000

(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 Primary Metropolitan Statistical Area ("PMSA"), the County, the State, and the United States.

	PER CAPITA INCOME					
	2004	2005	2006	2007	2008	2009
Seattle PMSA	\$ 45,829	\$ 45,918	\$ 50,161	\$ 53,299	\$ 55,059	\$ 53,369
King County	50,132	49,583	54,370	57,439	59,274	56,904
State of Washington	35,966	36,743	39,561	42,169	43,711	42,870
United States	33,881	35,424	37,698	39,461	40,674	39,635

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within the City of Seattle. The value of public construction is not included in this table.

BUILDING PERMIT VALUES

Year	New Single Family Units		New Multi Family Units		Total Value(\$)
	Number	Value(\$)	Number	Value(\$)	
2003	914	158,176,828	1,691	155,791,094	313,967,922
2004	754	129,729,132	2,790	227,540,589	357,269,721
2005	533	94,398,888	3,185	278,146,082	372,544,970
2006	482	90,534,640	5,538	597,085,138	687,619,778
2007	775	153,268,586	5,939	681,283,338	834,551,924
2008	595	122,997,326	4,256	562,871,753	685,869,079
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

Source: U.S. Bureau of the Census

Retail Activity

The following table presents taxable retail sales in Seattle and King County.

THE CITY OF SEATTLE AND KING COUNTY TAXABLE RETAIL SALES

<u>Year</u>	<u>King County</u>	<u>Seattle</u>
2004	\$ 37,253,103,540	\$ 12,868,301,227
2005	40,498,328,830	14,236,200,469
2006	43,993,478,514	15,564,363,159
2007	47,766,338,768	17,030,512,254
2008	45,711,920,389	17,096,581,492
2009	39,594,903,520	15,101,407,742
2010	39,275,353,182	14,783,168,934

Source: Washington State Department of Revenue

Industry and Employment

The following table provides employment information by industry category for King County.

KING COUNTY					
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT					
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT*					
	Annual Average				
	2006	2007	2008	2009	2010
Civilian Labor Force	1,047,740	1,070,870	1,090,620	1,110,860	1,111,470
Total Employment	1,005,240	1,031,700	1,040,550	1,020,470	1,014,100
Total Unemployment	42,500	39,170	50,070	90,380	97,370
Percent of Labor Force	4.1	3.7	4.6	8.1	8.8
NAICS INDUSTRY	2006	2007	2008	2009	2010
Total Nonfarm	1,176,683	1,200,233	1,216,692	1,153,425	1,128,492
Total Private	1,014,800	1,036,983	1,050,325	986,442	962,633
Goods Producing	183,108	188,433	186,458	161,292	148,183
Natural Resources and Mining	658	650	583	500	492
Construction	70,075	74,733	73,858	57,692	49,608
Manufacturing	112,367	113,058	112,017	103,092	98,083
Services Providing	993,583	1,011,800	1,030,242	992,150	980,308
Trade, Transportation, and Utilities	224,283	224,233	224,800	210,200	206,675
Information	72,500	75,742	79,750	79,917	79,408
Financial Activities	77,567	76,992	75,917	69,700	65,558
Professional and Business Services	182,233	190,417	194,242	176,950	176,558
Educational and Health Services	124,717	127,758	133,250	137,908	138,192
Leisure and Hospitality	108,575	111,717	113,358	108,275	107,550
Other Services	41,808	41,692	42,542	42,200	40,508
Government	161,892	163,258	166,383	166,975	165,858
Workers in Labor/Management Disputes	8	0	958	0	0
	Mar. 2011				
Civilian Labor Force	1,101,250				
Total Employment	1,008,770				
Total Unemployment	92,480				
Percent of Labor Force	8.4				

* Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department

The following table presents State-wide employment data in 2010 for certain major employers in the Puget Sound area.

**PUGET SOUND AREA
MAJOR EMPLOYERS**

<u>Employer</u>	<u>Employees*</u>
The Boeing Company	72,400
Navy Region Northwest	54,100
Joint Base Lewis/McChord	49,800
Microsoft	39,800
University of Washington	27,900
Providence Health & Services	19,100
Wal-Mart Stores, Inc.	17,500
King County	14,000
Fred Meyer Stores	13,300
City of Seattle	12,900
Group Health Cooperative	10,200
MultiCare Health System	9,400
Costco	9,000
Weyerhaeuser	8,100
Alaska Air Group, Inc.	8,000

* Does not include part-time or seasonal employment figures.

Source: *Puget Sound Book of Lists, 2011 (rounded)*

Other Issues

A variety of additional issues may have an effect on the Puget Sound area's economy, including but not limited to transportation infrastructure, endangered species listings, the commercial real estate market, and limits on residential development and resulting housing costs. The effects of these issues are interdependent and cannot be quantified.