This is a Preliminary Official Statement, subject to correction and change. The City has authorized the distribution of the Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Bonds, the City will complete and deliver an Official Statement substantially in this form.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 5, 2025

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

In the opinion of Stradling Yocca Carlson & Rauth LLP, 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" herein with respect to tax consequences relating to the Bonds.

$257,720,000(1)

THE CITY OF SEATTLE, WASHINGTON

WATER SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, 2025

DATED: DATE OF INITIAL DELIVERY | **DUE: AS SHOWN ON PAGE i**

The City of Seattle, Washington (the "City"), will issue its Water System Improvement and Refunding Revenue Bonds, 2025 (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 May 1 and November 1, beginning November 1, 2025. 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 Trust Company, 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 (i) to pay for part of the costs of various projects of the City's Water System, (ii) if market conditions are favorable, to carry out a current refunding of all or a portion of certain outstanding obligations of the Water System, and (iii) to pay the costs of issuing the Bonds and the costs of administering the refunding. 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 Water System and by money in the Parity Bond Account and the subaccounts therein. 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 issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds, without preference or priority of right or lien. The Bonds are *not* designated as Covered Parity Bonds and will not be secured by the Reserve Subaccount from and after the Reserve Covenant Date. 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 Water System, are pledged to the payment of the Bonds.

The Bonds are offered for delivery by the Underwriter, when, as, and if issued, subject to the approving legal opinion of Stradling Yocca Carlson & Rauth LLP, 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. 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 May 19, 2025.

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: __________

BofA Securities

Ramirez & Co., Inc. **Siebert Williams Shank** **Wells Fargo Securities**

(1) Preliminary, subject to change.

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, the form of opinion of Bond Counsel attached as Appendix B, or information provided under "Other Bond Information—Municipal Advisor" and "—Underwriting. 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 or the Underwriters. 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 historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The information set forth in the Water Fund's 2024 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 the Continuing Disclosure Agreement described under "Continuing Disclosure Agreement."

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, any social media account, or any other website referenced herein, in determining whether to purchase the Bonds. Information appearing on any such website or social media account is not incorporated by reference in this Official Statement.

This Preliminary Official Statement, as of its date, is in a form "deemed final" by the City for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) but is subject to revision, amendment, and completion in a final Official Statement which will be available within seven business days of the sale date.

The public offering prices set forth on page i of this Official Statement may be changed from time to time by the underwriters of the Bonds (the "Underwriters"). The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts, or money market funds at prices lower than the public offering prices set forth on pages i and ii of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

MATURITY SCHEDULE

THE CITY OF SEATTLE, WASHINGTON

$257,720,000[1]

WATER SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, 2025

SERIAL BONDS

Due May 1	Amounts[1]	Interest Rates	Yields	Prices	CUSIP Numbers
November 1, 2025	$ 4,065,000				
2026	23,975,000				
2027	21,830,000				
2028	22,940,000				
2029	10,080,000				
2030	5,930,000				
2031	15,885,000				
2032	16,695,000				
2033	13,230,000				
2034	13,900,000				
2035	14,590,000				
2036	7,960,000				
2037	8,355,000				
2038	8,775,000				
2039	9,205,000				
2040	9,670,000				
2041	2,325,000				
2042	2,445,000				
2043	2,570,000				
2044	2,700,000				
2045	2,840,000				
2046	2,985,000				
2047	3,135,000				
2048	3,300,000				
2049	3,465,000				
2050	3,645,000				
2051	3,830,000				
2052	4,030,000				
2053	4,235,000				
2054	4,450,000				
2055	4,680,000				

TERM BONDS

Term Bonds maturing on May 1, ___ in the amount of $__________.

(1) Preliminary, subject to change.

THE CITY OF SEATTLE

MAYOR AND CITY COUNCIL

Bruce A. Harrell, Mayor	Term Expiration: 2025

Council Member	**Term Expiration**
Joy Hollingsworth	2027
Robert Kettle	2027
Alexis Mercedes Rinck	2025
Cathy Moore	2027
Sara Nelson	2025
Maritza Rivera	2027
Rob Saka	2027
Mark Solomon[(1)]	2025
Dan Strauss	2027

CITY ADMINISTRATION

Jamie L. Carnell	Director of Finance
Ann Davison	City Attorney

SEATTLE PUBLIC UTILITIES

Andrew Lee	General Manager/Chief Executive Officer
Paula Laschober	Chief Financial Officer/Deputy Director of Financial and Risk Services
Idris Beauregard	Chief Administrative Officer/Deputy Director of People, Culture, and Community
Keri Burchard-Juarez	Deputy Director for Project Delivery and Engineering
Ellen Stewart	Deputy Director for Drainage and Wastewater Line of Business
Jeff Fowler	Deputy Director for Solid Waste Line of Business
Alex Chen	Deputy Director for Water Line of Business and Utility Operations and Maintenance Branch
Andrew Greenhill	Chief of Staff

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Seattle, Washington

MUNICIPAL ADVISOR

Piper Sandler & Co.
Seattle, Washington

BOND REGISTRAR

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

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(1) Council Member Solomon is serving on an interim basis pursuant to selection by the City Council to fill a vacant seat in January 2025. In November 2025, Seattle voters will select a Council Member to serve from 2026 until the term expires in 2027.

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PRELIMINARY OFFICIAL STATEMENT

$257,720,000[1]

THE CITY OF SEATTLE, WASHINGTON

WATER SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, 2025

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 $257,720,000[1] aggregate principal amount of its Water System Improvement and Refunding Revenue Bonds, 2025 (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 water system (the "Water System").

Appendix A to this Official Statement is a summary of relevant portions of the Bond Ordinance authorizing the Bonds, as defined below under "Description of the Bonds—Authorization for the Bonds." Appendix B is the form of legal opinion of Stradling Yocca Carlson & Rauth LLP, Seattle, Washington ("Bond Counsel"). Appendix C is the audited financial statements of the Water Fund as of and for the fiscal year ended December 31, 2024 (the "2024 Audited 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 the summary of the Bond 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.

Certain forecast information provided in this Official Statement was prepared by Seattle Public Utilities. 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.

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, Ordinance 127148, passed by the City Council on November 21, 2024 (the "New Money Ordinance"), and Ordinance 125714, passed by the City Council on November 19, 2018, and amended by Ordinance 126483, passed by the City Council on November 22, 2021 (together, the "Refunding Ordinance") (together with the New Money Ordinance, the "Bond Ordinance"), delegating to the Director of the Office of City Finance within the City's Department of Finance and Administrative Services (the "Director of Finance") the authority to execute, on behalf of the City, a Bond Purchase Agreement, a Pricing Certificate, and other documents (collectively, the "Bond Documents") in accordance with the parameters set forth in the Bond Ordinance.

The New Money Ordinance authorized the issuance of water system bonds in a maximum aggregate principal amount not to exceed $106 million. The authorization expires on December 31, 2027. The new-money portion of the Bonds is the first issuance under this authorization and are in the amount of $73.450 million[1], leaving $32.550 million[1]

(1) Preliminary, subject to change.

available under the Bond Ordinance. In addition, the City has $30.235 million of authorization that remains unissued under Ordinance 126716, as amended by Ordinance 126942, which expires on December 31, 2026. The City currently has no plans to issue this remaining authorization.

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 November 1, 2025, and May 1 in the years 2026 through and including 2055, in the amounts set forth on page i of this Official Statement.

Interest on the Bonds is payable semiannually on each May 1 and November 1, beginning November 1, 2025, 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. The fiscal agent for the State, currently U.S. Bank Trust Company, 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 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[(1)]

Optional Redemption. The Bonds maturing on and before May 1, 2035, are not subject to redemption prior to maturity. The City reserves the right and option to redeem Bonds maturing on and after May 1, 2036, prior to their stated maturity dates at any time on and after May 1, 2035, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Mandatory Redemption. If not redeemed or purchased at the City's option prior to maturity, the Bonds designated as Term Bonds must be redeemed, at a price equal to 100% of the principal amount to be redeemed plus accrued interest, on May 1 in the years and principal amounts as follows:

TERM BONDS

Years	Amounts
(1)	

(1) Maturity.

If the City optionally redeems or purchases Term Bonds prior to maturity, the principal amount of those Term Bonds so redeemed or purchased (irrespective of their actual redemption or purchase prices) will be credited against the remaining mandatory redemption installment payments as directed by the Director of Finance. In the absence of direction by the Director of Finance, credit will be allocated to each mandatory redemption installment payment for that Bond on a *pro rata* basis.

Selection of Bonds for Redemption. If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the Director of Finance will select the 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.

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(1) Preliminary, subject to change.

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 Water 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 the 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 (i) to pay for part of the costs of various projects of the City's Water System, (ii) if market conditions are favorable, to carry out a current refunding of all or a portion of certain outstanding obligations of the Water System (the "Refunding Candidates"), as described below under "—Refunding Plan," and (iii) to pay the costs of issuing the Bonds and administering the refunding.

Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

TABLE 1
SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	
Stated Principal Amount of Bonds	
Net Original Issue Premium (Discount)	
Additional City Contribution	
Total Sources of Funds	
USES OF FUNDS	
Construction Account Deposit	
Escrow Deposit	
Costs of Issuance(1)	
Total Uses of Funds	

(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.

Refunding Plan

If market conditions are favorable, a portion of the proceeds of the Bonds will be used to carry out a current refunding of all or a portion of the Refunding Candidates identified below. The Refunding Candidates selected for refunding, based upon market conditions on the pricing date, will be referred to as the "Refunded Bonds." The Refunded Bonds will be called on the dates and at the prices shown in Table 2.

Refunding Candidates

2015 Bonds. The Water System Improvement and Refunding Revenue Bonds, 2015 (the "2015 Bonds" and, as applicable, the "2015 Refunding Candidates"), are currently subject to optional redemption in whole or in part on any date at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

2012 Bonds. The Water System Refunding Revenue Bonds, 2012 (the "2012 Bonds" and, as applicable, "2012 Refunding Candidates"), are subject to optional redemption in whole or in part on any date at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

2010A Bonds. The Water System Revenue Bonds, 2010A (Taxable Build America Bonds-Direct Payment) (the "2010A Bonds" and, as applicable, the "2010A Refunding Candidates"), are subject to extraordinary optional redemption by the City prior to their stated maturity dates, upon the occurrence of an Extraordinary Event, as a whole or in part (and if in part, *pro rata*), at a price of par plus the Extraordinary Redemption Premium, together with accrued interest to the date fixed for redemption. The City has determined that an "Extraordinary Event" has occurred, permitting the extraordinary optional redemption of the 2010A Refunding Candidates. See below for an additional summary of the redemption provisions. For this purpose, the following definitions apply:

- An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or Section 6431 of the Internal Revenue Code of 1986, as amended (the "Code") (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to "Build America Bonds"), pursuant to which the City's 35% direct payments from the United States Treasury in respect of interest on the 2010A Bonds are reduced or eliminated.
- "Extraordinary Redemption Premium" means, with respect to any redemption date for a particular 2010A Bond, the excess, if any, of (i) the sum of the present value of the remaining scheduled payments of principal of and interest on such 2010A Bond, not including any portion of those payments of interest accrued and unpaid as of such redemption date, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points, over (ii) the principal amount of such 2010A Bond.
- "Treasury Rate" means, with respect to any redemption date for a particular 2010A Bond, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.
- "Comparable Treasury Issue" means, with respect to any redemption date for a particular 2010A Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of such 2010A Bond, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2010A Bond.
- "Comparable Treasury Price" means, with respect to any redemption date for a particular 2010A Bond: (i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.
- "Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the City.
- "Reference Treasury Dealer" means each of four firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.
- "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.
- "Valuation Date" means the third business day preceding the redemption date.

Greater detail regarding the redemption provisions applicable to the 2010A Refunding Candidates may be found in the Official Statement for the 2010A Refunding Candidates, available at: *https://emma.msrb.org/EP381921-EP300274-EP696059.pdf*, which document is expressly not incorporated herein by reference.

TABLE 2
REFUNDING CANDIDATES[(1)]

Water System Revenue Bonds, 2010A (Taxable Build Amercia Bonds-Direct Payment)

	Maturity	Interest Rate	Par Amount	Call Date	Call Price[(2)]	CUSIP
Serial	8/1/2025	5.420%	$ 4,085,000	5/19/2025	ERP	812728 QM8
	8/1/2026	5.370%	4,230,000	5/19/2025	ERP	812728 QN6
	8/1/2027	5.470%	4,390,000	5/19/2025	ERP	812728 QP1
	8/1/2028	5.520%	4,550,000	5/19/2025	ERP	812728 QQ9
	8/1/2029	5.570%	4,720,000	5/19/2025	ERP	812728 QR7
	8/1/2030	5.620%	4,895,000	5/19/2025	ERP	812728 QS5
Term	8/1/2033	5.840%	15,820,000	5/19/2025	ERP	812728 QT3
Term	8/1/2040	5.890%	44,530,000	5/19/2025	ERP	812728 QU0
Subtotal			$ 87,220,000			

Water System Refunding Revenue Bonds, 2012

	Maturity	Interest Rate	Par Amount	Call Date	Call Price	CUSIP
	9/1/2029	3.000%	$ 10,750,000	8/15/2025	100	812728 SH7
Subtotal			$ 10,750,000			

Water System Improvement and Refunding Revenue Bonds, 2015

	Maturity[(3)]	Interest Rate	Par Amount	Call Date	Call Price	CUSIP
Serial	5/1/2026	5.000%	$ 20,135,000	8/15/2025	100	812728 TQ6
	5/1/2027	5.000%	17,640,000	8/15/2025	100	812728 TR4
	5/1/2028	5.000%	18,540,000	8/15/2025	100	812728 TS2
	5/1/2029	5.000%	6,300,000	8/15/2025	100	812728 YD9
	5/1/2031	4.000%	10,355,000	8/15/2025	100	812728 TV5
	5/1/2032	4.000%	10,785,000	8/15/2025	100	812728 TW3
	5/1/2033	4.000%	6,760,000	8/15/2025	100	812728 TX1
	5/1/2034	4.000%	7,035,000	8/15/2025	100	812728 TY9
	5/1/2035	4.000%	7,320,000	8/15/2025	100	812728 TZ6
	5/1/2036	4.000%	7,620,000	8/15/2025	100	812728 UA9
	5/1/2037	4.000%	7,935,000	8/15/2025	100	812728 UB7
	5/1/2038	4.000%	8,260,000	8/15/2025	100	812728 UC5
Term	5/1/2045	4.000%	17,580,000	8/15/2025	100	812728 UD3
Subtotal			$146,265,000			
Total			$244,235,000			

(1) Preliminary, subject to change.

(2) 100% of par plus the Extraordinary Redemption Premium. See definition above under "—Refunding Candidates—2010A Bonds."

(3) 2030 maturity and part of 2029 maturity were defeased on August 10, 2022.

Procedure. The City will enter into an Escrow Agreement with U.S. Bank Trust Company, National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds and the payment of Bond issuance costs. The Escrow Agreement will create an irrevocable trust fund to be held by the Escrow Agent and to be applied solely to the payment of the Refunded Bonds and the payment of Bond issuance costs. The net proceeds of the Bonds deposited with the Escrow Agent to be used to refund the Refunded Bonds will be held in cash or invested in noncallable direct obligations of the United States of America or obligations the payment of which is unconditionally guaranteed by the United States of America (the “Acquired Obligations”) that will mature and bear interest at rates sufficient, together with cash held by the Escrow Agent, to pay the principal of and accrued interest on the Refunded Bonds.

Verification of Calculations. The mathematical accuracy of the computations of the Extraordinary Redemption Premium due with respect to the refunding of the 2010A Refunded Bonds and the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Refunding Trustee to pay principal of and interest on all of the Refunded Bonds as identified above will be verified by Causey Public Finance, LLC, independent certified public accountant.

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 Water System and by money in the Parity Bond Account and the subaccounts therein. 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. “Net Revenue” is defined as Gross Revenue less Operating and Maintenance Expense, as defined in the Bond Ordinance. See Appendix A—Summary of Bond Ordinance.

The Bonds are on a parity with the Outstanding Parity Bonds and all Future Parity Bonds, without preference or priority of right or lien.

The City maintains a Reserve Subaccount in the Parity Bond Account. Until the Reserve Covenant Date (defined below), the Reserve Subaccount will secure payment of all Parity Bonds. From and after the Reserve Covenant Date, the Reserve Subaccount will secure only the Covered Parity Bonds. **The Bonds are not designated as Covered Parity Bonds**. Depending on market conditions, the Reserve Covenant Date may occur on the Closing Date and the Bonds will not be secured by the Reserve Subaccount. If the Reserve Covenant Date does not occur on the Closing Date, the Bonds will initially be secured by the Reserve Subaccount, but will cease to be secured by the Reserve Subaccount as of the Reserve Covenant Date. See “—Reserve Subaccount” below.

The City has covenanted that for as long as any Bond is outstanding, it will not issue any other revenue obligations (or create any special fund or account therefor) which will have a priority over or which will rank on a parity of lien with the payments required in respect of the Parity Bonds and that it will issue Future Parity Bonds only in accordance with the Bond Documents. See “—Additional Obligations” and Appendix A—Summary of Bond Ordinance.

The City has reserved the right to combine the Water 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 Water System, are pledged to the payment of the Bonds.

The Parity Bond Account has been created and is maintained as a separate account within the Water Fund for the sole purpose of paying the principal of and premium, if any, and interest on the Parity Bonds, including the Bonds, as the same become due. The City has agreed to pay into the Parity Bond Account, on or prior to the respective dates on which principal and interest are payable, all utility local improvement district (“ULID”) assessments on their collection (except for ULID assessments deposited in a construction account) and certain amounts from the Net Revenue of the Water System sufficient to pay such principal and interest when due. See Appendix A—Summary of Bond Ordinance.

Reserve Subaccount[1]

The Reserve Subaccount has been created and maintained as a subaccount within the Parity Bond Account.

The Bond Documents provide that the Bonds will not be designated as Covered Parity Bonds and, consequently, from 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—Summary of Bond Ordinance for definitions of Covered Parity Bonds and Reserve Requirement.

Until the occurrence of the Reserve Covenant Date (defined below), the City has covenanted that it will, so long as any Covered Parity Bonds are outstanding, maintain the Reserve Subaccount at the lesser of (i) Maximum Annual Debt Service on all Parity Bonds outstanding at the time of calculation or (ii) 125% of Average Annual Debt Service on all Parity Bonds outstanding at the time of calculation (the "Reserve Requirement"). 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, Net Revenue in no more than five annual installments, or a Reserve Security. See Appendix A—Summary of Bond Ordinance.

From and after the Reserve Covenant Date (as defined below), 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 Ordinance, the Reserve Covenant Date is defined as the earlier of (a) the date on which the City has obtained consents of 60% of the Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds (all or a portion of which are Refunding Candidates) have been redeemed or defeased: the 2010A Bonds, the Water System Refunding Revenue Bonds, 2012, and the Water System Improvement and Refunding Revenue Bonds, 2015.

If the Reserve Covenant Date has not occurred on or before the issue date of the Bonds, purchasers of the Bonds will be deemed to have given their consent as of the issue date for the Bonds and will be added to the consents previously obtained at the issuance of certain of the Outstanding Parity Bonds and any other consents obtained in the future. See Table 4, Note 2.

Upon the issuance of the Bonds, if the Reserve Covenant Date has occurred, the City expects to apply some or all of the amounts previously held in the Reserve Subaccount to carry out the refunding of the Refunded Bonds and potentially no balance would remain in the Reserve Subaccount. If the Reserve Covenant Date has not occurred, the Reserve Subaccount is expected to be funded as shown in Table 3.

Under the Bond Documents, a Reserve Security may be used to satisfy the Reserve Requirement if the issuer was assigned a credit rating in the two highest rating categories at the time such security or qualified insurance was issued or acquired by the City. Each of the securities listed in the table above met that requirement at the time it was issued or acquired by the City. See Appendix A—Summary of Bond Ordinance for definitions of Reserve Security and Qualified Insurance.

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(1) Preliminary, subject to change. If market conditions on the pricing date permit the refunding of all of the Refunding Candidates (or a sufficient portion thereof to trigger the Reserve Covenant Date), this section will be revised to reflect that the Reserve Covenant Date has occurred as of the date of redemption or defeasance of the Refunding Dates on the closing date for the Bonds.

TABLE 3
RESERVE SUBACCOUNT SUMMARY

Surety Provider	Surety Bonds	Expiration Date	Current Ratings Moody's	Current Ratings S&P
NPFG[1]	$3,783,202	08/01/2026	Baa2	NR
AMBAC	5,397,000	10/01/2027	Withdrawn	
NPFG[1]	4,431,090	03/01/2029	Baa2	NR
NPFG[1]	9,440,403	07/01/2029	Baa2	NR
NPFG[1]	1,279,360	11/01/2031	Baa2	NR
NPFG[2]	4,256,356	09/01/2033	Baa2	NR
NPFG[2]	3,474,371	09/01/2034	Baa2	NR
Assured Guaranty[3]	3,110,214	02/01/2037	A3	AA
Total Surety Bonds	$35,171,996			
Cash Deposits				
Existing Cash Deposit	26,342,737			
Total Cash and Surety Bonds	$61,514,733			
Reserve Fund Requirement[4]				

(1) National Public Finance Guarantee Corp., a wholly-owned subsidiary of MBIA, Inc. ("NPFG"). Surety originally provided by Financial Guaranty Insurance Company.

(2) Surety originally provided by MBIA.

(3) Surety originally provided by Financial Security Assurance Inc.

(4) Preliminary, subject to change.

Outstanding Parity Bonds

The outstanding 2010A Bonds (which are the 2010A Refunding Candidates); 2012 Bonds (which are the 2012 Refunding Candidates); 2015 Bonds (which are the 2015 Refunding Candidates); Water System Improvement and Refunding Revenue Bonds, 2017 (the "2017 Bonds"); Water System Improvement and Refunding Revenue Bonds, 2021 (Green Bonds) (the "2021 Bonds"); Water System Improvement and Refunding Revenue Bonds, 2022 (Green Bonds) (the "2022 Bonds"); and Water System Improvement Revenue Bonds, 2024 (the "2024 Bonds"), issued by the City and secured by revenues of the Water 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.

TABLE 4
OUTSTANDING PARITY BONDS

Bond Description	Original Par Amount	Outstanding Principal as of 12/31/2024
2010A Bonds(1)	$ 109,080,000	$ 87,220,000
2012 Bonds(1)	238,770,000	10,750,000
2015 Bonds(1)	340,840,000	168,375,000
2017 Bonds	194,685,000	154,935,000
2021 Bonds(2)	82,220,000	73,015,000
2022 Bonds(2)	93,260,000	66,165,000
2024 Bonds(2)	68,765,000	68,765,000
Total	$ 1,127,620,000	$ 629,225,000

(1) Covered Parity Bonds. Refunding Candidates.

(2) Consented to the amendments to the Reserve Requirement described above under "—Reserve Subaccount."

State Loan Program Obligations

The City has seven currently outstanding agreements with the Washington State Department of Ecology ("Ecology") for low interest rate loans. These loans were provided through the State's Drinking Water State Revolving Fund ("DWSRF") program, which is funded with a combination of State and federal Clean Water Act dollars. The loans are used by the City to pay for the construction of capital improvements.

The City's currently outstanding loans are identified in the table below. All outstanding loans are secured by a lien on Net Revenue of the Water System that is junior to the lien of the Parity Bonds. The documents for each loan differ slightly from one another in various respects. While some of the programmatic documents contain language purporting to permit acceleration, the State Attorney General's Office has indicated that none of these provisions would be enforced in the event of a default. Certain of the loan documents and a State statute relating to the revolving fund loans funded by federal grants purport to permit the State to recapture loan debt service payments from other funds payable to the borrower by the State to make the revolving fund whole in the event of a payment default. It is not clear whether such a provision would be enforceable or, if such recapture were to occur, what funds would be charged or how it would be treated from an accounting standpoint.

For a discussion of certain risks related to federally funded programs (including those administered by the State), see "Other Investment Considerations—Federal Policy Risk and Other Federal Funding Considerations."

TABLE 5
STATE LOAN PROGRAM OBLIGATIONS[(1)]
(AS OF DECEMBER 31, 2024)

Facility	Year of Agreement	Maturity	Amount Outstanding	Interest Rate
Myrtle Reservoir	2005	2025	$ 224,444	1.50%
Beacon Hill Reservoir	2007	2026	425,263	1.50%
West Seattle Reservoir	2008	2027	478,421	1.50%
Maple Leaf Reservoir	2010	2029	806,749	1.50%
Maple Leaf Reservoir ARRA	2010	2032	2,936,703	1.00%
Chester Morse Lake Pump Plant	2014	2037	7,878,000	1.50%
Chester Morse Lake Pump Plant	2016	2036	3,827,368	1.50%
Total			$ 16,576,949	

(1) The City was awarded two loans for Bitter Lake Reservoir improvements on December 27, 2024. The first loan is in the principal amount of $12 million, bearing interest at a rate of 1.75% over a 24-year term, and is eligible for approximately $5.8 million of loan forgiveness. The second loan is in the principal amount of $3.03 million, bearing interest at a rate of 2.25% over a 20-year term. The loans are draw-down loans, and the City expects to begin drawing upon the loans over a two-year period beginning in 2025 and expects to begin repayment in approximately 2027. For a discussion of certain risks related to federally funded programs (including those administered by the State), see "Other Investment Considerations—Federal Policy Risk and Other Federal Funding Considerations."

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 Water 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—Summary of 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, 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—Summary of Bond Ordinance.

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. The Bond Ordinance provides that purchasers of the Bonds have consented to the adoption by the City of future supplemental or amendatory ordinances or resolutions that would permit the City to treat reimbursement obligations under a Qualified Letter of Credit or Qualified Insurance (excluding Reserve Securities) as Parity Payment Agreements. See Appendix A—Summary of Bond Ordinance.

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 water supply, transmission, or other commodity or service. The City may determine that all payments under those Contract Resource Obligations (including payments prior to the time such supply or service is being provided or during suspension or after termination of supply or service) will be an Operation and Maintenance Expense, upon compliance with certain requirements of the Bond Documents. See Appendix A—Summary of Bond Ordinance.

Rate Covenant

The City has covenanted to establish, maintain, revise as necessary, and collect rates and charges for water service that will produce Adjusted Net Revenue of the Water System in each fiscal year at least equal to the Coverage Requirement. The definitions of Adjusted Gross Revenue and Adjusted Annual Debt Service in the Bond Documents provide for adjustments for deposits to and withdrawals from the Revenue Stabilization Subfund and for ULID Assessments. See Appendix A—Summary of Bond Ordinance.

Revenue Stabilization Subfund

The Revenue Stabilization Subfund was originally created by the City as a separate account in the Water Fund named the "Rate Stabilization Account" pursuant to Ordinance 116705 and was subsequently renamed the "Revenue Stabilization Subfund" by Ordinance 120875. The City may at any time, as determined by the Director of Finance, deposit in the Revenue Stabilization Subfund Gross Revenue and any other money received by the Water 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 Revenue Stabilization Subfund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

As of December 31, 2024, the balance in the Revenue Stabilization Subfund was $52.6 million. See "Water System—Financial Policies" and Appendix A—Summary of Bond Ordinance.

Other Covenants

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

Consent to Future Covenant Amendments

The Bond Ordinance provides that purchasers of the Bonds, by purchasing and holding the same, have given their consent to certain amendments to the covenants described herein. See "—Reserve Subaccount" above and Appendix A—Summary of Bond Ordinance—Section 24(g) (Special Amendments).

In addition to the amendment to the Reserve Covenant (described above), these additional special amendments include changes to the covenants that would provide:

- 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.
- 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.
- 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.

Separate Utility Systems

The City has reserved the right to create, acquire, construct, finance, own, or operate one or more additional systems for water supply, transmission, or other commodity or service. The revenue of the separate utility system will not be included in Gross Revenue, and may be pledged to the payment of revenue obligations issued for the purposes of the separate system. Neither Gross Revenue nor Net Revenue of the Water System will be pledged to the payment of any obligations of the separate 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.

Combined Utility Systems

The City has reserved the right to combine the Water System with other City utility systems, including their funds and accounts. See the definition of "Municipal Water System" in Appendix A—Summary of Bond Ordinance. 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 Water System as of December 31, 2024, along with the addition of debt service on the new-money portion of the Bonds. It does not reflect the refunding of any of the Refunding Candidates, which is dependent on market conditions.

TABLE 6
DEBT SERVICE REQUIREMENTS AS OF DECEMBER 31, 2024[1]

	Outstanding Parity Bonds[2]			The Bonds			Total	State Loan Program	Total
Year	Principal	Interest	Total	Principal	Interest	Total	Parity Bonds	Obligations[3]	Debt Service
2025	$ 47,205,000	$ 29,161,109	$ 76,366,109			$ -	$ 76,366,109	$ 2,283,905	$ 78,650,014
2026	45,230,000	26,833,077	72,063,077			-	72,063,077	2,030,548	74,093,625
2027	43,550,000	24,618,301	68,168,301			-	68,168,301	1,792,369	69,960,670
2028	41,705,000	22,397,668	64,102,668			-	64,102,668	1,610,538	65,713,206
2029	43,415,000	20,594,758	64,009,758			-	64,009,758	1,590,573	65,600,331
2030	33,835,000	18,899,104	52,734,104			-	52,734,104	1,409,257	54,143,361
2031	35,320,000	16,969,905	52,289,905			-	52,289,905	1,391,712	53,681,617
2032	33,910,000	15,333,083	49,243,083			-	49,243,083	1,374,167	50,617,250
2033	30,825,000	13,935,915	44,760,915			-	44,760,915	989,534	45,750,449
2034	26,805,000	12,571,267	39,376,267			-	39,376,267	975,660	40,351,927
2035	25,015,000	11,359,360	36,374,360			-	36,374,360	961,786	37,336,145
2036	26,040,000	10,213,339	36,253,339			-	36,253,339	947,912	37,201,250
2037	27,105,000	9,020,365	36,125,365			-	36,125,365	615,090	36,740,455
2038	22,295,000	7,778,745	30,073,745			-	30,073,745	-	30,073,745
2039	16,830,000	6,850,688	23,680,688			-	23,680,688	-	23,680,688
2040	17,520,000	6,012,401	23,532,401			-	23,532,401	-	23,532,401
2041	10,890,000	5,139,800	16,029,800			-	16,029,800	-	16,029,800
2042	11,365,000	4,664,500	16,029,500			-	16,029,500	-	16,029,500
2043	11,855,000	4,168,300	16,023,300			-	16,023,300	-	16,023,300
2044	12,370,000	3,650,450	16,020,450			-	16,020,450	-	16,020,450
2045	12,920,000	3,109,750	16,029,750			-	16,029,750	-	16,029,750
2046	10,545,000	2,603,650	13,148,650			-	13,148,650	-	13,148,650
2047	5,050,000	2,133,750	7,183,750			-	7,183,750	-	7,183,750
2048	5,305,000	1,881,250	7,186,250			-	7,186,250	-	7,186,250
2049	5,570,000	1,616,000	7,186,000			-	7,186,000	-	7,186,000
2050	5,845,000	1,337,500	7,182,500			-	7,182,500	-	7,182,500
2051	6,140,000	1,045,250	7,185,250			-	7,185,250	-	7,185,250
2052	6,445,000	738,250	7,183,250			-	7,183,250	-	7,183,250
2053	4,060,000	416,000	4,476,000			-	4,476,000	-	4,476,000
2054	4,260,000	213,000	4,473,000			-	4,473,000	-	4,473,000
2055	-	-	-			-	-	-	-
Total	$ 629,225,000	$ 285,266,534	$ 914,491,534	$ -	$ -	$ -	$ 914,491,534	$ 17,973,051	$ 932,464,584

NOTES TO TABLE:

(1) Totals may not add due to rounding.

(2) Includes the Refunding Candidates. Does not reflect the 35% federal interest rate subsidy associated with the 2010A Bonds. See "—Treatment of Tax Credit Subsidy Payments Under the Bond Documents" and "—Consent to Future Covenant Amendments."

(3) These loans are secured by a lien on Net Revenue of the Water System that is junior to the lien of the Parity Bonds.

Treatment of Tax Credit Subsidy Payments Under the Bond Documents

Tax Credit Subsidy Bond Payments[(1)]. The 2010A Bonds, which are designated as the 2010A Refunding Candidates, were issued as Build America Bonds. The Bond Documents authorizing the Outstanding Parity Bonds and the Bonds do not currently permit the City to net the Tax Credit Subsidy Payments received out of its calculation of Annual Debt Service for purposes of calculating whether the Coverage Requirement has been met, or to include the payments expected to be received as Gross Revenue for purposes of meeting the test for issuing Future Parity Bonds. The City includes the amounts actually received in respect of Tax Credit Subsidy Payments as "Other Income" in calculating current compliance with the Coverage Requirement.

The Bond Ordinance provides that purchasers of the Bonds have consented to the adoption by the City of future supplemental or amendatory ordinances or resolutions that would permit the tax credit subsidy payments to be netted against debt service to be paid in the future. See "—Consent to Future Covenant Amendments" and Appendix A—Summary of Bond Ordinance—Section 24(g).

Effect of Federal Sequestration on Tax Credit Subsidy Payments. With respect to the City's outstanding 2010A Bonds, the City is eligible for a tax credit subsidy payment of 35% of each interest payment due. As a result of federal sequestration, the interest subsidy payments from the federal government that came due in federal fiscal year 2024 were reduced by 5.7% ($104,432), and payments in federal fiscal year 2025 will also be reduced by 5.7% ($100,240). The City has sufficient cash available in the Water Fund to make timely debt service payments through its 2025 budget cycle. The City cannot predict how future federal legislative or budgetary measures could adversely affect the amount of the subsidy payment to the City.

The sequestration provisions of the Budget Control Act of 2011 ("BCA 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 (including the 2010A Bonds). Since BCA Sequestration began, rates have ranged from 8.7% in FFY 2013 to 5.7% in FFY 2024. The City can give no assurance regarding the level of subsidy payments it will receive in the future, or the likelihood of the further reduction or elimination of the subsidy payments for direct-pay bonds in the event of additional sequestration measures or as a consequence of a federal default on debt payments. The City does not currently expect BCA Sequestration to materially adversely affect its ability to make debt service payments in the current or future years.

In addition, in connection with certain of the City's outstanding Build America Bonds, the Internal Revenue Service ("IRS") has an outstanding credit owed to the City that has not been refunded in the amount of $2 million, a portion of which is attributable to Tax Credit Subsidies claimed with respect to the 2010A Bonds. As a result of IRS errors and delays in processing of certain payroll taxes due, the IRS initially withheld these amounts from Tax Credit Subsidy payments due to the City. The City has provided the IRS with City payroll tax related documentation to address the prior year errors and credit the funds to the City, but the issue remains outstanding. The City cannot predict when these funds may be received and whether such delays or errors in processing of payments from the IRS could occur in the future.

See also "Other Considerations—Federal Policy Risk and Other Federal Funding Considerations."

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(1) Preliminary, subject to change. This section will be adjusted in the final Official Statement, based on whether all of the 2010A Refunding Candidates are selected for redemption.

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 Water System, including the Water Fund, with other City utility systems, funds, and accounts in the future. The City also has reserved the right to combine the Drainage and Wastewater System (including the Drainage and Wastewater Fund) and the Solid Waste System (including the Solid Waste 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 and planning, corporate performance, communications, and intergovernmental relations, and six Executive Branches. Of these six Executive Branches, People, Culture, and Community provides City-wide services; Financial and Risk Services and Project Delivery and Engineering provide utility-wide services; and Drainage and Wastewater, Solid Waste, and Water are lines of business. SPU's organizational structure has been created through strategic business planning activities and priorities across multiple years. See "—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.

Andrew Lee, PE, PMP, General Manager/Chief Executive Officer. Mr. Lee joined SPU in 2019 and currently 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. He has more than 25 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 on the boards of the Water Research Foundation and the National Association of Clean Water Agencies. Mr. Lee has a bachelor's degree in Civil and Environmental Engineering and a Master of Science 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.

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 a Master of Business Administration degree in Finance and a Ph.D. in Latin American Literature from the University of Washington.

Idris Beauregard, Chief Administrative Officer/Deputy Director of People, Culture, and Community. Mr. Beauregard oversees the Corporate Performance, Human Resources, Customer Care, and Clean Cities divisions. He has been with the City for more than 20 years. He began his City career at Seattle Parks and Recreation and joined SPU in 2013. Prior to taking on the deputy director role, he was the Clean City Division Director, overseeing illegal dumping and graffiti response, as well as encampment trash, sharps, RV remediation, homelessness, and litter abatement 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 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.

Ellen Stewart, Deputy Director for Drainage and Wastewater Line of Business. Ms. Stewart oversees planning, program management, regulatory compliance, operations and maintenance, source control, and pollution prevention for the Drainage and Wastewater line of business. She started with SPU in 2001 as a Source Control Inspector and most recently served as the Division Director for the Source Control and Pollution Prevention Division, which includes regulatory compliance functions such as stormwater and wastewater source control, as well as outreach and engagement programs. Her expertise includes ensuring systems and processes are designed for efficiency and innovation. Ms. Stewart has a Bachelor of Science degree in Aquatic Resources from the University of Vermont.

Jeff Fowler, PE, Deputy Director for Solid Waste Line of Business. Mr. Fowler is the Deputy Director of the Solid Waste line of business. He 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 more than 25 years. Most recently, he was the Director of SPU Construction Management, responsible for contract administration and quality assurance on capital improvements. 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, Deputy Director for Water Line of Business and Utility Operations and Maintenance Branch. As the Deputy Director for the Water Line of Business and Utility Operations and Maintenance Branch 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 Utility Operations and 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.

Andrew Greenhill, Chief of Staff, Office of the General Manager. As the Chief of Staff for the Office of the General Manager since late 2023, Mr. Greenhill supervises the three divisions in the General Manager's office: Community Affairs, Corporate Planning and Policy, and Government Relations and Legislative Affairs. Prior to joining SPU, he served the City of Tucson for 24 years, including 13 years as Chief of Staff, Office of the Mayor, three years as Assistant to the City Manager, and eight years as Intergovernmental Relations Manager for the City of Tucson and the Tucson Water Utility. Mr. Greenhill has a Bachelor of Arts degree in English from Vassar College and a Master of Arts degree in English from the University of Arizona.

Employment Retirement System and Employee Relations

As of December 31, 2024, SPU had approximately 1,403 regular employees, approximately 83% of whom are represented under one of 14 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 employer contributions equal to an actuarially determined percentage of covered payroll. See "The City of Seattle—Pension Plans."

Climate Change

Climate change is projected to have wide-ranging impacts in the Central Puget Sound, including, but not limited to, shifts to the region's water and hydrologic cycle, increases in air temperature, and rising water levels along the marine shoreline. Each of SPU's lines of business is working to assess the implications of a changing climate on the utility's assets, services, and business functions and to develop 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 implementation. SPU maintains on its website an interactive map of sea level rise, modeling projections at levels from two feet to five feet, which is the range projected for the year 2100. SPU also maintains a carbon neutrality initiative, focused on reducing greenhouse gas emissions from utility operations, including producing an annual greenhouse inventory of gas emissions from SPU's operations.

SPU is in the midst of a multi-year effort to model and understand future water supply system uncertainties and vulnerabilities and to develop an adaptive management strategy for meeting supply system objectives under a range of future scenarios, including climate impacts. In partnership with SPU's climate policy team, the Water Planning and Program Management Division has conducted detailed climate impact assessments of the water supply since 2002, with the most recent study completed in 2018. The operational adaptation strategies in the 2019 Water System Plan indicated that significant investments in new sources of water supply would not be required to address potential climate change impacts until approximately 2060. See "Water System—Future Water Supply and Conservation."

In 2018, SPU completed a climate vulnerability assessment and recommended actions to improve resilience to floods, drought, and wildfire. Key recommendations included forest adaptation strategies such as thinning and planting diverse climate-adapted species and improving road crossings over streams to ensure capacity for peak flow flood events. SPU conducts wildfire risk management on an ongoing basis, with successful prevention and suppression programs, and continues to assess how wildfire risk may change with longer, warmer summers and the consequent impacts on water quality and supply to ensure appropriate post-wildfire response strategies. SPU has developed a Forest Management Plan for the Cedar River Watershed that advances multiple objectives, including climate adaptation of forest ecosystems and wildfire risk reduction around critical assets.

SPU is a founding member of the Water Utility Climate Alliance, comprised of 12 of the nation's largest urban water utilities, which collaborates on climate science, applied research, and adaptation. The utility is also active in regional and national climate policy development and leadership focused on urban water resilience via the Puget Sound Climate Preparedness Collaborative, King County—Cities Climate Collaboration, the Association of Metropolitan Water Agencies, and the U.S. Water Alliance. These partnerships inform and advance SPU's climate resilience planning.

See "The City of Seattle—Climate Change" for a discussion of the response of the City as a whole to climate change.

Emergency Operations Plan and Incident Response

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 maintains a suite of preparedness and response plans that include utility-wide plans such as the SPU Emergency Operations Plan and Continuity of Operations Plan, as well as hazard- and service-specific plans like the Solid Waste Line of Business Emergency Response Plan, the Water Line of Business Emergency Response Plan, and the Drainage and Wastewater Line of Business Emergency Response Plan. These plans are resourced and implemented through SPU's Comprehensive Emergency Management Program, which includes Planning, Training and Exercise, Logistics, Outreach, and Response Readiness activities. The SPU Emergency Management Program coordinates its activities as directed and needed with the National Incident Management System, the Seattle Office of Emergency Management, King County Emergency Management, the Washington State Emergency Management Division, and other governmental and nongovernmental partners.

Tolt River Dam Early Warning System. The City owns and operates the Tolt Reservoir and Dam, located 16 miles upstream from the City of Carnation on the South Fork Tolt River, which provides drinking water and a small hydroelectric plant operated by Seattle City Light. To enhance the safety of residents living near the dam, the City operates the Tolt Dam Early Warning System ("TDEWS"), designed to alert residents to evacuate in the unlikely event of a catastrophic failure. A warning system was first implemented by King County (the "County") in 1978 and was transferred to the City in 1981, who subsequently improved the network. The most recent replacement of the TDEWS system was expected to be completed during 2024. In March 2024, however, the newly upgraded system experienced an event in which the weekly test of the warning siren occurred two hours earlier than expected because the software vendor failed to schedule the test in the appropriate time zone. The issue has been resolved with the vendor. In the meantime, SPU has deactivated TDEWS and is working closely with the City of Carnation on continuous monitoring and inspection. Until resolved, the siren warning system has been disabled and SPU's 24/7 staff combined with wireless emergency alerts and Reverse 911 calls to landlines serve to supplement general City and County emergency warning and disaster response systems. SPU has hired a panel of third-party experts to review the TDEWS and provide suggestions and a path forward for the project. The results of the assessment are expected to be shared in the summer of 2025.

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 Policy and Risk and Quality Assurance Board, which consists of the SPU General Manager, the Executive Team, program staff, 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 prepared for emergencies, incidents, and disasters.

Emergency Management and Security. The Emergency Management program uses an all-hazards approach to identify and analyze risks to the utility's critical assets and systems and to invest in the development and resourcing of emergency plans, training employees, and exercising plans for improved response. See "The City of Seattle—Risk Management" for a discussion of City-wide risk management practices.

SPU's security program specific to its infrastructure is based on a layered-defense system, to deter, detect, delay, and respond. It is comprised of fencing, a key management system, cyber locks (for certain assets), security guard patrols, and an integrated system that includes access control devices, door and hatch contacts, alarms, closed circuit television, and around-the-clock monitoring for all critical water system assets. Additional physical security measures are in place at the Cedar River and South Fork Tolt Watersheds to provide access control for 100,000 acres of source supply watershed lands, built assets, and workforce facilities. SPU conducts vulnerability and risk assessments, invests in mitigation and security countermeasures, and partners with local, State, and federal agencies to coordinate planning and response activities.

SPU has developed and equipped a wildland fire crew to attack and suppress wildland fires that may threaten the Cedar River or South Fork Tolt Watersheds. This crew serves as initial attack for wildfires on watershed lands and serves as a regional resource per agreement with Washington Department of Natural Resources, which is the lead firefighting agency in the state. The SPU wildland fire crew can serve as a resource off watershed lands, reimbursable by the requesting agency, which allows for critical fire line training experience.

See "The City of Seattle—Risk Management" for a discussion of the City's risk management practices.

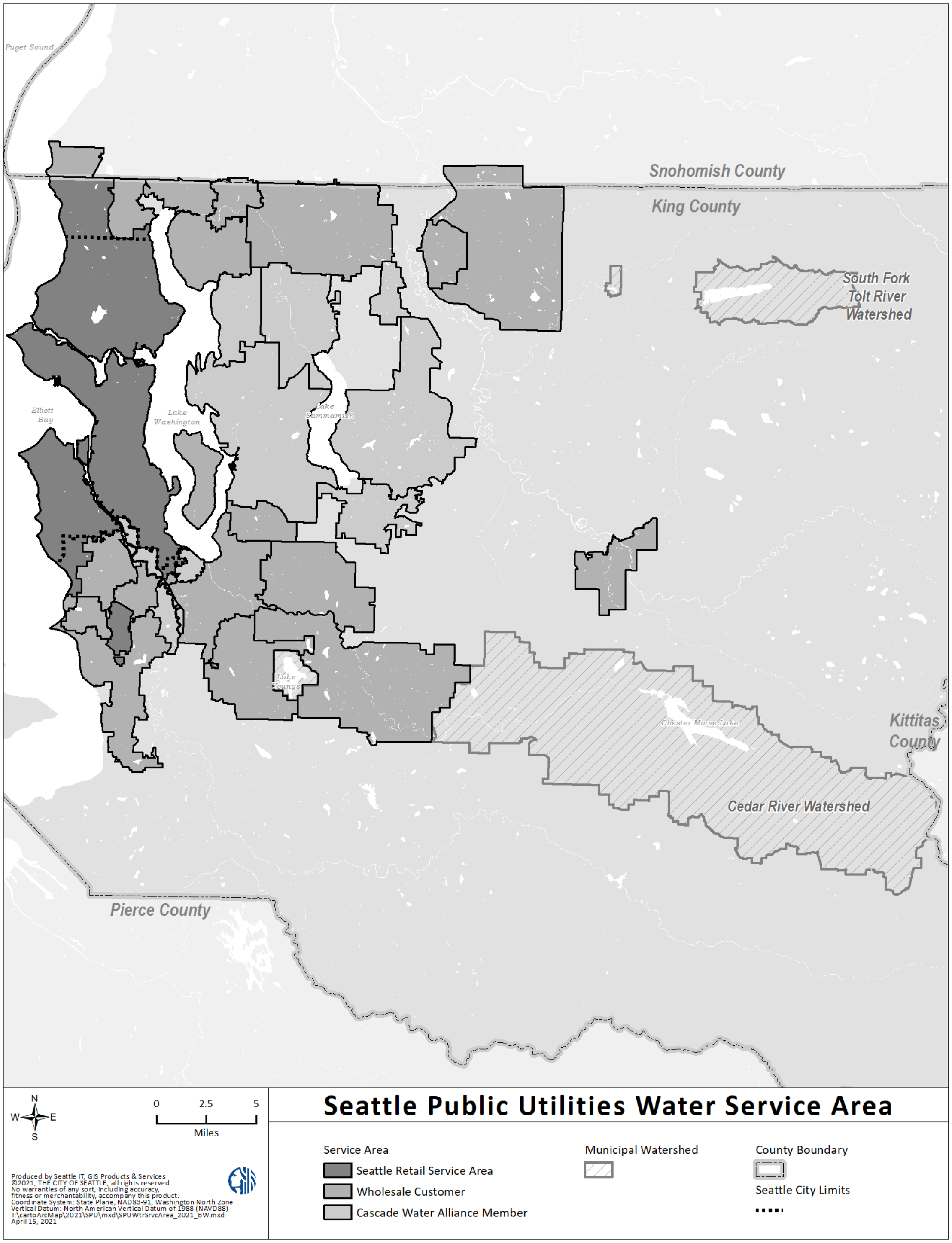
Strategic Business Plan

In 2023 through 2024, SPU worked with customers and employees to update the Strategic Business Plan to guide its work from 2025 through 2030. The Strategic Business Plan is a six-year plan updated triennially. The Strategic Business Plan update outlines new investments, cost savings, and a retail rate path for the six-year period, and is an update of the 2021-2026 Plan. The Strategic Business 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 September 2024. Through that adoption, the Council endorsed an average annual rate increase of 4.7% for all funds taken together.

WATER SYSTEM

General

The Water System was established in 1890. It currently includes two watershed sources of supply east of the City, the Cedar River Watershed and the South Fork Tolt Watershed, which comprise more than 100,000 acres of mountainous forest lands, and two small well fields located immediately north of the Seattle-Tacoma International Airport (the "Seattle Well Fields"), as well as approximately 1,800 miles of pipeline and 327 million gallons ("MG") of storage capacity in treated water transmission and distribution reservoirs. The Water System's service area includes retail service to Seattle and portions of the Cities of Shoreline, Burien, Lake Forest Park, Mercer Island, and SeaTac, as well as a portion of unincorporated King County (the "Direct Service Area"), and wholesale service to areas served by 17 suburban water districts and municipalities plus the Cascade Water Alliance ("Cascade") (together, the "Wholesale Customers") in King County and south Snohomish County. See "Wholesale Customer Contracts" for a discussion of contracts with Wholesale Customers. The population of the Water System's Direct Service Area is approximately 863,000, and the population indirectly served through the Wholesale Customers is approximately 795,000. The map below shows the Direct Service Area and the locations of the Wholesale Customers. A summary of operating statistics for the Water System follows.



Puget Sound
Snohomish County
King County
South Fork Tolt River Watershed
Elliott Bay
Lake Washington
Lake Sammamish
Lake Youngs
Chester Morse Lake
Kittitas County
Cedar River Watershed
Pierce County
N
W
E
S
0
2.5
5
Miles
Seattle Public Utilities Water Service Area
Service Area
Seattle Retail Service Area
Wholesale Customer
Cascade Water Alliance Member
Municipal Watershed
County Boundary
Seattle City Limits
Produced by Seattle IT, GIS Products & Services
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No warranties of any sort, including accuracy, fitness or merchantability, accompany this product.
Coordinate System: State Plane, NAD83-91, Washington North Zone
Vertical Datum: North American Vertical Datum of 1988 (NAVD88)
T:\cartoArcMap\2021\SPU\mxd\SPUWtrSrvcArea_2021_BW.mxd
April 15, 2021

TABLE 7
WATER SYSTEM OPERATING STATISTICS

	2020	2021	2022	2023	2024
Population Served					
Retail	820,000	820,000	826,000	843,000	863,000
Wholesale[(1)]	741,000	741,000	749,000	765,000	795,000
Total Population Served	1,561,000	1,561,000	1,575,000	1,608,000	1,658,000
Water Sales Revenues ($000) [(2)(3)]					
Retail	$ 207,590	$ 213,552	$ 221,191	$ 230,721	$ 234,766
Wholesale	56,782	57,362	56,242	59,043	59,922
Total Water Sales Revenues	$ 264,372	$ 270,914	$ 277,432	$ 289,764	$ 294,688
Billed Water Consumption (MG) [(3)]					
Retail	18,882	19,522	19,560	19,914	19,719
Wholesale	21,849	23,328	22,770	23,368	22,989
Total Billed Water Consumption	40,731	42,850	42,330	43,282	42,708
Operating Costs ($ per MG)	$ 5,240	$ 5,184	$ 5,316	$ 5,958	$ 6,156
Gallons Used per Day per Capita	71	75 [(4)]	74	74	71
Retail Meters in Use	198,726	200,152	200,706	201,847	202,173
Number of New Retail Meters	979	1,426	554	1,141	326
Total Water Diversions from Sources (MGD)	118.2	124.9	123.6	125.7	124.1
Non-Revenue	7.0	7.3	7.6	6.9	7.0
% Non-Revenue	5.9	5.9	6.2	5.5	5.6

(1) Estimated population served by SPU's water supply. Because some Wholesale Customers obtain some of their water from sources other than SPU, this number is less than the total population of the shaded areas on the map on the previous page.

(2) Calculated on a revenue basis. Revenues represent payments from customers for service provided at published rates in each year as well as contractual payments from certain Wholesale Customers. Wholesale Customers pay a rate that represents only the costs of the regional system, while retail customers pay rates that cover the entire distribution system, which is expensive relative to the regional component. Revenues shown do not include the impact(s) of transfers to the Revenue Stabilization Subfund or other credits or deferrals of income. See Table 16—Water System Operating Results.

(3) Revenue fluctuations have resulted from increases in rates and seasonal consumption, where SPU utilizes an increasing step rate structure. Variations in billed water use are primarily associated with year-to-year variations in temperature and precipitation in the summer irrigation period. There has been no significant change in the geographic area served.

(4) Gallons used per day per capita in 2021 uses the population from 2020; 2021 population data were not collected due to COVID-19 pandemic-related staffing issues at the U.S. Census Bureau.

Source: Seattle Public Utilities

Comprehensive Planning

The SPU Water System Plan (the "Water System Plan") is a 20-year comprehensive plan for the Water System, which is updated every ten years on a rolling basis. The Water System Plan provides guidance for planning and operating the Water System and includes objectives for the next 20 years in the areas of water quality and treatment, maintenance and rehabilitation of transmission, distribution, and water resource assets, and water resources (ability to meet forecasted demand with available water resources, including water conservation).

SPU released the Public Review Draft of the 2019 Water System Plan on March 12, 2018. The Water System Plan, which reflects comments received from the public, was adopted by Ordinance 125687 in October 2018, and was approved by the County and the State Department of Health ("DOH") in 2019. It is valid until 2029.

In addition to the Water System Plan, SPU's seismic mitigation program is reducing the impact of seismic activity on system reliability. See "Seismic Impact on System Reliability."

Water Supply

The Water System's two surface water supply diversions are located on the Cedar River and on the South Fork of the Tolt River, each approximately 25 miles east of Seattle. The watershed areas upstream of the water supply intakes on these two rivers consist of approximately 104,000 acres of forest land in the Cascade Mountains of western Washington. Rainfall in the watersheds averages in excess of 100 inches annually. The snowpack at higher elevations averages five feet per year. Raw water storage capacity is 47,000 acre-feet in the Cedar River Watershed and approximately 56,000 acre-feet in the South Fork Tolt Watershed. A newly constructed floating pumping plant and refurbished existing barge-mounted pumping plant on Chester Morse Lake in the Cedar River Watershed provide access to an additional 27,000 acre-feet of stored water.

The City has diverted water from the Cedar River for use by the Water System since 1901. The City acquired this right by purchase, riparian right, appropriation, and other applicable laws. This claim of water rights, its relationship to instream flow requirements, and the effect of the City's diversion dam in blocking the passage of anadromous fish have been addressed in the Cedar River Watershed Habitat Conservation Plan (the "HCP"), a comprehensive, 50-year set of legal agreements with State and federal governments signed in 2000. See "—Endangered Species Act" for further information relating to the HCP. In 2006, in a comprehensive settlement with the Muckleshoot Indian Tribe regarding the Cedar River Watershed, the City agreed to further limits on its annual diversions. The agreement resolved long-standing issues between the City and the Muckleshoot Indian Tribe and strengthened the status of the City's water rights on the Cedar River. As part of the agreement, the City agreed to dedicate that portion of its water right above 124 million gallons per day ("MGD") to instream flows and to certain limits on its annual diversions from the Cedar River in perpetuity. In 2016, Ecology accepted the City's 35-year donation of a portion of its Cedar River Water Right Claim, 22,403 acre-feet per year, into the Washington State Trust Water Right Program, administered by Ecology. The donation satisfied the City's commitment to dedicate these flows to benefit instream flows.

The South Fork Tolt Reservoir, which came online in 1964, provides 18.3 billion gallons (approximately 56,000 acre-feet) of storage. The City's water rights on the South Fork of the Tolt River were established by permits for water storage and water diversion granted by the State in 1957, with a priority date of July 14, 1936. The reservoir storage certificate was issued in 2003, but the diversion water right remains in permit status. The City's diversions from the South Fork of the Tolt River are not subject to instream flow restrictions established in 1979 for the Snohomish River under the Instream Resources Protection Program because of the earlier priority date. However, in 1989, the Federal Energy Regulatory Commission granted a 40-year license to Seattle City Light to build a hydroelectric power plant on the South Fork of the Tolt River, resulting in modifications to the terms of the original water permits, including the establishment of minimum instream flows. In 1997, Seattle City Light documented the full beneficial use of the water needed for the hydropower plant and received a certificate of water right. See "—Endangered Species Act." The watershed lands and road network are managed under the South Fork Tolt River Municipal Watershed Management Plan, which was completed in 2011.

In addition to the major surface water supplies, the City operates two small well fields in the City of SeaTac to provide drought capacity and emergency supply, as needed, under a temporary water right permit. The Riverton well field has two wells, and the Boulevard Park well field has one well. The three supply wells have a combined capacity of 10 MGD. The wells are operated under temporary permits from Ecology. The City has applied for permits that can be converted into water rights.

The City also has water rights applications on file with Ecology for potential future sources of supply, including the North Fork of the Tolt River and the Snoqualmie Aquifer. An evaluation of specific City water right claims, permits, and applications as called for in DOH planning guidelines indicates that the City does not need to apply for any new water rights within the next 20 years.

See also "Seattle Public Utilities—Climate Change" for a discussion of climate impacts affecting water supply.

Future Water Supply and Conservation

At present, SPU estimates that it has adequate supply resources to meet Water System demands under a wide range of weather conditions. Existing sources of supply owned by the City provide an average annual firm yield of 172 MGD. The current firm yield is based on an update completed in 2016 to include inflow datasets from October 1928 through March 2016 to represent current operating conditions, namely the use of the current spring refill target elevation of 1,563 feet for Chester Morse Lake and the use of a revised monthly demand distribution based upon the actual demand in 2006 through 2014. Annual demand in the service area has averaged approximately 122 MGD since 2010.

Updated for the 2019 Water System Plan, SPU's official water demand forecast is slightly lower than the revised 2013 Water System Plan forecast. The water demand forecast remains considerably lower than SPU's current firm yield of 172 MGD and indicates that no new source of supply is needed before 2060.

In updating the 2019 Water System Plan and as part of determining that no significant investments in new sources are needed before 2060, SPU considered uncertainties associated with demand forecasts and potential impacts that future climate change may have on its water supplies and demands. See "Seattle Public Utilities—Climate Change" for a discussion of potential climate change impacts on the supply system and adaptation strategies.

The total population of retail and wholesale customers in King and south Snohomish Counties currently served by SPU is more than 1.6 million. Since 1990, population has steadily risen in the service area, totaling a 39% increase through 2020. Over the same period, water demand has decreased by 26% due primarily to conservation. Conservation has been encouraged through higher marginal rates in the summer peak season, utility water conservation programs, new State plumbing codes specifying efficiency standards for water fixtures, and improved Water System operations. In addition, the majority of new housing added in recent years has been higher density housing, which tends to use less water per capita.

SPU and 18 Wholesale Customers operate regional conservation programs collaboratively as the Saving Water Partnership. These regional conservation programs provide opportunities for customers within the Direct Service Area and the service areas of participating Wholesale Customers. Additionally, the City has its own water conservation program provides rebates for toilets, common area clothes washers, and aerators to qualifying single-family, multi-family, and institutional low income residential buildings. Customers in the Utility Discount Program are referred to this latter program to help overcome first-cost barriers to installing water efficient fixtures and appliances. See "—Water Rates—Low-Income Assistance."

In 2003, the State Legislature passed a Municipal Water Law that resulted in the adoption of water use efficiency rules set by the DOH. The rules include planning requirements, distribution leakage standards, water use efficiency goal-setting, and performance reporting. SPU and the Saving Water Partnership have had a series of water use efficiency goals since 2003 and consistently met those goals. As documented in the 2019 Water System Plan, the current regional goal is to keep the total average annual retail water use by Saving Water Partnership members under 110 MGD through 2028, despite forecasted population growth, by reducing per capita water use. In 2024, the Saving Water Partnership, with the support of residential and commercial customers, met the goal, using 94.5 MGD.

In addition to new and ongoing conservation programs, several potential water resources were identified in the 2019 Water System Plan, should they be needed in the future. These include:

(i) *Permanent Cedar Drawdown:* Access storage in Chester Morse Lake below elevation 1,532 feet for normal supply using Morse Lake Pump Plant.

(ii) *South Fork Tolt Reservoir Drawdown:* Draw an additional 50 feet to elevation 1,660 feet, the lowest intake level, which may require changes at the Tolt Water Treatment Facility.

(iii) *Lake Youngs Drawdown:* Use 28 feet of storage in Lake Youngs to access an additional 17,390 acre-feet, which will likely require the addition of filtration at the water treatment facilities.

(iv) *North Fork Tolt River Diversion:* Construct a small diversion on the North Fork Tolt in addition to drawdown of the South Fork Tolt to elevation 1,660 feet.

(v) *Snoqualmie Aquifer:* Development of the Snoqualmie Aquifer with a deep well, new river intake, filtration plant, pump station, and an interconnection to SPU's Tolt pipeline.

(vi) *Cedar High Dam:* Construct a new and higher dam at the current Overflow Dike location at the Chester Morse Reservoir.

(vii) *Desalination:* Construct a desalination plant to use saltwater pumped from Puget Sound.

(viii) *Reclaimed Water:* Develop one or more reclaimed water projects to reuse wastewater.

(ix) *Distributed Systems:* Construct multiple small systems throughout the service area to offset potable water use, such as greywater and rainwater harvesting systems.

(x) *Regional Interties:* Construct interties with adjacent regional water suppliers to access water from those sources.

These new resource alternatives vary in the amount of new supply provided, capital and operating costs, and level of effort needed to develop. SPU has not yet selected any of these potential resources for development as a preferred next source of supply.

Endangered Species Act

In 1999, the National Marine Fisheries Service ("NMFS") listed the Puget Sound Chinook salmon, which migrate through waterways within and adjacent to the City, as a "threatened species" under the Endangered Species Act ("ESA"). NMFS subsequently finalized a "4(d) rule" extending the ESA's prohibition against "take" to Puget Sound Chinook salmon. This rule enables jurisdictions to submit plans that, if approved, would limit the application of the general prohibition to activities covered in the plan. Eligible activities include certain municipal, residential, commercial, and industrial development activities, certain road maintenance activities, and certain forestry activities. ESA-listed species within the City's water operational area include not only Chinook salmon, but bull trout, steelhead, northern spotted owls, and marbled murrelets.

In an effort to reduce uncertainty with regard to its largest water supply source, the Cedar River, the City developed the HCP with the U.S. Fish and Wildlife Service and NMFS, among other parties; the HCP was approved in April 2000. The HCP specifies the measures the City will undertake to minimize and mitigate potential impacts on listed species in the Cedar River Watershed. The HCP commits the City to spend about $125 million (in 2024 dollars) to improve conditions for fish and wildlife within the Cedar River Watershed through the year 2050. See "—Watershed Management Policies" and "—Capital Improvement Program." While these measures include commitments to instream flow levels, the Water System's estimated firm yield is not expected to be impacted adversely by the HCP. The incidental take permit, which the City was issued when the HCP was approved, protects the City from ESA liability resulting from potential impacts of the Water System's Cedar River operations on listed species and approximately 76 other species of fish, mammals, birds, and amphibians known to be present and potentially affected by the City's water supply and hydroelectric and land management activities.

The second major Water System supply is drawn from the South Fork of the Tolt River with the aid of a dam. Streamflow downstream from the impoundment is affected by dam operations and water diversions, with potential impacts on Chinook salmon and steelhead, which are both listed under the ESA as threatened. A 2008 study investigating fish populations in the South Fork Tolt Reservoir and its tributaries identified cutthroat trout as the only salmonid species upstream of the South Fork Tolt Dam. The City, various tribes, and several federal agencies entered into the Tolt River Settlement Agreement in 1988, which included commitments for instream flows and habitat improvements intended to mitigate for impacts caused by the City's water supply and power generation operations. SPU is jointly working with Seattle City Light to re-license the City's hydropower project on the Tolt River, with the new license expected to be issued by the Federal Energy Regulatory Commission ("FERC") in 2028. This process will be led by FERC and may result in updated commitments made by the City to mitigate for the potential impact of water and hydroelectric operations on ESA-listed species.

To further manage legal risks, the City invests in aquatic resources research and monitoring in its major waterways and participates in regional watershed planning and salmon recovery in the Cedar River, the Snohomish/Tolt Rivers, and the Green/Duwamish Rivers. As a result, the City has assembled substantial, long-term data sets and coauthored scientific papers on Chinook salmon, sockeye salmon, coho salmon, steelhead/rainbow trout, and bull trout.

The City and SPU expect that additional funding will be needed to support habitat restoration programs that address salmon-related policy objectives. Funding for these programs is expected to come from a variety of sources, including City water rates, drainage and wastewater rates, taxes or fees imposed by other local jurisdictions, and federal and State grants.

Transmission Facilities

The transmission facilities of the Water System consist of multiple primary transmission lines from the Cedar River, one transmission line and substantial portions of a second line from the Tolt River ("Tolt 1" and "Tolt 2," respectively), and a network of supply mains throughout the service area. In all, there are approximately 160 miles of primarily concrete or steel pipelines ranging in diameter from 30 to 96 inches.

After two segments of Tolt 1 ruptured in the late 1980s, most of the pipeline was replaced or sliplined (sliding a new smaller pipe inside an existing larger pipe) by 2005, except for the first two miles where the new Tolt 2 had already been built. In addition, for both reliability and new capacity, approximately 18 miles of Tolt 2 were constructed beginning at the Tolt Regulating Basin and running parallel to and interconnecting with Tolt 1 at several locations. SPU is also expanding its cathodic protection program to extend the service life of both steel and concrete cylinder pipelines.

To assist in maintaining water flow to the distribution portion of the Water System, the transmission system includes two regulating basins, seven covered storage reservoirs, four elevated tanks, one standpipe, and two control works surge tanks to provide drinking water storage. In addition, there are 15 transmission pumping stations with a total rated capacity of more than 180,000 gallons per minute ("GPM"). The following table shows the hydraulic capacities of the primary transmission lines and the transmission regulating basins and reservoirs of the Water System.

TABLE 8
HYDRAULIC CAPACITY OF INDIVIDUAL COMPONENTS OF THE TRANSMISSION SYSTEM[(1)]

Facility	Capacity
Transmission Lines (MGD)	
Cedar River	200
Tolt River	135
Total	335
Raw Water Storage Facilities (MG)	
Lake Youngs (regulating basin)	4,812
Tolt Regulating Basin	312
Total	5,124
Treated Water Storage Facilities (MG)	
Transmission Reservoirs	215
Elevated Tank and Other Storage	7
Total	222

(1) Treatment capacity is 120 MGD on the Tolt River source and 180 MGD on the Cedar River source. Equalizing reservoirs (clearwells) at the outlet of the treatment plants (7.4 MG on the Tolt River source and 20 MG on the Cedar River source) make it possible to deliver higher flow rates as needed into the transmission system for several hours. Averaged over several days, though, effective transmission capacity cannot exceed treatment capacity, as all water must be treated.

Source: Seattle Public Utilities

During the month of record maximum consumption, July 1985, the transmission lines delivered an average of 301 MGD. Water delivery by transmission pipelines on peak days at present typically does not exceed 200 MGD.

Completion of Tolt Landslide Pipeline Mitigations. Beginning in about 2000, new, slow-creeping slope movement was reinitiated, probably due to both new logging in upland areas above the slope and erosion by the North Fork Tolt River at its toe. In 2009, it was determined that Tolt 1 and Tolt 2 lay across an ancient deep-seated (approximately

100-foot) landslide complex located between the Tolt Regulating Basin and the Tolt Water Treatment Facility. The 1,300-foot-wide slope had been stable for many decades, dating to at least the time of completion of the pipelines across it. The potential for renewed instability was therefore unknown. This slope movement affected both pipelines for 20 years. Tolt 1, the older, more brittle concrete cylinder pipeline ("CCP"), sustained catastrophic damage and was largely unused from 2009 through 2022. A 48-inch double ball joint expansion sleeve was installed on the newer steel Tolt 2 to allow the pipeline to better accommodate the slow-creeping slide (also in 2009). After eight years, the designed 14-degree maximum movement radius of the pipe joint was reaching its terminus, and the joint was excavated and reset in October 2017 to provide flexibility for another ten years or more at the then-current rate of ground movement.

In addition, SPU initiated an ongoing survey and inclinometer monitoring program to monitor the slope and pipeline movement after the issue became known in 2009. Information from multiple geological and geotechnical experts in 2014-2016 indicated that the potential for sudden, large catastrophic slope failure was low. This modeling and evaluation work also pointed to seasonal groundwater pressures as playing a major role in the annual slow-creeping slope movement of one to two inches per year.

In 2017, SPU installed a series of five engineered logjams on the streambank at the toe of the slope to stabilize it against continued erosion. In 2020, SPU constructed a system of 85 horizontal groundwater drains near the toe of the unstable slope to lower groundwater levels, which geotechnical experts believed would significantly slow or even stop the slope movement. This work was completed in November 2020. Results through February 2024 indicate that groundwater levels have been lowered by an average of 20 feet and have not substantially risen since then. In the four winter seasons now completed since the execution of the project, total slope movement has ranged across multiple inclinometers from 0.01 inches to 0.24 inches total movement. Total movement before the drains were completed was one to two inches annually. Thus, the work to stabilize the slope was successful.

In 2022, SPU turned its focus to a project designed to rehabilitate the damaged Tolt 1 pipeline. As part of this work, SPU sliplined a 2,550-foot segment of Tolt 1 where historic slope movement had broken and damaged it. The project installed a 54-inch diameter high-density polyethylene pipe inside of the 66-inch diameter Tolt 1 CCP and replaced all valves and appurtenances onto the new sliplined pipe. That work was completed in December 2022 and Tolt 1 was returned to regular service in January 2023. Reduced frequency monitoring of this area continues.

SPU is also implementing recommendations for its transmission system infrastructure from 2018 and 2020 seismic study reports and investigations into long-term seismic risk and vulnerabilities. In Q4 2023, SPU executed a work assignment with a consultant design team to design flexible joint retrofits to the three Cedar River Transmission Pipelines in downtown Renton, Washington, where studies show that they are vulnerable to seismic liquefaction impacts at identified locations. SPU plans to begin design of the Renton Cedar River Transmission Pipelines seismic retrofits in 2025.

Storage and Distribution

Storage of water within the distribution portion of the Water System is accomplished through the use of six covered distribution reservoirs, five standpipes, and one elevated tank, with capacities as follows:

TABLE 9
CURRENT CAPACITY OF DISTRIBUTION RESERVOIRS (MG)

Reservoirs	97.0
Standpipes	7.0
Elevated Tank	1.0
Total	105.0

Source: Seattle Public Utilities

The adequacy of SPU's distribution and transmission storage volumes has been demonstrated by using a computerized hydraulic model of the Water System to simulate a suite of emergency and peak demand conditions and other analyses.

The distribution system consists of approximately 1,690 miles of predominantly cast iron and ductile iron pipe with some concrete cylinder and steel pipe. To assist in maintaining adequate pressure within the distribution system, there are 16 electric and hydraulic pumping stations (36 individual pump units) with a total rated pumping capacity of more than 100,000 GPM.

The storage and distribution facilities and conservation incentives have met the needs of the expanding population in the service area. Peak day consumption levels as high as 348 MG and 329 MG were recorded on July 15, 1970, and June 29, 1987, respectively. Since 2003, peak daily consumption has been less than 250 MG.

Leakage from the distribution system is low, as evidenced by SPU's low distribution system leakage ("DSL") number. DSL must be calculated annually and reported to both DOH and SPU's retail customers. The compliance threshold is 10% or less and is based on a rolling three-year average. DSL is calculated as water produced and purchased minus "authorized consumption," which includes water sold at retail and wholesale, as well as authorized system uses such as reservoir cleaning and flushing. The table below shows the three most recent years of DSL data. For 2024, the annual DSL was 5.6% and the three-year average was 5.8%, which is well below the maximum allowed of 10%.

TABLE 10
DISTRIBUTION SYSTEM LEAKAGE

	2022		2023		2024	
Component	**MG**	**MGD**	**MG**	**MGD**	**MG**	**MGD**
Total Produced	45,096	123.6	45,862	125.6	45,286	124.1
Total Sold	42,307	115.9	43,282	118.6	42,708	117.0
Sold at Wholesale	22,747	62.3	23,368	64.0	22,989	63.0
Sold at Retail	19,560	53.6	19,914	54.6	19,719	54.0
Authorized System Uses	15	0.0	58	0.2	27	0.1
DSL Volume (one year)	2,774	7.6	2,522	6.9	2,550	7.0
DSL as % of Total Produced (one year)	6.2%		5.5%		5.6%	
DSL as % of Total Produced (three-year average)	5.9%		5.8%		5.8%	

To reduce missed revenue opportunities, SPU has adopted focused meter testing and meter replacement programs to assure the accuracy of its billing meters. SPU operates approximately 202,000 billing meters, of which 5,590 are large (three-inch to 24-inch), and the rest are small (3/4-inch to two-inch). SPU conducts periodic tests of statistically significant samples of small meters and generally has found that these meters tend to remain accurate until sudden and complete failure occurs, which is rapidly detected and the failed meters replaced. Because large meters tend to gradually lose accuracy with use, SPU has a goal to test every large retail meter at least once in every five years. SPU has not been able to meet this goal for all meters due to limited resources and the relatively high cost of meter testing. The average rate of large meter testing is currently once every eight to ten years. However, SPU has made progress toward this goal by focusing on meters showing greater consumption where accuracy improvement as a result of testing would translate into higher revenue recovery. High-use meters are tested between twice a year and once in five years, based on a combination of size and annual volume of water passing through the meter.

SPU also has an ongoing large meter replacement program to replace failing and obsolete meters and certain high-use meters where improved accuracy is likely to translate to revenues sufficient to cover the replacement in three years or less. Approximately 46% of the large meter stock has been replaced in the past 15 years. The remaining older meters are low-use, and the cost of replacement is unlikely to be recovered through increased revenues. Instead, these older low-use mechanical meters are gradually replaced as they fail.

Water Storage and Distribution Infrastructure Investment. Currently there are several significant projects nearing construction in water storage. The first project is the Magnolia Elevated Tank Rehab and Upgrade. This project will include major seismic upgrades to the tank and its inlet/outlet piping as well as re-coating the tank, needed safety updates, and the addition of a mixing system. This project completed the bid process in February 2025, with construction expected to start in the summer of 2025.

The second project is the replacement of the Bitter Lake Reservoir. The existing below-grade open basin reservoir with an aging floating cover will be replaced with a prestressed circular concrete reservoir of similar size. Plans are currently undergoing final design review. Bidding of the project is expected to occur in 2025, with construction expected to begin in spring of 2026.

The Watermain Rehabilitation Program for Distribution strives to use asset management, risk and consequence of failure modeling, and capacity planning to prioritize which mains in the system are approaching their end of useful life and to plan for their replacement. New projects are started each year, and these projects generally replace up to three miles of distribution mains. SPU has several watermain rehab projects underway in various phases from planning through closeout. New projects are started each year and these projects generally replace up to three miles of distribution mains.

Seismic Impact on System Reliability

A comprehensive seismic evaluation of the Water System was completed by a consultant in 1990. This evaluation considered two levels of probabilistic seismic ground motions. Lower level ground motions were defined to have an approximately 40% probability of exceedance in 50 years or an average return interval of 100 years. Upper level ground motions corresponded to the building code design ground motions at that time, with a 10% probability of exceedance in 50 years or an average return interval of 472 years. Based on the findings of the 1990 study, many critical facilities were seismically upgraded.

The 1965 and 2001 Puget Sound earthquakes demonstrated that the SPU water system can withstand moderate earthquakes with relatively minor damage. However, during the 1990s, it became apparent to seismologists that the seismicity of the Puget Sound area was much higher than previously believed and that the Seattle Fault Zone that runs through Seattle and Bellevue was seismically active. Additionally, during the timeframe of the 1990 study, scientists were unsure whether large M9.0 Cascadia subduction zone earthquakes were possible off the Pacific Northwest coast. These M9.0 earthquakes, which would produce strong shaking in the Puget Sound region, are now believed to occur with a 500-year average return interval. Earthquakes much larger than the 1965 and 2001 events have occurred in the past and will occur in the future in the Seattle area. The most recent M9.0 earthquake occurred in 1700. Building code, seismic ground motions, and seismic design requirements in the Puget Sound region were significantly increased to reflect the increased seismic hazard posed by these larger earthquakes.

In 2018, SPU completed an updated water system seismic study to reflect the current state of knowledge on the hazards from Cascadia subduction zone and Seattle Fault earthquakes and incorporate the latest seismic code updates. SPU is currently implementing the recommendations from the 2018 study. An earthquake mitigation plan to further improve facility and system performance during and after a major earthquake has been developed, and SPU is moving forward with projects to improve the seismic resiliency of its pipelines and facilities. SPU is also evaluating potential transmission pipeline seismic upgrades in vulnerable locations. Seismic assessments have been carried out on its Riverton and Eastside concrete reservoirs and upgrades will be constructed on Eastside Reservoir in the next several years. Construction of seismic retrofits for the Magnolia elevated steel water storage tank is expected to get underway in 2025. SPU previously brought four of its major in-town reservoirs up to seismic standards as part of its open reservoir covering program.

Following through on additional recommendations from the 2018 seismic study, SPU completed an earthquake-specific hazard response plan in 2020 to help mitigate earthquake damage. A seismic study on SPU's transmission pipelines was also completed in 2022. SPU has also begun planning for the acquisition and storage of a cache of both distribution and transmission system pipeline emergency repair materials. SPU's expectation is that re-supply of pipe sticks, repair clamps, butt straps, and other critical pipeline rupture repair/replacement materials may take several weeks following a large earthquake. To remove that constraint in an emergency repair mobilization, SPU is developing a surplus of materials to be staged strategically throughout the service area in order to expedite emergency repair agility following a large seismic event.

Furthermore, SPU has been installing earthquake-resistant pipe for new pipelines that are in liquefaction- and landslide-susceptible areas and for critical pipelines that serve essential facilities or are essential for firefighting. A project SPU completed in coordination with the Seattle Department of Transportation in 2024 replaced over a mile of aging cast iron water main with new earthquake-resistant ductile iron pipe along East Marginal Way, a major Seattle arterial street.

In addition to the seismic upgrades SPU has completed, SPU has two reservoirs in reserve to provide critical emergency water resources for SPU customers if needed for emergency water supply after a major earthquake, specifically the Roosevelt and Volunteer Reservoirs. In 2014, SPU disconnected these two remaining open storage facilities from the drinking water system. In the event of a major earthquake, the water in the reservoirs can be accessed by mobile firefighting equipment via dedicated connection points and then used to fight fires throughout the City.

Water Quality

SPU has a comprehensive source-to-tap water quality management program. Water quality is ensured through an integrated effort of source protection, state-of-the-art treatment, and ongoing monitoring throughout the Water System for potential microbial and chemical contaminants.

SPU owns more than 99% of the Cedar River Watershed and 70% of the South Fork Tolt Watershed above the intake points. The other 30% of the South Fork Tolt Watershed is on U.S. Forest Service land. Protection of the two watersheds from agricultural, industrial, residential, and recreational activities helps ensure that high-quality water is delivered to the Seattle area. In addition to the two primary surface sources, the Seattle Well Fields periodically provide a small portion of the City's water supply. These wells are deep and afford natural protection from contamination.

On the Cedar River source, water is screened and fluoridated at the Landsburg Cedar River Diversion facilities before traveling through transmission pipelines to Lake Youngs. Primary treatment for the source is provided by the Cedar Treatment Facility at the outlet of Lake Youngs, which was commissioned in 2004 with a maximum treatment capacity of 180 MGD. The Cedar Treatment Facility is operated under a long-term contract with Jacobs. The plant treatment processes include ozonation, ultraviolet light disinfection, pH adjustment, and chlorination.

The treatment plant on the Tolt source, commissioned in 2001, has a maximum treatment capacity of 120 MGD. The Tolt Treatment Facility is operated under a long-term contract with American Water/CDM. The plant provides primary treatment for the Tolt source using treatment processes including ozonation, direct filtration, pH and alkalinity adjustment, fluoridation, and chlorination.

When the Seattle Well Fields are in operation, treatment includes chlorination, fluoridation, and pH adjustment. The intent of treatment is to protect public health and to comply with treatment and monitoring requirements of the DOH. SPU operates a water quality laboratory accredited by Ecology for bacteriological and chemical analyses to help ensure compliance with drinking water standards.

As an operator of a public water system, SPU must comply with treatment and monitoring requirements of the Safe Drinking Water Act of 1974 as amended and any additional requirements as specified by the DOH. Water quality parameters and regulations of particular significance are discussed below.

Surface Water Treatment. The federal Surface Water Treatment Rule established filtration and disinfection requirements for public water systems utilizing surface sources. Since startup of the Tolt Treatment Facility in 2001, the Tolt source has been treated to meet these requirements.

The Surface Water Treatment Rule also established criteria for unfiltered systems with a Limited Alternative to Filtration ("LAF"), including (i) watershed protection and management, (ii) raw water quality, (iii) treatment efficiency and redundancy, and (iv) some aspects of distribution system water quality. SPU began operation of the Cedar Treatment Facility under the requirements of the LAF in 2004 and continues to operate the Cedar Treatment Facility in accordance with such requirements.

In 2006, the United States Environmental Protection Agency (the "EPA") issued the Long-Term 2 Enhanced Surface Water Treatment Rule, which requires higher levels of treatment for water sources with higher levels of *Cryptosporidium*. SPU conducted monitoring for *Cryptosporidium* in the Tolt and Cedar sources over the years with results showing extremely low levels and no change of water treatment required. SPU conducted additional *Cryptosporidium* monitoring in 2015 and 2016 which verified continued low levels.

Lead and Copper. The City meets the requirements of the current Lead and Copper Rule ("LCR") and qualifies for reduced levels of monitoring for lead and copper. A revised Lead and Copper Rule was published by EPA in early 2021 and includes new requirements that took effect in October 2024. The primary focus of the revised rule is lead service line removal, which does not impact SPU. However, new tap sampling requirements may need to be implemented for the Direct Service Area, and school and childcare testing was added as a new requirement. SPU has not experienced and does not anticipate experiencing difficulties in complying with the new requirements of the LCR.

EPA proposed a new regulation called Lead and Copper Rule Improvements ("LCRI") in November 2023. The final LCRI was published in October 2024. Highlights of LCRI include reducing the lead action level from 15 to 10 parts per billion ("ppb"), requiring utilities to remove lead service lines within ten years, and keeping the service line inventories updated annually. The baseline service line inventory was submitted to DOH as required in October 2024.

SPU utilizes corrosion control treatment to reduce the potential for lead leaching from plumbing materials into drinking water. SPU optimized its corrosion control parameters more than a decade ago and continuously monitors water chemistry at its treatment facilities and collects routine samples throughout the distribution system to ensure appropriate water pH and alkalinity at ten distribution system locations. Results are reported regularly to the DOH. In addition, SPU maintains a State-accredited analytical laboratory that performs the testing above in addition to most of the regulatory testing for SPU's Wholesale Customers. Lead and copper have not been detected in the source water.

Lead in water normally comes from plumbing materials, primarily from corrosion of lead solder used to connect copper pipes and corrosion of brass fixtures that contain lead. SPU recognized this as a potential problem over 40 years ago and has been treating the water to reduce its corrosiveness since the early 1980s. The City was the first municipality in the nation to ban the use of lead solder in potable plumbing systems. The steps taken in the last two decades to reduce the corrosiveness of the water have been successful in reducing lead levels at customer taps.

SPU did not historically, and does not currently, install lead water mains or lead service lines in the water distribution system. SPU maintains a database of water mains and service lines that provides documentation of location, installation date, and material type. Water meter type and location are documented as well. Meters are generally made of brass, and some older meters use an alloy that does contain lead. Any new meter installation by SPU must utilize lead-free brass that meets EPA requirements. The majority of service lines (the pipe connecting a water main to an individual meter) are made of copper or plastic. A small percentage (approximately 4%) is made of galvanized steel. Based on historical maintenance and repair records, SPU believes less than 15% of the galvanized steel service lines utilized a lead gooseneck connecting the main to the service line. The water main and service line records (some dating back more than a century) do not include information on which specific galvanized steel service connections had lead goosenecks installed. These are removed whenever encountered during leak repair or other construction activities.

SPU has surveyed the records described and the presence of lead components in the distribution system appears limited to those described above. SPU also maintains a "Research Your Water Service Line" Map Tool available on its website that provides a basic illustration of the water service lines to all properties served by SPU. The Map Tool includes information about the service line pipe material, *e.g.,* copper, plastic or galvanized steel, for the portion of the water service line that SPU owns and maintains (generally from the SPU water main to a point a few feet beyond the service line's water meter).

Total Coliform Rule. SPU has been continuously in compliance with the Total Coliform Rule. The Total Coliform Rule requires monitoring to demonstrate that a water system is operating and maintaining its distribution system in a way that minimizes the risk of bacterial intrusion or regrowth. SPU collects required monthly samples from its retail service area distribution system and tests for coliforms, which are naturally present in the environment and are used as an indicator of whether other, potentially harmful bacteria may be present. In April 2016, the Revised Total Coliform Rule took effect nationally for public water systems, adding a requirement for system assessments with corrective action when coliform contamination is detected. No assessments have been triggered for SPU.

Disinfection Byproducts. The use of disinfectants, such as chlorine, to provide protection against microbes in water can result in the formation of disinfection byproducts ("DBPs") when the disinfectants react with organic matter in the water. SPU meets current regulatory standards under Stage 2 DBP Rules.

Arsenic. EPA's maximum contaminant level for arsenic is ten ppb. Testing of the City's two primary drinking water sources, the Cedar and Tolt sources, indicates that arsenic is not present above one part per billion, the analytic detection limits. Naturally occurring arsenic concentrations in the Seattle Well Fields ranged from 1.7 to 7.9 ppb when the wells were last operated in 2015. The wells are used seasonally during some dryer years and otherwise remain inactive. When they are operated, water is blended with surface supplies prior to delivery to customers. Arsenic results remain below regulatory limits.

Unregulated Contaminants Monitoring Rule ("UCMR"). UCMR data is used to report information about new contaminants that may be regulated in the future. The EPA requires SPU to monitor contaminants that do not have defined health-based standards. The EPA uses this information to determine the occurrence of contaminants in drinking water systems, which may lead to future regulations. The contaminants monitored are selected through a data-driven process that considers adverse health effects (potency and severity) and occurrence (prevalence and magnitude), but additional health information is needed to know whether the contaminants pose a health risk.

The most recent round of UCMR data, UCMR5, was collected in 2023. Of the 30 compounds (29 PFAS compounds and lithium) analyzed, SPU did not detect any in its drinking water. SPU will continue to monitor as required by the UCMR rules. UCMR6 monitoring will begin in 2028.

Perfluorinated Compounds ("PFCs"). In April 2024, the EPA issued a final rule setting maximum contaminant levels for per- and polyfluoroalkyl substances ("PFAS") in drinking water. The National Primary Drinking Water Regulation ("NPDWR") requires public water utilities to complete initial monitoring of certain specified PFAS (a subset of PFCs) within three years. Public water utilities have five years to implement measures to reduce any levels of these PFAS that exceed the specified maximum contaminant levels. Under the EPA's fifth Unregulated Contaminant Monitoring Rule, SPU already monitors for 29 PFCs, including the PFAS now subject to the NPDWR. In 2023, this monitoring activity showed no detections for the City's surface water supplies. The Seattle Well Field was monitored in 2018 and 2022, and two of the three wells had no detections. One compound was detected in the third well slightly above the maximum contaminant level established in the final rule and that well has been taken out of service until appropriate next steps have been identified. SPU is currently in compliance with the new PFC/PFAS regulations.

Watershed Management Policies

SPU carries out programs of watershed resource management, fire protection, and the protection of water resources within the Cedar River and South Fork Tolt Watersheds. Seattle City Light also operates small hydroelectric plants in the Cedar River and South Fork Tolt Watersheds.

A land exchange with the U.S. Forest Service in 1996 completed the consolidated ownership of Cedar River Municipal Watershed by the City, which now owns approximately 91,500 acres after more than a century of land acquisitions. A land exchange with Weyerhaeuser Timber Company in 1997 completed the ownership of the lower two-thirds of the South Fork Tolt River Municipal Watershed by the City, with the upper third of the drainage basin remaining under the U.S. Forest Service ownership and land management.

The City's ownership of the Cedar River Watershed includes protection of water quality, limited forest management, protection of fish and wildlife habitat, watershed management-relevant research, education, managed recreation outside hydrographic boundaries, fire suppression, and trespass control and other programs that are based upon comprehensive management policies adopted in 1989 to guide the secondary uses of the watershed. In 2000, the City committed to discontinuing timber harvesting for commercial purposes over the 50-year lifespan of the Cedar River Watershed HCP, effectively designating this watershed as an ecological reserve. While trees may be cut, timber harvests are allowed only for forest restoration purposes that benefit fish or wildlife populations and support the goals and objectives of the HCP. Forest management goals, objectives, and strategies have been updated in the new Cedar River Watershed Forest Management Plan, to maintain consistency with the HCP and incorporate climate resilience, tribal wildlife habitat objectives, and wildfire hazard reduction. During the 25 years of HCP implementation, the City has removed 236 miles of forest roads that were built for logging and were not necessary for forward-looking watershed management. The City continues to improve and maintain the remaining road network to handle extreme precipitation events, protect aquatic ecosystems, and maintain protection of high quality source water supply.

The HCP provides the City with legal coverage for its drinking water and hydroelectric operations in the Cedar River Watershed under the ESA. It commits the City to improving fish and wildlife habitat, including providing salmonid passage at the Landsburg diversion dam, ecological and restoration thinning and planting of more than 17,000 acres of second growth forest, restoration of riparian, wetland, and stream habitats, the abandonment of more than 200 miles of logging roads in the watershed, road improvements and maintenance of the remaining 400 miles of watershed forest roads, and long-term monitoring. See "Water Supply."

A watershed management plan was developed for the South Fork Tolt Watershed in 2008 and approved in 2011 to provide a long-term framework for managing the land and natural resources in this watershed. SPU has carried out the plan's recommended restoration actions, and ongoing activities in this watershed relate primarily to access security, forest management, and road maintenance.

Wholesale Customer Contracts

Wholesale Customers consist of 17 water districts and municipalities served under individual contracts and Cascade, a consortium of seven municipalities and water districts that includes five that were formerly served under individual contracts. There are also two customers with emergency intertie agreements and one raw water customer.

Wholesale Customers pay a rate that represents only the costs of the regional system, while retail customers pay rates that cover the entire distribution system. In 2024, approximately 21% of water sales revenue was derived from sales to Wholesale Customers.

Since 2001, 17 Wholesale Customers, representing about 54% of total Wholesale Customer consumption and 29% of total Water System consumption, have signed fixed block or full and partial requirements contracts that expire January 1, 2062. The full and partial requirements contracts include amendment periods where the parties may opt to review and change certain contract terms and conditions in 2022 and 2042. The City and the full and partial requirements Wholesale Customers began the review of certain contract terms in 2021 to determine if any amendments are desired in 2022 under the first amendment period. This review period is ongoing, with potential amendments becoming effective in 2026. The City has reached a tentative agreement with the full and partial Wholesale Customers (the agreement will not be final until each customer's council or board as well as the Seattle City Council approves it). As part of that agreement, the City will make payments to full and partial Wholesale Customers related to past over-collection as determined under their water supply contracts. The maximum payment would be $27.3 million and the payment would be offset by a corresponding withdrawal from the Revenue Stabilization Fund ("RSF"), which itself consists of deposits made from higher than expected revenues. This withdrawal means that the impact of the payment is revenue neutral; however the RSF cash would be decreased. Because the contract has not been fully approved, all financial modeling is based on the current contract without the payment described above. The full and partial requirements contracts obligate the City to meet the Wholesale Customers' demand that is not already met by their independent sources of supply, and the customers pay a consumption-based rate for this variable demand. The single fixed block customer pays an annual price for a set amount of water (a block of water) regardless of how much water it consumes, up to the block amount. Any excess use incurs a penalty.

The full and partial contracts also allow the development by Wholesale Customers of alternative sources of water and the reduction of purchases from the City. One customer, Highline Water District, gave notice under the contract in 2011 that it intends to reduce purchases from the City by an amount up to two MGD (approximately 975,900 hundred cubic feet ("ccf")), expected to be effective August 1, 2016. However, due to delays in the timing of completing the acquisition of the alternate supply, the district has not yet implemented the reduction.

In 2003, SPU signed a declining block sales contract with Cascade. That contract capped Cascade's demand from the Water System at 30.3 MGD through 2023, when the block volume would begin to decline in five-year increments until the end of the contract. In 2013, the contract was amended to allow Cascade to delay its planned development of Lake Tapps in Pierce County as a future potable water supply for its members. The amendment increased Cascade's block size to 33.3 MGD through 2039, after which the block begins to decline in yearly increments until the end of the contract in 2063. The amendment also included lump sum payments from Cascade of $5.0 million in 2013,

$12.0 million in 2018, and $5.0 million in 2024. Cascade's 2024 demand represents about 46% of total Wholesale Customer consumption and 24% of Water System consumption. Cascade pays an annual price for its block of water, regardless of how much water it consumes, up to the block amount. Any excess use incurs a penalty.

In May 2024, after nearly three years of discussions with SPU and the City of Tacoma, Cascade decided it would prefer to obtain the majority of its water from Tacoma Public Utilities, rather than SPU, once the current contract with SPU expires. As part of those discussions between SPU and Cascade, SPU is discussing a potential contract amendment that could extend the date, and change in rate of decline, in the block volume past the contractual date of January 1, 2040. The provision to continue providing Cascade with 5.3 MGD after the initial point of decline of the block volume would stay in place.

In 2008, SPU signed a 60-year partial requirements contract with the City of North Bend to provide untreated water for North Bend's use in supplementing stream flows affected by its well operation. This contract has a cap of 1.1 MGD. Water deliveries began in 2009.

In 2011, two Wholesale Customers (the City of Edmonds and the Lake Forest Park Water District) signed emergency intertie agreements with Seattle to replace their previous wholesale supply contracts that were scheduled to expire at the end of 2011. These customers have alternate supplies and did not purchase water from Seattle on a regular basis, and the contracts more appropriately reflect this status. The contracts expire in 2061 and 2062, respectively.

The Office of the City Auditor conducted an audit of Wholesale Customer water sales to ensure that internal controls over the billing- and payment-related processes are adequate and conducted in accordance with City and department policies and procedures. Results were released in 2018. The City Auditor concluded that SPU's billing of wholesale customers was generally accurate and complete, but found that certain internal controls needed to be improved. Nineteen internal control recommendations were issued relating to billing adjustment approval and authorization, accuracy of meter reads, current cycle consumption adjustments, and annual meter read verifications. SPU has implemented 18 recommendations and is working on implementing the remainder.

The following table lists consumption in ccf by individual Wholesale Customers and revenues generated by water sales to individual Wholesale Customers in 2024.

TABLE 11
ANNUAL WATER SALES TO WHOLESALE CUSTOMERS IN 2024[(1)]

Wholesale Customer	Consumption(ccf)	Revenue
Cascade Water Alliance	14,003,843	$24,490,346
Northshore Utility District[(2)]	2,567,368	6,092,597
Highline Water District[(3)]	2,492,649	5,256,599
Soos Creek Water and Sewer District[(2)]	1,950,048	3,926,319
Woodinville Water District[(2)]	1,799,458	3,676,336
Water District #20[(2)]	1,259,479	2,619,524
City of Mercer Island[(2)]	944,521	1,957,616
Cedar River Water and Sewer District	891,923	1,823,927
Water District #90	773,702	1,585,702
City of Bothell[(2)]	671,699	1,386,337
Water District #125[(2)]	652,431	1,340,924
North City Water District[(2)(4)]	654,281	1,316,955
Coal Creek Water and Sewer District[(2)]	610,539	1,286,936
Water District #49[(2)]	592,150	1,229,083
Olympic View Water and Sewer District	384,360	796,197
City of Duvall[(2)]	310,847	631,532
City of Renton	49,385	256,547
Water District #119[(2)]	125,503	251,360
Lake Forest Park Water District	44	5,182
City of Edmonds	4	4,648
Total	30,734,234	$59,934,667

(1) Figures are 2024 metered water consumption and associated revenue from SPU records, not net of certain credits, accruals, and allowances included in the Water System's audited financial statements. Certain customer contracts also include a payment due when they connect new retail customers to their system.

(2) Indicates Wholesale Customers that buy all their water from SPU.

(3) Highline Water District has given notice under the contract that it intends to reduce purchases from the City by an amount up to 975,900 ccf beginning in 2016. The reduction has been delayed, with an unknown effective date. If this were effective at 2024 rates, it would have resulted in a reduction in revenue to SPU of approximately $2.1 million.

(4) Formerly Shoreline Water District.

Source: Seattle Public Utilities

Major Retail Water Users

There are no major water-intensive retail customers in the service area representing more than 2% of total Water System sales revenue. The Water System's ten largest retail water users in 2024 are shown below.

TABLE 12
LARGEST WATER CUSTOMERS

	2024 Revenue ($000)	% of Water Sales Revenue
City of Seattle	$ 4,495	1.6%
University of Washington	4,358	1.5%
Port of Seattle	3,770	1.3%
Seattle Housing Authority	3,320	1.2%
King County	1,369	0.5%
Equity Residential Properties	1,340	0.5%
Marriott International Inc	1,151	0.4%
Nucor Steel	921	0.3%
Seattle Public Schools	761	0.3%
Bellwether Housing	721	0.3%
Total-Ten Largest Customers	$ 22,206	7.8%

Totals may not add due to rounding.

Water Rates

Establishment of Rates. Water 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 water 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.

In September 2023, the City Council adopted rates for the Water Fund for the years 2024-2026, which resulted in an average annual rate increase of 2% each year. Major drivers of the Rate Study recommendations included revised demand projections, increased operational and maintenance expense, the Water System's capital improvement program (the "CIP") (see "—Capital Improvement Program"), and financial policy targets. In addition, retail rates were set to recover revenue reductions expected from the low-income discount program.

In 2024, SPU published its updated Strategic Business Plan (see "Seattle Public Utilities—Strategic Business Plan"), which established a recommended rate path for the next six-year period, 2025 through 2030.

The following table shows historical system-wide water rate increases for the last six years.

TABLE 13
SYSTEM-WIDE WATER RATE ADJUSTMENTS

Year	Rate Adjustment
2019	4.2%
2020	1.6
2021(1)	(2.5)
2022	4.9
2023	0.3
2024	3.5

(1) Decrease in 2021 reflects an adjustment in wholesale rates to reflect past overpayments of allocated costs in accordance with wholesale contracts. In addition, the proportion of wholesale consumption, which is billed at lower rates, increased in 2021. See "—Wholesale Customer Contracts" for more information. Retail rates did not change in 2021.

Source: Seattle Public Utilities

The following table shows the rates effective January 2025.

TABLE 14
MONTHLY WATER RATES EFFECTIVE IN 2025

	Residential[(1)]	Commercial[(1)]	Wholesale
Commodity Charge ($ per ccf)			
Winter (eight months)	$ 5.79	$ 5.98	$ 1.67
Summer (four months)		7.60	2.50
Up to 5 ccf	5.95	n/a	n/a
Next 13 ccf	7.36	n/a	n/a
Over 18 ccf	11.80	n/a	n/a
Basic Service Charge ($ per month)[(2)]			
3/4"	$ 20.45	$ 23.50	n/a
1"	21.10	24.25	n/a
1 1/2"	32.50	37.35	n/a
2"	36.00	41.40	n/a
3"	133.35	153.00	n/a
4"	191.00	219.00	n/a

(1) Retail rates for customers outside the City limits and not within the City of Shoreline, the City of Lake Forest Park, or the City of Burien are 14% higher than in the table above. Rates for customers within the City of Shoreline and the City of Lake Forest Park are 21% higher than in the table above. Rates for customers within the City of Burien are 24% higher than in the table above.

(2) The Basic Service Charge is based on the size of the customer's meter. Rates for larger meters are not shown.

Source: Seattle Public Utilities

Rate Structure. Both retail and wholesale rates are seasonally differentiated; the summer residential rate has an inclining block structure. The structure and basis for rates to Wholesale Customers served through master meters are governed by the Wholesale Customer contracts and differ for each Wholesale Customer.

Low-Income Assistance. The City assists qualified low-income retail customers with their water bills by providing a 50% discount. Income guidelines vary depending on the number of people in the household and monthly and annual income. Income limits are updated every January and are based on 70% of the State median income. Currently, about 30,000 water customers receive a discount. In addition to the discount program, SPU also has an Emergency Assistance Program ("EAP") to assist customers in immediate need of bill relief. The EAP allowance is limited to $518 per allowance for 2025. Most customers are permitted one allowance per year; households with children are permitted two allowances per calendar year. The EAP allowance is income limited to 80% of State median income. Rate proposals include the financial impact of both programs.

Rate Comparisons. The following table shows representative water bills for SPU compared to other cities in the region as of January 1, 2025.

TABLE 15
REGIONAL COMPARISONS
(RATES IN EFFECT AS OF JANUARY 1, 2025)

City	Monthly Bill
Bellevue WA	$ 87.02
Kirkland WA	62.04
Portland OR	60.66
Issaquah WA	56.70
Everett WA	56.69
Tacoma WA	53.49
Seattle WA	**50.12**
Redmond WA	39.07

Source: Survey by SPU of rates in effect on January 1, 2025, in each respective city

Utility Taxes. The City's retail rates include the cost of paying the State public utility tax (5.029%) and City utility tax (15.54%). Currently, most of SPU's retail service areas in other municipal jurisdictions, specifically the City of Shoreline and the City of Lake Forest Park, are not subject to any additional local utility taxes. Beginning in 2021, utility tax revenues in the City of Burien are subject to an 8.0% water utility tax. If the City of Shoreline and the City of Lake Forest Park were to levy local utility taxes on SPU in the future, SPU's retail rates in those jurisdictions would need to be adjusted to include the costs of paying the additional local utility tax.

Utility Billing

The City's utility billing function is co-managed by both SPU and Seattle City Light. SPU provides customer service through a call center and walk-in centers. 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. Inside the City, residential customers receive a combined utility bill that itemizes amounts due for water, wastewater, and solid waste services, while commercial customers receive a combined utility bill that itemizes amounts due for water and wastewater. Customers outside the City receive bills for water only. Payments received from the combined utility bills are allocated to the appropriate funds. If a payment received from a 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. Past-due customers receive a water shut-off notice. By State law, water may be shut off when an account is delinquent, and outstanding balances are considered a lien on the property. Delinquent charges bear interest at the rate of 12% per annum. Total 90-day-plus outstanding balances for the year ending December 31, 2024, were consistent, closing with $15.8 million, or less than 2%, of annual direct service revenue billed by SPU. These figures include all outstanding amounts going back to 2009.

In 2020, SPU revised its leak adjustment policy. The policy now provides retail customers a 100% adjustment for up to two billing periods for any leak-related charges that go above the customer's normal consumption.

Financial Policies

The Mayor and City Council have adopted resolutions establishing financial policies for SPU, including the Water System. In accordance with these policies, water rates are set to achieve generally positive net income, cash balances equal to 30 days of operating expenses, 20% of capital expenditures financed with current revenue, and a minimum debt service coverage ratio on fixed rate long-term Parity Bonds of 1.70 times annual debt service. All targets have been met or exceeded since 2012. In September 2023, the City Council approved water rate increases consistent with the City's financial policies for the period 2024 through 2026. See "—Water Rates."

In 2002, the City by ordinance adopted policies for maintaining funding of the Revenue Stabilization Subfund at a minimum balance of $9.0 million. As of December 31, 2024, the balance in the Revenue Stabilization Subfund was $52.6 million. See “Security for the Bonds—Revenue Stabilization Subfund.”

Under the City Charter, City taxes on the Water System may be paid only after provision has been made for debt service and obligations of the Water System as well as for necessary betterments and replacements for the current year.

The City’s utilities have strong and diverse rate bases. In the event that additional liquidity were to be needed, they may also rely on ready access to the City’s consolidated cash pool as a source of short-term emergency liquidity. The City has Debt Management Policies that describe the procedures and circumstances under which it permits one fund to borrow from another via the City’s consolidated cash pool, and indicate that the term will be for the shortest duration necessary to fulfill the documented purpose of the loan. Interfund loans must identify a lending fund and a borrowing fund and must be documented and repaid to the lending fund. Interfund loans of up to 90 days can be approved by the Finance Director, whereas longer term interfund loans are subject to legislative approval by the City Council. See also “The City of Seattle—Investments—Interfund Loans.”

Financial Performance and Projections

Table 16—Water System Operating Results shows actual revenues and expenses of the Water System for the years 2020 through 2024 and projected results for 2025 through 2027. Footnotes for the table are on the following page. Projections for 2025 and 2026 reflect adopted rate increases effective January 1, 2024. Projections for 2027 reflect the Strategic Business Plan and have not been reviewed or adopted by the City Council.

SPU does not as a matter of course make public projections as to future sales, earnings, or other results. However, the management of SPU has prepared the prospective financial information as set forth below in Table 16—Water System Operating Results and under “—Capital Improvement Program” to provide readers of this Official Statement with information related to projected revenues and expenses of the Water 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 Water 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 Water Fund as of and for the fiscal year ended December 31, 2024, 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—Ratings 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 16
WATER SYSTEM OPERATING RESULTS
($000)

	Audited					Projected[10]		
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Operating Revenue								
Residential/Commercial Services	$ 207,590	$ 213,552	$ 221,695	$ 230,379	$ 235,497	$ 240,914	$ 245,959	$ 264,108
Wholesale Services	56,782	57,362	56,242	59,043	64,922	58,440	59,708	59,708
Other	14,206	13,585	12,932	15,775	10,600	12,792	13,001	12,642
(Deposits to)/Withdrawals from Revenue Stabilization Subfund [1]	-	19,000	-	(3,700)	(3,200)	-	-	-
Total Operating Revenue	$ 278,578	$ 303,499	$ 290,869	$ 301,496	$ 307,820	$ 312,146	$ 318,668	$ 336,458
Operating Expenses								
Other Operations and Maintenance [2]	$ 112,855	$ 118,675	$ 120,210	$ 148,896	$ 150,709	$ 163,089	$ 171,616	$ 178,992
City Taxes [3]	34,020	35,036	36,215	37,259	38,369	38,580	39,379	42,214
Taxes Other Than City Taxes	12,081	12,691	13,049	13,289	13,826	13,210	13,486	14,429
Total Operating Expenses	$ 158,956	$ 166,402	$ 169,474	$ 199,445	$ 202,905	$ 214,879	$ 224,482	$ 235,635
Net Operating Income	$ 119,622	$ 137,097	$ 121,395	$ 102,051	$ 104,915	$ 97,267	$ 94,187	$ 100,823
Adjustments								
Add: Capital Contributions Connection Charge	$ 4,770	$ 4,613	$ 5,438	$ 4,038	$ 4,460	$ 4,500	$ 4,613	$ 4,728
Add: City Taxes [4]	34,020	35,036	36,215	37,259	38,369	38,580	39,379	42,214
Add: Investment Interest	2,931	2,261	3,194	5,348	6,299	5,378	5,275	4,405
Less: Reserve Subfund Earnings	(360)	(303)	(329)	(664)	(892)	(1,054)	(1,294)	(1,535)
Add: BAB's Subsidy	1,937	1,885	1,827	1,765	1,619	1,671	1,597	1,522
Add: Net Other Nonoperating Revenues (Expenses)	2,203	5,876	2,324	1,356	7,299	1,438	1,466	1,496
Add: Net Proceeds from Sale on Assets	113	423	274	120	631	-	-	-
Total Adjustments	$ 45,614	$ 49,792	$ 48,944	$ 49,222	$ 57,784	$ 50,513	$ 51,036	$ 52,829
Net Revenue Available for Debt Service [5]	$ 165,236	$ 186,889	$ 170,339	$ 151,273	$ 162,699	$ 147,780	$ 145,223	$ 153,652
Annual Debt Service [6]								
Annual Debt Service [6]	$ 81,725	$ 82,409	$ 78,324	$ 81,290	$ 73,086	$ 76,366	$ 77,801	$ 81,544
Less: Reserve Subfund Earnings [7]	(360)	(303)	(329)	(664)	(892)	(1,054)	(1,294)	(1,535)
Adjusted Annual Debt Service	$ 81,365	$ 82,107	$ 77,995	$ 80,625	$ 72,194	$ 75,312	$ 76,507	$ 80,009
Coverage [8]	2.03	2.28	2.18 [9]	1.88	2.25	1.96	1.90	1.92
Including City Taxes	1.61	1.85	1.72	1.41	1.72	1.45	1.38	1.39

Notes to table on following page.

NOTES TO TABLE:

(1) Withdrawals from the Revenue Stabilization Subfund are added to and deposits are deducted from Operating Revenues, in accordance with Statement of Financial Accounting Standards No. 71 of the Financial Accounting Standards Board. Withdrawals from the Revenue Stabilization Subfund are available for payment of debt service and increase debt service coverage. Deposits to the Revenue Stabilization Subfund reduce revenue available for payment of debt service and lower debt service coverage. See "Security for the Bonds—Revenue Stabilization Subfund."

(2) Excludes non-cash accounting entries for depreciation and amortization.

(3) The City currently levies a tax of 15.54% upon total gross income of the Water System from its retail business within and outside the City.

(4) Under the City Charter, City taxes on the Water System may be paid only after ample provisions have been made for debt service and obligations of the Water System as well as for necessary betterments and replacements for the current year. See "—Financial Policies."

(5) See the Bond Ordinance for the definition of Adjusted Net Revenue.

(6) Assumes the issuance of the Bonds and associated debt service in 2025, and future projections. Annual Debt Service is the debt service on all Parity Bonds outstanding, and does not include debt service on DWSRF loans. See "Security for the Bonds—State Loan Program Obligations."

(7) Earnings from interest in the Reserve Subaccount are not included in the calculation of debt service coverage. Earnings are subtracted from annual debt service for the purpose of this calculation.

(8) Calculated in accordance with the Bond Documents, including adjustments to the Coverage Requirement definition and related definitions and covenants. Therefore, the ratios displayed may differ from those set forth in prior official statements and disclosure documents, in order to track the revised definitions in the Bond Documents as now in effect. Such calculations are performed in accordance with the definitions of the terms Adjusted Annual Debt Service, Adjusted Net Revenue, and certain other terms as provided in the Bond Documents. See Appendix A—Summary of Bond Ordinance.

(9) The debt service coverage calculation shown in the statistical section of the City's 2022 Water Fund financials was incorrect. The calculation mistakenly included a non-cash non-operating revenue figure of $10.0 million in the calculation of Net Revenue Available for Debt Service. The corrected calculation shown above in Table 16 reflects the removal of this non-cash revenue item.

(10) Revenues for 2025 and 2026 are projected in the 2024-2026 Water Retail Rate Study. Rate increases for those years have been adopted by the City Council. Revenues for 2027 are projections in the Strategic Business Plan and have not been reviewed or adopted by the City Council.

Source: Seattle Public Utilities

Operating revenues are generated primarily from wholesale and retail water sales. The water sales revenue increase of 14% from 2020 to 2024 is due primarily to retail rate increases and a one-year drop in demand due to the COVID-19 pandemic. Included in the 2024 wholesale revenue is a $5 million contractual payment from Cascade. Excluding that payment, water sales revenue increased 12% from 2020 to 2024. The decrease in wholesale revenues in 2022 was due to the return of past overpayments in accordance with wholesale contracts. Changes in other operating revenue are primarily due to demand in tap installations and the resulting installation fee revenue. These changes in demand are due largely to economic conditions. Future revenues might be affected by contract updates currently under negotiation (see "—Wholesale Customer Contracts"). To the extent that they are affected, SPU plans for them to be revenue neutral by offsetting them with withdrawals from the RSF.

Operating results during the period 2020 through 2024 were affected by a variety of factors, including deposits to the Revenue Stabilization Subfund in 2023 and 2024, a withdrawal from the Revenue Stabilization Subfund in 2021, a continued strong demand for development-related services, the refunding of certain Parity Bonds in 2021, and defeasance of certain parity bonds in 2021 and 2022.

Management Discussion and Analysis of Operating Results

This section provides a brief discussion of operating results for the period 2020 through 2024 based on information in Table 16 and the Management's Discussion and Analysis included in Appendix C—2024 Audited Financial Statements of the Water Fund.

Between 2020 and 2024, the Water System met or exceeded all financial policy targets. Debt service coverage was maintained well above policy targets, though operating cash balances fell from $140.8 million at the end of 2020 to $109.3 million in 2024. The primary cause for the decreased cash balances is the defeasance of approximately

$100 million of high-interest bond debt in 2021 and 2022. SPU expects to meet or exceed all financial policy targets for 2025, 2026, and 2027. Figures for 2025 and 2026 incorporate rates that have been adopted by ordinance. See "—Water Rates."

Both operating and non-operating revenue performance has been strong. Water System financial forecasts assume two major sources of revenue: water sales and development-related revenue. Water demand forecasts assume continued per-capita declines with in-fill development and water efficiency increases related to conservation initiatives. Per-capita declines are assumed to be mitigated by increasing population and economic activity. Development-related forecasts assume continued new housing development and redevelopment of existing commercial properties. The Seattle area has experienced significant economic growth in recent years, with a five-year compound real GDP growth rate for the period 2019-2023 of 4.0%[(1)]. SPU's water service area has experienced a five-year compound annual population growth rate for the same period of 1.3%[(2)]. System-wide consumption fell slightly in 2020 due to COVID-related restrictions, but has rebounded to pre-2020 averages since 2021. The prolonged economic expansion also provided the utility with higher than anticipated development-related revenue, as net new service installations averaged more than 850 per year.

Overall demand is modeled to remain flat through 2027. Regional water conservation programs and other water use reductions are expected to continue offsetting the impact of population and employment growth on water demand.

Capital Improvement Program

Capital investments are guided by the Water System Plan and multi-year CIP, which is developed within the framework of the Water System Plan and included in the capital improvement program of the City as a whole. The CIP is reviewed, revised, and adopted annually by the Mayor and City Council as part of the City's budget process. The CIP identifies facility needs and financing for rehabilitation, enhancement, and expansion of the Water System. Currently the main areas of focus are to rehabilitate the water distribution system, ensure seismic resiliency, and make water quality improvements.

The City expects to issue approximately $599 million in long-term debt for the CIP during the period 2025 through 2030, including the Bonds. Annual debt service is expected to rise from approximately $79 million in 2025 to approximately $91 million in 2030. In addition, the City expects to take advantage of opportunities to refund prior debt for savings purposes as such opportunities arise.

The CIP is organized into eight program areas: (i) Distribution, (ii) Transmission, (iii) Watershed Stewardship, (iv) Water Quality and Treatment, (v) Water Resources, (vi) Habitat Conservation, (vii) Shared Cost Projects, and (viii) Technology. The amount shown for each program area is based on the adopted CIP. The table below shows the endorsed CIP for 2025 through 2030 along with planned funding sources.

(1) BEA series CAGDP1, 2019-2023 for the Seattle-Tacoma-Bellevue MSA

(2) SPU Analysis of Service Area, Table 7.

TABLE 17
ENDORSED WATER SYSTEM CAPITAL IMPROVEMENT PROGRAM
(Amounts in Thousands of Nominal Dollars)

	2025	2026	2027	2028	2029	2030	Total
Program Area							
Distribution	$ 53,469	$ 65,719	$ 81,717	$ 69,499	$ 72,091	$ 86,119	$ 428,615
Transmission	11,915	25,266	28,567	43,779	31,320	26,355	167,202
Watershed Stewardship	2,878	4,956	1,853	2,233	2,731	1,062	15,713
Water Quality & Treatment	1,426	10,237	22,680	23,274	32,785	1,888	92,291
Water Resources	19,511	15,271	11,882	8,842	9,636	20,595	85,736
Habitat Conservation Program	1,571	5,738	4,081	2,972	1,195	649	16,207
Shared Cost Projects (1)	53,232	39,807	25,299	20,502	34,680	23,960	197,480
Technology	5,534	4,221	4,221	4,221	4,221	4,221	26,639
Total Adopted CIP	$ 149,536	$ 171,215	$ 180,301	$ 175,322	$ 188,659	$ 164,849	$ 1,029,882
Adjustment for Additional CIP (2)	(27,452)	(34,243)	(36,061)	(35,064)	(37,732)	(32,970)	(203,522)
Total Projected CIP (3)	$ 122,084	$ 136,972	$ 144,240	$ 140,258	$ 150,927	$ 131,879	$ 826,360
Funding Sources							
Debt Financing							
Outstanding Bonds	$ 49,670	$ -	$ -	$ -	$ -	$ -	$ 49,670
The Bonds (3)	37,995	39,023	-	-	-	-	77,018
Future Parity Bonds	-	58,699	110,275	112,101	120,596	105,347	507,018
Future Loans	-	10,000	5,000	-	-	-	15,000
Total Debt Financing	$ 87,665	$ 107,722	$ 115,275	$ 112,101	$ 120,596	$ 105,347	$ 648,706
Revenue Financing							
Internally Generated Funds	$ 32,919	$ 27,750	$ 27,465	$ 26,657	$ 28,831	$ 25,032	$ 168,654
Grants and Reimbursements	1,500	1,500	1,500	1,500	1,500	1,500	9,000
Total Revenue Financing	$ 34,419	$ 29,250	$ 28,965	$ 28,157	$ 30,331	$ 26,532	$ 177,654
Total Funding Sources	$ 122,084	$ 136,972	$ 144,240	$ 140,258	$ 150,927	$ 131,879	$ 826,360

Notes to table on following page.

NOTES TO TABLE:

(1) Includes projects that affect the Water System, but involve more than a water purpose and are typically funded from multiple sources. See "—Shared Cost Projects" below.

(2) Adjustments reflect timing shifts and revisions to adopted CIP.

(3) Does not include deposits to the Reserve Subaccount.

The development of the CIP balances financial capacity with the demands of rehabilitation, improvement, water quality, and expansion. Through the late 1990s and the 2000s, SPU steadily expanded the CIP, raised rates, and increased its long-term borrowing. In managing the CIP, SPU has emphasized efficient project design and careful staging of improvements within the 20-year time frame of the Water System Plan. In the period 2025 through 2030, SPU expects the financial requirements for these projects to be met from Net Revenue of the Water System, State Revolving Loans, and the proceeds of Parity Bonds. Approximately 77% of projected CIP spending is expected to be financed by the issuance of Parity Bonds, including the Bonds.

Shared Cost Projects. The Shared Cost Projects program area includes Seattle Department of Transportation ("SDOT") projects (including Transportation Levy projects) and represents approximately 24% of the total CIP. SPU's scope is limited to the impact on its utility systems and is typically governed by agreements with lead or coordinating City departments and State agencies. As a result, SPU has less control over the ultimate timing and expenditures associated with its portion of these projects.

It is likely that more transportation projects or other multi-agency projects will be proposed in the future, and SPU will work with SDOT and other agencies to fully understand the potential impacts of these projects on the Water System.

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

Municipal Budget. City operations are guided by a budget prepared under the direction of the Mayor by the City Budget Office (the "CBO") pursuant to State statute (chapter 35.32A RCW). The proposed budget is submitted to the City Council by the Mayor each year not later than 90 days prior to the beginning of the next fiscal year. Currently the fiscal year of the City is 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 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 2025 budget was adopted by Ordinance 127156, passed by the City Council on November 21, 2024. The City's adopted General Operating Fund budget was approximately $1.698 billion in 2024 and is approximately $1.936 billion in 2025. See "—The City Budget Office."

The City Budget Office. The CBO is within the executive branch and the Budget Director is appointed by the Mayor. The 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, as well as technical assistance, training, and support to City departments in performing financial functions.

In prior years, the City's annual budget was based in part on revenue forecasts prepared by the CBO; in 2022, much of the forecasting function transitioned to the newly created Office of Economic and Revenue Forecasts. See "—The Office of Economic and Revenue Forecasts." The CBO continues to be responsible for coordinating with departments to forecast and project all other revenues, including a variety of excise taxes and public utility taxes, license and service fees, fines, inter- and intra-governmental charges, transfers and shared revenues, grants, interest earnings, and other lesser revenue items.

Additional information on the CBO as well as current and past adopted budgets can be found at the City's website.

Forecasting

The Office of Economic and Revenue Forecasts (the "Forecast Office") was created in July 2021, pursuant to Ordinance 126395. The Forecast Office provides an independent source for the economic and revenue forecasts that underlie the City's annual budget process. The Forecast Office reports to the Economic and Revenue Forecast Council (the "Forecast Council"), which includes equal representation from the Legislative and Executive branches of City government. The following elected and appointed officials (or their designees) comprise the Forecast Council: the Mayor, the Director of Finance, the Council President, and the Chair of the City Council Finance Committee. The Forecast Council selects one member to serve as Chair of the Forecast Council annually.

The Forecast Office is tasked with preparing three revenue forecasts each year, to be delivered in April, August, and October. The forecasts that are developed by the Director of the Forecast Office and approved by the Forecast Council serve as the official City economic and revenue forecasts and as the basis for the estimates of revenues described in State statutes governing budgeting. The Mayor or the City Council has the authority to deviate from the official forecasts.

Forecasts informing the City's annual budget proposals through the 2022 budget were performed by the CBO. Beginning with the April 2022 Revenue and Budget Update and the 2023 budget cycle, the forecasting function is now performed by the Forecast Office, including forecasting the largest and most economically-dependent general government revenue sources, such as sales tax, B&O tax, property tax, private utility taxes, and the Payroll Expense Tax. The CBO continues to be responsible for coordinating with departments to forecast and project all other General Fund revenues, including a variety of excise taxes and public utility taxes, license and service fees, fines, inter- and intra-governmental charges, transfers and shared revenues, grants, interest earnings, and other lesser revenue items.

In addition, the Forecast Office staffs the Forecast Council, develops economic and revenue forecasts, conducts special studies at the request of the Forecast Council, and provides *ad hoc* analytical support on economic and revenue estimation for legislative and executive staff consistent with its work program. Additional information on the Forecast Office, as well as the economic and revenue forecasts produced, can be found at the Forecast Office's website.

Fiscal Reserves

Emergency Fund. Under the authority of RCW 35.32A.060, and as regulated by Ordinance 116642 (amended by Ordinances 117977 and 125492), the City maintains the Emergency Fund (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.

The City's financial policies for the EMF establish a minimum balance of $60 million, adjusted each year with the rate of inflation. This policy strikes 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 drew on the EMF and suspended its contributions in 2020 and 2021. In 2021, the City also amended its financial policies to require that after a severe event requiring deep or multi-year spending from the EMF, the City will return to making contributions to satisfy the target balance within a period of five years, or sooner if practically possible.

The EMF had a fund balance of $65.0 million as of year-end 2019. In response to the COVID-19 pandemic, the City withdrew a net $31.3 million from the EMF in 2020 and 2021. The City subsequently contributed $39.2 million to the reserve from 2022 through 2024, resulting in a fund balance in the EMF of $72.8 million at the end of 2024. In 2025, the City has budgeted to contribute $12.3 million as part of a plan to fund the EMF to $85 million by year-end 2025 and fully replenish the reserve according to the policies governing the reserve.

Revenue Stabilization Fund. The City maintains the RSF in the General 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 Operating Fund revenues.

Certain required transfers into and restrictions on expenditures from the RSF are set forth in Chapter 5.80 of 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 Operating Fund tax revenues, and (iii) upon completion of fiscal year accounting, automatic transfer of 50% of the ending balance in the General Operating Fund, 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 Operating 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 Operating Fund tax revenues for the year, and when forecasts underlying the adopted budget anticipate a nominal decline in General Operating 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 Operating Fund tax revenues in the first year showing such recovery, followed by 0.50% thereafter.

To respond to the COVID-19 pandemic, the City withdrew a net $51.7 million from the RSF in 2020 and 2021, reducing the ending fund balance from $57.8 million at the end of 2019 to $6.0 million at the end of 2021. Based on the automatic transfer mechanism described above, the City made a deposit of $55.7 million to the RSF in 2022 and an additional $6.2 million in 2023 and 2024, resulting in an RSF ending fund balance of $68.0 million at the end of 2024, an increase of $10.2 million over pre-pandemic levels. The City's 2025 Adopted Budget plans to fund the RSF to $68.2 million by year-end 2025.

The combined fund balance of the EMF and the RSF is projected to reach $159 million by year-end 2026.

Financial Management

City financial management functions are provided by the Office of City Finance within the Department of Finance and Administrative Services. The Director of Finance is a charter position appointed by the Mayor and reporting directly to the Mayor's Office, while being located within 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 Citywide Accounting and Payroll Division of the Office of City Finance within 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 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 or warrants of their own or of any other city or town in the State, their 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. Under chapter 43.250 RCW, local governments may invest in the Washington State Local Government Investment Pool, managed by the State Treasurer to maximize potential surplus funds while ensuring safety of those funds.

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 Treasury Services Division of the Office of City Finance within the Department of Finance and Administrative Services ("City Treasury"). Investments of temporarily idle cash may be made, according to existing City Council-approved policies, by City Treasury in securities described above under "—Authorized Investments."

State statutes, City ordinances, and Office of City Finance 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, 2024, the City's pooled investment portfolio, which excludes pensions, totaled $3.79 billion market value. The City's investment portfolio consists solely of City funds. As of December 31, 2024, the annualized earnings yield of the City's investment portfolio was 3.66% for the month and 3.73% for the year. As of December 31, 2024, the weighted average maturity of the City's investments was 723 days. Approximately 19%, or $729 million, was invested in securities with maturities of three months or less.

Investments were allocated as follows, by market value:

U.S. Government	51%
U.S. Government Agencies	27%
State and Local Government Investment Pool	12%
Municipal Bonds	3%
Supranational	3%
Corporate Bonds	1%
U.S. Government Agency Mortgage-Backed	1%
Repurchase Agreements	1%
Commercial Paper	1%

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

Interfund Loans. The City is authorized to make interfund loans 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, 2024, the City had outstanding three interfund loans totaling approximately $39.5 million, including interest, in amounts between $11.0 million to $14.5 million.

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 $20 million limits above a $10 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City's hydroelectric dams. The City also purchases all risk property insurance, including earthquake and flood perils, that provides up to $500 million in limits subject to a schedule of deductibles and sublimits. 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. In 2019, the City began purchasing cyber insurance to cover 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 the 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.

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 and DRS's Annual Comprehensive Financial Report for LEOFF are prepared in accordance with GASB 67.

The 2024 Audited Financial Statements of the Water Fund, attached as Appendix C, were prepared in accordance with GASB 68. As of December 31, 2024, the Water Fund reported a liability of $81.4 million, representing its proportionate share of NPL for SCERS. The NPL was measured as of December 31, 2024, and the TPL used to calculate the NPL was determined by the actuarial valuation as of those dates. The Water Fund's proportion of the NPL was based on contributions to SCERS during the fiscal year ended December 31, 2024. As of December 31, 2024, the Water Fund's proportion was 5.94%. Schedules of the Water Fund's proportionate share of NPL and of the Water Fund's contributions are provided as required supplementary information to the Water Fund's 2024 Audited Financial Statements attached as Appendix C.

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 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, 2024), which was approved by the Board on June 13, 2024 (the "2023 Actuarial Valuation"), there were 7,616 retirees and beneficiaries receiving benefits, and 9,740 active members of SCERS. There are an additional 1,724 terminated employees in SCERS who are vested and entitled to future benefits and another 1,943 who are not vested and not entitled to benefits beyond contributions and accumulated interest. From January 1, 2023, to January 1, 2024, the net number of active members in SCERS increased by 4.6%, the net number of retirees receiving benefits increased by 1.3%, and the net number of vested terminated members increased by 4.7%.

Certain demographic data from the 2023 Actuarial Valuation are shown below:

TABLE 18
PLAN MEMBER DEMOGRAPHIC INFORMATION, SCERS

	Retirees and Beneficiaries Receiving Benefits		Active Employees	
Age Range	**Number**	**Percent**	**Number**	**Percent**
<25	-		138	1.4%
25-39	-		2,772	28.5%
40-49	8 (1)	0.1% (1)	2,601	26.7%
50-59	248	3.3%	2,613	26.8%
60-69	2,245	30.2%	1,478	15.2%
70+	4,927	66.3%	138	1.4%

(1) Includes everyone under the age of 50.

Source: 2023 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 4.36.505.E 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, 2023, and December 31, 2022, was transmitted on June 10, 2024, by CliftonLarsonAllen LLP (the "2023 SCERS Annual Report"). The 2024 SCERS Annual Report is expected to be approved by the Board on July 10, 2025, and, when approved, will be posted on the Board's website.

Milliman Inc., as consulting actuary, has evaluated the funding status of SCERS annually since 2010. The most recent actuarial report, the 2023 Actuarial Valuation (with a valuation date as of January 1, 2024), is available on the City's website.

In March 2022, the Board reduced the 30-year investment expectation to 6.75% following recommendations in the 2022 Experience Study. This change was incorporated into the annual actuarial valuations beginning with the 2021 Actuarial Valuation (with a valuation date as of January 1, 2022). The following summarizes some key assumptions utilized in the 2023 Actuarial Valuation and compares those to the assumptions used in the last four actuarial valuations.

TABLE 19
ACTUARIAL ASSUMPTIONS

	2023	2022	2021	2020	2019	2018	2017
Investment return	6.75%	6.75%	6.75%	7.25%	7.25%	7.25%	7.50%
Price inflation	2.60%	2.60%	2.60%	2.75%	2.75%	2.75%	3.25%
Wage growth (price inflation plus wage inflation)	3.35%	3.35%	3.35%	3.50%	3.50%	3.50%	4.00%
Expected annual average membership growth	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%
Interest on member contributions made on or after January 1, 2012(1)	3.85%	3.85%	3.85%	4.00%	4.00%	4.00%	4.75%

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

Source: 2017-2023 Actuarial Valuations

As of January 1, 2024 (as set forth in the 2023 Actuarial Valuation), the actuarial value of net assets available for benefits was $4,143.7 million and the actuarial accrued liability was $5,470.0 million. An Unfunded Actuarial Accrued Liability ("UAAL") exists to the extent that actuarial accrued liability exceeds plan assets. Per the 2023 Actuarial Valuation, the UAAL increased from $1,254.9 million as of January 1, 2023, to $1,326.3 million as of January 1, 2024. The funding ratio increased from 75.7% as of January 1, 2023, to 75.8% as of January 1, 2024, which increase was primarily due to contributions made to pay down the UAAL and a higher than assumed investment return, but were almost entirely offset by a greater than assumed increase in salaries. For the year ended December 31, 2023, SCERS assets experienced an investment gain of about 11.5% on a market value basis (net of investment expenses), a rate of return that was significantly higher than the assumed rate of 6.75% for 2023. The result is an actuarial gain on assets for 2023, but only one-fifth of this gain was recognized in the current year actuarial value of assets ("AVA"). To improve its ability to manage short-term market volatility, the City has adopted a five-year asset smoothing methodology 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 2023 return was a positive 7.6% on an actuarial value basis.

The following table provides historical plan funding information for SCERS:

TABLE 20
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
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	188.2%
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%
2021	3,345.8	4,673.1	(1,327.3)	71.6%	878.2	151.1%
2022	3,717.2	4,959.0	(1,241.8)	75.0%	876.4	141.7%
2023	3,903.1	5,158.0	(1,254.9)	75.7%	972.6	129.0%
2024	4,143.7	5,470.0	(1,326.3)	75.8%	1,074.5	123.4%

(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 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 2023 SCERS audited financial statements included a calculation of TPL and NPL based on the actuarial valuation dated as of January 1, 2023, rolled forward using generally accepted actuarial procedures (assuming a 6.75% investment rate of return and 3.35% salary increases) to December 31, 2023, as follows: TPL was calculated to be $5,352.3 million, plan fiduciary net position ("Plan Net Position") was calculated to be $4,010.6 million, and NPL was calculated to be $1,341.8 million, for a funding ratio (Plan Net Position as a percentage of TPL) of 74.9%. A Schedule of the Water Fund's Proportionate Share of the Net Pension Liability and Schedule of the Water Fund's Contributions is set forth in the required supplementary information in Appendix C—2024 Audited Financial Statements of the Water Fund.

SCERS CONTRIBUTION RATES. Member and employer contribution rates for SCERS 1 and SCERS 2 are established separately by Chapter 4.36 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, no less than 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 2023 Actuarial Valuation calculation, a 19-year amortization period was used. This policy may be revised by the City Council in future years. The 2023 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 for SCERS, based on a percentage of employee compensation (exclusive of overtime), are shown in the table below.

TABLE 21
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
2016	15.23%	10.03%	25.26%	25.26%	100%
2017	15.29%	10.03%	25.32%	25.32%	100%
2018	15.23% (2)	10.03%	25.26%	25.00%	101% (2)
2019	15.26% (2)	9.85% (3)	25.11%	24.40% (4)	103% (2)
2020	16.14%	9.65% (3)	25.79%	25.79% (4)	100%
2021	16.10%	9.46% (3)	25.56%	25.56% (4)	100%
2022	16.10% (2)	9.35% (3)	25.45%	24.68% (4)	103% (2)
2023	15.82%	9.24% (3)	25.06%	25.06% (4)	100%
2024	15.17%	8.95% (3)	24.12%	24.12% (4)	100%
2025	15.17%	8.83% (3)	24.00%	24.00% (4)	100%

(1) Reflects total actuarial required contribution (*i.e.*, employer plus employee contribution rates). Since November 21, 2011, this rate has been used for City budgeting purposes.
(2) The City contribution rate is intentionally more than the total ARC in these years in an effort to reduce a projected increase in future contribution rates.
(3) Reflects a blended employee contribution rate based on rates for SCERS 1 and SCERS 2 members.
(4) Since 2019, the ARC reflects a blended normal cost for SCERS 1 and SCERS 2.

Source: Seattle Municipal Code; Annual 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 21—Employer and Employee SCERS Contribution Rates and Table 22—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. Therefore, any future increases to pension contribution rates will be reflected in the City's employer contribution.

As indicated in Table 21, the Total ARC is decreasing to 24.00% as a percent of payroll beginning on January 1, 2025. This compares to the 24.12% Total ARC in 2024. The employees' share will average 8.83% between SCERS 1 and SCERS 2 in 2025. The employer's share needed to meet the Total ARC in 2025 will be 15.17%, which is the same as in 2024.

Projected total actuarially required contribution rates for SCERS reported in the 2023 Actuarial Valuation are shown in the table below:

TABLE 22
PROJECTED ACTUARIALLY REQUIRED TOTAL CONTRIBUTION RATES FOR SCERS BY EMPLOYER AND EMPLOYEE

Contribution Year(1)	Assuming 6.75% Returns	Confidence Range(2)
2025	15.17%	15.17-15.17
2026	15.21%	13.94-16.29
2027	15.73%	12.14-18.64
2028	16.55%	9.98-21.67
2029	16.26%	8.83-23.91
2030	16.26%	8.83-26.70

(1) Contribution year lags valuation year by one. For example, contribution year 2025 is based on the 2023 Actuarial Valuation (as of January 1, 2024) results, amortized over 19 years beginning in 2024 if the contribution rate change takes place in 2025.

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

Source: 2023 Actuarial Valuation

Employer contributions were $145.0 million in 2023 and $150.4 million in 2024. Employer contributions from the Water Fund were $8.6 million in 2023 and $8.6 million in 2024. The employer share for employees of each of the utility funds is allocated to and paid out of the funds of each respective utility.

INVESTMENT OF SCERS PLAN FUNDS. In accordance with chapter 35.39 RCW, the Board has established an investment policy for the systematic administration of SCERS funds. The investment of SCERS funds is governed primarily by the prudent investor rule, as set forth in RCW 35.39.060. SCERS invests retirement funds for the long term, anticipating both good and poor performing financial markets. Contributions into SCERS 1 and SCERS 2 are invested together.

The market value of SCERS's net assets increased by $371.6 million (10.2%) during 2023, including member and employer contributions of $235.6 million and net gain from investment activity totaling $426.3 million. Deductions increased by $19.0 million in 2023, primarily attributed to a $14.8 million increase in retiree benefit payments and a $3.5 million increase in the amount of contributions refunded. For the year ending December 31, 2023, SCERS assets experienced an investment return of 11.5% on a market basis (net of investment expenses), which is above the assumed rate of 6.75%.

The following table shows the historical market value of SCERS's assets (as of each December 31). Table 24 shows the historical investment returns on SCERS for the last ten years.

TABLE 23
SCERS MARKET VALUE OF ASSETS

Year (As of December 31)	Market Value of Assets (MVA)(1)
2014	$ 2,322.7
2015	2,313.0
2016	2,488.5
2017	2,852.9
2018	2,717.4
2019	3,149.9
2020	3,641.5
2021	4,134.8
2022	3,638.9
2023	4,010.6

(1) In millions.

Source: SCERS Actuarial Valuations

TABLE 24
SCERS INVESTMENT RETURNS

Year (As of December 31)	One-Year Annualized Return(1)
2015	0.1%
2016	8.4%
2017	15.7%
2018	-3.7%
2019	17.2%
2020	12.6%
2021	16.8%
2022	-9.8%
2023	11.5%
2024	8.7%

(1) Calculated net of fees.

Source: SCERS Annual Reports and SCERS 2024 Q4 Performance Summary

The following table below shows the historical distribution of SCERS investments for the years 2020-2024.

TABLE 25
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS

Investment Categories (January 1)	2024	2023	2022	2021	2020
Fixed Income	24.3%	24.7%	23.8%	22.7%	26.7%
Infrastructure	2.9%	2.5%	1.9%	1.5%	1.2%
Private Equity	14.5%	14.7%	13.5%	13.2%	8.6%
Public Equity	46.8%	44.3%	50.1%	53.0%	53.1%
Real Estate	11.5%	13.7%	10.6%	9.7%	10.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SCERS Actuarial Valuations

In accordance with SCERS's 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, 2024, eligible pension beneficiaries consisted of 487 fire employees and survivors and 564 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, 2024, use the EANC method and value plan assets at fair value. The actuarial valuation for the firefighters' pension fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 5.50%; and projected salary increases, 3.25%. The actuarial valuation for the Police Relief and Pension Fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 3.25%; and projected salary increases, 3.25%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the 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 $95.8 million as of December 31, 2023, an increase of $4.5 million from the TPL of $91.3 million as of December 31, 2022. As of the January 1, 2024, valuation, the market value of net assets available for benefits in the Firefighters' Pension Fund was $34.6 million, and the AAL was $77.3 million. As a result, the UAAL was $42.7 million and the funded ratio was 44.7%. In the January 1, 2023, actuarial valuation, the UAAL was $56.7 million and the funded ratio was 34.4%. The City's employer contribution to the fund in 2023 was $5.7 million; there were no current member contributions, as described in the January 1, 2024, actuarial valuation. 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, which is in contrast to the Firefighters' Pension Fund policy of fully funding the AAL. In accordance with GASB 73, the Police Relief and Pension Fund plan had a TPL of $84.8 million as of December 31, 2024, an increase of $14.0 million from the TPL of $70.8 million as of December 31, 2023. As of the January 1, 2024, valuation, the market value of net assets available for benefits in the Police Relief and Pension Fund was $19.1 million, and the actuarial value of future benefits was $102.2 million. As a result, the unfunded actuarial liability was $83.1 million and the funded ratio was 18.7%. In the January 1, 2023, actuarial valuation, the unfunded actuarial liability was $51.2 million and the funded ratio was 31.6%. The City's employer contribution to the fund in 2023 was $0.8 million; there were no current member contributions, as described in the January 1, 2024, actuarial valuation. 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 $16.8 million in 2022 and $17.3 million in 2023. The following table outlines the current contribution rates of employees and employers under LEOFF.

TABLE 26
LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL
(AS OF SEPTEMBER 1, 2024)

	Plan 1	Plan 2
Employer	0.20% (1)	5.32% (1)
Employee	0.00	8.53%
State	N/A	3.41%

(1) Includes a 0.20% 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 for LEOFF.

According to the Office of the State Actuary's June 30, 2023, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 149% and LEOFF Plan 2 had a funded ratio of 102%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.00% annual rate of investment return, 3.25% general salary increases, and 2.75% consumer price index increase. 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, 2023, the City reported an asset of $290.1 million for its proportionate share of the net pension asset as follows: $105.9 million for LEOFF Plan 1 and $184.2 million for LEOFF Plan 2.

For additional information, see Note 11 to the City's 2023 Annual Comprehensive Financial Report.

Other Post-Employment Benefits

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

Beginning with the fiscal year ended 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 1, SCERS 2, or LEOFF plans. The last valuation was based on a measurement date as of January 1, 2024, for the City's fiscal year ending December 31, 2024, and was prepared in accordance with GASB 75. It showed the total OPEB liability for the implicit rate subsidy as of December 31, 2024, increased to $86.8 million from $50.0 million as of December 31, 2023. The City's GASB 75 annual expense in 2024 was calculated at $4.5 million, which compares to $0.9 million in 2023.

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 as of January 1, 2025, in accordance with GASB 75 for the City's fiscal year ending December 31, 2024. As of January 1, 2024, valuations, eligible beneficiaries consisted of 577 fire employees and 482 police employees. As of December 31, 2024, the total OPEB liability in the City's Firefighters' Pension Fund decreased to $240.7 million from $255.5 million. The annual OPEB expense for 2024 was $40.1 million and the estimated benefit payments were $15.0 million. As of December 31, 2024, the total OPEB liability in the Police Relief and Pension Fund decreased to $213.2 million from $235.5 million. The annual OPEB expense for 2024 was $7.9 million and the estimated benefit payments were $14.4 million. The decrease in total OPEB liabilities under the City's Firefighters' Pension Fund and the Police Relief and Pension Fund plans were primarily due to an increase in the discount rate used to value future benefits under GASB 75.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2023 Annual Comprehensive Financial Report. For additional information regarding the Water Fund's portion of the City's OPEB liability, see Appendix C—2024 Audited Financial Statements of the Water Fund-Note 5.

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 all workers in the State, including State and local government employees. The Paid Family and Medical Leave program is a State-wide insurance program administered by the State Employment Security Department that provides up to 12 to 18 weeks' paid leave for eligible workers 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. Benefits range between \$100 and \$1,542 per week, and the maximum benefit is adjusted annually. The program is funded by a mix of employer and employee premiums.

The City pays the employer share of premiums based on a percentage of wages that are subject to the federal Social Security tax. As of January 1, 2024, the rate is 0.92% of gross wages, up to the Social Security taxable wage cap. The City pays only the employer share of the assessment for most employees (estimated to be \$4.6 million in 2025, or 0.28% of gross wages subject to the Social Security cap) approximately half of which will be paid from the General Operating Fund and the remainder of which will be paid by other funds.

State Long-Term Care Services and Supports Benefit Program

The Long-Term Services and Supports ("LTSS") Trust Program ("WA Cares") was enacted in 2019 and was adjusted by further legislation in 2021, 2022, 2024, and 2025. The WA Cares program is intended to provide certain long-term care benefits to eligible beneficiaries.

Premiums are imposed on all participating employees in the State. They are collected by employers through employee payroll deductions and remitted to the State; there is no employer contribution required under State law. Assessment of premiums commenced on July 1, 2023, and benefits are to become available beginning July 1, 2026. Premiums are assessed at a rate set by State law and subject to adjustment every two years based on actuarial studies and asset valuations to maintain fund solvency. Self-employed persons may opt into the program. Certain employees (e.g., workers who live out of State, military spouses, workers on non-immigrant visas, and certain veterans with disabilities) may opt out of participation in the program.

Any individual employed in the State 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. Persons born before 1968 can earn lifetime access to 10% of the full benefit amount for each year they contribute. Program participants eligible to receive benefits must have been assessed by the Department of Social and Health Services with needing assistance with at least three tasks of daily living, must be at least 18 years old, and must reside in the State. There is a lifetime cap of \$36,500 (as of 2026, adjusted annually for inflation) of the benefit for any individual. Beginning July 1, 2026, employees or self-employed persons who have left the State may elect to continue participation in the LTSS Trust Program.

On April 25, 2025, Engrossed Substitute Senate Bill 5291 was approved by both houses of the State Legislature and delivered to the Governor for action. The legislation streamlines administration of the program in the LTSS Trust Commission; adjusts certain exemptions, eligibility requirements, and withdrawal rights; and creates standards for supplemental long-term care insurance policies designed for coverage after program benefits are exhausted. Portions of the bill have an effective date of January 1, 2026, while other portions have effective dates of May 1, 2026, and January 1, 2027. The Governor is expected to act on the legislation on or before May 20, 2025.

Labor Relations

This information reflects the continued engagement of the Labor Relations Unit within Seattle Human Resources ("Labor Relations") with union representatives. As of October 31, 2024, the City had 41 separate departments and offices with approximately 13,589 employees (including 11,859 regular and 1,730 temporary employees). Approximately 76% of regular City employees represented by 26 unions across 59 bargaining units is governed by 33 different collective bargaining agreements (contracts).

In 2021, multiple unions filed unfair labor practices arising out of the COVID-19 vaccine mandate. All but one of those administrative matters before the State's Public Employment Relations Commission have been mutually resolved. The last unfair labor practice filed by the Seattle Police Officers' Guild ("SPOG") remains unresolved and may go to hearing in 2025. The City is separately addressing several other grievance actions and lawsuits brought against the City related to the vaccine mandate.

During 2024, the City approved 26 contracts including a majority of the City's represented employees. These include agreements with approximately 25 bargaining units which are either part of the Coalition of City Unions or "Coalition-Like" unions ("Coalition") retroactively effective to January 1, 2023, and expiring on December 31, 2026. The approved contracts also include interim bargaining agreements with the Seattle Police Management Association ("SPMA") and SPOG that were effective retroactively as of January 1, 2020, and January 1, 2021, respectively, both of which expired on December 31, 2023. Negotiations are ongoing for a new SPMA contract, to become retroactively effective to January 1, 2024. All together, these contracts include a large majority of the City's represented employees. An agreement with IAM Local 79 Machinists, effective retroactively from January 1, 2023, through December 31, 2026, is awaiting City Council approval at this time.

Additionally, the City authorized extension of the same wage increases and benefits provided in the Coalition contracts to virtually all non-represented City employees.

As of the date of this Official Statement, negotiations are ongoing for six bargaining groups with expired contracts, including SPOG, SPMA, IAFF Local 2898 Fire Chiefs, and IBEW Local 77 Transportation. Negotiations on a new agreement with IBEW Local 77 Construction Maintenance Equipment Operators, whose contract expired on December 31, 2024, will begin pending completion of a wage study. These unions will continue to operate under their expired contracts until the agreements have been formally approved and signed. In addition, 11 employee groups are undergoing the Public Employment Relations Commission representation petition process to either join an existing bargaining unit or form a new bargaining unit with its own contract.

In 2024 and 2025, multiple unions filed grievances and unfair labor practices arising out of the City's transition from its previous payroll system, EV5, to the current system, Workday. The City is separately defending a class action lawsuit related to Workday brought on behalf of a putative class of approximately 14,000 employees. The lawsuit is in the very early stages.

Emergency Management and Preparedness

The City's Office of Emergency Management ("OEM") is responsible for coordinating the City's response and resources during emergencies and disasters through close coordination with City departments and partner agencies.

OEM prepares for emergencies; coordinates with regional, State, and federal response agencies as well as private sector partners; provides education to the community about emergency preparedness; plans for emergency recovery; and works to mitigate known hazards. It has identified, assessed, and planned for 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 (including wildfires), hazardous materials, infrastructure failure, and severe weather (*e.g.*, floods, snow, water shortages, and windstorms). However, the City cannot anticipate all potential hazards and their effects, including any potential impact on the economy of the City or the region.

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 and reaccredited in 2022. The City will next seek accreditation in 2027.

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

Climate Change

There are potential risks to the City associated with changes in the climate over time and from increases in the frequency, timing, and severity of extreme weather events. Aging infrastructure systems will be more vulnerable to climate-related hazards, as they are less able to mitigate climate-related hazards or cope with extreme events. Extreme events—such as the 2021 heat dome event or the 2022 king tide flood event—are likely to continue to occur, leading to cascading and compounding impacts for residents, businesses, and systems. While the City's systems and assets are fairly resilient to the impacts of climate change, the City, including its utilities, is preparing for continued changing climate conditions and the resulting economic, infrastructure, health, and other community impacts by incorporating climate change into its decision making and identifying actions to enhance the resilience of services and infrastructure.

Since 2013, the City has adopted numerous resolutions and taken several executive actions to provide long-term planning direction and guide climate protection and adaptation efforts, address and mitigate the effects of climate change, set expectations for new municipal facilities to meet established green building standards; and direct City departments to work together to prioritize and expand actions that equitably reduce or eliminate greenhouse gas emissions within the transportation sector.

In 2023, the State enacted legislation that updated the State's planning framework to improve its response to climate change, adding a requirement for many municipalities, including the City, to include a climate change and resiliency element in their comprehensive plans. In accordance with this new policy, the respective section in the Mayor's recommended draft of the City's comprehensive plan update includes sub-elements addressing goals and policies to reduce carbon pollution, foster resiliency to the impacts of climate change, and sustain a healthy environment. The comprehensive plan update is currently under deliberation by the City Council and is anticipated to be adopted in mid-2025.

The carbon pollution reduction sub-element incorporates findings from two greenhouse gas inventories: a geography-based inventory conducted by the City every two years to track emissions from transportation, buildings, and waste, and a consumption-based inventory last performed in 2019 in collaboration with the County measuring emissions associated with food and other goods, modes of travel, and residences. The policies recommended in this sub-element seek to attain carbon neutrality by 2050, reduce emissions-generating vehicle trips, expedite the transition to electric vehicles, direct growth such that new jobs and housing reduce carbon pollution, transition buildings to clean energy use, and emphasize waste prevention by supporting a circular economy that keeps resources in use for as long as possible.

The sub-element regarding resilient communities and environment is centered on the Seattle Climate Vulnerability Assessment (the "CVA"), dated June 2023, to provide a document assessing how climate change is already affecting and will continue to affect the community wellbeing, economy, health, infrastructure, and natural systems of the City. The CVA identified that flooding and sea level rise, extreme heat, wildfire smoke, and extreme precipitation will have wide-ranging and interconnected impacts for the City. The policies recommended in this sub-element identify some key, broad areas that the City can invest in to address these risks, including investments in community services such as cooling and clean air centers, access to cooling and air filtration systems for homes and the tree canopy, communities that will be impacted by flooding, research of potential supply chain impacts, monitoring and maintenance of transportation systems, improving grid capacity and resilience, prioritizing water and wastewater systems' resilience to flooding impact, protecting and expanding the City's tree canopy, and protecting watersheds and salmon habitats.

Cyber Security and Artificial Intelligence

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 IT, a City department, working in conjunction with various City departments, has instituted 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 Risk Management Framework. 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. It has had cyber security liability insurance coverage since 2019. See "—Risk Management."

The Seattle Public Library ("SPL"), a charter department of the City, became aware of a ransomware event affecting its technology systems on May 25, 2024. SPL quickly engaged cyber security specialists and law enforcement and took its systems fully offline to interrupt and assess the nature of the event. All security remediations are complete and SPL has increased its security posture by implementing additional protections. This incident will not affect the City's ability to make payments on the Bonds.

Artificial Intelligence ("AI"). Advancements in AI have the potential to expedite and modernize City service provision, but the City must balance the power of these tools with the City's commitments to data privacy, legal obligations, security, and transparency. Seattle IT, working in conjunction with various City departments, external partners, researchers, and subject matter experts, has developed City-wide AI Guiding Principles and an AI Policy for the City, outlining requirements City departments must observe when acquiring and using software that meets the definition of artificial intelligence. These are implemented by the Responsible AI ("RAI") Program, which continues to operationalize the City's AI Principles through departmental use of AI tools. Building off foundational work of the City's Privacy Program, the RAI Program has instituted and continues to institute, review and update processes, policies, and procedures for evaluating AI systems, assessing risk, and implementing controls leveraging the NIST AI Risk Management Framework. The City cannot anticipate the precise nature of any particular risk that AI may create or the resulting consequences, and cannot guarantee that its RAI Program will mitigate all risks.

OTHER INVESTMENT CONSIDERATIONS

Public Health Emergencies

Pandemics and other widespread public health emergencies can and do arise from time to time and can affect broader economic conditions and the City's financial condition.

Beginning in 2020, the global COVID-19 pandemic negatively affected local, State, national, and global economic activity and had broad and previously unpredicted economic implications that affected the City's financial condition. Actions taken by the City to provide relief resulted in increased costs, a portion of which was subsequently reimbursed with State and federal aid. Future pandemics and other widespread public health emergencies can and do arise from time to time, which could have similarly unpredictable impacts on economic conditions locally and globally, and on the City's financial condition. The City cannot predict the nature or timing of any future pandemics and other public health emergencies that may arise and could impact the local economy or the City's financial condition, nor can the City predict whether federal aid would be made available for response or recovery efforts.

Federal Policy Risk and Other Federal Funding Considerations

Federal Policy Risk—In General. Federal policies on the federal debt ceiling, foreign trade and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in dramatic shifts in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding. The City currently expects a heightened level of uncertainty in federal funding over the next several years due to the change in federal administration and is taking steps to monitor the status of federal funding payable to the City. In addition, the City has from time to time been a party to lawsuits challenging policies and/or funding conditions that could negatively impact the City. The City cannot predict with certainty any future changes in federal policy or the potential impact (positive or negative) on any related federal funding the City may or may not receive in the future.

See "Security for the Bonds—Treatment of Tax Credit Subsidy Payments Under the Bond Documents—Effect of Federal Sequestration on Tax Credit Subsidy Payments."

Grant Funding Conditions. The City receives federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. The City also receives State loans and grants that are funded in part or in whole through federal programs. 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. In addition, a risk exists that funding conditions could be imposed on new or existing grants that reflect federal policy priorities that are inconsistent with City policy priorities or State law, and that such inconsistencies could put certain federal grant funding at risk. In the event of a dispute between the City and funders regarding whether any such conditions are applicable and lawful, the City may not have access to affected funds for the pendency of any legal proceedings, regardless of whether the City ultimately prevails. The City is monitoring the status of all of its federal funding at this time.

City Exposure to Changes in Federal Funding. The City is working in an uncertain and rapidly changing environment regarding the status of federal funding due to the City. In response to this, the City has been working with City departments in 2025 to develop an inventory of its risk exposure to potential changes in federal funding. The City has identified risk in a variety of areas including the City's transportation, human services, affordable housing, public safety and emergency preparedness, and environmental programs. The City estimates that its dependence on direct federal funding in 2025 is approximately $400 million in total related to grant awards that are either currently active or anticipated to be awarded. Of this amount, $214 million represents federal funding for City operating programs and $186 million represents federal funding for City capital projects. In particular, the City estimates that federal funding risk to the General Operating Fund in 2025 is up to approximately $53 million, which represents awards anticipated in 2025 and amounts awarded in prior years and not yet spent. There may be direct or indirect risk as to some of these funds. For comparison purposes, this is roughly 3% of the City's $1.9 billion General Operating Fund budget. However, the performance periods of these grants may extend into future years. Additionally, many of the City's regional governmental partners also receive significant federal resources. Loss of federal funding by those agencies could have indirect fiscal impacts on the City as those agencies may seek financial support from the City. The City is seeking to protect and maintain its federal funding through both legislative advocacy and legal means if and as necessary. Any changes in federal funding will not affect the City's ability to repay the City's bonds.

Federal Shutdown and Debt Limit Risks. 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. However, the City can make no assurances that it would not be materially adversely affected by any future shutdown of the federal government. In addition, federal funding received by the City could be at risk in the event that the federal government approaches its statutory debt limit. The City cannot predict whether or to what extent any specific federally funded program could be affected in such an event.

Federal Tax Law Changes. From time to time, there are legislative proposals in Congress and the IRS for rulemaking activities that could adversely affect the market value or marketability of the Bonds. It cannot be predicted whether future legislation, rules, regulations, or other guidance may be proposed or enacted that would affect the federal tax treatment of interest received on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any pending or proposed legislation or regulations that would change the federal tax treatment of interest on the Bonds. Risks to the status of federal tax exemption affecting interest on the Bonds are also discussed under "Legal and Tax Information – Tax Matters" below.

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 may be amended or repealed 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.

Additional 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. After two years, the law may be amended or repealed by the City Council in the same manner as other laws.

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

Because of the nature of its activities, the City is subject to certain pending legal actions that arise in the ordinary course of business of running a municipality, including various lawsuits and claims seeking money damages and/or injunctive relief. These pending actions include matters arising under State and federal environmental law.

Based on its past experience and the information currently known, the City has concluded that its ability to pay principal of and interest on the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the City and the timing of any anticipated payments of judgments that might result from suits and claims. Certain other threatened or pending litigation is described in the City's Annual Comprehensive Financial Report, as of its date.

In relation to SPU, the City received a "Notice of Intent to Sue For Failure to Comply With Municipal Stormwater General National Pollutant Discharge Elimination Permit, Section S4," dated June 16, 2022, from citizen group Puget Soundkeeper Alliance, regarding the City's municipal stormwater system. This 60-day notice alleges noncompliance with a Clean Water Act municipal stormwater permit issued by Ecology. No complaint has been filed as of the date of this Preliminary Official Statement.

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 LLP, 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 does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington.

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 LLP, 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.

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. With respect to applicable corporations as defined in Section 59(k) of the Code, generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) on the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

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 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 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; and

(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 City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, 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 City, 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 this 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 Rule 15c2-12.

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 Water 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 Water System;

(iii) debt service coverage ratios;

(iv) general customer statistics, such as number and type of customers and revenues by customer class; and

(v) current water 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 ended December 31, 2025. The annual financial information 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 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 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 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.

OTHER BOND INFORMATION

Ratings on the Bonds

The Bonds have been rated "Aaa" and "AA+" by Moody's Investors Service, Inc. and S&P Global Ratings, respectively. In general, rating agencies base their ratings on rating materials furnished to them, which may include information provided by the City that is not included in this Official Statement, and on the rating agency's own investigations, studies, and assumptions. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Municipal Advisor

The City has retained Piper 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.

Underwriting

The Bonds are to be purchased from the City under the terms of a bond purchase agreement (the "Bond Purchase Agreement") between the City and BofA Securities, Inc., acting on behalf of itself and as representative of Samuel A. Ramirez & Co., Inc., Siebert Williams Shank & Co., LLC, and Wells Fargo Bank, National Association (collectively, the "Underwriters"). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds, if any are purchased, at an aggregate purchase price of $________ (representing the principal amount of the Bonds plus [net] original issue premium of $________ less underwriter's discount of $_________).

BofA Securities, Inc., one of the Underwriters of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the Underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The initial public offering prices or yields set forth on page i may be changed from time to time by the Underwriters without prior notice. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts, or money market funds at prices lower than the public offering prices stated on the inside front cover page.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

Conflicts of Interest

Some or all of the fees of the Municipal Advisor, Bond Counsel, Underwriters, and Underwriters' Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel or Underwriters' Counsel serves as counsel to the Municipal Advisor and the Underwriters in matters unrelated to the Bonds. Bond Counsel may serve as counsel to one or more of the Underwriters on bonds issued by issuers other than the City. 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: ______________________________________

Jamie L. Carnell
Director of Finance

APPENDIX A

SUMMARY OF BOND ORDINANCE

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SUMMARY OF
SELECTED PROVISIONS OF THE BOND ORDINANCE

This Appendix contains a summary of certain definitions and other provisions of Ordinance 127148, passed by the City Council on November 21, 2024 (authorizing the new-money portion of the Bonds), and Ordinance 125714, passed by the City Council on November 19, 2018, and amended by Ordinance 126483, passed by the City Council on November 22, 2021 (authorizing the refunding portion of the Bonds) (together, the "Bond Ordinance").

Certain provisions of the Bond Ordinance are subject to amendments that will become effective as of the Reserve Covenant Date. Depending on market conditions, the Reserve Covenant Date may occur as soon as the Closing Date for the Bonds.

Certain information and defined terms have been omitted for purposes of this summary, and the reader is directed to the Bond Ordinance to review the complete text and full definitions of any capitalized terms that are not defined below. A complete copy of the Bond Ordinance is available from the City Clerk and on the City's website.

DEFINITIONS

Section 1 of the Bond Ordinance defines certain capitalized terms. Below are definitions of certain terms used in this Appendix and elsewhere in the Official Statement.

"Accreted Value" "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 twelve 30-day months, and (B) the difference between the Accreted Values for such Valuation Dates.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (a) an amount equal to ULID Assessments due in that year and not delinquent, (b) an amount equal to earnings from investments in the Reserve Subaccount, and (c) 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 ULID Assessments collected, 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 Operating and Maintenance Expense.

"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 Requirements, 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 percent of the average RBI during the four calendar quarters preceding the quarter in which the calculation is made.

(d) *Interest on 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 percent 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) of this definition 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 as follows:

(i) *If City is Obligated to Make Payments Based on a 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 a 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*. For purposes of calculating debt service on any Balloon Bonds, it shall be assumed that the principal of those Balloon Bonds, together with interest thereon at a rate equal to the assumed RBI-based rate set forth in paragraph (c) of this definition, 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 subsection 21(d) of the Bond Ordinance.

"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 percent or more of the initial aggregate principal amount of such series of Parity Bonds.

"Bond Documents" means (a)(i) with respect to the Bonds, the Bond Ordinance, and (ii) with respect to a series of Parity Bonds other than 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 Owners' Trustee" means a bank or trust company organized under the laws of the State, or a national banking association, appointed in accordance with Section 24(e) of the Bond Ordinance to act as trustee on behalf of the owners, from time to time, of the outstanding Parity Bonds.

"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 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 of the Bond Ordinance, 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.

"**Capital Improvement Program**" or "**CIP**" means those portions of the City's "2022-2027 Capital Improvement Program" relating to the Municipal Water System, adopted by Ordinance 126490, together with any previously adopted capital improvement program. For purposes of the Bond Ordinance, the CIP includes all amendments, updates, supplements or replacements that may be adopted from time to time by ordinance.

"Code" means the Internal Revenue Code of 1986, or any successor thereto, as amended at any time, and regulations thereunder.

"**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 of the Bond Ordinance.

"Director of Finance" or **"Director"** means the City's Director of Finance or such other officer who succeeds to substantially all of the responsibilities of that office.

"Event of Default" has the meaning assigned to that term in subsection 25(a) of the Bond Ordinance.

"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 Municipal Water 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 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 of the Bond Ordinance. 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 later be amended.

"Gross Revenue" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Municipal Water System; (b) the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Municipal Water System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) 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 Municipal Water 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; (f) general ad valorem taxes, excise taxes and special assessments (other than ULID Assessments), including interest and penalties thereon; and (g) earnings of any separate utility system that may be created, acquired, or constructed by the City pursuant to Section 19 of the Bond Ordinance.

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

"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" for any period means Gross Revenue, less Operating and Maintenance Expense.

"Operating and Maintenance Expense" means all expenses incurred by the City in causing the Municipal Water System to be operated and maintained in good repair, working order and condition, including without limitation: (a) deposits, premiums, assessments or other payments for insurance, if any, on the Municipal Water System; (b) payments into pension funds; (c) State-imposed taxes; (d) amounts due under Contract Resource Obligations in accordance with Section 20 of the Bond Ordinance; (e) payments made to another person or entity for the receipt of water supply or transmission or other commodity or service; and (f) payments with respect to any other expenses of the Municipal Water System that are properly treated as Operating and Maintenance Expense under generally accepted accounting principles applicable to municipal corporations, including payments (other than payments out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the Municipal Water System) into reasonable reserves for items of operating or maintenance expense the payment of which is not immediately required. Operating and Maintenance Expense does not include: depreciation, amortization or other similar recognitions of non-cash expense items made for accounting purposes only including non-cash pension expense; taxes levied or imposed by the City or payments in lieu of City taxes; payments of claims or judgments; or capital additions or capital replacements of the Municipal Water System.

"Parity Bond Account" means the Water Revenue Parity Bond Account created by Ordinance 116705 in the Water Fund 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 Bonds" means the Outstanding Parity Bonds, each Series of the Bonds, and any Future Parity Bonds then outstanding. Parity Bonds may include Parity Payment Agreements in accordance with Section 17 of the Bond Ordinance.

"Parity Certificate" means a certificate delivered pursuant to Section 17 of the Bond Ordinance 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 subsection (a) of this definition, together with the conditions set forth in Section 17 of the Bond Ordinance.

“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 the Bond 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, or asset or liability management purposes, and that provides for (i) an exchange of payments based on interest rates, or 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, together, the CIP and the Water System Plan, as modified at any 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 or the Water System Plan, 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 or the Water System Plan, 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 Municipal Water 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 of the Bond Ordinance.

“**Principal and Interest Subaccount**” means the subaccount of that name created in the Parity Bond Account for the payment of the principal of and interest on Parity Bonds.

“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 that has been assigned a credit rating in one of the two highest rating categories (without regard to any gradations within a rating category) 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 percent of the interest rate for actively traded 30-year United States Treasury obligations.

“Rate Stabilization Account” means the account of that name created in the Water Fund pursuant to Ordinance 116705 and redesignated for accounting purposes as the Revenue Stabilization Subfund of the Water Fund pursuant to Ordinance 120875.

“Reserve Covenant Date” means the earlier of (a) the date on which the City has obtained consents of the requisite percentage of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased: Water System Revenue Bonds, 2010A (Taxable Build America Bonds – Direct Payment) and Water System Improvement and Refunding Revenue Bonds, 2015.

“Reserve Fund Requirement” means the lesser of (a) Maximum Annual Debt Service on all Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt Service on all Parity Bonds outstanding at the time of calculation. In no event shall the Reserve Requirement exceed 10 percent of the proceeds of each series of Parity Bonds then outstanding, determined as of the Issue Date of each such series. From and after the Reserve Covenant Date, the Reserve Requirement shall mean the lesser 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 percent 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 that is not cancelable on less than three years’ notice.

“**Reserve Subaccount**” means the subaccount of that name created in the Parity Bond Account for the purpose of securing the payment of the principal of and interest on Parity Bonds.

“**ULID**” means a utility local improvement district of the City created for the acquisition or construction of additions to and betterments and extensions of the Municipal Water System.

“**ULID Assessments**” means all assessments levied and collected in a ULID, if and only if those assessments are pledged to be paid into the Parity Bond Account, in which case they shall be included in Gross Revenue. ULID Assessments shall include all installments of principal, payments of interest, and penalties and interest on delinquencies, but shall not include any prepaid assessments paid into a construction fund or account.

“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.

"**Water Fund**" means the fund of that name into which is paid the Gross Revenue of the Municipal Water System.

"**Water System Plan**" means the long-range water system plan known as the 2013 Water System Plan adopted by the City in Ordinance 124071, as that plan may be amended, updated, supplemented, or replaced from time to time.

DELEGATION AND BOND SALE TERMS

Sections 2 and 3 of the Bond Ordinance concern certain findings with respect to adopting a Plan of Additions and authorizing the issuance of Bonds.

Section 4 of the Bond Ordinance concerns the manner of sale of the Bonds.

Section 5 of the Bond Ordinance provides:

(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 the Bond 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 parameters set forth in the Bond Ordinance concerning the maximum principal amount, issue date, denominations, interest rates, payment dates, final maturity, redemption prior to maturity, price and certain other terms and conditions.

Sections 6 through 12 of the Bond Ordinance provide for matters relating to registration and transfer; payment and appointment of the paying agent; redemption and purchase; notice of redemption; failure to pay; form and execution of the Bonds; and provisions regarding the deposit and use of bond proceeds, which provisions are described in the Official Statement.

SECURITY FOR THE BONDS; FLOW OF FUNDS

Section 13 of the Bond Ordinance sets forth the pledge and security for the Bonds, as described under "SECURITY FOR THE BONDS" in the Official Statement.

Section 14 of the Bond Ordinance sets forth the flow of funds and priority for expenditure of Gross Revenue deposited in the Water Fund. It provides that Gross Revenue shall be deposited as received in the Water Fund and used for the following purposes only, in the following order of priority:

(a) To pay the Operating and Maintenance Expense;

(b) To make all payments into the Principal and Interest Subaccount required to be made in order to pay the interest on and principal of all Parity Bonds (including all net payments under Parity Payment Agreements) when due, and to make payments due under any agreement with a provider of a Reserve Security which agreement requires those payments to be treated on a parity of lien with the Parity Bonds;

(c) To make all payments required to be made (i) into the Reserve Subaccount with respect to Covered Parity Bonds, (ii) under any agreement with a provider of a Reserve Security, which agreement requires those payments to be treated on a parity of lien with the payments required to be made into the Reserve Subaccount, and (iii) until the Reserve Covenant Date, into a special account in the Water Fund in accordance with the second paragraph in subsection 15(a)(ii) of the Bond Ordinance;

(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 and 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 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 Municipal Water System; to make necessary additions, betterments, improvements, repairs to, extensions, and replacements of the Municipal Water System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenue; to make deposits to the Rate Stabilization Account; or for any other lawful Municipal Water System purposes.

Section 15 of the Bond Ordinance concerns the Parity Bond Account and Reserve Subaccount and is described in the Official Statement under "SECURITY FOR THE BONDS—Reserve Subaccount and Reserve Fund Requirement."

BOND COVENANTS

Section 16 concerns certain Parity Bond Covenant, and provides that the City covenants with the Owner of each Bond at any time outstanding, as follows:

(a) *Operation and Maintenance*. The City will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City under the Bond Ordinance. It will at all times maintain and keep the Municipal Water System in good repair, working order and condition, and will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof, so that at all times the business carried on in connection therewith will be properly and advantageously conducted, and will at all times operate or cause to be operated the Municipal Water System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) *Establishment and Collection of Rates and Charges*. The City will establish, maintain, revise as necessary, and collect rates and charges for services and facilities provided by the Municipal Water System so that the Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement. The failure of the City to comply with this covenant shall not be an Event of Default if the City promptly retains an Independent Utility Consultant to recommend to the City Council adjustments in the rates of the Municipal Water System necessary to meet the requirements of this covenant 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 Municipal Water System*. The City may sell, transfer, or otherwise dispose of any of the works, plant, properties, facilities or other part of the Municipal Water System or any real or personal property comprising a part of the Municipal Water System consistent only with one or more of the following:

(i) The City in its discretion may carry out such a sale, transfer, or disposition (each, a "transfer") if the facilities or property transferred are not material to the operation of the Municipal Water System, or shall have become unserviceable, inadequate, obsolete, or unfit to be used in the operation of the Municipal Water System or are no longer necessary, material or useful to the operation of the Municipal Water 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 subsection in any fiscal year comprises no more than 5 percent of the total assets of the Municipal Water 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 Municipal Water System, or are used to retire outstanding Parity Bonds or other revenue obligations of the Municipal Water System, if, at the time of such transfer, the City has on file a certificate of 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 such officers' opinions, upon such transfer and the use of proceeds of the transfer as proposed by the City, the remaining facilities of the Municipal Water 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 Municipal Water System from complying with the Coverage Requirement during the five fiscal years following the fiscal year in which the transfer is to occur. The certificate 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) the estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Municipal Water 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 subsection 17(a)(vi) of the Bond Ordinance. 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 Municipal Water System in accordance with generally accepted accounting practices relating to municipal utilities and any applicable rules and regulations prescribed by the State, and will cause those books, records and accounts to be audited on an annual basis by the State Auditor (or, if such audit is not made by the State Auditor within 270 days after the close of any fiscal year of the City, by a certified public accountant selected by the City). It will prepare annual financial and operating statements as soon as practicable after the close of each fiscal year showing in reasonable detail the financial condition of the Municipal Water 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 the Bond 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 Municipal Water System. Such statements shall be sent to the owner of any Parity Bond upon written request received by the City. The City may charge a reasonable cost for providing such financial statements.

(e) *Liens Upon the Municipal Water System*. Except as otherwise provided in the Bond Ordinance, it 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 that, if unpaid or not discharged, 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.

(f) *Collection of Delinquent Accounts; No Free Service*. 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. Except to aid the poor or infirm and for fire-fighting purposes, it will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the Municipal Water System free of charge to any person, firm, or corporation, public or private.

(g) *Maintenance of Insurance*. The City will at all times 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 Municipal Water 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 it will self-insure or participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the City, to protect the Municipal Water System against loss.

(h) *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 Municipal Water System, it shall apply the condemnation award or insurance proceeds, in the City's sole discretion, either (i) to the cost of replacing or repairing the lost or damaged properties, (ii) to the payment, purchase, or redemption of Parity Bonds, or (iii) to the cost of improvements to the Municipal Water System.

FUTURE PARITY BONDS

Section 17 of the Bond Ordinance provides for the issuance of Future Parity Bonds, subject to meeting the Parity Conditions, which are described under "SECURITY FOR THE BONDS—Additional Obligations" in the Official Statement. The City has also reserved the right to issue revenue bonds or other obligations having a lien on Net Revenue subordinate to the lien of the Parity Bonds.

RATE STABILIZATION ACCOUNT

Section 18 of the Bond Ordinance provides that the City may at any time deposit in the Rate Stabilization Account Gross Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in Adjusted Gross Revenue for any applicable year of the City. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year for which the deposit or withdrawal will be included as Adjusted Gross Revenue.

SEPARATE UTILITY SYSTEMS

Section 19 of the Bond Ordinance provides that the City may create, acquire, construct, finance, own or operate one or more additional systems for water supply, transmission or other commodity or service relating to the Municipal Water System. The revenue of that separate utility system shall not be included in Gross Revenue 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 shall be pledged by the City to the payment of any obligations of a separate utility system except (a) as a Contract Resource Obligation, upon compliance with Section 20 of the Bond Ordinance, or (b) with respect to Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

CONTRACT RESOURCE OBLIGATIONS

Section 20 of the Bond Ordinance provides that the City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of water supply, transmission, or other commodity or service relating to the Municipal Water System, as follows:

(a) 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 water supply or transmission or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be an Operating and Maintenance Expense if the following requirements are met at the time such a Contract Resource Obligation is entered into:

   (i) No Event of Default has occurred and is continuing; and

   (ii) There shall be on file a certificate of an Independent Utility Consultant stating that (A) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the supply or transmission rendered; (B) the source of any new supply and any facilities to be constructed to provide the supply or transmission are sound from a water or other supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide such supply or transmission no later than a date set forth in the Independent Utility Consultant's certification; and (C) 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 subsection 17(b)(ii) of the Bond Ordinance, will be at least equal to the Coverage Requirement.

(b) Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

(c) Nothing in this section shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply, transmission or other commodity or service from existing facilities and from treating those payments as an Operating and Maintenance Expense. Nothing in this section shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply, transmission, or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a charge and lien on Net Revenue subordinate to that of the Parity Bonds.

REFUNDING OR DEFEASANCE OF THE BONDS

In **Section 21** of the Bond Ordinance, the Bonds are designated as "Refundable Bonds" eligible to be refunded under the Omnibus Refunding Ordinance in the future and "Defeasible Bonds" eligible to be defeased under the Omnibus Defeasance Ordinance. The provisions regarding refunding and defeasance of the Bonds are described in the Official Statement under "DESCRIPTION OF THE BONDS—Refunding or Defeasance of Bonds."

FEDERAL TAX AND SECURITIES LAW MATTERS

Section 22 of the Bond Ordinance covers Federal Tax Matters, which are described in the Official Statement under "LEGAL AND TAX INFORMATION—Tax Matters."

Section 23 of the Bond Ordinance covers preparation of a Preliminary Official Statement, a Final Official Statement, and Continuing Disclosure matters. The Continuing Disclosure Agreement is described in the Official Statement under "CONTINUING DISCLOSURE AGREEMENT."

SUPPLEMENTAL OR AMENDATORY BOND DOCUMENTS

Section 24 of the Bond Ordinance provides that the Bond Ordinance and other Bond Documents may not be supplemented or amended in any respect subsequent to the Issue Date of the Bonds except in accordance with the following provisions:

(a) *Amendments Without Bond Owners' 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 of the Bonds 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 the Bond 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); 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 are not materially adverse to the owners of the Parity Bonds.

(b) *Amendments Permitted Upon Bond Owners' Consent*. With the consent of registered owners of not less than 60 percent 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 the Bond 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, the Bond 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 the Bond 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), 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 or

(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.

DEFAULTS AND REMEDIES

Section 25 of the Bond Ordinance provides the following Events of Default:

(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 the Bond Ordinance or the applicable Bond Documents (except as otherwise provided in the Bond Ordinance 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 in this section) or from the registered owners of not less than 25 percent 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 percent 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 percent 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 the Bond Ordinance or set forth in any of the Parity Bond Documents.

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 proceeding 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 the Bond 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 the Bond 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 in the Bond Ordinance 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 that person's 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 the Bond Ordinance, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into the Bond 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 registered ownership, 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 percent 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.

(vii) No owner of any Parity Bond shall have any right in any manner whatever by 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.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

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Stradling Yocca Carlson & Rauth LLP
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Seattle, WA 98101
206 829 3000
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[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington
$________ Water System Improvement and Refunding Revenue Bonds, 2025

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 Ordinance 127148 and Ordinance 125714, as amended by Ordinance 126483 (together, the "Bond Ordinance") to provide funds (i) to pay for part of the costs of various projects of the Municipal Water System, (ii) to make a deposit into the Reserve Subaccount, if necessary, (iii) to refund a portion of the City's outstanding water system revenue bonds, and (iv) to pay the costs of issuing the Bonds and administering the Refunding Plan, all as set forth in the Bond Documents (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 obligations of the City payable solely out of the Net Revenue of the Municipal Water System and money in the Water Revenue Parity Bond Account and the subaccounts therein (including the Reserve Subaccount, but only until such time as the Bonds are no longer "Covered Parity Bonds" under the Bond Documents), 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 <u>not</u> 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

2024 AUDITED FINANCIAL STATEMENTS OF THE WATER FUND

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

Seattle Public Utilities –
Water Fund
(An Enterprise Fund of the City of Seattle)

December 31, 2024 and 2023

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

To the Director of Seattle Public Utilities
Water Fund
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seattle Public Utilities – Water Fund (the Fund), which comprise the statements of net position as of December 31, 2024 and 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of City of Seattle, Washington, as of December 31, 2024 and 2023, the related changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Seattle Public Utilities' proportionate share of the net pension liability, schedule of Seattle Public Utilities' pension contributions, and the schedule of the City's total OPEB liability, and related ratios (collectively, required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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

Management is responsible for the other information as listed in the table of contents. The other information comprises the water fund debt service coverage calculation, water system operating statistics, major retail water customers, and water rates, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2025, 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 30, 2025

Management's Discussion and Analysis

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 Water Fund (the Fund) for the fiscal years ended December 31, 2024 and 2023. The revenues, expenses, assets, deferred outflows and inflows of resources, and liabilities of Seattle's water system are recorded in the Fund, the functions of which are primarily supported by user fees and charges 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 14 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 statements of net position present information, as of December 31, 2024 and 2023, on all 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, 2024 and 2023. 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 creditworthiness and its ability to 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, 2024 and 2023, and 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 19 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, 2024 and 2023, the Fund's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, resulting in surpluses in total net position of $868.5 million and $820.8 million, respectively. In 2024, the Fund's change in net position was an increase of $47.7 million (5.8%) as compared to 2023, which increased $49.5 million (6.4%). The following summary statements of net position presents the assets and deferred outflows of resources of the Fund and shows the mix of liabilities, deferred inflows of resources, and net position used to acquire these assets and deferred outflows of resources:

Summary Statements of Net Position

	2024	2023	2022
ASSETS			
Current assets	$ 169,676,653	$ 160,766,155	$ 145,922,174
Capital assets, net	1,422,203,198	1,390,326,431	1,369,256,870
Other	178,713,625	144,663,677	180,177,364
Total assets	1,770,593,476	1,695,756,263	1,695,356,408
DEFERRED OUTFLOWS OF RESOURCES	32,880,313	40,818,824	30,200,083
Total assets and deferred outflows of resources	$ 1,803,473,789	$ 1,736,575,087	$ 1,725,556,491
LIABILITIES			
Current liabilities	$ 84,807,647	$ 83,414,972	$ 91,639,327
Revenue bonds	629,225,000	604,485,000	688,052,014
Other	156,140,549	167,918,288	95,686,864
Total liabilities	870,173,196	855,818,260	875,378,205
DEFERRED INFLOWS OF RESOURCES			
Revenue stabilization fund	52,578,875	47,549,791	42,440,724
Deferred inflows - other	12,216,179	12,385,749	36,426,777
Total deferred inflows of resources	64,795,054	59,935,540	78,867,501
NET POSITION			
Net investment in capital assets	788,539,953	753,677,215	720,227,690
Restricted	20,506,595	20,943,954	18,290,404
Unrestricted	59,458,991	46,200,118	32,792,691
TOTAL NET POSITION	868,505,539	820,821,287	771,310,785
Total liabilities, deferred inflows of resources and net position	$ 1,803,473,789	$ 1,736,575,087	$ 1,725,556,491

2024 Compared to 2023

Assets – Current assets increased $8.9 million (5.5%) from 2023. This is primarily due to an increase in net accounts receivable of $4.9 million, an increase in operating cash of $3.0 million, an increase of unbilled revenue of $0.8 million, an increase in materials and supplies inventory of $0.3 million, and an increase due from other governments of $0.1 million. The change in operating cash is primarily due to the move of $3.2 million to the rate stabilization account in 2024.

Capital assets increased $31.9 million (2.3%) from 2023 mainly due to current year capital spending (Note 3).

Other assets increased $34.0 million (23.5%) from 2023. The largest portion of the change was due to the issuance of $68.8 million in revenue bonds, with a premium of $7 million, for construction; $5.5 million of which is for bond reserves, $3.2 million transferred from operating to the rate stabilization account, and $1.9 million of investment income on restricted cash. This was offset by a transfer to operating cash of $48 million for construction projects.

Deferred outflows of resources – Deferred outflows of resources decreased by $8.0 million (-19.4%) from 2023. This change resulted mainly from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits.

Liabilities – Current liabilities decreased $1.4 million (-1.7%) from 2023. The change mostly resulted from increases of $3.2 million in revenue bonds due within one year, and $3.5 million in due to other funds. This was offset by decreases of accounts payable of $2.9 million and a decrease of $2.3 million in salaries payable.

Noncurrent liabilities increased $13 million (1.7%) over 2023. This is mainly from an increase of $21.6 million in revenue bonds as a result of 2024 bonds issuance, an increase of $2 million in premiums, and an increase of $1.8 million in unfunded other post-retirement benefits, an increase of $1.4 million in compensated absences, and an increase of $1.1 million in Habitat Conservation Program (HCP) liability. This was offset by a decrease of $12.8 million in net pension liability and a decrease of $2 million in loans.

Deferred inflows of resources – Deferred inflows of resources increased by $4.9 million (8.1%) from 2023. This increase is mainly due to an increase of $5.0 million in the rate stabilization account.

Net position – Net investment in capital assets was the largest portion of the Fund's net position ($788.5 million or 90.8%). This amount reflects the Fund's net investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and amortization, 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. In 2024, net investment in capital assets increased $34.9 million from 2023 primarily from an increase in utility plant and construction in progress.

The Fund's restricted net position ($20.5 million or 2.4%) represents resources that are subject to restrictions on how they may be used. Restricted net position decreased by $0.4 million.

The Fund's unrestricted net position ($59.5 million or 6.8%) represents resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion increased $13.3 million in 2024 as compared to 2023 primarily as a result of operations.

2023 Compared to 2022

Assets – Current assets increased $14.8 million (10.2%) from 2022. This is primarily due to an increase in operating cash of $17.3 million, materials and supplies inventory of $1.8 million, and due from other governments of $0.9 million, offset by a decrease in accounts receivable of $5.0 million and a decrease in unbilled revenue of $0.4 million. The change in operating cash is primarily due to cash flow from operations and a decrease in accounts receivable.

Capital assets increased $21.1 million (1.5%) from 2022 mainly due to current year capital spending (Note 3).

Other assets decreased $35.5 million (-19.7%) from 2022. The largest portion of the change was due to a decrease in restricted cash and equity in pooled investments of $41.2 million from the transfer of cash from restricted accounts for construction to operating.

Deferred outflows of resources – Deferred outflows of resources increased by $10.6 million (35.2%) from 2022. This change resulted mainly from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits.

Liabilities – Current liabilities decreased $8.2 million (-9.0%) from 2022. The change mostly resulted from decreases of $6.7 million in revenue bonds due within one year, $3.4 million in other, and $3.2 million due to other funds. This was offset by an increase in accounts payable of $5.2 million.

Noncurrent liabilities decreased $11.3 million (-1.4%) over 2022. This is mainly from a decrease of $49.0 million in revenue bonds and bond premiums, due to regular payments, which was offset by an increase of $37.1 million in net pension liability.

Deferred inflows of resources – Deferred inflows of resources decreased by $18.9 million (-24.0%) from 2022. This decrease is mainly due to a decrease of $23.4 million in pension and other post-employment benefits (OPEB) which was offset by an increase in the rate stabilization account of $5.1 million.

Net position – Net investment in capital assets was the largest portion of the Fund's net position ($753.7 million or 91.8%). This amount 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. In 2023, net investment in capital assets increased $33.4 million from 2022 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt, debt related accounts, and decrease in construction cash of $46.4 million as a result of construction spending.

The Fund's restricted net position ($20.9 million or 2.6%) represents resources that are subject to restrictions on how they may be used. Restricted net position increased by $2.7 million.

The Fund's unrestricted net position ($46.2 million or 5.6%) represents resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion increased $13.4 million in 2023 as compared to 2022 primarily as a result of operations.

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

	2024	2023	2022
Operating revenues	$ 307,819,615	$ 301,496,010	$ 290,868,791
Operating expenses	(262,906,611)	(257,879,079)	(224,994,613)
Net operating income	44,913,004	43,616,931	65,874,178
Other expenses, net of other revenues	(11,220,811)	(3,926,795)	(27,201,562)
Fees, contributions, and grants	13,992,059	9,820,366	18,624,638
Change in net position	$ 47,684,252	$ 49,510,502	$ 57,297,254

2024 Compared to 2023

Operating revenues increased approximately $6.3 million (2.1%) from 2023. The change was mainly driven by increases in utility services revenue of $5.6 million, which was due to a 2% rate increase, and wholesale commercial services of $5.9 million offset by a decrease of $5.2 million other operating revenue.

Operating expenses increased $5.0 million (1.9%) from 2023. Notable factors affecting this change include increases of $4.3 million in services, $3.5 million in salaries, and was offset by a decrease of $4.1 million in personnel benefits.

Other expenses, net of other revenues increased by $7.3 million (185.7%) over 2023. The change was primarily due to a decrease in investment income realized and unrealized of $3 million, and a decrease in recoveries of $5.2 million, which was offset by an increase in rent from operating property of $0.5 million and an increase in other judgments and settlements of $0.3 million.

Capital contributions and grants increased by $4.2 million (42.5%) over 2023. The main factor for the change is an increase of $2.7 million in other private contributions and $1.5 million in state grants.

2023 Compared to 2022

Operating revenues increased approximately $10.6 million (3.7%) from 2022. The change was mainly driven by increases in utility services revenue of $5.0 million, wholesale commercial services of $2.8 million and other operating revenue of $2.8 million.

Operating expenses increased $32.9 million (14.6%) from 2022. Notable factors affecting this change include increases of $10.9 million in services, $10.6 million in benefits, $6.4 million in salaries, and $3.2 million in other operating expenses. The increase in salaries is largely driven by the agreement between the unions and the City.

Other expenses, net of other revenues decreased by $23.3 million (-85.6%) over 2022. The change was primarily due to an increase in investment income realized and unrealized of $17.5 million, and other non-operating revenue of $3.0 million and a decrease in interest expense of $2.8 million.

Capital fees, contributions and grants decreased by $8.8 million (-47.3%) over 2022. The main factor for the change is an $8.2 million decrease in donations.

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation and amortization, by major asset category as of December 31, 2024, 2023, and 2022:

Summary of Capital Assets, Net of Accumulated Depreciation and Amortization

	December 31,		
	2024	2023	2022
Land and land rights	$ 54,511,259	$ 54,511,259	$ 54,511,042
Buildings	115,584,824	120,732,870	125,995,394
Structures	919,763,199	889,663,148	831,320,552
Machinery and equipment	215,123,696	225,270,943	239,037,009
Computer systems	17,479,490	21,293,176	23,765,012
Construction in progress	95,835,366	75,185,263	91,176,278
Artwork	2,385,839	2,357,342	2,165,809
Intangible right-to-use, net	1,245,013	1,037,918	1,011,262
Property held for future use	274,512	274,512	274,512
Capital assets, net of accumulated depreciation and amortization	$ 1,422,203,198	$ 1,390,326,431	$ 1,369,256,870

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

2024 Compared to 2023

The Fund's investment in capital assets, net of accumulated depreciation and amortization for the year ended December 31, 2024, was $1.4 billion. This represents an increase of $31.9 million (2.3%) compared to 2023. The addition of capital assets was offset by increased depreciation and disposals. Highlights of the Fund's major capital assets placed in service during 2024 include the following:

- $50.2 million for water infrastructure improvements and rehabilitation
- $7.8 million for heavy equipment
- $2.6 million for infrastructure software

As of December 31, 2024, the Fund had $95.8 million in construction in progress. Major projects under construction are the following:

- $47.4 million for water system improvements and rehabilitation
- $23.8 million for Cedar and Tolt infrastructure and facility improvements
- $6.3 million for pump station improvements
- $5.8 million for reservoir improvements
- $5.2 million for structure and leasehold improvements
- $4.0 million for software upgrades

2023 Compared to 2022

The Fund's investment in capital assets for the year ended December 31, 2023, was $1.4 billion, net of accumulated depreciation and amortization. This represents an increase of $21.0 million (1.5%) compared to 2022. The addition of capital assets was offset by increased depreciation and disposals. Highlights of the Fund's major capital assets placed in service during 2023 include the following:

- $71.4 million for water infrastructure improvements and rehabilitation
- $6.8 million for Tolt & Cedar infrastructure and facility improvements
- $3.2 million for heavy equipment
- $2.5 million for Cedar Falls power service upgrade.

As of December 31, 2023, the Fund had $75.2 million in construction in progress. Major projects under construction are the following:

- $39.3 million for water system improvements and rehabilitation
- $12.9 million for Cedar and Tolt infrastructure and facility improvements
- $3.4 million for pump station improvements
- $3.0 million for Bitter Lake reservoir covering
- $2.1 million for watershed protection information management system
- $2.0 million for South Fork Tolt dam relicensing.

Debt Administration

The Fund's debt primarily consists of bonded debt and loans. Bonded debt is secured solely by water system revenues and provides financing for capital improvements. Loans issued by Washington State agencies for certain capital improvements are unsecured. The Fund's credit ratings on its bonds were AAA and AA+/stable by Moody's Investors Service Inc. and Standard & Poor's Rating Services, respectively. Additional details about the Fund's revenue bonds and loans are in Notes 4 and 9 of this report.

2024 Compared to 2023

At December 31, 2024, the Fund had $629.2 million in bonded debt and $16.6 million in loans, as compared to $604.5 million and $18.6 million, respectively, at December 31, 2023. Bonded debt increased a net $24.7 million, attributed to the issuance of $68.8 million in bonds, offset by $44 million in scheduled payments of debt principal. Loans decreased by $2.0 million due to scheduled principal payments on existing loans.

2023 Compared to 2022

At December 31, 2023, the Fund had $604.5 million in bonded debt and $18.6 million in loans, as compared to $655.2 million and $20.7 million, respectively, at December 31, 2022. Bonded debt decreased a net $50.8 million, attributed to scheduled payments of debt principal on existing bonds. Loans also decreased by $2.0 million due to scheduled principal payments on existing loans.

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, Financial and Risk Services Branch, Accounting Division, PO Box 34018, Seattle, WA 98124-4018, telephone (206) 684-3000.

Financial Statements

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	$ 109,254,735	$ 106,296,593
Receivables		
Accounts, net of allowance	26,786,383	21,837,112
Interest and dividends	728,624	777,230
Unbilled revenues	17,754,139	16,971,551
Due from other funds	676,053	841,833
Due from other governments	2,759,087	2,641,512
Materials and supplies inventory	11,646,039	11,328,731
Prepayments and other current assets	71,593	71,593
Total current assets	169,676,653	160,766,155
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	133,354,313	98,740,641
Prepayments long-term	517,447	589,039
Conservation costs	27,406,806	27,418,831
Regulatory assets	4,677,986	4,866,702
Other charges	12,757,073	13,048,464
Capital assets		
Land and land rights	54,511,259	54,511,259
Plant in service, excluding land	2,348,684,681	2,293,489,071
Less accumulated depreciation	(1,079,488,459)	(1,035,491,014)
Construction in progress	95,835,366	75,185,261
Other property, net	2,660,351	2,631,854
Total noncurrent assets	1,600,916,823	1,534,990,108
Total assets	1,770,593,476	1,695,756,263
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advanced refunding	9,776,550	10,810,552
Pension and OPEB contributions and changes in assumptions	23,103,763	30,008,272
Total deferred outflow of resources	32,880,313	40,818,824
Total assets and deferred outflows of resources	$ 1,803,473,789	$ 1,736,575,087

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position
December 31, 2024 and 2023

	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 13,055,125	$ 15,922,016
Salaries, benefits, and payroll taxes payable	917	2,299,879
Compensated absences payable	361,187	286,310
Due to other funds	3,452,941	-
Due to other governments	-	132,765
Interest payable	9,668,101	9,437,929
Taxes payable	811,902	887,939
Revenue bonds due within one year	47,205,000	44,025,000
Claims payable	2,179,465	1,708,658
Habitat conservation program liability	545,328	553,240
Loans payable, due within one year	2,049,935	2,049,935
Lease and subscription liabilities, due within one year	351,030	234,741
Other	5,126,716	5,876,560
Total current liabilities	84,807,647	83,414,972
NONCURRENT LIABILITIES		
Compensated absences payable	6,862,546	5,439,887
Revenue bonds	629,225,000	604,485,000
Less bonds due within one year	(47,205,000)	(44,025,000)
Bond premiums	80,534,573	78,586,937
Claims payable	4,902,705	5,105,089
Habitat conservation program liability	8,996,070	7,930,457
Loans payable	14,527,014	16,576,949
Unfunded other post employment benefits	4,209,176	2,435,671
Net pension liability	81,396,454	94,174,854
Lease and subscription liabilities, net of current portion	986,741	875,873
Other noncurrent liabilities	930,270	817,571
Total noncurrent liabilities	785,365,549	772,403,288
Total liabilities	870,173,196	855,818,260
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on advanced refunding	7,321,388	7,961,748
Rate stabilization account	52,578,875	47,549,791
Deferred inflows-pension and OPEB	4,894,791	4,424,001
Total deferred inflows of resources	64,795,054	59,935,540
NET POSITION		
Net investment in capital assets	788,539,953	753,677,215
Restricted for		
Other charges	10,445,513	10,497,931
Conservation costs	2,996,955	3,236,842
Habitat conservation program	7,064,127	7,209,181
Unrestricted	59,458,991	46,200,118
Total net position	868,505,539	820,821,287
Total liabilities, deferred inflows of resources and net position	$ 1,803,473,789	$ 1,736,575,087

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Charges for services and other revenues	$ 307,819,615	$ 301,496,010
OPERATING EXPENSES		
Salaries, wages and personnel benefits	74,288,524	74,909,944
Supplies	8,121,243	8,144,229
Services	62,964,892	58,623,899
Intergovernmental payments	52,439,037	50,872,429
Depreciation	56,551,465	55,355,175
Amortization	3,450,599	3,079,273
Other operating expenses	5,090,851	6,894,130
Total operating expenses	262,906,611	257,879,079
OPERATING INCOME	44,913,004	43,616,931
NONOPERATING REVENUES (EXPENSES)		
Investment income	8,597,048	11,593,278
Interest expense	(22,231,524)	(22,061,543)
Other, net	2,413,665	6,541,470
Total nonoperating expenses	(11,220,811)	(3,926,795)
Income before capital contributions and grants	33,692,193	39,690,136
Capital contributions and grants	13,992,059	9,820,366
CHANGE IN NET POSITION	47,684,252	49,510,502
NET POSITION		
Beginning of year	820,821,287	771,310,785
End of year	$ 868,505,539	$ 820,821,287

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 309,214,870	$ 311,893,349
Cash paid to suppliers	(77,720,552)	(72,597,160)
Cash paid to employees	(80,209,104)	(73,448,795)
Cash paid for taxes	(50,033,672)	(47,719,231)
Net cash provided by operating activities	101,251,542	118,128,163
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	1,982,571	845,803
Payment for environmental liabilities	-	551
Net cash flows from noncapital financing activities	1,982,571	846,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sales of bonds and other long-term debt	75,824,988	-
Principal payments on long-term debt	(46,074,935)	(52,288,721)
Capital expenditures and other charges paid	(82,198,394)	(78,178,294)
Interest paid on long-term debt	(29,324,213)	(30,821,592)
Build America Bonds Federal Interest Subsidy	1,619,191	1,764,952
Capital fees and grants received	6,890,487	6,563,173
Proceeds from the sales of capital assets	622,722	256,398
Net cash used in capital and related financing activities	(72,640,154)	(152,704,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change on investment	6,977,855	9,828,326
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	37,571,814	(23,901,241)
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	205,037,234	228,938,475
End of year	$ 242,609,048	$ 205,037,234
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	$ 109,254,735	$ 106,296,593
Noncurrent restricted cash and equity in pooled investments	133,354,313	98,740,641
Total cash and equity in pooled investments at the end of the year	$ 242,609,048	$ 205,037,234

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 44,913,004	$ 43,616,931
Adjustments to reconcile net operating income to net cash provided by operating activities		
Adjustment for net pension liability	(5,403,101)	2,038,190
Depreciation and amortization	60,002,064	58,434,448
Other cash receipts	1,659,257	6,277,002
Accounts receivable	(4,949,271)	5,008,811
Unbilled revenues	(782,588)	379,986
Due from other funds	165,780	(266,802)
Due from other governments	(117,576)	(927,486)
Materials and supplies inventory	(317,307)	(1,757,805)
Prepayments and other assets	71,592	71,593
Accounts payable	(2,866,890)	5,182,740
Salaries, benefits, and payroll taxes payable	(2,298,962)	88,533
Compensated absences payable	1,497,536	(115,939)
Due to other funds	3,452,941	(3,220,611)
Due to other governments	(132,765)	132,765
Claims payable	268,423	1,728,122
Taxes payable	(76,037)	3,704
Regulatory liability - revenue stabilization account	5,029,084	5,109,067
Lease and subscription, unfunded OPEB liabilities	1,136,358	(3,655,086)
Total adjustments	56,338,538	74,511,232
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 101,251,542	$ 118,128,163
NONCASH TRANSACTIONS		
Contributed infrastructure	$ 5,119,002	$ 2,411,390

See accompanying notes.

Note 1 – Operations and Summary of Significant Accounting Policies

Operations – The City of Seattle, Seattle Public Utilities – Water Fund (the Fund) is a public utility enterprise fund of the City of Seattle (the City). The Fund was established to account for activities of the water system operated by Seattle Public Utilities (SPU). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through purveyors such as suburban water districts and municipalities. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City's water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.

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 some that are normally considered to be general and administrative. The Fund is charged a share of these costs and during 2024 and 2023, paid $28,485,935 and $26,282,348, 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 $38,369,410 and $37,259,299 for these taxes in 2024 and 2023, respectively. These amounts are recorded within intergovernmental payments on the accompanying statements of revenues, expenses, and changes in net position.

The utility billing function is co-managed by SPU, Seattle City Light (SCL), and the 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 technology 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 $2,325,185 and $2,280,537 in 2024 and 2023, respectively. The Fund paid $9,816 and $72,805 for the utility billing services in 2024 and 2023, respectively.

Water services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected $4,214,355 and $4,641,107 in 2024 and 2023, respectively, from the City for water services provided.

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 (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 (U.S. GAAP) 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 in the statements 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 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 statements 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 account, and a revenue stabilization account.

Receivables and unbilled revenues – Customer accounts receivable consist of amounts owed by private individuals, organizations, and other City departments for goods delivered or services rendered in the regular course of business operations. Accounts receivable are shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed.

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 or due to other funds and governments.

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, 2024 and 2023, the Fund's allowance for doubtful accounts was $1,274,828 and $1,219,116, respectively.

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 included in the rate structure and, as such, will continue to be amortized over the life of the associated bond and loan issues. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, would have required these costs to be expensed in the period incurred if the Fund had not utilized regulatory accounting for these costs. The Fund uses regulatory accounting for interest costs incurred during the construction of capital assets because these costs are included in the rate structure and, as such, will continue to be amortized over the life of the associated capital assets. GASB Statement No. 89*, Accounting for Interest Cost Incurred before the End of a Construction Period*, would have required these costs to be recognized as an expense in the period incurred if the Fund had not utilized regulatory accounting for these costs.

Revenue Stabilization Account – The Revenue Stabilization Account (RSA) was established by City Ordinance 122841 to reduce year-to-year variation in rates. Amounts deposited into the RSA are excluded from the statements of revenues, expenses, and changes in net position and treated as a credit in accordance with GASB Statement No. 62. The RSA is included in the “Revenue Stabilization Account” identified in the Fund’s bond covenants. These covenants provide that withdrawals and deposits from the “Revenue Stabilization Account” shall augment or reduce adjusted net revenue available for the payment of debt service. In 2024, $3.2 million was deposited into the RSA. $3.7 million was deposited into the RSA in 2023.

BPA account – In 2003, the Bonneville Power Administration (BPA) purchased an easement in the amount of $6.0 million from the Fund to construct a power transmission line through the Cedar River Watershed. This $6.0 million, together with $657,149 in timber sales related to the easement, were deposited into the BPA account and classified as restricted assets. At December 31, 2024 and 2023, the cash balance in the BPA account was $480,721 and $463,021, respectively. Monies in the BPA account are considered a portion of the “Revenue Stabilization Account” described in bond covenants and therefore shall augment or reduce adjusted net revenue available for the payment of debt service. The Fund will recognize the revenues deposited in the BPA account in the calculation of adjusted net revenues available for the payment of debt service as they are withdrawn to fund certain activities in the Cedar River Watershed.

Conservation costs – Conservation program costs that result in long-term benefits and reduce or postpone other capital expenditures or have a legal requirement are included in noncurrent assets and amortized over their expected useful lives, commencing when each program is in place. The conservation program costs are amortized over their expected useful lives of ten years. Certain costs related to the Habitat Conservation Plan (HCP) are included in the noncurrent assets and amortized through 2050, the year in which the plan expires. An Incidental Take Permit was issued to the City by the federal government approving the HCP for 50 years. Costs of administering the conservation and HCP programs are expensed as incurred.

Other charges – Other charges include costs such as the Water System Plan, leasehold improvements, and the Tolt Levee modification. The Fund amortizes these charges over a 2 to 33-year period.

Capital assets – Capital assets are stated at cost or, if contributed, at fair value on the date of contribution. Costs include direct material, 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 additions and improvements are capitalized. SPU's policy is to capitalize assets with a cost of $5,000 or more. The Fund receives donated assets such as water mains from developers and other governmental agencies. These donated assets are treated as capital contributions and grants in the statements of revenues, expenses, and changes in net position.

Construction in progress – Capitalizable costs incurred on projects which are not in service or ready for use are held in construction in progress. When the asset is ready for service, 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 on the date of contribution. Other property includes artwork and property held for future use. The artwork is acquired through the City's "One Percent for Art" program, which supports the City ordinance established to direct the inclusion of works of art in public spaces within the City.

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

Buildings and fixtures	10 to 50 years
Earthen source of supply developments	100 years
Transmission and distribution pipelines, reservoirs, and tanks	15 to 100 years
Water mains	33 to 57 years
Pumps, wells, and treatment equipment	10 to 50 years
Machinery and equipment	3 to 20 years
Computer systems	3 to 11 years

Asset depreciation begins in the month the asset is placed in service.

Deferred outflows/inflows of resources – In addition to assets, the statements 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 had deferred loss on refunding debt which qualifies for reporting in this category. A deferred loss on refunding bonds 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 of resources for certain pension and OPEB 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 5 and 8).

In addition to liabilities, the statements 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. The Fund has also recorded deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions and unamortized gain on refunding. The Fund has a revenue stabilization account which qualifies for reporting in this category.

Compensated absences – Employees earn vacation based upon their date of hire and years of service and may accumulate vested vacation up to a maximum of 480 hours. Unused vacation at retirement or upon leaving city employment, is payable to the employee, in cash or a noncash settlement, such as conversion to defined postemployment benefits. Earned but unused vacation is accrued as a liability of the Fund using the employees' current pay rate. 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.

Retiring employees who are not eligible 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 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 based on an analysis of the amount management deems is more likely than not to be used or settled in cash or noncash means.

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 total 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.

Operating revenues – The Fund provides water service to wholesale and retail customers and recognizes revenue when such service is provided. Wholesale customers (Purveyors) are under contract with the Fund, and rates are set based on cost allocation criteria stipulated in the contracts.

Service rates for all customers are authorized by ordinances passed by the City Council. Service revenues are recorded through cycle billings rendered to customers monthly or bimonthly. The Fund accrues and records unbilled water service revenues in the financial statements for services provided from the date of the last billing to year end.

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 is charged a public utility tax by the City at a rate of 15.54% of Fund revenues, net of certain credits and certain revenues. In addition, the Fund paid a 5.03% public utility tax to the state on a certain portion of revenues identified as utility revenues. The Fund also paid business and occupation tax to the City at the rate of 0.22% and to the state at the rate of 1.75% for certain other non-utility revenues.

Nonoperating revenues and expenses – The Fund's non-operating revenues and expenses arise from transactions not related directly to the major income-earning operations of the utility and are of a recurring nature. Major items are investment and interest income, interest expense, gains or losses on the sale of assets, and amortization of debt expenses.

Net position – The statements of net position report 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, less accumulated depreciation and amortization, 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. The Fund's restricted net position as of December 31, 2024 and 2023, are mainly related to conservation costs, HCP and certain other charges.

Unrestricted net positions are those that are 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 bond. The IRC requires that earnings on gross proceeds of any revenue bonds that are more than the amount prescribed will 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, 2024 and 2023.

Accounting standard changes – In June 2022, GASB issued Statement No. 100 (GASB 100), *Accounting Changes and Error Corrections*, and it was effective for reporting periods beginning after June 15, 2023. This standard prescribes the accounting and financial reporting requirements for accounting changes and error corrections. There is no impact to the Fund as a result of adopting this standard.

In June 2022, GASB issued Statement No. 101 (GASB 101), *Compensated Absences*, and it was effective for reporting periods beginning after December 15, 2023. This standard requires the Fund to record a liability for leave that accumulates, is attributable to services already rendered, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. There is no impact to the Fund as a result of adopting this standard.

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 unbilled revenues, allowance for doubtful accounts, fair value of cash and equity in pooled investments, accrued sick leave, capitalized interest, intangible lease and subscription assets and liabilities, depreciation and amortization, risk liabilities, post-retirement benefits, pension liability, and other contingencies. Changes in these estimates and assumptions may have a material impact on the financial statements.

Significant risks and uncertainties – 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, water conditions, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance, and licensing of facilities.

Reclassifications – Certain reclassifications have been made to the financial statements and related footnote presentations. These reclassifications had no effect on the operating results or net position of the Fund.

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 Fund are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of 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 in the statements of net position 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, 2024 and 2023, 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, 2024 and 2023, 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 Consolidated Cash Pooled Investment Portfolio (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.

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 Principal Custody Solutions 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).

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, 2024 and 2023, 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 City Finance Director and Office of City Finance 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.

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, 2024 and 2023, the City held $468.3 million and $406.4 million, respectfully on deposit in the Washington State 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.

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., is accounted for at cost.

The City is authorized by Seattle Municipal Code Section 5.06.010 and Chapter 43.250 of the Revised Code of Washington to participate in the State of Washington Local Government Investment Pool (LGIP), which is managed and operated by the Washington State Treasurer. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The LGIP is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at http://www.tre.wa.gov.

The remainder of City's investments are purchased in the over-the-counter U.S. bond market and accounted for at fair value.

The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Principal Financial Services Inc., and the City's third-party investment accounting vendor Clearwater Analytics LLC. Prices are obtained from the City's safekeeping bank, Principal. Principal's primary pricing vendor is Intercontinental Exchange (ICE).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 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.

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, 2024, the City's pooled investments were categorized within the fair value hierarchy as follows (in thousands):

Investments	Fair Value as of December 31, 2024	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 784,234	$ -	$ 784,234	$ -	599
U.S. Treasury and U.S. Government-Backed Securities	1,924,517	1,924,517	-	-	710
Local Government Investment Pool	468,340	468,340	-	-	-
U.S. Government Agency Mortgage-Backed Securities	290,315	-	290,315	-	1,508
Municipal Bonds	94,385	-	94,385	-	591
Commercial Paper	48,995		48,995		164
Corporate Bonds	32,863	-	32,863	-	544
International Bank for Reconstruction and Development	130,251	-	130,251	-	942
Repurchase Agreements	11,256	11,256	-	-	9,131
	$ 3,785,156	$ 2,404,113	$ 1,381,043	$ -	
Weighted Average Maturity of the City's Pooled Investments					682

As of December 31, 2023, the City's pooled investments were categorized within the fair value hierarchy as follows (in thousands):

Investments	Fair Value as of December 31, 2023	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 1,417,009	$ -	$ 1,417,009	$ -	404
U.S. Treasury and U.S. Government-Backed Securities	1,240,539	1,240,539	-	-	679
Local Government Investment Pool	406,431	406,431	-	-	-
U.S. Government Agency Mortgage-Backed Securities	312,777	-	312,777	-	1,754
Municipal Bonds	150,811	-	150,811	-	772
Corporate Bonds	67,267	-	67,267	-	537
International Bank for Reconstruction and Development	48,924	-	48,924	-	247
Repurchase Agreements	17,297	17,297	-	-	9,497
	$ 3,661,055	$ 1,664,267	$ 1,996,788	$ -	
Weighted Average Maturity of the City's Pooled Investments					626

The Fund's share of the City pool was as follows as of December 31:

	2024	2023
Cash and equity in pooled investments	$ 109,254,735	$ 106,296,593
Restricted cash and equity in pooled investments	133,354,313	98,740,641
Total	$ 242,609,048	$ 205,037,234
Balance as a percentage of City Pool cash and investments	6.4%	5.6%

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 (in thousands):

	2024		2023	
Issuer	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
United States Government	$1,924,517	51%	$ 1,240,539	34%
Federal Home Loan Bank	193,947	5%	572,730	16%
Local Government Investment Pool	468,340	12%	406,431	11%
Federal National Mortgage Association	280,777	7%	293,713	8%
Federal Farm Credit Bank	219,703	6%	291,404	8%
Federal Home Loan Mortgage Corp	215,628	6%	287,136	8%
Federal Agriculture Mortgage Corp	-	-	248,019	7%

Note 3 – Capital Assets

Capital asset activity consisted of the following for the year ended December 31, 2024:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 213,597,224	$ 107,247	$ (52,811)	$ 213,651,660
Structures	1,378,929,002	56,732,821	(2,483,484)	1,433,178,339
Machinery and equipment	596,940,953	8,554,184	(3,726,004)	601,769,133
Computer systems	102,348,370	2,556,101	(7,186,279)	97,718,192
Intangible right-to-use	1,673,522	693,835	-	2,367,357
Total capital assets - excluding land	2,293,489,071	68,644,188	(13,448,578)	2,348,684,681
Less accumulated depreciation and amortization	(1,035,491,014)	(57,038,209)	13,040,764	(1,079,488,459)
	1,257,998,057	11,605,979	(407,814)	1,269,196,222
Construction in progress	75,185,261	84,655,490	(64,005,385)	95,835,366
Land and land rights	54,511,259	-	-	54,511,259
Artwork	2,357,342	159,609	(131,112)	2,385,839
Property held for future use	274,512	-	-	274,512
Capital assets, net	$ 1,390,326,431	$ 96,421,078	$ (64,544,311)	$ 1,422,203,198

Capital asset activity consisted of the following for the year ended December 31, 2023:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 213,597,058	$ 166	$ -	$ 213,597,224
Structures	1,298,352,324	85,254,414	(4,677,736)	1,378,929,002
Machinery and equipment	593,012,891	4,894,636	(966,574)	596,940,953
Computer systems	98,857,778	3,568,596	(78,004)	102,348,370
Intangible right-to-use	1,317,714	359,282	(3,474)	1,673,522
Total capital assets - excluding land	2,205,137,765	94,077,094	(5,725,788)	2,293,489,071
Less accumulated depreciation and amortization	(984,008,534)	(55,687,801)	4,205,321	(1,035,491,014)
	1,221,129,231	38,389,293	(1,520,467)	1,257,998,057
Construction in progress	91,176,276	80,685,857	(96,676,872)	75,185,261
Land and land rights	54,511,042	388	(171)	54,511,259
Artwork	2,165,809	191,533	-	2,357,342
Property held for future use	274,512	-	-	274,512
Capital assets, net	$ 1,369,256,870	$ 119,267,071	$ (98,197,510)	$ 1,390,326,431

During 2024 and 2023, the Fund capitalized interest costs as a regulatory asset relating to construction of $2,728,965 and $3,289,927, respectively.

The Fund, as lessee, has entered into various leases for building and equipment with lease terms expiring between 2025 and 2030. Leases that have a maximum possible lease term that are non-cancelable by both lessee and lessor, have a term of more than 12 months, and a present value greater than $5,000 are considered to be “right to use” assets. Unless explicitly stated in the lease agreement, the discount rate used to calculate lease right-of-use assets and liabilities in which the Fund acts as lessee is the City’s incremental borrowing rate based on the expiring date. The discount rate used for leases during the years ending December 31, 2024 and 2023, was 0.38%.

The Fund has two software-based information technology arrangements (SBITAs) with terms ending in 2027. Any subscription-based information technology arrangement (SBITA) that is negotiated by Seattle IT that is for the benefit of multiple departments, will be accounted for at the City level by Seattle IT and is excluded by the Fund. The discount rate used for the software arrangement during the years ending December 31, 2024 and 2023, was 2.70%.

Minimum payments under the leases and SBITA's are as follows:

Years ending December 31,	Principal	Interest	Total
2025	$ 351,030	$ 13,436	$ 364,466
2026	329,567	8,644	338,211
2027	257,195	3,792	260,987
2028	184,312	1,146	185,458
2029	185,018	440	185,458
2030	30,649	5	30,654
	$ 1,337,771	$ 27,463	$ 1,365,234

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 $26,342,737 in a debt service reserve account and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2024 and 2023, were $629,225,000 and $604,485,000, respectively.

Revenue bonds outstanding as of December 31, 2024 and 2023, consisted of the following Municipal Water bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2024	Bonds Outstanding 2023
2010 Improvement, Series A [a] (Taxable)	1/21/10	2019-2040	4.67-5.89%	$ 109,080,000	$ 87,220,000	$ 91,170,000
2012 Refunding	5/30/12	2012-2034	2.0-5.0%	238,770,000	10,750,000	10,750,000
2015 Improvement and Refunding	6/10/15	2015-2045	2.0-5.0%	340,840,000	168,375,000	189,435,000
2017 Improvement and Refunding	1/25/17	2017-2046	4.0-5.0%	194,685,000	154,935,000	161,480,000
2021 Improvement and Refunding	6/14/21	2022-2034	4.0-5.0%	82,220,000	73,015,000	76,595,000
2022 Improvement and Refunding	7/28/22	2022-2052	5.0%	93,260,000	66,165,000	75,055,000
2024 Improvement and Refunding	6/6/24	2025-2054	5.0%	68,765,000	68,765,000	-
				$ 1,127,620,000	$ 629,225,000	$ 604,485,000

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

Years Ending December 31,	Principal	Interest	Total
2025	$ 47,205,000	$ 29,161,109	$ 76,366,109
2026	45,230,000	26,833,077	72,063,077
2027	43,550,000	24,618,301	68,168,301
2028	41,705,000	22,397,668	64,102,668
2029	43,415,000	20,594,758	64,009,758
2030 - 2034	160,695,000	77,709,274	238,404,274
2035 - 2039	117,285,000	45,222,497	162,507,497
2040 - 2044	64,000,000	23,635,451	87,635,451
2045 - 2049	39,390,000	11,344,400	50,734,400
2050 - 2054	26,750,000	3,750,000	30,500,000
	$ 629,225,000	$ 285,266,535	$ 914,491,535

The following table shows the revenue bond activity during the year ended December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 604,485,000	$ 68,765,000	$ (44,025,000)	$ 629,225,000	$ 47,205,000
Add (deduct) deferred amounts					
Issuance premiums	78,586,937	7,059,988	(5,112,351)	80,534,574	-
Total bonds payable	$ 683,071,937	$ 75,824,988	$ (49,137,351)	$ 709,759,574	$ 47,205,000

The following table shows the revenue bond activity during the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 655,245,000	$ -	$ (50,760,000)	$ 604,485,000	$ 44,025,000
Add (deduct) deferred amounts					
Issuance premiums	83,567,014	-	(4,980,077)	78,586,937	-
Total bonds payable	$ 738,812,014	$ -	$ (55,740,077)	$ 683,071,937	$ 44,025,000

In May 2024, the Fund issued $68,765,000 of Water System Improvement Revenue Bonds with varying annual principal payments due beginning 2025 and ending in 2054, at interest rate of 5.0 percent.

Financial covenants – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain 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 adjusted annual debt service on all parity bonds outstanding at the calculation, or (iii) the sum of 10% of the proceeds of each series of parity bonds then outstanding. Management believes the Fund was in compliance with all debt covenants as of December 31, 2024. For more information, see Other Information (page 52).

Note 5 – Postemployment Benefit Plans

Deferred compensation – The City offers all of its employees a deferred compensation plan (the Plan) created in accordance with 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 who 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.

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 2018–2021.

Actuarial data and assumptions	**2024**
Valuation date	January 1, 2024
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	3.26%
Health care cost trend rates – medical	6.47% in 2024, increasing to 8.00% in 2025 and decreasing by varying amounts until 2035 thereafter
Health care cost trend rates – Rx	7.56% in 2024 and 13.00% in 2025 and decreasing by varying amounts until 2035 thereafter
Participation	25% of active employees who retire participate

Mortality

General Service (Actives)

PubG-2010 Employee Table multiplied by 95%
Rates are projected generationally using Scale MP-2021 ultimate rates

General Service (Retirees)

PubG-2010 Retired Mortality Table multiplied by 95%
Rates are projected generationally using Scale MP-2021 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.

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.

	Pre-65 Medical, RX, and Admin Combined					
Age	Aetna Preventive Plan	Aetna Traditional	Aetna Medicare Pre65	Kaiser Standard	Kaiser Deductible	Kaiser MAPD Pre65
50	$ 18,062	$ 16,082	$ 13,016	$ 10,627	$ 8,253	$ 6,857
55	22,293	19,850	16,066	13,117	10,186	8,464
60	27,649	24,619	19,925	16,268	12,633	10,497

The average medical and prescription drug per capita claims costs were developed from 2024 calendar year self-funded premium rates. Premium-equivalent rates were provided by the 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 2024 four-tier rate structure including the add-on cost of dependent children and trended back from 2024 to 2023 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.

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 2025 and future valuations.

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 the 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 $4.2 million in 2024 and $2.4 million in 2023. The Fund's proportionate share of the change in the OPEB liability was 4.89% and 4.59% for the years ended December 31, 2024 and 2023, respectively. Based on the actuarial valuation date of January 1, 2024, details regarding the Fund's Total OPEB Liability as of December 31, are shown below.

	Total OPEB Liability at December 31, 2024	Total OPEB Liability at December 31, 2023
Changes recognized for the fiscal year:		
Service cost	$ 126,538	$ 163,623
Interest on the total OPEB liability	93,461	54,916
Differences between expected and actual experience	(59,643)	-
Changes of assumptions	1,756,835	(367,817)
Contributions from the employer	(120,028)	(111,872)
Other changes	(23,657)	(31,193)
Net Changes	1,773,506	(292,343)
Balance recognized at December 31, 2023	2,435,671	2,728,014
Balance recognized at December 31, 2024	$ 4,209,176	$ 2,435,671

The Fund recorded an expense for OPEB of $218,976 in 2024 and $42,021 in 2023. The Health Care Subfund of the General Fund is reported in The City of Seattle's Annual Comprehensive Financial Report.

Discount rate and healthcare cost trend rates – The discount rate used to measure the total OPEB liability is 3.26% for 2024 and 3.72% for 2023. The following tables present the sensitivity of total OPEB liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

	OPEB Liability at December 31, 2024	OPEB Liability at December 31, 2023
Discount rate		
1% decrease	$ 4,621,125	$ 2,650,444
Current discount rate	4,209,176	2,435,671
1% increase	3,835,074	2,241,110

The following table presents the sensitivity of total 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

	OPEB Liability at December 31, 2024	OPEB Liability at December 31, 2023
Discount rate		
1% decrease	$ 3,723,402	$ 2,168,061
Trend rate	4,209,176	2,435,671
1% increase	4,786,893	2,754,395

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, 2024.

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 304,835	$ 538,719
Assumption changes	1,658,352	819,401
Contributions made in 2024 after measurement date	164,545	-
Total	$ 2,127,732	$ 1,358,120

The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Fund at December 31, 2023.

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 416,943	$ 576,475
Assumption changes	116,711	1,061,460
Contributions made in 2023 after measurement date	112,733	-
Total	$ 646,387	$ 1,637,935

The Fund's contributions made in 2024 in the amount of $164,545 are reported as deferred outflows of resources and will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2025. 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
2025	$ (1,131)
2026	(1,131)
2027	45,594
2028	67,005
2029	76,076
Thereafter	418,655
Total	$ 605,067

The Health Care Subfund of the General Fund is reported in the City's Annual Comprehensive Financial Report which can be obtained by writing the Department of Finance, City of Seattle, PO Box 94747, Seattle, WA 98124-4747, or www.seattle.gov/investor-relations.

Note 6 – 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 2024 and 2023, 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 of 3.61% and 3.12%, respectively. Claims expected to be paid within one year are $2,179,465 and $1,708,658 at December 31, 2024 and 2023, respectively. The table below presents the changes in the liability for workers' compensation claims and other claims (risk-financing liabilities) as of December 31:

	2024	2023
Beginning liability, discounted	$ 6,813,747	$ 5,085,625
Payments	(2,509,399)	(2,562,054)
Incurred claims and changes in estimate	2,777,822	4,290,176
Ending liability, discounted	$ 7,082,170	$ 6,813,747

The Fund is involved in litigation from time to time as a result of operations.

Note 7 – Compensated Absences

The Fund has recorded a liability for vested but unused compensatory and vacation leave, as well as estimated sick leave payments calculated based on the economic resources measurement focus for leave that is more likely than not to be settled by cash payments or noncash settlement, such as conversion to defined postemployment benefits. The schedules below show the compensated absences activity during the years ended December 31, 2024 and 2023:

	2024	2023
Beginning liability	$ 5,726,197	$ 5,842,136
Net Additions/Reductions	1,497,536	(115,939)
Ending liability	$ 7,223,733	$ 5,726,197

Note 8 – Pension Benefit Plan

Plan description – The Seattle City Employees' Retirement System (the System) is a cost-sharing multiple employer pension plan covering employees 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 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.

Member and employer contributions – Member and employer contributions are:

	YEAR	SCERS I	SCERS II
Member Contribution	2024	10.03%	7.00%
	2023	10.03%	7.00%
Employer Contribution	2024	15.31%	14.91%
	2023	15.91%	15.56%

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, 2024 and 2023, were $10,266,599 and $8,620,728, 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 email at retirecity@seattle.gov, or online at https://www.seattle.gov/retirement/forms-and-publications/publications.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2024 and 2023, the Fund reported a liability of $81,396,454 and $94,174,854, respectively, its proportionate share of the Systems' net pension liability. The net pension liability was measured as of December 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 and 2023. 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, 2024 and 2023, the Fund's proportion was 5.94% and 5.68%, respectively.

For the years ended December 31, 2024 and 2023, the Fund recognized pension expense of approximately $7,690,000 and $10,766,000, respectively.

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 503,209	$ 703,016
Change of assumptions	3,420,210	-
Difference between projected and actual earnings	6,786,013	-
Contributions made subsequent to measurement date	10,266,599	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,833,655
Total	$ 20,976,031	$ 3,536,671

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 126,577	$ 1,219,947
Change of assumptions	5,597,440	-
Difference between projected and actual earnings	15,017,140	-
Contributions made subsequent to measurement date	8,620,728	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,566,119
Total	$ 29,361,885	$ 2,786,066

The Fund's contributions made subsequent to measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Amounts currently reported as deferred outflows of resources relate to actual experience and difference in actual earnings on pension investments from projected earnings and will be recognized in pension expense as follows for years ending December 31:

Year	Amortization
2025	$ 787,649
2026	4,193,250
2027	6,487,516
2028	(2,687,604)
2029	(1,608,050)
Total	$ 7,172,761

Actuarial assumptions – The total pension liability as of December 31, 2024, was determined using the following actuarial assumptions:

Valuation date	January 1, 2023
Measurement date	December 31, 2023
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	2.60%
Investment rate of return	6.75% compounded annually, net of expenses
Discount rate	6.75%
Projected general wage inflation	2.6%
Postretirement benefit increases	1.5%
Mortality	Various rates based on PubG-2010 mortality tables and using generational projection of improvement using MP-2021 Ultimate projection scale. See 2022 Investigation of Experience report for details.

The actuarial assumptions that determined the net pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2018, through December 31, 2021.

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 employers' 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 payments 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 expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2024, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.70%
Equity: Private	7.50%
Fixed Income: Broad	2.30%
Fixed Income: Credit	5.80%
Real Assets: Real Estate	4.20%
Real Assets: Infrastructure	4.50%

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate.

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
$ 119,736,206	$ 81,396,454	$ 46,176,503

Note 9 – Loans

The Fund has various construction projects that are financed by low interest loans issued by the State. The loan agreements require that the Fund finance a portion of these projects from other sources. These loans have been used to enhance and protect the water system.

Loans outstanding as of December 31, 2024 and 2023, are as follows:

Description	Maturity Years	Interest Rate	Loan Amount	Loans Outstanding 2024	Loans Outstanding 2023
Myrtle Reservoir	2008-2025	1.5%	$ 4,040,000	$ 224,444	$ 448,889
Beacon Reservoir	2008-2026	1.5%	4,040,000	425,264	637,895
West Seattle Reservoir	2009-2027	1.5%	3,030,000	478,421	637,895
Maple Leaf	2011-2029	1.5%	3,030,000	806,748	968,099
Maple Leaf ARRA	2013-2031	1.0%	7,341,758	2,936,704	3,303,791
Morse Lake Pump Plant #1	2014-2037	1.5%	12,120,000	7,878,000	8,484,000
Morse Lake Pump Plant #2	2017-2036	1.5%	6,060,000	3,827,368	4,146,316
			$ 39,661,758	$ 16,576,949	$ 18,626,884

Minimum debt service requirements to maturity on the loans are as follows:

Years Ending December 31,	Principal	Interest	Total
2025	$ 2,049,935	$ 233,971	$ 2,283,905
2026	1,825,490	205,057	2,030,548
2027	1,612,859	179,510	1,792,369
2028	1,453,385	157,153	1,610,538
2029	1,453,385	137,187	1,590,573
2030 - 2034	5,726,001	414,331	6,140,331
2035 - 2037	2,455,894	68,893	2,524,787
	$ 16,576,949	$ 1,396,102	$ 17,973,051

The table below summarizes the activity for the loans for the years ended December 31:

	2024	2023
Net loans, beginning of year	$ 18,626,884	$ 20,676,819
Principal payments	(2,049,935)	(2,049,935)
Net loans, end of year	$ 16,576,949	$ 18,626,884
Loans due within one year	$ 2,049,935	$ 2,049,935
Loans, noncurrent	$ 14,527,014	$ 16,576,949

Note 10 – Commitments

The Fund is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs. The total cost of burying six reservoirs is expected to be approximately $221.6 million through the year 2025; costs beyond 2025 are not estimable as of the date of this report. As of December 31, 2024 and 2023, total cumulative costs incurred were $183.5 million and $181.6 million, respectively.

The City has wholesale contracts with Cascade Water Alliance (CWA) and nineteen individual water districts and municipalities. Sixteen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. The full and partial requirements contracts include amendment periods where the parties may opt to review and change certain contract terms and conditions in 2022 and 2042. The City and the full and partial requirements Wholesale Customers began the review of certain contract terms in 2021 to determine if any amendments are desired in 2022 under the first amendment period. This review period has been extended by mutual agreement, with potential amendments becoming effective in 2025.

Two wholesale customers (including CWA) have block contracts which obligate the City to provide water up to a combined maximum of 41.85 MGD per year through 2039, which is when CWA's 33.3 MGD block amount begins to decline in yearly increments until it reaches 5.3 MGD at the end of their contract at the end of 2063. In May 2024, after nearly three years of discussions with SPU and the City of Tacoma, CWA decided it would prefer to obtain the majority of its water from Tacoma Public Utilities, rather than SPU, once the current contract with SPU expires. As part of those discussions between SPU and CWA, SPU is discussing a potential contract amendment that could extend the date, and change in rate of decline in the block volume out past the contractual date of 2040. The current provision to continue providing Cascade 5.3 MGD after the initial point of decline of the block volume would stay in place. The other block contracts have no change to the block size over the life of the contract, which runs through 2031.

Two customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. These contracts run through 2061 and 2062.

The City also has a contract with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

Note 11 – Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the HCP is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed, while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be $125.6 million (in 2024 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of the Fund's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2024 is $109.1 million. The remaining $16.5 million to complete the HCP is comprised of a $9.5 million liability and an estimate of $7 million for construction and operating commitments. The construction activities will add to the Fund's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

Required Supplementary Information

Schedule of Seattle Public Utilities' Proportionate Share of the Net Pension Liability

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	13.81%	14.21%	14.76%	14.62%	14.33%	14.55%	14.73%	15.13%	16.37%	16.96%
Employer's proportionate share of the net pension liability	$ 185,271,435	$ 214,988,644	$ 122,309,887	$ 143,163,797	$ 180,105,232	$ 221,049,893	$ 163,086,154	$ 197,454,529	$ 212,671,200	$ 187,919,945
Employer's covered payroll	$ 129,935,333	$ 127,869,634	$ 126,830,347	$ 127,584,358	$ 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	142.59%	168.13%	96.44%	112.21%	160.05%	197.41%	151.40%	185.06%	202.48%	182.83%
Plan fiduciary net position as a percentage of the total pension liability	74.93%	70.63%	83.31%	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%	67.70%

Schedule of Seattle Public Utilities' Pension Contributions

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 20,748,200	$ 20,632,427	$ 20,589,068	$ 20,654,175	$ 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	(20,748,200)	(20,632,427)	(20,589,068)	(20,654,175)	(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	$ 129,935,333	$ 127,869,634	$ 126,830,347	$ 127,584,358	$ 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	15.97%	16.14%	16.23%	16.19%	15.14%	15.27%	15.29%	15.33%	15.70%	14.76%

Schedule of the City's Total OPEB Liability and Related Ratios

	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability							
Normal cost	$ 2,588,171	$ 3,563,210	$ 4,514,549	$ 4,015,249	$ 3,378,925	$ 3,842,152	$ 3,821,876
Interest	1,911,611	1,195,910	1,553,119	1,813,401	2,586,942	2,195,238	2,853,105
Differences between expected and actual experience	(1,219,914)	-	(16,026,625)	-	6,956,579	-	13,491,865
Changes in assumptions	35,933,709	(8,009,946)	(1,556,412)	3,738,597	(7,760,776)	(3,886,702)	(22,126,128)
Benefit payment	(2,455,021)	(2,436,239)	(3,039,800)	(2,933,774)	(2,484,320)	(2,333,610)	(22,809,000)
Total OPEB liability – beginning of year	50,015,500	55,702,565	70,257,734	63,624,261	60,946,911	61,129,833	65,648,115
Total OPEB liability – end of year	$ 86,774,056	$ 50,015,500	$ 55,702,565	$ 70,257,734	$ 63,624,261	$ 60,946,911	$ 61,129,833
Covered-employee payroll	$ 1,335,721,665	$ 1,145,862,502	$ 1,145,862,502	$ 1,124,692,046	$ 1,124,692,046	$ 1,015,097,334	$ 1,015,097,334
Total OPEB liability as percentage of covered-employee payroll	6.50%	4.36%	4.86%	6.25%	5.66%	6.00%	6.02%

Other Information (Unaudited)

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Other Information (Unaudited)

Water Fund Debt Service Coverage Calculation 2024

Operating Revenues	
Utility Service	$ 232,297,126
Wholesale/Commercial	64,922,374
Other	10,600,115
Total Operating Revenue	307,819,615
Operating Expense	
Salaries and Wages	50,776,243
Personnel Benefits	23,512,281
Supplies	8,121,243
Services	62,964,892
Intergovernmental Payments	52,439,037
Other Operating Expense	5,090,851
Total Operating Expenses	202,904,547
Net Operating Income	104,915,068
Adjustments	
Add: Capital Contributions Connection Charge	4,459,773
Add: City Taxes	38,369,410
Add: Investment Interest	6,298,657
Less: DSRF Earnings	(892,191)
Add: BAB's Subsidy	1,619,192
Add (Less): Net Other Nonoperating Revenues/(Expenses)	7,298,993
Add: Proceeds from Sale of Assets	630,570
Total Adjustments	57,784,404
Net Revenue Available for Debt Service	$ 162,699,472
w/o Credit for City Taxes	$ 124,330,062
Annual Debt Service	
Annual Debt Service	$ 73,086,329
Less: DSRF Earnings	(892,191)
Adjusted Annual Debt Service	$ 72,194,138
Coverage	2.25
Coverage without taxes	1.72

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Other Information (Unaudited)

Water System Operating Statistics

	2020	2021	2022	2023	2024
Population Served					
Retail	820,000	**	826,000	843,000	863,000
Wholesale(1)	741,000	**	749,000	765,000	795,000
Total Population Served	1,561,000	**	1,575,000	1,608,000	1,658,000
Water Sales Revenues ($000)(2)(3)					
Retail	$ 207,590	$ 213,552	$ 221,695	$ 230,721	$ 234,766
Wholesale	56,782	57,362	56,242	59,043	59,922
Total Water Sales Revenues	$ 264,372	$ 270,914	$ 277,937	$ 289,764	$ 294,688
Billed Water Consumption (MG)(3)					
Retail	18,882	19,522	19,560	19,914	19,719
Wholesale	21,849	23,328	22,770	23,368	22,989
Total Billed Water Use	40,731	42,849	42,330	43,282	42,708
Operating Costs ($ per MG)	$ 5,240	$ 5,184	$ 5,316	$ 5,958	$ 6,156
Gallons Used per Day per Capita(4)	71	75	74	74	71
Retail Meters in Use	198,726	200,152	200,706	201,847	202,173
Number of New Retail Meters	979	1,426	554	1,141	326
Total Water Diversions (MGD)	118.2	124.9	123.6	125.7	124.1
Non-Revenue	7.0	7.5	7.6	6.9	7.0
% Non-Revenue	5.9	6.0	6.2	5.5	5.6

** 2021 and 2022 population served estimates are unchanged from 2020 estimates.

(1) This is the estimated total population served by SPU's water supply

(2) Revenues represent payments from customers for service provided at published rates in each year.
Revenues shown do not include the impacts of transfers to/from the Revenue Stabilization Account.

(3) Per capita billed water consumption has been generally decreasing for the past 25 years. Variations in billed water use are primarily associated with year-to-year variations in temperature and precipitation in the summer irrigation period. There has been no change in the geographic area service nor any appreciable change in the number or composition of retail customers.

(4) Gallons used per Day per Capita in 2021 and 2022 use the population from 2020.

Major Retail Water Customers

During the year ended December 31, 2024, major retail water customers included the City of Seattle, University of Washington, Port of Seattle, Seattle Housing Authority, King County, Equity Residential, Marriott International Inc., Nucor Steel, Seattle Public Schools, Bellwether Housing. In aggregate, charges to these customers represented roughly 9% of the total billed direct service revenue for the year.

Water Rates – Effective January 1, 2025

Effective January 1, 2025

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)
	Direct Service																	
RATE SCHEDULES	Inside City				Outside City				City of Shoreline / City of Lake Forest Park					Burien				Mercer Island
	Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	MMRD* w/PUT	Residential	MMRD*	Gen Svc	Fire Service	Gen Svc
Commodity Charge ($/100 Cubic Feet)																		
Offpeak Usage (Sept 16-May 15)	$5.79	$5.79	$5.98		$6.60	$6.60	$6.82		$7.02	$7.02	$7.25		$6.57	$7.17	$7.17	$7.41		$7.20
Peak Usage (May 16-Sept 15)																		
Up to 5 ccf**	$5.95	$5.95	$7.60		$6.78	$6.78	$8.66		$7.22	$7.22	$9.22		$6.75	$7.37	$7.37	$9.42		$9.15
Next 13 ccf**	$7.36	$7.36	$7.60		$8.39	$8.39	$8.66		$8.93	$8.93	$9.22		$8.35	$9.12	$9.12	$9.42		$9.15
Over 18 ccf**	$11.80	$11.80	$7.60		$13.45	$13.45	$8.66		$14.31	$14.31	$9.22		$13.39	$14.62	$14.62	$9.42		$9.15
Usage over base allowance				$20.00				$22.80				$24.30					$24.80	
Utility Credit ($/month)	$24.83		$13.96		$24.83		$13.96		$24.83		$13.96			$24.83		$13.96		$13.96
Base Service Charge ($/month/meter)																		
3/4 inch and less	$20.45		$23.50		$23.30		$26.80		$24.80		$28.50			$25.35		$29.10		
1 inch	$21.10		$24.25		$24.05		$27.65		$25.60		$29.40			$26.15		$30.05		
1-1/2 inch	$32.50	$32.50	$37.35		$37.05	$37.05	$42.60		$39.40	$39.40	$45.30		$36.90	$40.25	$40.25	$46.30		
2 inch	$36.00	$36.00	$41.40	$17.75	$41.05	$41.05	$47.20	$20.00	$43.65	$43.65	$50.20	$22.00	$40.85	$44.60	$44.60	$51.30	$22.00	
3 inch	$133.35	$133.35	$153.00	$23.00	$152.00	$152.00	$174.40	$26.00	$161.70	$161.70	$185.55	$28.00	$151.35	$165.25	$165.25	$189.60	$29.00	
4 inch	$191.00	$191.00	$219.00	$43.00	$217.75	$217.75	$249.65	$49.00	$231.65	$231.65	$265.60	$52.00	$216.80	$236.65	$236.65	$271.35	$53.00	
6 inch		$235.00	$270.00	$73.00		$268.00	$308.00	$83.00		$285.00	$327.00	$89.00	$267.00		$291.00	$335.00	$90.00	
8 inch		$277.00	$318.00	$115.00		$316.00	$363.00	$131.00		$336.00	$386.00	$139.00	$314.00		$343.00	$394.00	$143.00	$383.00
10 inch		$338.00	$389.00	$166.00		$385.00	$443.00	$189.00		$410.00	$472.00	$201.00	$384.00		$419.00	$482.00	$206.00	$468.00
12 inch		$456.00	$525.00	$242.00		$520.00	$599.00	$276.00		$553.00	$637.00	$293.00	$518.00		$565.00	$651.00	$300.00	
16 inch		$512.00	$589.00			$584.00	$671.00			$621.00	$714.00		$581.00		$634.00	$730.00		
20 inch		$614.00	$672.00			$700.00	$766.00			$745.00	$815.00		$697.00		$761.00	$833.00		
24 inch		$771.00	$771.00			$879.00	$879.00			$935.00	$935.00		$875.00		$955.00	$955.00		

* Master Metered Residential Development
** per residence

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 King 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

The most recently released historical and current population counts and estimates for the State of Washington, the County, and the City are given below.

POPULATION

Year	Washington	King County	Seattle
2015 (1)	7,106,989	2,061,981	660,908
2016 (1)	7,237,661	2,118,958	684,136
2017 (1)	7,344,589	2,149,910	694,513
2018 (1)	7,464,069	2,187,460	707,555
2019 (1)	7,582,481	2,227,755	724,144
2020 (2)	7,705,281	2,269,675	737,015
2021 (2)	7,766,975	2,287,050	742,400
2022 (2)	7,864,400	2,317,700	762,500
2023 (2)	7,951,150	2,347,800	779,200
2024 (2)	8,035,700	2,378,100	797,700

(1) Source: U.S. Department of Commerce, Bureau of Census.

(2) Source: State of Washington, Office of Financial Management.

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division, the County, the State, and the United States.

PER CAPITA INCOME

	2019	2020	2021	2022	2023
Seattle MD	$ 84,170	$ 89,596	$ 99,417	$ 101,703	$ 109,517
King County	93,620	99,372	111,117	113,819	122,235
State of Washington	63,405	67,674	74,188	75,332	80,930
United States	55,547	59,153	64,430	65,470	69,810

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 within the City. 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($)**
2020	247	111,343,923	5,479	637,037,156	748,381,079
2021	264	78,231,798	11,716	1,849,751,186	1,927,982,984
2022	418	118,165,369	8,572	1,504,100,013	1,622,265,382
2023	473	140,275,496	4,826	787,765,782	928,041,278
2024	405	125,340,190	5,490	1,048,530,292	1,173,870,482

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
2019	$72,785,180,223	$29,953,200,188
2020	66,955,895,952	24,904,879,115
2021	78,440,949,141	30,047,705,303
2022	86,667,370,219	33,660,750,206
2023	88,080,125,666	34,696,583,976

Source: Quarterly Business Review, Washington State Department of Revenue

Employment

The following table presents total employment in Washington State in 2024 for certain major employers in the Puget Sound area. This list of major employers in the Puget Sound region includes several high-technology sector employers, most notably Amazon, Microsoft, Meta (Facebook), and Google. In late 2022 and early 2023, some large-scale layoffs were announced in that sector across the global workforce and others are expected to occur. It is not clear when such reductions will occur or what impact any such actions might have on employment in the region.

PUGET SOUND
MAJOR EMPLOYERS(1)

Employer	Employees
Amazon.com	87,000
The Boeing Co.	66,800
Microsoft Corp.	55,100
Joint Base Lewis-McChord	54,000
University of Washington Seattle	53,000
Providence Swedish	46,000
Navy Region Northwest	37,000
Walmart Inc.	22,700
Costco Wholesale Corp.	21,500
Kroger Co.	21,000
MultiCare Health System	20,700
Albertsons	20,000
Virginia Mason Franciscan Health	18,000
King County Government(1)	15,900
City of Seattle(2)	11,400
Alaska Air Group Inc.	11,400
Seattle Children's Foundation	10,200
Starbucks Coffee Co.	10,000
Meta Platforms	8,000
Kaiser Permanente	7,500

(1) Source: King County

(2) Source: City of Seattle

Source: Puget Sound Business Journal, Publication Date June 14, 2024

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT(1)

	Annual Average				
	2020	**2021**	**2022**	**2023**	**2024**
Civilian Labor Force	1,271,278	1,279,639	1,319,911	1,352,598	1,342,924
Total Employment	1,172,004	1,226,665	1,281,609	1,308,158	1,286,859
Total Unemployment	99,274	52,974	38,302	44,440	56,065
Percent of Labor Force	7.8%	4.1%	2.9%	3.3%	4.2%

NAICS INDUSTRY	**2020**	**2021**	**2022**	**2023**	**2024**
Total Nonfarm	1,383,750	1,411,692	1,478,292	1,490,367	1,494,400
Total Private	1,211,875	1,241,750	1,312,050	1,318,900	1,308,683
Goods Producing	172,467	169,067	172,608	173,850	167,258
Mining and Logging	475	433	408	500	425
Construction	76,675	79,467	80,325	79,800	75,633
Manufacturing	95,267	89,158	91,858	93,558	91,200
Service Providing	1,211,283	1,242,625	1,305,683	1,316,517	1,327,142
Trade, Transportation, and Utilities	224,792	232,792	234,575	235,592	233,900
Information	127,817	134,250	141,275	136,242	129,567
Financial Activities	72,600	73,858	75,983	74,933	72,983
Professional and Business Services	286,650	297,142	324,717	317,283	314,383
Educational and Health Services	180,183	184,233	189,050	194,208	202,025
Leisure and Hospitality	100,675	104,833	125,867	137,483	138,025
Other Services	46,692	45,575	47,975	49,308	50,542
Government	171,875	169,942	166,242	171,467	185,717
Workers in Labor/Management Disputes	0	0	0	0	0

	Mar. 2025
Civilian Labor Force	1.398,106
Total Employment	1,339,688
Total Unemployment	58,418
Percent of Labor Force	4.2%

(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 the Depository Trust Company ("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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The following information has been provided by the City.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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

The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Bonds registered in 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 Documents, 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 Documents; (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.