OFFICIAL STATEMENT

New Issue **S&P Rating: AA+**
Book-Entry Only **(See "Other Bond Information—Rating on the Bonds.")**

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

$25,670,000

THE CITY OF SEATTLE, WASHINGTON
SOLID WASTE SYSTEM REFUNDING REVENUE BONDS, 2021

DATED: DATE OF INITIAL DELIVERY **DUE: AUGUST 1, AS SHOWN ON PAGE i**

The City of Seattle, Washington (the "City"), will issue its Solid Waste System Refunding Revenue Bonds, 2021 (the "Bonds"), as fully registered bonds under a book-entry only system, registered in the name of the Securities Depository.

The Depository Trust Company, New York, New York ("DTC") will act as initial Securities Depository for the Bonds. Individual purchases of the Bonds will be made in Book-Entry Form, in the denomination of $5,000 or any integral multiple thereof within a single maturity. Purchasers will not receive certificates representing their interest in the Bonds. Interest on the Bonds is payable semiannually on each February 1 and August 1, beginning February 1, 2022. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "Bond Registrar") (currently U.S. Bank National Association), to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in "Description of the Bonds—Registration and Book-Entry Form" and in Appendix E.

The Bonds are being issued to refund certain outstanding obligations of the Solid Waste System and to pay the administrative costs of issuing the Bonds and administering the Refunding Plan. See "Use of Proceeds."

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

The Bonds are 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 Parity Bond Account and the subaccounts therein (including the Reserve Subaccount). Net Revenue is pledged to make the payments into the Parity Bond Account and the Reserve Subaccount required by the Bond Documents, which pledge constitutes a lien and charge upon the Net Revenue prior and superior to all other liens and charges whatsoever. The Bonds are on a parity with the Outstanding Parity Bonds and all Future Parity Bonds, without preference or priority of right or lien. Upon the redemption or defeasance of certain of the Outstanding Parity Bonds, the Bond Documents provide that the Bonds will cease to be secured by the Reserve Subaccount. 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 legislation 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.

The Bonds are offered for delivery by the Purchaser, when, as, and if issued, subject to the approving legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, Bond Counsel. The form of Bond Counsel's opinion is attached hereto as Appendix B. Bond Counsel will also act as Disclosure Counsel to the City. It is expected that the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC for closing by Fast Automated Securities Transfer, on or about July 1, 2021.

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 15, 2021

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

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

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

The presentation of certain information, including tables of revenues and expenses, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The information set forth in the Solid Waste Fund's 2020 Audited Financial Statements, which are included as Appendix C, speaks only as of the date of those statements and is subject to revision or restatement in accordance with applicable accounting principles and procedures. The City specifically disclaims any obligation to update this information except to the extent described under "Continuing Disclosure Agreement."

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

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

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

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

MATURITY SCHEDULE

$25,670,000

THE CITY OF SEATTLE, WASHINGTON

SOLID WASTE SYSTEM REFUNDING REVENUE BONDS, 2021

Due August 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2022	$ 1,110,000	5.00%	0.08%	105.326	812702 FF0
2023	1,260,000	5.00%	0.10%	110.195	812702 FG8
2024	1,325,000	5.00%	0.20%	114.746	812702 FH6
2025	1,395,000	5.00%	0.32%	118.970	812702 FJ2
2026	1,465,000	5.00%	0.44%	122.897	812702 FK9
2027	1,535,000	5.00%	0.56%	126.518	812702 FL7
2028	1,615,000	5.00%	0.68%	129.824	812702 FM5
2029	1,695,000	5.00%	0.80%	132.811	812702 FN3
2030	1,775,000	5.00%	0.90%	135.682	812702 FP8
2031	1,870,000	5.00%	0.96%	138.737	812702 FQ6
2032	1,960,000	4.00%	1.02% (1)	128.485	812702 FR4
2033	2,040,000	4.00%	1.06% (1)	128.044	812702 FS2
2034	2,120,000	4.00%	1.10% (1)	127.605	812702 FT0
2035	2,210,000	4.00%	1.15% (1)	127.059	812702 FU7
2036	2,295,000	4.00%	1.20% (1)	126.516	812702 FV5

(1) Calculated to the August 1, 2031, par call date.

THE CITY OF SEATTLE

MAYOR AND CITY COUNCIL

Jenny A. Durkan	**Mayor**
Council Member	**Term Expiration**
Lorena González	2021
Lisa Herbold	2023
Debora Juarez	2023
Andrew Lewis	2023
Tammy Morales	2023
Teresa Mosqueda	2021
Alex Pedersen	2023
Kshama Sawant	2023
Dan Strauss	2023

CITY ADMINISTRATION

Glen M. Lee	Director of Finance
Peter Holmes	City Attorney

SEATTLE PUBLIC UTILITIES

Mami Hara	General Manager/Chief Executive Officer
Paula Laschober	Chief Financial Officer/Deputy Director of Financial and Risk Services
Idris Beauregard	Interim Deputy Director of People, Culture, and Community
Keri Burchard-Juarez	Deputy Director for Project Delivery and Engineering
Andrew Lee	Deputy Director for Drainage and Wastewater Line of Business
Jeff Fowler	Deputy Director for Solid Waste Line of Business
Alex Chen	Interim Deputy Director for Water Line of Business and Shared Services

BOND COUNSEL

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

MUNICIPAL ADVISOR

Piper Sandler & Co.
Seattle, Washington

BOND REGISTRAR

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

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

OFFICIAL STATEMENT

$25,670,000

THE CITY OF SEATTLE, WASHINGTON

SOLID WASTE SYSTEM REFUNDING REVENUE BONDS, 2021

INTRODUCTION

The purpose of this Official Statement, which includes the cover, inside cover, and appendices, is to set forth certain information concerning The City of Seattle, Washington (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the "State"), in connection with the offering of $25,670,000 aggregate principal amount of its Solid Waste System Refunding Revenue Bonds, 2021 (the "Bonds"). This Official Statement 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").

Appendix A to this Official Statement is a copy of the ordinance authorizing the Bonds (see "Description of the Bonds—Authorization for the Bonds"). Appendix B is the form of the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington ("Bond Counsel"). Appendix C is the audited financial statements of the Solid Waste Fund as of and for the fiscal year ended December 31, 2020 (the "2020 Financial Statements"). Appendix D provides demographic and economic information for the City. Appendix E is a description provided on its website by The Depository Trust Company, New York, New York ("DTC"), of DTC procedures with respect to book-entry bonds. Capitalized terms that are not defined herein have the meanings set forth in Section 1 of the ordinance attached as Appendix A and in the Bond Documents (defined below).

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

The spread of COVID-19, the illness caused by the novel coronavirus known as SARS-CoV-2, is currently affecting local, State, national, and global economic activity. The COVID-19 pandemic is ongoing and has resulted in significant public health emergency response costs and reduced sources of state and local government revenue. Consequently, the pandemic has materially adversely impacted the financial condition of the City.

The historical financial data and information presented may not necessarily predict near term trends accurately. Moreover, because of the delay between taxable activity, collections, distribution and reporting, the most recently available data may not capture the full effects of the ongoing pandemic, response, and recovery. Any forecast information speaks only as of the date it was prepared and the reader should exercise caution in relying on such information. Actual results could differ materially. See more specific information set forth throughout this Official Statement and particularly under "Seattle Public Utilities—Operating and Fiscal Impacts of COVID-19 Pandemic" and "Other Considerations—Global Health Emergency Risk and City's Response to the COVID-19 Pandemic."

DESCRIPTION OF THE BONDS

Authorization for the Bonds

The Bonds are to be issued by the City pursuant to the State Constitution, chapters 35.92 and 39.53 of the Revised Code of Washington ("RCW"), the Seattle City Charter, and Ordinance 125461, passed on November 20, 2017 (the "Bond Ordinance"), delegating to the Director of the Finance Division of the City's Department of Finance and Administrative Services (the "Director of Finance") the authority to execute, on behalf of the City, a certificate of bid award, a pricing certificate ("Pricing Certificate"), and other documents (collectively, the "Bond Documents") in accordance with the parameters set forth in the Bond Ordinance.

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds will be dated the date of their initial issuance and delivery. The Bonds will mature on August 1 in the years and 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, 2022, 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.

Registration and Book-Entry Form

Registrar and Paying Agent. The Bonds will be issued only in registered form as to both principal and interest by the fiscal agent for the State, currently U.S. Bank National Association in Seattle, Washington (or such other fiscal agent or agents as the State may from time to time designate), will act as registrar and paying agent for the Bonds (the "Bond Registrar").

Book-Entry Form. The Bonds will be held fully immobilized in Book-Entry Form, registered in the name of the Securities Depository (defined in the Bond Documents as the Depository Trust Company, New York, New York ("DTC"), or any successor thereto) in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to participants of the Securities Depository or the persons for whom they act as nominees with respect to the Bonds regarding the accuracy of any records maintained by the Securities Depository or its participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners under the Bond Ordinance (except such notice as is required to be given by the Bond Registrar to the Securities Depository). Registered ownership of a Bond initially held in Book-Entry Form, or any portion thereof, may not be transferred except (i) to any successor Securities Depository, (ii) to any substitute Securities Depository appointed by the City or such substitute Securities Depository's successor, or (iii) to any person if the Bond is no longer held in Book-Entry Form. For information about DTC and its book-entry system, see Appendix E—Book-Entry Transfer System. The City makes no representation as to the accuracy or completeness of the information in Appendix E obtained from DTC. Purchasers of the Bonds should confirm this information with DTC or its participants.

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

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

Payment of Bonds

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

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

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

Redemption of Bonds

Optional Redemption. The Bonds maturing on and before August 1, 2031, are not subject to redemption prior to maturity. The City reserves the right and option to redeem Bonds maturing on and after August 1, 2032, prior to their stated maturity dates at any time on and after August 1, 2031, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

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

All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in denominations of $5,000 or integral multiples thereof within a maturity of the Bonds ("Authorized Denominations"). If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there will be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

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

Rescission of Notice of Redemption. In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of the Bonds by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is rescinded by the Director of Finance will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

Purchase

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

Failure to Pay Bonds

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

Refunding or Defeasance of Bonds

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

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

Defaults and Remedies; No Acceleration of the Bonds

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

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

USE OF PROCEEDS

Purpose

The Bonds are being issued to refund certain outstanding obligations of the Solid Waste System (described below under "—Refunding Plan") and to pay the costs of issuing the Bonds and administering the Refunding Plan.

Sources and Uses of Funds

The proceeds of the Bonds and certain City funds related to the Refunded Bonds (defined below) will be applied as follows:

SOURCES OF FUNDS	
Stated Principal Amount of Bonds	$ 25,670,000.00
Bond Fund Contribution	665,674.48
Debt Service Reserve Fund Contribution	1,734,731.13
Original Issue Premium	6,707,801.10
Total Sources of Funds	$ 34,778,206.71
USES OF FUNDS	
Escrow Deposit	$ 34,448,810.38
Costs of Issuance(1)	329,396.33
Total Uses of Funds	$34,778,206.71

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

Refunding Plan

A portion of the proceeds of the Bonds will be used to carry out a current refunding of the City's Solid Waste Revenue Bonds, 2011 (the "Refunded Bonds"), as shown below, to achieve debt service savings. The Refunded Bonds will be called on the date and at the redemption price shown in the table below.

REFUNDED BONDS

Bond Component	Maturity Date	Interest Rate (%)	Par Amount	Redemption Date	Redemption Price (%)	CUSIP Number
Solid Waste Revenue Bonds, 2011						
Serial	8/1/2022	5.000	$ 1,590,000	8/1/2021	100	812702 BL1
	8/1/2023	5.000	1,670,000	8/1/2021	100	812702 BM9
	8/1/2024	5.000	1,755,000	8/1/2021	100	812702 BN7
	8/1/2025	5.000	1,845,000	8/1/2021	100	812702 BP2
	8/1/2026	5.000	1,935,000	8/1/2021	100	812702 BQ0
	8/1/2027	4.000	2,030,000	8/1/2021	100	812702 BR8
	8/1/2028	4.250	2,115,000	8/1/2021	100	812702 BS6
	8/1/2029	4.250	2,205,000	8/1/2021	100	812702 BT4
	8/1/2030	4.250	2,295,000	8/1/2021	100	812702 BU1
	8/1/2031	4.375	2,395,000	8/1/2021	100	812702 BV9
	8/1/2032	5.000	2,500,000	8/1/2021	100	812702 BW7
	8/1/2033	5.000	2,625,000	8/1/2021	100	812702 BX5
	8/1/2034	5.000	2,755,000	8/1/2021	100	812702 BY3
Term	8/1/2036	5.000	5,935,000	8/1/2021	100	812702 BZ0
Total			$ 33,650,000			

The City will enter into a Refunding Trust Agreement with U.S. Bank, N.A., as Refunding Trustee, upon the delivery of the Bonds, to provide for the refunding of the Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the Refunded Bonds. A portion of the proceeds of the Bonds will be deposited with the Refunding Trustee and will be held in cash and/or invested in Government Obligations that will mature and bear interest at rates sufficient to pay the principal of and accrued interest coming due on the redemption date of the Refunded Bonds.

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

The mathematical accuracy of the computations of the adequacy of the cash and/or maturing principal amounts of and interest on the Government Obligations to be held by the Refunding Trustee to pay principal of and interest on the Refunded Bonds as described above will be verified by Public Finance Partners LLC.

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 Parity Bond Account and the subaccounts therein (including the Reserve Subaccount). Net Revenue is pledged to make the payments in respect of the Parity Bonds into the Parity Bond Account and the Reserve Subaccount required by the Bond Documents, which pledge constitutes a lien and charge upon such Net Revenue prior and superior to all other liens and charges whatsoever. The Bonds are on a parity with the Outstanding Parity Bonds and all Future Parity Bonds, without preference or priority of right or lien. Upon the redemption or defeasance of certain of the Outstanding Parity Bonds, the Bond Documents provide that the Bonds will cease to be secured by the Reserve Subaccount. See "Reserve Subaccount" below. The City has covenanted that for as long as any Bond is outstanding, it will issue Future Parity Bonds only in accordance with the Bond Documents. See "—Additional Obligations" and Appendix A—Bond Ordinance—Section 13, Section 14, and Section 17.

The City has reserved the right to combine the Solid Waste System, including its funds and accounts, with other City utility systems, funds, and accounts. See "—Combined Utility Systems."

The Bonds do not constitute general obligations of the City, 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 Bond Documents. 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.

The Parity Bond Account has been created and is maintained within the Solid Waste Fund for the sole purpose of paying and securing payment of the principal of and premium, if any, and interest on the Parity Bonds, including the Bonds, as they become due. The City has agreed to set aside and pay into the Parity Bond Account on or prior to the respective dates on which the interest on and/or principal of Parity Bonds becomes due and payable certain amounts from the Net Revenue sufficient, together with other money on deposit therein, to pay interest and/or principal as they become due. See Appendix A—Bond Ordinance—Section 15.

Reserve Subaccount

The Reserve Subaccount has been created and maintained as a subaccount within the Parity Bond Account for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding. The City covenants that it will at all times, as long as any Covered Parity Bonds are outstanding, maintain the Reserve Subaccount at the least of (i) Maximum Annual Debt Service on all Parity Bonds outstanding at the time of calculation, (ii) 1.25 times Average Annual Debt Service on all Parity Bonds outstanding at the time of calculation, and (iii) the sum of 10% of the proceeds of each series of Parity Bonds then outstanding as of the delivery of such series (the "Reserve Requirement") for all Parity Bonds outstanding at the time of calculation. Under the Bond Documents, the City must fund any increase in the Reserve Requirement due to the issuance of the Bonds by a deposit of Parity Bond proceeds, periodic payments from Net Revenue in no more than five annual installments, or a Reserve Security.

From and after the date (the "Reserve Covenant Date") of the defeasance or redemption of all of the Outstanding Parity Bonds (see "Outstanding Parity Bonds"), the Reserve Subaccount will secure only such Parity Bonds as are designated as "Covered Parity Bonds" and the Reserve Requirement will be calculated based on debt service relating to Covered Parity Bonds only. In the Bond Documents, the Bonds are designated as Parity Bonds that are not Covered Parity Bonds and after the Reserve Covenant Date, the Bonds will no longer be secured by the amounts on deposit in *the Reserve Subaccount. See Appendix A—Bond Ordinance—Section 1 for definitions of Covered Parity Bonds and Reserve Requirement and —Section 15.*

If the amount in the Reserve Subaccount is less than the Reserve Requirement (taking into account the five-year period referred to above), the City is required to transfer to the Reserve Subaccount money from the Solid Waste Fund (after making provision for payment of Maintenance and Operation Expenses and for the required payments into the Parity Bond Account) in an amount sufficient to restore the Reserve Subaccount to the Reserve Requirement within 12 months after the date of such deficiency. If the amount in the Reserve Subaccount is greater than the Reserve Requirement, then the City may withdraw such excess from the Reserve Subaccount and deposit such excess in the Solid Waste Fund to be used for any lawful purpose.

Under the Bond Documents, the City may obtain Qualified Insurance for specific amounts required to be paid into the Reserve Subaccount. "Qualified Insurance" is defined in the Bond Documents as any municipal bond insurance policy or surety bond issued by an insurance company licensed to conduct an insurance business in any state of the United States that is rated in one of the two highest rating categories by Moody's Investors Service Inc. ("Moody's") and S&P Global Ratings ("S&P") or their comparably recognized business successors. The City currently has 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. currently rated A3/AA by Moody's and S&P, respectively), that expires on February 1, 2033. The City has $9,831,311 on deposit in the Reserve Subaccount as of December 31, 2020. The existing surety bond and cash on hand, totaling $15,684,311, will fully satisfy the Reserve Requirement for the Bonds and the Outstanding Parity Bonds. Upon the closing of the Bonds and the defeasance of the Refunded Bonds, the reserve requirement will be $13,949,580. On the closing date for the Bonds, excess funds in the Reserve Subaccount in the amount of approximately $1.7 million will be contributed to the escrow to facilitate the Refunding Plan. See "Use of Proceeds" and Appendix A—Bond Ordinance—Section 1 and Section 15.

Outstanding Parity Bonds

The outstanding 2011 Bonds (a portion of which are the Refunded Bonds), 2014 Bonds, 2015 Bonds, and 2016 Bonds issued by the City and secured by revenues of the Solid Waste System on a parity with the Bonds collectively are referred to as the "Outstanding Parity Bonds." The Outstanding Parity Bonds, the Bonds, and any Future Parity Bonds collectively are referred to as the "Parity Bonds." The following table provides a summary of the Outstanding Parity Bonds.

OUTSTANDING PARITY BONDS

Bond Description	Original Par Amount	Outstanding Principal as of 6/15/2021
2011 Bonds[(1)]	$ 45,750,000	$ 35,165,000
2014 Bonds	95,350,000	75,015,000
2015 Bonds	35,830,000	30,755,000
2016 Bonds	35,335,000	33,240,000
Total	$ 212,265,000	$ 174,175,000

(1) A portion of these bonds are the Refunded Bonds and will be refunded with proceeds of the Bonds on the closing date for the Bonds. See "Use of Proceeds—Refunding Plan."

Additional Obligations

Future Parity Bonds. The City reserves the right to issue Future Parity Bonds and to enter into Parity Payment Agreements for any lawful purpose of the Solid Waste System or to refund a portion of the Parity Bonds upon satisfaction of certain conditions set forth in the Bond Documents. Among other conditions, the City must have on file at the time of the issuance of the Future Parity Bonds:

(i) a certificate of the Director of Finance demonstrating that, during any 12 consecutive months out of the immediately preceding 24 months, Adjusted Net Revenue (as defined in Appendix A—Bond Ordinance) was at least equal to 1.25 times the Adjusted Annual Debt Service (the "Coverage Requirement") for all Parity

Bonds plus the Future Parity Bonds to be issued (using Average Annual Debt Service on such proposed Future Parity Bonds as the assumed debt service for those proposed bonds during such 12-month period); or

(ii) a certificate of the Director of Finance and the General Manager of SPU demonstrating that, in their opinion the Adjusted Net Revenue (taking into account certain permitted revenue adjustments) will be at least equal to the Coverage Requirement for the five fiscal years next following the earlier of (a) the end of the period during which interest on those Future Parity Bonds is to be capitalized or, if no interest is capitalized, the fiscal year in which the Future Parity Bonds are issued, or (b) the date on which substantially all new facilities financed with those Future Parity Bonds are expected to commence operations. .

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding Parity Bonds, no such coverage certification will be required if the Adjusted Annual Debt Service on the Parity Bonds after the issuance of the Future Parity Bonds is not, for any year in which the Parity Bonds being refunded were outstanding, more than $5,000 over the Adjusted Annual Debt Service on the Parity Bonds prior to the issuance of those Future Parity Bonds. See Appendix A—Bond Ordinance—Section 17.

Future Subordinate Lien Bonds. In the Bond Documents, 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.

Parity Payment Agreements. The City may enter into Parity Payment Agreements secured by a pledge of and lien on Net Revenue on a parity with the Parity Bonds subject to the satisfaction of the requirements for the issuance of Future Parity Bonds. See Appendix A—Bond Ordinance—Section 1. The City has never entered into a Parity Payment Agreement and currently has no intention of doing so.

Contract Resource Obligations. The City may at any time 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. The City may determine that all payments under those Contract Resource Obligations (including payments prior to the time that the solid waste collection, transportation, treatment, or disposal or other commodity or service is being provided, or during a suspension or after termination of such commodity or service) will be Maintenance and Operation Expenses, upon compliance with certain requirements of the Bond Documents. The City has never entered into an obligation that it treats as a Contract Resource Obligation with respect to the Solid Waste System. See Appendix A—Bond Ordinance—Section 20.

Rate Covenant

The City has covenanted to establish, maintain, and collect rates and charges for services and facilities provided by the Solid Waste System and will adjust those rates and charges from time to time so that (i) Gross Revenue will be sufficient to pay all Maintenance and Operation Expenses, to pay when due all amounts that the City is obligated to pay into the Parity Bond Account and subaccounts therein, and to pay all taxes, assessments, and other governmental charges lawfully imposed on the Solid Waste System, and (ii) Adjusted Net Revenue of the Solid Waste System in each fiscal year will be at least equal to the Coverage Requirement. Calculations of historical coverage ratios for the Solid Waste Fund are provided below in Table 3—Solid Waste System Operating Results under "Solid Waste System—Financial Performance."

See Appendix A—Bond Ordinance—Section 1 and Section 16(b).

Rate Stabilization Account

The Rate Stabilization Account has been created as a separate account in the Solid Waste Fund. The City may at any time, as determined by the Director of Finance, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the Solid Waste System and available to be used therefor and may withdraw any or all of the money from that account for inclusion in Adjusted Gross Revenue for any fiscal year of the City. Such deposits and withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Gross Revenue. No deposit of Gross Revenue may be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

As of December 31, 2020, the balance in the Rate Stabilization Account was approximately $38.0 million. The City plans to use the funds in this account as a contingency in case of unforeseen circumstances that may affect rate stability. See “Solid Waste System—Management Discussion and Analysis of Operating Results” and Appendix A—Bond Ordinance—Section 18.

Other Covenants

In the Bond Documents, the City has entered into other covenants, including those with respect to maintenance of the Solid Waste System, sale of the Solid Waste System, and preservation of tax exemption of interest on the Bonds. See Appendix A—Bond Ordinance—Section 16 and Section 22.

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 Gross Revenue of the Solid Waste System and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand the separate utility system. Neither Gross Revenue nor Net Revenue of the Solid Waste System may be pledged to the payment of any obligations of a separate utility system, except as a Contract Resource Obligation in compliance with the Bond Documents or, with respect to Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue. See Appendix A—Bond Ordinance—Section 19. The City has never created any such separate utility system relating to solid waste service and currently has no intention of doing so.

Combined Utility Systems

The City has reserved the right to combine the Solid Waste System with other City utility systems, including their funds and accounts. See the definition of “Solid Waste System” in Appendix A—Bond Ordinance—Section 1. Also see “Seattle Public Utilities—Administrative Structure” for a description of existing City utilities that have reserved the right to combine with other City utilities.

Debt Service Requirements

The following table shows the debt service scheduled to be paid from the Net Revenue of the Solid Waste System.

DEBT SERVICE REQUIREMENTS(1)

	Outstanding Parity Bonds(2)			The Bonds			Total
Year	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2021	$ 7,400,000	$ 7,246,316	$ 14,646,316	$ -	$ -	$ -	$ 14,646,316
2022	6,185,000	6,070,006	12,255,006	1,110,000	1,275,354	2,385,354	14,640,360
2023	6,500,000	5,752,881	12,252,881	1,260,000	1,121,750	2,381,750	14,634,631
2024	6,835,000	5,419,506	12,254,506	1,325,000	1,058,750	2,383,750	14,638,256
2025	7,190,000	5,068,881	12,258,881	1,395,000	992,500	2,387,500	14,646,381
2026	7,555,000	4,700,256	12,255,256	1,465,000	922,750	2,387,750	14,643,006
2027	7,935,000	4,322,681	12,257,681	1,535,000	849,500	2,384,500	14,642,181
2028	8,320,000	3,934,344	12,254,344	1,615,000	772,750	2,387,750	14,642,094
2029	8,730,000	3,524,275	12,254,275	1,695,000	692,000	2,387,000	14,641,275
2030	8,940,000	3,118,831	12,058,831	1,775,000	607,250	2,382,250	14,441,081
2031	9,325,000	2,732,428	12,057,428	1,870,000	518,500	2,388,500	14,445,928
2032	9,715,000	2,341,613	12,056,613	1,960,000	425,000	2,385,000	14,441,613
2033	10,125,000	1,933,238	12,058,238	2,040,000	346,600	2,386,600	14,444,838
2034	5,565,000	1,606,238	7,171,238	2,120,000	265,000	2,385,000	9,556,238
2035	5,805,000	1,365,000	7,170,000	2,210,000	180,200	2,390,200	9,560,200
2036	6,055,000	1,113,288	7,168,288	2,295,000	91,800	2,386,800	9,555,088
2037	6,315,000	850,681	7,165,681	-	-	-	7,165,681
2038	6,585,000	584,900	7,169,900	-	-	-	7,169,900
2039	6,855,000	316,100	7,171,100	-	-	-	7,171,100
2040	3,390,000	111,200	3,501,200	-	-	-	3,501,200
2041	1,085,000	21,700	1,106,700	-	-	-	1,106,700
Total	$ 146,410,000	$ 62,134,362	$ 208,544,362	$ 25,670,000	$ 10,119,704	$ 35,789,704	$ 244,334,067

(1) Totals may not add due to rounding.

(2) Excludes the Refunded Bonds.

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. 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 in the future. 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 General Manager's Office, which includes groups dedicated to corporate policy, corporate performance, and intergovernmental relations, and six Executive Branches. Three of these provide utility-wide services: People, Culture, and Community; Financial and Risk Services; and Project Delivery and Engineering; and three are lines of business: Drainage and Wastewater, Solid Waste, and Water. This organizational structure grew out of work done for the Strategic Business Plan with implementation beginning in 2019. See "Solid Waste System—Strategic Business Plan." The General Manager 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.

Mami Hara, ASLA, AICP, General Manager/Chief Executive Officer. Ms. Hara was appointed General Manager and Chief Executive Officer of SPU in 2016. In this role, she is responsible for SPU's annual budget and oversight of its rates and utility funds, as well as conservation of the City's watersheds and compliance with federal and State water quality and environmental laws. She is Board Chair of the U.S. Water Alliance, a board member of the National Association of Clean Water Agencies, a founding member of the Water Agencies Leadership Alliance, and the founder of the Green Infrastructure Leadership Exchange. Through her work at the City, at Philadelphia Water ,and as principal of a leading planning and design firm, she has developed just, climate-resilient, and community-centered land and water management investment approaches and practices. She is committed to advancing an equitable and sustainable Seattle and region through collaboration, strategic investment, and partnering with community, and centers this ethic throughout Seattle Public Utilities. She brings her experience in green infrastructure, affordability and assistance, environmental finance, service equity, utility management, and urban planning to her work at SPU and as an advisor to several environmental, philanthropic, planning, and design advocacy organizations. She has taught at Massachusetts Institute of Technology, University of Pennsylvania, and Temple University.

Ms. Hara has a bachelor's degree from the University of Pennsylvania and a master's degree from Harvard University.

Paula Laschober, Chief Financial Officer/Deputy Director of Financial and Risk Services. Ms. Laschober was appointed as CFO in 2019 and oversees the functions of finance, accounting, internal control, real property, contracts and procurement, and risk and quality assurance. Prior to joining SPU, she served for 30 years at Seattle City Light in financial services. Most recently, she was City Light's CFO, responsible for leadership and strategic direction of financial planning, rate setting, budgeting, accounting, internal audit, corporate performance and risk mitigation. She also managed City Light's information technology planning and strategy, via liaison with Seattle Information Technology ("Seattle IT"), a City department. Prior to joining City Light, she was a senior analyst with the utility consulting firm R.W. Beck and Associates in its Seattle headquarters office.

Ms. Laschober has an MBA in Finance and a Ph.D. in Latin American Literature from the University of Washington.

Idris Beauregard. Interim Director, People, Culture, and Community. Mr. Beauregard oversees the Community Affairs, Human Resources, Customer Response, Utility Accounts, and Clean Cities divisions. He has held several roles throughout his career at the City, beginning as a teen development leader for the Seattle Parks Department. Most recently, he served as SPU's Clean Cities Division Director, providing direction for the utility's illegal dumping, litter, sharps, RV remediation, homelessness, and anti-graffiti programs.

Mr. Beauregard earned his bachelor's degree from the University of Washington and his Executive Master of Public Administration degree from the University of Washington's Evans School of Public Policy and Governance.

Keri Burchard-Juarez, PE, PMP, Deputy Director for Project Delivery and Engineering. Ms. Burchard-Juarez joined SPU in 2018 as the Deputy Director for the Project Delivery and Engineering, overseeing the design and construction of drinking water, wastewater, drainage, and solid waste projects. In this role, she oversees Project Management and Controls, Engineering and Technical Services, Project Services, Construction Management, Development Services, and delivery of the Ship Canal Water Quality Project. Previously, she served as the Assistant Director for Engineering and Capital Project Delivery at the City of Austin, Texas, where she worked for 11 years. She started in Austin as a Project Manager, managing drainage and water treatment plant rehabilitation projects, then served as Manager of the Project Management Division. She played a significant role in delivering major infrastructure projects to Austin residents, including a new water treatment plant and a mile-long drainage tunnel through downtown. She also spent time in the private sector, designing public infrastructure and land development projects.

Ms. Burchard-Juarez earned a Bachelor of Science in Civil Engineering from the University of Texas at Austin. She is a licensed Professional Engineer in Texas and Washington and a certified Project Management Professional.

Andrew Lee, PE, PMP, Deputy Director for Drainage and Wastewater Line of Business. Mr. Lee joined SPU in 2019 and oversees planning, program management, regulatory compliance, operations and maintenance, source control, and pollution prevention for the wastewater and stormwater utilities. He has more than 20 years of experience in utilities, having worked for SPU, the San Francisco Public Utilities Commission, Bellevue Utilities, Brown and Caldwell, and Olivia Chen Consultants (now AECOM). He has extensive experience in capital planning and program management, regulatory compliance and negotiations, asset management, and drainage, wastewater, and drinking water engineering, and is a member of the Project Management Institute.

Mr. Lee has a BS degree in Civil and Environmental Engineering and an MS degree in Environmental Engineering and Sciences, both from Stanford University. He is a licensed Professional Engineer in Washington and California and a certified Project and Program Management Professional.

Jeff Fowler, PE, Deputy Director for Solid Waste Line of Business. Mr. Fowler oversees the management of two transfer stations, two household hazardous waste facilities, and multiple closed landfills, administration and compliance of SPU's solid waste collection contracts, and solid waste-related outreach and education. He has been with SPU for 23 years. Most recently, he was the Director of SPU Construction Management, responsible for contract administration and quality assurance on capital improvement projects.

Mr. Fowler has a Bachelor of Civil Engineering degree from Washington State University and a Master of Civil Engineering degree from the University of Washington. He is a licensed Professional Engineer in Washington.

Alex Chen, PE, Interim Deputy Director for Water Line of Business and Shared Services. As the interim Deputy Director for the Water Line of Business and Shared Services since early 2020, Mr. Chen oversees SPU's drinking water system. He supervises SPU's Watershed Management Division, Water Quality Division, Water Planning and Program Management Division, Water Operations and System Maintenance Division, and Shared Services Maintenance Division. He has been at SPU since 2005, serving nine years as the drinking water treatment plants contract manager and five years as the Division Director for long-term asset management of the drinking water system as well as water supply operations. Prior to joining SPU, he spent seven years as a private design consultant, managing the design and construction of wastewater and drinking water reservoirs, pump stations, and treatment plants for a variety of utility clients, and four years as a treatment plant engineer for the East Bay Municipal Utility District.

Mr. Chen holds Bachelor of Science and Master of Science degrees in Civil/Environmental Engineering from Stanford University. He is a licensed Professional Engineer, a Water Treatment Plant Operator IV, and a Water Distribution Manager IV in Washington.

Employment Retirement System and Employee Relations

As of December 31, 2020, SPU has approximately 1,350 regular employees, approximately 70% of whom are represented under one of ten labor agreements with the Coalition of City Unions. See "The City of Seattle—Labor Relations."

Almost all SPU employees are members of the Seattle City Employee Retirement System, which requires SPU, like all City departments, to make contributions equal to an actuarially determined percentage of covered payrolls. See "The City of Seattle—Pension Plans."

Operating and Fiscal Impacts of COVID-19 Pandemic

The spread of COVID-19 is currently affecting local, State, national, and global economic activity. In the City, the COVID-19 pandemic is ongoing and has resulted in significant public health emergency response costs and significant revenue reductions from previously budgeted and forecast levels.

See "Other Considerations—Global Health Emergency Risk and City's Response to the COVID-19 Pandemic" for a discussion of the Mayor's Proclamation of Civil Emergency, the Governor's State-wide "Stay Home-Stay Healthy" proclamation, and the State's move to Phase 3.

Operations. The COVID-19 pandemic and Mayor's Proclamation of Civil Emergency have significantly impacted each of SPU's enterprises. SPU's enterprise fund operations constitute "essential infrastructure" exempt from the State and City Proclamations, as needed to maintain continuity of operations.

Although much of SPU's workforce is working remotely, more than 60% of SPU's workforce continues to report to an SPU facility every day to ensure continuity of services. SPU established an Incident Command Team to standardize its programs, policies, and protocols to ensure the health and safety of its employees and to maintain operations. For on-site staff, SPU has established enhanced cleaning and disinfecting procedures and social distancing for all facilities and vehicles. SPU has also established mandatory health screening protocols for anyone reporting to sites or facilities and field work assignments. SPU continues to provide staff with updates and support intended to ensure compliance with City and State guidelines on office workspaces, including effective use of face coverings, access to personal protective equipment. and the programs mentioned above. For telecommuting staff, SPU updated its Telecommuting and Teleworking Policies, which include training for remote work technologies and other support to enable staff to work effectively and comfortably from home. This includes providing ergonomic workspace support, such as chairs, laptops, monitors, and other technology to provide staff for their home-office setup.

SPU's ability to deliver water, sewer, stormwater, and solid waste services to its customers during the Proclamation period has not been impaired. Furthermore, SPU continues to monitor the pandemic's impacts on its operations and financial performance.

Utility Response and Impacts on Utility Services. SPU has experienced an increase in public health emergency response and other costs associated with mitigating the impacts of the COVID-19 pandemic on the residents of the City, including emergency response and utility discount program expansions.

Solid Waste Demand. The COVID-19 pandemic and the Mayor's Proclamation have impacted residential and commercial demand for 2020 and 2021. For 2020, residential tonnages were up 9.5% and commercial tonnages were down 20.2%, while transfer station tonnages were down 4.2%. This sharp observed decline in commercial demand and robust increase in residential demand reflect the impacts of COVID-19 and the Mayor's Proclamation on commercial activity. SPU is projecting the impact of the pandemic on sales volume will begin to wane by the end of 2021 as the State moves into Phase 3 of reopening, enabling more commercial activity. Revenue projections for 2021 assume that the shift between commercial and residential demand continues its trend from 2020, with recovery to pre-pandemic levels by the end of 2022.

Revenue Impact. Total current revenues for 2021 are projected to be approximately $229.4 million, flat compared to pre-pandemic projections. The decrease in commercial demand described above resulted in a loss of approximately $9.0 million in revenues in 2020, but was offset by an increase in residential revenue of $7.1 million and in transfer station revenues of $2.3 million. The increase in transfer station revenues was due to a spike in self-haul activity once the transfer stations re-opened, together with a conservative revenue forecast.

Operations and Maintenance. As SPU continues to respond to employee health and safety needs, operations and maintenance costs have included additional cleaning and janitorial services, personal protective equipment, and work crews that were not able to be deployed to capital projects and were assigned to operations and maintenance work instead. In addition to its enterprise fund obligations, SPU provided emergency response, such as public hygiene, that was paid for by the General Fund. SPU has concurrently been able to recognize cost savings related to employee telecommuting. The 2021 budget has been updated to reflect additional funds available to ensure continued responsiveness to health and safety concerns as well as required modifications to the workplace.

Retail Customers. SPU expects that, as a result of the economic impacts to the service area, an increased number of retail customers may face financial challenges in paying their bills. In 2020, Solid Waste accounts receivable aged more than 30 days past due increased from an average monthly balance of $1.1 million in January to March 2020 to $2.2 million monthly in April to December 2020. The monthly average has remained stable for the first two months of 2021. Although this increase is significant, past due solid waste balances represented only 1.0% of the Solid Waste Fund's annual revenue for 2020. The number of delinquent accounts peaked at approximately 7,502 accounts in February 2021.

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.

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 commercial 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 allows and encourages independent vendors to provide recycling and composting collection services for business customers.

The City currently contracts for collection services with Waste Management of Washington, Inc. ("Waste Management"), a subsidiary of Waste Management, Inc., and Recology of King County, Inc., a subsidiary of Recology, Inc. Each contract covers designated areas in the City and includes garbage, co-mingled recycling, and food and yard waste ("organics") collection from businesses and residents. SPU charges for garbage and organics collection based on volume and includes co-mingled recycling pickup at no additional charge. The City recycling services for businesses is limited and additional business recycling is performed by independent vendors. The current collection contracts went into effect in April 2019, and will expire in March of 2029, with two City options to extend to March 2031 and 2033.

Transfer. The City owns and operates two transfer stations, one in the south end of the City and one in the north end. Both transfer stations receive garbage, organics, and limited recycling, which has been collected by the collection contractors or self-hauled by the public and small businesses. A new South Transfer Station was opened to the public in 2013 on a site adjacent to the old south transfer station. The site of the old station is currently used for truck and trailer parking in support of the new South Transfer Station. The old transfer station will be demolished in 2023 and the site is part of the South Park Landfill closure project required under a Consent Decree. The old north transfer station was demolished in 2014, with the new North Transfer Station opening in November 2016. Each transfer station has a separate annual solid waste operating permit issued by Public Health—Seattle and King County. Both transfer stations are currently in compliance with the terms of their operating permits.

The City also contracts with Waste Management to use its private transfer station for some collected garbage and organics tonnage. The City and Waste Management deliver sealed containers of compacted garbage from the transfer stations to the railhead operated by the City's disposal contractor, designated by ordinance as the receiving facility (the "Railhead"). The City and Waste Management deliver organics to one of the City's local organics processing contractors. In addition, one of the organics processing contractors picks up its portion of the organics from SPU transfer stations. The City transfer stations include recycling drop-off services for self-haul customers. Household hazardous materials are collected at two facilities in the City for processing, disposal, or reuse. The County's Local Hazardous Waste Management Program provides reimbursement for any costs incurred by SPU in the collection, processing, and disposal of hazardous materials.

Processing. The City contracts with Rabanco Ltd., a subsidiary of Republic Services, for processing of contractor-collected recyclables. The current processing contract with Rabanco began in April 2016 and expires in March 2024, with City option to extend to March 2027. Under the contract, the City pays Rabanco a per-ton processing fee, and retains 100% of the value of the sorted recyclables, based on current market index prices. The City contracts with Lenz Enterprises, Inc., and Cedar Grove Composting, Inc. for composting organics. The Lenz contract began in April 2014 and the Cedar Grove contract began in September 2017. Both contracts expire in March of 2022, with a City option to extend to March of 2024.

Disposal. The City contracts with Waste Management of Washington to ship the City's waste by rail from the Railhead and to dispose of the waste at Waste Management's Columbia Ridge landfill in Arlington, Oregon. 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 a City option to terminate in March 2024.

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

TABLE 1
SOLID WASTE TONNAGE
2016-2020

	2016	2017	2018	2019	2020[(1)]
Garbage-Tons Disposed					
Residential Collection[(2)]	103,720	105,315	107,485	109,367	119,903
Self-Haul Garbage	65,754	99,290	100,828	101,506	97,320
Commercial Collection[(3)]	138,546	139,317	138,009	134,816	109,891
Total Tons Disposed	308,020	343,922	346,322	345,689	327,114
Recycling					
Private Recycling	252,242	259,105	257,729	225,316	183,659
Residential Curbside Recycling	54,207	55,123	53,582	50,505	55,133
Apartment Recycling	24,781	24,652	24,520	24,802	26,852
Residential Curbside Yard and Food Waste	91,375	90,789	88,947	89,105	99,850
Self-Haul Yard Waste	4,390	6,127	6,127	6,957	6,780
Salf-Haul Wood Waste	866	1,185	1,040	893	655
Self-Haul Recycling	2,747	4,495	4,567	4,879	4,109
Composting[(4)]	10,800	10,800	9,450	9,450	9,450
Total Tons Recycled	441,408	452,276	445,962	411,906	386,488
Total Tons Generated	749,428	796,198	792,284	757,595	713,602
Garbage as Percent of Total Tons Generated	41%	43%	44%	46%	42%
Recycling as Percent of Total Tons Generated	59%	57%	56%	54%	54%

(1) Private Recycling and all subsequent calculations in 2020 are based on estimates.

(2) Increase in residential collection tonnage from 2019 to 2020 is likely the effects of Covid-19 keeping many residents at home.

(3) Decline in commercial collection tonnage from 2019 to 2020 due to the Covid-19 shutdown.

(4) Estimates based on surveys conducted in 2018; include backyard food waste and yard waste composting.

Source: SPU Solid Waste Planning and Program Management

Revenues

There are three primary sources of Solid Waste System revenues: residential collection charges, commercial collection charges, and disposal and other (including self-haul) charges.

The following table lists the Solid Waste System's ten largest customers, combined self-haul and commercial, in 2020:

TABLE 2
TEN LARGEST CUSTOMERS IN 2020

	2020 Revenue	% of Total Revenue
City of Seattle	$ 1,006,908	0.45%
Starbucks	836,543	0.37%
Fred Meyer/QFC	745,851	0.33%
Swedish Medical Center	735,252	0.33%
Seattle Housing Authority	683,871	0.31%
King County	673,550	0.30%
Amazon	572,985	0.26%
Goodwill Industries	552,614	0.25%
Safeway	463,186	0.21%
Seattle Pacific University	428,882	0.19%
Total-Ten Largest Customers	$ 6,699,642	2.99%

Source: SPU Financial and Risk Services

Residential Collection. 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 2020, residential collection charges, including charges for organics service, generated approximately $145.7 million, or 65% of total Solid Waste System revenue.

Commercial Collection. Commercial customers are charged by the haulers contracting with the City for commercial collection, which then remit those payments to the City. In 2020, commercial collection charges generated approximately $57.9 million, or 26% of total Solid Waste System revenue.

Disposal and Other. The disposal and other category is comprised of self-haul revenues from the City's two transfer stations, revenues from the sale of recycled materials, commercial disposal charges, and miscellaneous billing fees and charges. In 2020, these charges generated approximately $20.4 million, or 9% of total Solid Waste System revenue.

Maintenance and Operation Expenses

Solid Waste Contract Expense. Payments under the City's collection, processing, and disposal contracts are the single largest Maintenance and Operation Expense of the Solid Waste Fund. In 2020, $81.6 million, or 44% of total Solid Waste System expenses, went to Recology and Waste Management for garbage, recycling, and organics collection from residential and commercial customers.

In 2020, payments to Rabanco Ltd. for recycling processing were $8.9 million, or 5% of Solid Waste System expenses. Payments to Lenz Enterprises and Cedar Grove for processing of organics materials were $4.9 million, or 3% of Solid Waste System expenses. Payments to Waste Management Disposal Services of Oregon, Inc. for long-range hauling and disposal of garbage totaled $14.6 million, or 8% of total Solid Waste System expenses.

Other Operations and Maintenance. Expenses in this category include operation of City-owned transfer stations, customer service, billing, planning, conservation programs, finance and administration, payments to the County's Hazardous Waste Management Program, and general overhead. In 2020, other operations and maintenance totaled $44.3 million, or 24% of Solid Waste System expenses.

Taxes. A 14.2% City utility tax, less deductions for certain environmental programs, is applied to Solid Waste System revenues and paid to the City's General Fund. A total of $22.0 million, or 11% of Solid Waste System expenses, was paid in City taxes in 2020. The City also levies a tonnage tax of $13.27 per ton of non-recycled waste. The tonnage tax levied on SPU totaled $4.5 million in 2020, or 3% of Solid Waste System expenses. Under the City Charter, City taxes are payable after payment of debt service on Parity Bonds.

In addition to City taxes, the State levies a 1.75% business and occupation tax on gross revenues and a 3.6% State refuse tax with deductions allowed for certain environmental-related programs. In 2020, SPU paid $3.7 million in business and occupation taxes, or 2% of Solid Waste System expenses. The 3.6% State refuse tax is deducted from revenue and is not recorded as an expense. SPU paid $5.8 million in State refuse taxes in 2020.

Financial Performance

Table 3—Solid Waste System Operating Results shows historical revenues and expenses of the Solid Waste System derived from audited financial statements for the years 2016 through 2020, and projected revenues and expenses for 2021 and 2022. Notes to Table 3 are provided on the following page.

SPU does not as a matter of course make public projections as to future revenues, expenses, or other results. However, the management of SPU has prepared the prospective financial information set forth below in Table 3—Solid Waste System Operating Results and under "Future Capital Improvements" 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.

Neither SPU's independent auditors, Moss Adams LLP, nor the State auditor nor any other independent accountants have compiled, examined, or performed any procedures with respect to this Official Statement or any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information, and they assume no responsibility for, and disclaim any association with, this Official Statement and such information.

The financial statements of the Solid Waste Fund as of and for the fiscal year ended December 31, 2020, included herein as Appendix C, have been audited by Moss Adams LLP, independent auditors, as stated in its report appearing herein. SPU has not requested that Moss Adams LLP provide permission for inclusion of its report on the 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.

The debt service coverage calculations set forth below are intended to reflect compliance with the rate covenant and the Future Parity Bond covenant contained in the Bond Documents and described under "Security for the Bonds" and for no other purpose. Such calculations reflect the application of generally accepted accounting principles as applied to financial results and may reflect non-recurring or extraordinary accounting transactions permitted under the Bond Documents and generally accepted accounting principles.

In providing a rating on the Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Bond Documents. See "Other Bond Information—Rating on the Bonds." The City makes no representation as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any bond covenants or the availability of particular revenues for the payment of debt service, or for any other purpose.

TABLE 3
SOLID WASTE SYSTEM
OPERATING RESULTS
($000)

	Audited					Projected(1)	
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Operating Revenue							
Residential Collection Services	$ 117,394	$ 125,585	$ 131,254	$ 138,726	$ 145,916	$ 152,494	$ 154,371
Commercial Collection Services	56,181	60,291	63,255	66,184	57,709	59,011	64,187
Disposal and Other	16,692	23,768	21,325	20,055	20,428	17,924	19,243
Rate Stabilization Account	(6,600)	-	(10,200)	-	-	-	-
Total Operating Revenues	$ 183,666	$ 209,644	$ 205,634	$ 224,965	$ 224,052	$ 229,428	$ 237,802
Operating Expenses							
Solid Waste Contract Expense	$ 104,639	$ 107,529	$ 108,026	$ 107,524	$ 108,684	$ 121,721	$ 127,211
Other Operations and Maintenance	36,649	43,511	42,937	42,390	44,256	51,343	54,217
City Taxes(2)	19,025	24,583	25,651	26,742	26,397	27,238	28,139
State B&O Tax	2,820	3,213	3,216	3,376	3,754	3,600	3,603
Total Operating Expenses	$ 163,133	$ 178,835	$ 179,830	$ 180,032	$ 183,091	$ 203,901	$ 213,171
Net Operating Income	$ 20,534	$ 30,808	$ 25,804	$ 44,933	$ 40,962	$ 25,527	$ 24,631
Adjustments							
Less: Reserve Subaccount Earnings	$ (131)	$ (165)	$ (177)	$ (238)	$ (190)	$ -	$ -
Plus: City Taxes	19,025	24,583	25,651	26,742	26,397	27,238	28,139
Environmental Liability Costs(3)	3,436	6,390	1,958	89	(1,695)	-	-
Investment Interest	970	1,192	1,744	2,034	1,848	1,048	940
Net Proceeds from Sale of Assets	18	156	8	-	-	(50)	(50)
Net Other Nonoperating Revenues (Expenses)(4)	83	39	50	668	114	20	23
Total Adjustments	$ 23,401	$ 32,195	$ 29,234	$ 29,295	$ 26,475	$ 28,255	$ 29,052
Net Revenue Available for Debt Service	$ 43,935	$ 63,003	$ 55,038	$ 74,229	$ 67,436	$ 53,782	$ 53,683
Without Credit for City Taxes	24,910	38,420	29,387	47,487	41,039	26,544	25,544
Annual Debt Service							
Annual Debt Service	$ 15,198	$ 15,964	$ 15,878	$ 15,877	$ 15,450	$ 15,445	$ 15,443
Less: Reserve Subaccount Earnings	(131)	(165)	(177)	(238)	(190)	-	-
Adjusted Annual Debt Service	$ 15,067	$ 15,799	$ 15,700	$ 15,639	$ 15,259	$ 15,445	$ 15,443
Coverage (Financial Policy Target = 1.70)(5)	2.92	3.99	3.51	4.75	4.42	3.48	3.48
Without Credit for City Taxes (Financial Policy Target = 1.50)	1.65	2.43	1.87	3.04	2.69	1.72	1.65

NOTES TO TABLE:

(1) Projections for 2021 and 2022 are based on 3.0% inflation on collection and processing contract expenses, compared to 1.3% historically. Projections include slight declines in single-family garbage demand, offset by increases in residential organics demand and an increase in residential dumpster volume. These trends are the result of infill development within the City and increased diversion away from garbage and towards organics reuse programs. Commercial demand decreased in 2020 due to Covid-19 but is expected to recover by the end of 2021. Transfer station tonnages are expected stay stable through 2022. Projected revenues include a 2.9% rate increase that became effective April 1, 2021. 2022 projections reflect the 2.9% rate increase effective in 2022.

(2) The City currently levies a tax on total gross income from the Solid Waste System of 14.2%. Under the City Charter, City taxes on the Solid Waste System may be paid to the General Fund only after provision has been made for debt service payable from Net Revenues and for necessary betterments and replacements for the current year.

(3) For purposes of calculating debt service coverage ratios, non-cash Environmental Liability Costs are removed from Operating Expense. Those costs are included in "Other Operations and Maintenance" and under "Utility Systems Management" in the Statement of Changes in Net Position in the audited financial statements.

(4) Includes Nonoperating Revenues, Rental Income, Services for Others, and Other Nonoperating Revenues/Expenses. Excludes non-cash accounting entries for depreciation and other amortization and excludes unfunded net pension expense resulting from the implementation of GASB 68.

(5) Calculated in accordance with the Bond Documents. Such calculations are derived from definitions of Adjusted Gross Revenue, Maintenance and Operation Expenses, Adjusted Net Revenue, and certain other terms which are defined in Appendix A—Bond Ordinance—Section 1.

Note: Totals may not add due to rounding.

Source: 2016-2020: SPU Audited Financial Statements; 2021-2022: SPU Financial and Risk Services

Management Discussion and Analysis of Operating Results

This section provides a brief discussion of operating results for the period 2016-2020 based on information in Table 3, and the Management's Discussion and Analysis included in Appendix C—2020 Audited Financial Statements of the Solid Waste Fund. Performance will be discussed in two parts, 2016-2019, and separately for 2020, where customer behavior and demand had an unprecedented paradigm shift due to Covid-19 impacts.

2016-2019 was much a continuation of 2015, where a strong economy led to increased demand for solid waste services across all sectors. Increases in multi-family demand saw the most growth, as apartment and condominium construction continued its upward trajectory. Long-term trends continued during this time period: flat to slightly increasing single-family demand, increasing organics demand, increasing multi-family demand, and flat commercial demand. Transfer station demand increased rapidly after the reopening of the North Transfer station, and the upward trend continued through the first part of 2020.

2020 saw a shift in demand across sectors due to Covid-19. Commercial tonnages decreased 20% from 2019 to 2020 as businesses closed down and employers instituted telecommuting. This was offset by increased residential revenue and demand as employees worked from home. Residential tonnages increased almost 10% from 2019 to 2020. Transfer stations were closed to self-haul customers for much of April and May, and demand began to recover in the summertime. For the first half of 2021, SPU expects these trends to continue, with the shift between sector demand expected to slowly revert back to pre-Covid-19 norms as the economy reopens.

The "Disposal and Other" category, which includes transfer stations, also includes recycling commodities revenues. A new recycling contract, in which the City pays Rabanco a per-ton processing fee and retains 100% of the value of the sorted recyclables, based on current market index prices, went into effect in 2016. Recycling commodities revenues, derived from the sale of recycled materials, were buoyed by high commodity prices in 2016 and 2017. In 2018, China implemented a worldwide recycling import ban. Prices for recycled materials declined significantly in 2018-2019, but 2020 saw a gradual recovery in commodity prices and demand for paper products increased.

Rate increases for 2017-2019 were approved in late 2016, and have improved coverages and net income. A 3.0% rate increase took effect on April 1, 2020. Rate increases for 2021 (2.9%) and 2022 (2.9%) were approved by the City Council in late 2019.

Financial projections are based on demand and expense forecasts from SPU's Recycling Potential Assessment ("RPA") model, long-term planning under SPU's Solid Waste Comprehensive Plan and Strategic Business Plan, and time series forecasts for short term data sets. The RPA model projects tonnages using econometric forecasting equations that incorporate historical data, Puget Sound Regional Council forecasts of employment and household income, and assumptions about capture rates (the measurement of materials captured by recycling programs rather than going to the landfill) for current and planned programs based on the best data available. The RPA model includes sector-specific equations and also data on the composition of the waste stream from on-going composition studies done every four years for every sector. See "—Solid Waste Comprehensive Plan" and "—Strategic Business Plan."

Rates

Establishment of Rates. Solid waste rates are proposed by the Mayor, reviewed by the City Council, and adopted by ordinance after public hearings. The City Council has 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.

The Solid Waste Fund carried a balance in the Rate Stabilization Account of $38.0 million as of the end of 2020. The City plans to use the funds in this account as a contingency in case of unforeseen circumstances that may affect rate stability. See "Security for the Bonds—Rate Stabilization Account."

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 summary of average rate increases for solid waste customers. Rates are currently approved through 2022. A rate study for rates beyond 2022 is expected to commence in Fall 2022.

TABLE 4
RATE INCREASES

2013	6.3%
2014	4.1
2015	5.9
2016	3.4
2017	7.2
2018	1.9
2019	4.0
2020	3.0
2021 (Approved)	2.9
2022 (Approved)	2.9

Source: SPU Financial and Risk Services

The following tables show monthly rates for various levels of residential service, the number of 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. A typical commercial customer has three cubic yards of garbage collected once per week. As of April 1, 2021, the cost for this service is $519.38 per month, including a monthly account fee of $30.30.

TABLE 5
2021 MONTHLY RESIDENTIAL RATE SCHEDULE

Service Units	Rate [1]
No Can (minimum rate)	$ 6.85
12-Gallon	25.72
20-Gallon	31.50
32-Gallon	40.95
64-Gallon	81.85
96-Gallon	122.85
Recycling	No charge
Non-Compacted Dumpster (one cubic yard, once/week, one container)[2]	258.50
Compacted Dumpster (three cubic yards, once/week, one container)[2]	831.14
Yard Waste Mini-Can	6.80
Yard Waste 32-Gallon Can	10.20
Yard Waste 96-Gallon Can	13.00

(1) Rates listed are for curb/alley service.

(2) Dumpster rates vary with size and number of containers as well as frequency of collection. Dumpster rates shown include a $45.05 monthly account fee.

Source: SPU Financial and Risk Services

TABLE 6
NUMBER OF CUSTOMERS BY CLASS

Customer Class	2016	2017	2018	2019	2020
Variable Cans					
No Can/Vacancy	2,280	2,270	1,910	1,959	1,938
12-Gallon Can	20,707	21,355	21,747	21,710	21,587
20-Gallon Can	47,791	47,601	47,772	48,480	49,023
32-Gallon Can	85,503	82,859	83,504	82,932	82,259
64-Gallon Can	7,263	7,466	7,716	8,042	8,348
96-Gallon Can	2,235	2,484	2,777	2,994	3,239
Total Variable Cans	165,779	164,035	165,426	166,117	166,394
Residential Dumpster Accounts	5,383	5,324	5,221	5,245	5,240
Commercial Accounts	8,096	8,082	8,023	8,566	8,214

Source: SPU Financial and Risk Services

TABLE 7
REGIONAL COMPARISONS OF AVERAGE MONTHLY BILLS
(RATES IN EFFECT AS OF JANUARY 1, 2021)

City	Monthly Bill
Seattle WA[(2)]	**$ 54.75**
Tacoma WA	48.09
Portland OR	33.15
Kirkland WA[(2)]	31.91
Bellevue WA[(2)]	24.11
Redmond WA[(2)]	18.66
Issaquah WA[(2)]	16.53
Everett WA	4.00

Source: Survey by SPU of rates in effect on January 1, 2021, in each respective city.

TABLE 8
REGIONAL COMPARISON OF TRANSFER STATION RATES

Garbage	Seattle	King County
Per Ton	$153.00	$151.63
Minimum Charge	32.00	25.50

Source: SPU Financial and Risk Services

Billing

The City's utility billing function is co-managed by both SPU and the City's electric utility enterprise ("Seattle City Light"). SPU provides customer service through a call center and walk-in center, although access to the walk-in center has been restricted due to the Covid-19 pandemic. Seattle City Light operates and manages the billing system. SPU and Seattle City Light bill and reimburse each other for these services.

SPU accounts are billed bimonthly for residential and small commercial customers and monthly for larger accounts. In 2019, SPU removed Bill-In Advance for solid waste customers. Solid waste services are now billed after services have been rendered, consistent with the rest of SPU. 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 then credited to the Drainage and Wastewater Fund and then, if funds are available, to the Water Fund. If an account is 20 days past due, customers receive a water shut-off notice. Under State law, SPU has the authority to shut off water when an account is 30 days past due. Delinquent charges bear interest at the rate of 12% per annum. Due to the Covid-19 pandemic, SPU has temporarily stopped charging the delinquency fee and is not shutting off service. Total 90-day-plus outstanding balances for SPU-billed water, wastewater, and solid waste services, including inactive accounts, were $8.8 million (approximately 1% of annual direct service revenue billed by SPU) as of December 2020, compared to $3.3 million as of December 2019. These figures include all outstanding amounts going back to 2009.

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 Attorney's Office for collection.

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 $3.6 million (in 2020 dollars) cash contribution to capital spending, and two minimum debt service coverage ratio policies. The first sets a minimum of 1.70 times annual debt service and the second removes credit for grant revenue and taxes paid to the City and establishes a minimum of 1.50 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." The Solid Waste Fund does not have any outstanding interfund loans.

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 Comprehensive Solid Waste Management 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.

The Solid Waste System's largest CIP projects through 2027 include the waste removal project at the Midway Landfill to allow for freeway expansion, the remediation of the South Park Landfill, and the subsequent redevelopment of the City's historic landfill site in the South Park neighborhood. These will require higher than historic levels of CIP funding. The waste removal project will be completed in 2021, and the South Park Landfill remediation work will be completed in 2025. Planning efforts for the redevelopment of the historic South Park Landfill will begin in 2022 and there is no defined schedule for the development construction.

SPU expects to finance the CIP with a combination of internally generated funds and remaining proceeds of prior bond issues. At this time, SPU does not anticipate the need to issue additional bonds in order to fund the current CIP projects. Based on the current CIP and projected capital requirements, annual debt service on Parity Bonds is stabilized for the foreseeable future.

The CIP is organized into four program areas designed to reflect current CIP priorities and promote better fiscal management: (i) New Facilities (including the South Park Landfill remediation and future redevelopment project); (ii) Rehabilitation and Heavy Equipment (including landfill maintenance projects as well as the Midway Landfill waste removal project); (iii) Shared Cost Projects; and (iv) Technology, as shown in the table below. The information provided in the table below displays projections prepared for planning purposes only.

TABLE 9
2021-2026 CAPITAL IMPROVEMENT PROGRAM
($000)

PROGRAM AREA	2021	2022	2023	2024	2025	2026	Total
New Facilities	$ 2,779	$ 5,156	$ 13,009	$ 14,988	$ 4,147	$ 400	$ 40,478
Rehabilitation and Heavy Equipment	13,362	2,450	550	1,850	350	250	18,812
Shared Cost Projects	1,797	3,096	3,010	3,009	2,476	1,989	15,377
Technology	2,244	1,526	1,508	1,508	1,508	1,508	9,800
Total Uses	$20,182	$12,228	$ 18,076	$ 21,354	$ 8,481	$ 4,147	$ 84,467
FUNDING SOURCES							
Debt Financing							
Existing Bond Funds	$ 9,531	$ -	$ -	$ -	$ -	$ -	$ 9,531
The Bonds	-	-	-	-	-	-	-
Internally Generated Funds	10,651	12,228	18,076	21,354	8,481	4,147	74,936
Total Sources	$20,182	$12,228	$ 18,076	$ 21,354	$ 8,481	$ 4,147	$ 84,467

Note: Totals may not add due to rounding.

Source: SPU Financial and Risk Services

Flow Control

Pursuant to contract and ordinance, the City controls the delivery of solid waste to particular facilities ("flow control"). Over the years, flow control has been challenged as an impermissible restriction on interstate commerce under the U.S. Constitution. In 1994, in *C&A Carbone v. Clarkstown ("Carbone"),* 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.

In 2008, the Washington Supreme Court in *Ventenbergs v. City of Seattle* also rejected a challenge to the City's collection 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 material adverse effect on the ability of the City to pay principal of and interest on the Bonds when due.

Solid Waste Comprehensive Plan

The City's Solid Waste Comprehensive Plan was updated and approved in 1998 and amended in 2004 (the "1998 Plan"). In February 2013, the City Council adopted a 2011 Plan Revision, which received final approval by the Washington State Department of Ecology ("Ecology") in June 2013. 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; however, progress toward the recycling goal has been slower than expected. In 2011, the City Council adopted a resolution establishing revised goals for the City's recycling rate: 60% by 2015 and 70% by 2022. The City hit a high in 2016, with a 58.8% recycling rate, but due to changes in the recycling markets and other solid waste industry challenges, the 2019 recycling rate dropped to 54.4%. The City continues to have one of the highest overall recycling rates in the country.

The City is in the process of updating the 2011 Plan Revision. The 2021 Plan Update will emphasize "upstream" strategies to prevent or reduce waste in the first place and the benefits of doing so. Consistent with a shift in focus from diversion strategies to reduction strategies, the City will propose moving beyond the recycling rate to explore new or revised targets and metrics aligned with waste prevention and reduction. The 2021 Plan Update will also cover how the City plans to continue to improve its recycling program and the efficiency and cost-effectiveness of collection and transfer services.

Strategic Business Plan

In 2020 and continuing into 2021, SPU worked with customers and employees to update the Strategic Business Plan to guide its work from 2021 through 2026. The Strategic Business Plan is a three-year plan with a three-year forecast. The Plan Update outlines new investments, cost savings, and a rate path for the six-year period, and is an update of the 2018-2023 Plan. The Plan grew out of SPU's efforts to provide greater rate predictability to its customers, while still making important investments for the future. The Strategic Business Plan Update was adopted by the City Council in May 2021.

Risk Management and Quality Assurance

The Risk and Quality Assurance Program ("RQA") was first established in 2004 and became a separate division in 2011. While housed in the Financial and Risk Services branch, the program reports to a Risk and Quality Assurance Board, which consists of the SPU General Manager, the Executive Team, and a representative from the City Attorney's Office. In 2016, the Safety, Security, Emergency Management, Privacy/PCI, and Customer Appeals programs were brought into the RQA division to enable better alignment and synergy of the overall mission of reducing risk to the organization. The program's goals are to:

(i) provide strategic advice to SPU's Executive Team and guide the development of policies that enable SPU to be more efficient and effective in meeting customer expectations;

(ii) assess planned and ongoing business practices and procedures to recognize threats and opportunities;

(iii) recommend measures to ensure sufficient internal controls are in place to reduce risks to SPU's employees, customers, and assets;

(iv) investigate, advise, and respond to legal requests and filings on behalf of SPU;

(v) conduct internal investigations, assessments, and audits to ensure that SPU is complying with regulations, policies, and procedures; and

(vi) develop, implement, and review plans that ensure that SPU is protected in the event of harmful incidents or emergencies.

Solid Waste System. The Solid Waste System shares the same risks and prevention measures as SPU and the City in general regarding cybercrime and customer revenue and privacy issues. The Solid Waste System has emergency response plans and supporting contracts for response to major disasters, particularly earthquakes and the pandemic.

See "The City of Seattle—Risk Management."

Environmental Liability

Midway and Kent Highlands Landfills. The City operated the Midway and Kent Highlands landfills, located in the City of Kent, from the 1960s through the 1980s. Both landfills 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. These two sites are State Lead sites, which means Ecology 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 are to be included in the next five-year review. Reporting requirements at both sites have 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 2020, a partial waste removal project began at the Midway Landfill to allow for expansion of Interstate-5 and the construction of a light rail. The City had the obligation to remove the waste under a franchise permit with the Washington State Department of Transportation ("WSDOT"). The landfill elements of the project are expected to be completed in 2021.

South Park Landfill. The City and a private developer are under a Consent Decree with Ecology to implement a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. The City and the developer submitted a draft Remedial Investigation/Feasibility Study Report in 2012 and a Draft Cleanup Action Plan in 2014. Ecology approved an interim cleanup action by the developer on its portion of the site property. That cleanup was completed in 2015. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. The Remedial Investigation/Feasibility Study, Cleanup Action Plan, and Consent Decree for the site were completed in 2019. Negotiations are now underway to amend the Consent Decree for the site. The Amendment will update the City's schedule for implementing the Cleanup Action Plan and add additional potentially liable parties.

Other Landfills. Additionally, there are other, less active, historic landfills within the City that may pose an environmental liability for the City. The Solid Waste Fund has implemented GASB 49 to account for environmental liabilities. See Appendix C—2020 Audited Financial Statements of the Solid Waste Fund—Notes 11 and 12.

City Liabilities. In the opinion of SPU management, City liabilities with respect to the above sites are not expected to materially adversely affect the availability of Net Revenue to pay the Bonds.

Climate Change

Climate change is projected to have wide-ranging impacts in the Central Puget Sound. SPU's climate policy work draws on the planning and analysis expertise in each of SPU's lines of business to assess the implications of a changing climate on SPU's assets, services, and business functions and developing adaptation options that can be integrated into SPU's operations, capital planning, and overall decision-making processes. SPU's enterprise-wide climate work focuses on building collaborative partnerships to share and enhance knowledge, engaging in applied research to advance SPU's understanding of the implications of climate change, and fostering an enabling environment to support decision-making. In addition, SPU's climate policy team is responsible for implementing SPU's carbon neutrality initiative.

The Solid Waste System has not identified significant operational risk from climate impacts, although eventually some transportation and facilities may need to be modified to accommodate rising sea levels. The Solid Waste line of business has been identified as a climate mitigation source by the City due to the external benefits realized by waste prevention and diversion. The Solid Waste line of business has been a leader in rolling out fleet innovations, such as 100% renewable fuel fleets with zero petroleum use and major greenhouse gas benefits. In addition, collection contractors have introduced new electric fleet elements, testing the feasibility and reliability of eventually adding more full-scale electric collection vehicles.

Emergency Operations Plan

The City maintains an integrated emergency management system in which all hazards are considered in a central planning structure. See "The City of Seattle—Emergency Management and Preparedness." In addition, SPU has both a Disaster Debris Management Plan, approved by the Federal Emergency Management Agency ("FEMA") , and a disaster debris removal contract that complies with FEMA procurement regulations. Together, these position the Solid Waste Fund for maximum financial support from FEMA in the event of a disaster.

THE CITY OF SEATTLE

The following provides general information about the City.

Municipal Government

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

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

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

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

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

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

Budgeting and Forecasting

The City Budget Office ("CBO") is responsible for developing and monitoring the City's annual budget, carrying out budget-related functions, and overseeing fiscal policy and financial planning activities. The CBO provides strategic analysis in relation to the use of revenues, debt, and long-term issues. The department also provides technical assistance, training, and support to City departments in performing financial functions. The CBO is within the executive branch and the Budget Director is appointed by the Mayor.

Municipal Budget. City operations are guided by a budget prepared under the direction of the Mayor by the CBO pursuant to State statute (chapter 35.32A RCW) and based in part on General Fund revenue forecasts prepared by the CBO; this function is transitioning to a new independent forecasting office being created later in 2021. See "—Forecasting." The proposed budget is submitted to the City Council by the Mayor each year not later than 90 days prior to the beginning of the next fiscal year. Currently the fiscal year of the City is January 1 through December 31. The City Council considers the proposed budget, holds public hearings on its contents, and may alter and revise the budget at its discretion, subject to the State requirement that budgeted revenues must at least equal expenditures. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which may be amended or supplemented from time to time by ordinance. The Mayor may choose to approve the City Council's budget, veto it, or permit it to become law without the Mayor's signature. The Mayor does not have line-item veto power.

The 2021 budget was adopted on November 23, 2020. The City's adopted General Fund budget was approximately $1.480 billion in 2020 and $1.607 billion in 2021.

Forecasting. The CBO currently prepares revenue and economic forecasts approximately three times per year. In September of each year, CBO prepares and submits to the City Council a revenue forecast ("August Revenue Update") with the Mayor's budget proposal. This is followed by a fall revenue update typically submitted to the City Council in November ("November Revenue Update") and a spring update ("April Revenue and Budget Update"). The City Council makes budget adjustments as necessary based on information presented in these revenue and budget updates.

The 2021 Adopted Budget appropriated a total of $480,000 for the initial setup and partial year costs of establishing an independent forecasting office to be created by subsequent ordinance. The appropriation is contingent on passage of the subsequent ordinance, which will be introduced in the summer of 2021. The new independent forecasting office will have the responsibility to develop a regional economic forecast and forecasts for key tax revenues as is currently completed by the City Budget Office. Forecasts from this office will be presented to the Mayor and City Council simultaneously. The office and its manager will be overseen by an oversight board likely consisting of two Councilmembers, the Mayor, and the City's Finance Director.

Fiscal Reserves

Emergency Fund. Under the authority of RCW 35.32A.060, the City maintains the EMF of the General Fund. The EMF is the principal reserve for the City to draw upon when certain unanticipated expenses occur during the fiscal year. Eligible expenses include costs related to storms or other natural disasters. State law limits the amount of money the City can set aside in this reserve to $0.375 per $1,000 of assessed value of property within the City. Prior to 2017, the City's practice had been to fully fund the emergency reserve to this maximum limit. In 2017, the City modified the existing financial policies for the EMF to establish a minimum balance of $60 million and to adjust that minimum each year with the rate of inflation. This policy struck a balance between ensuring that resources will be available to address unanticipated expenditures and making resources available to address current needs.

Due to the COVID-19 pandemic and related economic downturn, the City's revenue forecasts have been significantly reduced from prior expectations. Additionally, the City will continue to realize significant expenses to address the pandemic into 2021. Due to the magnitude of the ongoing emergency, it will not be possible for the City to meet the fund balance requirements for the EMF in the near future. City policy was amended in 2020 to require that the City return to making contributions as soon as is practically possible after a severe event requiring deep spending from the reserve.

In response to the ongoing COVID-19 pandemic, the City withdrew a net $12.8 million from the EMF during 2020. The City anticipates withdrawing a net $18.4 million from the EMF, reducing the reserve balance to $33.7 million at the end of 2021.

Revenue Stabilization Fund. The City maintains a Revenue Stabilization Fund to be used for revenue stabilization for future City operations and to fund activities that would otherwise be reduced in scope, suspended, or eliminated due to unanticipated shortfalls in General Fund revenues.

Certain required transfers into and restrictions on expenditures from the RSF are set forth in the SMC. All expenditures from the RSF require an ordinance, adopted following consideration of projections and recommendations for at least partial replenishment within four years. The RSF is funded by (i) one-time transfers authorized by ordinance, (ii) automatic annual transfers of 0.50% of forecast General Fund tax revenues, and (iii) upon completion of fiscal year accounting, automatic transfer of 50% of the ending General Fund balance, less encumbrances, carryforwards as authorized by ordinance or State law, and planned reserve amounts reflected in the adopted budget, that is in excess of the latest revised estimate of the unreserved ending fund balance for that closed fiscal year (as published in the adopted budget). The phrase "tax revenues" means all tax revenues deposited into the General Fund, including but not limited to tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, the portion of admissions tax not dedicated to the Arts and Culture Fund, leasehold excise tax, gambling taxes, and sales and use taxes.

The SMC also provides that automatic transfers will be suspended to the extent that the balance in the RSF exceeds 5% of the forecast General Fund tax revenues for the year, and when forecasts underlying the adopted budget anticipate a nominal decline in General Fund revenues, as compared to the revenue forecasts underlying the adopted budget for the fiscal year immediately prior. Automatic transfers remain suspended until positive revenue growth is reflected in the revenue forecasts underlying the adopted budget and are reinstated at a level of 0.25% of General Fund tax revenues in the first year showing such recovery, followed by 0.50% thereafter.

Financial Management

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

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

Auditing. The State Auditor is required to examine the affairs of all local governments at least once every three years; the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, compliance with the State Constitution and laws of the State, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The City's Comprehensive Annual Financial Report for 2019 may be obtained from the Department of Finance and Administrative Services and is available at *http://www.seattle.gov*. The Solid Waste Fund's financial statements are also audited by an independent auditor, and the 2020 Financial Statements are attached as Appendix C.

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

Investments

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

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

Authorized Investments for Bond Proceeds. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe.

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

All cash-related transactions for the City, including its utilities, are administered by the Department of Finance and Administrative Services. Investments of temporarily idle cash may be made, according to existing City Council-approved policies, by the Treasury Division of the Department of Finance and Administrative Services in securities described above under "Authorized Investments."

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

As of December 31, 2020, the combined investment portfolios of the City, not including pensions, totaled $2,545 million at market value. The City's investment portfolio consists solely of City funds. As of December 31, 2020, the earnings yield on the City's investment portfolios was 1.49%, and the weighted average maturity of the City's investment portfolios was 989 days. Approximately 30%, or $739 million, was invested in securities with maturities of three months or less. The City held no securities with maturities longer than 10 years.

Investments were allocated as follows:

U.S. Government Agencies	30%
State Local Government Investment Pool	21%
U.S. Government(1)	18%
Municipal Bonds	12%
U.S. Government Agency Mortgage-Backed	10%
Corporate Bonds	4%
Repurchase Agreements	3%
Supranational	2%
Commercial Paper	0%

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

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

Interfund Loans. The City is authorized to make interfund loans from the City's common investment portfolio to individual funds, bearing interest payable by the borrowing fund. The Director of Finance may approve interfund loans for a duration of up to 90 days. Loans of a longer duration require City Council approval.

As of December 31, 2020, the City had outstanding six interfund loans totaling approximately $56.6 million, in amounts ranging from $4.1 million to $29.6 million, including interfund loans for the Waterfront LID improvements to be reimbursed with various revenue sources, including proceeds of the Waterfront LID Bonds.

Risk Management

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. Currently the City's excess liability policy provides $35 million limits above a $6.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City's hydroelectric dams. The City also purchases all risk property insurance, including earthquake and flood perils, that provide up to $500 million in limits subject to a schedule of deductibles and sublimits. Earthquakes and floods are subject to annual aggregate limits of $100 million. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy. The City purchased cyber insurance in 2019, which coverage includes business interruption, system failure, data asset protection, event management, and privacy and network security liability.

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

Pension Plans

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

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

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

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

GASB 67/68 Reporting. Governmental Accounting Standards Board ("GASB") Statements No. 67 ("GASB 67") and 68 ("GASB 68") modified the accounting and financial reporting of pensions by pension plans (GASB 67) and by state and local government employers (GASB 68), but did not alter the funding requirements under State law and City ordinance for members, employers, or the State. The SCERS annual financial statements for the fiscal year ended December 31, 2019, and DRS's Comprehensive Annual Financial Report for LEOFF for the fiscal year ended June 30, 2020, were prepared in accordance with GASB 67. The City's financial statements for the fiscal year ended December 31, 2019, were prepared in accordance with GASB 68 and are available at *www.seattle.gov*

The 2020 Financial Statements, attached as Appendix C, were prepared in accordance with GASB 68. As of December 31, 2020, the Solid Waste Fund reported a liability of $27.9 million, representing its proportionate share of NPL for SCERS. The NPL was measured as of December 31, 2020, and the TPL used to calculate the NPL was determined by the actuarial valuation as of December 31, 2019. The Solid Waste Fund's proportion of the NPL was based on contributions to SCERS during the fiscal year ended December 31, 2019. As of December 31, 2019, the Solid Waste Fund's proportion was 1.86%. Schedules of the Solid Waste Fund's proportionate share of NPL and of the Solid Waste Fund's contributions are provided as required supplementary information to the Solid Waste Fund's 2020 Financial Statements.

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

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

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

According to the most recent actuarial valuation (with a valuation date as of January 1, 2020), which was approved by the Board on July 9, 2020 (the "2019 Actuarial Valuation"), there were 7,029 retirees and beneficiaries receiving benefits, and 9,440 active members of SCERS. There are an additional 1,420 terminated employees in SCERS who are vested and entitled to future benefits and another 1,392 who are not vested and not entitled to benefits beyond contributions and accumulated interest. From January 1, 2019, to January 1, 2020, the net number of active members in SCERS increased by 0.6%, the net number of retirees receiving benefits increased by 3.5%, and the net number of vested terminated members increased by 6.6%.

Certain demographic data from the 2019 Actuarial Valuation are shown below:

TABLE 10
PLAN MEMBER DEMOGRAPHIC INFORMATION

	Retirees and Beneficiaries Receiving Benefits		Active Employees	
Age Range	**Number**	**Percent**	**Number**	**Percent**
<25	-		116	1.2%
25-39	-		2,570	27.2%
40-49	7 (1)	0.1% (1)	2,488	26.4%
50-59	287	4.1%	2,633	27.9%
60-69	2,505	36.1%	1,496	15.8%
70+	4,141	59.7%	137	1.5%

(1) Includes everyone under the age of 50.

Source: 2019 Actuarial Valuation

FINANCIAL CONDITION AND ACTUARIAL VALUATIONS. As a department of the City, SCERS is subject to the City's internal control structure and is required by SMC 4.36.140.D to transmit a report to the City Council annually regarding the financial condition of SCERS (the "SCERS Annual Report"). The most recent SCERS Annual Report, for the years ended December 31, 2019, and December 31, 2018, was transmitted on July 7, 2020, by CliftonLarsonAllen LLP.

Milliman Consultants and Actuaries, as consulting actuary, has evaluated the funding status of SCERS annually since 2010. The most recent actuarial report, the 2019 Actuarial Valuation (with a valuation date as of January 1, 2020), is available on the City's website at *http://www.seattle.gov/retirement/about-us/board-of-administration#actuarialreports*. Since 2010, the City has had actuarial valuations prepared annually.

At its July 2018 meeting, the Board adopted new assumptions to be used for the 2018 Actuarial Valuation. The assumptions were based on the 2018 Investigation of Experience Report. The adopted assumptions included a decrease in the investment return assumption, a decrease in the consumer price inflation assumption, and an overall increase in life expectancies. These assumptions were also used for the 2019 valuation. The following summarizes some key assumptions utilized in the 2019 Actuarial Valuation and compares those to the assumptions used in the last two actuarial valuations.

TABLE 11
ACTUARIAL ASSUMPTIONS

	2019	2018	2017
Investment return	7.25%	7.25%	7.50%
Price inflation	2.75%	2.75%	3.25%
Wage growth (price inflation plus wage inflation)	3.50%	3.50%	4.00%
Expected annual average membership growth	0.50%	0.50%	0.50%
Interest on member contributions made on or after January 1, 2012(1)	4.00%	4.00%	4.75%

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

Source: 2019, 2018, and 2017 Actuarial Valuations

As of January 1, 2020 (as set forth in the 2019 Actuarial Valuation), the actuarial value of net assets available for benefits was $3,041 million and the actuarial accrued liability was $4,411 million. An Unfunded Actuarial Accrued Liability ("UAAL") exists to the extent that actuarial accrued liability exceeds plan assets. Per the 2019 Actuarial Valuation, the UAAL increased from $1,339.3 million as of January 1, 2019, to $1,370.4 million as of January 1, 2020. The funding ratio increased from 68.2% as of January 1, 2019, to 68.9% as of January 1, 2020, which increase was primarily due to contributions made in 2019 in excess of the normal cost rate. For the year ending December 31, 2019, SCERS assets experienced an investment gain of about 17.2% on a market basis (net of investment expenses), a rate of return greater than the assumed rate of 7.25% for 2019. The result is an actuarial gain on assets for 2019, but only one-fifth of this gain was recognized in the current year actuarial value of assets ("AVA"). Unlike most public pension systems, prior to January 1, 2011, all valuations were reported on a mark-to-market basis. Consequently, the full impact of annual asset gains or losses occurring in recent years was reflected in each actuarial valuation. To improve its ability to manage short-term market volatility, the City adopted a five-year asset smoothing methodology in 2011 that recognizes the asset gain or loss occurring in each year evenly over a five-year period. Under this methodology, combined with prior years' asset gains and losses, the 2019 return was a positive 6.9% on an actuarial value basis.

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

TABLE 12
HISTORICAL SCERS SCHEDULE OF FUNDING PROGRESS[1]
($000,000)

Actuarial Valuation Date (January 1)	Actuarial Value of Assets (AVA)[2]	Actuarial Accrued Liability (AAL)[3]	Unfunded AAL (UAAL)	Funding Ratio	Covered Payroll[4]	UAAL as % of Covered Payroll
2011	2,013.7	2,709.0	(695.4)	74.3%	563.2	123.5 %
2012	1,954.3	2,859.3	(905.0)	68.3%	557.0	162.5 %
2013	1,920.1	3,025.3	(1,105.2)	63.5%	567.8	194.6 %
2014	2,094.3	3,260.1	(1,165.8)	64.2%	597.9	195.0 %
2015	2,266.7	3,432.6	(1,165.9)	66.0%	630.9	184.8 %
2016	2,397.1	3,605.1	(1,208.0)	66.5%	641.7	188.3 %
2017	2,564.1	3,766.4	(1,202.3)	68.1%	708.6	169.7 %
2018	2,755.2	3,941.8	(1,186.6)	69.9%	733.3	161.8 %
2019	2,877.4	4,216.7	(1,339.3)	68.2%	779.1	171.9 %
2020	3,040.7	4,411.1	(1,370.4)	68.9%	819.7	167.2 %

(1) For accounting purposes under GASB 67/68, UAAL is replaced with net pension liabilities. However, because the City continues to set its contribution rates based on an actuarially required contribution ("ARC") based on the UAAL and funding ratios calculated under the pre-GASB 67/68 methodology, both methods are currently reported in the SCERS actuarial valuations and annual reports.

(2) Based on five-year asset smoothing.

(3) Actuarial present value of benefits less actuarial present value of future normal cost. Based on Entry Age Actuarial Cost Method, defined below under "SCERS Contribution Rates."

(4) Covered Payroll shown for the prior calendar year; includes compensation paid to all active employees on which contributions are calculated.

Source: Annual Actuarial Valuation Reports

In accordance with GASB 67, the 2019 SCERS audited financial statements included a calculation of Total Pension Liability ("TPL") and Net Pension Liability ("NPL") based on the actuarial valuation dated as of January 1, 2019, rolled forward using generally accepted actuarial procedures (assuming a 7.25% investment rate of return and 3.50% salary increases) to December 31, 2019, as follows: TPL was calculated to be $4,406.7 million, plan fiduciary net position ("Plan Net Position") was calculated to be $3,149.9 million, and NPL was calculated to be $1,256.8 million, for a funding ratio (Plan Net Position as a percentage of TPL) of 71.5%. A Schedule of the Solid Waste Fund's Proportionate Share of the Net Pension Liability and Schedule of the Solid Waste Fund's Contributions are set forth in the required supplementary information in Appendix C—2020 Audited Financial Statements of the Solid Waste Fund.

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

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

As a result, for purposes of the 2019 Actuarial Valuation calculation, a 23-year amortization period was used. This policy may be revised by the City Council in future years. The 2019 Actuarial Valuation was prepared using the Entry Age Normal Cost ("EANC") method. Under the EANC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of the individual's projected compensation between entry age into the system and assumed exit age (*e.g.*, termination or retirement).

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

TABLE 13

EMPLOYER AND EMPLOYEE SCERS CONTRIBUTION RATES

Calendar Years (beginning Jan. 1)	Employer Rate	Employee Rate	Total Contribution Rate	Total ARC(1)	% of Total ARC Contributed	Total ARC per GASB 27(2)	% of Total ARC Contributed per GASB 27
2012	11.01%	10.03%	21.04%	21.04%	100%	21.87%	96%
2013	12.89%	10.03%	22.92%	22.92%	100%	24.05%	95%
2014	14.31%	10.03%	24.34%	24.34%	100%	25.63%	95%
2015	15.73%	10.03%	25.76%	25.76%	100%	26.38%	98%
2016	15.23%	10.03%	25.26%	25.26%	100%	N/A	N/A
2017	15.29%	10.03%	25.32%	25.32%	100%	N/A	N/A
2018	15.23% (3)	10.03%	25.26%	25.00%	101% (3)	N/A	N/A
2019	15.26% (3)	9.85% (4)	25.11%	24.40% (5)	103% (3)	N/A	N/A
2020	16.14%	9.65% (4)	25.79%	25.79% (5)	100%	N/A	N/A
2021	16.10%	9.46% (4)	25.56%	25.56% (5)	100%	N/A	N/A

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

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

(3) The City contribution rate is intentionally more than the total ARC in an effort to reduce the projected increase in future contribution rates. See Table 14.

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

(5) Since 2019, the ARC reflects a blended normal cost for SCERS 1 and SCERS 2.

Source: Seattle Municipal Code; 2020 and 2021 Budgets; Annual Actuarial Valuation Reports

In 2011, the City Council adopted Resolution 31334, affirming the City's intent to fully fund the annual ARC each year with its budget. See Table 13—Employer and Employee SCERS Contribution Rates and Table 14—Projected Actuarially Required Total Contribution Rates for SCERS by Employer and Employee."

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

As indicated in Table 13, the Total ARC is decreasing to 25.56% as a percent of payroll beginning in January 1, 2021. This compares to the 25.79% Total ARC in the prior year. The employees' share will average 9.46% between SCERS 1 and SCERS 2. The employer's share needed to meet the Total ARC is decreasing from 16.14% to 16.10%. As a result, the City is adjusting its employer contribution rate for 2021 to 16.10%, in order to meet the projected Total ARC in 2021.

Projected total actuarially required contribution rates for SCERS 1 reported in the 2019 Actuarial Valuation are shown in the table below:

TABLE 14
PROJECTED ACTUARIALLY REQUIRED TOTAL CONTRIBUTION RATES BY EMPLOYER AND EMPLOYEE

Contribution Year(1)	Assuming 7.25% Returns	Confidence Range(2)
2021	16.10%	16.10-16.10
2022	15.83%	14.88-16.77
2023	15.57%	13.53-17.65
2024	15.66%	12.28-19.19
2025	15.13%	10.14-20.41
2026	15.13%	8.20-22.48

(1) Contribution year lags valuation year by one. For example, contribution year 2021 is based on the 2019 Actuarial Valuation (as of January 1, 2020) results, amortized over 23 years beginning in 2020 if the contribution rate change takes place in 2021.

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

Source: 2019 Actuarial Valuation

Employer contributions were \$141.0 million in 2020, of which approximately \$2.7 million was from the Solid Waste Fund, compared with \$2.5 million in 2019. The employer share for employees of each of the utility funds is allocated to and paid out of the funds of each respective utility. The significant increase from 2019 to 2020 was primarily due a large amount of retroactive payroll associated with the settlement of previously expired labor contracts.

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

The market value of SCERS' net assets increased by \$432.4 million (15.9%) during 2019, including member and employer contributions of \$194.4 million and net gain from investment activity totaling \$465.8 million. Deductions increased by \$4.8 million in 2019, primarily attributed to a \$12.9 million increase in retiree benefit payments, offset by reductions in the amount of contributions refunded and administrative expenses.

Table 15 below shows the historical market value of SCERS' net assets (as of each December 31). Table 16 shows the revenue or loss from investment activity for the last ten years.

TABLE 15
MARKET VALUE OF ASSETS

Year (As of December 31)	Market Value of Assets (MVA)[(1)]
2010	$ 1,812.8
2011	1,753.5
2012	1,951.4
2013	2,216.9
2014	2,322.7
2015	2,313.0
2016	2,488.5
2017	2,852.9
2018	2,717.4
2019	3,149.9

(1) In millions.
Source: SCERS Actuarial Valuations

TABLE 16
SCERS INVESTMENT RETURNS

Year (As of December 31)	One-Year Annualized Return[(1)]
2011	-0.4%
2012	12.8%
2013	15.0%
2014	5.3%
2015	0.1%
2016	8.4%
2017	15.7%
2018	-3.7%
2019	17.2%
2020	12.6%

(1) Calculated net of fees
Source: SCERS Annual Reports

Table 17 below shows the historical distribution of SCERS investments for the years 2014-2018. Table 18 shows similar information for the past three years under a revised investment class categorization.

TABLE 17
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS

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

Source: SCERS Actuarial Valuations

TABLE 18
HISTORICAL SCERS DISTRIBUTION: REVISED INVESTMENT CLASS CATEGORIZATION

Investment Categories (January 1)	2020	2019	2018
Diversifying Strategies	0.0%	2.0%	1.9%
Fixed Income	26.7%	28.9%	24.6%
Infrastructure	1.2%	0.9%	0.4%
Private Equity	8.6%	8.1%	5.2%
Public Equity	53.1%	48.8%	57.1%
Real Estate	10.5%	11.3%	10.8%
Total	100.0%	100.0%	100.0%

Source: SCERS Actuarial Valuations

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

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

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

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

These pension plans provide retirement benefits, death benefits, and certain medical benefits for eligible active and retired employees. Retirement benefits are determined under chapters 41.18 and 41.26 RCW for the Firefighters' Pension Fund and under chapters 41.20 and 41.26 RCW for the Police Relief and Pension Fund. As of January 1, 2020, membership in these plans consisted of 590 fire employees and survivors and 658 police employees and survivors. See "Other Post-Employment Benefits" below for a discussion of medical benefits paid to retirees.

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

These pension plans do not issue separate financial reports. The most recent actuarial valuations, dated January 1, 2020, use the Entry Age Normal ("EAN") Actuarial Cost Method and value plan assets at fair value. The actuarial valuation for the firefighters' pension fund uses the following actuarial assumptions: inflation rate (CPI), 2.25%; investment rate of return, 5.50%; and projected salary increases, 3.00%. The actuarial valuation for the Police Relief and Pension Fund uses the following actuarial assumptions: inflation rate (CPI), 2.25%; investment rate of return, 2.75%; and projected salary increases, 3.00%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the Firefighters' Pension Fund and adopted a policy of fully funding the actuarial accrued liability ("AAL") by the year 2018 (which was subsequently extended to 2028). In accordance with GASB 73, the plan had a TPL of $90.7 million as of December 31, 2019, an increase of $4.8 million from the TPL of $85.9 million as of December 31, 2018. As of January 1, 2020, the actuarial value of net assets available for benefits in the Firefighters' Pension Fund was $26.8 million, and the AAL was $89.2 million. As a result, the UAAL was $62.4 million and the funded ratio was 30.0%. In the January 1, 2019, actuarial valuation, the UAAL was $52.1 million and the funded ratio was 28.5%. The City's employer contribution to the fund in 2019 was $8.3 million; there were no current member contributions. Under State law, partial funding of the Firefighters' Pension Fund may be provided by an annual property tax levy of up to $0.225 per $1,000 of assessed value within the City. The City does not currently levy this additional property tax, but makes contributions out of the General Fund levy. The fund also receives a share of the State tax on fire insurance premiums.

The City funds the Police Relief and Pension Fund as benefits become due. In accordance with GASB 73, the plan had a TPL of $92.9 million as of December 31, 2019, an increase of $12.4 million from the TPL of $80.5 million as of December 31, 2018. As of January 1, 2020, the actuarial value of net assets available for benefits in the Police Relief and Pension Fund was $8.7 million, and the AAL was $99.8 million. As a result, the UAAL was $91.1 million and the funded ratio was 8.7%. In the January 1, 2019, actuarial valuation, the UAAL was $83.4 million and the funded ratio was 6.5%. The City's employer contribution to the fund in 2019 was $11.5 million; there were no current member contributions. The fund also receives police auction proceeds of unclaimed property.

Law Enforcement Officers' and Fire Fighters' Retirement System. Substantially all of the City's current uniformed firefighters and police officers are enrolled in LEOFF. LEOFF is a State-wide, multiple-employer defined benefit plan administered by the DRS. Contributions by employees, employers, and the State are based on gross wages. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. LEOFF participants who joined on or after October 1, 1977, are Plan 2 members. For all of the City's employees who are covered under LEOFF, the City contributed $16.2 million in 2018 and $15.3 million in 2017. The following table outlines the contribution rates of employees and employers under LEOFF.

TABLE 19
LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL
(As of December 31, 2020)

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

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

Source: Washington State Department of Retirement Systems

While the City's current contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The State Actuary's website includes information regarding the values and funding levels of LEOFF. For additional information, see Note 11 to the City's 2019 Comprehensive Annual Financial Report, which may be obtained from the Department of Finance and Administrative Services and is available at *http://www.seattle.gov/cafrs/default.htm*.

According to the Office of the State Actuary's June 1, 2019, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 141% and LEOFF Plan 2 had a funded ratio of 111%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.5% annual rate of investment return for LEOFF Plan 1 and a 7.4% annual rate of investment return for LEOFF Plan 2, 3.50% general salary increases, 2.75% consumer price index increase, and annual growth in membership of 0.95%. Liabilities were valued using the EANC method and assets were valued using the AVA, which defers a portion of the annual investment gains or losses over a period of up to eight years. As of December 31, 2019, the City reported an asset of $278.1 million for its proportionate share of the net pension asset as follows: $70.7 million for LEOFF Plan 1 and $207.4 million for LEOFF Plan 2. Schedules of the Solid Waste Fund's proportionate share of NPL and of the Solid Waste Fund's contributions are provided as required supplementary information to the Department's 2019 Financial Statements.

Other Post-Employment Benefits

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

Beginning with the fiscal year ending December 31, 2018, the City has assessed its OPEB liability in accordance with GASB Statement No. 75 ("GASB 75"). While GASB 75 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded.

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

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS or LEOFF plans. The last valuation was based on a measurement date as of January 1, 2020, and was prepared in accordance with GASB 75. It showed the total OPEB liability for the implicit rate subsidy increased to $63.6 million from $61.1 million in the prior valuation. The City's GASB 75 annual expense in 2020 was calculated at $4.5 million, which compares to $4.7 million in 2019. The valuation of the OPEB liability associated with the City's Firefighters' Pension Fund and Police Relief and Pension Fund is updated annually. The most recent valuations were prepared in accordance with GASB 75. As of December 31, 2019, the total OPEB liability in the City's Firefighters' Pension Fund increased to $269.9 million from $268.8 million. The annual OPEB expense for 2019 was $12.6 million and the estimated benefit payments were $11.5 million. As of December 31, 2019, the total OPEB liability in the Police Relief and Pension Fund decreased to

$287.1 million from $297.4 million. The annual OPEB expense for 2019 was $4.7 million and the estimated benefit payments were $15.0 million.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2019 Comprehensive Annual Financial Report. For additional information regarding the Solid Waste Fund's portion of the City's OPEB liability, see Appendix C—2020 Audited Financial Statements of the Solid Waste Fund—Note 6.

State Paid Family and Medical Leave Insurance

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

As of January 1, 2019, the City began paying assessments for premiums based on a percentage of wages. The initial rate of this assessment is 0.4% of wages that are subject to the federal social security tax. The City will continue to pay only the employer share of the 2021 assessment (0.147% of Social Security wages) for most employees, estimated to be $1,695,000, of which approximately $748,000 will be paid from the General Fund and $947,000 will be paid by other enterprise, levy, and internal service funds.

State Long-Term Care Services and Supports Benefit Program

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

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

Labor Relations

This information has been updated as of February 18, 2021, to reflect the engagement of the Labor Relations Unit within the Seattle Department of Human Resources ("Labor Relations") with union representatives in response to the impacts of the COVID 19 emergency upon the City and the employees in the respective bargaining units. Since the Mayor's emergency declaration on March 3, 2020, Labor Relations has been actively addressing the impacts of the emergency on the workplace and working conditions of employees. Negotiation of the first Memorandum of Understanding ("MOU") providing the City with additional flexibility was concluded on May 28, 2020. Most City unions signed except for the sworn Public Safety employees (Police and Fire), Police Dispatchers, and Parking

Enforcement Officers. Labor Relations continued to work closely with all of the labor representatives to address the continuing and growing impacts of the pandemic, as well as other social and environmental crises that affected the City and surrounding communities as well as the City's employees, negotiating additional agreements related to the impacts of the pandemic, including addressing the extension of the COVID 19 MOU, the transition following expiration of the MOU and the end of the federal Families First Coronavirus Response Act. Safety protocols, flexibility for employees directly impacted by school closures and remote learning for their children, and other ongoing and evolving impacts of the pandemic are a topic of regular weekly meetings between Labor Relations staff and all of the bargaining representatives.

As of January 2021**,** the City had 38 separate departments and offices with approximately 14,673 employees (including 11,550 regular and 3,123 temporary employees). Twenty-five different unions and 52 bargaining units represent the approximately 75% of regular City employees whose employment is governed by 30 different collective bargaining agreements (contracts). In 2021, the new PROTEC Local 17 bargaining unit, representing most Strategic Advisors in the Legislative Department has completed negotiations with the City for its initial collective bargaining agreement, pending adoption by the City Council and Mayor. At least three other new bargaining units are currently in the certification process, all represented by PROTEC Local 17, including a unit of civilian non-managers and a unit of civilian managers, both at the Seattle Police Department ("SPD"), and Strategic Advisors in two smaller departments.

In 2021, of the 24 contracts that expired on December 31, 2018, only one is still being negotiated: IAFF Local 2898, representing the Seattle Fire Chiefs Association. Two other contracts that were still in negotiations in January 2020, Seattle Parking Enforcement Officers Guild ("SPEOG") and IAMAW Local 79 (Machinists), were successfully concluded in April and September 2020, respectively. Also in 2020, the City was in active negotiations with the Seattle Police Management Association ("SPMA") for a new agreement to replace the contract that expired December 31, 2019. In March, 2020, both SPMA and Fire Chief Local 2898 negotiations were put on hiatus for a number of months due to the pandemic. Negotiations have since resumed with Local 2898 and will be restarting with SPMA soon.

In early 2021, Labor Relations is preparing to open negotiations with the Seattle Police Officers Guild for a new contract to replace the current contract, which expired on December 31, 2020, as well as opening negotiations with IBEW Local 77 on three separate contracts: Power Marketers (expired December 31, 2020), Seattle City Light (expired January 22, 2021), and Seattle Department of Transportation (expired January 22, 2021). These unions will continue to operate under their expired contracts as negotiations begin soon.

Looking ahead, 21 labor agreements which are either part of the Coalition of City Unions or "Coalition-like" have contracts expiring on December 31, 2021.

Emergency Management and Preparedness

The City's Office of Emergency Management ("OEM") is responsible for coordinating the City's resources and responsibilities in dealing with emergencies. The OEM is taking a lead role in coordinating various aspects of the City's response to the COVID-19 pandemic. See "Other Considerations—Global Health Emergency Risk and City's Response to the COVID-19 Pandemic."

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

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

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

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

In 2018, the Mayor's Office released an updated Climate Action Plan that focuses on a set of short- and long-term actions that provide a roadmap for the City to act on the leading contributors of greenhouse gases: transportation and buildings. The Climate Action Plan builds on prior studies and plans implemented by the Office of Sustainability and the Environment ("OSE") that detail strategies and actions that can be taken to improve the climate preparedness of City infrastructure and services and to facilitate coordination across City government. The OSE plans include sector-specific strategies for transportation; buildings, and energy (including specific energy consumption and greenhouse gas emissions reduction targets for City buildings); trees and green space; food access; a healthy environment; and environmental justice.

In 2019, the City adopted Resolution 31895, committing to creating a "Green New Deal" for the City to address and mitigate the effects of climate change. The City is monitoring and will be documenting climate impacts and likely climate risks as they arise and has not yet quantified the impact on the City, its population, or its operations. Over time, the costs could be significant and could have a material adverse effect on the City's finances by requiring greater expenditures to counteract the effects of climate change.

The City has also developed more specific plans addressing utility operations (including drainage, water supply, solid waste, and the electric system) and community preparedness. For a discussion of climate change considerations specific to the Water System, see "Solid Waste System—Climate Change" above.

Cyber Security. Cyber security threats continue to become more sophisticated and are increasingly capable of impacting the confidentiality, integrity, and availability of City systems and applications, including those of critical controls systems. Seattle Information Technology ("Seattle IT"), a City department, working in conjunction with various City departments, has and continues to institute processes, training, and controls to maintain the reliability of its systems and protect against cyber security threats as well as mitigate intrusions and plan for business continuity via data recovery. Cyber security incident response plans are reviewed regularly, and tabletop and other exercises are conducted annually to assess the effectiveness of those plans. Seattle IT and third-party professional services also conduct cyber security assessments with the intent to identify areas for continual improvement, and develop work plans to address issues and support the cyber security program. This includes technical vulnerability assessments, penetration testing, and risk assessments based on the National Institute of Standards and Technology ("NIST") 800-53a. Seattle IT continuously reviews and updates processes and technologies to mature security practices leveraging the NIST Cybersecurity Framework. Cyber security risks create potential liability for exposure of nonpublic information and could create various other operational risks. The City cannot anticipate the precise nature of any particular breach or the resulting consequences, and acquired cyber security liability insurance in October 2019. See "The City of Seattle—Risk Management."

OTHER CONSIDERATIONS

Global Health Emergency Risk and City's Response to the COVID-19 Pandemic

The spread of COVID-19, the illness caused by the novel coronavirus known as SARS-CoV-2, and its variants is continuing to affect local, State, national, and global economic activity. In the City, the COVID-19 pandemic is ongoing and has resulted in significant public health emergency response costs. Ongoing impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the City, cancellations of public events, and disruption of the regional and local economy, with corresponding decreases in the City's revenues, including transient occupancy tax revenue, sales tax revenue, and other revenues.

"Healthy Washington—Roadmap to Recovery" and Phased Reopening Status. The Governor of the State initially declared a state of emergency on February 29, 2020, and on March 23, 2020, issued Proclamation 20-25, Stay Home—Stay Healthy (the "Proclamation"), ordering residents to self-isolate and practice social distancing and limiting non-essential activities. As of March 22, 2021, the State is in Phase 3 of the Roadmap to Recovery. Physical distancing and mandatory mask-wearing orders remaining in place; however, Phase 3 allows up to 50% occupancy or 400 people maximum, whichever is lower, for all indoor spaces including restaurants, gyms and fitness centers, and movie theaters. Sports guidance in Phase 3 also changed, with the move to Phase 3 allowing in-person spectators at events for the first time in a year. Spectators are allowed to attend outdoor venues with permanent seating with capacity capped at 25%.

City Response and Impacts to City Services. The City has experienced an increase in public health emergency response and other costs associated with mitigating the impacts of the COVID-19 pandemic on the residents of the City. The costs include emergency response, support to homeless and vulnerable populations and small businesses, food assistance, and expanded childcare services, among others. The Mayor initially issued a Proclamation of Civil Emergency on March 3, 2020, and by Executive Order has extended various relief programs and implemented a series of programs that support artists, nonprofits, small businesses, workers, and vulnerable populations adversely impacted.

These responses included action by SPU to delay utility shutoffs for nonpayment and to expand enrollment in the utility discount plan for persons whose income was adversely affected by the pandemic. See "Seattle Public Utilities—Operating and Fiscal Impacts of COVID-19 Pandemic" for additional discussion of the effects of the pandemic on the Solid Waste Fund.

In an effort to limit large gatherings of employees, many City personnel are continuing to telecommute or work from alternate locations, and the City has staggered shifts at critical facilities. In addition, on-site personnel are wearing masks and gloves and practicing social distancing while working. To date, the City has not observed material impacts from such measures on core operations and does not expect a material effect in the future. However, there can be no assurance that the absence of employees due to COVID-19 will not adversely impact City leadership or City operations.

Federal Assistance. The additional costs incurred to implement the City's response measures have been offset in part by the federal and State funds that were awarded to the City in 2020 and are anticipated to be provided in 2021. Funds received by the City under the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act"), signed in March 2020, have been used to address COVID-19-related expenses incurred by the City but are not available to backfill City revenue losses related to COVID-19. CARES Act funding primarily supports general governmental functions and does not significantly affect SPU.

The American Rescue Plan Act of 2021, signed by the President in March 2021, is expected to provide the City with approximately $236 million for direct local relief. Based on the provisions in the bill, the City will receive 50% of the funding in 2021 (approximately 60 days after the bill was signed) and the other 50% of the funding will be received 12 months later, in 2022. This pandemic relief funding is available for a broad range of uses, including responding directly to the health emergency, addressing its negative economic impacts with assistance to households and small businesses, restoring government services reduced in response to pandemic-related revenue losses, and making certain necessary infrastructure improvements. The City has not yet published a specific outline for how the funds will be spent, but planning efforts are underway.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the City is unknown at this time. Notwithstanding the foregoing, the COVID-19 outbreak has not adversely affected the City's ability to pay debt service on the Bonds, and the City does not currently believe that the outbreak will affect its ability to pay debt service on the Bonds going forward. Additional discussion of the City's response to the pandemic and its fiscal impacts on the City is provided under the "City Financial Information—Fiscal Year 2021 Outlook and 2020 Fiscal Impacts of COVID-19 Pandemic."

Public Safety Funding Considerations and Social Justice Demonstrations

The City experienced a high level of social justice demonstrations in 2020 responding to incidents of violence against and deaths of African Americans, Native Americans, and persons of other racial and ethnic minorities at the hands of police officers.

Peaceful demonstrations in Seattle were marred by incidents of looting, vandalism, and arson that resulted in damage and loss to public and private property. Police, fire, and other City departments deployed additional resources to protect public health and safety. These demonstrations had the effect of placing renewed emphasis on calls to reform the City's approach to public safety. SPD has been engaged in various reform efforts for many years and is currently operating under a 2012 consent decree ("2012 Consent Decree") that was imposed in response to findings by the U.S. Department of Justice ("DOJ") in 2011 outlining a "pattern or practice" of unconstitutional use of force within SPD. SPD continues to operate under the 2012 Consent Decree.

SPD's 2020 and 2021 budgets were the focus of ongoing discussion and deliberation by the Executive and the City Council in 2020. Funding for SPD in the 2021 Adopted Budget signed by the Mayor in November 2020 reflects an 11% reduction to SPD's budget as compared to the 2020 Adopted Budget, and transfers 911, parking enforcement, emergency management, and victim advocacy functions from SPD to other departments.

Federal Policy Risk and Other Federal Funding Considerations

Federal Sequestration. The sequestration provisions of the Budget Control Act of 2011 ("Sequestration") have been in effect since 2013 and are currently scheduled to remain in effect through federal fiscal year ("FFY") 2029. This results in a slight reduction in the expected subsidy in respect of certain Build America Bonds and Recovery Zone Economic Development Bonds previously issued by the City. The City does not expect Sequestration to materially adversely affect its ability to make debt service payments in the current or future years.

Federal Grant Funding Conditions. The City receives federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. Entitlement to this assistance is generally conditioned upon compliance with the terms of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the City.

Federal Shutdown Risk. Federal government shutdowns have occurred in the past and could occur in the future. A lengthy federal government shutdown poses potential direct risks to the City's receipt of revenues from federal sources and could have indirect impacts due to the shutdown's effect on general economic conditions. The City has not experienced material adverse impacts from the federal government shutdowns that have occurred in the past but can make no assurances that it would not be materially adversely affected by any future federal shutdown.

INITIATIVE AND REFERENDUM

State-Wide Measures

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

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

In recent years, several State-wide initiative petitions to repeal or reduce the growth of taxes and fees, including City taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Tax and fee initiative measures continue to be filed, but it cannot be predicted whether any more such initiatives might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Local Measures

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

LEGAL AND TAX INFORMATION

No Litigation 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. There is no litigation pending or threatened which would materially affect the City's ability to meet debt service requirements on the Bonds.

Other Litigation

Various lawsuits and claims are pending against the City involving claims for money damages. Based on its past experience, the City has concluded that its ability to pay principal of and interest on the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the SPU Solid Waste Fund and the timing of any anticipated payments of judgments that might result from suits and claims.

Approval of Counsel

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

Limitations on Remedies and Municipal Bankruptcies

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

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

A municipality such as the City must be specifically authorized under State law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Washington State law permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the 1898 federal bankruptcy statute that was superseded by the current Bankruptcy Code. The State Legislature has not amended the 1935 State statute to update the cross-reference to the current Bankruptcy Code, but Washington municipal corporations have nonetheless been permitted to seek relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

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

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings, and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE

OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

CONTINUING DISCLOSURE AGREEMENT

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

Annual Financial Information. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the type included in this Official Statement and described below under "Type of Annual Financial Information Undertaken to be Provided." The timely filing of unaudited financial statements will satisfy the requirement and filing deadlines pertaining to filing annual financial statements described in the Bond Documents, provided that audited financial statements are to be filed if and when they are otherwise prepared and available to the City.

(ii) Timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of holders of the Bonds, if material;

(h) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership, or similar event of the City, as such "Bankruptcy Events" are defined in Rule 15c2-12;

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

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

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

(i) annual financial statements of the Solid Waste System, prepared in accordance with applicable 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;

(ii) a statement of 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 Tonnage," "Regional Comparison of Transfer Station Rates," and "Number of Customers by Class"; and

(v) current solid waste rates.

Annual financial information, as described above, will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 2021. The annual financial information may be provided in a single document or in multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

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

(i) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identify, nature, or status of the City, or type of business conducted;

(ii) The undertaking, as amended, would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(iii) The amendment does not materially impair the interests of holders, as determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar with federal securities laws), or by approving vote of bondholders pursuant to the terms of the Bond Ordinance at the time of the amendment.

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

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

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

Compliance with Continuing Disclosure Undertakings of the City. The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12. The City's review of its compliance during the past five years did not reveal any failure to comply, in a material respect, with any undertakings in effect during this time. Nonetheless, the City recently discovered that one table of Solid Waste utility operating statistics required by the continuing disclosure undertakings for certain outstanding Solid Waste utility revenue bonds had been omitted from its annual disclosure filings for the years ended December 31, 2017 and 2018, and has since remedied those filings.

OTHER BOND INFORMATION

Rating on the Bonds

The Bonds have been rated "AA+" by S&P Global Ratings. In general, rating agencies base their ratings on rating materials furnished to them (which may include information provided by the City that is not included in this Official Statement) and on the rating agency's own investigations, studies, and assumptions. The rating reflects only the views of the rating agency, and an explanation of the significance of the rating may be obtained from the 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 rating will be retained for any given period of time or that the rating will not be revised downward, suspended, or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the rating will be likely to have an adverse effect on the market price of the Bonds.

Municipal Advisor

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

Purchaser of the Bonds

The Bonds are being purchased by BNY Mellon Capital Markets, LLC (the "Purchaser") at a price of $32,219,810.98, and will be reoffered at a price of $32,377,801.10. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on page i of this Official Statement, and such initial offering prices may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices may be varied from time to time.

Conflicts of Interest

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

Official Statement

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

The City of Seattle

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

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APPENDIX A

BOND ORDINANCE

Ordinance 125461, passed by the City Council on November 20, 2017, which is set forth in this appendix, authorized the issuance of the Bonds.

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CITY OF SEATTLE

ORDINANCE 125461

COUNCIL BILL 119100

AN ORDINANCE relating to the solid waste system of The City of Seattle; authorizing the issuance and sale, from time to time in multiple series, of solid waste system refunding revenue bonds, for the purpose of carrying out the current or advance refunding of all or a portion of the City's outstanding solid waste system revenue bonds pursuant to an approved refunding plan, providing for the reserve requirement and paying the administrative costs of carrying out such refundings and paying costs of issuance of the Refunding Parity Bonds; describing the lien of those Refunding Parity Bonds; providing parameters for the bond sale terms including conditions, covenants, and other sale terms; rescinding the authorization to issue any future Refunding Parity Bonds under Ordinance 121940 (as amended by Ordinance 122498, as amended and restated by Ordinance 124915); authorizing the Director of Finance to enter into agreements providing for the disposition of the Refunding proceeds; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle (the "City") owns, maintains, and operates a solid waste collection, transportation, 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, betterments, and extensions; and

WHEREAS, the City has previously authorized and issued, and may from time to time in the future authorize and issue, solid waste system revenue bonds having a charge and lien on the Net Revenue of the Solid Waste System prior and superior to any other charges whatsoever ("Parity Bonds"), which are designated as refundable under this ordinance (the "Refundable Bonds"); and

WHEREAS, pursuant to the Parity Bond Ordinances, the City permitted the future issuance of additional bonds ("Future Parity Bonds") having a charge and lien on the net revenue of the Solid Waste System on a parity of lien with those Outstanding Parity Bonds upon satisfaction of certain conditions (the "Parity Conditions"); and

WHEREAS, it is advantageous to the City and its ratepayers to provide for the refunding of such Refundable Bonds whenever the Director of Finance determines that such refunding will achieve a cost savings or other benefit to the City or its ratepayers as permitted under chapter 39.53 RCW; 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 refunding revenue bonds (the "Refunding Parity Bonds") from time to time in one or more Series for the purpose of (1) providing funds, from time to time, to carry out the current or advance refunding of all or a portion of the outstanding Refundable Bonds pursuant to an approved Refunding Plan, (2) providing for the reserve requirement, if necessary, and (3) paying the administrative costs of carrying out the refunding and the costs of issuance of those bonds; and

WHEREAS, pursuant to the authority delegated in this ordinance, the Director of Finance from time to time will receive, review and adopt a plan (a "Refunding Plan") to refund selected maturities (or partial maturities) of certain series of those Refundable Bonds, which selected series and maturities (or partial maturities) will be identified in the Refunding Plan; and

WHEREAS, this ordinance will allow the Director of Finance to carry out the defeasance and refunding of any Refundable Bonds in accordance with the City's debt policies regarding refundings, as such policies may be amended from time to time and as most recently amended by the City Council in Resolution 30630; and

WHEREAS, from and after the effective date of this ordinance the authority to issue Refunding Parity Bonds, previously granted in Ordinance 121940, as amended by Ordinance 122498, as amended and restated by Ordinance 124915 (the "Prior Omnibus Refunding Ordinances") shall sunset and shall be replaced by the authority granted in this ordinance, such that future Refunding Parity Bonds shall be issued under this authority and within the parameters set forth herein, without affecting the outstanding bonds previously issued under the Prior Omnibus Refunding Ordinances; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. **Definitions**. As used in this ordinance the following capitalized terms shall have the meanings set forth below:

"Accreted Value" means with respect to any Capital Appreciation Bond (a) as of any Valuation Date, the amount determined for such Valuation Date in accordance with the applicable Parity Bond Documents, and (b) as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of 12 30-day months, and (B) the difference between the Accreted Values for such Valuation Dates.

"Acquired Obligations" means Government Obligations maturing or having guaranteed redemption prices at the option of the holder at such time or times as may be required to provide funds sufficient to carry out the Refunding Plan, and satisfying the requirements of the Refunded Bond Documents relating to the Refunded Bonds included in that Refunding Plan. For purposes of this definition, eligible "Government Obligations" for inclusion in a Refunding Plan shall be determined in accordance with the applicable Refunded Bond Documents.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (a) an amount equal to earnings from investments in the Reserve Subaccount, and (b) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue (a) plus withdrawals from the Rate Stabilization Account made during that period, and (b) minus earnings from investments in the Reserve Subaccount and deposits into the Rate Stabilization Account made during that period.

"Adjusted Net Revenue" means Adjusted Gross Revenue less Maintenance and Operation Expenses.

"Annual Debt Service" for any calendar year means the sum of the amounts required in such calendar year to pay the interest due in such calendar year on all Parity Bonds outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; the principal of all outstanding Serial Bonds due in such calendar year; and the Sinking Fund Requirement, if any, for such calendar year. Additionally, for purposes of calculating and determining compliance with the Coverage Requirement, the Reserve Requirement and the conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements, the following shall apply:

(a) **Calculation of Interest Due -- Generally**. Except as otherwise provided below, interest on any series of Parity Bonds shall be calculated based on the actual amount of accrued, accreted, or otherwise accumulated interest that is payable in respect of that series taken as a whole, at the rate or rates set forth in the applicable Parity Bond Documents.

(b) **Capital Appreciation Bonds**. For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in the Parity Bond Documents applicable to such Capital Appreciation Bonds.

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

(d) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in Force**. Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement. For example, if the net economic effect of the Payment Agreement and a series of Parity Bonds otherwise bearing interest at a variable rate is to produce an obligation bearing interest at a fixed interest rate, the relevant series of bonds shall be treated as fixed interest rate bonds. And if the net economic effect of the Payment Agreement and a series of Parity Bonds otherwise bearing interest at a fixed rate is to produce an obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest Rate Bonds.

Accordingly, the amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in or determined pursuant to the applicable Parity Bond Documents, plus Payment Agreement Payments, minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component determined by reference to a pricing mechanism or index that is not the same as the pricing mechanism or index used to determine the variable rate interest component on the Parity Bonds to which the Payment Agreement is related, it shall be assumed that the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the applicable Parity Bond Documents. Notwithstanding the other provisions of this definition, the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

(e) **Parity Payment Agreements**. For any period during which Payment Agreement Payments on a Parity Payment Agreement are taken into account in determining Annual Debt Service on related Parity Bonds under paragraph (d) of this definition, no additional debt service shall be taken into account with respect to that Parity Payment Agreement. However, for any Parity Payment Agreement during a period in which Payment Agreement Payments are not taken into account under paragraph (d) because the Parity Payment Agreement is not then related to any outstanding Parity Bonds, payments on that Parity Payment Agreement shall be taken into account by assuming:

(i) **If City is Obligated to Make Payments Based on Fixed Rate**. If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, it shall be assumed that payments by the City will be based on the assumed fixed payor rate, and that payments by the Qualified 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.

(ii) **If City is 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 payments based on a fixed rate, it shall be assumed 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.

(f) **Balloon Bonds**. ***Upon the redemption or defeasance of all of the Outstanding Parity Bonds identified in Exhibit A to this ordinance, the following shall become effective: For purposes of calculating debt service on any Balloon Bonds, the City may assume that the principal of those Balloon Bonds, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of 30 years.***

(g) **Adjustments for Defeased Bonds**. For purposes of calculating and determining compliance with the Coverage Requirement, the Reserve Requirement, and the Parity Conditions, Annual Debt Service shall be adjusted as set forth in Section 21(d).

"Authorized Denomination" means $5,000 or any integral multiple thereof within a maturity of a Series, or such other minimum authorized denominations as may be specified in the applicable Bond Documents.

"Average Annual Debt Service" means, at the time of calculation, the sum of the Annual Debt Service remaining to be paid to the last scheduled maturity of the applicable series of Parity Bonds divided by the number of years such bonds are scheduled to remain outstanding.

"Balloon Bonds" means any series of Parity Bonds, the aggregate principal amount (including Sinking Fund Requirements) of which becomes due and payable in any calendar year in an amount that constitutes 25% or more of the initial aggregate principal amount of such series of Parity Bonds.

"Beneficial Owner" means, with regard to a Bond, the owner of any beneficial interest in that Bond.

"Bond Counsel" means a lawyer or a firm of lawyers, selected by the City, of nationally recognized standing in matters pertaining to bonds issued by states and their political subdivisions.

"Bond Documents" means (a)(i) with respect to any Series of the Bonds, this ordinance (including any amendatory or supplemental ordinances), and (ii) with respect to a series of Parity Bonds other than a Series of the Bonds, the applicable Parity Bond Ordinance(s); (b) the authenticated bond form; and (c) the written agreement(s) setting forth the Bond Sale Terms and additional terms, conditions, or covenants pursuant to which such bond was issued and sold, as set forth in any one or more of the following (if any): (i) a sale resolution, (ii) a bond purchase contract (as defined in the applicable authorizing ordinance), (iii) a bond indenture or a fiscal agent or paying agent agreement (other than the State fiscal agency contract), and (iv) a direct purchase or continuing covenant agreement.

"Bond Insurance" means any municipal bond insurance policy, guaranty, surety bond, or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on any Parity Bonds, issued by an insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), or by any other financial institution qualified to provide such credit enhancement device.

"Bond Purchase Contract" means a written offer to purchase a Series of the Bonds, pursuant to certain Bond Sale Terms, which offer has been accepted by the City in accordance with this ordinance. In the case of a competitive sale, the Purchaser's bid for a Series, together with the official notice of sale and a Pricing Certificate confirming the Bond Sale Terms, shall comprise the Bond Purchase Contract.

"Bond Register" means the books or records maintained by the Bond Registrar for the purpose of registering ownership of each Bond.

"Bond Registrar" means the Fiscal Agent (unless the Director of Finance appoints a different person to act as bond registrar with respect to a particular Series), or any successor bond registrar selected in accordance with the Registration Ordinance.

"Bond Sale Terms" means the terms and conditions for the sale of a Series of the Bonds approved by the Director of Finance consistent with the parameters set forth in Section 5, including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining the interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms, conditions, or covenants. In connection with a negotiated sale or private placement, the Bond Sale Terms shall be set forth in the Bond Purchase Contract; in connection with a competitive sale, the Bond Sale Terms shall be set forth in a Pricing Certificate.

"Bonds" means the Solid Waste System refunding revenue bonds issued pursuant to this ordinance.

"Book-Entry Form" means a fully registered form in which physical bond certificates are registered only in the name of the Securities Depository (or its nominee), as Registered Owner, with the physical bond certificates held by and immobilized in the custody of the Securities Depository (or its designee), where the system for recording and identifying the transfer of the ownership interests of the Beneficial Owners in those Bonds is neither maintained by nor the responsibility of the City or the Bond Registrar.

"CIP" means those portions of the City's "2017-2022 Capital Improvement Program" relating to the Solid Waste System, adopted by the City in Ordinance 125207, together with any previously adopted Capital Improvement Program of the City. For purposes of this ordinance, the CIP includes all amendments, updates, supplements or replacements that may be adopted from time to time by ordinance.

"Capital Appreciation Bond" means any Parity Bond, all or a portion of the interest on which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in the applicable Bond Documents and is payable only upon redemption or on the maturity date of such Parity Bond. A Parity Bond that is issued as a Capital Appreciation Bond, but which later converts to an obligation on which interest is paid periodically, shall be a Capital Appreciation Bond until the conversion date and thereafter shall no longer be a Capital Appreciation Bond, but shall be treated as having a principal amount equal to its Accreted Value on the conversion date. For purposes of computing the principal amount of Parity Bonds held by the Owner of any Capital Appreciation Bond in connection with any notice, consent, request, or demand, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value at the time that such notice, consent, request, or demand is given or made.

"City" means The City of Seattle, Washington, a municipal corporation duly organized and existing under the laws of the State.

"City Council" means the City Council of the City, as duly and regularly constituted from time to time.

"Code" means the Internal Revenue Code of 1986, or any successor thereto, as it has been and may be amended from time to time, and regulations thereunder.

"Continuing Disclosure Agreement" means, for each Series sold in an offering subject to federal securities regulations requiring a written undertaking to provide continuing disclosure, a continuing disclosure agreement entered into pursuant to Section 23, in substantially the form attached as Exhibit B.

"Contract Resource Obligation" means an obligation of the City that is designated as a Contract Resource Obligation and is entered into in accordance with Section 20.

"Coverage Requirement" means Adjusted Net Revenue equal to at least 1.25 times Adjusted Annual Debt Service on all Parity Bonds then outstanding.

"Covered Parity Bonds" means all Outstanding Parity Bonds, each Series of the Bonds, and each series of Future Parity Bonds. ***From and after the redemption or defeasance of the Outstanding Parity Bonds identified in Exhibit A to this ordinance (the "Reserve Covenant Date"), the term "Covered Parity Bonds" shall exclude each series of Parity Bonds for which the Bond Sale Terms provide that, from and after the Reserve Covenant Date, such series shall no longer be treated as a series of Covered Parity Bonds and shall no longer be secured by the amounts in the Reserve Subaccount.***

"DTC" means The Depository Trust Company, New York, New York.

"Director of Finance" means the Director of the Finance Division of the Department of Finance and Administrative Services of the City, or any other officer who succeeds to substantially all of the responsibilities of that office.

"Event of Default" shall have the meaning assigned to that term in Section 25(a).

"Fiscal Agent" means the fiscal agent of the State, as the same may be designated by the State from time to time.

"Future Parity Bond Ordinance" means any ordinance passed by the City Council providing for the issuance and sale of a series of Future Parity Bonds, and any other ordinance amending or supplementing the provisions of any such ordinance.

"Future Parity Bonds" means, with reference to any Series, all revenue bonds and obligations of the Solid Waste System (other than that Series and any other Parity Bonds then outstanding) issued or entered into after the Issue Date of such Series, the payment of which constitutes a charge and lien on the Net Revenue equal in priority with the charge and lien upon such revenue for the payment of the amounts required to be paid into the Parity Bond Account in accordance with Section 15. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with the Parity Conditions.

"Government Obligations" means, unless otherwise limited in the Bond Documents for a particular Series of the Bonds, any government obligation as that term is defined in RCW 39.53.010, as now in effect or as may be hereafter amended.

"Gross Revenue" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Solid Waste System; (b) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (c) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Solid Waste System. Gross Revenue does not include: (a) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenue; (b) investment income set aside for or earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code; (c) any gifts, grants, donations or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenue hereunder; (d) the proceeds of any borrowing for capital improvements (or the refinancing thereof); (e) the proceeds of any liability or other insurance, including but not limited to insurance proceeds compensating the City for the loss of a capital asset, but excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues; and (f) the earnings of any separate utility system acquired or constructed by the City pursuant to Section 19.

"Independent Utility Consultant" means an independent person or firm having a favorable reputation for skill and experience with solid waste systems of comparable size and character to the Solid Waste System in such areas as are relevant to the purpose for which they were retained.

"Issue Date" means, with respect to a Bond, the initial date on which that Bond is issued and delivered to the initial Purchaser in exchange for its purchase price.

"Letter of Representations" means the Blanket Issuer Letter of Representations between the City and DTC dated October 4, 2006, as it may be amended from time to time, or an agreement with a substitute or successor Securities Depository.

"MSRB" means the Municipal Securities Rulemaking Board.

"Maintenance and Operation Expenses" means all expenses incurred by the City in causing the Solid Waste System to be operated and maintained in good repair, working order and conditions, including without limitation: (a) deposits, premiums, assessments or other payments for insurance (other than payments out of proceeds of Parity Bonds), if any, on the Solid Waste System; (b) payments into pension funds; (c) State-imposed taxes; (d) amounts due under Contract Resource Obligations in accordance with Section 20; (e) payments made to any other person or entity for the collection, transportation, treatment or disposal of solid waste or other commodity or service related to the Solid Waste System; and (f) payments with respect to any other expenses of the Solid Waste System that are properly treated as operation and maintenance expenses under generally accepted accounting principles. Maintenance and Operation Expenses does not include any depreciation, amortization or other similar recognitions of non-cash expense items made for accounting purposes only; taxes levied or imposed by the City or payments in lieu of City taxes; payments of claims or judgments; or capital additions or capital replacement.

"Maximum Annual Debt Service" means, at the time of calculation, the maximum amount of Annual Debt Service that shall become due in the current calendar year or in any future calendar year with respect to the Parity Bonds then outstanding.

"Net Revenue" means, for any period, the Gross Revenue less Maintenance and Operation Expense.

"Omnibus Refunding Ordinance" means this ordinance (as it may be amended from time to time), or any other ordinance of the City passed in the future, pursuant to which the Bonds (or any Series of the Bonds) are designated as "Refundable Bonds."

"Outstanding Parity Bonds" means those outstanding Parity Bonds identified in Exhibit A. When used in reference to a particular date or a series of Parity Bonds, Outstanding Parity Bonds shall mean those Parity Bonds (including any Parity Bonds issued subsequent to the date of this ordinance) that are outstanding as of that date or as of the issue date of such series.

"Owner" means, without distinction, the Registered Owner and the Beneficial Owner of a Bond.

"Parity Bond Account" means the Solid Waste System Revenue Bond Account, created in the Solid Waste Fund by Ordinance 118975 for the purpose of paying and securing payment of the principal of and interest on Parity Bonds.

"Parity Bond Documents" means those Bond Documents applicable to a series of Parity Bonds.

"Parity Bond Ordinance" means any ordinance passed by the City Council providing for the issuance and sale of a series of Parity Bonds, and any other ordinance amending or supplementing the provisions of any Parity Bond Ordinance.

"Parity Bonds" means the Outstanding Parity Bonds identified in Exhibit A, each Series of the Bonds, and any Future Parity Bonds then outstanding. Parity Bonds may include Parity Payment Agreements in accordance with Section 17.

"Parity Certificate" means a certificate delivered pursuant to Section 17 for purposes of satisfying the Parity Conditions in connection with the issuance of Future Parity Bonds.

"Parity Conditions" means, (a) for purposes of establishing that a Series of the Bonds may be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series, the conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to those Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds on parity with a Series of the Bonds, the conditions described in the preceding clause (a) together with the conditions set forth in Section 17.

"Parity Payment Agreement" means a Payment Agreement which is entered into in compliance with the Parity Conditions and under which the City's payment obligations are expressly stated to constitute a charge and lien on Net Revenue equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure the payment of interest on Parity Bonds. For purposes of determining percentages of ownership of Parity Bonds under this ordinance or under applicable Parity Bond Documents, Parity Payment Agreements shall be deemed to have no principal amount, and any notice, consent, or similar rights (if any) shall be determined only as set forth in the applicable Parity Payment Agreement.

"Payment Agreement" means a written agreement entered into by the City and a Qualified Counterparty, as authorized by any applicable laws of the State, for the purpose of managing or reducing the City's exposure to fluctuations or levels of interest rates, or for other interest rate, investment, asset or liability management purposes, and which provides for (i) an exchange of payments based on interest rates, ceilings, or floors on such payments; (ii) options on such payments; (iii) any combination of the foregoing; or (iv) any similar device. A Payment Agreement may be entered into on either a current or forward basis. A Payment Agreement must be entered into in connection with (or incidental to) the issuance, incurring, or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money (which may include leases, installment purchase contracts, or other similar financing agreements or certificates of participation in any of the foregoing).

"Payment Agreement Payments" means the amounts periodically required to be paid by the City to a Qualified Counterparty pursuant to a Payment Agreement.

"Payment Agreement Receipts" means the amounts periodically required to be paid by a Qualified Counterparty to the City pursuant to a Payment Agreement.

"Permitted Investments" means any investments or investment agreements permitted for the investment of City funds under the laws of the State, as amended from time to time.

"Plan of Additions" means the CIP, as it may be modified from time to time. The Plan of Additions includes (a) the purchase and installation of all materials, supplies, appliances, equipment and facilities; (b) the acquisition of all permits, franchises, property and property rights, and other capital assets; and (c) all engineering, consulting and other professional services and studies (whether performed by the City or by other public or private entities), each as necessary or convenient to carry out the Plan of Additions. The Plan of Additions includes all amendments, updates, supplements or replacements to the CIP, all of which automatically shall constitute amendments to the Plan of Additions. The Plan of Additions also may be modified to include other improvements, without amending the CIP if the City determines by ordinance that those amendments or other improvements constitute a system or plan of additions to or betterments or extensions of the Solid Waste System.

"Pricing Certificate" means a certificate executed by the Director of Finance as of the pricing date confirming the Bond Sale Terms for the sale of a Series of Bonds to the Purchaser in a competitive sale, in accordance with the parameters set forth in Section 5.

"Principal and Interest Subaccount" means the subaccount of that name created in the Parity Bond Account by Ordinance 118975 for the payment of the principal of and interest on Parity Bonds.

"Purchaser" means the entity or entities who have been selected by the Director of Finance in accordance with this ordinance to serve as underwriter, purchaser or successful bidder in a sale of any Series.

"Qualified Counterparty" means a party (other than the City or a party related to the City) who is the other party to a Payment Agreement, (a)(i) whose senior debt obligations are rated in one of the three highest rating categories of each Rating Agency (without regard to any gradations within a rating category), or (ii) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating in one of the two highest rating categories of each Rating Agency; and (b) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

"Qualified Insurance" means any Bond Insurance that, as of the time of issuance of such credit enhancement device, is provided by an entity rated in one of the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies.

"Qualified Letter of Credit" means any letter of credit, standby bond purchase agreement, or other liquidity facility issued by a financial institution for the account of the City in connection with the issuance of any Parity Bonds, which institution maintains an office, agency, or branch in the United States and, as of the time of issuance of such instrument, is rated in one of the two highest rating categories (without regard to any gradations within such rating categories) by at least two nationally recognized rating agencies.

"RBI" means *The Bond Buyer* Revenue Bond Index or comparable index, or, if no comparable index can be obtained, 80% of the interest rate for actively traded 30-year United States Treasury obligations.

"Rate Stabilization Account" means the account of that name previously established by Ordinance 118975.

"Rating Agency" means any nationally recognized rating agency then maintaining a rating on a series of then outstanding Parity Bonds at the request of the City.

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

"Refundable Bonds" means each series of Parity Bonds that have been designated, or may in the future be designated, as refundable under this ordinance.

"Refunded Bond Documents" means those Bond Documents applicable to a series of Refunded Bonds.

"Refunded Bonds" means those Refundable Bonds identified in a Refunding Plan in accordance with this ordinance.

"Refunding Parity Bonds" means Future Parity Bonds that satisfy the applicable Parity Conditions and are issued pursuant to this ordinance (or another Future Parity Bond Ordinance) for the purpose of refunding any Refundable Bonds.

"Refunding Plan" means the plan approved by the Director of Finance pursuant to the delegation set forth herein to accomplish the refunding of Refundable Bonds. Each Refunding Plan must identify the maturities and series of Refundable Bonds to be refunded thereby, and must provide for their defeasance and/or refunding, substantially as follows, with such additional detail and adjustments to be set forth in the Refunding Trust Agreement (including, without limitation, adjustments to permit a crossover refunding) as the Director of Finance may deem necessary or desirable;

(a) The City shall issue a Series of the Bonds (which may be combined within the Series with any other Parity Bonds authorized hereunder or separately) and, upon receipt, shall deposit the proceeds of the sale of such Series, together with such other money as may be included in the plan by the Director of Finance, into a refunding escrow or trust account held by the Refunding Trustee;

(b) Upon receipt of a certification or verification by a certified public accounting firm or other financial advisor that the amounts deposited with it will be sufficient to accomplish the refunding as described in such Refunding Trust Agreement, the Refunding Trustee shall invest such escrow deposits in the Acquired Obligations specified therein (unless directed in the Refunding Trust Agreement to hold such deposits uninvested) and shall establish a beginning cash balance; and

(c) As further directed in the Refunding Trust Agreement, the Refunding Trustee shall apply the amounts received as interest on and maturing principal of such Acquired Obligations (together with any cash balance in the refunding trust account) to call, pay, and redeem those Refundable Bonds on the dates and times identified in the plan, and (if so directed) to pay the administrative costs of carrying out the foregoing.

If the Director of Finance serves as the Refunding Trustee, the Director of Finance shall approve a written Refunding Plan (which need not be set forth in a Refunding Trust Agreement) providing that the escrow funds are to be held separate and apart from all other funds of the City and are to be applied substantially as set forth above.

"Refunding Trust Agreement" means an escrow or trust agreement between the City and a Refunding Trustee, as described in Section 26(d).

"Refunding Trustee" means the Director of Finance, or a financial institution selected by the Director of Finance, serving in the capacity of refunding trustee or escrow agent under a Refunding Trust Agreement.

"Registered Owner" means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as a Series of the Bonds is in Book-Entry Form under the Letter of Representations, the Registered Owner of such Series shall mean the Securities Depository.

"Registration Ordinance" means Ordinance 111724 establishing a system of registration for the City's bonds and other obligations pursuant to Seattle Municipal Code Chapter 5.10, as that chapter now exists or may hereafter be amended.

"Reserve Requirement" means the least of (a) Maximum Annual Debt Service on all Parity Bonds outstanding at the time of calculation, (b) 1.25 times Average Annual Debt Service on all Parity Bonds outstanding at the time of calculation, or (c) the sum of 10% of the proceeds of each series of Parity Bonds then outstanding, as of the delivery of each such series. ***From and after the defeasance or redemption of the Outstanding Parity Bonds identified in Exhibit A to this ordinance, the Reserve Requirement shall mean the least of (a) Maximum Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation. In no event shall the Reserve Requirement exceed the sum of 10% of the proceeds of each series of Covered Parity Bonds then outstanding, determined as of the Issue Date of each such series.***

"Reserve Security" means any Qualified Insurance or Qualified Letter of Credit obtained by the City to satisfy part or all of the Reserve Requirement, and which is not cancelable on less than three years' notice.

"Reserve Subaccount" means the subaccount of that name created in the Parity Bond Account by Ordinance 118975 for the purpose of securing the payment of the principal of and interest on Parity Bonds.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

"SEC" means the United States Securities and Exchange Commission.

"Securities Depository" means DTC, any successor thereto, any substitute Securities Depository selected by the City, or the nominee of any of the foregoing. Any successor or substitute Securities Depository must be qualified under applicable laws and regulations to provide the services proposed to be provided by it.

"Serial Bonds" means Parity Bonds maturing in specified years, for which no Sinking Fund Requirements are mandated.

"Series" means a series of the Bonds issued pursuant to this ordinance.

"Sinking Fund Account" means any account created in the Parity Bond Account to amortize the principal or make mandatory redemptions of Term Bonds.

"Sinking Fund Requirement" means, for any calendar year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid into any Sinking Fund Account for such calendar year, as established pursuant to the Parity Bond Documents relating to such Term Bonds.

"Solid Waste Fund" means the "Garbage Collection and Disposal Fund" of the City created by Ordinance 90379 and subsequently renamed the "Solid Waste Fund."

"Solid Waste System" means the entire solid waste collection, transportation and disposal system of the City, created by Ordinance 90379, as amended, together with all additions thereto and betterments and extensions thereof at any time made, acquired or constructed, together with any other utility systems of the City hereafter combined with the Solid Waste System. The Solid Waste System shall not include any separate utility system acquired or constructed by the City pursuant to Section 19.

"State" means the State of Washington.

"State Auditor" means the office of the Auditor of the State or such other department or office of the State authorized and directed by State law to make audits.

"Tax Credit Subsidy Bond" means any Taxable Bond that is designated by the City as a tax credit bond pursuant to the Code, and which is further designated as a "qualified bond" under Section 6431 or similar provision of the Code, and with respect to which the City is eligible to claim a Tax Credit Subsidy Payment.

"Tax Credit Subsidy Payment" means a payment by the federal government with respect to a Tax Credit Subsidy Bond.

"Tax-Exempt Bond" means any Parity Bond, the interest on which is intended, as of the Issue Date, to be excludable from gross income for federal income tax purposes.

"Taxable Bond" means any Parity Bond, the interest on which is <u>not</u> intended, as of the Issue Date, to be excludable from gross income for federal income tax purposes.

"Term Bond" means any Parity Bond that is issued subject to mandatory redemption prior to its maturity in Sinking Fund Requirements.

"Valuation Date" means, with respect to any Capital Appreciation Bond, the date or dates, determined as set forth in the Parity Bond Documents relating to the relevant series of Parity Bonds, on which specific Accreted Values are assigned to that Capital Appreciation Bond.

"Variable Interest Rate" means any interest rate that fluctuates during the stated term of a Parity Bond (or during a stated period during which the Parity Bond is designated as a Variable Interest Rate Bond), whether due to a remarketing, a market index reset, or other mechanism set forth in the applicable Bond Documents. The Bond Documents for any Series of the Bonds bearing interest at a Variable Interest Rate shall set forth: (a) the available method(s) of computing interest (the "interest rate modes"); (b) the particular period or periods of time (or manner of determining such period or periods of time) for which each value of such Variable Interest Rate (or each interest rate mode) shall remain in effect; (c) provisions for conversion from one interest rate mode to another and for setting or resetting the interest rates; and (d) the time or times upon which any change in such Variable Interest Rate (or any conversion of interest rate modes) shall become effective.

"Variable Interest Rate Bond" means, for any period of time, any Parity Bond that bears interest at a Variable Interest Rate during that period. A Parity Bond shall not be treated as a Variable Interest Rate Bond if the net economic effect of: (a) interest rates on a particular series of Parity Bonds, as set forth in the applicable Bond Documents, and (b) either (i) interest rates on another series of Parity Bonds issued at substantially the same time, or (ii) a Payment Agreement related to that particular series of Parity Bonds, is to produce obligations that bear interest at a fixed rate. A Parity Bond with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

Section 2. **Finding With Respect to Refunding**. The City Council hereby finds that the irrevocable deposit of money and securities with a Refunding Trustee, verified or certified as to sufficiency in accordance with a Refunding Plan approved pursuant to this ordinance, will discharge and satisfy the obligations of the City as to the Refunded Bonds identified therein, including all pledges, charges, trusts, covenants and agreements under the applicable Refunded Bond Documents. Immediately upon such deposit, the Refunded Bonds identified in such Refunding Plan shall be defeased and shall no longer be deemed to be outstanding under the applicable Refunded Bond Legislation.

Section 3. **Authorization of Bonds; Due Regard Finding**.

(a) **The Bonds**. The City is authorized to issue Solid Waste System refunding revenue bonds, payable from the sources described in Section 13, in the maximum principal amount stated in Section 5 to provide funds, from time to time, to carry out the current or advance refunding of all or a portion of the outstanding Refundable Bonds pursuant to an approved Refunding Plan; to provide for the Reserve Requirement (if necessary); to pay the administrative costs of carrying out each such Refunding Plan and pay the costs of issuance of the Bonds; and for other Solid Waste System purposes approved by ordinance. The Bonds may be issued in multiple Series and may be combined with other Future Parity Bonds authorized separately. The Bonds shall be designated Solid Waste System revenue Refunding Parity Bonds and shall be numbered separately and shall have any name, year and series or other label as deemed necessary or appropriate by the Director of Finance.

(b) **City Council Finding**. The City Council hereby finds that, in creating the Parity Bond Account and in fixing the amounts to be paid into it in accordance with this ordinance and the parameters for the Bond Sale Terms set forth in Section 5, the City Council has exercised due regard for the cost of operation and maintenance of the Solid Waste System, and is not setting aside into the Parity Bond Account a greater amount than in the judgment of the City Council, based on the rates established from time to time consistent with Section 16(b), will be sufficient, in the judgment of the City Council, to meet all expenses of operation and maintenance of the Solid Waste System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of Gross Revenues and pledged for the payment of the Bonds. Therefore, the City Council hereby finds that the issuance and sale of the Bonds is in the best interest of the City and in the public interest.

Section 4. **Manner of Sale of Bonds**. The Director of Finance may provide for the sale of each Series by competitive sale, negotiated sale, limited offering, or private placement and may select and enter into agreements with remarketing agents or providers of liquidity with respect to Variable Interest Rate Bonds. The Purchaser of each Series shall be chosen through a selection process acceptable to the Director of Finance. The Director of Finance is authorized to specify a date and time of sale and a date and time for the delivery of each Series; in the case of a competitive sale, to provide an official notice of sale including bid parameters and other bid requirements and provide for the use of an electronic bidding mechanism; to determine matters relating to a forward or delayed delivery of the Bonds; and to determine such other matters and take such other action as, in his or her determination, may be necessary, appropriate, or desirable in order to carry out the sale of each Series. Each Series must be sold on Bond Sale Terms consistent with the parameters set forth in Section 5.

Section 5. **Appointment of Designated Representative; Bond Sale Terms**.

(a) **Designated Representative.** The Director of Finance is appointed to serve as the City's designated representative in connection with the issuance and sale of the Bonds in accordance with RCW 39.46.040(2) and this ordinance.

(b) **Parameters for Bond Sale Terms.** The Director of Finance is authorized to approve, on behalf of the City, Bond Sale Terms for the sale of the Bonds in one or more Series, and in connection with each such sale, to execute a Bond Purchase Contract (or in the case of a competitive sale, a Pricing Certificate) confirming the Bond Sale Terms and such related agreements as may be necessary or desirable, consistent with the following parameters:

(i) **Maximum Principal Amount.** The maximum aggregate principal amount of Bonds issued to carry out each Refunding Plan may not exceed 125% of the stated principal amount of those Refundable Parity Bond selected for refunding in that Refunding Plan.

(ii) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the Director of Finance.

(iii) **Denominations.** The Bonds shall be issued in Authorized Denominations.

(iv) **Interest Rate(s).** Each Bond shall bear interest from its Issue Date or from the most recent date to which interest has been paid or duly provided, whichever is later, unless otherwise provided in the Bond Documents. Each Series of the Bonds shall bear interest at one or more fixed interest rates or Variable Interest Rates. The net interest cost for any fixed rate Series may not exceed a rate of 10% per annum. The Bond Documents for any Series may provide for multiple interest rates and interest rate modes, and may provide conditions and mechanisms for the Director of Finance to effect a conversion from one mode to another. Nothing in this ordinance shall be interpreted to prevent the Bond Documents for any Series from including a provision for adjustments to interest rates during the term of the Series upon the occurrence of certain events specified in the applicable Bond Documents.

(v) **Payment Dates**. Interest shall be payable on dates acceptable to the Director of Finance. Principal shall be payable on dates acceptable to the Director of Finance, which shall include payment at the maturity of each Bond, in accordance with any Sinking Fund Requirements applicable to Term Bonds, and otherwise in accordance with any redemption or tender provisions.

(vi) **Final Maturity**. The final maturity of any Series of the Bonds shall be determined by the Director of Finance, consistent with chapter 39.53 RCW and other applicable State law, as it may be amended from time to time.

(vii) **Redemption Prior to Maturity**. The Bond Sale Terms may include redemption and tender provisions, as determined by the Director of Finance in discretion, consistent with Section 8 and subject to the following:

(A) **Optional Redemption**. The Director of Finance may designate any Bond as subject to optional redemption prior to its maturity. Any Bond that is subject to optional redemption prior to maturity must be callable on at least one or more dates occurring not more than 10½ years after the Issue Date, consistent with Section 8(a).

(B) **Mandatory Redemption**. The Director of Finance may designate any Bond as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in principal payment amounts set forth in Sinking Fund Requirements, consistent with Section 8(b).

(C) **Extraordinary Redemptions**. The Director of Finance may designate any Bond as subject to extraordinary optional redemption or extraordinary mandatory redemption upon the occurrence of an extraordinary event, as such event or events may be set forth in the applicable Bond Documents, consistent with Section 8(c).

(D) **Tender Options**. The Director of Finance may designate any Variable Interest Rate Bond as subject to tender options, as set forth in the applicable Bond Documents.

(viii) **Price**. The Director of Finance may approve in the Bond Sale Terms an aggregate purchase price for each Series of the Bonds that is, in his or her judgment, the price that produces the most advantageous borrowing cost for the City, consistent with the parameters set forth herein and in any applicable bid documents.

(ix) **Other Terms and Conditions**.

(A) **Refunding Findings; Approval of Refunding Plan**. As of the Issue Date of each Series, the Director of Finance must approve a Refunding Plan (which may be set forth in a Refunding Trust Agreement) and finds that such Refunding Plan is necessary to accomplish one or more of the purposes set forth in RCW 39.53.020, as it may be amended from time to time and is consistent with the City's debt policies then in effect (including, if applicable, a finding that the Refunding Plan will achieve an acceptable level of debt service savings).

(B) **Parity Conditions Satisfied**. As of the Issue Date of each Series, the Director of Finance must find that the Parity Conditions have been met or otherwise satisfied, so that such Series is permitted to be issued as Parity Bonds.

(C) **Additional Terms, Conditions, and Agreements**. The Bond Sale Terms for any Series may provide for Bond Insurance, a Reserve Security, Qualified Letter of Credit, credit enhancement, or for any other Payment Agreement as the Director of Finance may find necessary or desirable. The Bond Sale Terms for any Series may provide for multiple interest rate modes and may include provisions for conversion from any interest rate mode to any other mode. To that end, the Bond Sale Terms may include such additional terms, conditions, and covenants as may be necessary or desirable, including but not limited to: restrictions on investment of Bond proceeds and pledged funds (including any escrow established for the defeasance of the Bonds), provisions for the conversion of interest rate modes, provisions for the reimbursement of a credit enhancement provider or Qualified Counterparty, and requirements to give notice to or obtain the consent of a credit enhancement provider or a Qualified Counterparty. The Director of Finance is authorized to execute, on behalf of the City, such additional certificates and agreements as may be necessary or desirable to reflect such terms, conditions, and covenants.

(D) **Reserve Requirement**. The Bond Sale Terms must establish whether the Series is to be treated as Covered Parity Bonds and must establish the method of providing for the Reserve Requirement, consistent with Section 15.

(E) **Tax Status of the Bonds**. The Director of Finance may determine that any Series of the Bonds may be designated or qualified as Tax-Exempt Bonds, Taxable Bonds, or Tax Credit Subsidy Bonds, consistent with Section 22.

Section 6. **Bond Registrar; Registration and Transfer of Bonds**.

(a) **Registration of Bonds; Bond Registrar**. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Fiscal Agent is appointed to act as Bond Registrar for each Series of the Bonds, unless otherwise determined by the Director of Finance.

(b) **Transfer and Exchange of Bonds**. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Register shall contain the name and mailing address of the Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner.

The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the Registration Ordinance.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's certificate of authentication on the Bonds. The Bond Registrar may become an Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to an Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the period between the Record Date and the corresponding interest payment or principal redemption date.

(c) **Securities Depository; Book-Entry Form**. Unless otherwise determined by the Director of Finance, the Bonds initially shall be issued in Book-Entry Form and registered in the name of the Securities Depository. The Bonds so registered shall be held fully immobilized in Book-Entry Form by the Securities Depository in accordance with the provisions of the Letter of

Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to participants of the Securities Depository or the persons for whom they act as nominees with respect to the Bonds regarding the accuracy of any records maintained by the Securities Depository or its participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners hereunder (except such notice as is required to be given by the Bond Registrar to the Securities Depository). Registered ownership of a Bond initially held in Book-Entry Form, or any portion thereof, may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the City or such substitute Securities Depository's successor; or (iii) to any person if the Bond is no longer held in Book-Entry Form.

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

Nothing herein shall prevent the Bond Sale Terms from providing that a Series of the Bonds shall be issued in certificated form without utilizing a Securities Depository, and that the Bonds of such Series shall be registered as of their Issue Date in the names of the Owners thereof, in which case ownership may be transferred only as provided herein.

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

Section 7. **Payment of Bonds**.

(a) **Payment**. Each Bond shall be payable in lawful money of the United States of America on the dates and in the amounts as provided in the Bond Documents applicable to that Series. Principal of and interest on each Bond issued as a Parity Bond shall be payable solely out of the Parity Bond Account and shall not be a general obligation of the City. No Bonds of any Series shall be subject to acceleration under any circumstances.

(b) **Bonds Held In Book-Entry Form**. Principal of and interest on each Bond held in Book-Entry Form shall be payable in the manner set forth in the Letter of Representations.

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

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

(a) **Optional Redemption**. All or some of the Bonds may be subject to redemption prior to their stated maturity dates at the option of the City at the times and on the terms set forth in the applicable Bond Documents.

(b) **Mandatory Redemption**. All or some of the Bonds of any Series may be designated as Term Bonds, subject to mandatory redemption in Sinking Fund Requirements, as set forth in the applicable Bond Documents. If not redeemed or purchased at the City's option prior to maturity, Term Bonds (if any) must be redeemed, at a price equal to one hundred percent of the principal amount to be redeemed plus accrued interest, on the dates and in the years and Sinking Fund Requirements as set forth in the applicable Bond Documents.

If the City optionally redeems or purchases a Term Bond prior to maturity, the principal amount of that Term Bond that is so redeemed or purchased (irrespective of its redemption or purchase price) shall be credited against the remaining Sinking Fund Requirements for that Term Bond in the manner as directed by the Director of Finance. In the absence of direction by the Director of Finance, credit shall be allocated to the remaining Sinking Fund Requirements for that Term Bond on a *pro rata* basis.

(c) **Extraordinary Redemption Provisions**. All or some of the Bonds of any Series may be subject to extraordinary optional or extraordinary mandatory redemption prior to maturity upon the occurrence of an extraordinary event, at the prices, in the principal amounts, and on the dates, all as set forth in the applicable Bond Documents.

(d) **Selection of Bonds for Redemption; Partial Redemption**. If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the Director of Finance shall select the Series and maturity or maturities to be redeemed. If less than all of the principal amount of a maturity of the selected Series is to be redeemed, if such Series is held in Book-Entry Form, the portion of such maturity to be redeemed shall be selected for redemption by the Securities Depository in accordance with the Letter of Representations, and if the Series is not then held in Book-Entry Form, the portion of such maturity to be redeemed shall be selected by the Bond Registrar randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any applicable Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity, and interest rate in any Authorized Denominations in the aggregate principal amount to remain outstanding.

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

Section 9. **<u>Notice of Redemption; Rescission of Notice</u>**. Unless otherwise set forth in the applicable Bond Documents, the City must cause notice of any intended redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register on the Record Date, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call.

In the case of an optional or extraordinary 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 rescinded by the Director of Finance shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Section 10. **Failure to Pay Bonds**. If any Bond is not paid when properly presented at its maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond Account and the other sources pledged in this ordinance, interest on that Bond at the same rate provided on that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

Section 11. **Form and Execution of Bonds**. The Bonds shall be typed, printed or reproduced in a form consistent with the provisions of this ordinance and State law; shall be signed by the Mayor and Director of Finance, either or both of whose signatures may be manual or in facsimile; and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a certificate of authentication in substantially the following form (with the designation, year, and Series adjusted consistent with this ordinance), manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "This Bond is one of the fully registered The City of Seattle, Washington, [Solid Waste Refunding Revenue Bonds], [Year], [Series], described in [this ordinance]." The authorized signing of a certificate of authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

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

Section 12. **Deposit and Use of Proceeds**. Unless otherwise provided in the Bond Sale Terms, the principal proceeds and net premium, if any, received from the sale and delivery of each Series of the Bonds, in the amount necessary to carry out the applicable Refunding Plan, shall be deposited with the Refunding Trustee and used in accordance with the provisions of this section to discharge the obligations of the City relating to the Refunded Bonds identified therein.

The Director of Finance may use the principal proceeds and any net premium to pay for costs of issuance of the Bonds, and the Director of Finance also may incur and account for costs of issuance that are not included as part of the bond proceeds and net premium, including but not limited to any underwriter's discount. Net premium and accrued interest received from the sale and delivery of a Series of the Bonds, if any, that is not necessary to carry out the Refunding Plan, shall be paid or allocated into the Parity Bond Account and used to pay interest on that Series.

Until needed to carry out the applicable Refunding Plan and to pay the costs described herein, the principal proceeds of each Series of the Bonds shall be held or invested (and the investment earning shall be applied) in accordance with the Refunding Trust Agreement, and the money deposited with the Refunding Trustee, including the Acquired Obligations and any investment earnings, shall be held irrevocably, invested and applied in accordance with the provisions of the respective Refunded Bond Legislation, this ordinance, the Refunding Trust Agreement, chapter 39.53 RCW, and other applicable State law. Earnings subject to a federal tax or rebate requirement may be withdrawn from any such fund or account and used for those tax or rebate purposes.

The Director of Finance may pay principal of and interest on a Series of the Bonds with any proceeds of that Series (including interest earnings thereon) remaining after applying such proceeds to carry out the Refunding Plan, or after the City Council has determined that the expenditure of such Bond proceeds for those purposes is no longer necessary or appropriate.

Section 13. **Security for the Bonds; Parity with Outstanding Parity Bonds**. The Bonds shall be special limited obligations of the City payable from and secured solely by the Net Revenue and by money in the Parity Bond Account and the subaccounts therein (including, without limitation, the Reserve Subaccount, ***except that from and after the date on which the Outstanding Parity Bonds identified on Exhibit A have been redeemed or defeased, money in the Reserve Subaccount shall secure only the Covered Parity Bonds***). Net Revenue is pledged to make the payments into the Parity Bond Account required by this ordinance. This pledge constitutes a lien and charge upon such Net Revenue prior and superior to all other liens and charges whatsoever.

The Bonds shall be issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds, without regard to date of issuance or authorization and without preference or priority of right or lien. Nothing in this ordinance prevents the City from issuing revenue bonds or other obligations which are a lien or charge upon Net Revenue subordinate to the payments required to be made from Net Revenue into the Parity Bond Account and the subaccounts therein.

The Bonds shall 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 by this ordinance.

Section 14. **Priority Expenditure of Gross Revenue; Flow of Funds**. Gross Revenue of the Solid Waste System shall be deposited as received into the Solid Waste Fund used for the following purposes only and shall be applied in the following order of priority:

(a) To pay Maintenance and Operation Expenses;

(b) To make all payments into the Principal and Interest Subaccount required to be made in order to pay all interest on and principal of Parity Bonds (including all net payments under Parity Payment Agreements) when due;

(c) To make all payments required to be made into the Reserve Subaccount with respect to Parity Bonds secured by the Reserve Subaccount;

(d) To make all payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account, or reserve account created to pay or secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon the Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

(e) Without priority, to any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Solid Waste System; to make necessary additions, betterments, improvements, repairs, extensions, and replacements of the Solid Waste System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenue; to make deposits into the Rate Stabilization Account; or for any other lawful purposes of the Solid Waste System.

Section 15. **Parity Bond Account**. A special account of the City known as the Parity Bond Account has been previously created and shall be maintained as a separate account within the Solid Waste Fund, for the sole purpose of paying the principal of and premium, if any, and interest on the Parity Bonds as the same shall become due. The Parity Bond Account consists of the Principal and Interest Subaccount and the Reserve Subaccount and may additionally include such subaccounts as the Director of Finance may deem necessary, so long as the maintenance of such subaccounts does not conflict with the rights of the owners of Parity Bonds. Principal of, premium (if any), and interest on the Parity Bonds shall be payable out of the Parity Bond Account.

(a) **Required Payments Into the Parity Bond Account**. So long as any Parity Bonds are outstanding (including any Payment Agreement Payments required to be made under any Parity Payment Agreements), the City shall set aside and pay into the Parity Bond Account out of Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

(i) Into the Principal and Interest Subaccount, on or before each date on which interest on and/or principal of Parity Bonds (including Sinking Fund Requirements and net payments under any Parity Payment Agreements) shall become due and payable, an amount that will be sufficient, together with other money on deposit therein, to pay the interest and/or principal as the same shall become due; and

(ii) Into the Reserve Subaccount, an amount necessary to provide for the Reserve Requirement within the time and in the manner required by this ordinance and the Bond

Sale Terms. The amount necessary, if any, to satisfy the Reserve Requirement upon the issuance of a Series of the Bonds may be funded (A) on the Issue Date, by a deposit of bond sale proceeds, available funds of the Solid Waste System, or a Reserve Security; or (B) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by no later than the fifth anniversary of the Issue Date of such Series. The manner of funding the Reserve Requirement for the Bonds shall be set forth in the Bond Sale Terms.

To meet the required payments to be made into the Parity Bond Account, the Director of Finance may transfer any money from any funds or accounts of the City legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds. The Director of Finance may provide for the purchase, redemption, or defeasance of any Parity Bonds by the use of money on deposit in any subaccount in the Parity Bond Account as long as the money remaining in those subaccounts is sufficient to satisfy the required deposits in those subaccounts for the remaining Parity Bonds.

(b) **Reserve Subaccount**. The Reserve Subaccount previously has been created and maintained as a subaccount within the Parity Bond Account for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding (including amounts due under any Parity Payment Agreements if required under such agreement). The City covenants that it will at all times, so long as any Covered Parity Bonds are outstanding, maintain the Reserve Subaccount at the Reserve Requirement (taking into account scheduled payments to fund the Reserve Requirement over time), as it is adjusted from time to time, except for withdrawals as authorized by this ordinance. Any withdrawals authorized below from subaccounts within the Reserve Subaccount shall be made on a *pro rata* basis except if the provider of a Reserve Security requires all cash and investments in the Reserve Subaccount to be withdrawn before draws on the

Reserve Security, or unless the City receives an opinion of Bond Counsel to the effect that such *pro rata* withdrawal is not required to maintain the exclusion of interest on the Parity Bonds then outstanding from gross income for federal income tax purposes.

(i) **Use of Reserve Subaccount for Payment of Debt Service**. In the event of a deficiency in the Principal and Interest Subaccount to meet current installments of either principal (including Sinking Fund Requirements) or interest (including amounts payable under any Parity Payment Agreement), the Director of Finance may make withdrawals of money or proceeds of a Reserve Security in the Reserve Subaccount. ***From and after the redemption or defeasance of the Outstanding Parity Bonds identified on Exhibit A, the withdrawals authorized by this paragraph shall be limited to the amounts necessary to meet current installments of either principal (including Sinking Fund Requirements) or interest with respect to Covered Parity Bonds.*** Any deficiency created in the Reserve Subaccount by reason of any such withdrawal or claim against a Reserve Security shall then be made up out of the Net Revenue, after making necessary provision for the required payments into the Principal and Interest Subaccount.

If, on any principal or interest payment date, the balance in the Reserve Subaccount (taking into account the amounts available under all Reserve Securities and the five-year period for funding the Reserve Requirement in conjunction with the issuance of Future Parity Bonds) is less than the Reserve Requirement, the City shall transfer to the Reserve Subaccount money in an amount sufficient to restore the Reserve Subaccount to the Reserve Requirement within 12 months after the date of such deficiency. Such amounts shall be transferred from money available in the Solid Waste Fund after making provision for payment of Maintenance and Operation Expenses and for the required payments into the Principal and Interest Subaccount). If the amount in the Reserve Subaccount is greater than the Reserve Requirement, then and only then may the City withdraw any excess from the Reserve Subaccount and deposit such excess in the Solid Waste Fund to be used for any lawful purpose.

(ii) **Other Authorized Withdrawals From Reserve Subaccount.** Money in the Reserve Subaccount may be withdrawn by the City for any lawful purpose as long as the sum of all money plus the maximum amount available under all Reserve Securities remaining on deposit in the Reserve Subaccount is at least equal to the Reserve Requirement for the Parity Bonds then outstanding. The City reserves the right to substitute one or more Reserve Securities for money previously deposited in the Reserve Subaccount and to withdraw such money to the extent described in the preceding paragraph.

(iii) **Provisions Applicable to Reserve Securities.** If the City receives a notice of cancellation of any Reserve Security, the Director of Finance shall either (A) substitute, on or prior to such cancellation date, one or more Reserve Securities in the amount required to make up any deficiency that will arise upon such cancellation; or (B) create a special account in the Solid Waste Fund and deposit therein, in each of the 36 calendar months succeeding receipt of the cancellation notice, 1/36th of the amount necessary so that the balance (including all money and investments then on deposit in the Reserve Subaccount), will equal the Reserve Requirement on the effective date of the cancellation. Deposits to the Reserve Subaccount for this purpose shall be transferred from money available in the Solid Waste Fund after making provision for payment of Maintenance and Operation Expenses and for the required payments into the Principal and Interest Subaccount. Amounts on deposit in such special account shall not be available to pay debt service on Parity Bonds or for any other purpose of the City, and shall be transferred to the Reserve Subaccount only upon the effective date of the cancellation.

(iv) **Use of Reserve Subaccount for Refunding Parity Bonds.** If any Covered Parity Bonds are refunded, the money set aside in the Reserve Subaccount to secure the payment of such Covered Parity Bonds may be used to retire such Covered Parity Bonds or may be transferred to any Reserve Subaccount or account that may be created to secure the payment of any bonds issued to refund such Parity Bonds, as long as the money remaining in the Reserve Subaccount, together with all Reserve Securities, is at least equal to the Reserve Subaccount Requirement.

(c) **Investment of Money in Parity Bond Account.** All money in the Parity Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date when needed (for investments in the Principal and Interest Subaccount) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any money in the Parity Bond Account or any other money reasonably expected to be used to pay principal of and/or interest on the Parity Bonds be invested at a yield which would cause any Series issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from investments in the Principal and Interest Subaccount shall be deposited in that subaccount. Income from investments in the Reserve Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Subaccount. Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no longer required for such rebate, money in that separate fund or account shall be returned to the Parity Bond Account.

(d) **Failure to Deposit Money in Parity Bond Account**. If the City fails to set aside and pay into the Parity Bond Account, or the subaccounts therein, the amounts set forth above, the registered owner of any of the outstanding Parity Bonds may bring action against the City for failure to make the required deposits to the Parity Bond Account only in accordance with Section 25 regarding Events of Default.

Section 16. **Parity Bond Covenants**. The City covenants with the Owner of each Bond at any time outstanding, as follows:

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

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

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

(ii) Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement; and

(iii) Except to aid the poor or infirm, it will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the Solid Waste System free of charge to any person, firm or corporation, public or private; and

(iv) On at least an annual basis, the City will determine all accounts that are delinquent and will take such actions as the City determines are reasonably necessary to enforce payment of those delinquent accounts.

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

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

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

(ii) The City in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property being transferred under this paragraph in any fiscal year comprises no more than 5% of the total assets of the Solid Waste System; or

(iii) The City in its discretion may carry out such a transfer if the proceeds from such transfer are used to acquire new useful operating facilities or properties of the Solid Waste System, or are used to retire outstanding Parity Bonds or other revenue obligations of the Solid Waste System, if, at the time of such transfer, there is on file with the City a certificate of the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office) demonstrating that in his or her professional opinion, upon such transfer and the use of proceeds of the transfer as proposed by the City, the remaining facilities of the Solid Waste System will retain their operational integrity and, based on the financial statements for the most recent fiscal year available, the proposed transfer would not prevent the Solid Waste System from complying with the rate covenants contained in Section 16(b) during the five fiscal years following the fiscal year in which the transfer is to occur. The Director of Finance and the Director of Seattle Public Utilities shall take into account (A) the reduction in revenue and expenses, if any, resulting from the transfer, (B) the use of any proceeds of the transfer for the redemption of Parity Bonds, (C) their estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Solid Waste System financed in part by the proposed portion of the proceeds of the transfer, and (D) any other adjustment permitted in the preparation of a certificate under Section 17(b). Before such a transfer, the City also must obtain confirmation from each of the Rating Agencies to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer.

(d) **Books and Records.** The City will keep proper books, records and accounts with respect to the operations, income and expenditures of the Solid Waste System in accordance with generally accepted accounting practices applicable to governmental utilities and any applicable rules and regulations prescribed by the State. The City will prepare or cause to be prepared annual financial and operating statements not more than six months after the close of each fiscal year showing in reasonable detail the financial condition of the Solid Waste System as of the close of the previous year, and the income and expenses for such year, including the amounts paid into the Parity Bond Account and into any and all special funds or accounts created pursuant to the provisions of this ordinance, the status of all funds and accounts as of the end of such year, and the amounts expended for maintenance, renewals, replacements and capital additions to the Solid Waste System. A copy of such annual financial statements shall be sent to any owner of Parity Bonds upon written request therefor being made to the City. The City may charge a reasonable cost for providing such financial statements.

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

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

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

Section 17. **Future Parity Bonds**.

(a) **Issuance of Future Parity Bonds.** The City reserves the right to issue Future Parity Bonds and to enter into Parity Payment Agreements for any lawful purpose of the Solid Waste System (including for the purpose of refunding a portion of the then-outstanding Parity Bonds) only if, at the time of the issuance of such series of Future Parity Bonds (or upon the effective date of the Parity Payment Agreement), the following conditions are satisfied:

(i) No Event of Default may have occurred that is continuing and there must be no deficiency in the Parity Bond Account or in any of the accounts therein;

(ii) The Bond Documents must provide for the payment of the principal thereof and the interest thereon out of the Parity Bond Account.

(iii) The Bond Documents must provide for the payment of any Sinking Fund Requirements from money in the Principal and Interest Subaccount.

(iv) For each series of Future Parity Bonds that is to be issued as a series of Covered Parity Bonds, the Bond Documents must provide for the deposit into the Reserve Subaccount of an amount, if any, necessary to fund the Reserve Requirement upon the issuance of that series of Future Parity Bonds (if any), which requirement may be satisfied: (A) by a deposit, made on the Issue Date of such series, of proceeds of those Future Parity Bonds or from other money legally available for such purpose; (B) by obtaining one or more Reserve Securities (or a deposit of cash plus Reserve Securities) available to be drawn upon in specific amounts to be paid into the Reserve Subaccount to be credited against the amounts required to be maintained in the Reserve Subaccount; or (C) by periodic payments from Net Revenue or other legally available money, so that by five years from the issue date of such Future Parity Bonds there will have been paid into the Reserve Subaccount an amount which, together with the money already on deposit therein, will be at least equal to the Reserve Requirement for all Parity Bonds outstanding at the end of that five-year period. Immediately prior to the issuance of Future Parity Bonds, amounts then deposited in the Reserve Subaccount shall be valued as determined on the most recent annual financial report of the City applicable to the Solid Waste System, and the additional amounts, if any, required to be deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall be based on that valuation.

(v) There must be on file with the City a Parity Certificate as described in subsection (b). However, if the proposed Future Parity Bonds (or any portion thereof, referred to as the "Refunding Parity Bonds") are to be issued for the purpose of refunding outstanding Parity Bonds, no Parity Certificate shall be required as to that portion issued for refunding purposes if the Director of Finance finds and certifies that the Adjusted Annual Debt Service on the refunding portion of the proposed Refunding Parity Bonds is not more than $5,000 greater than the Adjusted Annual Debt Service on the Parity Bonds to be refunded thereby. Alternatively, Refunding Parity Bonds may be issued upon delivery of a Parity Certificate.

(b) **Parity Certificate.** A Parity Certificate required under subsection (a)(v) may be provided as follows:

(i) A certificate may be prepared and signed by both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office), demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement of all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future Parity Bonds for that 12-month period was the Average Annual Debt Service for those proposed Future Parity Bonds); or

(ii) A certificate may be prepared and signed by both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office), demonstrating that, in their opinion, the Adjusted Net Revenue for the five fiscal years next following the earlier of (A) the end of the period during which interest on those Future Parity Bonds is to be capitalized or, if no interest is capitalized, the fiscal year in which the Future Parity Bonds are issued, or (B) the date on which substantially all the new facilities financed with those Future Parity Bonds are expected to commence operations, such Adjusted Net Revenue further adjusted as provided in paragraphs (1) through (4) below, will be at least equal to the Coverage Requirement. That certificate may take into account the following adjustments:

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

(2) Net revenue from customers of the Solid Waste System who have become customers during the 12-consecutive-month period or thereafter, and their estimate of net revenue from any customers to be connected to the Solid Waste System who have paid the required connection charges, adjusted to reflect one year's net revenue from those customers;

(3) Their estimate of net revenue from customers anticipated to be served by facilities or improvements financed in substantial part by those Future Parity Bonds (or additional Parity Bonds expected to be issued during the five-year period); and

(4) Net revenue from any person, firm, corporation, or municipal corporation under any executed contract for solid waste disposal or other utility service, which revenue was not included in the historical Net Revenue of the Solid Waste System.

(c) **Other Provisions**. Nothing contained herein shall prevent the City from issuing Refunding Parity Bonds to fund or refund maturing Parity Bonds money for the payment of which is not otherwise available or revenue bonds that are a charge and lien upon Net Revenue subordinate to the charge and lien of the Parity Bonds, or from pledging to pay Net Revenue into a bond redemption fund created for the payment of the principal of and interest on subordinate lien bonds.

(d) **Effect of Issuance of Future Parity Bonds**. If the Parity Conditions are met and complied with at the time of the issuance of such Future Parity Bonds, then payments into the Parity Bond Account with respect to such Future Parity Bonds shall rank equally with the payments out of the Net Revenue required to be made into the Parity Bond Account by this ordinance.

Nothing set forth herein shall prevent the City from (i) issuing revenue bonds or other obligations that are a charge upon the Net Revenue junior and inferior to the payments required to be made therefrom into the Parity Bond Account for the payment of the Parity Bonds, provided that such subordinate bonds may not be subject to acceleration under any circumstances; or (ii) issuing Refunding Parity Bonds for the purpose of refunding Outstanding Parity Bonds, upon compliance with the Parity Conditions set forth in this section.

(e) **Reserve Requirement**. ***Notwithstanding anything in this section to the contrary, in the Bond Sale Terms relating to the issuance or sale of a series of Future Parity Bonds, the City may elect that, from and after the redemption or defeasance of the Outstanding Parity Bonds identified in Exhibit A, such series shall not be deemed to be a series of Covered Parity Bonds, shall not be secured by the amounts in the Reserve Account, and shall be excluded from the calculation of the Reserve Requirement.***

Section 18. **Rate Stabilization Account**. The Rate Stabilization Account has been created as a separate account in the Solid Waste Fund. The City may at any time, as determined by the Director of Finance and consistent with the flow of funds set forth in Section 14, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the Solid Waste System and available for this purpose. The Director of Finance may, upon authorization by the City Council, withdraw any or all of the money in the Rate Stabilization Account for inclusion in the Adjusted Gross Revenue for any fiscal year of the City. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Gross Revenue. No deposit of Gross Revenue may be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

Section 19. **Separate Utility Systems**. The City may 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 shall not be included in the Gross Revenue of the Solid Waste System and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the separate utility system. Neither the Gross Revenue nor the Net Revenue of the Solid Waste System shall be pledged by the City to the payment of any obligations of a separate utility system except (1) as a Contract Resource Obligation upon compliance with Section 20 and/or (2) with respect to the Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

Section 20. **Contract Resource Obligations**. The City may at any time 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 relating to the Solid Waste System. The City may determine that, and may agree under a Contract Resource Obligation to provide that, all payments under that Contract Resource Obligation (including payments prior to the time that the solid waste collection, transportation, treatment or disposal or other commodity or service is being provided, or during a suspension or after termination of such other commodity or service) shall be Maintenance and Operation Expenses if the following requirements are met at the time such a Contract Resource Obligation is entered into:

(a) No event of default with respect to any then-outstanding Parity Bonds has occurred and is continuing.

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

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

Section 21. **Refunding and Defeasance of the Bonds**.

(a) **Bonds Designated as Refundable Bonds**. Each Series of the Bonds issued hereunder is hereby designated as a series of "Refundable Bonds" for purposes of being eligible to be refunded in the future under this ordinance.

(b) **Refunding; Defeasance**. The City may issue Refunding Parity Bonds pursuant to the laws of the State or use money available from any other lawful source (i) to pay when due the principal of (including premium, if any) and interest on any Bond, or any portion thereof, included in a refunding or defeasance plan (the "Defeased Bonds"); (ii) to redeem and retire, release, refund, or defease the Defeased Bonds; and (iii) to pay the costs of such refunding or defeasance. If money and/or Government Obligations maturing at a time or times and in an amount sufficient (together with known earned income from the investment thereof), to redeem and retire, release, refund, or defease the Defeased Bonds in accordance with their terms, is set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the "Trust Account"), then all right and interest of the Owners of the Defeased Bonds in the covenants of this ordinance and in Net Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such Owners thereafter shall have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. After establishing and fully funding such a Trust Account, the Defeased Bonds shall be deemed to be no longer outstanding, and the Director of Finance then may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purpose.

(c) **Notice of Defeasance or Refunding**. Unless otherwise specified in the Bond Documents, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner set forth in this ordinance for the redemption of Bonds.

(d) **Annual Debt Service Calculation Adjustments for Defeased Bonds**. If the refunding or defeasance plan provides (i) that the Defeased Bonds (or the Refunding Parity Bonds issued to redeem those Defeased Bonds) are to be secured by money and/or Government Obligations pending the redemption of the Defeased Bonds, and (ii) that certain money and/or Government Obligations are pledged irrevocably for the redemption of the Defeased Bonds, then only the debt service on such Bonds as are not Defeased Bonds (and any Refunding Parity Bonds, the payment of which is not so secured by the refunding plan) shall be included in the calculation of Annual Debt Service.

Section 22. **Provisions Relating to Federal Tax Issues**. The Bond Documents may include such additional terms and covenants relating to federal tax matters as the Director of Finance deems necessary or appropriate, including the following:

(a) **Tax-Exempt Bonds**. For each Series of the Bonds issued as Tax-Exempt Bonds, the City covenants that it will take all actions, consistent with the terms of such Series as set forth in the applicable Bond Documents, that are reasonably within its power and necessary to prevent interest on that Series from being included in gross income for federal income tax purposes. The City further covenants that it will neither take any action nor make or permit any use of gross proceeds of that Series (or other funds of the City treated as gross proceeds of that Series at any time during the term of such Series) that will cause interest on such Series to be included in gross income for federal income tax purposes. The City also covenants that, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to any Series issued as Tax-Exempt Bonds, it will take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with that Series (including the calculation and payment of any penalties that the City may elect to pay as an alternative to calculating rebatable arbitrage and the payment of any other penalties if required under Section 148 of the Code) to prevent interest on such Series from being included in gross income for federal income tax purposes.

(b) **Taxable Bonds; Tax Credit Subsidy Bonds**. For each Series of the Bonds issued as Taxable Bonds or as Tax Credit Subsidy Bonds, the Director of Finance is authorized to make provision in the Bonds and other Bond Documents, to execute additional written agreements, and to make additional covenants on behalf of the City, all as he or she may deem necessary or appropriate in order to obtain, maintain, and administer such tax status. In the case of Tax Credit Subsidy Bonds, such additional covenants and agreement may include (without limiting the generality of the foregoing) those necessary in order for the City (i) to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of such Tax Credit Subsidy Bonds, and (ii) to ensure that such Series otherwise become and remain eligible for tax benefits under the Code.

Section 23. **Official Statement; Continuing Disclosure**.

(a) **Preliminary Official Statement**. The Director of Finance and other appropriate City officials are directed to cause the preparation of and review the form of a preliminary official statement in connection with each sale of one or more Series of the Bonds to the public. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Director of Finance is authorized to deem that preliminary official statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to potential purchasers of the Bonds of a preliminary official statement that has been deemed final in accordance with this subsection.

(b) **Final Official Statement**. The City approves the preparation of a final official statement for each sale of one or more Series to be sold to the public in the form of the preliminary official statement with such modifications and amendments as the Director of Finance deems necessary or desirable, and further authorizes the Director of Finance to execute and deliver such final official statement to the Purchaser. The City authorizes and approves the distribution by the Purchaser of that final official statement to purchasers and potential purchasers of the Bonds.

(c) **Undertaking to Provide Continuing Disclosure**. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for a Series of the Bonds, the Director of Finance is authorized to execute a written Continuing Disclosure Agreement with respect to that Series, in substantially the form attached as Exhibit B.

Section 24. **Supplemental or Amendatory Bond Documents**. This ordinance and the other applicable Bond Documents for any particular Series of the Bonds may not be supplemented or amended in any respect subsequent to the Issue Date of such Series, except in accordance with and subject to the provisions of this section.

(a) **Amendments Without Bond Owner Consent**. From time to time and at any time, without the consent of or notice to any owners of Parity Bonds, the City may supplement or amend the Bond Documents applicable to any Series for any of the purposes set forth in this subsection (a). Any such supplement or amendment may be passed, adopted, or otherwise approved by the City, without requiring the consent of the registered owners of any Parity Bonds, but may become effective only upon receipt by the City of an opinion of Bond Counsel stating that such supplement or amendment is authorized or permitted by this ordinance and, upon the effective date thereof, will be valid and binding upon the City in accordance with its terms, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the affected Series of the Bonds, if such Series was issued and sold as Tax-Exempt Bonds. The types of supplements and amendments permitted under this subsection (a) are as follows:

(i) To cure any formal defect, omission, inconsistency, or ambiguity in the Bond Documents for such Series in a manner not adverse to the owners of any Parity Bonds;

(ii) To impose upon the Bond Registrar (with its consent) for the benefit of the owners of Parity Bonds any additional rights, remedies, powers, authority, security, liabilities, or duties which may lawfully be granted, conferred, or imposed and which are not contrary to or inconsistent with such Bond Documents as theretofore in effect;

(iii) To add to the covenants and agreements of, and limitations and restrictions upon, the City in the Bond Documents, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with such Bond Documents as theretofore in effect;

(iv) To confirm, as further assurance, any pledge under (and the subjection to any claim, lien, or pledge created or to be created by) such Bond Documents on any other money, securities, or funds;

(v) To alter the Authorized Denominations of a Series of the Bonds and to make correlative amendments and modifications to the applicable Bond Documents regarding (A) exchangeability of such Bonds for Bonds of different authorized denominations, (B) redemptions of portions of Bonds of particular authorized denominations, and (C) similar amendments and modifications of a technical nature;

(vi) To comply with any future federal law or interpretation to preserve the exclusion of the interest on any Series of the Bonds issued and sold as Tax-Exempt Bonds from gross income for federal income tax purposes and the entitlement of the City to receive from the

United States Treasury the applicable Tax Credit Subsidy Payments in respect of any Series of the Bonds issued and sold as Tax Credit Subsidy Bonds;

(vii) To modify, alter, amend or supplement the Bond Documents in any other respect which is not materially adverse to the owners of the Parity Bonds and which does not involve a change described in subsection (c) of this section; and

(viii) To add to the covenants and agreements of (or limitations and restrictions upon) the City set forth in any Bond Documents, such additional or alternative covenants, agreements, limitations, or restrictions to be observed by the City as the City may determine are necessary or convenient to accommodate a provider of Qualified Insurance or provider of a Reserve Security and which are not materially adverse to the owners of the Parity Bonds.

(b) **Amendments With Bond Owner Consent**. With the consent of registered owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City may pass, adopt, or otherwise approve any supplement or amendment (other than amendments requiring unanimous consent as set forth in subsection (c)) to any Bond Document that is deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing, or rescinding, in any particular, any of the terms or provisions contained in such Bond Document other than those terms and provisions described in subsection (c).

(c) **Amendments Prohibited Except Upon Unanimous Consent**. Unless approved in writing by or on behalf of the registered owner of each Parity Bond then outstanding, nothing contained in this section shall permit, or be construed as permitting (i) a change in the times, amounts, or currency of payment of the principal of or interest on any outstanding Parity Bond, (ii) a reduction in the principal amount or redemption price of any outstanding Parity Bond, (iii) a change in the method of determining the rate of interest thereon (other than a conversion to a new interest rate mode in accordance with the applicable Bond Documents), (iv) a preference or priority of any Parity Bond over any other Parity Bond, or (v) a reduction in the percentage of the aggregate principal amount of the then-outstanding Parity Bonds required to effect a change under subsection (b).

(d) **Notice to Bond Owners**. If at any time the City passes, adopts, or otherwise approves a supplement or amendment for any of the purposes of subsection (b) or (c), the Bond Registrar shall cause notice of the proposed supplement or amendment to be given by first class mail (i) to all registered owners of the then outstanding Parity Bonds, (ii) to each provider of Bond Insurance or a Reserve Security, and (iii) to each Rating Agency. Such notice shall briefly set forth the nature of the proposed supplement or amendment and shall state that a copy is on file at the office of the City Clerk for inspection by all owners of the then outstanding Parity Bonds.

(e) **Effective Date; Consents**. Any supplement or amendment, substantially as described in the notice mailed pursuant to subsection (d), may go into effect upon delivery to the Bond Registrar of (i) the required consents, in writing, of registered owners of the Parity Bonds, and (ii) an opinion of Bond Counsel stating that such supplement or amendment is authorized or permitted by this ordinance. Upon the effective date thereof, such supplement or amendment will be valid and binding upon the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds.

If registered owners of not less than the percentage of Parity Bonds required by this section shall have consented to and approved such a supplement or amendment, no owner of any Parity Bond shall have any right (i) to object to the passage, adoption, or approval of such supplement or amendment, (ii) to object to any of the terms and provisions contained therein or the operation thereof, (iii) in any manner to question the propriety of the passage, adoption, or approval thereof, (iv) to enjoin or restrain the City from passing, adopting, or otherwise approving the same, or (v) to enjoin or restrain the City, any authorized official thereof, or the Bond Registrar from taking any action pursuant to the provisions thereof. For purposes of determining whether consents representing the requisite percentage of principal amount of Parity Bonds have been obtained, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount. It shall not be necessary to obtain approval of the particular form of any proposed supplement, but it shall be sufficient if the consent shall approve the substance thereof.

(f) **Effect of Amendment**. Upon the effective date of any supplement or amendment, this ordinance (or the relevant Bond Document, if not set forth herein) shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City and all owners of Parity Bonds then outstanding shall thereafter be determined, exercised, and enforced in accordance with and subject in all respects to such modifications and amendments. All the terms and conditions of any such supplement or amendment shall be deemed to be a part of this ordinance and the Bond Documents for any and all purposes.

(g) **Special Amendments**. If and to the extent that it is determined that the written consent of Registered Owners of the Bonds is required under subsection (b) or (c) of this section, the Registered Owners from time to time of the Bonds, by taking and holding the same, are hereby deemed to have consented to any supplement or amendment to the Bond Documents effecting any one or more of the following changes:

(i) When calculating "Annual Debt Service," to permit or require Tax Credit Subsidy Payments expected to be received by the City in any period to be credited against amounts required to be paid in respect of interest on the Parity Bonds in that period; and

(ii) To permit or require Tax Credit Subsidy Payments to be deposited into the Principal and Interest Subaccount and credited against the Net Revenue otherwise required to be deposited into the Principal and Interest Subaccount; and

(iii) To permit the reimbursement obligations of the City under any Qualified Letter of Credit or Qualified Insurance (other than a Qualified Letter of Credit or Qualified Insurance obtained to satisfy all or part of the Reserve Requirement) to be secured by a lien and charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure the payment of the principal of and interest on Parity Bonds.

Section 25. **Defaults and Remedies**.

(a) **Events of Default**. Each of the following shall constitute an Event of Default with respect to the Bonds:

(i) If a default is made in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable; or

(ii) If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City set forth in this ordinance or the applicable Bond Documents (except as otherwise provided herein or in such Bond Documents) and such default or defaults have continued for a period of six months after the City has received from the Bond Owners' Trustee (as defined below) or from the registered owners of not less than 25% in principal amount of the Parity Bonds a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the

Bonds as long as the City has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing such remedy.

Notwithstanding anything in this section to the contrary, the failure of the City or any obligated person to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default, and the sole remedy of any holder of a Bond shall be to seek an order of specific performance from an appropriate court to compel the City to comply with the Continuing Disclosure Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 26. **The Refunding Plan**.

(a) **Approval of Refunding Plan; Appointment of Refunding Trustee**. The Director of Finance is authorized and directed to select a Refunding Trustee and execute a Refunding Trust Agreement setting forth a Refunding Plan for each series of Refundable Bonds (or portion thereof) to be refunded pursuant to this ordinance, in accordance with subsection (d) of this section. Multiple Refunding Plans may be combined in a single Refunding Trust Agreement. The Refunding Plan shall be carried out, and proceeds of the Bonds shall be applied, in accordance with this ordinance, the respective Refunded Bond Documents, the Refunding Trust Agreement, and the laws of the State.

(b) **Acquisition of Acquired Obligations**. To the extent practicable and desirable, the Refunding Plan shall provide for the Refunding Trustee's purchase of Acquired Obligations bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the timely payment of the amounts required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in a schedule attached to the Refunding Trust Agreement, but are subject to substitution as set forth in subsection (c) below.

(c) **Substitution of Acquired Obligations**. The City reserves the right at any time to substitute cash or other Government Obligations (as defined in the applicable Refunded Bond Documents) for the Acquired Obligations if the City obtains a verification by a nationally recognized independent certified public accounting firm reasonably acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the substitute obligations, if paid when due, together with the cash to be held by the Refunding Trustee, will be sufficient to carry out the Refunding Plan. If the applicable Series of the Bonds (or the applicable Refunded Bonds) were issued as Tax-Exempt Bonds, then prior to such substitution, the City must also obtain an opinion from Bond Counsel to the effect that the disposition and substitution or purchase of such securities will not cause the interest on the applicable Series of the Bonds (or of the applicable Refunded Bonds) issued as Tax-Exempt Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Series of the Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and may be used for any lawful City purpose.

(d) **Refunding Trust Agreement**. In connection with each Series of the Bonds, the Director of Finance is authorized to execute one or more Refunding Trust Agreements with one or more Refunding Trustees, setting forth the duties, obligations, and responsibilities of the Refunding Trustee in connection with carrying out the applicable Refunding Plan. Each Refunding Trust Agreement and Refunding Plan must, among other things: (1) identify the Refundable Bonds to be refunded thereby; (2) contain the elements set forth in the definition of Refunding Plan set forth in this ordinance, including provide for the issuance of the Series of the Bonds and describing the method for carrying out the refunding of the Refunded Bonds (including authorizing and directing the Refunding Trustee to use the money deposited with it to purchase the Acquired Obligations (or substitute obligations) and to apply such money along with the maturing principal of and interest on such obligations to make the payments required to be made by the Refunding Plan); and (3) shall provide for the giving of notices of defeasance and redemption, as required under the Refunded Bond Documents. The Refunding Trust Agreement may additionally provide for the payment of the costs of issuance of the Series and the costs of administering the Refunding Plan (including without limitation, all necessary and proper fees, compensation, and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the Refunding Plan, and for such other related matters as the Director of Finance may deem necessary or expedient.

Section 27. **Redemption of the Refunded Bonds**. The Director of Finance is authorized on behalf of the City to take such actions as may be necessary or convenient to call the Refunded Bonds for redemption. Such call for redemption of the Refunded Bonds shall identify the Refunded Bonds, redemption dates and redemption prices (expressed as a percentage of the stated principal amount), and shall be irrevocable after the Issue Date of the applicable Series of the Bonds. The dates on which the Refunded Bonds are to be called for redemption shall be, in the judgment of the Director of Finance, the earliest practical dates on which those Refunded Bonds may be called for redemption. The proper City officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required pursuant to the Refunded Bond Documents, in order to carry out the Refunding Plan.

Section 28. **Effect on Prior Omnibus Refunding Ordinances; Outstanding Parity Bonds Declared Refundable**. As of the effective date of this ordinance, no additional Refunding Parity Bonds may be issued under Ordinance 121940, as amended by Ordinance 122498, and as amended and restated by Ordinance 124915 (collectively and as amended, the "Prior Omnibus Refunding Ordinance"). Passage of this ordinance shall have no effect on any outstanding bonds previously issued under the authority of the Prior Omnibus Refunding Ordinance and such previously issued bonds shall remain outstanding in accordance with their terms. All outstanding Parity Bonds previously designated as "Refundable Bonds" under the Prior Omnibus Refunding Ordinance are declared to be Refundable Bonds under this ordinance.

Section 29. **General Authorization**. In addition to the specific authorizations in this ordinance, the Mayor and the Director of Finance and each of the other appropriate officers of the City are each authorized and directed to do everything as in his or her judgment may be necessary, appropriate, or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. In particular and without limiting the foregoing:

(a) The Director of Finance, in his or her discretion and without further action by the City Council, (i) may issue requests for proposals to provide underwriting services or financing facilities (including, without limitation, Qualified Insurance, a Qualified Letter of Credit, or other credit support or liquidity facility), and may execute engagement letters and other agreements with underwriters and other financial institutions (including providers of liquidity or credit support) based on responses to such requests; (ii) may select and make decisions regarding the Bond Registrar, fiscal or paying agents, and any Securities Depository for each Series of the Bonds; (iii) may take any and all actions necessary or convenient to provide for the conversion of interest rate modes for any Series in accordance with the applicable Bond Documents; and (iv) may take such actions on behalf of the City as are necessary or appropriate for the City to designate, qualify, or maintain the tax-exempt treatment with respect to any Series issued as Tax-Exempt Bonds, to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of any Series issued as Tax Credit Subsidy Bonds, and to otherwise receive any other federal tax benefits relating to any Series of the Bonds that are available to the City; and

(b) Each of the Mayor and the Director of Finance are each separately authorized to execute and deliver (i) any and all contracts or other documents as are consistent with this ordinance and for which the City's approval is necessary or to which the City is a party (including but not limited to agreements with escrow agents, refunding trustees, liquidity or credit support providers, providers of Qualified Insurance or Reserve Securities, remarketing agents, underwriters, lenders or other financial institutions, fiscal or paying agents, Qualified Counterparties, custodians, and the Bond Registrar); and (ii) such other contracts or documents incidental to: the issuance and sale of any Series of the Bonds; the establishment of the interest rate or rates on a Bond; or the conversion, tender, purchase, remarketing, or redemption of a Bond, as may in his or her judgment be necessary or appropriate.

Section 30. **Severability**. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 31. **Ratification of Prior Acts**. Any action taken consistent with the authority of this ordinance, after its passage but prior to the effective date, is ratified, approved, and confirmed.

Section 32. **Section Headings**. Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

Section 33. **Effective Date**. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 20th day of NOVEMBER, 2017, and signed by me in open session in authentication of its passage this 20th day of NOVEMBER, 2017.

Bruce A. Harrell

President ____________ of the City Council

Approved by me this 22nd day of November, 2017.

Tim Burgess, Mayor

Filed by me this 28th day of NOVEMBER, 2017.

Monica Martinez Simmons

Monica Martinez Simmons, City Clerk

(Seal)

Exhibits:
Exhibit A – Refundable Solid Waste System Bonds
Exhibit B – Form of Continuing Disclosure Agreement

EXHIBIT A

CITY OF SEATTLE

REFUNDABLE SOLID WASTE SYSTEM BONDS

Issue Name	Dated Date	Original Par Amount	Bond Legislation		
			New Money Ord.	Refunding Ord.	Bond Sale Res.
Solid Waste Revenue and Refunding Bonds, 2007	12/12/2007	$82,175,000	Ord. 122498	Ord. 121940 (as amended by Ord. 122498)	Res. 31032
Solid Waste Revenue Bonds, 2011	6/22/2011	$45,750,000	Ord. 123576	- -	Res. 31301
Solid Waste Revenue and Refunding Bonds, 2014	6/12/2014	$95,350,000	Ord. 123576 and Ord. 124046	Ord. 121940 (as amended by Ord. 122498)	Res. 31528
Solid Waste Revenue Bonds, 2015	6/25/2015	$35,830,000	Ord. 124629	- -	Res. 31589
Solid Waste System Improvement and Refunding Revenue Bonds, 2016	06/30/16	$35,335,000	Ord. 124913	Ord. 124915 (amending and restating Ord. 121940)	Res. 31677

EXHIBIT B

FORM OF CONTINUING DISCLOSURE AGREEMENT

The City of Seattle, Washington (the "City") makes the following written Undertaking for the benefit of the Owners of the City's [Solid Waste Refunding Revenue Bonds,] [Year/Series Designation] (the "Bonds"), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance ________ [and Ordinance ________]([together,]the "Bond Legislation").

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the Solid Waste System of the type included in the final official statement for the Bonds and described in subsection (b) of this section ("annual financial information"). The timely filing of unaudited financial statements shall satisfy the requirements and filing deadlines pertaining to the filing of annual financial statements under subsection (b), provided that audited financial statements are to be filed if and when they are otherwise prepared and available to the City.

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) 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 (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information and operating data that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements of the Solid Waste System prepared in accordance with applicable generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by applicable state law; (2) a statement of outstanding bonded debt secured by the Net Revenue of the Solid Waste System; (3) debt service coverage ratios;

(4) summary operating statistics for the Solid Waste System, including date of the type included in the Official Statement for the Bonds dated ________, 20__, in the tables entitled "Solid Waste Tonnage," "Regional Comparison of Transfer Station Rates," and "Number of Customers by Class;" and (5) current solid waste rates;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by state law, commencing with the City's fiscal year ending December 31, 20__; and

(iii) May be provided in a single document or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the Securities and Exchange Commission.

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

(i) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(ii) The undertaking, as amended, would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(iii) The amendment does not materially impair the interests of holders, as determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar with federal securities laws), or by approving vote of bondholders pursuant to the terms of the Bond Legislation at the time of the amendment.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to this 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 financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and any Beneficial Owner of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this 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.

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

(g) Designation of Official Responsible to Administer Undertaking. The Director of Finance of the City (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is the person designated, in accordance with the Bond Legislation, to carry out the Undertaking of the City in respect of the Bonds set forth in this section and in accordance with Rule 15c2-12, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in subsection (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(iii) Determining whether any person other than the City is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person in accordance with Rule 15c2-12;

(iv) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

APPENDIX B

FORM OF BOND COUNSEL OPINION

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Stradling Yocca Carlson & Rauth
A Professional Corporation
601 Union Street, Suite 2424
Seattle, WA 98101
206 829 3000
stradlinglaw.com

Stradling

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington
$25,670,000 Solid Waste System Refunding Revenue Bonds, 2021

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"). In our capacity as bond counsel, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued by the City pursuant to the laws of the State of Washington and pursuant to Ordinance 125461 (the "Bond Ordinance") to (i) refund certain of the City's outstanding Solid Waste Revenue Bonds, 2011, (ii) provide for the Reserve Requirement, if necessary, and (iii) pay the costs of issuing the Bonds and administering the Refunding Plan, all as set forth in the Bond Ordinance (as that term is defined in the Bond Ordinance).

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

Under the Internal Revenue Code of 1986, as amended (the "Code"), the City is required to comply with certain requirements after the date of issuance of the 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 Ordinance to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

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

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

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

3. The 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), except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by 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, under existing statutes, regulations, rulings and judicial decisions, 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 calculating the federal alternative minimum tax imposed on individuals.

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

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the 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

2020 AUDITED FINANCIAL STATEMENTS OF THE SOLID WASTE FUND

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REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

SEATTLE PUBLIC UTILITIES – SOLID WASTE FUND (AN ENTERPRISE FUND OF THE CITY OF SEATTLE)

December 31, 2020 and 2019

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Seattle Public Utilities – Solid Waste Fund (the Fund), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seattle Public Utilities – Solid Waste Fund as of December 31, 2020 and 2019, and the changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Moss Adams LLP

Seattle, Washington
April 28, 2021

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, 2020 and 2019. The revenues, expenses, assets, deferred outflows and inflows of resources, liabilities, and deferred inflows of resources of the City of Seattle's solid waste system are recorded in the Fund, the functions of which are primarily supported by user fees and charges billed 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 similar to the presentation 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 12 of this report and are comprised of three components: (1) statements of net position, (2) statements of revenues, expenses, and changes in net position, and (3) statements of cash flows.

The statement of net position presents information, as of December 31, 2020 and 2019, on all of the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources), and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund's net position for the years ended December 31, 2020 and 2019. All changes in net position 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, 2020 and 2019. 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 17 of this report.

Financial Analysis

Increases or decreases in net position may serve over time as a useful indicator of whether the Fund's financial position is improving or deteriorating. At December 31, 2020, the Fund had a surplus in total net position of $90.7 million compared to a surplus of $65.9 million in 2019. In 2020, the Fund's net position increased $24.8 million (37.7%), as compared to 2019 which increased $28.1 million (74.4%). The following summary statement of net position presents the assets and deferred outflows of resources of the Fund and shows the mix of liabilities and deferred inflows of resources and net position used to acquire these assets.

Summary Statement of Net Position

	2020	2019	2018
ASSETS			
Current assets	$ 134,607,416	$ 108,655,197	$ 80,767,613
Capital assets, net	204,667,218	218,939,397	220,886,290
Other	76,769,680	70,687,117	79,321,936
Total assets	416,044,314	398,281,711	380,975,839
DEFERRED OUTFLOWS OF RESOURCES	6,270,320	10,060,161	2,769,545
Total assets and deferred outflows of resources	$ 422,314,634	$ 408,341,872	$ 383,745,384
LIABILITIES			
Current liabilities	$ 37,681,606	$ 36,493,752	$ 30,056,736
Revenue bonds	190,703,807	199,069,723	207,085,464
Other	60,177,224	66,494,598	68,956,549
Total liabilities	288,562,637	302,058,073	306,098,749
DEFERRED INFLOWS OF RESOURCES	43,006,393	40,387,545	39,853,592
NET POSITION			
Net investment in capital assets	29,625,548	32,280,073	31,968,120
Restricted	312,301	323,745	193,240
Unrestricted	60,807,755	33,292,436	5,631,683
Total net position	90,745,604	65,896,254	37,793,043
Total net position, liabilities and deferred inflows of resources	$ 422,314,634	$ 408,341,872	$ 383,745,384

Financial Analysis (continued)

2020 Compared to 2019

Assets – Current assets increased by $26.0 million (23.9%) from the prior year mostly due to a $25.8 million increase in operating cash, a $1.8 million increase in accounts receivable, a $0.6 million increase in unbilled receivables, and a $0.2 million increase in materials and supplies inventory. These increases were offset by a $2.5 million decrease in amounts due from other funds. The increase in operating cash was primarily the result of operating activities. The increase in unbilled receivables was mostly due to a rate increase of approximately 3% during the year.

Capital assets decreased $14.3 million (-6.5%) over the prior year. This change is due to an increase in accumulated depreciation ($10.2 million) and a decrease in construction in progress ($7.8 million). The decrease in construction in progress is mostly due to $8.3 million of construction in progress being expensed after the cancellation of the South Transfer Station Phase 2 project. The overall decrease is mostly offset by the increase in plant in service ($3.8 million).

Other assets increased $6.1 million (8.6%) from the prior year. This change consisted of an increase of $4.5 million in restricted cash and equity in pooled investments and an increase of $1.7 million in accrued landfill closure/postclosure costs, offset by a decrease of $0.1 million in regulatory assets. The $4.5 million change in restricted cash and equity in pooled investments is mostly attributable to the transfer of operating cash back to construction cash related to the cancellation of the South Transfer Station Phase 2 project offset by transfers of construction cash to the operating cash account for payment of current year projects.

Deferred outflows of resources – Deferred outflows of resources decreased by $3.8 million (-37.7%) from 2019. This decrease is mostly attributed to changes in deferred outflows related to pension accounting in 2020, including differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and contributions made subsequent to the measurement date.

Liabilities – Current liabilities increased $1.2 million (3.3%) from the prior year. This is mostly attributed to an increase in accounts payable of $9.8 million and an increase in the current portion of Revenue Bonds of $0.4 million. These increases were mostly offset by a decrease in the current portion of accrued landfill closure/postclosure costs of $4.9 million, environmental liabilities of $2.0 million, salaries, benefits, and payroll taxes payable of $1.2 million, taxes payable of $0.7 million, and interest payable of $0.1 million.

Noncurrent and other liabilities decreased $14.7 million (-5.5%) from 2019. This decrease is mostly attributed to a decrease of $8.4 million in Revenue Bonds and related liabilities, a $5.3 million decrease in net pension liability, and a $1.5 million decrease in the noncurrent portion of accrued landfill closure/postclosure costs. These decreases were offset by a $0.4 million increase in compensated absences payable and a $0.2 million increase in the noncurrent portion of environmental liabilities.

Financial Analysis (continued)

Deferred inflows of resources – Deferred inflows of resources increased by $2.6 million (6.5%) from 2019 mostly due to a $1.9 million increase attributed to changes in deferred outflows related to pension accounting, including differences between expected and actual experience, differences between projected and actual earnings, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. There was also an increase of $0.7 million in the Rate Stabilization Account as a result of interest earned in 2020.

Net position – Net position increased $24.8 million (37.7%) from 2019. A portion of the Fund's net position ($29.6 million) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and 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 2020, net position invested in capital assets decreased $2.7 million mainly due to a decrease in capital assets offset by a decrease in debt related to investment in capital and an increase in construction cash.

The primary remaining portion of the Fund's net position ($60.8 million) represents resources that are unrestricted. The unrestricted portion of net position increased $27.5 million from the prior year primarily as a result of operating income.

2019 Compared to 2018

Assets – Current assets increased by $27.9 million (34.5%) from the prior year mostly due to a $15.5 million increase in unbilled receivables, a $12.9 million increase in operating cash, and a $1.0 million increase in accounts receivable, net of allowance for doubtful accounts. These increases were offset by a $0.8 million decrease in amounts due from other funds and a $0.6 million decrease in amounts due from other governments. The increase in unbilled receivables was due to the transition from billing in advance to billing in arrears for residential customers during 2019. The increase in operating cash was primarily the result of operating activities. The accounts receivable increase mostly consisted of an increase from commercial customers.

Capital assets decreased $1.9 million (-0.9%) over the prior year. This change is due to an increase in accumulated depreciation ($4.9 million) and decreases in plant in service ($0.9 million), and other property ($0.9 million). The overall decrease is mostly offset by the increase in construction in progress ($4.8 million), driven mostly by costs for the South Transfer Station Phase 2.

Other assets decreased $8.6 million (-10.9%) from the prior year. This change consisted of a decrease of $5.0 million in restricted cash and equity in pooled investments, a decrease of $3.9 million in accrued landfill closure/postclosure costs, and a decrease of $0.1 million in regulatory assets, offset by an increase of $0.3 million in other noncurrent and regulatory assets. The $5.0 million change in restricted cash and equity in pooled investments is mostly attributable to the transfers of construction cash to the operating cash for payment of current year projects.

Financial Analysis (continued)

Deferred outflows of resources – Deferred outflows of resources increased by $7.3 million (263.2%) from 2018. This increase is attributed to changes in assumptions related to pension accounting in 2019.

Liabilities – Current liabilities increased $6.4 million (21.4%) from the prior year. This is mostly attributed to an increase in the current portion of accrued landfill closure/postclosure costs of $7.0 million, accounts payable of $3.0 million, environmental liabilities due within one year of $2.1 million, salaries, benefits and payroll taxes payable of $1.5 million, and taxes payable of $0.9 million. These increases were mostly offset by a decrease of $5.1 million in other current liabilities due to the fund transitioning out of billing in advance for residential customers and a $2.8 million decrease in amounts due to other funds.

Noncurrent and other liabilities decreased $10.5 million (-3.8%) from 2018. This decrease is mostly attributed to a $9.0 million decrease in the noncurrent portion of accrued landfill closure/postclosure costs, a decrease of $8.0 million in Revenue Bonds and related liabilities, and a $2.4 million decrease in the noncurrent portion of environmental liabilities. These decreases were offset by a $8.7 million increase in net pension liability and a $0.2 million increase in compensated absences payable.

Deferred inflows of resources – Deferred inflows of resources increased by $0.5 million (1.3%) from 2018 due to an increase of $0.8 million in the Rate Stabilization Account as a result of interest earned in 2019 and partially offset by a $0.3 million decrease attributed to changes in assumptions for pension accounting.

Net position – Net position increased $28.1 million (74.4%) from 2018. A portion of the Fund's net position ($32.3 million) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and 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 2019, net position invested in capital assets increased $0.3 million mainly due to a decrease in debt related to investment in capital.

The primary remaining portion of the Fund's net position ($33.3 million) represents resources that are unrestricted. The unrestricted portion of net position increased $27.7 million from the prior year primarily as a result of operating income.

Financial Analysis (continued)

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

Summary Statements of Revenues, Expenses, and Changes in Net Position

	2020	2019	2018
Operating revenues	$ 224,052,357	$ 224,965,227	$ 205,633,975
Operating expenses	(196,980,358)	(194,797,451)	(194,735,679)
Net operating income	27,071,999	30,167,776	10,898,296
Other expenses, net of other revenues	(2,596,977)	(2,188,471)	(6,219,586)
Fees, contributions, and grants	374,328	123,906	294,412
Change in net position	$ 24,849,350	$ 28,103,211	$ 4,973,122

2020 Compared to 2019

Current year operating revenues decreased $0.9 million (-0.4%) compared to the prior year. There were several key factors affecting this change. There was an approximate 3.0% rate increase for residential and commercial garbage, and composting services effective April 1, 2020. However, residential and commercial solid waste collection service revenue decreased by $1.3 million, mostly due to an increase in credits of $1.2 million for the Utility Discount Program. There were also decreases of $0.3 million for commercial disposal charges and $0.2 million for other utility operating revenue. These decreases were offset by a $0.9 million increase in revenues from fluctuations in pricing of recycling commodities.

Seattle City Council enacted legislation in 2012 (ordinance 124056) allowing the Fund to make contributions to a Rate Stabilization Account if the balance of operating cash on hand at year-end met certain targets. With sufficient funds in the Rate Stabilization Account, no transfers were made in 2020.

Operating expenses in 2020 increased $2.2 million (1.1%) compared to 2019. This increase included a $6.4 million increase in other operating expenses mostly due to $8.3 million of construction in progress being expensed due to the cancellation of the South Transfer Station Phase 2 project. There was also a $0.4 million increase in services. These increases were offset by decreases of $1.4 million in salaries and wages, $0.9 million in personnel benefits, $0.9 million in depreciation and amortization, $0.8 million in supplies and $0.5 million in City and State taxes.

Nonoperating expenses experienced a net increase of $0.2 million (-7.7%).

Financial Analysis (continued)

2019 Compared to 2018

Current year operating revenues increased $19.3 million (9.4%) compared to the prior year. There were several key factors affecting this change. There was an approximate 4.0% rate increase for residential and commercial garbage, and composting services effective April 1, 2019. This resulted in residential and commercial solid waste collection service revenue gains of $10.4 million, made up of $7.5 million in residential garbage collection and $2.9 million in commercial collection revenue. There was also a $0.5 million increase in the transfer station revenue. These increases were offset by a $1.8 million decrease in revenues from fluctuations in pricing of recycling commodities. Additionally, there was no transfer to the rate stabilization account in 2019 as compared to a $10.2 million transfer in 2018.

Seattle City Council enacted legislation in 2012 (ordinance 124056) allowing the Fund to make contributions to a Rate Stabilization Account if the balance of operating cash on hand at year-end met certain targets. With sufficient funds in the Rate Stabilization Account, no transfers were made in 2019.

Operating expenses in 2019 increased $0.1 million (0.0%) compared to 2018. The largest operating expense that increased was a $1.7 million increase in City and State taxes due to the increase in revenue in 2019. Additional increases included $1.2 million for personnel benefits, $0.9 million for salaries and wages and $0.2 in services. These increases were offset by decreases of $2.5 million in supplies and $1.4 million in other operating expenses.

Nonoperating revenues and expenses experienced a net increase of $3.9 million (-65.2%). Investment income increased $2.5 million, other nonoperating revenue increased $1.1 million, and interest expense decreased by $0.4 million.

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation, by major asset category as of December 31, 2020, 2019, and 2018:

Summary of Capital Assets, Net of Accumulated Depreciation

	2020	2019	2018
Land and land rights	$ 26,882,856	$ 26,882,856	$ 26,882,856
Buildings	114,281,596	117,394,496	120,891,674
Structures	12,682,749	12,241,597	12,649,182
Machinery and equipment	29,509,118	33,115,527	33,732,739
Computer systems	14,521,702	14,710,731	16,911,689
Construction in progress	4,341,772	12,146,765	7,374,575
Artwork	917,443	917,443	913,593
Property held for future use	1,529,982	1,529,982	1,529,982
Capital assets, net of accumulated depreciation	$ 204,667,218	$ 218,939,397	$ 220,886,290

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

Financial Analysis (continued)

2020 Compared to 2019

The Fund's capital assets (net of accumulated depreciation) for the year ended December 31, 2020, is $204.7 million. This represents a decrease of approximately $14.3 million (-6.5%) compared to 2019.

Highlights of the Fund's capital assets placed in service during 2020 include the following:

- $1.5 million for the Utilities CSS Portal Project

The Fund's construction in progress at year end did not include any projects over $2 million.

2019 Compared to 2018

The Fund's capital assets (net of accumulated depreciation) for the year ended December 31, 2019, is $218.9 million. This represents a decrease of approximately $1.9 million (-0.9%) compared to 2018.

Highlights of the Fund's capital assets placed in service during 2019 include the following:

- $2.7 for heavy equipment purchases
- $1.5 million for the South Transfer Station Track-Out Control Project

The Fund's construction in progress at year end included $7.6 million for a new facility at the prior site of the South Transfer Station.

Debt Administration

The Fund's debt primarily consists of bonded debt and loans. Bonded debt is secured solely by solid waste revenues and provides financing for capital improvements. Loans issued by the Washington State Agencies for certain capital improvements are unsecured. The Fund's credit ratings on its bonds were Aa3 and AA+ by Moody's Investors Service Inc. and Standard & Poor's Rating Services, respectively. Additional details about the Fund's revenue bonds and loans is in Note 4 of this report.

2020 Compared to 2019

At the end of 2020, the Fund had $180.1 million in bonded debt, as compared to $187.1 million in 2019, all of which was secured solely by solid waste revenues. This decrease of $7.0 million is attributed to scheduled principal payments for existing bond debt. The Fund has used bond proceeds mostly for the Utilities CSS Portal and other miscellaneous projects. The Fund retains bond reserves of $9.8 million.

Financial Analysis (continued)

2019 Compared to 2018

At the end of 2019, the Fund had $187.1 million in bonded debt, as compared to $194.2 million in 2018, all of which was secured solely by solid waste revenues. This decrease of $7.1 million is attributed to scheduled principal payments for existing bond debt. The Fund has used bond proceeds mostly for a new facility at the prior site of the South Transfer Station. The Fund retains bond reserves of $9.8 million.

Economic Factors Affecting Next Year

Effective April 1, 2021, the Fund will adopt a rate increase of approximately 2.9% for residential and commercial services. This rate increase is expected to bring an additional $4.1 million in operating revenues to the Fund in 2021.

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, Accounting 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)
Statements of Net Position

	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	$ 98,043,055	$ 72,277,630
Receivables		
Accounts, net of allowance	18,180,732	16,372,817
Unbilled revenues	16,391,761	15,809,379
Due from other funds	390,028	2,889,299
Due from other governments	1,258,258	1,148,601
Materials and supplies inventory	306,839	135,956
Prepayments and other current assets	36,743	21,515
Total current assets	134,607,416	108,655,197
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	57,394,426	52,914,036
Prepayments long-term	216,363	234,393
Regulatory landfill closure and postclosure costs	17,001,367	15,342,885
Regulatory assets	1,531,871	1,623,031
Other charges	625,653	572,772
Capital assets		
Land and land rights	26,882,856	26,882,856
Plant in service, excluding land	257,473,897	254,627,430
Less accumulated depreciation	(86,478,732)	(76,247,636)
Construction in progress	4,341,772	12,146,765
Other property, net	2,447,425	1,529,982
Total noncurrent assets	281,436,898	289,626,514
Total assets	416,044,314	398,281,711
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	1,854,429	2,003,502
Pension and OPEB contributions and changes in assumptions	4,415,891	8,056,659
Total deferred outflows of resources	6,270,320	10,060,161
Total assets and deferred outflow of resources	$ 422,314,634	$ 408,341,872

See accompanying notes.

	December 31, 2020	December 31, 2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 21,581,638	$ 11,820,242
Salaries, benefits, and payroll taxes payable	1,333,720	2,553,116
Compensated absences payable	105,798	85,917
Interest payable	2,029,617	2,116,179
Taxes payable	781,341	1,500,353
Revenue bonds due within one year	7,400,000	7,045,000
Claims payable	248,724	259,900
Environmental liabilities	411,000	2,431,000
Landfill closure and postclosure liability	3,779,701	8,673,320
Other	10,067	8,725
Total current liabilities	37,681,606	36,493,752
NONCURRENT LIABILITIES		
Compensated absences payable	2,010,150	1,632,414
Claims payable	419,882	434,628
Environmental liabilities	16,439,503	16,283,140
Landfill closure and postclosure liability	12,399,960	13,923,280
Unfunded other post employment benefits	1,073,051	1,036,097
Net pension liability	27,834,678	33,157,484
Other noncurrent liabilities	-	27,555
Revenue bonds	180,060,000	187,105,000
Less bonds due within one year	(7,400,000)	(7,045,000)
Bond premium	18,043,807	19,009,723
Total noncurrent liabilities	250,881,031	265,564,321
Total liabilities	288,562,637	302,058,073
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension and OPEB	4,926,513	3,027,193
Rate stabilization	38,079,880	37,360,352
Total deferred inflows of resources	43,006,393	40,387,545
NET POSITION		
Net investment in capital assets	29,625,548	32,280,073
Restricted	312,301	323,745
Unrestricted	60,807,755	33,292,436
Total net position	90,745,604	65,896,254
Total liabilities, deferred outflows, and net position	$ 422,314,634	$ 408,341,872

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 Position

	Years Ended December 31,	
	2020	2019
OPERATING REVENUES		
Charges for services and other revenues	$ 224,052,357	$ 224,965,227
OPERATING EXPENSES		
Salaries and wages	15,194,987	16,635,087
Personnel benefits	7,230,570	8,152,049
Supplies	1,081,240	1,927,131
Services	121,757,197	121,395,817
Intergovernmental payments	30,364,994	30,815,040
Depreciation and amortization	13,889,576	14,765,473
Other operating expenses	7,461,794	1,106,854
Total operating expenses	196,980,358	194,797,451
OPERATING INCOME	27,071,999	30,167,776
NONOPERATING REVENUES (EXPENSES)		
Other nonoperating revenue	178,535	1,166,932
Investment income	4,966,202	4,160,871
Interest expense	(7,741,714)	(7,516,274)
Contributions and grants	374,328	123,906
Total nonoperating revenues (expenses)	(2,222,649)	(2,064,565)
CHANGE IN NET POSITION	24,849,350	28,103,211
NET POSITION		
Beginning of year	65,896,254	37,793,043
End of year	$ 90,745,604	$ 65,896,254

See accompanying notes.

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 224,841,870	$ 206,476,719
Cash paid to suppliers	(127,735,284)	(121,271,686)
Cash paid to employees	(26,125,376)	(24,452,429)
Cash paid for taxes	(30,869,768)	(29,220,101)
Net cash provided by operating activities	40,111,442	31,532,503
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	374,328	123,907
Recovery for environmental liabilities	-	(27,300)
Net cash provided by noncapital and related financing activities	374,328	96,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(5,425,869)	(6,832,878)
Capital expenditures and other charges	(1,438,869)	(12,808,762)
Interest paid on long-term debt	(8,404,500)	(8,756,875)
Proceeds from sale of capital assets	64,124	455,447
Net cash used in capital and related financing activities	(15,205,114)	(27,943,068)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	4,965,159	4,162,885
NET INCREASE IN CASH AND EQUITY IN POOLED INVESTMENTS	30,245,815	7,848,927
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	125,191,666	117,342,739
End of year	$ 155,437,481	$ 125,191,666
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	$ 98,043,055	$ 72,277,630
Noncurrent restricted cash and equity in pooled investments	57,394,426	52,914,036
Total cash at the end of the year	$ 155,437,481	$ 125,191,666

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows (continued)

	Years Ended December 31, 2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 27,071,999	$ 30,167,776
Adjustments to reconcile net operating income to net cash provided by operating activities		
Adjustment for net pension liability	217,282	720,700
Depreciation and amortization	13,889,576	14,765,473
Nonoperating revenues and expenses	114,410	694,863
Changes in operating assets and liabilities		
Accounts receivable	(1,807,915)	(1,009,409)
Unbilled revenues	(582,382)	(15,464,914)
Due from other City funds	2,499,271	845,614
Due from other governments	(109,657)	602,566
Materials and supplies inventory	(170,883)	21,433
Other assets	(1,654,635)	2,118,111
Accounts payable	9,761,396	3,032,203
Salaries, benefits, and payroll taxes payable	(1,219,396)	1,494,364
Taxes payable	(719,012)	897,924
Compensated absences payable	397,617	201,198
Due to other City funds	-	(2,795,988)
Claims payable	(25,922)	49,103
Accrued landfill closure and post-closure costs	(6,416,939)	(299,902)
Environmental liability	(1,863,636)	(300,217)
Rate stabilization	719,528	865,406
Other liabilities	10,740	(5,073,801)
Total adjustments	13,039,443	1,364,727
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 40,111,442	$ 31,532,503

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 organic material, 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, recycling, and organic 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. 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 information technology and others that are normally considered to be general and administrative. The Fund is charged a share of these costs and during 2020 and 2019, paid $6,760,293 and $7,218,737, respectively, to the City for its share of these services. Additionally, the Fund pays a business and occupation utility tax to the City's General Fund. The Fund paid $21,893,428 and $22,031,211 for these taxes in 2020 and 2019, respectively, as well as $4,503,586 and $4,710,784, respectively, 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 $466,631 in 2020 and $546,256 in 2019 from the City for solid waste services provided.

The utility billing function is co-managed by SPU, Seattle City Light (SCL), and the Seattle Information Technology Department (ITD). SPU provides customer service through the call center and walk-in center. ITD maintains the Customer Information System (CIS). SPU and SCL bill and reimburse each other for these services. SPU reimburses ITD for the information technologies services mentioned above. Within SPU, the costs 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 $2,327,309 and $2,190,419 in 2020 and 2019, respectively. The Fund paid $31,132 and $8,143 for the utility billing services in 2020 and 2019, respectively.

The City's Clean City program, administered by SPU staff, reduces public blight including illegal dumping, litter, graffiti, community cleanup, rat abatement, and abandoned vehicles services. Until 2016, the Program was funded by tonnage tax revenues with additional general fund support to maintain service levels. In the 2016 budget process, the City made an accounting adjustment that remits all tonnage tax revenues to the general fund and then funds the Program using only general funds.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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. Financial reporting is reviewed by the Washington State Auditor's Office and conforms 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the Fund's operations are included on the Statement of Net Position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

Cash and equity in pooled investments – Cash resources of the Fund are combined with cash resources of the City in a pooled investment portfolio that is managed by the City's Finance and Administration Services Department. The City's investment portfolio consists of fixed income securities authorized by the Revised Code of Washington and other applicable law. The pool operates like a demand deposit account in that all City departments may deposit cash at any time and withdraw cash out of the pool without prior notice or penalty. 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. Cash and equity in pooled investments are reported at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. The Fund's share of the pool is included in the accompanying Statement of Net Position under the caption "cash and equity in pooled investments." Accordingly, the Statements of Cash Flows reconcile to cash and equity in pooled investments. The restricted cash and equity in pooled investments are comprised of unexpended bond proceeds, bond reserve funds and a Rate Stabilization Account.

Receivables and unbilled revenues – Customer accounts receivable consist of amounts owed by private individuals and businesses 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 amount for services that have been provided but not billed.

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. As of December 31, 2020 and 2019, the Fund's allowance for doubtful accounts was $1,598,731 and $1,546,869, respectively.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Due from/to other funds and governments – Activity between other funds and governments that is outstanding at the end of the year, not related to the provision of utility services, is reported as due from other funds and governments.

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 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.

Regulatory assets – GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, allows for certain costs to be capitalized as a regulatory asset instead of charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will be recovered through customer rates over some future period. The Fund uses regulatory accounting for debt issuance costs because these costs are consistent with the rate methodology and, as such, will continue to be amortized over the life of the associated bond issues. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, would have required these costs to be expensed in the period incurred unless the Fund executed GASB 62. In addition, the Fund also uses regulatory accounting for future reasonably estimable landfill post closure costs and cleanup costs related to remediation of the South Park Bus Barn site located near the South Park Landfill.

Other charges – Other charges primarily include costs related to the Comprehensive Solid Waste plan which directs the Fund's future operations. 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.

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, which became part of the landfill area. 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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

Buildings	10–75 years
Transfer stations, scale houses, and related improvements	5–33 years
Machinery and equipment	3–20 years
Structures	10–15 years
Computer systems	3–11 years

Asset depreciation begins in the month the asset is placed in service.

Deferred outflows/inflows of resources – In addition to assets, the statement of net position, when applicable, will report a separate section for deferred outflows of resources. It represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Fund has deferred loss on refunding debt, which qualifies for reporting in this category. A deferred loss on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Fund has also recorded deferred outflows/inflows of resources for certain pension and other post-employment benefit activities including, the difference between projected and actual experience, the difference between projected and actual earnings on investments, and contributions made subsequent to the measurement date (Notes 6 and 9).

In addition to liabilities, the statement of net position, when applicable, will report a separate section for deferred inflows of resources. It represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. In 2020, the Rate Stabilization Account earned interest totaling $0.7 million. However, the Fund did not deposit any additional funds into the rate stabilization account in 2020 or 2019. The Fund has also recorded deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions (Notes 6 and 9).

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.

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 11 of this report.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Seattle City Employees' Retirement System (SCERS) are reported on the same basis as reported by SCERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the benefit have been determined on the same basis as they are reported by the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 when 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 statement of net position. 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.

Other operating revenues include revenues generated from the Fund's two transfer stations. 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.

Operating expenses – The Fund's operating expenses include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of deferred assets.

Taxes – The Fund paid an 14.2% City utility tax on residential and commercial revenues, net of yard waste, recycling, and other costs related to waste reduction. The Fund also is charged a tax by the City based on solid waste tonnage for operating transfer stations and for collecting garbage within the City of Seattle. The City tonnage tax rate of $13.27 per ton remained the same as 2019. In addition, the Fund paid a 1.75% business and occupation tax, a 0.484% wholesale tax, and a 0.471% retail tax to the State on the services provided to residential, commercial, and transfer station customers. The rate for business and occupation tax increased from 1.5% in 2019 and the other rates remained the same. The State refuse tax rate of 3.60% remained the same as 2019.

Nonoperating revenues and expenses – This includes the nonoperating 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 the 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 position – The statement of net position reports all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.
Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

The Fund's restricted net position relates to certain restricted assets that are offset by related liabilities.

Unrestricted net position is the portion that is not "net investment in capital assets" 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 had no arbitrage liability as of December 31, 2020 and 2019.

Accounting standard changes – GASB has issued Statement No. 87, *Leases*. The new GASB standard on leases was issued in June 2017 and was originally scheduled to be effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the implementation dates of certain standards. As a result, GASB 87 will be effective for the Fund for reporting periods beginning after June 15, 2021. Under this rule, leases are all assumed to be capital financings of the underlying asset with only a narrow range of short term equipment and motor vehicle leases treated as an 'operating lease.' GASB now assumes that all leases are 'capital leases' except for the specific exceptions noted. The Fund is evaluating the impact of this standard on the financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement was issued in June 2018 to be implemented effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued Statement No. 95 which delayed the implementation dates of certain standards. As a result, GASB 89 will be effective for the Fund for reporting periods beginning after December 15, 2020. The Fund plans to invoke regulatory accounting under GASB 62 and will continue to capitalize interest as an expense to projects.

Use of estimates – The preparation of the financial statements in accordance 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, fair market value of cash and equity in pooled investments, accrued sick leave, capitalized interest, depreciation, environmental liabilities, risk liabilities, pension liability, and other contingencies. Changes in these estimates and assumptions may have a material impact on the financial statements.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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.

Note 2 – Cash and Equity in Pooled Investments

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the City's Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of the Department are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of Finance and Administrative Services (FAS). Under the City's investment policy, all temporary cash surpluses in the pool are invested. The Fund's share of the pool is included on the balance sheets as Cash and Equity in Pooled Investments or as restricted assets. The pool operates like a demand deposit account in that all departments, including the Fund, may deposit cash at any time and can also withdraw cash, out of the pool, up to the amount of the Fund's balance, without prior notice or penalty. Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments.

Custodial credit risk – deposits – Custodial credit risk of deposits is the risk that in the event of bank failure for one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner.

As of December 31, 2020 and 2019, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2020 and 2019, the City held sufficient cash in its vault for operations. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's $250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Note 2 – Cash and Equity in Pooled Investments (continued)

Custodial credit risk – investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. The City maintains a custody relationship with Wells Fargo under the State of Washington's statewide custody provider program arranged by the State Treasurer's Office. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method.

By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Some of the City's pooled investments have credit risk from holdings in commercial paper, corporate notes, and taxable municipal bonds. The City may not hold more than 50% of the Pool's total assets in these credit sensitive sectors.

State statute defines the investments in commercial paper and corporate notes as a "credit portfolio". The credit portfolio may not exceed 25 percent of the Pool's market value. Credit investments must be diversified by sector and industry. No single issuer shall exceed 3 percent of the Pool's market value.

Commercial Paper investments may not have maturities exceeding 270 days and must hold the highest short-term credit rating by all the major credit rating agencies that rate the issuer at the time of purchase.

Corporate notes must mature within 5.5 years from the time of purchase and must be rated at least weak single-A or better by all the major rating agencies that rate the note at the time of purchase. No single issuer rated AA or better may exceed 3 percent of the Pool's market value. No single issuer rated in the single-A category may exceed 2 percent of the Pool's market value.

Municipal bonds must have a credit rating of weak single-A or better by all the major rating agencies that rate the issuer at the time of purchase. No single issuer may exceed 5 percent of the Pool's market value.

Interest rate risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. To mitigate interest rate risk, the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.

The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

Note 2 – Cash and Equity in Pooled Investments (continued)

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75% and 125% of the benchmark.

To further mitigate interest rate risk a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, Demand Accounts, Repo, Sweep, and Commercial Paper.

Investments – The Fund's cash resources may be invested by FAS separate from the cash and investments pool. Investments are managed in accordance with the City's Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Fund. As of December 31, 2020, and 2019, the Fund did not have any dedicated investments. The City's Statement of Investment Policy was modified on January 1, 2018, with an effective date of March 8, 2018. There have been no subsequent changes to the policy.

The City of Seattle has three objectives in managing its investments that define its risk profile and guide implementation of its investment strategy. In order of importance they are Safety of Principal, Maintenance of Liquidity, and Return on Investment.

The City follows a set of Standards of Care when it comes to its investments that include the following:

- Social Policies: A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.

- Ethics and Conflict of Interest: Investment officers shall comply with the City's Ethics Code (SMC 4.16.080) and annually submit a Financial Interest Statement to the City's Ethics & Elections Commission that identifies any potential financial interest that could be related to the performance of the City's investment portfolio.

Delegation of authority – The Director of Finance and Administrative Services has delegated management responsibility for the City's investment program to the Director of Finance who has designated day to day management responsibility to investment officers under the supervision of the City's Treasury Services Director. No persons may engage in an investment transaction except as provided under the terms of the City Statement of Investment Policy and the procedures established therein.

Note 2 – Cash and Equity in Pooled Investments (continued)

Fair value of pooled investments – The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value of the City's pooled investments fluctuates with changes in interest rates and the underlying size of the pooled investment portfolio. To mitigate interest rate risk in the City's pooled investment portfolio, the City typically holds its investments to maturity and manages its maturities to ensure sufficient monthly cash flow to meet its liquidity requirements.

As of December 31, 2020, the City held $519.7 million on deposit in the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The City's investments in the LGIP are reported at amortized cost which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

The City reports its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction amongst market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The City uses a combination of the market and cost approach for the valuation of pooled investments.

The City's overnight repurchase agreement with Wells Fargo Bank, N.A., and investment in the State of Washington Local Government Investment Pool (LGIP) are accounted for at cost. The LGIP is an external investment pool and is measured at a net asset value (NAV) per share of $1. The remainder of the City's investments are purchased in the over-the-counter U.S. bond market and accounted for at market.

The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc., for securities pricing.

Note 2 – Cash and Equity in Pooled Investments (continued)

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.

Level 2 – inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

As of December 31, 2020, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2020	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at Amortized Cost	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 760,599,687	$ 760,599,687	$ -	$ -	$ -	1,111
Local Government Investment Pool	519,690,038	-	-	-	519,690,038	1
U.S. Treasury and U.S. Government-Backed Securities	470,004,815	470,004,815	-	-	-	732
Municipal Bonds	319,681,755	-	319,681,755	-	-	2,597
U.S. Government Agency Mortgage-Backed Securities	268,695,014	-	268,695,014	-	-	1,616
Corporate Bonds	92,745,580	92,745,580	-	-	-	509
Repurchase Agreements	72,592,802	-	-	-	72,592,802	4
International Bank for Reconstruction and Development	41,064,600	41,064,600	-	-	-	1,654
	$ 2,545,074,291	$ 1,364,414,682	$ 588,376,769	$ -	$ 592,282,840	
Weighted Average Maturity of the City's Pooled Investments						1,010

The City's investments in US Treasuries are valued as Level 1. The City's remaining investments are valued as Level 2 or measured at amortized cost. The City does not invest in securities that require Level 3 inputs.

As of December 31, 2019, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2019	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at Amortized Cost	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 693,744,193	$ 693,744,193	$ -	$ -	$ -	1,246
U.S. Treasury and U.S. Government-Backed Securities	583,535,317	583,535,317	-	-	-	902
Local Government Investment Pool	509,563,594	-	-	-	509,563,594	2
Municipal Bonds	354,007,423	-	354,007,423	-	-	2,184
U.S. Government Agency Mortgage-Backed Securities	290,939,453	-	290,939,453	-	-	1,821
Repurchase Agreements	118,189,506	-	-	-	118,189,506	2
Commercial Paper	84,916,181	-	84,916,181	-	-	22
Corporate Bonds	50,188,027	50,188,027	-	-	-	570
International Bank for Reconstruction and Development	44,743,700	44,743,700	-	-	-	1,714
	$ 2,729,827,394	$ 1,372,211,237	$ 729,863,057	$ -	$ 627,753,100	
Weighted Average Maturity of the City's Pooled Investments						1,026

Note 2 – Cash and Equity in Pooled Investments (continued)

As of December 31, 2020 and 2019, the Fund's share of the City Pool was as follows:

	2020	2019
Cash and equity in pooled investments	$ 98,043,055	$ 72,277,630
Restricted cash and equity in pooled investments	57,394,426	52,914,036
	$ 155,437,481	$ 125,191,666
Balance as a percentage of City Pool cash and investments	6.1%	4.6%

Concentration of credit risk – Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. The City manages concentration risk by limiting its investments in any one issuer in accordance with the City's investment policy and state statutes. The policy limits vary for each investment category. State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. However, as noted under credit risk, the City's Statement of Investment Policy outlines maximum percentage allocations for municipal securities, commercial paper as well as bank notes and corporate notes.

The City's investments in which five percent or more is invested in any single issuer, as of December 31 are as follows:

	2020		2019	
Issuer	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
Local Government Investment Pool	$ 519,690,038	20%	$ 509,563,594	19%
United States Government	470,004,815	18%	583,535,317	21%
Federal National Mortgage Association	292,500,837	11%	283,978,980	10%
Federal Home Loan Bank	200,784,989	8%	244,714,007	9%
Federal Home Loan Mortgage Corp	193,228,369	8%	293,802,918	11%
Federal Farm Credit Bank	152,404,144	6%	162,187,740	6%

Note 3 – Capital Assets

Capital assets activity for the year ended December 31, 2020, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 139,038,541	$ 374,062	$ -	$ 139,412,603
Structures	13,837,233	894,739	-	14,731,972
Machinery and equipment	71,157,119	832,127	(496,342)	71,492,904
Computer systems	29,677,094	2,159,324	-	31,836,418
Total capital assets, excluding land	253,709,987	4,260,252	(496,342)	257,473,897
Less accumulated depreciation	(76,247,636)	(10,700,476)	469,380	(86,478,732)
	177,462,351	(6,440,224)	(26,962)	170,995,165
Construction in progress	12,146,765	4,834,140	(12,639,133)	4,341,772
Land and land rights	26,882,856	-	-	26,882,856
Artwork	917,443	-	-	917,443
Property held for future use	1,529,982	-	-	1,529,982
Capital assets, net	$ 218,939,397	$ (1,606,084)	$ (12,666,095)	$ 204,667,218

Capital assets activity for the year ended December 31, 2019, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 138,913,900	$ 124,641	$ -	$ 139,038,541
Structures	13,760,135	77,098	-	13,837,233
Machinery and equipment	68,593,400	4,435,800	(1,872,081)	71,157,119
Computer systems	34,220,881	160,895	(4,704,682)	29,677,094
Total capital assets, excluding land	255,488,316	4,798,434	(6,576,763)	253,709,987
Less accumulated depreciation	(71,303,032)	(11,444,730)	6,500,126	(76,247,636)
	184,185,284	(6,646,296)	(76,637)	177,462,351
Construction in progress	7,374,575	9,978,976	(5,206,786)	12,146,765
Land and land rights	26,882,856	-	-	26,882,856
Artwork	913,593	3,850	-	917,443
Property held for future use	1,529,982	-	-	1,529,982
Capital assets, net	$ 220,886,290	$ 3,336,530	$ (5,283,423)	$ 218,939,397

During 2020 and 2019, the Fund capitalized interest costs relating to construction of $(236,720) and $378,589, respectively. The negative amount in 2020 was a result of the cancellation of the South Transfer Station Phase 2 project.

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 set aside $9,831,311 in a debt service reserve fund and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2020, were $180,060,000.

Revenue bonds outstanding as of December 31, 2020 and 2019, consisted of the following Solid Waste bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2020	Bonds Outstanding 2019
2007 Improvement and Refunding Bonds	12/05/2007	2008-2033	4.0 - 5.0%	$ 82,175,000	$ -	$ -
2011 Improvement Bonds	6/22/2011	2012-2036	3.0 - 5.0%	45,750,000	35,165,000	36,610,000
2014 Improvement and Refunding Bonds	6/12/2014	2015-2039	2.0 - 5.0%	95,350,000	79,460,000	83,690,000
2015 Improvement Bonds	6/25/2015	2016-2040	2.0 - 5.0%	35,830,000	31,735,000	32,665,000
2016 Improvement and Refunding Bonds	6/30/2016	2017-2041	4.0 - 5.0%	35,335,000	33,700,000	34,140,000
				$ 294,440,000	$ 180,060,000	$ 187,105,000

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

Year Ending December 31,	Principal	Interest	Total
2021	$ 7,400,000	$ 8,045,125	$ 15,445,125
2022	7,775,000	7,667,625	15,442,625
2023	8,170,000	7,271,000	15,441,000
2024	8,590,000	6,854,125	15,444,125
2025	9,035,000	6,415,750	15,450,750
2026 - 2030	52,060,000	24,969,394	77,029,394
2031 - 2035	53,705,000	12,761,797	66,466,797
2036 - 2040	32,240,000	3,128,169	35,368,169
2041	1,085,000	21,700	1,106,700
	$ 180,060,000	$ 77,134,685	$ 257,194,685

The following table shows the revenue bond activity during the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	$ 187,105,000	$ -	$ (7,045,000)	$ 180,060,000	$ 7,400,000
Add (deduct) deferred amounts					
Issuance premiums	19,009,723	-	(965,916)	18,043,807	-
Total bonds payable	$ 206,114,723	$ -	$ (8,010,916)	$ 198,103,807	$ 7,400,000

Note 4 – Revenue Bonds (continued)

The following table shows the revenue bond activity during the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	$ 194,225,000	$ -	$ (7,120,000)	$ 187,105,000	$ 7,045,000
Add (deduct) deferred amounts					
Issuance premiums	19,980,464	-	(970,741)	19,009,723	-
Total bonds payable	$ 214,205,464	$ -	$ (8,090,741)	$ 206,114,723	$ 7,045,000

Prior year defeasance of debt – In prior years, the Fund defeased certain obligations by placing the proceeds of new bonds in 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 statement of net position. At December 31, 2020, no outstanding bonds are considered defeased.

Financial covenants – 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 442% of annual debt service for 2020. Management believes the Fund was in compliance with all debt covenants as of December 31, 2020. For more information, see Other Information (page 49).

Note 5 – Leases

The Fund has noncancelable operating lease commitments for real and personal property with minimum payments of $9,660 in 2020 and $9,516 in 2019. The Fund has leases for properties at 2702 6th Avenue South and a trail at the South Transfer Station, with expiration dates of December 2020 and December 2025, respectively. Rents are paid as they become due and payable. Minimum payments under the leases for the years ending December 31 are as follows:

2021	$ 9,731
2022	9,838
2023	9,947
2024	8,332
2025	4,899
	$ 42,747

Note 6 – Postemployment Benefit Plans

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 plan description – 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.

Employees retiring under the City may continue their health insurance coverage under the City's health insurance plans for active employees. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The postemployment benefit provisions are established and may be amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020. The City provides an implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis.

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. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. 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. 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.

Note 6 – Postemployment Benefit Plans (continued)

Based on the latest biennial actuarial valuation date, the significant methods and assumptions are as follows:

Actuarial data and assumptions – The demographic assumptions of mortality, termination, retirement, and disability are set equal to the assumptions used for City pension actuarial valuations based on a Seattle City Employees' Retirement System Experience Report for the period 2014–2017.

Actuarial data and assumptions	2020
Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	2.74%
Health care cost trend rates – medical	6.55% in 2020, decreasing to 6.32% in 2021, and decreasing by varying amounts until 2030 thereafter
Health care cost trend rates – Rx	9.00% in 2020, decreasing to 8.50% in 2021, and decreasing by varying amounts until 2030 thereafter
Participation	25% of active employees who retire participate

Mortality

General Service (Actives)

Males: RP-2014 Employees Table for Males, adjusted by 60%
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)

Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

Marital status – 25% of members electing coverage: married or have a registered domestic partner. Male spouses two years older than their female spouses.

Note 6 – Postemployment Benefit Plans (continued)

Health care claims development – The sample per capita claim cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for the City of Seattle's sponsored postretirement benefits and costs.

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 11,520	$ 2,677	$ 358	$ 11,243	$ 2,659	$ 358
52	12,533	2,912	358	12,230	2,893	358
55	14,220	3,305	358	13,877	3,282	358
57	15,499	3,601	358	15,125	3,576	358
60	17,638	4,097	358	17,210	4,069	358
62	19,003	4,415	358	18,543	4,384	358

	Group Health Deductible			Group Health Standard		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 4,961	$ 1,145	$ 689	$ 5,291	$ 1,171	$ 689
52	5,397	1,246	689	5,755	1,273	689
55	6,123	1,413	689	6,531	1,445	689
57	6,674	1,540	689	7,118	1,574	689
60	7,595	1,752	689	8,100	1,792	689
62	8,182	1,888	689	8,727	1,930	689

The average medical and prescription drug per capita claims costs were developed from 2021 calendar year self-funded premium rates. Premium-equivalent rates were provided by City of Seattle's health pricing actuary. The average medical and prescription drug per capita "adult-equivalent" claims costs were based on the respective pre-65 enrollment weighted average of the 2021 four-tier rate structure including the add-on cost of dependent children and trended back from 2021 to 2020 to be centered at the mid-point of the annual period following the valuation date. Average medical/Rx per capita claims costs were then age-adjusted based on the demographics of the rating population, and the assumed health care aging factors shown in the table below.

The average medical and prescription drug per capita claims costs were blended with the 2019 medical/Rx per capita developed claims cost trended forward to the valuation date.

Models are used to estimate underlying per capita medical and drug claims costs, subsequently utilized as assumption inputs for valuation models used to develop the liabilities for the 2020 and future valuations. The Aon consulting team leveraged expertise of Health experts within Aon as it relates to reviewing the models used for development of the per capita claims costs and future trend rates.

Note 6 – Postemployment Benefit Plans (continued)

Morbidity factors – The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age	Medical	Rx	Composite
40–44	3.0%	4.8%	3.3%
45–49	3.7%	4.7%	3.8%
50–54	4.2%	4.7%	4.3%
55–59	4.4%	4.6%	4.4%
60–64	3.7%	4.6%	3.8%

Other considerations – Active employees with current spouse and/or dependent coverage elect same plan and coverage. After retirement, it is assumed that children will have aged off coverage and will have $0 liability.

OPEB liability – The Fund reported an OPEB liability of approximately $1.1 million in 2020 and $1.0 million in 2019. The Fund's proportionate share of the change in the OPEB liability was 1.47% and 1.69% for the years ended December 31, 2020, and December 31, 2019, respectively. Based on the actuarial valuation date of January 1, 2019, details regarding the Fund's Total OPEB Liability as of December 31, 2020, are shown below.

Changes in Net OPEB Liability

($ in thousands)	**Total OPEB Liability**
Changes recognized for the fiscal year:	
Service cost	$ 49.6
Interest on the total OPEB liability	38.0
Differences between expected and actual experience	102.2
Changes of assumptions	(114.0)
Benefit payments	(36.5)
Contributions from the employer	0.0
Other changes	(2.3)
Net changes	37.0
Balance recognized at 12/31/2019	1,036.1
Balance recognized at 12/31/2020	$ 1,073.1

Note 6 – Postemployment Benefit Plans (continued)

The Fund recorded an expense for OPEB of $66,252 in 2020 and $79,353 in 2019. The Health Care Subfund of the General Fund is reported in The City of Seattle's Comprehensive Annual Financial Report.

Discount rate and healthcare cost trend rates – The discount rate used to measure the total OPEB liability is 2.74% for 2020 and 4.10% for 2019. The following tables present the sensitivity of OPEB liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

Discount Rate Sensitivity
(in millions)

	OPEB Liability at December 31, 2020
Discount rate	
1% decrease – 1.74%	$ 1.2
Current discount rate – 2.74%	1.1
1% increase – 3.74%	1.0

Discount Rate Sensitivity
(in millions)

	OPEB Liability at December 31, 2019
Discount rate	
1% decrease – 3.10%	$ 1.1
Current discount rate – 4.10%	1.0
1% increase – 5.10%	0.9

The following table presents the sensitivity of net Health Plan OPEB liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates used to measure the total Health Plan OPEB liability:

Healthcare Cost Trend Rate Sensitivity
(in millions)

	OPEB Liability at December 31,	
	2020	2019
Discount rate		
1% decrease	$ 1.0	$ 0.9
Trend rate	1.1	1.0
1% increase	1.2	1.2

Note 6 – Postemployment Benefit Plans (continued)

Deferred outflows of resources and deferred inflows of resources related to OPEB – The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Fund at December 31, 2020.

(in thousands)	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 247.9	$ -
Assumption changes	-	411.4
Contributions made in 2020 after measurement date	43.1	N/A
Total	$ 291.0	$ 411.4

The Fund's contributions made in 2020 in the amount of $43,097 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31, *(in thousands)*	Amortization
2021	$ (24.9)
2022	(24.9)
2023	(24.9)
2024	(24.9)
2025	(24.9)
Thereafter	(39.0)
Total	$ (163.5)

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 or www.seattle.gov/financial-services/comprehensive-annual-financial-report.

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 2020 and 2019, 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, 1.816% and 2.334%, respectively. Claims expected to be paid within one year are $248,724 and $259,900 as of December 31, 2020 and 2019, respectively.

The schedules below present the changes in the liability for workers' compensation claims and other claims (risk financing liabilities) as of December 31:

	2020	2019
Beginning liability, discounted	$ 694,528	$ 645,425
Payments	(64,438)	(152,517)
Incurred claims and change in estimate	38,516	201,620
Ending liability, discounted	$ 668,606	$ 694,528

The Fund is involved in litigation from time to time as a result of operations.

Note 8 – Compensated Absences

The Fund has recorded a liability for earned but unused compensatory 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:

	2020	2019
Beginning liability	$ 1,718,331	$ 1,517,133
Additions	1,735,698	2,204,176
Reductions	(1,338,081)	(2,002,978)
Ending liability	$ 2,115,948	$ 1,718,331

Note 9 – Pension Benefit Plan

Plan description – The Seattle City Employees' Retirement System (the System) is a cost-sharing multiple employer pension plan covering employee of the City of Seattle and is administered in accordance with Chapter 4.36 of the Seattle Municipal Code.

The System is governed by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other System members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

Beginning with employees with hire dates of January 1, 2017, or later, all new members are enrolled in SCERS Plan II, which has contribution and benefit calculation rates different than the original SCERS I Plan.

All permanent Fund employees are eligible to participate in the system.

System benefits – Service retirement benefits are calculated on the basis of age, salary, and service credit.

SCERS I – The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Members are eligible for retirement benefits after 30 years of service; at age 52 after 20 years of service; at age 57 after ten years of service; and at age 62 after five years of service. Annual retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

SCERS II – Members are eligible for retirement benefits at age 55 after 20 years of service, at age 57 after 10 years of service, and at age 60 after 5 years of service. Annual retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Note 9 – Pension Benefit Plan (continued)

Member and employer contributions – member and employer contributions are:

	YEAR	SCERS I	SCERS II
Member Contribution	2020	10.03%	7.00%
	2019	10.03%	7.00%
Employer Contribution	2020	16.20%	15.76%
	2019	15.23%	14.42%

Member and employer rates are established by the Seattle Municipal Code Chapter 4.36. The Fund's contributions to the System for the years ended December 31, 2020 and 2019, were $2,682,412 and $2,537,101, respectively.

The System issues stand-alone financial statements, which may be obtained by writing to the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900, Seattle, Washington, 98104, and telephone: (206) 386-1293, or www.seattle.gov/retirement/annual_report.htm.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2020 and 2019, the Fund reported a liability of $27,834,678 and $33,157,484, respectively, its proportionate share of the Systems' net pension liability. The net pension liability was measured as of December 31, 2019 and December 31, 2018, for the years ended December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates. The Fund's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating parties, actuarially determined. At December 31, 2020 and 2019, the Fund's proportion was 1.86% and 2.18%, respectively.

For the years ended December 31, 2020 and 2019, the Fund recognized pension expense of approximately $2,846,000 and $4,228,000, respectively.

Note 9 – Pension Benefit Plan (continued)

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,932	$ 854,909
Change of assumptions	1,437,540	-
Difference between projected and actual earnings	-	2,031,140
Contributions made subsequent to measurement date	2,682,412	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,629,100
Total	$ 4,124,884	$ 4,515,149

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,803	$ 701,837
Change of assumptions	1,793,923	-
Difference between projected and actual earnings	3,492,702	-
Contributions made subsequent to measurement date	2,537,101	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,973,034
Total	$ 7,835,529	$ 2,674,871

Other amounts currently reported as deferred outflows of resources relate to the difference in actual earnings on pension investments from projected earnings and will be recognized in pension expense as follows for years ending December 31:

2021	$ (1,183,319)
2022	(867,203)
2023	178,106
2024	(1,000,994)
2025	(199,267)
Total	$ (3,072,677)

Note 9 – Pension Benefit Plan (continued)

Actuarial assumptions – The total pension liability as of December 31, 2020, was determined using the following actuarial assumptions:

Valuation date	January 1, 2019
Measurement date	December 31, 2019
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percent, Closed
Remaining amortization period	30 years as of January 1, 2013 valuation
Asset valuation method	5-Year Non-asymptotic
Inflation	2.75%
Investment rate of return	7.25% compounded annually, net of expenses
Discount rate	7.25%
Projected general wage inflation	3.5%
Postretirement benefit increases	1.5%
Mortality	Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale. See 2018 Investigation of Experience report for details.

The actuarial assumptions that determined the total pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2014 – December 31, 2017.

The discount rate used to measure the pension liability is based on a projection of cash flows assuming that plan member contributions will be made at the current contribution rate and that participating employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine total pension liability.

The long-term expected rate of return assumption was based on the System's investments using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expect future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 9 – Pension Benefit Plan (continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2019, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.77%
Equity: Private	7.96%
Fixed Income: Broad	0.67%
Fixed Income: Credit	3.66%
Real Assets: Real Estate	3.76%
Real Assets: Infrastructure	3.95%
Diversifying Strategies	N/A

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 7.25%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
$ 39,838,672	$ 27,834,678	$ 17,787,327

Note 10 – Contractual Obligations

The City contracts with Waste Management and Recology of King County for the collection of residential and commercial garbage, yard waste, food waste, and recycling. In addition, a few independent vendors provide large scale recycling and food waste for business customers. The collection contracts began in 2019 and are scheduled to end on March 31, 2029, with City options to extend to March 2031 and March 2033. Total payments under these contracts for residential and commercial collection were $80,585,666 in 2019 and $81,606,668 in 2020.

The City contracts with Waste Management of Washington, Inc. (formerly known as Washington Waste Systems), for rail-haul and disposal of non-recyclable City waste. The disposal contract began in 1990 and is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause on March 31, 2024. Total payments under the terms of this contract for waste disposal were $15,279,836 in 2019 and $14,638,711 in 2020.

Note 10 – Contractual Obligations (continued)

The City contracts with Lenz Enterprises, Inc., and Cedar Grove Composting, Inc. to process yard and food waste into marketable products. The Lenz processing contract began in 2014 and the Cedar Grove processing contract began in 2017. Both contracts are scheduled to end on March 31, 2022, with City options to extend to March 31, 2024. Total payments under the terms of these contracts were $4,534,016 in 2019 and $4,962,701 in 2020.

The City contracts with Rabanco, LTD., to process recyclables and marketing those commodities. The Rabanco processing contract began in 2016 and is scheduled to end on March 31, 2024, with a City option to extend to March 31, 2027. Total payments, net of recycling revenue, were $5,285,545 in 2019 and $5,194,417 in 2020. This variance resulted from fluctuations in recycling commodity pricing.

Note 11 – Environmental Liabilities

The City of Seattle and a private developer are under a Consent Decree with the Washington State Department of Ecology (Ecology) to implement a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. Previously the City was advancing a design based on an Interim Action Workplan approved by Ecology. SPU delayed the project to re-define the project scope. The delay caused the City to fall behind the schedule in the Consent Decree and Ecology has determined that the City must amend the existing Consent Decree and Cleanup Action Plan to reflect the revised project and new timeline. At the same time two additional parties will be added to the Consent Decreed, King County and Kenyon Business Park.

As of March 2021, a redefined scope has been approved by SPU. Amendments to the Consent Decree and Cleanup Action Plan are scheduled to be completed in 2021. Project design will occur between 2021 and 2022. Project construction is scheduled to start in 2023 and be completed in 2026.

In 2012, the City executed an agreement regarding the developer’s interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. In 2015, the developer completed Ecology-approved interim cleanup action on its portion of the site.

The Fund has included in its estimated liability those portions of the environmental remediation work that are 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.

Note 11 – Environmental Liabilities (continued)

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

	2020	2019
Beginning environmental liability, net of recoveries	$ 18,714,140	$ 19,014,357
Payments or amortization	(168,976)	(389,296)
Change in estimated liability	(1,694,661)	89,079
Ending environmental liability, net of recoveries	$ 16,850,503	$ 18,714,140

The following table represents the current and long-term positions of the environmental liability:

	2020	2019
Environmental liability, current	$ 411,000	$ 2,431,000
Environmental liability, noncurrent	16,439,503	16,283,140
Ending liability	$ 16,850,503	$ 18,714,140

Note 12 – Landfill Closure and Post Closure Care

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.

At December 31, 2020, accrued landfill closure and post closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to I-5 improvement projects. It is the City Council's policy to include the Fund's share of all landfill closure and post closure costs in the revenue requirements used to set future solid waste rates. Therefore, the Fund uses regulatory accounting and total estimated landfill closure and post closure care costs are accrued and also reflected as a future 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 and will be fully amortized in 2030. Actual costs for closure and post closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2030.

Required Supplementary Information

Schedule of Seattle Public Utilities' Proportionate Share of the Net Pension Liability

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	14.33%	14.55%	14.73%	15.13%	16.37%	16.96%
Employer's proportionate share of the net pension liability	$180,105,232	$221,049,893	$163,086,154	$197,454,529	$212,671,200	$187,919,945
Employer's covered payroll	$112,528,955	$111,973,027	$107,715,383	$106,696,535	$105,031,141	$102,783,473
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	160.05%	197.41%	151.40%	185.06%	202.48%	182.83%
Plan fiduciary net position as a percentage of the total pension liability	71.48%	64.14%	72.04%	65.60%	64.03%	67.70%

Schedule of Seattle Public Utilities' Pension Contributions

	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 17,041,133	$ 17,103,559	$ 16,466,270	$ 16,354,089	$ 16,487,154	$ 15,170,276
Contributions in relation to the contractually required employer contribution	(17,041,133)	(17,103,559)	(16,466,270)	(16,354,089)	(16,487,154)	(15,170,276)
Employer contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$112,528,955	$111,973,027	$107,715,383	$106,696,535	$105,031,141	$102,783,473
Employer contributions as a percentile of covered payroll	15.14%	15.27%	15.29%	15.33%	15.70%	14.76%

Schedule of City of Seattle's OPEB Liability and Related Ratios

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Normal cost	$ 3,378,925	$ 3,842,152	$ 3,821,876
Interest	2,586,942	2,195,238	2,583,105
Differences between expected and actual experience	6,956,579	-	13,491,865
Changes in assumptions	(7,760,776)	(3,886,702)	(22,126,128)
Benefit payment	(2,484,320)	(2,333,610)	(2,289,000)
Total OPEB liability – beginning of year	60,946,911	61,129,833	65,648,115
Total OPEB liability – end of year	$ 63,624,261	$ 60,946,911	$ 61,129,833
Covered-employee payroll	$ 1,124,692,046	$ 1,015,097,334	$ 1,015,097,334
Net OPEB liability as percentage of covered-employee payroll	5.66%	6.00%	6.02%

Other Information (Unaudited)

Solid Waste Debt Service Coverage Calculation 2020

Operating Revenue	
Residential Collection Services	$ 145,915,895
Commercial Collection Services	57,708,592
Disposal and Other	20,427,870
Total Operating Revenue	224,052,357
Operating Expense	
Solid Waste Contract Expense	108,683,770
Other Operations and Maintenance	44,256,258
City Taxes	26,397,014
State B&O Tax	3,753,741
Total Operating Expense	183,090,783
Net Operating Income	40,961,574
Adjustments	
Less: DSRF Earnings	(190,314)
Add: City Taxes	26,397,014
Add: Environmental Liability Costs	(1,694,661)
Add: Investment Interest	1,848,339
Add: Net Proceeds from Sale on Assets	-
Add: Net Other Nonoperating Revenues	114,410
Total Adjustments	26,474,788
Net Revenue Available for Debt Service	$ 67,436,362
Net Revenue Available for Debt Service (w/o City Taxes)	$ 41,039,348
Annual Debt Service	
Annual Debt Service	$ 15,449,500
Less: DSRF Earnings	(190,314)
Adjusted Annual Debt Service	$ 15,259,186
Coverage	4.42
Coverage without taxes	2.69

Solid Waste Customers by Class

	2016	2017	2018	2019	2020
VARIABLE CANS					
No Can/Vacancy	2,280	2,270	1,910	1,959	1,938
12-Gallon Can	20,707	21,355	21,747	21,710	21,587
20-Gallon Can	47,791	47,601	47,772	48,480	49,023
32-Gallon Can	85,503	82,859	83,504	82,932	82,259
64-Gallon Can	7,263	7,466	7,716	8,042	8,348
96-Gallon Can	2,235	2,484	2,777	2,994	3,239
TOTAL VARIABLE CANS	165,779	164,035	165,426	166,117	166,394
Residential Dumpster Accounts	5,383	5,324	5,221	5,245	5,240
Commercial Accounts	8,096	8,082	8,023	8,556	8,214

Solid Waste Tonnage

	2015	2016	2017	2018	2019	2020
GARBAGE						
Residential Collection	101,972	103,720	105,315	107,485	109,367	119,903
Self-Haul Garbage	60,938	65,754	99,290	100,828	101,506	97,320
Commercial Collection	139,557	138,546	139,317	138,009	134,816	109,891
Total tons disposed	302,467	308,020	343,922	346,322	345,689	327,114
RECYCLING						
Private Recycling [1]	235,880	252,242	246,747	262,249	257,010	183,659
Residential Curbside Recycling	57,073	54,207	55,123	53,582	50,505	55,133
Apartment Recycling	24,028	24,781	24,652	24,520	24,802	26,852
Residential Curb Yard & Food Waste	89,213	91,375	90,789	88,947	89,105	99,850
Self Haul Yard Waste	4,009	4,390	6,127	6,127	6,957	6,780
Self-Haul Wood Waste	682	866	1,185	1,040	893	655
Self-Haul Recycling [1]	2,209	2,747	4,495	4,567	4,879	4,109
Composting [2]	10,800	10,800	10,800	9,450	9,450	9,450
Total tons recycled	423,894	441,408	439,918	450,482	443,601	386,488
Total tons generated	726,361	749,428	783,840	796,804	789,290	713,602
Garbage as a percentage of total tons generated	42%	41%	44%	43%	44%	46%
Recycling as a percentage of total tons generated	58%	59%	56%	57%	56%	54%

[1] Estimate for 2020

[2] Composting figures are estimates based on surveys and include grasscycling and backyard food waste and yard waste composting. Surveys were conducted in 2005, 2010, and 2018.

Solid Waste Rate Schedule and Transfer Station Fees

2021 Monthly Residential Rate Schedule

	Rates (Effective April 1, 2021)
Service unit	
No can (minimum charge)	6.85
12-Gallon	25.72
20-Gallon	31.50
32-Gallon	40.95
64-Gallon	81.85
96-Gallon	122.85
Recycling	No charge
Non-Compacted Dumpster (one cubic yard, once/week, one container)[2]	303.55
Compacted Dumpster (three cubic yards, once/week, one container)[2]	876.19
Yard Waste Mini-Can	6.80
Yard Waste 32-Gallon Can	10.20
Yard Waste 96-Gallon Can	13.00

(1) Rates listed are for curb/alley service.

(2) Dumpster rates vary based on size and number of containers as well as the frequency of collection. Dumpster rates shown include a $45.05 monthly account fee.

2021 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 April 1, 2021 the cost of this service is $549.68 per month, including a monthly account fee of $30.30

2020 Transfer Station Fees

	Rates (Effective April 1, 2020)
Garbage	
Sedans, SUVs, and station wagons	$31.00 per trip
All other self-haul vehicles with garbage	$149.00 per ton ($31.00 minimum charge)
Yard and wood waste	
Sedans, SUVs, and station wagons	$21.00 per trip
All other self-haul vehicles with yard waste	$113.00 per ton ($21.00 minimum charge)

Regional Comparison of Transfer Station Rates

	2019		2020	
Garbage	Seattle	King County	Seattle	King County
Per Ton	$ 145.00	$ 151.06	$ 149.00	$ 151.06
Minimum Charge	$ 30.00	$ 25.25	$ 31.00	$ 25.50

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

Seattle is the largest city in the Pacific Northwest, serves as the County seat and is the center of the County's economic activity. King County is the largest county in the State in population, number of cities and employment, and the twelfth most populous county in the United States. Of the State's population, nearly 30% reside in the County, and of the County's population, 34% live in 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
2010 (1)	6,724,540	1,931,249	608,660
2011 (2)	6,767,900	1,942,600	612,100
2012 (2)	6,817,770	1,957,000	616,500
2013 (2)	6,882,400	1,981,900	626,600
2014 (2)	6,968,170	2,017,250	640,500
2015 (2)	7,061,410	2,052,800	662,400
2016 (2)	7,183,700	2,105,000	686,800
2017 (2)	7,310,300	2,153,700	713,700
2018 (2)	7,427,570	2,190,200	730,400
2019 (2)	7,546,410	2,226,300	747,300
2020 (2)	7,656,200	2,260,800	761,100

(1) Source: U.S. Department of Commerce, Bureau of Census
(2) Source: State of Washington, Office of Financial Management

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division, the County, the State, and the United States.

PER CAPITA INCOME

	2015	2016	2017	2018	2019
Seattle MD	$ 68,792	$ 71,903	$ 75,973	$ 81,201	$ 85,284
King County	76,122	79,742	84,542	90,438	94,974
State of Washington	53,840	55,884	58,550	62,026	64,758
United States	48,978	49,870	51,885	54,446	56,490

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

Construction

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

CITY OF SEATTLE
RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2015	810	215,818,201	10,530	1,684,630,374	1,900,448,575
2016	797	216,693,139	9,202	1,242,951,877	1,459,645,016
2017	593	162,452,219	9,294	1,562,063,391	1,724,515,610
2018	523	141,737,845	7,395	892,514,843	1,034,252,688
2019	507	139,195,045	10,277	1,554,462,494	1,693,657,539
2020	247	111,343,923	5,479	637,037,156	748,381,079
2020(1)	136	37,791,619	2,097	292,312,669	330,104,288
2021(1)	88	29,972,334	3,350	483,009,405	512,981,739

(1) Estimates with imputations through April.

Source: U.S. Bureau of the Census

Retail Activity

The following tables present information on taxable retail sales in King County and the City.

THE CITY OF SEATTLE AND KING COUNTY
TAXABLE RETAIL SALES

Year	King County	City of Seattle
2015	$54,890,159,770	$22,407,443,037
2016	59,530,882,870	24,287,539,378
2017	62,910,608,935	26,005,147,210
2018	69,018,354,390	28,292,069,881
2019	72,785,180,223	29,953,200,188
2019(1)	53,511,071,448	21,962,409,065
2020(1)	48,349,134,083	18,863,518,272

(1) Through third quarter.

Source: Quarterly Business Review, Washington State Department of Revenue

Employment

The following table presents total employment in Washington State as of December 31, 2019 (unless otherwise noted) for certain major employers in the Puget Sound area.

PUGET SOUND
MAJOR EMPLOYERS

Employer	Employees
The Boeing Company	71,800(1)
Amazon.com Inc.	60,000(2)
Microsoft Corp.	55,100
Joint Base Lewis-McChord	54,000(3)
University of Washington Seattle	46,800
Providence Health & Services	43,000(4)
Safeway Inc. & Albertsons LLC	21,300(4)
Wal-Mart Stores, Inc.	19,400
Costco Wholesale Corp.	18,000
MultiCare Health System	17,200
Fred Meyer Stores	16,200
King County Government	15,900
City of Seattle	15,800
Starbucks Corp.	14,000
CHI Franciscan Health	12,500
Seattle Public Schools	11,900
Kaiser Permanente	10,000
Alaska Air Group Inc.	9,600
Nordstrom, Inc.	9,200
Virginia Mason Health System	9,100

(1) Since the date of this table, Boeing has faced financial stress and has significantly reduced its companywide workforce through a combination of buyouts and layoffs and the shift of 787 production out of the State. The State's economic and revenue forecast released in March 2021 expected that aerospace employment in the State (including Boeing and other employers) will be 29,800 lower in December 2021 than January 2020. The State estimates that about 19,000 of these job losses occurred prior to February 2021 and an additional 10,700 jobs will be lost during the remainder of 2021.

(2) Amazon reports more than 60,000 employees but does not provide an exact count. As a result of the layoffs described in footnote (1), it is expected that Amazon is currently the largest employer in the region.

(3) 40,000 are service members and 14,000 are civilian employees.

(4) As of May 2019.

Source: Puget Sound Business Journal, Publication Date June 19, 2020

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT[(1)]

	Annual Average				
	2016	**2017**	**2018**	**2019**	**2020**
Civilian Labor Force	1,213,744	1,238,090	1,264,754	1,290,480	1,290,480
Total Employment	1,167,122	1,194,955	1,224,648	1,254,638	1,254,638
Total Unemployment	46,622	43,135	40,106	35,842	35,842
Percent of Labor Force	3.8%	3.5%	3.2%	2.8%	2.8%

NAICS INDUSTRY	**2016**	**2017**	**2018**	**2019**	**2020**
Total Nonfarm	1,357,433	1,398,225	1,433,158	1,468,958	1,385,242
Total Private	1,179,242	1,216,892	1,254,625	1,293,125	1,213,908
Goods Producing	177,692	178,150	181,958	186,650	172,317
Mining and Logging	525	533	500	500	467
Construction	71,217	74,342	78,108	79,942	76,675
Manufacturing	105,967	103,283	103,333	106,183	95,133
Service Providing	1,179,742	1,220,075	1,251,200	1,282,308	1,212,925
Trade, Transportation, and Utilities	254,142	268,325	274,642	281,025	276,200
Information	96,200	102,817	110,917	121,192	128,017
Financial Activities	70,642	71,450	73,708	75,233	72,567
Professional and Business Services	222,750	227,792	233,092	238,658	234,883
Educational and Health Services	174,042	179,142	185,842	189,617	180,558
Leisure and Hospitality	135,683	140,775	145,050	147,942	101,442
Other Services	48,092	48,442	49,417	52,808	47,925
Government	178,192	181,333	178,533	175,833	171,333
Workers in Labor/Management Disputes	0	0	0	0	0

	Mar. 2021
Civilian Labor Force	1,309,159
Total Employment	1,238,061
Total Unemployment	71,098
Percent of Labor Force	5.4%

(1) Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department.

APPENDIX E

BOOK-ENTRY TRANSFER SYSTEM

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BOOK-ENTRY TRANSFER SYSTEM

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the "Beneficial Owners") should confirm the following with DTC or its participants (the "Participants").

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of 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 an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The following information has been provided by the City.
The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners of Bonds under the Bond Ordinance, registering the transfer of Bonds, obtaining any consent or other action to be taken by Registered Owners of Bonds, and for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or such participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be given to Registered Owners of Bonds under the Bond Ordinance; (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner of the Bonds.