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**PRELIMINARY OFFICIAL STATEMENT DATED MAY 8, 2026**

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**SALE DATE: MAY 19, 2026**  
**NEW ISSUE, BOOK-ENTRY ONLY**

**Moody's Rating: Aaa**  
**S&P Rating: AA+**  
(See "OTHER BOND INFORMATION—Ratings on the Bonds")

*In the opinion of Foster Garvey PC, Seattle, Washington ("Bond Counsel"), interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the alternative minimum tax on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds also is excludable from Washington taxable income for purposes of the tax imposed by the State on income received by individuals on and after January 1, 2028. See "TAX MATTERS."*



**THE CITY OF SEATTLE, WASHINGTON**  
**\$107,215,000\***  
**Water System Improvement and Refunding Revenue Bonds, 2026**

**Dated: Date of Initial Delivery**

**Due: See page i**

The City of Seattle, Washington (the "City"), will issue its Water System Improvement and Refunding Revenue Bonds, 2026 (the "Bonds"), as fully registered bonds under a book-entry only system. When issued, the Bonds initially will be registered to Cede & Co., as bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"), who will act as initial Securities Depository for the Bonds (the "Securities Depository"). Individual purchases of the Bonds will be made in Book-Entry Form, in denominations of \$5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the Bonds purchased. The fiscal agent of the State of Washington (the "State"), currently U.S. Bank Trust Company, National Association, will act as the registrar, paying agent, transfer agent and authenticating agent for the Bonds (the "Bond Registrar").

Interest on the Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2026. The principal of and interest on the Bonds are payable by the Bond Registrar to DTC, which is obligated to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described under the heading "DESCRIPTION OF THE BONDS—Bond Registrar and System of Registration" and in APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM.

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MATURITY SCHEDULE – see page i

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Certain of the Bonds are subject to optional and/or mandatory redemption prior to their stated maturity dates. See "DESCRIPTION OF THE BONDS—Redemption Provisions."

The Bonds are being issued (i) to pay or reimburse part of the costs of carrying out a system or plan of additions, improvements and betterments to, and extensions of, the Water System (the "Plan of Additions"); (ii) depending on market conditions, to refund certain obligations of the Water System (described below under "—Plan of Refunding"); and (iii) to pay the costs of issuing the Bonds and administering the refunding. See "USE OF PROCEEDS."

The Bonds are issued as Parity Bonds and are a special limited obligation of the City payable from and secured solely by Net Revenue of the Water System and by money in the Parity Bond Account for payment of principal of and interest thereon. The 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 Net Revenue prior and superior to all other liens and charges whatsoever. The Bonds will be 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.** See "SECURITY FOR THE BONDS"

**The Bonds do not constitute general obligations of the City, the State of Washington, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the State, or any political subdivision of the State not specifically pledged thereto by the 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 Foster Garvey PC, Seattle, Washington, Bond Counsel. The form of Bond Counsel's opinion is attached hereto as APPENDIX E. Bond Counsel will also act as Disclosure Counsel to the City. It is expected that the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC for closing by Fast Automated Securities Transfer, on or about June 3, 2026.

*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: May \_\_, 2026

\* Preliminary, subject to adjustment by the City as provided in the Official Notice of Bond Sale.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The information within this Official Statement has been compiled from official and other sources considered reliable and, while not guaranteed as to accuracy, is believed by the City to be correct as of its date. The City makes no representation regarding the accuracy or completeness of the information in APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM, which has been obtained from DTC’s website, the form of opinion of Bond Counsel attached as APPENDIX G, or information regarding the Municipal Advisor. 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 or the Water System since the date hereof.

Information appearing on website addresses set forth in this Official Statement, including those of the City and City departments, social media accounts, or any other internet presence is not incorporated by reference in this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement. Investors should not rely on information presented on any such websites, social media accounts, or in any other internet presence in determining whether to purchase the Bonds.

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

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

The information set forth in the Water Fund’s Audited Financial Statements that are included in APPENDIX F speaks only as of the date of the 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.

The presentation of certain information, including tables of revenues and expenses and other financial information, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Water System. 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. Descriptions of legal authority to issue debt and generate revenue is based on existing statutes and constitutional provisions; changes in State law could alter these provisions.

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 to the extent expressly provided in an undertaking to provide continuing disclosure. See “LEGAL INFORMATION—Continuing Disclosure Undertaking.”

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The order and placement of materials in this Official Statement, including the Appendices which are incorporated by this reference, 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.

Due to rounding, numbers throughout this Official Statement (including in the appendices hereto) may not add up precisely to the totals indicated, and any percentages set forth herein may not precisely reflect the absolute figures for the same reason.

*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 after the sale date.*

**MATURITY SCHEDULE**

**THE CITY OF SEATTLE, WASHINGTON**

**\$107,215,000\***

**Water System Improvement and Refunding Revenue Bonds, 2026**

<b>Due June 1</b>	<b>Principal Amounts<sup>(1)</sup></b>	<b>Interest Rates</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Nos.<sup>(3)</sup></b>
2027	\$ 1,485,000				
2028	1,565,000				
2029	1,645,000				
2030	1,730,000				
2031	1,815,000				
2032	1,910,000				
2033	2,010,000				
2034	2,110,000				
2035	2,220,000				
2036	8,505,000				
2037	2,455,000 <sup>(2)</sup>				
2038	2,580,000 <sup>(2)</sup>				
2039	2,710,000 <sup>(2)</sup>				
2040	2,850,000 <sup>(2)</sup>				
2041	2,995,000 <sup>(2)</sup>				
2042	3,150,000 <sup>(2)</sup>				
2043	3,310,000 <sup>(2)</sup>				
2044	3,480,000 <sup>(2)</sup>				
2045	3,660,000 <sup>(2)</sup>				
2046	3,850,000 <sup>(2)</sup>				
2047	4,045,000 <sup>(2)</sup>				
2048	4,250,000 <sup>(2)</sup>				
2049	4,470,000 <sup>(2)</sup>				
2050	4,700,000 <sup>(2)</sup>				
2051	4,940,000 <sup>(2)</sup>				
2052	5,195,000 <sup>(2)</sup>				
2053	5,460,000 <sup>(2)</sup>				
2054	5,740,000 <sup>(2)</sup>				
2055	6,035,000 <sup>(2)</sup>				
2056	6,345,000 <sup>(2)</sup>				
<b>Total</b>	<b>\$ 107,215,000</b>				

(1) Preliminary, subject to adjustment by the City as provided in the Official Notice of Bond Sale.

(2) These amounts will constitute principal maturities of the Bonds unless all or a portion of these Bonds are designated as Term Bonds by the successful bidder, in which case these amounts will constitute mandatory sinking fund redemptions of such Bonds.

(3) CUSIP® is a registered trademark of the American Bankers Association. See CUSIP information on inside cover.

## THE CITY OF SEATTLE

### Elected City Officials

		<u>Term Expires</u>
<b>Katie B. Wilson</b>	<b>Mayor</b>	<b>12/31/2029</b>
Rob Saka	Council Member – District 1	12/31/2027
Eddie Lin	Council Member – District 2	12/31/2027
Joy Hollingsworth	Council Member – District 3	12/31/2027
Maritza Rivera	Council Member – District 4	12/31/2027
Debra Juarez	Council Member – District 5	(1)
Dan Strauss	Council Member – District 6	12/31/2027
Robert Kettle	Council Member – District 7	12/31/2027
Alexis Mercedes Rinck	Council Member – Position 8 (at large)	12/31/2029
Dionne Foster	Council Member – Position 9 (at large)	12/31/2029
Erika Evans	City Attorney	12/31/2029

### Office of City Finance

Dwight D. Dively	Acting Director of Finance
Kristi Beattie	Director of Debt Management

### Seattle Public Utilities

Andrew Lee	General Manager/Chief Executive Officer
Paula Laschober	Chief Financial Officer
Idris Beauregard	Chief Administrative Officer
[Vacant] <sup>(2)</sup>	Chief Project Delivery Officer
Ellen Stewart	Chief Operating Officer – Drainage and Wastewater
Jeff Fowler	Chief Operating Officer – Solid Waste
Alex Chen	Chief Operating Officer – Drinking Water and Utility Operations Maintenance
Andrew Greenhill	Chief of Staff

### BOND REGISTRAR

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

### BOND COUNSEL AND DISCLOSURE COUNSEL

Foster Garvey PC  
Seattle, Washington

### MUNICIPAL ADVISOR

Piper Sandler & Co.  
Seattle, Washington

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<sup>1</sup> Councilmember Juarez was appointed in July 2025 to fill a vacancy until the general election in November 2026, at which voters will choose a candidate to serve for the remainder of the term expiring December 31, 2027. Because Councilmember Juarez was appointed to serve on an interim basis, her successor will be sworn in up on certification of the November 2026 election results.

<sup>2</sup> Position currently vacant; duties temporarily being performed by the General Manager.

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**OFFICIAL NOTICE OF BOND SALE**

**The City of Seattle, Washington**

**\$107,215,000\***

**Water System Improvement and Refunding Revenue Bonds, 2026**

Electronic bids for the purchase of The City of Seattle Water System Improvement and Refunding Revenue Bonds, 2026 (the “Bonds”), will be received by the Director of Finance of The City of Seattle, Washington (the “City”), via the S&P Global Parity electronic bid submission system (“Parity”), in the manner described below, on

**May 19, 2026, at 7:45 A.M., PACIFIC TIME**

or such other day or time and under such other terms and conditions as may be established by the Director of Finance and provided to Parity, as described under “Modification, Cancellation, Postponement,” below.

*Bids for the Bonds must be submitted electronically via Parity in accordance with this Official Notice of Bond Sale. For further information about Parity, potential bidders may contact Parity at (212) 849-5021. Hard copy or faxed bids will not be accepted.*

No bid for the Bonds will be accepted after the cut-off time for receiving bids, as specified above. Each bidder (and not the City) is responsible for the timely electronic delivery of its bid. The official time will be determined by the City and not by any bidder or Parity. All proper bids received with respect to the Bonds will be considered and acted on by the City’s Director of Finance, pursuant to a delegation of authority by the City Council. The winning bid for the Bonds is expected to be awarded by 1:30 p.m., Pacific Time, on May 19, 2026, by the Director of Finance upon execution and delivery to such winning bidder of a certificate of bid award for the Bonds (the “Certificate of Bid Award”), in substantially the form attached to this Official Notice of Bond Sale as Exhibit 1.

Bidders are referred to the Preliminary Official Statement for additional information regarding the City, the Seattle Water System, the Bonds, the security for the Bonds, and other matters.

**Modification, Cancellation, Postponement**

The City may modify the terms of this Official Notice of Bond Sale prior to the sale date to change the principal amounts or the redemption or other provisions of the Bonds, or to increase or decrease the total principal amount or the amounts of individual maturities of the Bonds. Notice of any such modification will be provided to Parity on or before May 18, 2026, and it is each bidder’s responsibility to check for any such modification prior to submitting its bid.

The City may cancel or postpone the date and time for receiving bids for the Bonds at any time prior to the cut-off time for receiving bids stated above. Notice of such cancellation or postponement will be provided to Parity as soon as practicable following such cancellation or postponement.

As an accommodation to bidders, telephone or electronic notice of any modification, cancellation, or postponement of this Official Notice of Bond Sale will be communicated through Muni OS, a product of ImageMaster LLC, and will be given to any prospective bidder requesting such notice from the City’s Municipal Advisor at the address and phone number provided under “Contact Information,” below. Failure of any bidder to receive such notice will not affect the legality of the sale.

**CONTACT INFORMATION**

Office of City Finance

Kristi Beattie  
Director of Debt Management  
City of Seattle  
(206) 233-0026  
*kristi.beattie@seattle.gov*

Municipal Advisor

Rob Shelley  
Piper Sandler & Co.  
(206) 628-2879  
*robert.shelley@psc.com*

Bond Counsel

Alice Ostdiek  
Foster Garvey PC  
(206) 447-8929  
*alice.ostdiek@foster.com*

\* Preliminary, subject to change.

## DESCRIPTION OF THE BONDS

### Bond Details

The Bonds will be dated their date of initial delivery. Interest on the Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2026.

### Registration and Book-Entry Form

The Bonds will be issued only in registered form as to both principal and interest by the fiscal agent of the State (the “Bond Registrar”), currently U.S. Bank Trust Company, National Association, in Seattle, Washington (or such other fiscal agent or agents as the State may from time to time designate). The Bonds initially will be issued in Book-Entry Form and registered in the name of the Securities Depository, which is defined in the Bond Documents as the Depository Trust Company, New York, New York (“DTC”), or any successor thereto.

### Election of Maturities

The successful bidder for the Bonds shall designate whether some or all of the principal amounts of the Bonds maturing on and after June 1, 2037 shall be retired as shown in the table below as serial bonds maturing in such year or as mandatory redemption requirements of Term Bonds maturing in the years specified by the bidder. Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

Years (June 1)	Serial Maturities or Mandatory Sinking Fund Redemption <sup>(1)</sup>	Years (June 1)	Serial Maturities or Mandatory Sinking Fund Redemption <sup>(1)</sup>
2027	\$ 1,485,000	2042	\$ 3,150,000 <sup>(2)</sup>
2028	1,565,000	2043	3,310,000 <sup>(2)</sup>
2029	1,645,000	2044	3,480,000 <sup>(2)</sup>
2030	1,730,000	2045	3,660,000 <sup>(2)</sup>
2031	1,815,000	2046	3,850,000 <sup>(2)</sup>
2032	1,910,000	2047	4,045,000 <sup>(2)</sup>
2033	2,010,000	2048	4,250,000 <sup>(2)</sup>
2034	2,110,000	2049	4,470,000 <sup>(2)</sup>
2035	2,220,000	2050	4,700,000 <sup>(2)</sup>
2036	8,505,000	2051	4,940,000 <sup>(2)</sup>
2037	2,455,000 <sup>(2)</sup>	2052	5,195,000 <sup>(2)</sup>
2038	2,580,000 <sup>(2)</sup>	2053	5,460,000 <sup>(2)</sup>
2039	2,710,000 <sup>(2)</sup>	2054	5,740,000 <sup>(2)</sup>
2040	2,850,000 <sup>(2)</sup>	2055	6,035,000 <sup>(2)</sup>
2041	2,995,000 <sup>(2)</sup>	2056	6,345,000 <sup>(2)</sup>

(1) Preliminary, subject to change. See “Bidding Information and Award—Adjustment of Principal Amounts and Bid Price After Receipt of Bids,” below for a description of the City’s right to adjust the principal amounts after the bids are received.

(2) These amounts will constitute principal maturities of the Bonds unless Term Bonds are specified by the successful bidder, in which case the amounts so specified will constitute mandatory sinking fund redemptions of Term Bonds.

### Redemption

*Optional Redemption.* The Bonds maturing on or before June 1, 2036, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds maturing on and after June 1, 2037, prior to their stated maturity dates at any time on and after June 1, 2036, 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. See “DESCRIPTION OF THE BONDS—Redemption Provisions—*Optional Redemption*” in the Preliminary Official Statement.

*Mandatory Redemption.* As indicated on the schedules above, the Bonds that are designated by the successful bidder as Term Bonds (if any) will be subject to mandatory sinking fund redemption. See “DESCRIPTION OF THE BONDS—Redemption Provisions—*Mandatory Redemption*” in the Preliminary Official Statement.

*Selection of Bonds for Redemption.* If fewer than all of the Bonds are to be redeemed prior to maturity, the selection of such Bonds for redemption shall be made as described under “DESCRIPTION OF THE BONDS—Redemption Provisions—*Selection of Bonds for Redemption*” in the Preliminary Official Statement.

### **Purpose**

The Bonds are being issued (i) to pay or reimburse part of the costs of carrying out a system or plan of additions, improvements and betterments to, and extensions of, the Water System (the “Plan of Additions”); (ii) depending on market conditions, to refund certain obligations of the Water System (described in the Preliminary Official Statement under “USE OF PROCEEDS—Plan of Refunding”); and (iii) to pay the costs of issuing the Bonds and administering the refunding. See “USE OF PROCEEDS” in the Preliminary Official Statement.

### **Security**

The Bonds are issued as Parity Bonds and are a special limited obligation of the City payable from and secured solely by Net Revenue of the Water System and by money in the Parity Bond Account for payment of principal of and interest thereon. The 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 Net Revenue prior and superior to all other liens and charges whatsoever. The Bonds will be 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. See “SECURITY FOR THE BONDS.”

*The Bonds do not constitute general obligations of the City, the State of Washington, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the State, or any political subdivision of the State not specifically pledged thereto by the 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.*

## **BIDDING INFORMATION AND AWARD**

Bidders are invited to submit bids for the purchase of the Bonds, fixing the interest rate or rates that the Bonds will bear. Interest rates included as part of a bid for the Bonds shall be in multiples of 1/8 or 1/20 of 1%, or any combination thereof. No more than one rate of interest may be fixed for any one maturity of the Bonds. Bonds maturing on or after June 1, 2037 must have a minimum coupon of 5.00%.

No bid will be considered for the Bonds that is less than an amount equal to 103.00% of the stated principal amount of the Bonds nor more than an amount equal to 112.00% of the stated principal amount of the Bonds.

Bids for the Bonds must be unconditional. No bid for less than the entire offering of the Bonds will be accepted. Bids may not be withdrawn or revised after the cut-off time for receiving bids. The City strongly encourages the inclusion of women and minority business enterprise firms in bidding syndicates.

### **Bidding Process**

Bids for the Bonds must be submitted via Parity. By submitting an electronic bid for the Bonds, each bidder thereby agrees to the following terms and conditions:

- (ii) If any provision in this Official Notice of Bond Sale conflicts with information or terms provided or required by Parity, this Official Notice of Bond Sale (including any modifications provided by the City to Parity) shall control.
- (iii) Each bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting a timely bid in compliance with the requirements of this Official Notice of Bond Sale (including any modifications provided by the City to Parity).
- (iv) The City has no duty or obligation to provide or assure access to Parity, and the City shall not be responsible for the proper operation of Parity, or have any liability for any delays or interruptions or any damages caused by use or attempted use of Parity.
- (v) Parity is acting as an independent contractor, and is not acting for or on behalf of the City.

- (vi) The City is not responsible for ensuring or verifying bidder compliance with Parity's procedures.
- (vii) If the bidder's bid is accepted by the City, this Official Notice of Bond Sale (including any modifications provided by the City to Parity) and the information that is submitted electronically through Parity, as confirmed by the Certificate of Bid Award, shall form a contract, and the bidder shall be bound by the terms of such contract.
- (viii) Information provided by Parity to bidders shall form no part of any bid or of any contract between the successful bidder and the City unless that information is included in this Official Notice of Bond Sale, as may be modified and/or amended by the City.

### **Good Faith Deposit**

The winning bid for the Bonds must be backed by a good faith deposit in the amount of \$1,100,000. The good faith deposit must be paid by federal funds wire transfer within 90 minutes after notice from the City's Municipal Advisor to the apparent successful bidder for the Bonds. The City's Municipal Advisor will provide wiring instructions to the apparent successful bidder at that time of providing such notice.

The good faith deposit for the Bonds shall be retained by the City as security for the performance of the apparent successful bidder and shall be applied to the purchase price of the Bonds upon the delivery of the Bonds to the apparent successful bidder. Pending delivery of the Bonds, the good faith deposit may be invested for the sole benefit of the City. If the Bonds are ready for delivery and the apparent successful bidder fails or neglects to complete the purchase of the Bonds within 30 days following the acceptance of its bid, the good faith deposit shall be retained by the City as reasonable liquidated damages and not as a penalty.

### **Award**

The Bonds will be sold to the bidder making a bid that conforms to the terms of the offering and is the best bid, based on the City's determination of the lowest true interest cost. The true interest cost will be the rate that, when used to discount to the date of the Bonds all future payments of principal and interest (using semiannual compounding and a 30/360 day basis), produces an amount equal to the bid amount for the Bonds, without regard to the interest accrued to the date of the Bonds. The true interest cost calculations will be performed by the City's Municipal Advisor, and the City will base its determination of the best bid solely on those calculations. If there are two or more equal bids for the Bonds and those bids are the best bids received, the Director of Finance will determine by random selection which bid will be accepted.

The apparent successful bidder for the Bonds will be notified on behalf of the City and must provide a good faith deposit as described above. The successful bid shall be considered awarded upon the receipt by the City of the good faith deposit and the execution and delivery of the Certificate of Bid Award by the Director of Finance, acting on behalf of the City. The form of the Certificate of Bid Award is attached to this Official Notice of Bond Sale as Exhibit 1.

The City reserves the right to reject any or all bids submitted and to waive any formality or irregularity in any bid or the bidding process. If all bids for the Bonds are rejected, then the Bonds may be sold in any manner provided by law. Any bid presented after the cut-off time for receiving bids will not be accepted.

### **Adjustment of Principal Amounts and Bid Price After Receipt of Bids**

The City reserves the right to increase or decrease the preliminary aggregate principal amount of the Bonds shown on Parity by an amount not to exceed 10% of the aggregate principal amount of the Bonds after the cut-off time for receiving bids. The City reserves the right to increase or decrease the preliminary principal amount of any maturity of the Bonds shown on Parity by an amount not to exceed 15% of the preliminary principal amount of that maturity after the cut-off time for receiving bids.

If the preliminary principal amount of the Bonds is adjusted by the City, the price bid by the successful bidder will be adjusted by the City on a proportionate basis to reflect an increase or decrease in the principal amount and maturity schedule. In the event that the City elects to increase or decrease the principal amount of the Bonds after receiving bids, the underwriter's discount, expressed in dollars per thousand, will be held constant. The City will not be responsible in the event and to the extent that any adjustment affects (i) the net compensation to be realized by the successful bidder, or (ii) the true interest cost of the winning bid or its ranking relative to other bids.

## Issue Price Information

*Establishment of Issue Price.* By submitting a bid for the Bonds, the winning bidder agrees to assist the City in establishing the issue price of the Bonds and to execute and deliver to the City at closing an “issue price” or similar certificate (“Issue Price Certificate”) setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. **By submitting a bid, the winning bidder agrees to observe the “hold-the-offering-price” rule (defined below) if the Competitive Sale Safe Harbor (defined below) does not apply on the sale date. Bids will not be accepted if they are subject to cancellation in the event that the Competitive Sale Safe Harbor does not apply.**

The City has attached to this Official Notice of Bond Sale as Exhibits 2 and 3 two alternatives for the form of Issue Price Certificate. Exhibit 2 reflects the form that would be used if the safe harbor described in Treasury Regulations Section 1.148-1(f)(3)(i) (the “Competitive Sale Safe Harbor”) is applicable on the sale date; Exhibit 3 reflects the form that would be used if the Competitive Sale Safe Harbor is inapplicable, in which case the City will require that the winning bidder observe the “hold-the-offering-price” rule. The winning bidder agrees to execute the appropriate Issue Price Certificate, substantially in the form attached hereto, with only such modifications as may be acceptable to the City and Bond Counsel.

All communications with the City pursuant to this Official Notice of Bond Sale relating to establishing the issue price of the Bonds may be directed to the City’s Municipal Advisor (identified under “Contact Information”). Any notice, report, pricing wire, or equivalent communication that is to be provided to the City to establish the issue price is to be provided to the City’s Municipal Advisor and its Bond Counsel (identified under “Contact Information”).

*Competitive Sale Safe Harbor.* The City intends for the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) to apply to the initial sale of the Bonds (the “competitive sale requirements”), because:

- (i) the City will disseminate this Official Notice of Bond Sale to potential underwriters in a manner reasonably designed to reach potential underwriters;
- (ii) all bidders will have an equal opportunity to bid;
- (ix) the City expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (x) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Bond Sale.

Each bid submitted pursuant to this Official Notice of Bond Sale will be considered a firm offer for the purchase of the Bonds, as specified in the bid. The Competitive Sale Safe Harbor will be considered inapplicable if the City and its Bond Counsel determine that the requirements of Treasury Regulations Section 1.148-1(f)(3)(i), including the requirement to receive at least three bids, have not been met.

*Hold-the-Offering-Price Rule Applies if Competitive Sale Safe Harbor Not Met.* If the competitive sale requirements are not satisfied, the City’s Municipal Advisor will so advise the winning bidder. The City, in its sole discretion, on a maturity-by-maturity basis, may determine to treat:

- (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity; and/or
- (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”).

The winning bidder for the Bonds must advise the City, as soon as practicable following the notice of award, if any maturity of the Bonds satisfies the 10% test as of the date and time of the award. The City will promptly advise the winning bidder, if practicable, at or before the time of award of the Bonds, which maturities will be subject to the 10% test or subject to the hold-the-offering-price rule. If, prior to the time of the award, the winning bidder has not advised the City that any maturity satisfies the 10% test, the bidder should assume that all maturities will be subject to the hold-the-offering-price rule. Bids will **not** be accepted if they are subject to cancellation upon determination by the City to apply the hold-the-offering-price rule to any maturity of the Bonds. ***Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.***

By submitting a bid, the winning bidder agrees that, if the City determines to apply the hold-the-offering-price rule, it will:

- (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder;
- (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of (a) the close of the fifth business day after the sale date (the “End of the Holding Period”), or (b) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public; and
- (iii) promptly advise the City when the underwriters have sold 10% of each maturity of the Bonds that is subject to the hold-the-offering-price rule to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the End of the Holding Period.

*Reliance on Agreements with Participating Underwriters, Dealers, and Broker-Dealers.* In making the representations set forth above, the winning bidder agrees to obtain and, if obtained, may rely on:

- (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires;
- (ii) if a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and
- (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires.

If appropriate agreements have been obtained, the City acknowledges that each underwriter will be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter will be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

In addition, by submitting a bid, each bidder confirms that any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (i) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until either it is notified by the winning bidder that the 10% test has been satisfied as to the Bonds of that maturity or the End of the Holding Period, whichever occurs first, and (ii) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the pricing wire.

Further, each bidder confirms that any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wire, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to:

- (i) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until either it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity or the End of the Holding Period, whichever occurs first; and
- (ii) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

*Other Terms.* Sales of any Bonds to any person that is a related party to an underwriter will not constitute sales to the public for purposes of the representations of the bidder pursuant to this Official Notice of Bond Sale, including any representations to be made in an Issue Price Certificate. Further, for purposes of this Official Notice of Bond Sale and the Issue Price Certificate:

- (i) “public” means any person other than an underwriter or a related party;
- (ii) “underwriter” means (a) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public, and (b) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (a) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (b) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (c) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
- (iv) “sale date” means the date that the Bonds are awarded by the City to the winning bidder.

Questions regarding the form of expected Issue Price Certificate should be directed to the City’s Municipal Advisor or its Bond Counsel. See “Contact Information.”

### **Insurance**

No bid for the Bonds may be conditioned upon obtaining insurance or any other credit enhancement, or upon the City’s acceptance of any of the terms of insurance or other credit enhancement. Any purchase of municipal bond insurance or commitment therefor shall be at the sole option and expense of the bidder, and any increased costs of issuance resulting by reason of such insurance, unless otherwise paid, shall be paid by such bidder, but shall not, in any event, be paid by the City. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid.

If the successful bidder for the Bonds purchases insurance for of the Bonds, the City may require the successful bidder to furnish to the City and Bond Counsel a certificate in form and substance acceptable to Bond Counsel confirming that the present value (calculated using the same yield as the yield on the insured Bonds) of the insurance premium is less than the present value (calculated using the same yield as the yield on the insured Bonds) of the interest cost savings represented by the comparative differences between interest amounts that would have been payable on the various maturities of the insured Bonds at interest rates on the insured Bonds issued with and without the insurance on the insured Bonds.

### **Ratings**

The Bonds have been rated “Aaa” and “AA+” by Moody’s Investors Service and S&P Global Ratings, respectively. The City will pay the fees for these ratings; any other ratings for the Bonds are the responsibility of the successful bidder.

## **DELIVERY**

The City will deliver the Bonds (consisting of one certificate for each maturity of the Bonds) to DTC in New York, New York, or to the Bond Registrar on behalf of DTC, for closing by Fast Automated Securities Transfer, prior to the date of closing. Closing shall occur within 30 days after the sale date. Settlement shall be in immediately available federal funds on the date of delivery.

If, prior to the delivery of the Bonds, the interest receivable by the owners of the Bonds would become includable in gross income for federal income tax purposes or subject to federal income tax other than as described in the Preliminary Official Statement, the successful bidder, at its option, may be relieved of its obligation to purchase the Bonds and, in that case, the good faith deposit accompanying its bid will be returned without interest.

The City will furnish to the successful bidder for the Bonds one electronic transcript of proceedings. Additional transcripts will be furnished at the successful bidder's expense.

### **Legal Opinion**

The approving legal opinion of Foster Garvey PC, Seattle, Washington, Bond Counsel, with respect to the Bonds will be provided to the successful bidder at the time of the delivery of the Bonds. The form of Bond Counsel's approving legal opinion for the Bonds is attached to the Official Statement as APPENDIX E. A certificate from the City regarding the absence of material litigation will be among the required closing documents for the Bonds.

### **CUSIP Numbers**

It is anticipated that a CUSIP identification number will appear on each Bond, but neither the failure to insert such number nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Bond Sale.

*The City's municipal advisor is responsible for obtaining CUSIP numbers for the Bonds. The charge of the CUSIP Service Bureau shall be paid by the successful bidder.*

## **OTHER INFORMATION**

### **Continuing Disclosure Undertaking**

In order to assist bidders in complying with paragraph (b)(5) of U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the City will undertake to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking and the City's compliance with its prior undertakings is set forth in the Preliminary Official Statement under "LEGAL INFORMATION—Continuing Disclosure Undertaking" and also will be set forth in the final Official Statement.

### **Preliminary Official Statement**

The Preliminary Official Statement is in a form that the City has deemed final for the purpose of paragraph (b)(1) of Rule 15c2-12, but is subject to revision, amendment, and completion in a final Official Statement, which the City will deliver, at the City's expense, to the successful bidder through its designated representative not later than seven business days after the City's acceptance of the successful bidder's bid, in sufficient quantities to permit the successful bidder to comply with Rule 15c2-12.

By submitting the successful bid for the Bonds, the successful bidder's designated representative agrees:

- (i) to provide to the City's Municipal Advisor, in writing, within 24 hours after the acceptance of the bid, pricing and other related information, including Initial Reoffering Prices, necessary for completion of the final Official Statement (see also "Bidding Information and Award—Issue Price Information");
- (ii) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any amendments or supplements prepared by the City;
- (iii) to take any and all actions necessary to comply with applicable rules of the Securities and Exchange Commission and Municipal Securities Rulemaking Board governing the offering, sale, and delivery of the Bonds to ultimate purchasers, including the delivery of a final Official Statement to each investor who purchases the Bonds; and
- (iv) to file the final Official Statement or cause it to be filed with the Municipal Securities Rulemaking Board within one business day following its receipt from the City.

The Preliminary Official Statement may be obtained from MuniOS, a product of ImageMaster, LLC, at <https://www.munios.com>; telephone 800-452-5152. In addition, the Preliminary Official Statement may be obtained

upon request to the City’s Director of Debt Management or its Municipal Advisor. See “Contact Information” in this Official Notice of Bond Sale.

**Official Statement**

At closing, the City will furnish a certificate of an official or officials of the City stating that, to the best knowledge of such official(s), as of the date of the Official Statement and as of the date of delivery of the Bonds,

- (i) the information (including financial information) regarding the City and Seattle Public Utilities (including the Water System) contained in the Official Statement was and is true and correct in all material respects and did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and
- (ii) the descriptions and statements, including financial data, of or pertaining to entities other than the City and their activities contained in the Official Statement have been obtained from sources that the City believes to be reliable, and the City has no reason to believe that they are untrue in any material respect (however, the City will make no representation regarding Bond Counsel’s form of opinion, the information provided by Bond Counsel under “LEGAL INFORMATION—Limitations on Remedies and Municipal Bankruptcies” and “TAX MATTERS” or the information provided by or obtained from DTC or any entity providing bond insurance, reserve insurance, or other credit facility, if any).

DATED at Seattle, Washington, this 8<sup>th</sup> day of May, 2026.

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Dwight D. Dively  
The City of Seattle, Acting Director of Finance

**EXHIBIT 1  
TO OFFICIAL NOTICE OF BOND SALE**

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**FORM OF CERTIFICATE OF BID AWARD**

**The City of Seattle, Washington**

\$ \_\_\_\_\_

**Water System Improvement and Refunding Revenue Bonds, 2026**

With respect to the above-captioned bonds (the “Bonds”), the Director of Finance of The City of Seattle, Washington (the “City”), as the Designated Representative authorized to act on behalf of the City pursuant to Ordinance 127338 and Ordinance 127339 (together, the “Bond Ordinance”), certifies as follows:

1. In accordance with the Bond Ordinance, an Official Notice of Bond Sale dated \_\_\_\_\_, 2026, has been prepared and distributed, and on \_\_\_\_\_, 2026, bids for the purchase of the Bonds were received and reviewed in accordance with the Official Notice of Bond Sale.
2. The sale of the Bonds is hereby awarded to \_\_\_\_\_ (the “Purchaser”), the Purchaser’s bid being the best responsive bid determined by the method of calculation set forth in the Official Notice of Bond Sale as follows (reflecting post-bid resizing adjustments):

<b>Aggregate Principal Amount:</b>	\$
less (Underwriter’s Discount):	
Plus original issue premium:	
<b>Aggregate Purchase Price:</b>	\$
True Interest Cost:	%
Aggregate Purchase Price (% of Aggregate Principal Amount):	%

A copy of the Purchaser’s bid setting forth interest rates and purchase price for the Bonds is attached hereto as Schedule A. A summary reflecting the resizing of the Purchaser’s bid in accordance with the Official Notice of Bond Sale is as follows:

**Maturity Dates, Principal Amounts, Interest Rates and Prices**

Due ____ 1	Amount	Interest Rate	Price	Due ____ 1	Amount	Interest Rate	Price
2026				2039			
2027				3040			
2028				2041			
2029				2042			
2030				2043			
2031				2044			
2032				2045			
2033				2046			
2034				2047			
2035				2048			
2036				2049			
2037				2050			
2038							

- (1) Term Bonds
- (2) Priced to the par call date of \_\_\_\_\_ 1, 20\_\_.

**Redemption Provisions**

*Optional Redemption.* The Bonds maturing on \_\_\_\_\_ 1 in the years 20\_\_ through 20\_\_, inclusive, are not subject to redemption prior to their stated maturity.

The Bonds maturing on or after \_\_\_\_\_ 1, 20\_\_, are subject to optional redemption, as a whole or in part (and if in part, with maturities to be selected by the City), on any date on or after \_\_\_\_\_ 1, 20\_\_, at a price equal to 100% of the principal amount to be redeemed plus accrued interest, if any, to the date fixed for redemption.

*Mandatory Redemption.* The Bonds maturing in the years 20\_\_ and 20\_\_ are Term Bonds and, if not optionally redeemed or purchased in accordance with the Bond Ordinance, will be called for redemption at a price equal to 100% of the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, on \_\_\_\_\_ 1 in years and amounts as follows:

<b>Mandatory Redemption Years</b>	<b>Mandatory Redemption Amounts</b>	<b>Mandatory Redemption Years</b>	<b>Mandatory Redemption Amounts</b>
20__	\$	20__	\$
20__		20__	
20__		20__	
20__ <sup>(1)</sup>		20__ <sup>(1)</sup>	

(1) Term Bond maturity

All bids received other than that of the Purchaser are hereby rejected.

THE CITY OF SEATTLE

By: \_\_\_\_\_  
Dwight D. Dively, Acting Director of Finance

Date: \_\_\_\_\_

Time: \_\_\_\_\_

Acknowledged by:

[PURCHASER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT 2**  
**TO OFFICIAL NOTICE OF BOND SALE**

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**FORM OF ISSUE PRICE CERTIFICATE**  
**COMPETITIVE SALE SAFE HARBOR**

The City of Seattle, Washington

\$ \_\_\_\_\_

**Water System Improvement and Refunding Revenue Bonds, 2026**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

**Reasonably Expected Initial Offering Price**

- (i) On \_\_\_\_\_, 2026, [SHORT NAME OF UNDERWRITER] won on a competitive basis the right to reoffer the Bonds.
- (ii) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. [SHORT NAME OF UNDERWRITER] has actually offered each of the Maturities of the Bonds at the Expected Offering Prices to the Public. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (iii) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (iv) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

**Defined Terms**

- (i) “Maturity” means Bonds having the same maturity date and credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates or CUSIP identification numbers, are treated as separate Maturities.
- (ii) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (iii) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds, as evidenced by the award of the bid submitted pursuant to the Official Notice of Bond Sale. The Sale Date of the Bonds is [DATE].
- (iv) “Underwriter” means (a) [SHORT NAME OF UNDERWRITER], as the winning bidder to purchase the Bonds (and any person that agrees pursuant to a written contract with [SHORT NAME OF UNDERWRITER] as the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (b) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may provide to the City from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

**EXHIBIT 3**  
**TO OFFICIAL NOTICE OF BOND SALE**

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**FORM OF ISSUE PRICE CERTIFICATE**  
**HOLD-THE-OFFERING-PRICE RULE**

The City of Seattle, Washington

\$ \_\_\_\_\_

**Water System Improvement and Refunding Revenue Bonds, 2026**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (“[SHORT NAME OF UNDERWRITER]”)[(the “Representative”)], on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

**Sale of the General Rule Maturities**

As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

**Initial Offering Price of the Hold-the-Offering-Price Maturities**

- (i) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
- (ii) As set forth in the Official Notice of Bond Sale and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

**Defined Terms**

- (i) General Rule Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
- (ii) Hold-the-Offering-Price Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
- (iii) Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (\_\_\_\_\_, 20\_\_), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
- (iv) Issuer means The City of Seattle, Washington.
- (v) Maturity means Bonds with the same maturity date and credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates or CUSIP identification numbers, are treated as separate maturities.
- (vi) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (vii) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2026.
- (viii) Underwriter means (a) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (b)

any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM's][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[NAME OF UNDERWRITER/REPRESENTATIVE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

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## OFFICIAL STATEMENT

**The City of Seattle, Washington**  
**\$107,215,000\***  
**Water System Improvement and Refunding Revenue Bonds, 2026**

### INTRODUCTION

The City of Seattle, Washington (the “City”), a municipal corporation duly organized and existing under and by virtue of its charter and the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of its \$107,215,000\* aggregate principal amount of its Water System Improvement and Refunding Revenue Bonds, 2026 (the “Bonds”). This Official Statement, which includes the cover page, the inside cover page, the table of contents, and APPENDIX A through APPENDIX G (together, the “Official Statement”), provides information concerning the City, Seattle Public Utilities (“SPU”), the City’s water system (the “Water System”), and the Bonds.

APPENDIX A provides information about the City, the City-wide pension systems, and certain demographic and economic information about the City. APPENDIX B provides information regarding SPU and the Water System. APPENDIX C provides a summary of the Bond Ordinance, as defined below under “DESCRIPTION OF THE BONDS—Authorization for the Bonds.” APPENDIX D provides the form of the City’s continuing disclosure undertaking in connection with the Bonds. APPENDIX E includes the form of legal opinion of Foster Garvey PC, Seattle, Washington (“Bond Counsel”). APPENDIX F contains the audited financial statements of SPU as of and for the fiscal year ended December 31, 2025 (the “2025 Audited Financial Statements”). APPENDIX G is a description of DTC procedures for book-entry bonds as provided on its website by The Depository Trust Company, New York, New York (“DTC”).

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 are subject to the complete provisions thereof and do not purport to be complete statements of such laws or documents, copies of which may be obtained from the City upon request. A full review should be made of the entire Official Statement. The offering of the Bonds to prospective investors is made only by means of the entire Official Statement. Capitalized terms that are not defined herein have the meanings set forth in the Bond Ordinance (defined below).

*Certain forecast information provided in this Official Statement was prepared by SPU. 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, ch. 35.92, 39.46, and 39.53 of the Revised Code of Washington (“RCW”), and the Seattle City Charter. The Bonds are issued pursuant to Ordinance 127338, passed on November 21, 2025 (the “New Money Ordinance”), and Ordinance 127339, passed November 21, 2025 (the “Refunding Ordinance,” and together with the New Money Ordinance, the “Bond Ordinance”). A summary of the Bond Ordinance is attached to this Official Statement as APPENDIX C.

The Bond Ordinance delegates 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 (the “Pricing Certificate”), and other documents (collectively, the “Bond Documents”) in accordance with the parameters set forth in the Bond Ordinance.

The New Money Ordinance authorizes the issuance of Water System bonds in a maximum aggregate amount not to exceed \$108 million. The authorization under the New Money Ordinance expires December 31, 2028. The new money portion of the Bonds is the first issuance under this authorization and is in the amount of \$101,045,000\* leaving \$6,955,000\* of remaining authorization. The City also has \$33,015,000 remaining unissued authorization under Ordinance 127148, passed by the City Council on November 21, 2024, and expiring on December 31, 2027; and

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\* Preliminary, subject to change.

\$30,235,000 remaining unissued under Ordinance 126942, passed by the City Council on November 21, 2023, and expiring on December 31, 2026. The City currently has no plans to issue additional bonds under any of these ordinances. See “DEBT OF THE WATER SYSTEM—Outstanding Parity Bonds.”

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

The Bonds will be dated the date of their initial issuance and delivery (the “Issue Date”). The Bonds will mature on June 1 in the years and amounts set forth on page i of this Official Statement. Interest on the Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2026, 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.

### **Bond Registrar and System of Registration**

#### ***Bond Registrar***

The principal of and interest on the Bonds will be payable by the fiscal agent of the State (the “Bond Registrar”), currently U.S. Bank Trust Company, National Association (or such other fiscal agent or agents as the State may from time to time designate).

#### ***Book-Entry System***

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”). DTC will act as the initial Securities Depository for the Bonds (the “Securities Depository”) in accordance with the Letter of Representations. Individual purchases and sales of the Bonds will be made in Book-Entry Form only in minimum denominations of \$5,000 or integral multiples thereof within a maturity of a Series (“Authorized Denominations”). Purchasers (“Beneficial Owners”) will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners will mean Cede & Co. or its successor and will not mean the Beneficial Owners of the Bonds. For information about DTC and its book-entry system, see APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM. The City makes no representation as to the accuracy or completeness of the information in APPENDIX G provided by DTC. Purchasers of the Bonds should confirm this information with DTC or its broker-dealer 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 utilizing the then-current Securities Depository, the Director of Finance may appoint a substitute Securities Depository. If the Securities Depository resigns from its functions as depository and no substitute Securities Depository can be obtained, or if the Director of Finance determines not to utilize a Securities Depository, then the Bonds will no longer be held in Book-Entry Form and ownership of the Bonds may be transferred only as provided in the Bond Ordinance.

#### ***Transfer***

So long as the Bonds are held by DTC, registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except (1) to any successor to DTC as Securities Depository; (2) to any substitute depository appointed by the City or such substitute depository’s successor; or (3) to any person, if the Bonds are no longer to be held in Book-Entry Form.

#### ***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 maturity, 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**

The Bonds will be payable in lawful money of the United States of America on the dates and in the amounts as provided in the Bond Ordinance. Principal of and interest on the Bonds will be payable solely out of the Water Revenue

Parity Bond Account (the “Parity Bond Account”) and the Water System Bond Reserve Subaccount (“Reserve Subaccount”). **The Bonds are not general obligations of the City. No Bonds will be subject to acceleration under any circumstances.**

So long as Cede & Co. is the Registered Owner of the Bonds, principal of and interest on the Bonds will be payable by wire transfer by the Bond Registrar to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds, as further described in APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM.

At any time during which the Bonds are not held in Book-Entry Form, interest 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 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,” in the case of each interest or principal payment date, as the Bond Registrar’s close of business on the 15<sup>th</sup> day of the month preceding that 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 Provisions**

*Optional Redemption*

The Bonds maturing on or before June 1, 2036, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds maturing on and after June 1, 2037, prior to their stated maturity dates at any time on and after June 1, 2036, 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 Term Bonds maturing on June 1 in the years 20\_\_ and 20\_\_ must be redeemed, at a price equal to 100% of the principal amount to be redeemed, plus accrued interest, on June 1 in the years and mandatory redemption amounts as follows:

**Term Bonds**

<b>Mandatory Redemption Dates (June 1)</b>	<b>Mandatory Redemption Amounts</b>	<b>Mandatory Redemption Dates (June 1)</b>	<b>Mandatory Redemption Amounts</b>
(1)		(1)	

(1) Final maturity.

*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.

— *Partial Redemption*

If less than all of the principal amount of a maturity is to be redeemed, as long as the Bonds are held in Book-Entry Form, the selection of the portion of such maturity to be redeemed will be made in accordance with the operational arrangements in effect at DTC. If the Bonds are not then held in Book-Entry Form, the portion of such maturity to be redeemed will be selected by the Bond Registrar using such method of random selection 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 any applicable Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar there will be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same seniority, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

— *Optional Redemption of Term Bonds Prior to Maturity or Mandatory Redemption Dates*

If a Term Bond is redeemed pursuant to the optional redemption provisions, defeased, or purchased by the City and surrendered for cancellation, the principal amount of that Term Bond so redeemed, defeased, or purchased (irrespective of its redemption or purchase price) will be credited against the mandatory redemption amounts in the manner 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 amount for such Bond on a *pro rata* basis.

***Notice of Redemption; Rescission of Notice***

— *Form, Time, and Manner of Notice*

Notice of an intended redemption of any Bond then in Book-Entry Form shall be given in accordance with the Letter of Representations. The City will cause notice of any intended redemption of a Bond not in Book-Entry Form 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 each Bond to be redeemed at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence will be fulfilled when notice has been mailed as so provided (whether or not it is actually received by the Owner of any Bond) and may be waived by the Registered Owner of the Bond to be redeemed. In addition, the redemption notice will be mailed or sent electronically within the same period to the Municipal Securities Rulemaking Board (the “MSRB”) (if required under the Continuing Disclosure Undertaking), to each Rating Agency then maintaining a rating on the Bonds at the request of the City, and to such other persons and with such additional information as the Director of Finance determines, but these additional mailings are not a condition precedent to the redemption of any Bond.

— *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 Bonds by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is rescinded by the Director of Finance will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

— *Effect of Redemption*

Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the notice is rescinded or the Bond or Bonds called are not redeemed when presented pursuant to the call.

**Purchase of Bonds**

The City reserves the right and option to purchase any or all of the Bonds offered for purchase 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, solely from the Parity Bond Account and the other sources pledged in the Bond Ordinance, interest on that Bond at the same rate provided in that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

**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 any portion thereof, included in a refunding or defeasance plan (the “Defeased Bonds”), (ii) to redeem and retire, release, refund, or defease the Defeased Bonds, and (iii) to pay the costs of such refunding or defeasance. If money and/or Government Obligations (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, is set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the “Trust Account”), then all right and interest of the Owners of the Defeased Bonds in the covenants of the Bond Ordinance and in the Net Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter will cease and become void. Such Owners thereafter will have the right to receive payment of the principal of and interest

or redemption price on the Defeased Bonds from the Trust Account. After establishing and fully funding such a Trust Account, the Defeased Bonds will be deemed to be 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 purpose. Notice of refunding or defeasance will be given, and selection of Bonds for any partial refunding or defeasance will be conducted, in the manner provided for the redemption of Bonds. See “—*Notice of Redemption; Rescission of Notice,*” above.

***Eligible Investments for Refunding or Defeasance Trust Account***

The term “Government Obligations” is defined in the Bond Ordinance to mean any government obligation as that term is defined in RCW 39.53.010. In the Pricing Certificate for the Bonds, the City has further limited the types of obligations eligible for a refunding escrow 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.

**USE OF PROCEEDS**

**Purpose**

The Bonds are being issued (i) to pay or reimburse part of the costs of carrying out a system or plan of additions, improvements and betterments to, and extensions of, the Water System (the “Plan of Additions”); (ii) depending on market conditions, to refund certain obligations of the Water System (described below under “—Plan of Refunding”); and (iii) to pay the costs of issuing the Bonds and administering the refunding.

**Sources and Uses of Funds**

Table 1 describes the application of the proceeds of the Bonds and other available funds.

**Table 1.  
Sources and Uses**

<b>Sources</b>	
Principal Amount	\$
[Net] Original Issue Premium/(Discount)	
[Contribution to Refunding Escrow from Reserve Subaccount]	
<b>Total Sources of Funds</b>	<b>\$</b>
<b>Uses</b>	
Deposit to Water Fund Construction Account	\$
[Deposit to Refunding Escrow]	
Costs of Issuance <sup>(1)</sup>	
<b>Total Uses of Funds</b>	<b>\$</b>

(1) Includes costs of printing and posting the Official Statement; fees of bond and disclosure counsel, the municipal advisor, and the rating agencies; the underwriter’s discount; and other administrative costs of issuing the Bonds and the costs of administering the Refunding Plan.

**Plan of Refunding\***

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 that are selected, based

\* Preliminary, subject to change.

upon market conditions on the pricing date, will be identified as the “Refunded Bonds” in the final Official Statement. The Refunded Bonds will be called on the dates and at the prices shown in Table 2, below.

**Refunding Candidates**

The Water System Refunding Revenue Bonds, 2012 (the “2012 Bonds”) and the Water System Improvement and Refunding Revenue Bonds, 2015 (the “2015 Bonds”) identified below (together, the “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. Depending on market conditions, all or a portion of the Refunding Candidates will be called on the date and at the redemption prices shown in the tables below. Those Refunding Candidates selected for refunding will be identified in the final Official Statement as the Refunded Bonds.

Table 2 identifies the Refunding Candidates.

**Table 2.  
Refunding Candidates \***

<b>Water System Refunding Revenue Bonds, 2012</b>					
<b>Maturity</b>	<b>Par Amount</b>	<b>Coupon</b>	<b>Redemption Date</b>	<b>Price</b>	<b>CUSIP</b>
9/1/2029	10,750,000	3.00	7/6/2026	100%	812728 SH7
<b>Water System Improvement and Refunding Revenue Bonds, 2015</b>					
<b>Maturity</b>	<b>Par Amount</b>	<b>Coupon</b>	<b>Redemption Date</b>	<b>Price</b>	<b>CUSIP</b>
5/1/2036	\$ 7,620,000	4.00%	7/6/2026	100%	812728 UA9
5/1/2037	7,935,000	4.00	7/6/2026	100	812728 UB7
5/1/2038	8,260,000	4.00	7/6/2026	100	812728 UC5
5/1/2045 <sup>(1)</sup>	17,580,000	4.00	7/6/2026	100	812728 UD3

(1) Term Bonds

**Refunding Escrow**

The City will enter into a Refunding Trust Agreement with U.S. Bank Trust Company, National Association, as Escrow Agent, upon the delivery of the Bonds, to provide for the refunding of the Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Escrow Agent and to be applied solely to the payment of the Refunded Bonds on their respective redemption dates. A portion of the proceeds of the Bonds may be deposited with the Escrow Agent as money or invested in direct obligations of 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 coming due on the redemption date of the Refunded Bonds.

**Verification of Escrow Sufficiency**

The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Escrow Agent to pay the principal of and interest on the Refunded Bonds as described above will be verified by Causey Public Finance, LLC.

**SECURITY FOR THE BONDS**

The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue (including all ULID Assessments, if any) and money in the Parity Bond Account and the subaccounts therein, except that money in the Reserve Subaccount shall secure only Covered Parity Bonds. The Bonds are issued on parity with the Outstanding Parity Bonds and any Future Parity Bonds (together with the Bonds, the “Parity Bonds”). See “DEBT OF THE WATER SYSTEM—Outstanding Parity Bonds.”

The City maintains a Reserve Subaccount in the Parity Bond Account to secure payment of the Covered Parity Bonds. **The Bonds are not designated as Covered Parity Bonds.** See “—Parity Bond Account and Reserve Subaccount—Reserve Subaccount,” below.

\* Preliminary, subject to market conditions.

## **Pledge of Net Revenue**

The Net Revenue (including all ULID Assessments, if any) is pledged to make the payments into the Parity Bond Account required by the Bond Ordinance. This pledge constitutes a charge and lien 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 C—SUMMARY OF BOND ORDINANCE (“DEFINITIONS”) and (“SECURITY FOR THE BONDS; FLOW OF FUNDS”).

The Bonds are issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds, without preference or priority of right or lien. See “DEBT OF THE WATER SYSTEM—Outstanding Parity Bonds” and Table 4, 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 “—Bond Covenants—Additional Obligations” and APPENDIX C—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 “—Bond Covenants—*Combined Utility Systems*,” below.

## ***Required Payments into the Parity Bond Account***

So long as any Parity Obligations are outstanding, the City has covenanted to set aside and pay into the Parity Bond Account all ULID Assessments upon their collection and, out of Net Revenue, certain fixed amounts without regard to any fixed proportion, namely: (i) into the Principal and Interest Subaccount, on or prior to the respective dates on which such payments shall become due and payable, an amount sufficient, together with other money on deposit therein, to pay without priority or preference the principal, interest, Sinking Fund Requirements, and net payments then due on Parity Payment Agreements; and (ii) into the Reserve Subaccount, the amounts necessary to provide for the Reserve Subaccount Requirement within the time and manner required by the Outstanding Parity Bond Ordinances. ***The Bonds are not designated as Covered Parity Bonds and are not secured by amounts in the Reserve Subaccount.***

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

***The Bonds are not secured by a security interest in any physical plant or facility. The Bonds do not constitute general obligations of the City, the State, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the State, or any political subdivision of the State not specifically pledged thereto by the Bond Ordinance. Neither the full faith and credit nor the taxing power of the City, nor any revenues of the City derived from sources other than the Water System, are pledged to the payment of the Bonds. State law provides that the owner of a Parity Bond, the payment of which is pledged from a special fund, has a claim only against that special fund and proportionate amounts of revenue pledged to that fund. Under State law, any owner of a Parity Bond may bring an action to compel the City to set aside and make the required payments into the Parity Bond Account.***

## **Priority Expenditure of Gross Revenues; Flow of Funds**

The City has covenanted in the Bond Ordinance that all Gross Revenues are to 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 of the Water System;
- (b) To make, when due, 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), 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, and (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;

- (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, for 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, 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.

See “—Bond Covenants—*Parity Payment Agreements*,” below. For a summary of Outstanding Parity Bonds, see “DEBT OF THE WATER SYSTEM.”

### **Parity Bond Account and Reserve Subaccount**

Principal of (including redemption premium, if any) and interest on the Bonds is payable solely out of the Parity Bond Account. The Parity Bond Account is a special fund established and maintained pursuant to Ordinance 116705 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 C—SUMMARY OF BOND ORDINANCE.

The City maintains a Reserve Subaccount within the Parity Bond Account as a pooled reserve for the benefit of holders of Parity Bonds that are designated at their time of issuance as Covered Parity Bonds. **The Bonds are not designated as Covered Parity Bonds and, consequently, are not secured by the amounts on deposit in the Reserve Subaccount.** See “—*Reserve Subaccount*,” below, and APPENDIX C—SUMMARY OF BOND ORDINANCE.

Money in the Parity Bond Account and in the Reserve Subaccount is held, invested, and reinvested by and at the direction of the Director of Finance in Permitted Investments, as described in the Bond Ordinance. Earnings on money and investments in the Parity Bond Account and in the Reserve Subaccount are retained in and used for the purposes of the Parity Bond Account and the Reserve Subaccount, respectively.

***The Parity Bond Account and the Reserve Subaccount are held by the City as special funds under State law and are not held by an independent trustee. In the context of bankruptcy proceedings, notwithstanding State law, there can be no assurance that the funds on deposit therein would be held intact solely for the benefit of holders of the Parity Bonds or Covered Parity Bonds, as applicable.***

### ***Reserve Subaccount***

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

**The Bonds are not designated as Covered Parity Bonds and, consequently, are not secured by the amounts on deposit in the Reserve Subaccount.** See APPENDIX C—SUMMARY OF BOND ORDINANCE for definitions of the terms “Covered Parity Bonds” and “Reserve Requirement.” The Outstanding Parity Bonds identified as Covered Parity Bonds (as shown in Table 4, below) include the Outstanding 2012 Bonds and 2015 Bonds, both of which are designated as Refunding Candidates.

In the Bond Ordinance, the City has covenanted that it will at all times, so long as any Covered Parity Bonds are outstanding, maintain the Reserve Subaccount at the Reserve Requirement (taking into account scheduled payments to fund the Reserve Requirement over time), as it is adjusted from time to time, except for withdrawals as authorized by the Outstanding Parity Bond Ordinances in the amounts necessary to meet maturing installments of either principal (including Sinking Fund Requirements) or interest (including net payments under Parity Payment Agreements) with respect to Covered Parity Bonds only. Any deficiency created in the Reserve Subaccount by reason of any such withdrawal or claim against a Reserve Security must then be made up from the ULID Assessments and Net Revenue first available after making necessary provisions for the required payments into the Principal and Interest Subaccount.

### ***— Reserve Requirement***

The Pricing Certificate for the Bonds establishes that the Bonds are not designated as Covered Parity Bonds, and therefore there is no Reserve Requirement allocable to the Bonds. The Reserve Requirement for the Covered Parity

Bonds is equal to the lesser of (i) Maximum Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation or (ii) 125% of Average Annual Debt Service on all Covered 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 additional Covered Parity Bonds by a deposit of Parity Bond proceeds, Net Revenue in no more than five annual installments, or a Reserve Security.

As of the Issue Date of the Bonds, the aggregate Reserve Requirement for the Outstanding Parity Bonds that are Covered Parity Bonds is expected to be equal to \$4,029,609<sup>\*</sup>, which is satisfied by the amounts already on deposit in the Reserve Subaccount (\$4,590,479) and the aggregate policy limits of the Reserve Securities held therein (\$35,171,996). See Table 3, below. The amount of cash currently on deposit in the Reserve Subaccount in excess of the Reserve Requirement on the Issue Date will be contributed to the refunding escrow (see Table 1). The Bond Ordinance contains certain additional covenants with respect to the Reserve Securities currently held in the Reserve Subaccount in respect of those Outstanding Parity Bonds that are Covered Parity Bonds.

Table 3 summarizes the cash and Reserve Securities currently held in the Reserve Subaccount.

**Table 3.**  
**Reserve Subaccount Summary**  
*(as of December 31, 2025)*

Reserve Security Provider	Stated Value or Policy Limit	Expiration Date	Current Ratings <sup>(1)</sup>	
			Moody's	S&P
NPFG	\$ 3,783,202	08/01/2026	Baa2	NR
AMBAC	5,397,000	10/01/2027	Withdrawn	
NPFG <sup>(2)(3)</sup>	4,431,090	03/01/2029	Baa2	NR
NPFG <sup>(2)(3)</sup>	9,440,403	07/01/2029	Baa2	NR
NPFG <sup>(2)(3)</sup>	1,279,360	11/01/2031	Baa2	NR
NPFG <sup>(2)(4)</sup>	4,256,356	09/01/2033	Baa2	NR
NPFG <sup>(2)(4)</sup>	3,474,371	09/01/2034	Baa2	NR
Assured Guaranty <sup>(5)</sup>	3,110,214	02/01/2037	A3	AA
<b>Total Reserve Securities</b>	<b>\$ 35,171,996</b>			
Cash Deposits	\$ 4,590,479			
<b>Total Cash and Reserve Securities</b>	<b>\$ 39,762,475</b>			

(1) The Outstanding Parity Bond Ordinances permit the City to utilize a Reserve Security to satisfy the Reserve Requirement if the issuer of such security 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 met that requirement at the time it was issued or acquired by the City.

(2) National Public Finance Guarantee Corp., a wholly-owned subsidiary of MBIA, Inc. (“NPFG”).

(3) Surety originally provided by Financial Guaranty Insurance Company.

(4) Surety originally provided by MBIA.

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

Source: *Seattle Public Utilities*

### Rate Stabilization Account

The City has established a Rate Stabilization Account (the “RSA”) (also referred to in Ordinance 116705 as the “Revenue Stabilization Subfund”) as a separate account in the Water Fund. The City may at any time deposit into the RSA Gross Revenue or any other money received by the Water System and available to be used for this purpose. Thereafter, the City may withdraw any or all of the money from the RSA for inclusion in Adjusted Gross Revenue for any applicable year. 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. No deposit of Gross Revenue may be made into the RSA to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

Table 7 summarizes the historical and projected operating results for the Water Fund, including transfers into and out of the RSA. See also “WATER SYSTEM FINANCIAL INFORMATION—Management Discussion” and

<sup>\*</sup> Preliminary, subject to change.

### **Bond Covenants**

The City has included various covenants in the Bond Ordinance; certain of these covenants are summarized below. Additional covenants address maintenance of the Water System, sale of the Water System, maintenance of books and records, liens on the Water System, management of delinquent accounts, maintenance of insurance, and the use of condemnation awards and insurance proceeds. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“BOND COVENANTS”).

#### ***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. Failure 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.

“*Coverage Requirement*” means Adjusted Net Revenue equal to at least 1.25 times Adjusted Annual Debt Service on all Parity Bonds then outstanding. The definitions of Adjusted Net Revenue and Adjusted Annual Debt Service in the Bond Documents provide for adjustments for deposits to and withdrawals from the RSA and for ULID Assessments.

#### ***Additional Obligations***

##### ***— Future Parity Bonds***

The City has reserved 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 either:

- (a) A Parity Certificate prepared by the Director of Finance must demonstrate that the amount of the Adjusted Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed series of Future Parity Bonds (the “Base Period”) was at least equal to the Coverage Requirement (1.25 times Adjusted Annual Debt Service for all Parity Bonds then outstanding, plus Average Annual Debt Service on the proposed Future Parity Bonds); or
- (b) A Parity Certificate prepared jointly by the Director of Finance and the Director of SPU must demonstrate that the Coverage Requirement will be met using Adjusted Net Revenue for the five fiscal years next following the earlier of (i) 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 (ii) the date on which substantially all the new facilities financed with those Future Parity Bonds are expected to commence operations, such Adjusted Net Revenue, further adjusted as provided in the Bond Ordinance to take into account changes to rates, revenue from new customers, and certain other matters.

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.

##### ***— 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***

A Parity Payment Agreement is a written contract entered into in connection with an issue of Future Parity Bonds, between the City and a Qualified Counterparty, for the purpose of managing and reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate, investment, asset, or liability management purposes that provides for an exchange of payments based on interest rates, ceilings, or floors on such payments, options on such payments, or any combination thereof or any similar device.

The City currently has no Parity Payment Agreements in effect but has reserved the right to enter into future Parity Payment Agreements that constitute a charge and lien on Net Revenue equal to that of 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.

### ***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.

### ***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.

### ***Combined Utility Systems***

The City has reserved the right to combine the Water System with other City utility systems, including their funds and accounts. For a description of existing City utilities that have reserved the right to combine with other City utilities, see APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“SEATTLE PUBLIC UTILITIES—Overview of Seattle Public Utilities”).

### **Supplemental or Amendatory Bond Documents**

The Bond Ordinance reserves to the City the right to amend or supplement the Bond Ordinance and the Bond Documents, in certain cases without the consent of Owners of the Bonds, and in other cases upon the written consent of Owners of certain percentages of the Outstanding Parity Bonds. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SUPPLEMENTAL OR AMENDATORY BOND DOCUMENTS”).

### ***Consent to Future Amendments of Certain Covenants***

The Bond Ordinance provides that purchasers of the Bonds, by purchasing and holding the same, have given their consent to the following amendments:

- (i) 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 treated as a Parity Payment Agreement, 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; and
- (ii) to accommodate the potential for future issuance of Tax-Advantaged Bonds.

See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SUPPLEMENTAL OR AMENDATORY BOND DOCUMENTS—Special Amendments”).

### **No Acceleration of the Bonds; Limitations on Remedies**

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

In an Event of Default, bondholders must appoint a Bond Owners’ Trustee and rights to pursue individual remedies are limited as set forth in Section 25 of the Bond Ordinance. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“DEFAULTS AND REMEDIES”). Nonetheless, in some cases, such as multiple defaults in payment of principal or interest on the Parity Bonds, the registered owners may be required to bring 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 Parity Bonds.

The term “*Event of Default*” is defined as (i) a default in the payment of the principal or interest on any Parity Bond when the same becomes due and payable; or (ii) a default in the observance and performance of any other of the Parity Bond covenants, conditions, or agreements on the part of the City set forth in the Bond Ordinance or the applicable Parity Bond Documents (except as otherwise provided in the Bond Ordinance or in such Parity Bond Documents) and such default or defaults has continued for a period of six months (the “cure period”) after the City has received from the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding (or from a Bond Owners’ Trustee duly appointed as set forth in the Bond Ordinance) a written notice specifying and demanding the cure of such default. However, if such default is one which cannot be completely remedied within the cure period, it will not be an Event of Default with respect to the Parity Bonds as long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

In the event of a default, Bond owners would be permitted to pursue remedies available under State law, including the right to bring action against the City to compel the setting aside and payment of the amounts pledged to be paid into the Parity Bond Account in respect of the then-Outstanding Parity Bonds.

See APPENDIX C—SUMMARY OF BOND ORDINANCE (“DEFAULTS AND REMEDIES”) for a description of other limitations on bondholder remedies.

## DEBT OF THE WATER SYSTEM

### Outstanding Parity Bonds

The Bonds are issued on parity with the Outstanding Parity Bonds, which currently include the bonds described below, and any Future Parity Bonds issued in compliance with the Parity Conditions described above.

Table 4 identifies the Outstanding Parity Bonds.

**Table 4.  
Outstanding Parity Bonds**

Series of Parity Bonds	Original Principal Amount	Outstanding Principal as of December 31, 2025	Final Maturity of Outstanding Bonds
2012 Bonds <sup>(1)(2)</sup>	\$ 238,770,000	\$ 10,750,000	9/1/2029
2015 Bonds <sup>(1)(2)</sup>	340,840,000	41,395,000	5/1/2045
2017 Bonds	194,685,000	148,060,000	8/1/2046
2021 Bonds	82,220,000	69,245,000	8/1/2034
2022 Bonds	93,260,000	56,835,000	9/1/2052
2024 Bonds	68,765,000	67,730,000	10/1/2054
2025 Bonds	230,810,000	230,810,000	5/1/2055
<b>Total</b>		<b>\$ 624,825,000</b>	

(1) Identified as Refunding Candidates. See “USE OF PROCEEDS—Plan of Refunding.”

(2) Covered Parity Bonds additionally secured by the Reserve Subaccount.

Source: *Seattle Public Utilities*

### Subordinate Obligations

#### *State Loan Program Obligations*

The City’s currently outstanding agreements with the Washington State Department of Ecology (“Ecology”) for low-interest loans are identified below. 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.

Table 5 identifies the City’s current State loan program obligations.

**Table 5.**  
**State Loan Program Obligations**  
*(as of December 31, 2025)*

<b>Capital Facility Financed</b>	<b>Year of Agreement</b>	<b>Maturity Year</b>	<b>Interest Rate</b>	<b>Maximum Loan Amount</b>	<b>Amount Outstanding (12/31/2025)</b>
<b>Loans in Repayment Phase</b>					
Beacon Hill Reservoir	2007	2026	1.50%	\$ 4,040,000	\$ 212,632
West Seattle Reservoir	2008	2027	1.50	3,030,000	318,947
Maple Leaf Reservoir	2010	2029	1.50	3,030,000	645,399
Maple Leaf Reservoir (ARRA)	2010	2039	1.00	6,578,885	2,569,615
Chester Morse Lake (Pump Plant - Loan 1)	2014	2037	1.50	12,120,000	7,272,000
Chester Morse Lake (Pump Plant - Loan 2)	2016	2036	1.50	6,060,000	3,508,421
<b>Total Outstanding</b>					<b>\$ 14,527,014</b>
<b>Additional Loans in Drawdown Phase</b>					
Bitter Lake Reservoir (Loan 1) <sup>(1)</sup>	2024	24 years	1.75	12,000,000	-
Bitter Lake Reservoir (Loan 2) <sup>(1)</sup>	2024	20 years	2.25	3,030,000	-

(1) Loan 1 is eligible for approximately \$5.8 million of loan forgiveness. The City expects to begin drawing upon the loans over a two-year period beginning in 2026 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 APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTOR CONSIDERATIONS—Federal Policy Risk and Other Federal Funding Considerations”).

Source: *Seattle Public Utilities*

The State loans described above 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 older 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.

### **Interfund Loans**

The City is authorized to make interfund loans to SPU from the City’s common investment portfolio. Repayment by SPU of such interfund loans would be subordinate to the Parity Bonds and Subordinate Obligations. See APPENDIX A—THE CITY OF SEATTLE (“FINANCIAL AND RISK MANAGEMENT—Financial Management—*Interfund Loans*”). The City does not currently identify the Water Fund as either a lending fund or a borrowing fund with respect to any interfund loans and has no current plans to do so.

### **Other Subordinate Obligations**

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.

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## Summary of Debt Service Requirements

Table 6 provides a summary of scheduled principal and interest payments on the Outstanding Parity Bonds, the Bonds, and the State Loan Program Obligations that are in the repayment phase.

**Table 6.**  
**Total Debt Service Requirements<sup>(1)</sup>**  
*(as of December 31, 2025)*

Calendar Year	Outstanding Parity Bonds <sup>(2)</sup>		The Bonds <sup>(3)</sup>		Total Parity Bond Debt Service	State Loan Program Obligations	Aggregate Debt Service Requirements
	Principal	Interest	Principal	Interest			
2026	\$ 44,335,000	\$ 28,666,100	\$ -	\$ 2,498,057	\$ 75,499,157	\$ 2,030,548	\$ 77,529,705
2027	42,670,000	26,507,350	1,485,000	5,015,125	75,677,475	1,792,369	77,469,844
2028	40,850,000	24,346,725	1,565,000	4,938,875	71,700,600	1,610,538	73,311,138
2029	41,330,000	22,636,725	1,645,000	4,858,625	70,470,350	1,590,573	72,060,923
2030	34,260,000	21,005,100	1,730,000	4,774,250	61,769,350	1,409,257	63,178,607
2031	34,585,000	19,057,600	1,815,000	4,685,625	60,143,225	1,391,712	61,534,937
2032	33,305,000	17,386,500	1,910,000	4,592,500	57,194,000	1,374,167	58,568,167
2033	30,345,000	15,968,000	2,010,000	4,494,500	52,817,500	989,534	53,807,034
2034	26,440,000	14,596,325	2,110,000	4,391,500	47,537,825	975,660	48,513,485
2035	24,770,000	13,373,025	2,220,000	4,283,250	44,646,275	961,786	45,608,061
2036	25,885,000	12,247,200	2,335,000	4,169,375	44,636,575	947,912	45,584,487
2037	27,020,000	11,108,900	2,455,000	4,049,625	44,633,525	615,090	45,248,615
2038	22,280,000	9,920,250	2,580,000	3,923,750	38,704,000	-	38,704,000
2039	16,890,000	9,043,550	2,710,000	3,791,500	32,435,050	-	32,435,050
2040	17,665,000	8,254,425	2,850,000	3,652,500	32,421,925	-	32,421,925
2041	13,165,000	7,561,675	2,995,000	3,506,375	27,228,050	-	27,228,050
2042	13,755,000	6,969,750	3,150,000	3,352,750	27,227,500	-	27,227,500
2043	14,370,000	6,350,925	3,310,000	3,191,250	27,222,175	-	27,222,175
2044	15,015,000	5,704,075	3,480,000	3,021,500	27,220,575	-	27,220,575
2045	15,700,000	5,027,750	3,660,000	2,843,000	27,230,750	-	27,230,750
2046	13,465,000	4,379,150	3,850,000	2,655,250	24,349,400	-	24,349,400
2047	8,120,000	3,759,500	4,045,000	2,457,875	18,382,375	-	18,382,375
2048	8,535,000	3,349,500	4,250,000	2,250,500	18,385,000	-	18,385,000
2049	8,965,000	2,918,625	4,470,000	2,032,500	18,386,125	-	18,386,125
2050	9,415,000	2,466,000	4,700,000	1,803,250	18,384,250	-	18,384,250
2051	9,890,000	1,990,750	4,940,000	1,562,250	18,383,000	-	18,383,000
2052	10,390,000	1,491,375	5,195,000	1,308,875	18,385,250	-	18,385,250
2053	8,205,000	966,875	5,460,000	1,042,500	15,674,375	-	15,674,375
2054	8,620,000	551,250	5,740,000	762,500	15,673,750	-	15,673,750
2055	4,585,000	114,625	6,035,000	468,125	11,202,750	-	11,202,750
2056	-	-	6,345,000	158,625	6,503,625	-	6,503,625
<b>Total</b>	<b>\$624,825,000</b>	<b>\$307,719,600</b>	<b>\$101,045,000</b>	<b>\$ 96,536,182</b>	<b>\$ 1,130,125,782</b>	<b>\$ 15,689,145</b>	<b>\$1,145,814,928</b>

Totals may not add due to rounding.

(1) Preliminary, subject to change.

(2) Includes the Refunding Candidates and does not reflect any refunding to be carried out with proceeds of the Bonds.

(3) Preliminary, subject to change; shows new money portion only and assumes the Bonds are sold at a premium.

Source: Seattle Office of City Finance

## Future Financing Plans

The City anticipates that it will issue additional Parity Bonds in 2027 with the amount to be based on the 2027-2032 CIP that will be adopted by Council in November 2026. The City periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

The adopted Capital Improvement Plan and subsequent adjustments for the Water System is summarized in APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“WATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan”). SPU’s projected capital requirements total approximately \$949 million over the 2026-2031 planning period, and which are expected to be financed through a combination of cash

from operations, contributions in aid of construction, capital grants, loans, and the proceeds of the Bonds and Future Parity Bonds.

In accordance with SPU’s financial policies, SPU expects to fund approximately 75% of the Water System’s capital requirements over the 6-year planning period from proceeds of the Bonds, Future Parity Bonds, or other State or federal funding. Annual debt service is expected to rise from approximately \$75 million in 2026 to approximately \$93 million in 2031. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“THE WATER SYSTEM—Water Fund Financial Management and Financial Targets” and “WATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan”).

## WATER SYSTEM FINANCIAL INFORMATION

### Historical Operating Results 2021-2025

Table 7 presents actual revenues and expenses of the Water System for the years 2021 through 2025 and projected results for 2026 and 2027, including transfer to and from the Rate Stabilization Account, as noted in the notes to the table.

*Certain information set forth below includes projections and forward-looking statements. SPU does not as a matter of course make public projections as to future sales, earnings, or other results. However, the management of SPU has prepared the prospective financial information set forth below for the sole purpose of providing 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.*

**Table 7.**  
**Summary of Historical and Projected Operating Results**  
(*\$000s*)

<i>Calendar years</i>	Audited					Projected <sup>(1)</sup>	
	2021	2022	2023	2024	2025	2026	2027
<b>OPERATING REVENUES</b>							
Residential/Commercial Services	\$ 213,552	\$ 221,695	\$ 230,379	\$ 235,497	\$ 245,218	\$ 245,959	\$ 257,265
Wholesale Services	57,362	56,242	59,043	64,922	62,029	61,208	61,734
Other	13,585	12,932	15,775	10,600	12,523	13,795	13,616
Transfers from/(to) RSA <sup>(2)</sup>	19,000	-	(3,700)	(3,200)	17,795	19,000	-
<b>Total Operating Revenues</b>	<b>\$ 303,499</b>	<b>\$ 290,869</b>	<b>\$ 301,496</b>	<b>\$ 307,820</b>	<b>\$ 337,565</b>	<b>\$ 339,962</b>	<b>\$ 332,615</b>
<b>OPERATING EXPENSES</b>							
Other Operations and Maintenance <sup>(3)</sup>	\$ 118,675	\$ 120,210	\$ 148,896	\$ 150,709	\$ 184,574	\$ 172,262	\$ 179,184
City Taxes <sup>(4)</sup>	35,036	36,215	37,259	38,369	39,875	39,409	41,183
Taxes other than City Taxes	12,691	13,049	13,289	13,826	15,065	13,860	14,280
<b>Total Operating Expenses</b>	<b>\$ 166,402</b>	<b>\$ 169,474</b>	<b>\$ 199,445</b>	<b>\$ 202,905</b>	<b>\$ 239,514</b>	<b>\$ 225,531</b>	<b>\$ 234,647</b>
<b>Net Operating Income</b>	<b>\$ 137,097</b>	<b>\$ 121,395</b>	<b>\$ 102,051</b>	<b>\$ 104,915</b>	<b>\$ 98,051</b>	<b>\$ 114,431</b>	<b>\$ 97,968</b>

Totals may not add due to rounding.

Notes on following page.

Notes to Table 7:

- (1) Revenues and operating expenses for 2026 are projected in the 2024-2026 Water Retail Rate Study considered by the City Council in conjunction with adoption of the 2023 rate ordinance (Ordinance 126909, passed on September 26, 2023); projections have not been adjusted to reflect subsequent actual experience. Revenues and operating expenses for 2027 are projected in the 2025-2030 Strategic Business Plan (Appendix C – Financial Forecast) prepared as of September 2024 and have not been adjusted to reflect subsequent actual experience. Projected Revenues for 2027 reflect proposed rate increases in the 2025-2030 Strategic Business Plan that have not been adopted by the City Council. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“SEATTLE PUBLIC UTILITIES—Strategic Business Plan” and “WATER SYSTEM CUSTOMERS AND RATES—Retail Water Rates”).
- (2) 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 RSA are available for payment of debt service and increase debt service coverage. Deposits to the RSA reduce revenue available for payment of debt service and lower debt service coverage. Recent transfers into and withdrawals from the RSA are discussed under “—Management Discussion,” below. See also “SECURITY FOR THE BONDS—Rate Stabilization Account”
- (3) Excludes non-cash accounting entries for depreciation and amortization.
- (4) The City currently levies a tax of 15.54% upon total gross income of the Water System. However, 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 APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“WATER SYSTEM CUSTOMERS AND RATES—State and Local Utility Taxes and Franchise Fees”).

Source: Audited Financial Statements for the Water System (2021 through 2025) and other sources as noted (see Note 1)

### **Historical Debt Service Coverage**

The Bond Ordinance obligates the City to maintain rates and charges necessary to achieve Adjusted Net Revenue equal to at least 1.25 times Adjusted Annual Debt Service on all Parity Bonds then outstanding. See “SECURITY FOR THE BONDS—Bond Covenants—Rate Covenant” and APPENDIX C—SUMMARY OF BOND ORDINANCE (“BOND COVENANTS”).

In addition, SPU’s financial policies currently set a target for Water System rates to achieve a debt service coverage ratio (“DSCR”) of budgeted Net Revenue divided by budgeted Debt Service on fixed long-term Parity Bonds equal to at least 1.70x. SPU financial policies are subject to adjustment from time to time by ordinance of the City Council. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“THE WATER SYSTEM—Water Fund Financial Management and Financial Targets”).

Table 8 shows historical and projected debt service coverage ratios calculated in accordance with the Bond Documents, including adjustments to the Coverage Requirement definition and related definitions and covenants set forth in the Bond Ordinance.

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**Table 8.**  
**Historical and Projected Parity Bond Debt Service Coverage Ratios<sup>(1)</sup>**

Calendar years	Audited					Projected <sup>(2)</sup>	
	2021	2022	2023	2024	2025	2026	2027
<b>Adjusted Net Revenue (\$000s)<sup>(3)</sup></b>							
<b>Net Operating Income</b>	<b>\$ 137,097</b>	<b>\$ 121,395</b>	<b>\$ 102,051</b>	<b>\$ 104,915</b>	<b>\$ 98,051</b>	<b>\$ 114,431</b>	<b>\$ 97,968</b>
<i>Adjustments to Net Operating Income</i>							
Plus: Capital Contributions/Connection Charges	\$ 4,613	\$ 5,438	\$ 4,038	\$ 4,460	\$ 4,648	\$ 10,000	\$ 10,250
Plus: City Taxes <sup>(4)</sup>	35,036	36,215	37,259	38,369	39,875	39,409	41,129
Plus: Investment Interest	2,261	3,194	5,348	6,299	7,092	6,318	6,347
Less: Reserve Subaccount Earnings	(303)	(329)	(664)	(892)	(507)	(184)	(184)
Plus: Tax Credit Subsidy Payments (BABs) <sup>(5)</sup>	1,885	1,827	1,765	1,619	284	-	-
Plus: Net Other Nonoperating Rev/(Exp)	5,876	2,324	1,356	7,299	3,619	1,174	1,203
Plus: Net Proceeds from Sale of Assets	423	274	120	631	301	-	-
Total Adjustments	\$ 49,792	\$ 48,944	\$ 49,222	\$ 57,784	\$ 55,312	\$ 56,717	\$ 58,745
<b>Adjusted Net Revenue (\$000s)</b>	<b>\$ 186,889</b>	<b>\$ 170,339</b>	<b>\$ 151,273</b>	<b>\$ 162,699</b>	<b>\$ 153,363</b>	<b>\$ 171,148</b>	<b>\$ 156,713</b>
<b>Adjusted Annual Debt Service (\$000s)</b>							
Parity Bond Debt Service <sup>(5)</sup>	\$ 82,409	\$ 78,324	\$ 81,290	\$ 73,086	\$ 76,637	\$ 73,001	\$ 76,203
Less: Reserve Subaccount Earnings <sup>(6)</sup>	(303)	(329)	(664)	(892)	(507)	(184)	(184)
<b>Adjusted Annual Debt Service (\$000s)</b>	<b>\$ 82,107</b>	<b>\$ 77,995</b>	<b>\$ 80,625</b>	<b>\$ 72,194</b>	<b>\$ 76,130</b>	<b>\$ 72,817</b>	<b>\$ 76,019</b>
<b>Debt Service Coverage Ratio (DSCR)<sup>(7)</sup></b>	<b>2.28x</b>	<b>2.18x<sup>(8)</sup></b>	<b>1.88x</b>	<b>2.25x</b>	<b>2.01x</b>	<b>2.35x</b>	<b>2.06</b>
DSCR Including City Taxes <sup>(9)</sup>	1.85x	1.72x	1.41x	1.72x	1.49x	1.81x	1.52x

Totals may not add due to rounding.

- (1) These calculations are displayed in order to demonstrate compliance with the Rate Covenant and the Future Parity Bond covenant and may reflect the application of non-recurring or extraordinary accounting transactions permitted under the Bond Ordinance and may not reflect GAAP. 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 Ordinance. 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.
- (2) See Note 1 to Table 7, above.
- (3) "Adjusted Net Revenue" is defined as Adjusted Gross Revenue less Operating and Maintenance Expense. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("DEFINITIONS").
- (4) See Note 4 to Table 7, above.
- (5) *Annual Debt Service for 2026 and 2027 is preliminary, subject to change, and does not reflect the refunding of the Refunding Candidates and assumes the issuance of the new money portion of the Bonds only.* For 2021 through 2025, federal Tax Credit Subsidy Payments received in respect of certain Build America Bonds ("BABs") were reflected as an adjustment added to Net Operating Income and were not deducted from Annual Debt Service. The Water System's BABs were fully refunded in 2025 and are no longer outstanding.
- (6) Earnings from interest in the Reserve Subaccount are excluded from the calculation of the debt service coverage ratio.
- (7) Adjusted Net Revenue divided by Adjusted Annual Debt Service on Parity Bonds for that year.
- (8) 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 in this table reflects the removal of this non-cash revenue item.
- (9) Calculation reflects Adjusted Net Revenue available after payment of City taxes and is provided for reference only. This is not a required calculation under the Bond Documents. Under the City Charter (Article VIII, Section 15), utility revenues may not be diverted to pay this tax "until ample provision has been made for the servicing of the debts and obligations of the utility and for necessary betterments and replacements for the current year." See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM ("WATER SYSTEM CUSTOMERS AND RATES—Retail Water Rates.")

Source: *Seattle Public Utilities*

## **Management Discussion**

### ***2025 Operating Results***

This section provides a brief discussion of 2025 operating results based on information in Table 7 and Table 8, as well as information presented in the Management’s Discussion and Analysis included in APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE WATER SYSTEM.

Between 2021 and 2025, the Water System met or exceeded all financial policy targets. Debt service coverage was maintained well above policy targets, and operating cash balances rose from \$109 million in 2024 to \$128 million in 2025. The primary cause of the increased cash balance is the withdrawal of \$25.2 million from the Revenue Stabilization Account in anticipation of certain refund payments made in 2026 by the Water System to wholesale customers as part of contract renewals. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“WATER SYSTEM CUSTOMERS AND RATES—Wholesale Customer Contracts.”) A deposit of \$7.4 million was made to the Rate Stabilization Account in 2025 but was offset by the \$25.2 million refund, resulting in a net withdrawal of \$17.8 million. At year end 2025, the Rate Stabilization Account maintained a balance of \$36.9 million.

Both operating and non-operating revenue performance has been strong. The Seattle area has experienced significant economic growth in recent years. Despite strong population growth, consumption remains relatively flat due to a strong conservation program and the impact of denser housing. 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-expected development-related revenue, as net new service installations average more than 850 per year.

### ***Financial Forecasting for 2026 and 2027***

SPU projects that it will be able to meet or exceed all financial policy targets for 2026 and 2027. Water System financial forecasts are prepared in conjunction with each triennial Strategic Business Plan update and for use in developing proposed changes to Water System rates. A rate study is currently underway in preparation for a mid-2026 submission of proposed rates for 2027 through 2029. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“WATER SYSTEM CUSTOMERS AND RATES—Retail Water Rates—*Rate Setting Procedures*”). Revenues and operating expenses for 2027 that are shown in Table 7 and Table 8, above, are based on projections set forth in the Financial Forecast set forth in Appendix C of the 2025-2030 Strategic Business Plan, prepared as of September 2024. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“SEATTLE PUBLIC UTILITIES—Strategic Business Plan”).

The Water System financial forecasts generally assume two major sources of revenue: water sales and development-related revenue. The forecasts for 2026 and 2027 assumed continued per capita consumption declines due to infill development and water efficiency gains, which were expected to be mitigated by increasing population and economic activity. Development-related forecasts assumed continued new housing development and redevelopment of existing commercial properties.

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.

## **CERTAIN INVESTOR CONSIDERATIONS**

### **Investor Considerations and Risk Factors Specific to the Water System**

The risks discussed below pertain to the City generally. Additional risks and other considerations that are specific to the Water System are described in APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS ”). Any of these and other factors could have an adverse effect on the financial condition of the Water system. The City is unable to predict what impact such factors will have on its business operations and financial condition.

### **Investor Considerations and Risk Factors Applicable to the City Generally**

Various risk factors and investment considerations applicable to the City generally are described in APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTOR CONSIDERATIONS”). These include State and local initiative and referendum; federal policy risk and other federal funding considerations; public health emergencies; various natural disasters; climate change risk; cybersecurity risks; and artificial intelligence risks.

## LEGAL INFORMATION

### **Litigation**

#### ***No Litigation Relating to the Bonds***

There is no litigation pending with process properly served on the City questioning the validity of the Bonds or the power and authority of the City to issue the Bonds or collect Gross Revenues. 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, SPU is subject to certain pending legal actions that arise in the ordinary course of business of running a municipal water utility, including various lawsuits and claims seeking money damages and/or injunctive relief. These pending actions include matters arising under State and federal environmental law. See APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE WATER SYSTEM (Notes 6, 11 and 12).

Based on its past experience and the information currently known, SPU 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 SPU 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.

### **Approval of Counsel**

Legal matters incident to the authorization, issuance, and sale of the Bonds by the City are subject to the approving legal opinion of Foster Garvey PC, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as APPENDIX E. 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 in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

### **Limitations on Remedies and Municipal Bankruptcies**

Any remedies available to the owners of the Bonds 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 Ordinance 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 Ordinance 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"). State law permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the Bonds.

The Bonds are payable from and secured by a pledge of Net Revenues as described in the Bond Ordinance. Under the Bankruptcy Code, creditors secured by a pledge of "special revenues" are granted certain protections in cases brought by municipalities. The definition of "special revenues" includes "receipts derived from the ownership, operation, or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems." Under the Bankruptcy Code, the pledge of Gross Revenues is enforceable if a bankruptcy court determines that Gross Revenues is considered "special revenues" under the Bankruptcy Code and that the pledge (in the form of a lien and charge) of Gross Revenues pursuant to the Bond Ordinance is valid and binding under the Bankruptcy Code.

The Bankruptcy Code further provides that special revenues acquired by a debtor after the commencement of the bankruptcy case remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case, and that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system is subject to the necessary operating expenses of such project or system.

Unless a debtor under the Bankruptcy Code consents or the plan approved by the bankruptcy court so provides, the court may not interfere with (i) any of the political or governmental powers of the debtor, (ii) any of the property or revenues of the debtor, or (iii) the debtor's use or enjoyment of any income-producing property.

Although State statute provides for a lien and charge against Gross Revenues to secure payment of the Bonds, no provision of State law provides for perfection of the lien under the Uniform Commercial Code of the State. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and reductions in payments could result.

The opinion to be delivered by Foster Garvey PC, 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.

### **Continuing Disclosure Undertaking**

To meet the requirements of SEC Rule 15c2-12(b)(5) ("Rule 15c2-12"), as applicable to the participating Underwriters for the Bonds, the City will execute a Continuing Disclosure Certificate, which shall constitute the Continuing Disclosure Undertaking for the benefit of holders of the Bonds. The form of Continuing Disclosure Certificate is set forth in APPENDIX D—CONTINUING DISCLOSURE UNDERTAKING.

## **TAX MATTERS**

**The following discussion of certain federal and State of Washington income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Bonds.**

### **Tax Exemption**

#### ***Federal Income Tax***

In the opinion of Bond Counsel, under existing law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the alternative minimum tax on individuals; however, interest on the Bonds will be taken into account in determining adjusted financial statement income that may be subject to the alternative minimum tax applicable to certain corporations.

The Code contains a number of requirements that apply to the Bonds, and the City has made certain representations in respect of those requirements and has covenanted to comply with those requirements. Bond Counsel's opinion assumes the accuracy of the representations made by the City and is subject to the condition that the City comply with those requirements. If the City fails to comply with those requirements or if the City's representations are inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the issue date of the Bonds.

#### ***State of Washington "Millionaire's Tax"***

During its 2026 legislative session, the State Legislature enacted a new individual income tax beginning January 1, 2028. In the opinion of Bond Counsel, under existing law, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds also is excludable from Washington taxable income for purposes of the tax imposed by the State on income received by individuals on and after January 1, 2028.

#### ***General***

Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual, or receipt of interest on the Bonds other than as expressly stated in its opinion. Owners of the Bonds should consult their own tax advisers regarding the applicability of any collateral tax consequences of owning the Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change, and is based on Bond Counsel's knowledge of facts as of the date of Bond Counsel's opinion. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may later come to Bond Counsel's attention, or any changes in law that may later occur.

### ***Possible Consequences of Tax Compliance Audit***

The Internal Revenue Service (the "Service") has an ongoing audit program to determine whether issuers of tax exempt obligations, such as the Bonds, are in compliance with requirements of the Code that relate to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given as to whether the Service may commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the State as the taxpayer, and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

### **Additional Tax Considerations**

#### ***Collateral Tax Consequences***

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code). Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds also should be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

#### ***Tax Legislative Changes and Legal Challenges***

Current law may change to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any proposed or pending legislation that would change the federal tax treatment of interest on the Bonds.

In some circumstances, voters of the State have the ability to initiate legislation and to repeal or modify existing statutes through the powers of initiative and referendum. Direct voter action to repeal or modify the recently enacted legislation establishing the State of Washington income tax is anticipated. In addition, on April 9, 2026, a complaint was filed in Klickitat County Superior Court seeking a declaratory judgment that the State income tax is invalid, among other requested relief. The State Attorney General is defending the legislation on behalf of the State and the City makes no prediction as to the outcome of any such direct voter action or legal challenge.

## 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 will reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from the respective rating agencies. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

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. 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.

### 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 being purchased by \_\_\_\_\_ (the “Underwriter”) at a price of \$ \_\_\_\_\_ (representing the par amount of the Bonds [plus/minus] an original issue [premium/ discount] of \$ \_\_\_\_\_ less an underwriter’s discount of \$ \_\_\_\_\_). The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the inside cover page of this Official Statement, and such initial offering prices may be changed from time to time by the Underwriter.

### Conflicts of Interest

All or a portion of the fees of the Municipal Advisor and Bond Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel may serve as counsel to the Municipal Advisor or the Underwriter in matters unrelated to the Bonds. Bond Counsel may serve as counsel to the Underwriter 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.

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**Official Statement**

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

At the time of delivery of the Bonds, one or more officials of the City will furnish a certificate stating that to the best of his, her or their knowledge this Official Statement, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

THE CITY OF SEATTLE, WASHINGTON

By: \_\_\_\_\_  
Dwight D. Dively, Acting Director of Finance

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**APPENDIX A**  
**THE CITY OF SEATTLE**

**APPENDIX A**  
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## THE CITY OF SEATTLE

This appendix to this Official Statement provides general information about The City of Seattle (“the City”). The information below is provided as of May 8, 2026, and is prepared in connection with the issuance of The City of Seattle, Washington’s Water System Improvement and Refunding Revenue Bonds, 2026 (the “Bonds”) expected to be issued on or about June 3, 2026.

### Overview

The City of Seattle is the largest city in Washington State (the “State”), located in western Washington between the Puget Sound to the west and Lake Washington to the east. As of the official April 1, 2025 population estimates prepared by the Washington State Office of Financial Management (“OFM”), the City has a population of approximately 816,600. According to the 2024 American Community Survey released by the U.S. Census Bureau, the City ranks as the 18<sup>th</sup> most populous city in the nation. The Seattle metropolitan area is home to nearly 4.15 million residents, making it the 15<sup>th</sup> largest metropolitan area in the country.

The City has ranked as one of the fastest growing metropolitan areas in the country over the last decade. It has enjoyed economic growth and has been a leader in knowledge-based industries such as information technology, health, business, and financial services sectors. See “DEMOGRAPHIC AND ECONOMIC INFORMATION,” below.

The City’s economic growth and financial health can be impacted by shifts in general economic conditions regionally, nationally, and globally, including inflation and recession risks, international conflicts, and political uncertainty. In 2020 and 2021, the City weathered the economic turbulence caused by the COVID-19 pandemic well by taking a number of proactive measures, including receiving and programming federal funding related to the pandemic to maintain key City programs and using City reserves in accordance with City financial policies, which together with other actions largely mitigated direct financial consequences for the City. See “FINANCIAL AND RISK MANAGEMENT—Fiscal Reserves.”

Since January 2025, the City has been operating in an uncertain environment regarding the availability of federal funding, along with other municipalities. While the City’s exposure to changes in federal funding is fairly limited in comparison to the size of the City’s General Fund budget, the City is monitoring risks related to changes in federal funding. The City cannot predict the nature or timing of any future pandemics and other emergencies that may arise and could impact the local economy or the City’s financial condition, nor can the City predict whether or to what extent federal aid would be made available for response or recovery efforts. See “CERTAIN INVESTOR CONSIDERATIONS—Federal Policy Risk and Other Federal Funding Considerations.”

### Municipal Government

Incorporated in 1869, the City is incorporated under a Charter and subject to the laws and Constitution of the State. 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. It owns and operates water, electric, solid waste, and drainage and wastewater utilities. It also serves as the county seat for King County (the “County”), which is a separate political subdivision that provides certain services throughout its boundaries, including within the City, such as courts of general jurisdiction, felony prosecution and defense, jail, public health, and transit services.

### *Form of Government*

The City operates as a first-class city organized under the mayor-council form of government. The Mayor, the City Attorney, the Municipal Court judges, and the nine City Council Members are all independently elected officials serving four-year terms.

### *Certain Elected Officials*

— *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, proposes the annual budget and capital improvement plans, and oversees all executive branch functions. The Mayor signs, or causes to be signed on behalf of the City, all ordinances, deeds, contracts, and other instruments.

The nine City Council members include seven members representing geographically defined Council Districts and two members elected at-large. The seven district-based seats are up for election on the same cycle, alternating with the two at-large members. City Council members serve on a full-time basis. The City Council is the legislative body for the City, whose duties include making appropriations through the adoption of the annual budget, levying taxes, setting utility rates, adopting capital improvement plans, and taking up other land use and legislative matters.

## **CITY BUDGETING AND FORECASTING**

### **City Budgeting Procedures**

#### ***City Budget Office***

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 (ch. 35.32A RCW). The CBO is an executive branch office headed by a Budget Director appointed by and reporting directly to the Mayor’s office. 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, regarding the use of revenues, debt, and long-term financing and supports City departments in performing certain financial functions.

#### ***Budget Procedures***

The Office of the Mayor submits a proposed budget to the City Council not later than 90 days prior to the beginning of each fiscal year, which for the City runs January 1 through December 31. State law requires the City budget to be balanced such that budgeted revenues must be equal to or greater than budgeted expenditures. The proposed budget is based in part on forecasts for the City’s major sources of revenue provided by the City’s Office of Economic and Revenue Forecasts (the “Forecast Office”). See “—Office of Economic and Revenue Forecasts,” below. The CBO forecasts and projects other revenue sources not covered by the Forecast Office, such as 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.

The City Council considers the Mayor’s proposed budget, holds public hearings, and may revise the budget at its discretion prior to adoption. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which is December 1. Once adopted by the City Council, the Mayor may approve the budget, veto it, or permit it to become law without the Mayor’s signature. The Mayor does not have line-item veto power. The adopted annual budget may be amended from time to time by ordinance.

The 2026 budget was adopted on November 21, 2025 by Council passage of Ordinance 127362. The adopted 2026 General Operating Fund budget is approximately \$2.01 billion, compared to approximately \$1.88 billion for 2025. The “General Operating Fund” is the largest of a set of more than 20 defined funds that are combined into one General Fund for the purposes of compiling the City’s Annual Comprehensive Financial Report (“ACFR”). This Appendix defines the “General Operating Fund” as the financial activity accounted for in the City’s General Operating Fund (00100) and does not reflect financial activity outside of this fund.

The City’s current and past adopted budgets can be found on the City’s website ([www.seattle.gov/city-budget-office](http://www.seattle.gov/city-budget-office)).

### **Office of Economic and Revenue Forecasts**

The Forecast Office was created in 2021 as an independent source for preparing the economic and revenue forecasts that inform the City’s annual budget. The Forecast Office prepares and delivers a forecast covering the City’s largest general government revenue sources, including sales and use tax, business and occupation (“B&O”) tax, property tax, private utility taxes, and the Payroll Expense Tax. The Forecast Office reports to the Economic and Revenue Forecast Council (the “Forecast Council”), which includes four elected and appointed officials representing both the legislative and executive branches of City government: the Mayor, the Director of Finance, the President of the City Council, and the Chair of the City Council Finance Committee. The Forecast Council annually selects one of its members to serve as Chair of the Forecast Council.

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. The Forecast Office produces three economic and revenue forecasts each year, in April, August, and October. The Director of the Forecast Office submits the prepared

forecast for approval by the Forecast Council. Once approved, the forecast serves as the official City economic and revenue forecast and is used as the basis for the estimates of revenues as described in State statutes governing budgeting.

These forecasts use the actual revenue collection data and outputs of the regional model described below as the main inputs to the specific forecasts of City revenues. The regional model is a quarterly regional econometric model produced in collaboration among the City's Forecast Office, the Office of Economic and Financial Analysis at King County, and the Center for Economic and Business Research at Western Washington University and serves as the starting point to develop the Forecast Office's revenue forecasts. The Forecast Office uses econometric modeling and historical data to project how anticipated changes in local economic conditions will affect future City revenues.

Three economic forecast scenarios (pessimistic, baseline, and optimistic) are used to generate three revenue forecast scenarios of the City's economically dependent revenues. Consistent with the direction provided in the legislation that created the Forecast Office, the Director of the Forecast Office recommends which of the three forecast scenarios should be adopted as the official forecast when presenting to the Forecast Council. The Mayor and the City Council each have authority to deviate from the official forecasts in their budget deliberations.

### ***Summary of Most Recent Forecast***

In April 2026, the Forecast Office recommended, and the Forecast Council approved, the baseline scenario of the forecast. Total revenues to the General Operating Fund, excluding grants and fund balance transfers, are forecasted to be \$1.784 billion in 2026, which is about \$10 million or 0.6% less than the prior forecast in October 2025. The regional labor market and household spending are weaker than the national average, and the construction sector continues to be in a downturn, which together affect the sales and use and B&O tax revenues. Total revenues to the General Operating Fund, excluding grants and fund balance transfers, are forecasted to increase by 4.1% in each year of 2027 and 2028, over 2026.

Additional detail from the April 2026 revenue forecast can be found on the City's website ([www.seattle.gov/economic-and-revenue-forecasts/meetings](http://www.seattle.gov/economic-and-revenue-forecasts/meetings)).

## **FINANCIAL AND RISK MANAGEMENT**

### **Financial Management**

City financial management functions are provided by the Office of City Finance (the "OCF") 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.

### ***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 OCF maintains general supervision over the accounting functions of the City.

### ***Auditing***

The State Auditor examines the affairs of the City annually. The examination includes, 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. Typically, the City submits year-end financial reports to the State Auditor in early April. The City's audited financial reports are completed, usually in late June, and made publicly available on the websites of the State Auditor ([sao.wa.gov](http://sao.wa.gov)) and the OCF ([www.seattle.gov/city-finance](http://www.seattle.gov/city-finance)). In addition, the financial reports of the City's utility enterprises are audited by independent auditors.

The City's most recent audited financial statements for the fiscal year ended December 31, 2024 are available on the OCF's website and on the State Auditor's website. The next annual audit for the fiscal year ending December 31, 2025, is expected to be completed in late June 2026.

### ***Interfund Loans***

The City's Debt Management Policies adopted by the City Council in Resolution 31553 describe the procedures and circumstances under which it permits one fund to borrow from another via the City's consolidated cash pool. Requests for interfund loans are reviewed by the City's Debt Management Policy Advisory Committee. Interfund loans bear

interest payable by the borrowing fund to the lending fund. Interfund loan documentation must identify a lending fund and a borrowing fund, a rate or method of calculating interest, and a date by which the loan must be repaid to the lending fund. The Director of Finance may approve interfund loans with a duration of up to 90 days; interfund loans of a longer duration require City Council approval.

As of January 1, 2026, the City had outstanding three interfund loans totaling approximately \$38.1 million, including interest, in amounts between \$9.0 million to \$16.3 million.

### **Fiscal Reserves**

The City has two primary “rainy day” funds set aside as reserves for emergency purposes: the Revenue Stabilization Fund and the Emergency Fund, each described below.

#### ***Revenue Stabilization Fund (“RSF”)***

The City maintains a Revenue Stabilization Fund (the “RSF”) in the General Fund for revenue stabilization for City operations. The RSF may be used 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 the Seattle Municipal Code (“SMC”) (Chapter 5.80). All expenditures from the RSF require an ordinance that is adopted after Council consideration of operating revenue 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 transfers 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, or 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.

The City drew on the RSF during the COVID-19 pandemic in 2021-2022 in accordance with its financial policies. Based on the automatic transfer mechanism described above, the City has made contributions to the RSF in each year since, and as of year-end 2025, the RSF was funded up to its cap.

#### ***Emergency Fund***

The Emergency Fund is the principal reserve within the General Fund 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. The City manages the Emergency Fund pursuant to State law (Revised Code of Washington (“RCW”) 35.32A.060) and City ordinance (Ordinance 116642, as amended by Ordinances 117977 and 125492). State law limits the amount of money the City can set aside in this reserve to an amount not exceeding \$0.375 per \$1,000 of assessed value of property within the City.

The City’s financial policies for the Emergency Fund adopted by the City Council in Resolution 32024 established a minimum Emergency Fund balance of \$60 million in 2017, adjusted each year with the rate of inflation. After a severe event requiring deep or multi-year spending from the Emergency Fund, the financial policies call for contributions to replenish the minimum target balance within a period of five years.

The City drew on the Emergency Fund during the COVID-19 pandemic in 2020 and 2021 in accordance with its financial policies. The City has made contributions to the Emergency Fund in each year since, and as of year-end 2025, the Emergency Fund was fully replenished a year earlier than required by City policy.

Table A-1 shows actual and budgeted transfers and combined ending fund balances in the Revenue Stabilization Fund and the Emergency Fund during 2021 through 2026.

**Table A-1.**  
**Summary of Actual and Budgeted Transfers and Fund Balances**  
**in the Revenue Stabilization Fund and the Emergency Fund**  
*(\$ in millions; fiscal years ended December 31)*

<i>Fiscal Year</i>	<b>Actual</b>					<b>Budgeted</b>
	<b>2021<sup>(1)</sup></b>	<b>2022<sup>(2)</sup></b>	<b>2023<sup>(2)</sup></b>	<b>2024<sup>(2)</sup></b>	<b>2025<sup>(2)</sup></b>	<b>2026</b>
<b>Revenue Stabilization Fund</b>						
Beginning Fund Balance	\$ 31.7	\$ 6.0	\$ 61.7	\$ 65.3	\$ 68.0	\$ 68.2
Transfers to RSF	-	55.7	3.6	2.6	0.3	7.8 <sup>(3)</sup>
Transfers from RSF	(25.7)	-	-	-	-	-
<b>RSF Ending Fund Balance</b>	<b>\$ 6.0</b>	<b>\$ 61.7</b>	<b>\$ 65.3</b>	<b>\$ 68.0</b>	<b>\$ 68.2</b>	<b>\$ 76.1</b>
<b>Emergency Fund</b>						
Beginning Fund Balance	\$ 52.2	\$ 33.7	\$ 43.7	\$ 58.7	\$ 72.8	\$ 85.2
Transfers to Emergency Fund	-	10.0	15.0	14.2	12.3	2.6
Transfers from Emergency Fund	(18.5)	-	-	-	-	-
<b>Emergency Fund Ending Fund Balance</b>	<b>\$ 33.7</b>	<b>\$ 43.7</b>	<b>\$ 58.7</b>	<b>\$ 72.8</b>	<b>\$ 85.2</b>	<b>\$ 87.7</b>
<b>Combined Ending Fund Balance</b>	<b>\$ 39.7</b>	<b>\$ 105.4</b>	<b>\$ 124.0</b>	<b>\$ 140.8</b>	<b>\$ 153.4</b>	<b>\$ 163.8</b>

Totals may not add due to rounding.

(1) Use of reserves related to the City’s COVID-19 pandemic response.

(2) Reserves replenished.

(3) Increase due to changes to sales and use taxes and B&O taxes.

Source: Office of City Finance, Citywide Accounting and Payroll Division and City Budget Office, City of Seattle 2026 Adopted Budget

## Investments

### City Investments and Investment Policies

All cash-related transactions for the City, including its utilities, are administered by the Treasury Services Division of OCF (“City Treasury”). Investments of temporarily idle cash may be made, according to City Council-approved investment policies, by City Treasury in securities described below under “—Authorized Investments Under State Law.” State statutes, City ordinances, and OCF 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. The investment policies applicable to pension funds administered by the City are described under “CITY EMPLOYMENT AND RETIREMENT PLANS—Seattle City Employees’ Retirement System (“SCERS”)—SCERS Investment of Plan Funds.”

The City’s investment portfolio consists solely of City funds. As of December 31, 2025, the City’s pooled investment portfolio, which excludes pensions, totaled \$4.28 billion in market value, and the annualized earnings yield was 3.69% for the month and 3.72% for the year. The weighted average maturity of the City’s investments was 749 days. Approximately 20%, or \$885 million, was invested in securities with maturities of three months or less.

*Seattle Social Housing Developer PDA.* The Seattle Social Housing Developer (“SSHD”) is a public development authority (PDA) approved by voters in 2023. The SSHD is funded by the social housing tax approved by voters in 2025 and is responsible for developing, owning, and maintaining social housing in Seattle. The SSHD manages all of its funds directly according to its own investment policies that were developed by the SSHD and adopted by its Board. The City does not retain any of the funds collected by the City on behalf of SSHD any longer than is needed to collect and process the distribution of the social housing tax funds to SSHD. While holding these funds prior to distribution, the City may invest the funds in accordance with the City’s investment policy. All collected funds, along with any interest earned at the City’s consolidated cash pool rate, is calculated and remitted to SSHD. The Washington State Local Government Investment Pool (“LGIP”) will serve as depository for the SSHD’s tax proceeds. See “—Authorized Investments Under State Law,” below.

Table A-2 provides the allocation of investments by market value as of December 31, 2024 and 2025.

**Table A-2.**  
**Average Daily Balances by Security Class**  
*(\$ in thousands; as of December 31, 2025)*

	December 31, 2025		December 31, 2024	
U.S. Government	\$ 2,674,007	62%	\$ 1,924,511	51%
U.S. Government Agencies	803,277	19	1,037,535	27
Washington State Local Government Investment Pool <sup>(1)</sup>	572,847	13	468,340	12
Supranational	107,191	2	130,250	3
Municipal Bonds	45,931	1	94,386	3
U.S. Government Agency Mortgage-Backed	35,966	1	37,011	1
Corporate Bonds	34,359	1	32,863	1
Repurchase Agreements	11,323	1	11,256	1
Commercial Paper	-	-	48,995	1
<b>Total</b>	<b>\$ 4,284,902</b>	<b>100%</b>	<b>\$ 3,785,148</b>	<b>100%</b>

Totals may not add due to rounding.

(1) See “—Authorized Investments Under State Law,” below.

Source: Office of City Finance, Treasury Services Division

### **Authorized Investments Under State Law**

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 ch. 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 ch. 43.250 RCW, local governments, including the City, may invest in the LGIP (described below), which is 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.

#### *— Washington State Local Government Investment Pool*

The State Treasurer’s Office administers the LGIP, an approximately \$24.6 billion dollar fund (as of March 31, 2026) authorized by ch. 43.250 RCW that invests money on behalf of more than 600 local governments. In its management of the LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) to attain the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. Although not regulated by the U.S. Securities and Exchange Commission (the “SEC”), the LGIP is invested in a manner generally consistent with the SEC guidelines for Rule 2a-7 money market funds; for example, currently it has a maximum weighted average maturity of 60 days and a maximum weighted average life of 120 days. The maximum final maturity is 397 days except for floating and variable-rate securities and securities that are used for repurchase agreements. The weighted average maturity of the LGIP generally ranges from 30 to 60 days. Investments permitted under the pool’s guidelines include U.S. government and agency securities, bankers’ acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified State depositories. The City may withdraw funds in their entirety on less than 24-hours’ notice.

### ***Authorized Investments for Bond Proceeds***

Investment of funds derived from the sale of bonds or other instruments of indebtedness are governed by the initiating ordinances, resolutions, or bond covenants consistent with the City’s investment policy. Permitted investments for refunding bond proceeds that are held and administered by a refunding trustee are described in the applicable documents relating to the refunding bonds.

### **Insurance and 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 \$12.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City’s hydroelectric dams.

The City also purchases all risk property insurance, including earthquake and flood perils, that provides up to \$500 million in limits subject to a schedule of deductibles and sublimits. Earthquakes and floods are subject to annual aggregate limits of \$100 million. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy.

The City also maintains cyber insurance to cover business interruption, system failure, data asset protection, event management, and privacy and network security liability. See “CERTAIN INVESTMENT CONSIDERATIONS—Cybersecurity and Artificial Intelligence Risk.”

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.

### **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 regional partners.

OEM prepares for incidents which may impact the City by coordinating with regional, State, and federal response agencies as well as private sector partners; providing education to the community about emergency preparedness; creating plans for disaster recovery; and working 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 cybersecurity, 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. See “CERTAIN INVESTOR CONSIDERATIONS—Natural Disasters and Other Emergencies” for more information regarding specific disaster risks to the City.

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, which is expected to last for five years.

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.

## CITY EMPLOYMENT AND RETIREMENT PLANS

### City Employees and Benefits

As of December 30, 2025, the City had 41 separate departments and offices with approximately 15,100 employees (including approximately 12,300 regular and 2,800 temporary employees). Approximately 76% of regular City employees are represented by 25 unions across 60 bargaining units, governed by 32 collective bargaining agreements (“CBAs”). The City extends the same wage increases and benefits provided in the union contracts negotiated with the Coalition of City Unions to virtually all non-represented City employees.

Table A-3 summarizes the number of regular City employees by department as of December 30, 2025.

**Table A-3.**  
**Regular Employees by Department**  
*(as of December 30, 2025)*

Department	Approximate # of Employees
Non-Utility Departments	
Police	1,610
Fire	1,080
Parks and Recreation	1,070
Transportation	1,050
Seattle Public Library	640
Information Technology	580
Finance and Administrative Services	570
Human Services	450
Construction and Inspections	410
All Others (fewer than 250 regular employees per department)	1,710
Utility Departments	
Seattle City Light	1,720
Seattle Public Utilities	1,410
<b>Total</b>	<b>12,300</b>

*Source: Office of City Finance, Citywide Accounting and Payroll*

### **Employee Benefits**

The City provides medical, dental, and certain other benefits to eligible City employees as a benefit of employment. The City is self-insured for both the Aetna and Kaiser medical plans, the vision plan, and one of two dental plans. The City also provides or participates in the following benefits as discussed in other sections of this Appendix as noted below.

#### *— Retirement Plans and Post-Employment Benefits*

City employees are eligible to participate in the City’s retirement plans and receive post-employment benefits. See “—Overview of Retirement Plans” and “Other Post-Employment Benefits,” below.

#### *— Paid Family and Medical Leave*

City employees are covered by the statewide Paid Family and Medical Leave program. See “—State Paid Family and Medical Leave Insurance,” below.

#### *— Long-Term Care Benefits*

City employees are eligible to be covered by the statewide WA Cares Program. See “—WA Cares Long-Term Care Services and Supports Benefit Program,” below.

### **Labor Relations and Collective Bargaining**

The collective bargaining agreements listed in Table A-4 are those managed by the Labor Relations Unit within the Seattle Department of Human Resources (“Labor Relations”), which is responsible for engagement with union representatives and management of union contracts. The City is currently in negotiations with a number of bargaining groups whose contracts are expired and the parties will continue to operate under the terms of the expired contracts

until new contracts are entered into. Additional information on specific collective bargaining agreements can be found at the Labor Relations website ([www.seattle.gov/human-resources/about-us/labor-relations](http://www.seattle.gov/human-resources/about-us/labor-relations)).

Table A-4 summarizes the collective bargaining agreements in effect.

**Table A-4.**  
**Collective Bargaining Agreements**  
*(effective as of December 30, 2025)*

<b>Collective Bargaining Agreements</b>	<b>Approximate # of Employees</b>	<b>Expiration Date</b>
Coalition of City Unions <sup>(1)</sup>	5,540	December 31, 2026
International Association of Fire Fighters - Local 27 (Seattle Firefighters)	960	December 31, 2026
International Brotherhood of Electrical Workers Local 77 – City Light	550	December 31, 2025 <sup>(2)</sup>
International Brotherhood of Electrical Workers Local 77 – IT Professionals	430	December 31, 2026
Seattle Police Officers’ Guild	1,010	December 31, 2027
United Association of Plumbers & Pipefitters Local 32	160	December 31, 2024 <sup>(3)</sup>
Individual CBAs covering less than 100 employees	320	Varies <sup>(4)</sup>
<b>Total<sup>(5)</sup></b>	<b>8,970</b>	

- (1) The Coalition of City Unions (“Coalition”) leads the negotiations for approximately 42 bargaining units. The Coalition-negotiated CBAs covering the most employees include those for the PROTEC17-Professional, Technical, Senior Business, Senior Professional and Administrative Support bargaining units and for the Joint Crafts Council.
- (2) A tentative agreement is pending ratification by the Union and legislative approval.
- (3) An agreement has been ratified by the Union and is currently under consideration for legislative approval.
- (4) Negotiations are in progress for the Seattle Parking Enforcement Officers’ Guild, and the International Association of Machinists and Aerospace Workers Local 79. Bargaining will soon begin for two International Brotherhood of Electrical Workers Local 77 bargaining units representing construction maintenance operators and power marketers. The expiration dates for these CBAs ranges from December 31, 2023 through December 31, 2025.
- (5) Does not include approximately 560 represented employees of the Seattle Public Library that are reflected in Table A-3 above. The Library manages its own personnel functions, including the collective bargaining process with its employees.

*Source: Seattle Department of Human Resources, Labor Relations Unit and Office of City Finance, Citywide Accounting and Payroll Division*

In 2024 and 2025, several 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 proceeding. The City’s ultimate liability, if any, is indeterminate.

### Overview of Retirement Plans

City employees are eligible for membership in one of the following defined benefit pension plans: Seattle City Employees’ Retirement System (“SCERS”), Firefighters’ Pension Fund (“FPEN”), Police Relief and Pension Fund (“PPEN”), 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 within the City’s ACFR, while the State administers LEOFF through the State Department of Retirement Systems (“DRS”).

Specifically, 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 administered by the City. Newly hired uniformed police and fire personnel are generally eligible for membership in the State-administered LEOFF. The City also administers two legacy plans for police and firefighters, FPEN and PPEN, that have been closed to new entrants since 1977. An overview of each is provided below.

- **Seattle City Employees’ Retirement System (“SCERS”)** is an employer-sponsored defined benefit public employee retirement plan, administered by the City, providing retirement, death, and disability benefits.
- **Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”)** was established in 1970 and is administered by the State as a cost-sharing multiple-employer defined benefit plan.
- **Firefighters’ Pension Fund (“FPEN”)** and **Police Relief and Pension Fund (“PPEN”)** are legacy single-employer pension plans established and administered by the City to cover City law enforcement officers and firefighters.

## Seattle City Employees' Retirement System ("SCERS")

All employees of the City of Seattle are eligible for membership in SCERS except for uniformed police and fire personnel who are covered under LEOFF.

SCERS is administered as a pension trust fund of the City 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, 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.

Employees entering the system prior to January 1, 2017 are enrolled in SCERS 1. 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 have an option to switch to SCERS 2. Retirement benefits for all members under both SCERS 1 and SCERS 2 vest after five years of credited service, while death and disability benefits vest after ten years of service. SCERS 1 retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. SCERS 2 retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months. Retirement benefits are actuarially reduced for early retirement. As of January 1, 2025, the average annual salaries of all contributing members was \$119,906 and the average annual benefits across both plans and including all retirees and beneficiaries was \$34,223. The next SCERS actuarial valuation (with a valuation date as of January 1, 2026) is expected to be received and evaluated for acceptance by the Board in June 2026.

Table A-5 summarizes certain demographic data of SCERS membership as provided in the Actuarial Valuation dated as of January 1, 2025.

**Table A-5.**  
**Overview of SCERS Membership**  
*(as of January 1, 2025)*

Age Range	Active Employees		Retirees and Beneficiaries Receiving Benefits <sup>(1)</sup>	
	#	%	#	%
<50	5,590	56.7%	8	0.1%
50-59	2,627	26.7	219	2.9
60-69	1,486	15.1	2,194	28.7
70+	152	1.5	5,232	68.4
<b>Total</b>	<b>9,855</b>	<b>100.0</b>	<b>7,653</b>	<b>100.0</b>

Totals may not add due to rounding.

(1) Excludes 98 survivors who are receiving limited benefits for a certain period only. Also excludes 3,763 terminated members, including both vested members entitled to future benefits and non-vested members whose contributions were still on deposit with SCERS as of the valuation date.

Source: January 1, 2025 SCERS Actuarial Valuation

### **Plan Funding and Funded Status**

SCERS is funded from three primary funding sources: (1) contributions from the City, including employer contributions and other budgeted and appropriated funding contributions; (2) contributions from employees; and (3) investment returns. Actuarial calculations to determine employer and employee contributions are prepared for the Board by an independent actuarial consultant. An actuarial valuation is performed every year.

SCERS is subject to the City's internal financial control structure and is required to prepare an annual report (the "SCERS Annual Report") and an annual independent Auditor's Report ("SCERS Audited Financial Report") regarding the financial condition of SCERS. An actuarial report ("SCERS Actuarial Valuation") evaluating the plan funding status is also prepared annually by Milliman Inc., as consulting actuary.

The most recent audited financial report covering the year ended December 31, 2024 (the "2024 SCERS Audited Financial Report") was performed by CliftonLarsonAllen LLP. The most recent actuarial report, with a valuation date as of January 1, 2025 (the "January 1, 2025 Actuarial Valuation") was prepared by Milliman Inc. Both were approved by the Board on July 10, 2025 and are available on the City's website ([www.seattle.gov/retirement](http://www.seattle.gov/retirement)).

The actuarial computations presented in the January 1, 2025 SCERS Actuarial Valuation were performed for purposes of determining the recommended funding amounts for SCERS. Actuarial computations presented for financial reporting in the 2024 SCERS Audited Financial Report under Governmental Accounting Standards Board (“GASB”) Statements No. 67 (“GASB 67”) and 68 (“GASB 68”) were performed for purposes of assisting SCERS and participating employers in fulfilling their financial accounting requirements. The computations prepared for these two purposes may differ.

— *Plan Funding Ratios*

As of the January 1, 2025 SCERS Actuarial Valuation, the funding ratio was 76.0%, reflecting an increase from the 75.8% ratio calculated in the prior actuarial valuation report, based on the actuarial value of assets (“AVA”). The increase in the funding ratio is attributed to (i) contributions made by the City to pay down the Unfunded Actuarial Accrued Liability (“UAAL”); (ii) slightly higher-than-assumed investment returns (6.8% versus assumed rate of 6.75%) after application of a five-year asset smoothing methodology that recognizes asset gains or losses evenly over a five-year period; and (iii) a decrease in the employer contribution rate that was offset by greater-than-assumed salary increases.

Table A-6 provides historical plan funding information for SCERS. The City sets contribution rates based on the actuarially required contribution (“ARC”) calculated based on the UAAL and funding ratios. This calculation differs from GASB 67/68 calculations of Net Pension Liability. See “—*GASB Reporting of Pension Liability Information,*” below.

**Table A-6.**  
**SCERS Historical Schedule of Funding Progress**  
(*\$ in millions*)

<b>Actuarial Valuation Date (January 1)</b>	<b>Actuarial Value of Assets (AVA)<sup>(1)</sup></b>	<b>Actuarial Accrued Liability (AAL)<sup>(2)</sup></b>	<b>Unfunded AAL (UAAL)</b>	<b>Funding Ratio</b>	<b>Covered Payroll<sup>(3)</sup></b>	<b>UAAL as % of Covered Payroll</b>
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	785.6	174.4
2021	3,345.8	4,673.1	(1,327.3)	71.6	876.9	151.4
2022	3,717.2	4,959.0	(1,241.8)	75.0	865.1	143.5
2023	3,903.1	5,158.0	(1,254.9)	75.7	901.5	139.2
2024	4,143.7	5,470.0	(1,326.3)	75.8	946.2	140.2
2025	4,412.3	5,805.0	(1,392.7)	76.0	1,165.5	119.5

(1) Based on five-year asset smoothing.

(2) Actuarial present value of benefits less actuarial present value of future normal cost.

(3) Covered Payroll includes prior year compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

Source: *SCERS Actuarial Valuations as of January 1 in the years 2016 through 2025*

— *Experience Studies and Actuarial Assumptions*

The Board obtains experience studies to assess the reasonableness of the actuarial assumptions and inform potential changes to those assumptions. The actuarial assumptions shown in Table A-7 below are based on the results of the actuarial experience study for the period January 1, 2018 through December 31, 2021 (the “2018-2021 Experience Study”) prepared by Milliman Inc.

In March 2026, the Board approved a new actuarial experience study based on the period beginning January 1, 2022 through December 31, 2025 (“2022-2025 Experience Study”) prepared by Milliman Inc. The 2022-2025 Experience Study will inform actuarial valuations to be dated January 1 of 2026, 2027, 2028, and 2029. The actuarial assumptions presented in Table A-7 remain unchanged in the 2022-2025 Experience Study, including the 30-year investment return expectation of 6.75%. Experience studies are available on the City’s website ([www.seattle.gov/retirement](http://www.seattle.gov/retirement)).

The minimum actuarial contribution rates and funding ratios calculated in the January 1, 2025 SCERS Actuarial Valuation reflect the economic assumptions accepted by the Board.

**Table A-7.**  
**Actuarial Assumptions**  
*(adopted for the January 1, 2025 SCERS Actuarial Valuation)*

	<b>January 1, 2025</b>
Price inflation	2.60%
General wage increases	3.35
Investment return	6.75
Expected increase in membership	0.25
Interest on member accounts <sup>(1)</sup>	3.85
Cost of Living Adjustments (annual, compounding)	1.50

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

Source: *January 1, 2025 SCERS Actuarial Valuation*

— *GASB Reporting of Pension Liability Information*

In accordance with GASB 67/68, the 2024 SCERS Audited Financial Report included a calculation of total pension liability (“TPL”) and net pension liability (“NPL”) based on the actuarial valuation dated as of January 1, 2024, rolled forward using generally accepted actuarial procedures (assuming a 6.75% investment rate of return and 3.35% salary increases) to December 31, 2024. As of December 31, 2024, the SCERS TPL was \$5,701.8 million, Plan Fiduciary Net Position was \$4,332.6 million, and NPL was \$1,369.2 million, resulting in a ratio of Plan Fiduciary Net Position as a percentage of TPL of 75.99%. See the Notes to the City’s most recent ACFR available on the Office of City Finance website ([www.seattle.gov/city-finance/financial-and-audit-reports](http://www.seattle.gov/city-finance/financial-and-audit-reports)).

Table A-8 provides a schedule showing the NPL and Pension Expense for SCERS as a whole, and the proportionate shares of NPL and Pension Expense attributable to each of the City’s utility enterprise funds.

**Table A-8.**  
**Shares of Net Pension Liability and Pension Expense**  
*(\$ in millions; as of December 31, 2024)*

<b>Department</b>	<b>Share of NPL (\$)</b>	<b>Share of NPL (%)</b>	<b>Share of Annual Pension Expense (\$)</b>
Non-Utility Departments	\$ 893.4	65.3%	\$ 106.5
Utility Departments			
Seattle City Light (SCL)	285.3	20.8	34.0
Seattle Public Utilities <sup>(1)</sup>			
Water System	83.4	6.1	9.5
Drainage and Wastewater System	79.2	5.8	10.4
Solid Waste System	27.5	2.0	2.7
King County Metro <sup>(1)</sup>	0.3	<0.1	<0.1
<b>TOTAL</b>	<b>\$ 1,369.2</b>	<b>100.0%</b>	<b>\$ 163.3</b>

Totals may not add due to rounding.

(1) Proportionate share of NPL and annual pension expense attributable to employees of King County who established membership in SCERS while their organizations were City departments and were allowed to continue their membership in SCERS. There are currently fewer than 14 active SCERS members in this category.

Source: *Office of City Finance, Citywide Accounting and Payroll Division*

**SCERS Contribution Rates**

Member and employer contribution rates for SCERS 1 and SCERS 2 are established separately under Chapter 4.36 of SMC, which requires that the City’s employer contribution for SCERS 1 must match the SCERS 1 member normal contributions. There is no similar restriction with respect to SCERS 2. However, the SMC does require that the City make contributions (in excess of the SCERS 1 employer matching contributions) sufficient to meet the benefit requirements of the system. Moreover, the City’s contracts with labor unions that represent SCERS members limit the ability of the City to pass on increases in pension contribution rates to the employee portion and instead direct any required increases in pension contribution rates to the City’s employer contribution.

ARC rates are recommended annually by the Board, based on the most recent actuarial valuation. The ARC determination is based on the Board’s funding policy, using the Entry Age Normal Cost (“EANC”) method to set the ARC at the total contribution rate necessary 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 a closed 18-year period. Benefits and contribution rates are set by the City Council. The City Council may adjust the amortization period by resolution. 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).

Table A-9 shows current and historical contribution rates for SCERS, based on a percentage of employee compensation (exclusive of overtime) during 2017 through 2026.

**Table A-9.  
SCERS Employer and Employee Contribution Rates**

<b>Calendar Years</b>	<b>Employer Rate</b>	<b>Employee Rate<sup>(1)</sup></b>	<b>Total Contribution Rate</b>	<b>Total ARC<sup>(2)</sup></b>	<b>% of Total ARC Contributed</b>
2017	15.29%	10.03%	25.32%	25.32%	100%
2018	15.23 <sup>(3)</sup>	10.03	25.26	25.00	101 <sup>(3)</sup>
2019	15.26 <sup>(3)</sup>	9.85	25.11	24.40	103 <sup>(3)</sup>
2020	16.14	9.65	25.79	25.79	100
2021	16.10	9.46	25.56	25.56	100
2022	16.10 <sup>(3)</sup>	9.35	25.45	24.68	103 <sup>(3)</sup>
2023	15.82	9.24	25.06	25.06	100
2024	15.17	8.95	24.12	24.12	100
2025	15.17	8.83	24.00	24.00	100
2026	15.06	8.72	23.78	23.78	100

- (1) Beginning in 2019, all rates reflect a blended employee contribution rate based on rates for SCERS 1 members (10.03%) and SCERS 2 members (7.00%).
- (2) Reflects total actuarial required contribution (i.e., employer plus employee contribution rates). Beginning in 2019, the ARC reflects a blended normal cost for SCERS 1 and SCERS 2.
- (3) The City contribution rate was intentionally more than the total ARC in these years in an effort to reduce a projected increase in future contribution rates.

Source: *Seattle Municipal Code; City of Seattle Adopted Budgets; SCERS Actuarial Valuations as of January 1 in the years 2016 through 2025*

Table A-10 shows the historical total employer contributions to SCERS by the City and each of its utilities.

**Table A-10.  
Historical Employer Contributions to SCERS  
(*\$ in millions; for fiscal years ended December 31*)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Non-Utility Departments	\$ 73.2	\$ 91.6	\$ 89.8	\$ 95.0	\$ 92.7
Utility Departments					
Seattle City Light (SCL)	28.7	28.9	29.0	29.6	36.8
Seattle Public Utilities (SPU)	17.0	20.7	20.6	20.6	20.7
<b>Total</b>	<b>\$ 118.9</b>	<b>\$ 141.2</b>	<b>\$ 139.4</b>	<b>\$ 145.2</b>	<b>\$ 150.2</b>

Source: *City of Seattle ACFRs and the audited financial statements of the Utility funds for the fiscal years 2020 through 2024*

Table A-11 shows the projected total employer ARC rates for SCERS as reported in the January 1, 2025 SCERS Actuarial Valuation. Assuming the investment assumptions as shown in the table are met, employer contribution rates are projected to increase in 2027 through 2031 due to deferred recognition of lower-than expected investment returns. The average employee contribution rate is expected to continue to decline due to the growing proportion of SCERS 2 members.

**Table A-11.**  
**Projected Total Actuarially Required Employer Contribution Rates (SCERS)**

Contribution Year <sup>(1)</sup>	Assuming 6.75% Future Returns	90% Asset Return Confidence Interval <sup>(2)</sup>
2026	15.06%	15.06% - 15.06%
2027	15.41	14.03 - 16.52
2028	16.08	12.22 - 19.07
2029	15.71	8.72 - 20.98
2030	15.61	8.72 - 23.49
2031	15.61	8.72 - 26.39

(1) Contribution year lags valuation year by one year. For example, the contribution year 2026 is based on the January 1, 2025 SCERS Actuarial Valuation results, amortized over 18 years beginning in 2025 if the contribution rate change takes place in 2026.

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

Source: January 1, 2025 SCERS Actuarial Valuation

### **SCERS Investment of Plan Funds**

The Board has established an Investment Policy for SCERS plan retirement funds as required by the Revised Code of Washington (RCW). The Investment Policy guides and assists the Board in selecting, monitoring, and managing SCERS investments to fulfill SCERS’s mission and in accordance with the “prudent person” rule established in RCW 35.39.060. SCERS invests retirement funds for the long term, anticipating both good and poor performing financial markets. Contributions to SCERS 1 and SCERS 2 are invested together.

In accordance with SCERS’s Investment Policy, the Board retains external investment managers (“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 the Investment Policy guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control.

Table A-12 shows the historical market value and historical investment returns of assets as of each December 31 between 2016 and 2025.

**Table A-12.**  
**SCERS Historical Market Value of Assets and Investment Returns**  
*(\$ in millions)*

Year (As of December 31)	Market Value of Assets (MVA)	One-Year Annualized Returns <sup>(1)</sup>
2016	\$ 2,488.5	8.4%
2017	2,852.9	15.7
2018	2,717.4	(3.7)
2019	3,149.9	17.2
2020	3,641.5	12.6
2021	4,134.8	16.8
2022	3,638.9	(9.8)
2023	4,010.6	11.5
2024	4,332.6	8.7
2025	4,936.8	14.8

(1) Calculated net of fees. Reflects MVA and does not incorporate asset smoothing.

Source: SCERS Fund Performance Quarterly Reports

Table A-13 shows the historical summary of SCERS plan net assets at market value.

**Table A-13.**  
**SCERS Historical Summary of Plan Net Assets (at Market Value)<sup>(1)</sup>**

<b>Plan Net Assets</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Assets</b>					
Cash and Cash Equivalents	5.1%	8.8%	9.3%	8.2%	4.6%
Receivables	8.8	1.8	8.0	4.8	4.1
<u>Investments at Fair Value:</u>					
Fixed Income	21.4	22.6	23.7	23.2	26.1
Infrastructure	1.4	1.8	2.4	2.8	2.8
Private Equity	12.5	12.8	14.0	13.8	12.1
Public Equity	50.0	47.4	42.4	44.8	46.2
Real Estate	9.1	10.0	13.1	11.0	9.7
Subtotal Investments at Fair Value	94.4%	94.6%	95.7%	95.6%	96.9%
Securities Lending Collateral <sup>(2)</sup>	0.1	0.2	0.2	0.2	0.1
Prepaid Expenses <sup>(3)</sup>	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>108.5%</b>	<b>105.4%</b>	<b>113.3%</b>	<b>108.7%</b>	<b>105.8%</b>
<b>Liabilities</b>					
Pensions Payable and Other	(0.1)%	(0.1)%	(0.1)%	(0.1)%	(0.1)%
Obligations under Securities Lending	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)
Investment Commitments Payable	(8.2)	(5.1)	(12.9)	(8.5)	(5.5)
<b>Total Liabilities</b>	<b>(8.5)%</b>	<b>(5.4)%</b>	<b>(13.3)%</b>	<b>(8.7)%</b>	<b>(5.8)%</b>
	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Fiduciary Net Position Restricted for Pension Benefits (\$ in millions)</b>	<b>\$ 3,641.5</b>	<b>\$ 4,134.8</b>	<b>\$ 3,638.9</b>	<b>\$ 4,010.6</b>	<b>\$ 4,332.6</b>

Totals may not add due to rounding.

- (1) Information based on Summary of Plan Net Assets (at Market Value), excluding assets consisting of cash and cash equivalents, receivables, securities lending collateral and prepaid expenses; and excluding liabilities.
- (2) The SCERS 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 SCERS investment portfolio on a collateralized basis to third parties (primarily financial institutions) for the purpose of generating additional income to the SCERS 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.
- (3) Prepaid expenses for all years shown amounted to less than \$1,000,000 in each year.

Source: SCERS Actuarial Valuations as of January 1 in the years 2021 through 2025

### **Risk and Sensitivity Analysis**

The Actuarial Valuation measures both economic and demographic risks. Risks considered in preparation of the January 1, 2025 SCERS Actuarial Valuation include: investment return; payroll variation; salary variation; mortality; service retirement; and terminations. The January 1, 2025 SCERS Actuarial Valuation includes an assessment of these risks, and disclosure regarding plan maturity measures and historical information significant to understanding these risks is described in Section 10 – Risk Disclosure to the January 1, 2025 SCERS Actuarial Valuation.

### **Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”)**

LEOFF is a statewide, multiple-employer defined benefit plan administered by DRS. Contributions by employees, employers, and the State are based on gross wages. The State has a special funding situation in which the State makes a non-employer contribution through legislative appropriations to subsidize a portion of the local employer contributions.

Substantially all of the City’s current uniformed firefighters and police officers are enrolled in LEOFF. 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. Newly hired uniformed police and fire personnel are generally eligible for membership in LEOFF.

According to the Office of the State Actuary (“OSA”) June 30, 2024 Actuarial Valuation, LEOFF Plan 1 had a funded ratio of 160% and LEOFF Plan 2 had a funded ratio of 102%. The assumptions used by OSA in calculating the accrued actuarial assets and liabilities included a 7.25% annual rate of investment return (7.00% for LEOFF 2), 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, 2024, the City reported an asset of \$234.7 million for its proportionate share of the Net Pension Asset as follows: \$100.6 million for LEOFF Plan 1 and \$134.1 million for LEOFF Plan 2.

Table A-14 displays the current LEOFF contribution rates of employees and employers set by the State Legislature.

**Table A-14.**  
**LEOFF Contribution Rates**  
*(as % of covered payroll; effective as of June 30, 2025 for the State fiscal biennium ending June 30, 2027)*

	Plan 1	Plan 2
Employer Contribution	0.20% <sup>(1)</sup>	5.32% <sup>(1)(2)</sup>
State Non-Employer Contribution	N/A	3.41 <sup>(2)</sup>
Employee Contribution	0.00	8.53

(1) Includes a 0.20% DRS administrative expense rate.

(2) The State contributes approximately 39.1% of the total 8.53% employer rate set by the State Legislature for LEOFF Plan 2.

Source: Washington State DRS

The City’s contribution on behalf of all employees covered under LEOFF was \$18.5 million in calendar year 2024 and \$20.7 million in calendar year 2025.

In March 2026, the State enacted legislation that will replace the existing LEOFF Plan 1 with a restated plan (“Restated LEOFF”) on June 30, 2029. Benefits to LEOFF Plan 1 annuitants will be unchanged as they are transferred into the Restated LEOFF. The legislation provides for a transfer of funds from LEOFF Plan 1 to Restated LEOFF equal to 110% of LEOFF Plan 1 liabilities on June 30, 2029. Remaining assets will be placed into a holding account from which funds may then be transferred to the State General Fund at the direction of the State Legislature.

Additional information about LEOFF is available in the DRS Annual Reports on the DRS website ([drs.wa.gov](http://drs.wa.gov)). Actuarial valuations are available from the Office of the State Actuary on its website ([leg.wa.gov/about-the-legislature/legislative-agencies/osa](http://leg.wa.gov/about-the-legislature/legislative-agencies/osa)). Additional information is provided in the Notes to the City’s ACFRs available on the OCF website ([www.seattle.gov/city-finance/financial-and-audit-reports](http://www.seattle.gov/city-finance/financial-and-audit-reports)).

### **Firefighters’ Pension Fund; Police Relief and Pension Fund**

The Firefighters’ Pension Fund (“FPEN”) and the Police Relief and Pension Fund (“PPEN” and, together with FPEN, the “Legacy Plans”) are Legacy Plans that have been closed to new entrants since 1977. As of January 1, 2025, eligible pension beneficiaries consisted of 447 fire employees and survivors and 542 police employees and survivors.

All City law enforcement officers and firefighters hired 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. 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.

#### *— Financial Reporting; Basis of Accounting*

The City has determined that according to GASB 68, the Legacy Plans do not meet the criteria for pension plans administered through trusts and therefore since 2015 the accounting and financial reporting for these plans has been prepared in accordance with GASB Statement No. 73. The City does not collect contributions or hold assets in trust for these plans. Any monies provided by the City for future benefit payments are not legally protected from creditors and are not dedicated to the provision of pensions to plan members. Furthermore, because the Legacy Plans are not reported as trust funds, they are accounted for as part of the General Fund. The financial statements for the Legacy Plans were prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Investments are recorded at fair value as shown in the City’s ACFRs available on the OCF website ([www.seattle.gov/city-finance/financial-and-audit-reports](http://www.seattle.gov/city-finance/financial-and-audit-reports)). Fair value of investments is based on quoted market prices.

— *Contributions and Reserves*

Since the Legacy Plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (“AAL”) of these plans. Contributions are no longer required from plan members or the City departments they represent. General Fund funding is provided to both pension funds as necessary. There are no securities held by the City for these pension funds except for the Firemen’s Pension Actuarial Account described below. No loans are provided by the funds to the City or other related parties.

Under State law, the FPEN receives a share of the state tax on fire insurance premiums. If necessary, partial funding may also be provided by an annual tax levy of up to \$0.225 per \$1,000 of assessed value of all taxable property of the City. The City does not impose this tax and has no plans to do so. In 1994, the City established an Actuarial Account for the Firefighters’ Pension Fund in order to fully fund the AAL by a target date, which was extended to 2028 and may be extended further to a future date with Council authorization by ordinance. The fair value of the net assets of FPEN was \$33.81 million as of December 31, 2025.

The City funds the PPEN as benefits become due, which is in contrast with the FPEN policy of fully funding the AAL. The PPEN receives police auction proceeds of unclaimed property for administrative expenses. Annual requirements are funded through the General Fund and are appropriated to the PPEN in the City’s adopted budget. Any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

The TPL as of December 31, 2024, based on an actuarial valuation as of January 1, 2024, was \$78.2 million for FPEN and \$84.8 million for PPEN.

Additional information regarding the Legacy Plans described in this section is available in the City’s ACFRs available on the OCF website ([www.seattle.gov/city-finance/financial-and-audit-reports](http://www.seattle.gov/city-finance/financial-and-audit-reports)).

**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 Legacy Plans. The implicit rate subsidy is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees.

The City assesses 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. Actuarial reports evaluating the funding status for these plans are prepared by Aon, as consulting actuary. The last valuation was based on a measurement date as of January 1, 2025, for the City’s fiscal year ending December 31, 2025, and was prepared in accordance with GASB 75. It showed the total OPEB liability for the implicit rate subsidy as of December 31, 2025, decreased to \$85.5 million from \$86.8 million as of December 31, 2024. The City’s GASB 75 annual expense in 2025 was calculated at \$7.9 million, which compares to \$4.5 million in 2024.

The valuation of the OPEB liability associated with the Legacy Plans are updated annually. Actuarial reports evaluating the funding status for these plans are prepared by Milliman, Inc., as consulting actuary. The most recent valuations were prepared as of January 1, 2025, for the City’s fiscal year ending December 31, 2025.

As of December 31, 2025, the total OPEB liability in the FPEN decreased to \$232.3 million from \$240.7 million. The annual OPEB expense for 2025 was \$6.0 million and the estimated benefit payments were \$14.3 million. As of December 31, 2025, the total OPEB liability in PPEN decreased to \$198.0 million from \$213.2 million. The annual OPEB expense for 2025 was \$1.4 million and the estimated benefit payments were \$13.8 million. The decreases in total OPEB liability under the Legacy 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 total OPEB liability, see Note 11 to the City’s 2024 ACFR. For additional information regarding the portion of the City’s OPEB liability attributable to each utility, see the Audited Financial Statements of each utility at [www.seattle.gov/investor-relations](http://www.seattle.gov/investor-relations).

## **State Paid Family and Medical Leave Insurance**

On January 1, 2020, the State became the fifth state in the nation to provide 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 Statewide 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 \$1,647 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, 2026, the rate is 1.13% 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 \$5.5 million in 2026, or 0.81% of gross wages subject to the Social Security cap) approximately 40% of which will be paid from the General Operating Fund, approximately 25% of the City's utilities, and the remainder of which will be paid by other funds.

## **WA Cares Long-Term Care Services and Supports Benefit Program**

The Long-Term Services and Supports ("LTSS") Trust Program ("WA Cares Program" or "Program") was enacted in 2019 to provide certain long-term care benefits to eligible beneficiaries.

With the exception of workers who have received exemptions based on criteria defined in statute, premiums are imposed on all participating employees in the State; there is no employer contribution required under State law. Employee contributions are collected by employers through employee payroll deductions and remitted to the State. Assessment of premiums commenced on July 1, 2023, and benefits are to become available beginning July 1, 2026. The program also conducted a pilot with 100 participants that began on January 6, 2026, and concluded April 30, 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 10 years, 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 State 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. Beginning July 1, 2026, employees or self-employed persons who have left the State may elect to continue participation in the LTSS Trust Program. Starting January 1, 2030, workers who have left the state can also be eligible for benefits if they have contributed in-state for at least three years before leaving, inform the program within one year of leaving that they wish to continue participating, and continue to pay premiums on any covered earnings after leaving. There is a lifetime cap on the benefit of \$36,500 (as of 2026, adjusted automatically for inflation thereafter) for any individual.

As part of the State-wide election held on November 4, 2025, voters approved a State constitutional amendment (Amendment 110) that permits the investment of funds held in the LTSS Trust Account in stocks of private companies, if authorized by law, and requires investment income to be used for LTSS Program beneficiaries. This amendment creates an exception to the general State constitutional prohibition on funds of the State being invested in stock, bonds, or credit instruments of any private company, association, or corporation. Amendment 110 became effective upon certification of the election results; legislation will be required to authorize an expansion of eligible investments for the LTSS Trust Account.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### Population

Located on Puget Sound, Seattle is the largest city in the Pacific Northwest and serves as the county seat for King County. Of the State’s population, nearly one-third reside in King County. Of the County’s population, one-third live in the City of Seattle.

Table A-15 shows current and historical population estimates for the State of Washington, the County, and the City.

**Table A-15.  
April 1 Population Estimates**

April 1	The City	King County	State of Washington
2016	684,136	2,118,958	7,237,219
2017	694,513	2,149,910	7,344,073
2018	707,555	2,187,460	7,463,479
2019	724,144	2,227,755	7,581,818
2020 <sup>(1)</sup>	737,015	2,269,675	7,705,281
2021	742,400	2,287,050	7,766,975
2022	762,500	2,317,700	7,864,400
2023	779,200	2,347,800	7,951,150
2024	797,700	2,378,100	8,035,700
2025	816,600	2,411,700	8,115,100

(1) 2020 U.S. Census, resident population.

Source: Office of Financial Management (April 1 Population Estimates, released June 30, 2025) and U.S. Census Bureau (2020 U.S. Census)

### Income and Employment Statistics

#### Income Characteristics

The following tables present median household income, total annual personal income, and per capita personal income for King County, the State, and the United States. With the release of gross domestic product (“GDP”) and personal income statistics for counties for 2024, U.S. Department of Commerce Bureau of Economic Analysis (“BEA”) has discontinued publication of statistics for metropolitan statistical areas, micropolitan statistical areas, metropolitan divisions, combined statistical areas, and metropolitan and nonmetropolitan portions, and has announced that GDP and personal income estimates will be published by county going forward.

Table A-16 provides median household income data for King County and the State for each of the past five years.

**Table A-16.  
Median Household Income**

Year	King County	Washington State
2021	\$ 110,351	\$ 84,155
2022	116,044	91,255
2023	119,926	94,553
2024	125,485	97,970
2025	126,124	98,141

Source: Washington State Office of Financial Management, February 2026

Table A-17 presents total and *per capita* personal income statistics for the years 2015 through 2024.

**Table A-17.**  
**Annual Personal Income Comparisons**

Year	Total Personal Income (\$ in billions)						Per Capita Personal Income (\$ in dollars)		
	King County <sup>(1)</sup>		State of Washington		United States		King County <sup>(1)</sup>	State of Washington	United States
	Amount	% Change	Amount	% Change	Amount	% Change			
2015	\$ 157.8	6.9%	\$ 376.4	5.9%	\$15,467.1	4.7%	\$ 74,196	\$ 52,408	\$ 48,062
2016	168.3	6.6	397.3	5.6	15,884.7	2.7	77,621	54,296	48,974
2017	181.6	7.9	423.0	6.5	16,659.0	4.9	82,366	56,800	51,006
2018	195.6	7.7	451.6	6.8	17,514.4	5.1	87,785	59,824	53,311
2019	210.6	7.7	484.5	7.3	18,349.6	4.8	93,612	63,431	55,567
2020	224.8	6.8	522.9	7.9	19,613.1	6.9	98,839	67,665	59,151
2021	249.0	10.8	572.6	9.5	21,484.2	9.5	110,511	73,949	64,692
2022	259.6	4.2	592.7	3.5	22,144.8	3.1	114,289	76,049	66,298
2023	281.7	8.5	637.1	7.5	23,577.2	6.5	122,667	81,087	70,002
2024	301.1	6.9	677.9	6.4	24,897.6	5.6	128,684	85,187	73,204

Standard rounding conventions applied.

(1) Includes the City.

Source: U.S. Department of Commerce Bureau of Economic Analysis (Release dated February 5, 2026, revised statistics for 2020-2023, new statistics for 2024)

### Employment

Table A-18 and Table A-19 present employment data for major employers in the Puget Sound area and metropolitan district-level labor force data, respectively.

**Table A-18.**  
**Puget Sound Area Major Employers<sup>(1)</sup>**

Employer Name	# Employees	Employer Name	# Employees
Amazon.com	92,000	Virginia Mason Franciscan Health	18,000
The Boeing Co.	67,600	Costco Wholesale Corp.	16,300
Microsoft Corp.	54,800	King County Government <sup>(2)</sup>	15,900
Joint Base Lewis-McChord	54,000	City of Seattle <sup>(3)</sup>	15,100
University of Washington (Seattle)	53,500	Starbucks Coffee Co.	12,600
Providence Swedish	45,600	Alaska Air Group Inc.	11,300
Navy Region Northwest	37,000	Seattle Children's Foundation	10,300
Walmart Inc.	23,400	Meta Platforms	8,000
Kroger Co.	21,000	Washington State University <sup>(4)</sup>	7,200
Albertsons	20,000		

(1) Data above published by the Puget Sound Business Journal ("PSBJ") and dated as of October 16, 2025. The PSBJ publication states that information was obtained through PSBJ research or supplied by individual employers through questionnaires that PSBJ could not independently verify. In case of ties, organizations are ranked by total employment and then listed alphabetically if ties remain. Certain government entities such as cities, school districts and county offices are not included in the published rankings and have been added. Data may be affected by events occurring after the response date. The City has not independently verified the data.

(2) Source: King County.

(3) Source: The City of Seattle as of December 30, 2025.

(4) Includes employment at all campuses throughout the State.

Source: Puget Sound Business Journal, Book of Lists (Publication Date October 17, 2025; figures are rounded) unless otherwise indicated

**Table A-19.**  
**Seattle Resident Civilian Labor Force and Employment**  
*(in thousands)*

Seattle	Monthly Averages by Calendar Year					Jan. 2026
	2021	2022	2023	2024	2025	
Resident Civilian Labor Force <sup>(1)</sup>	464,253	493,058	508,053	511,669	509,109	N/A
Unemployment <sup>(1)</sup>	18,784	15,270	18,572	19,518	22,666	N/A
Unemployment Rate (%)						
State Unemployment Rate <sup>(1)</sup>	4.0%	3.1%	3.7%	3.8%	4.5%	N/A
U.S. Unemployment Rate	5.3%	3.6%	3.6%	4.0%	4.3%	4.7%
<b>Seattle-Bellevue Metropolitan District – Nonagricultural Wage and Salary Workers<sup>(2)</sup></b>						
Total Nonfarm Employment	1,401.1	1,470.2	1,477.1	1,477.0	1,473.1	1,459.7
Durable Manufacturing	63.1	66.2	69.5	69.3	68.5	68.3
Aerospace Products Parts & Mfr	31.1	34.4	37.9	38.5	38.9	39.2
Computer & Electronic Products Mfr	7.2	7.0	7.1	7.3	7.3	7.2
Nondurable Manufacturing	24.6	24.8	23.9	23.5	23.3	23.4
Mining and Logging	0.5	0.5	0.5	0.4	0.4	0.4
Construction	77.5	78.8	77.0	72.5	70.4	67.5
Trade, Transportation and Utilities	227.2	230.2	230.2	224.4	222.8	222.7
Information	134.1	141.2	134.9	128.7	126.0	125.6
Software Publishers	75.1	75.0	71.0	67.1	63.9	59.2
Financial Activities	73.4	75.4	74.2	73.2	73.2	71.7
Professional and Business Services	295.2	322.6	313.4	310.1	306.7	303.8
Education and Health Services	183.4	188.7	194.5	199.1	202.9	205.0
Leisure and Hospitality	104.3	125.4	135.4	137.9	138.1	131.5
Other Services	46.0	48.2	48.6	48.6	49.1	48.4
Government	169.8	166.2	172.9	187.0	189.6	189.5

(1) *Source: U.S. Bureau of Labor Statistics (Release dated January 27, 2026).* Not seasonally adjusted; annual data derived from averages of monthly data. Annual data for 2020 through 2024 were subject to revision on March 5, 2025; information for January 2026 not yet available.

(2) *Source: Washington State Employment Security Department (Release dated April 2, 2026).* Not seasonally adjusted; annual data derived from averages of monthly data; January 2026 data is preliminary.

*Source: U.S. Bureau of Labor Statistics; Washington State Employment Security Department*

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## Key Economic Indicators

### Construction Activity

Table A-20 presents 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.

**Table A-20.**  
**Seattle-Tacoma-Bellevue Metropolitan Statistical Area Residential Building Permits**

Year	Seattle-Tacoma-Bellevue Metropolitan Statistical Area (\$ in thousands)						United States (\$ in millions)	
	Single Family		Multi-Family		Total		No. Permits	Value
	No. Permits	Value	No. Permits	Value	No. Permits	Value		
2015 <sup>(1)</sup>	8,646	\$ 2,899,594	16,362	\$ 1,448,17	25,008	\$ 5,347,765	1,182,582	223,611.3
2016 <sup>(1)</sup>	9,425	3,191,492	16,064	2,083,024	25,489	5,274,516	1,206,642	237,101.6
2017 <sup>(1)</sup>	9,997	3,429,128	17,337	2,586,880	27,334	6,016,008	1,281,977	258,505.4
2018 <sup>(1)</sup>	9,134	3,224,959	19,052	2,289,615	28,186	5,514,574	1,328,827	271,119.5
2019	8,737	3,013,747	17,862	2,554,338	26,599	5,568,085	1,386,048	280,534.2
2020	8,860	3,039,186	14,179	1,824,252	23,039	4,863,438	1,471,141	307,209.9
2021	8,828	3,043,477	21,915	3,408,768	30,743	6,452,235	1,736,982	380,036.2
2022	7,029	2,643,867	19,632	3,047,415	26,661	5,691,282	1,680,368	384,447.2
2023	6,296	2,568,363	10,927	1,837,694	17,223	4,406,057	1,511,102	365,373.0
2024	6,489	2,711,437	11,431	2,136,441	17,920	4,847,878	1,478,000	384,618.4
2025 <sup>(2)</sup>	6,170	2,615,390	9,469	1,732,814	15,639	4,348,204	1,426,166	376,757.0
2026 <sup>(3)</sup>	538	219,896	721	107,436	1,259	327,332	100,249	24,633.6

(1) Historical data prior to 2019 last revised November 30, 2022.

(2) Preliminary data.

(3) Preliminary data, year-to-date through January 2026.

Source: U.S. Census Bureau (Last Revised March 19, 2026)

### Taxable Retail Sales

Table A-21 provides historical taxable retail sales activity in the City and King County.

**Table A-21.**  
**City of Seattle and King County Taxable Retail Sales**

Year	City of Seattle	King County <sup>(1)</sup>
2016	\$ 24,287,539,378	\$ 59,475,029,918
2017	26,005,147,210	62,910,608,935
2018	28,292,065,861	68,889,791,653
2019	29,953,200,188	72,785,180,223
2020	25,904,879,115	66,955,895,952
2021	30,047,705,303	78,419,919,120
2022	33,660,750,206	83,093,708,862
2023	34,696,583,976	88,080,125,666
2024	34,281,375,315	85,512,188,517
2025 <sup>(2)</sup>	25,702,653,936	66,500,226,534

(1) Includes the City.

(2) Through 3rd quarter 2025. For comparison, taxable retail sales during the same period in 2024 were \$25,385,154,827 (City) and \$65,095,306,749 (County).

Source: Washington State Department of Revenue as of April 7, 2026

## CERTAIN INVESTOR CONSIDERATIONS

Considerations described in this section relate to the City in general and in relation to its general governmental functions. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM (“CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS”) for a discussion of utility-specific risk considerations relating to these and other potential risk factors.

### **Initiative and Referendum**

#### *Statewide Measures*

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

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

### **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, the issues sometimes referred to as “diversity, equity and inclusion,” and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in dramatic changes in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding. The federal government has issued Executive Orders and other statements on several of the policy areas listed above that appear to conflict with City priorities. It is uncertain how these policy differences will be reflected in federal contracting decisions and/or federal contract administration, especially since several of those decisions are subject to ongoing litigation. 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 been a party to lawsuits challenging federal 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.

#### *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***

In response to a rapidly changing and increasingly uncertain environment regarding the status of federal funding due to the City in early 2025, the City worked with City departments to develop an inventory of its risk exposure to potential changes in federal funding. This inventory identified risks in a variety of areas including the City's transportation, human services, affordable housing, public safety and emergency preparedness, and environmental programs. The City estimated that its dependence on direct federal funding in 2025 was approximately \$400 million in total related to grant awards that were either active or anticipated to be awarded at that time. Of this amount, the City estimated that federal funding risk to the General Operating Fund was about \$53 million. For comparison purposes, this was roughly 3% of the City's \$1.9 billion General Operating Fund adopted budget in 2025.

To address risks related to changes in federal funding, in mid-2025 the City designated a portion of its business and occupation tax revenue to mitigate the impact of federal funding reductions or policy changes in human services programs and transportation projects. As of this writing, many of these risks have not materialized. Although certain targeted grants were impacted by federal actions, several programs were able to access reserved business and occupation tax revenue to offset the respective loss of funding.

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, and a change in federal policy regarding what constitutes a disaster or disaster declaration policy would have an impact on City departments. 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 Risk***

Partial or full 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—Federal Tax Matters" in the main body of this Official Statement.

### ***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 State'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.

## **Natural Disasters and Other Emergencies**

Natural disasters (including earthquakes, volcanic eruptions and lahars, tsunamis, seismic seiches, mudslides, wildfires and forest fires, heat waves, floods, windstorms, droughts, and avalanches) and future global health emergencies are possible. The severity of any of these events may be exacerbated by global climate change, as discussed below. The loss of life and property damage that could result from a major earthquake, natural disaster, or global health emergency could have a material and adverse impact on the City and its economy and financial condition. In addition, federal disaster recovery resources (including personnel, supplies, and other direct aid) and financial assistance have been severely curtailed since early 2025. The City cannot predict the nature or timing of any natural disaster or other emergency, nor can the City predict whether federal aid would be made available for response or recovery efforts.

### ***Wildfire and Forest Fire Risk***

Washington State has experienced large wildfire seasons during the past several years, including in Western Washington, which has traditionally experienced higher rainfall and generally wetter conditions. Air quality across the City and the region has been negatively impacted during large wildfire events occurring in Washington and throughout the western United States and Canada. Rising temperatures, more frequent and longer lasting heat waves, and drier summers are expected to contribute to larger, more severe wildfires, and current climate modeling predicts that these conditions are likely to continue in the decades ahead. While wildfires have not permeated City limits, the effects of wildfires in general threaten the City's and the region's health, economy, and environment by causing unhealthy levels of air quality that can cause respiratory problems for some people. Wildfire affects surrounding areas by threatening infrastructure, homes, property, and agriculture; destroying forestland and its resources; and damaging habitat for wildlife. There is an increased level of fire risk from the urban-wildland interface.

### ***Drought Risk***

Drought can lead to a wide range of environmental, social, and economic impacts; can reduce water availability and quality; and can impact availability of water for hydropower. Drought can be a contributing factor to wildfire when dry, hot, and windy weather combined with dried out (and more flammable) vegetation may increase the probability of large-scale wildfires. For the City, the primary concerns around impacts of drought relate to its utility enterprises, particularly the hydropower resources of Seattle City Light and the water resources for Seattle Public Utilities, as well as the increased wildfire risks associated with prolonged drought conditions.

### ***Landslide Risk***

The City and its surrounding areas have steep hills, wet winters, and geology that is prone to landslides, which occur frequently, especially in the winter and early spring. The City is the largest owner of landslide-prone slopes identified in the City's Environmentally Critical Areas Ordinance, which notes that 8.4% of the City's area is identified as slide prone and 81% of the slide-prone area is zoned for open space, the right of way, or single-family residential. The most common landslides in the City are shallow (less than 6–10 feet deep), fast moving (up to 60 km per hour), and occur on undeveloped slopes.

The City has undertaken measures to mitigate vulnerability to landslides including inventorying and mapping landslide prone areas, establishing requirements to stabilize building sites during construction, developing public education, and undertaking slope stabilization projects. Mitigation often requires cooperation between private landowners and the City.

### ***Flood Risk***

Western Washington is very prone to flooding, which has the potential to be among the most costly and destructive disasters. The City's flood profile includes three distinct flooding hazards: riverine flooding, coastal flooding, and urban flooding. Urban and riverine flooding are most common. Climate change is projected to cause sea level rise and increase the frequency of heavy rain events, heightening Seattle's future risk of urban and coastal flooding.

- Urban flooding happens suddenly when intense rain overwhelms the capacity of the drainage system. Low lying, bowl-shaped areas like Madison Valley and Midvale are the most likely to flood.
- Coastal flooding is associated with storms, particularly when coinciding with high tides, sometimes referred to as "king tides." Coastal flooding can erode the toes of bluffs and are one factor in landslides. Some areas, like South Park, can experience drainage problems under the same conditions. Coastal flooding in Lake Washington or in Puget Sound could damage a large area. The most common land use near the shore is

residential, but the Port of Seattle and the Burlington Northern Railway might also be affected because of their proximity to the water.

- Riverine flooding occurs when heavy precipitation causes a river or stream to overflow its banks into the adjoining floodplain. Seattle has three primary waterways susceptible to riverine flooding with 100-year floodplains covering the South Park area (surrounding the Duwamish River) and the drainage basins for Thornton Creek (located in north Seattle) and Longfellow Creek (located in west Seattle). Flood control structures have been built in these areas, including the Howard Hanson Dam that controls flow in the Duwamish River. Riverine floods can also affect city infrastructure when high water cuts transportation routes and pipelines. Small segments of two high-traffic volume arterial streets cross the flood plain: State Route 99 crosses the South Park flood plain and State Route 522 crosses along three segments of Thornton Creek.

### ***Earthquake Risk***

The City is located in a region of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes occurring nearby. Certain soil types and property in certain areas of the City could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) and could result in landslides following a major earthquake and any aftershocks. The City lies near identified geologic faults, including the Cascadia subduction zone beneath the Pacific Ocean, and the Seattle Fault, both of which are thought to be capable of causing extensive damage. The most notable recent earthquake, which measured 6.8 on the Richter scale, occurred in 2001. Coastal areas of the City also could experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States.

Over the last several years, some of the State's most significant infrastructure investments have involved the replacement or retrofitting of the infrastructure assets determined to be most vulnerable to earthquake damage including replacement of the State Route 520 Floating Bridges and the demolition of the Alaskan Way Viaduct, and the replacement of the seawall between downtown Seattle and Puget Sound. The Seattle Department of Transportation has an active Bridge Seismic Retrofit Program, in coordination with other State and regional agencies, to evaluate and mitigate potential risks with bridge structures related to seismic activity. Other City departments and State agencies have responsibilities involving earthquake hazard mapping and emergency management preparations.

### ***Volcanic Hazards***

Volcanic hazards include eruptions, pyroclastic flows, volcanic landslides and gas releases, and lahars. Lahars are a type of volcanic risk that can occur at almost any time, and they do not need a volcanic eruption. The water that forms lahars can come from snow and ice melted by heat from the volcano or from hot pyroclastic flows. The water can also come from intense rain events. When enough water mixes with loose volcanic ash and rock on the side of a volcano, the mixture flows downhill and forms a lahar.

The City is located proximate to the Cascade Range in Western Washington, which includes five active volcanoes. Four of these are considered a "very high" threat by the U.S. Geological Survey Volcano Hazards Program in its 2018 update to the national volcanic threat assessment. Threat rankings are based on geologic and historical studies of the volcanoes and quantify how likely their eruptions are to impact people and infrastructure; they are not rankings of likelihood of eruption. The list ranks the two closest to the City, Mount St. Helens and Mount Rainier, among the top five most dangerous volcanoes in the country.

### ***Climate Change Risk***

There are potential risks to the City associated with changes to the climate over time and from increases in the frequency, timing, and severity of extreme weather events. 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 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 deemed by the City to be 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.

Over the last decade, 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.

Most recently, an executive order was issued in 2025 directing City departments to develop a modernized Climate Action Plan focused on climate resilience and adaptation, building a green economy, and protecting public health, as well as near-term actions to reduce transportation emissions. An audit of the 2013 Climate Action Plan determined that the City completed or made significant progress on more than half of the actions identified in the 2013 plan while also advancing projects outside the plan. These efforts contributed to a 5.7% reduction in greenhouse gas emissions from 2014 to 2022. The updated plan is currently in development following a community engagement period and it is anticipated that the plan will be finalized in Q2 2027.

Additionally, the City has further incorporated its response to climate change into its Comprehensive Plan. 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. The City’s most recent Comprehensive Plan Update includes sub-elements addressing goals and policies to reduce carbon pollution, foster resilience to the impacts of climate change, and sustain a healthy environment.

The carbon pollution reduction sub-element incorporates findings from two greenhouse gas inventories. 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, which assessed how climate change is already affecting the City, its residents, and its economy. 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 areas that the City can invest in to address these risks, such as investments in community services such as cooling and clean air centers and access to home cooling and air filtration systems; using open space and green infrastructure to buffer communities from flooding impacts; researching of potential supply chain impacts; monitoring and maintaining 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.

## **Cybersecurity and Artificial Intelligence Risk**

### *— Cybersecurity Risks*

Cybersecurity threats continue to become more sophisticated and are increasingly capable of negatively impacting the confidentiality, integrity, and availability of City systems and applications, including those of critical control systems. The City’s Information Technology Department (“Seattle IT”) is organized as a single City department under City Code and Ordinance and, in conjunction with the various other City departments, provides centralized cybersecurity governance. City departments with plant operations are allowed to maintain operational technology and departmental systems with higher independence but must still adhere to enterprise security policies and controls.

Seattle IT has instituted processes, training, and controls to maintain the reliability of its systems and protect against cybersecurity threats, mitigate intrusions, and plan for business continuity via data recovery, and updates these periodically. As designated by the City’s Chief Technology Officer, the Chief Information Security Officer holds authority over citywide cybersecurity management, setting security standards, procedures, plans, guidelines and controls across all departments and coordinating with department security leads responsible for critical infrastructure, including utility, transportation, and energy systems.

Cybersecurity incident response plans are reviewed regularly, in alignment with National Institute of Standards and Technology (“NIST”) Special Publication 800-61, and tabletop and other exercises are conducted annually, including exercises for executive leadership, to assess the effectiveness of City plans. Seattle IT and third-party professional services also conduct cybersecurity assessments with the intent to identify areas for continual improvement and develop work plans to address issues and support the cybersecurity program. This includes technical vulnerability assessments, penetration testing, and risk assessments aligned with the National Institute of Standards and Technology Risk Management Framework and security controls based on NIST Special Publication 800-53. Seattle IT has adopted the NIST Cybersecurity Framework 2.0 as its primary cybersecurity maturity model. The City maintains compliance with multiple regulatory frameworks applicable to its operations.

Given recent advances in risks due to artificial intelligence, the City is executing a multi-year cybersecurity modernization program across four strategic domains: governance and risk architecture, zero-trust advancement, cryptographic modernization, and operational excellence. Cybersecurity risks create potential liability for exposure to 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 cybersecurity liability insurance coverage since 2019. Cybersecurity insurance helps mitigate the financial and operational impact of a cyber event by covering first party losses such as data restoration, business interruption, and ransomware payments. Cyber policies coordinate and help pay for incident response services (such as forensic experts, public relations firms, and breach counsel). Cyber policies also respond to third party exposures by funding legal defense, regulatory investigations, and settlements arising from privacy or network security claims. See “FINANCIAL AND RISK MANAGEMENT—Insurance and Risk Management.”

The City has become a desired location for key sporting events and has increasingly strengthened its security posture. Most recently, the City has taken measures to heighten cybersecurity preparedness for the 2026 FIFA World Cup, for which Seattle is a host city with six matches expected to draw over 750,000 visitors to the region, representing the largest event in City history.

The Seattle Public Library (“SPL”), a charter department of the City, operates semi-independently managed IT systems and network infrastructure with a dedicated cybersecurity team, separate from Seattle IT. SPL became aware of a ransomware event affecting its technology systems on May 25, 2024. SPL quickly engaged cybersecurity specialists and law enforcement and took its systems fully offline to interrupt and assess the nature of the event. Security remediations were completed with Seattle IT, and SPL has increased its security posture by implementing additional protections. Restoration of services occurred with no insurance claim.

#### — *Artificial Intelligence Risks*

Advancements in artificial intelligence (“AI”) have the potential to drastically improve the responsiveness and effectiveness of City services. However, at the same time, AI also introduces significant data privacy, legal, security, and operational risks that organizations, including the City, are still evaluating.

In 2025, the City updated its Responsible AI Program, along with its AI Policy and released its 2025-2026 AI Plan, which expanded governance from generative AI to all AI solutions deployed across City operations. Building off of the foundational work of the City’s Privacy Program, the AI Policy connects its governing principles (innovation, accountability, reliability, fairness, privacy, explainability, and security) to certain uses of AI that are prohibited or have levels of risk that require additional assessment and controls. Further, the AI Policy requires an operational review process to evaluate and establish privacy, security, business value, and other applicable controls aligned with the NIST AI Risk Management Framework for AI solutions prior to implementation and use.

In December 2025, the City hired its first City AI Officer to support this model for responsible AI enablement, coordinating the City’s AI Governance Group that now provides oversight, moving beyond compliance adherence by coordinating technical architecture and data use strategy, and connecting program operationalization under the Chief Technology Officer. The Responsible AI Program continues to operationalize City AI governance through department evaluation of the AI system, assessing risk, and implementing controls aligned with the NIST AI Risk Management Framework. Nonetheless, the City cannot anticipate the particular risks that AI may create or the resulting consequences. The City seeks to mitigate risks with strong oversight and governance.

**APPENDIX B**  
**SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM**

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**SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM**

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## SEATTLE PUBLIC UTILITIES & THE WATER SYSTEM

This Appendix provides an overview of the management and operations of the City of Seattle’s Water System (the “Water System”) that is one of three municipal utilities organized under the umbrella of Seattle Public Utilities (“SPU”). The information below is dated as of May 8, 2026 and is prepared in connection with the issuance of the City of Seattle, Washington’s Water System Improvement and Refunding Revenue Bonds, 2026 (the “Water Bonds”) expected to be issued on or about June 3, 2026.

### SEATTLE PUBLIC UTILITIES

#### Overview of Seattle Public Utilities

Seattle Public Utilities (“SPU”) is composed of three municipal utilities (Water, Drainage and Wastewater, and Solid Waste) consolidated administratively in 1997 into a single department of The City of Seattle (the “City”) pursuant to the City Charter and the laws of the State of Washington (the “State”). Each of the utilities operates out of its own separate enterprise fund (the Water Fund, the Drainage and Wastewater Fund, and the Solid Waste Fund) and each operates as an independent enterprise, sharing certain administrative costs within SPU. The City has reserved the right to combine the three enterprises and their funds in the future, and to combine any of them with other utility systems, funds, and accounts owned and operated by the City. The City has no present plans to combine any of its utility systems, funds, or accounts.

#### Management of Seattle Public Utilities

SPU is operated as a City department and is subject to ordinances and resolutions adopted by the City Council and approved by the Mayor. The Mayor and City Council approve SPU’s budget for each line of business, set rates, and approve debt issuances, along with other functions set forth in the City Charter. SPU operates under the direction of a General Manager and Chief Executive Officer (“General Manager”), who is appointed by the Mayor and confirmed by a majority of the City Council, subject to reconfirmation every four years.

The City Council has also appointed an advisory Customer Review Panel (the “CRP”) made up of 13 members appointed by the Mayor and the City Council representing SPU’s customers and partners to provide recommendations on SPU’s Strategic Business Plan. See “—SPU Customer Review Panel,” below.

#### SPU Organizational Structure and Leadership

The Office of General Manager includes executive management functions dedicated to corporate policy and planning, corporate performance, communications, and intergovernmental relations, and oversees six executive branches, including the three lines of business (Water System; Drainage and Wastewater System; and Solid Waste System) and three administrative sections that provide services to all three lines of business and to certain other departments within the City (People, Culture, and Community; Financial and Risk Services; and Project Delivery and Engineering).

Brief descriptions of the backgrounds of certain key members of SPU’s executive management team are provided below:

- **Andrew Lee, PE, PMP, PgMP (General Manager/Chief Executive Officer and Acting Chief Project Delivery Officer).** Mr. Lee has worked for SPU for over 15 years and has served as the SPU General Manager/Chief Executive Officer since 2019. Andrew has spent over 27 years working on water, wastewater, and stormwater issues, with 21 of those years in local government for the cities of Seattle, San Francisco, and Bellevue (WA). He currently serves 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).** Ms. Laschober was appointed as SPU’s 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, serving as City Light’s CFO until 2019. 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)***. 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.
- ***Ellen Stewart (Chief Operating Officer – Drainage and Wastewater)***. 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 (Chief Operating Officer – Solid Waste)***. 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 (Chief Operating Officer – Drinking Water and Utility Operations and Maintenance)***. Mr. Chen has served as the Deputy Director for the Water Line of Business and Utility Operations and Maintenance Branch since early 2020 after having spent fifteen years with SPU in various positions. In this role, he oversees SPU's drinking water system, supervising the Watershed Management Division, Water Quality Division, Water Planning and Program Management Division, Water Operations and System Maintenance Division, and Utility Operations and Maintenance Division. 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.

### **SPU Customer Review Panel (CRP)**

The CRP is a 13-member advisory board created by City Council Resolution 31800 (as amended by Resolutions 31825 and 32175). The CRP is charged with providing feedback on SPU's proposed Strategic Business Plan (described below), the recommended retail rate path, and other issues as requested by the Mayor or City Council to ensure that policies and investments reflect the needs and priorities of Seattle's diverse communities. The CRP is an advisory board and its recommendations are nonbinding. Panel members are appointed to three-year terms by the Mayor, confirmed by the City Council. The members of the panel are to be selected to ensure a balance of viewpoints regarding services and rates that are representative of the view within SPU's customer base, including residential, commercial, low-income housing, nonprofits, and the development community. Most recently, the CRP was expanded to add two seats for persons in the 18- to 29-year-old demographic and to clarify eligibility of members to receive an annual stipend.

## **Strategic Business Plan**

The Strategic Business Plan is a six-year plan that is updated triennially and is intended to guide important strategic investments for the future and provide greater rate predictability to SPU’s customers.

The current Strategic Business Plan, approved by the City Council in September 2024, guides SPU’s work from 2025 through 2030 (the “2025-2030 Strategic Business Plan”). The 2025-2030 Strategic Business Plan outlines new investments, cost savings, and a retail rate path for the six-year period. The endorsed rate path reflects an average annual rate increase of 4.7% for all SPU utility funds taken together. The 2025-2030 Strategic Business Plan and related planning documents are available on the City’s website ([www.seattle.gov/utilities/about/plans/strategic-business-plan](http://www.seattle.gov/utilities/about/plans/strategic-business-plan)).

Work on the next Strategic Business Plan update, which will cover the period 2028 through 2033, began in early 2026.

## **Employment and Labor Relations**

As of December 31, 2025, SPU had approximately 1,393 regular employees. All SPU employees are eligible to participate in the City’s pension plan and other post-employment retirement benefits. Information regarding the Seattle City Employees’ Retirement System (“SCERS”) and other post-employment benefits is provided in APPENDIX A—THE CITY OF SEATTLE (“CITY EMPLOYMENT AND RETIREMENT PLANS—Overview of Retirement Plans”, “—Seattle City Employees’ Retirement System”, and “—Other Post-Employment Benefits”). See also APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE WATER SYSTEM (Notes 5 and 8).

### ***Collective Bargaining Units***

Collective bargaining agreements for all unions in which SPU has employees are negotiated Citywide through the Seattle Department of Human Resources. See APPENDIX A—THE CITY OF SEATTLE (“CITY EMPLOYMENT AND RETIREMENT PLANS—Labor Relations and Collective Bargaining”). Approximately 86% of SPU’s regular full-time employees are represented by labor unions. Most of the 16 labor unions representing SPU employees are part of the Coalition of City Unions and represent employees across multiple City departments.

### ***Retirements and Workforce Development***

Based on age, approximately 27% of SPU’s workforce is currently eligible to retire. SPU is not currently experiencing difficulties in recruitment or retention.

## **Financial Management, Investments, and Financial Policies**

The City’s Charter authorizes establishment by ordinance of special funds, held separate and apart from the City’s general fund, for the purpose of operating City-owned utilities, including the Water System, the Drainage and Wastewater System, and the Solid Waste System, and provides that the transfer of surplus funds from any City-owned public utility (including for the collection of taxes) may not be made until provision has been made for paying the utility’s outstanding debts and its operating and maintenance expenses. In addition, State statute requires that separate accounts be kept for each department and that all services rendered by or property transferred from one department to another must be paid for at its true and full value.

### ***SPU Financial Policies and Planning Targets***

SPU operates under financial policies (“SPU Financial Policies”) approved by the City Council in 2003 and updated periodically. The most recent review and update was in 2019. Financial planning targets for the Water Fund are described below under “THE WATER SYSTEM—Water Fund Financial Management and Financial Targets.”

## THE WATER SYSTEM

### Overview

SPU's regional Water System is the largest in Washington State, providing approximately 140 million gallons per day ("MGD") of potable drinking water to nearly 1.7 million people in Seattle and nearby communities.

The Water System includes two watershed sources of water supply, water transmission, and water distribution systems. The water from the Cedar and South Fork Tolt Rivers is treated by (i) ozonation, ultraviolet light, chlorination, corrosion control, and (ii) ozonation, filtration, chlorination, corrosion control, respectively. The Seattle Well Fields (defined below) are available during peak water use seasons and during emergencies.

Figure B-1 displays a map showing the locations of the Cedar and South Fork Tolt watersheds, the Water System's Direct Service Area, and the locations of its Wholesale Customers.

### Water System History

The City's municipal Water System was first established in 1890 as the Water Department, following voter approval in the aftermath of the Great Seattle Fire of 1889. Shortly thereafter, voters approved revenue bonds to construct the Cedar River water system. Water first flowed from the Cedar River into Seattle's system in 1901. The next major water supply source, the South Fork of the Tolt River, came on-line in 1964.

In 1996, the City reorganized its utilities and consolidated the Water Department's operations with those of the Drainage and Wastewater and Solid Waste utilities and certain functions of other related departments, resulting in the creation of Seattle Public Utilities.

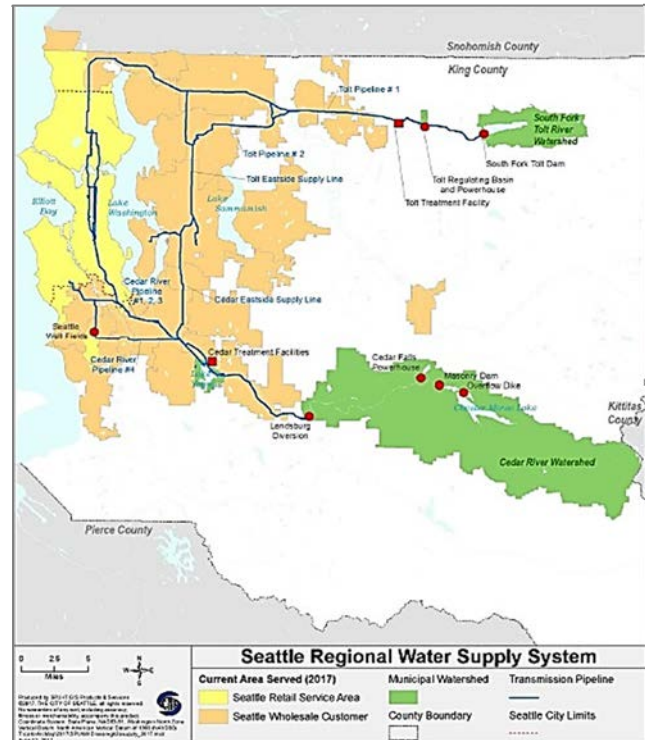
### Water System Service Area

The Water System's service area totals approximately 450 square miles, including the direct-service area and the area served by its Wholesale Customers. The Water System covers a direct retail service area of approximately 98 square miles, including all of the territory within the City limits, plus service to all or a portion of several suburban cities (including the cities of Shoreline, Burien, Lake Forest Park, Mercer Island, and SeaTac) and portions of unincorporated King County (the "Direct Service Area"). The Water System also provides wholesale water 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 "WATER SYSTEM CUSTOMERS AND RATES—Wholesale Customer Contracts." The population of the Water System's Direct Service Area is approximately 886,000, and the population indirectly served through SPU's Wholesale Customers is approximately 801,000.

### Water Supply Overview

To secure a water supply system, the City purchased land encompassing two watershed sources of supply east of the City, the Cedar River watershed and the South Fork of the Tolt River watershed. Together, these watersheds comprise more than 100,000 acres of mountainous forest lands located at relatively higher altitudes than the City's service area, which are managed as protected wilderness areas. Approximately 99.8% of the land within the Cedar River watershed's hydrographic basin, from the Cascade Crest along the north and south ridges and downstream to Landsburg diversion dam, is owned by the City and is protected for water supply, flows, and wildlife habitat. See "WATER SUPPLY, TREATMENT, TRANSMISSION, & DISTRIBUTION SYSTEMS—Water Supply."

**Figure B-1.**  
**Seattle Water Supply System**



Source: Seattle Public Utilities

## Water System Operations Overview

Table B-1 shows historical operating statistics for the Water System, including estimated population served, water sales revenues, billed water consumption, operating costs, gallons per day per capita, retail meter numbers, and total water diversions from sources. Water usage volumes increase in the summer, driven largely by seasonal rainfall patterns.

**Table B-1.**  
**Historical Operating Statistics of the Water System**

	2021	2022	2023	2024	2025
<b><u>Customer Statistics</u></b>					
<b>Estimated Population Served<sup>(1)</sup></b>					
Retail Direct Service Areas	820,000	826,000	843,000	863,000	886,000
Wholesale Customer Service Areas	741,000	749,000	765,000	795,000	801,000
<b>Total Estimated Population Served<sup>(1)</sup></b>	<b>1,561,000</b>	<b>1,575,000</b>	<b>1,608,000</b>	<b>1,658,000</b>	<b>1,687,000</b>
Total Retail Meters in Use	200,152	200,706	201,847	202,173	202,975
Number of New Retail Meters	1,426	554	1,141	326	802
<b><u>Consumption &amp; Water Diversions</u></b>					
<b>Billed Water Consumption (million gallons (MG))<sup>(2)</sup></b>					
Retail	19,522	19,560	19,914	19,719	20,219
Wholesale	23,328	22,770	23,368	22,989	23,915
<b>Total Billed Water Consumption (MG)</b>	<b>42,850</b>	<b>42,330</b>	<b>43,282</b>	<b>42,708</b>	<b>44,134</b>
<b>Total Water Diversions (MGD)<sup>(3)</sup></b>					
Non-Revenue Diversions (MGD) <sup>(4)</sup>	7.3	7.6	6.9	7.0	5.7
Non-Revenue Diversions as % of Total Water Diversions	5.9%	6.2%	5.5%	5.6%	4.5%
<b><u>Water Sales Revenues<sup>(5)(6)</sup></u></b>					
Retail	\$ 213,552	\$ 221,191	\$ 230,721	\$ 234,766	\$ 244,830
Wholesale	57,362	56,242	59,043	59,922	62,029
<b>Total Water Sales Revenues (\$000s)</b>	<b>\$ 270,914</b>	<b>\$ 277,432</b>	<b>\$ 289,764</b>	<b>\$ 294,688</b>	<b>\$ 306,859</b>
<b><u>Other Summary Statistics</u></b>					
Total Operating Costs (\$000s) <sup>(7)</sup>	\$ 222,124	\$ 225,008	\$ 257,879	\$ 262,907	\$ 273,751
Operating Costs (\$ per MG)	\$ 5,184	\$ 5,316	\$ 5,958	\$ 6,156	\$ 6,203
Gallons Used per Day per capita	75 <sup>(8)</sup>	74	74	71	72

(1) Estimated population in areas served by SPU's water supply, based on U.S. Census Bureau population estimates. 2021 population data were not collected due to COVID-19 pandemic-related staffing issues at the U.S. Census Bureau, therefore numbers shown reflect 2020 population estimates. Population within Wholesale Customer service areas has been adjusted to account for estimate of proportion of water obtained by Wholesale Customers from sources other than SPU.

(2) 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.

(3) Expressed in million gallons per day (MGD); reflects the sum of total billed water consumption (MG) (shown above), plus non-revenue diversions (MG), divided by 365 for all years.

(4) Expressed in MGD. Includes real (physical) losses, apparent losses, and unbilled consumption (e.g., for firefighting, street cleaning, flushing, etc.).

(5) 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. Revenues shown do not include the impact(s) of transfers to the RSA or other credits or deferrals of income. See information in the Official Statement under the heading "WATER SYSTEM FINANCIAL INFORMATION" and Table 7—Summary of Historical and Projected Operating Results.

(6) Revenue fluctuations largely attributed to increases in rates and seasonal consumption, particularly where SPU utilizes an increasing step rate structure.

(7) See information in the Official Statement under the heading "WATER SYSTEM FINANCIAL INFORMATION" and Table 7—Summary of Historical and Projected Operating Results.

(8) Gallons used per day per capita in 2021 calculated based on the available 2020 population estimates. See Note 1, above.

Source: *Seattle Public Utilities*

## Water Fund Financial Management and Financial Targets

The Water Fund is a special fund originally established by the ordinance that created the Seattle Water Department in 1909, and retained by Ordinance 118396 (1996), as a separate fund to be operated by SPU upon consolidation of the Water Department and establishment of SPU. All amounts in the Water Fund are held and invested by the Treasury Services Division of the Office of City Finance in accordance with City-wide financial and investment policies and State law. See APPENDIX A—THE CITY OF SEATTLE (“FINANCIAL AND RISK MANAGEMENT—Investments”). For so long as any Parity Bonds are outstanding, amounts received into the Water Fund may be used only subject to the priority flow of funds set forth in the outstanding Parity Bond Ordinances, as described in the Official Statement under the heading “SECURITY FOR THE BONDS.”

In accordance with the SPU Financial Policies and the SPU Strategic Business Plan, the Water System’s rates are set to achieve generally positive net income and to meet the following financial targets:

- **Debt Service Coverage Policy.** The Financial Policies set a rate-setting guideline to maintain debt service coverage ratio (budgeted Net Revenue divided by budgeted Debt Service on fixed long-term Parity Bonds) of at least 1.70x.
- **Targets for Debt Financing of Capital Improvement Program.** The Financial Policies set a requirement to fund approximately 20% of the capital requirements shown in its adopted 6-year Capital Improvement Plan (“CIP”) with current revenue from operations. See “WATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan” and the description in the Official Statement under the heading “DEBT OF THE WATER SYSTEM—Future Financing Plans.”
- **Liquidity Goal.** In the 2025-2030 Strategic Plan, SPU adopted a planning target for the Water System to maintain a minimum balance of cash on hand equal to 120 days of operating expenses. As of December 31, 2025, the Water System’s cash balance equaled 201 days of operating expenses, with an average of 208 days over the period 2021-2025.
- **Rate Stabilization Account (“RSA”) Management Policy.** The Financial Policies set parameters for the funding, operation, and expenditure of amounts in the RSA (also referred to in Ordinance 116705 as the “Revenue Stabilization Subfund”). The policies currently require maintenance of minimum balance of \$9.0 million. As of December 31, 2025, the balance in the RSA was \$36.8 million. For discussion of recent deposits to and withdrawals from the RSA, see information in the Official Statement under the heading “WATER SYSTEM FINANCIAL INFORMATION” and Table 7—*Summary of Historical and Projected Operating Results*.

Over the last ten years, the Water System has met or exceeded all financial policy targets in every year. For information about retail and wholesale rate setting and current water rates, see “WATER SYSTEM CUSTOMERS AND RATES—Retail Water Rates.”

### — Interfund Loans as a Liquidity Support

The City’s Director of Finance is authorized to make loans to individual funds participating in the City’s common investment portfolio (the “Investment Pool”), including the Water Fund, as a source of short-term emergency liquidity. Interfund loans are made in accordance with the City’s Debt Management Policies. Currently, there are no interfund loans to the Water Fund. See APPENDIX A—THE CITY OF SEATTLE (“FINANCIAL AND RISK MANAGEMENT—Financial Management—*Interfund Loans*”).

## WATER SYSTEM CAPITAL REQUIREMENTS

The City’s primary source of water supply consists of diversions from the Cedar and South Tolt Rivers. The City also owns two small well fields located immediately north of the Seattle-Tacoma International Airport (the “Seattle Well Fields”). The Water System also owns and operates approximately 1,800 miles of pipeline and 327 million gallons (“MG”) of storage capacity in treated water transmission and distribution reservoirs.

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 is included in the capital improvement program of the City as a whole.

### Water System Plan

SPU is required to produce a 20-year comprehensive plan for the Water System, which is updated every ten years on a rolling basis. The most recent Water System Plan (the “2019 Water System Plan”) was approved by the City Council

in 2018 (Ordinance 125687) and by the County and the State Department of Health (“DOH”) in 2019. It is valid through 2029. Preparation of the next Water System Plan update began in early 2026.

The 2019 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). Impacts of seismic risks on system reliability have been the subject of a separate focused planning activity outside of the 2019 Water System Plan and are discussed below under “CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS—Seismic Hazards.”

### **Capital Improvement Plan**

As part of the City’s annual budget process, the City Council approves annual updates to the Water System’s 6-year CIP identifying facility needs and financing for rehabilitation, enhancement, and expansion of the Water System. 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 2026 through 2031, SPU expects the financial requirements for these projects to be met from Net Revenue of the Water System, subordinate lien State Revolving Loans, and the proceeds of Parity Bonds. Approximately 75% of projected CIP spending during this period is expected to be financed by the issuance of Parity Bonds, including the Bonds.

Table B-2 summarizes the adopted 2026-2031 CIP and other capital requirements that the Water System intends to implement over the six-year period, along with planned funding sources. The main areas of focus in the adopted 2026-2031 CIP include rehabilitation of the water distribution system, ensuring seismic resiliency, and making water quality improvements. 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 amounts shown below for each program area are based on the adopted 2026-2031 CIP; costs estimated for specific projects reflect expenses expected to occur during the six-year period only and may not represent the total cost of the project. *Projected information presented below speaks only as of the date it was prepared and is a “forward-looking statement.” This information reflects only the information, expectations, and assumptions made as of the date it was prepared, is not fact, and should not be relied upon as being necessarily indicative of future results. Potential purchasers of the Bonds and the readers of this Official Statement are cautioned not to place undue reliance on the prospective information.*

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**Table B-2.**  
**Summary of 2026-2031 Capital Improvement Plan**  
(\$ in thousands)

	2026	2027	2028	2029	2030	2031	Total
<b>Planned Uses of Funds by Program</b>							
Distribution	\$ 63,647	\$ 75,140	\$ 68,289	\$ 65,733	\$ 66,802	\$ 76,476	\$ 416,087
Transmission	9,751	16,348	16,556	22,740	19,905	17,420	102,720
Watershed Stewardship	1,472	5,342	2,239	2,731	1,862	1,392	15,037
Water Quality and Treatment	17,756	30,380	25,822	32,508	4,154	3,923	114,542
Water Resources	19,719	18,615	8,882	10,863	27,995	22,119	108,193
Habitat Conservation Program	1,069	1,163	5,997	1,417	1,047	527	11,219
Shared Cost Projects <sup>(1)</sup>	57,678	29,369	32,351	23,959	22,996	13,359	179,713
Technology	5,723	4,221	4,221	4,221	4,221	4,221	26,828
<b>Total Adopted CIP Requirements</b>	<b>\$ 176,814</b>	<b>\$ 180,578</b>	<b>\$ 164,356</b>	<b>\$ 164,170</b>	<b>\$ 148,982</b>	<b>\$ 139,437</b>	<b>\$ 974,339</b>
Adjustments for Additional CIP <sup>(2)</sup>	4,636	(48,678)	(16,687)	8,589	14,450	12,127	(25,563)
<b>Total Projected CIP</b>	<b>\$ 181,451</b>	<b>\$ 131,900</b>	<b>\$ 147,670</b>	<b>\$ 172,761</b>	<b>\$ 163,432</b>	<b>\$ 151,564</b>	<b>\$ 948,778</b>
<b>Expected Sources of Funds</b>							
<b><u>Debt Financing</u></b>							
Outstanding Bonds	\$ 40,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,813
The Bonds	79,886	26,114	-	-	-	-	106,000
Future Parity Bonds	0	67,238	111,791	132,497	125,531	116,112	553,169
Future Subordinate Loans	10,000	5,000	-	-	-	-	15,000
<b>Total Debt Financing</b>	<b>\$ 130,699</b>	<b>\$ 98,352</b>	<b>\$ 111,791</b>	<b>\$ 132,497</b>	<b>\$ 125,531</b>	<b>\$ 116,112</b>	<b>\$ 714,982</b>
<b><u>Revenue Financing</u></b>							
Internally Generated Funds	\$ 39,512	\$ 22,027	\$ 24,070	\$ 28,160	\$ 25,495	\$ 22,735	\$ 161,999
Grants and Reimbursements	11,240	11,521	11,809	12,104	12,406	12,717	71,797
<b>Total Revenue Financing</b>	<b>\$ 50,752</b>	<b>\$ 33,548</b>	<b>\$ 35,879</b>	<b>\$ 40,264</b>	<b>\$ 37,901</b>	<b>\$ 35,452</b>	<b>\$ 233,796</b>
<b>Total Expected Funding Sources</b>	<b>\$ 181,451</b>	<b>\$ 131,900</b>	<b>\$ 147,670</b>	<b>\$ 172,761</b>	<b>\$ 163,432</b>	<b>\$ 151,564</b>	<b>\$ 948,778</b>

Totals may not add due to rounding.

- (1) The Shared Cost Projects program area includes Seattle Department of Transportation (“SDOT”) projects and other multi-agency projects. Timing and capital requirements for these projects are governed by agreements with lead or coordinating City departments and State agencies and may be subject to factors beyond SPU’s control. These projects represent approximately 20% of the total CIP over the 6-year planning period.
- (2) Adjustments reflect timing shifts and revisions to the adopted CIP.

Source: *Seattle Public Utilities*

## WATER SYSTEM CUSTOMERS AND RATES

### Retail Water Rates

The City Council has exclusive authority to establish and revise rates and charges for water service, subject only to State law, which requires that rates must be fair, nondiscriminatory, and fixed to produce revenue that is adequate to pay operation and maintenance expenses of the Water System and to meet all debt service requirements payable from such revenue. In adopting Water System rates, the City is not subject to the rate-making jurisdiction of the Washington Utilities and Transportation Commission or any other State or federal agency.

### Rate Setting Procedures

The City Council typically reviews SPU’s proposed rates for the Water System approximately every two to three years. Rate proposals are developed based on the proposed operating budget, CIP, and other planning documents.

SPU conducts a formal rate study (“Rate Study”) approximately every 3 years, most recently completed in 2023. A recommended rate path is also included in the Strategic Business Plan. The current SBP makes recommendations for rates from 2025 through 2030. See “SEATTLE PUBLIC UTILITIES—Strategic Business Plan.” The Rate Study’s recommendations, however, may differ from the Strategic Business Plan’s projected rate path based on actual experience. Major drivers of the most recent Rate Study recommendations included revised demand projections,

increased operational and maintenance expense, the Water System’s CIP (see “WATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan”), and financial policy targets. In addition, retail rates were set to recover revenue reductions expected from the low-income discount program. After receiving SPU’s rate proposal, the City Council also receives input from the Customer Review Panel and from the public at large during public hearings. The City Council reviews the rate proposal together with the public input and sets rates by passage of a rate ordinance.

The current rate ordinance (Ordinance 126909) was passed by the City Council on September 26, 2023 and covers the period 2024 through 2026. A three-year water Rate Study is currently underway and expected to be completed in mid-2026. In mid-2026, SPU expects to submit a proposed rate ordinance to the City Council that would increase rates for 2027 through 2029, effective January 1, 2027.

Rates for Wholesale Customers have not changed since 2020. A wholesale rate study is underway and SPU expects that it will be ready for submission to the City Council for approval in late 2026 or early 2027, leading to adoption of updated rates sometime during 2027. See “—Wholesale Customer Contracts.”

Table B-3 shows average historical water rate changes over the last ten years. System-wide average changes reflect a variety of factors including changing rates, customer mix, and seasonality.

**Table B-3.  
Historical System-Wide Average Water Rate Adjustments**

Year	Rate Adjustment
2017	3.1%
2018	1.3
2019	4.2
2020	1.6
2021	(2.5) <sup>(1)</sup>
2022	4.9
2023	0.3
2024	3.5
2025	0.7

(1) Retail rates did not change in 2021. 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 also “—Wholesale Customer Contracts,” below.

Source: *Seattle Public Utilities*

***Retail Rate Structure***

SPU’s retail water rates include a base service charge per meter per month and a commodity charge per 100 cubic feet of water consumed. Temporary surcharges may be implemented to fund the RSA. Retail rates are seasonally differentiated; summer residential rates have an inclining block structure in effect from May 16 through September 15. Rates are approved for residential customers (“Residential Rates”) and for general service or business customers (“Commercial Rates”). Rates charged to customers outside the City limits are adjusted for pass-throughs of franchise fees, local utility taxes, and capital surcharges to reimburse the Water System for expenditures on certain capital investments located in those cities.

Table B-4 describes the current adopted retail rates by customer class and representative wholesale rates.

**Table B-4.**  
**Current Adopted Monthly Water Rates<sup>(1)</sup>**  
*(effective January 1, 2026)*

	<b>Residential</b>	<b>Commercial</b>	<b>Wholesale</b>
<b>Commodity Charges (\$ per ccf)</b>			
Winter (September 16 - May 15)	\$ 5.82	\$ 6.06	\$ 1.67
Summer (May 16 - September 15)	<i>Based on consumption:</i>	\$ 7.70	\$ 2.50
	First 5 ccf \$ 5.98	n/a	n/a
	Next 13 ccf 7.39	n/a	n/a
	Over 18 ccf 11.80	n/a	n/a
<b>Basic Service Charge (\$ per month)<sup>(2)</sup></b>			
Meter size: ¾"	\$ 21.35	\$ 25.20	n/a
1"	22.00	26.00	n/a
1½"	33.95	40.05	n/a
2"	37.60	44.35	n/a
3"	139.20	164.00	n/a
4"	199.00	235.00	n/a

(1) Retail rates for customers outside the City limits (and outside of wholesale customer cities) are 14% higher than the in-City rates shown. Rates for customers located in the following cities (in the Water System’s direct retail service area) are higher than the in-City rates by the following percentages: City of Shoreline (21%), Lake Forest Park Water District (21%), City of Burien (24%), and City of Mercer Island (20%).

(2) The Base Service Charge is based on the size of the customer’s meter. Rates for meters larger than 4” are available from SPU.

Source: *Seattle Public Utilities*

— *Other Charges*

Certain one-time fees and charges are also collected by the Water System. These include fees for new account setup, fees associated with delinquencies and shutoffs, fees to restart service, and system development charges, which are one-time fees assessed on issuance of utility permits and due at permit issuance. Cumulatively, these other charges totaled approximately \$17.2 million in 2025, or 4.8% of Water System revenues.

**State and Local Utility Taxes and Franchise Fees**

The Water System operates as a utility enterprise that is subject to the State public utility tax and is subject to local utility taxes or franchise payments in the jurisdictions within which it operates, including the City.

The State imposes a public utility tax at a rate of 5.029% of gross revenues from all sales within the State, less certain adjustments. For this purpose, the term gross revenues has a meaning described in State statute and includes revenues derived from operations, regardless of customer location.

Local utility taxes and franchise fees are passed on to customers based on the customer’s location. The City imposes a utility tax equal to 15.54% of gross revenues from retail service provided to customers, less certain adjustments. Under the City Charter (Article VIII, Section 15), utility revenues may not be diverted to pay this tax “until ample provision has been made for the servicing of the debts and obligations of the utility, and for necessary betterments and replacements for the current year.”

Currently, most of SPU’s retail service areas located in the City of Shoreline and the Lake Forest Park Water District are not subject to additional local utility taxes. However, those cities impose a 6.0% franchise fee on SPU, which is passed on to customers in those jurisdictions. The City of Burien imposes an 8.0% water utility tax, which is passed on to customers located within Burien. King County has proposed a tax on water sales in unincorporated King County, which is currently the subject of ongoing negotiations between the SPU and the County. If the County or any other wholesale customer city were to impose a local utility tax or franchise fee, SPU would expect the City Council to adjust retail rates in those jurisdictions to pass through the costs of paying the additional local utility tax or franchise fees in the water rates applicable to those jurisdictions.

**Retail Billing and Collections**

SPU shares a combined billing system with Seattle City Light (“SCL”), which provides electric utility services throughout the City. The City’s information technology department (“Seattle IT”) provides technical support for the

billing system and other customer information system. The SPU Contact Center serves as the primary point of contact, including a walk-in center for in-person inquiries.

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. Water System 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. Customers with past-due accounts 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.

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

### ***Collections Procedures and Delinquencies***

For the year ending December 31, 2025, total 90-day-plus outstanding balances were consistent with prior years, closing with combined total past-due balances for all three SPU utilities of approximately \$16.5 million. This is less than 2% of combined annual revenue billed by SPU for water, wastewater, and solid waste service (including retail and most wholesale customers for the Water System and excluding commercial Solid Waste customers). These figures reflect outstanding amounts going back to 2009.

### ***Low-Income Assistance***

Income-eligible customers can apply to the Utility Discount Program ("UDP"), which provides a 50% discount on water rates for ongoing utility bills for eligible customers. Eligibility is based on household size and a gross household income that is at or below 70% of State Median Income. Currently, about 30,000 water customers receive a UDP discount.

In addition to the UDP, SPU also has an Emergency Assistance Program ("EAP") to assist customers in immediate need of bill relief. The EAP allowance is limited to \$537 per allowance for 2026. Most customers are permitted one allowance per year; households with children are permitted two allowances per calendar year. Eligibility is based on household size and a gross household income that is at or below 80% of State median income. Rate proposals include the financial impact of both the UDP and EAP.

The City is currently reviewing the UDP and EAP across all utilities as part of furthering SPU's affordability goals and expects to submit recommendations for adjustments to the City Council in 2026.

### **Wholesale Customer Contracts**

Wholesale Customers consist of multiple water districts and municipalities, served under long-term water sales contracts, which are full requirements, partial requirements, or block contracts; Cascade, served under a declining block contract; two municipal water agencies with emergency intertie agreements; and one raw water customer provided with untreated water for instream flows. In 2025, approximately 20% of total water sales revenue was derived from Wholesale Customers.

Wholesale Customers generally pay rates that reflect the costs of the regional system extending to intertie or connection points with the wholesale customer. The regional system excludes the SPU retail distribution systems that extend to direct service customers. The wholesale contracts include:

- ***Long-Term Water Sales Contracts.*** SPU has long-term water sales contracts with 17 customers, 16 of which are "full" or "partial" requirements contracts and one of which is a "block" contract (each, a "Long-Term Contract"). Requirements contracts obligate the Water System to meet the Wholesale Customers' demand that is not already met by an independent source of supply. Customers under the requirements contracts pay a consumption-based rate for this variable demand. See "*—Requirements Contracts,*" below. The sole customer operating under a block contract pays an annual price for a set block of water regardless of how much water is actually consumed, up to the block amount and excess consumption incurs a penalty. See "*—Block Sales Contract (Northshore Utility District),*" below.

- **Cascade Water Alliance Contract.** Cascade, a consortium of municipal water utilities, has a declining block contract, under which it pays to SPU an annual price for a set amount of water (a block of water) regardless of how much water is actually consumed, up to the block amount. Any excess consumption incurs a penalty. See “—*Cascade Water Alliance Contract*,” below.
- **Other Agreements.** SPU has emergency intertie agreements with two municipal water agencies (the City of Edmonds and the Lake Forest Park Water District) signed in 2011 to replace their previous wholesale supply contracts that were scheduled to expire at the end of 2011. These customers have alternate supplies and do not purchase water from Seattle on a regular basis. The contracts expire in 2061 and 2062, respectively. SPU also has a 60-year partial requirements contract for raw (untreated) water, that was executed in 2008 with the City of North Bend. Under that contract, SPU provides up to 1.1 MGD of untreated water for North Bend’s use in supplementing stream flows affected by its well operation. SPU has proposed contract updates and simplifications to North Bend, which are under consideration.

Table B-5 summarizes total water consumption (in ccf) by individual Wholesale Customers and the revenues generated by water sales to individual Wholesale Customers in 2025.

**Table B-5.**  
**Annual Wholesale Water Sales by Customer<sup>(1)</sup>**  
*(Calendar Year 2025)*

<b>Wholesale Customer</b>	<b>Total Water Consumption (ccf)</b>	<b>Revenue (\$)</b>
Cascade Water Alliance	14,384,070	\$ 24,556,441
Northshore Utility District <sup>(2)</sup>	2,656,270	6,140,798
Highline Water District <sup>(3)(4)</sup>	2,607,632	5,541,188
Soos Creek Water and Sewer District <sup>(3)</sup>	2,005,093	4,055,207
Woodinville Water District <sup>(3)</sup>	1,911,966	3,993,777
King County Water District No. 20 <sup>(3)</sup>	1,277,537	2,666,434
City of Mercer Island <sup>(3)</sup>	956,767	2,018,372
Cedar River Water and Sewer District	944,254	1,948,049
King County Water District No. 90	809,055	1,659,434
City of Bothell <sup>(3)</sup>	728,589	1,513,879
King County Water District No. 125 <sup>(3)</sup>	663,062	1,370,853
North City Water District <sup>(3)</sup>	791,431	1,602,644
Coal Creek Water and Sewer District <sup>(3)</sup>	677,292	1,484,919
King County Water District No. 49 <sup>(3)</sup>	620,640	1,295,728
Olympic View Water and Sewer District	361,708	791,845
City of Duvall <sup>(3)</sup>	350,274	714,012
City of Renton	50,691	280,538
King County Water District No. 119 <sup>(3)</sup>	145,005	291,501
Lake Forest Park Water District <sup>(5)</sup>	87	5,182
City of Edmonds <sup>(5)</sup>	13	4,648
<b>Total</b>	<b>31,941,436</b>	<b>\$ 61,935,449</b>

- (1) Figures represent 2025 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) Northshore Utility District has a “block” sales contract for the purchase of a fixed amount of water, regardless of actual consumption. See “—*Block Sales Contract (Northshore Utility District)*,” below.
- (3) Indicates “full requirements” Wholesale Customers that buy all of their water from SPU.
- (4) Highline Water District gave notice to the City in 2011 that it intended to reduce purchases by up to two MGD (approximately 975,900 ccf) beginning in 2016. However, the reduction has since been delayed with an unknown effective date. SPU estimates that the impact of this change would represent a loss of revenue to SPU of approximately \$2.1 million per year, based on current rates.
- (5) Emergency intertie agreements.

Source: *Seattle Public Utilities*

### ***Requirements Contracts***

The City supplies water under long-term wholesale contracts with Wholesale Customers under full and partial requirements contracts (the “Requirements Contracts”). In 2025, water supplied under these contracts represented in the aggregate approximately 25% of total SPU water consumption (including both retail and wholesale) and 47% of wholesale consumption.

The Requirements Contracts have been in place since 2001 and expire January 1, 2062, unless extended (see below). Although each customer executes a separate contract, the form of the Requirements Contract (and any amendments) is negotiated with these customers as a group, so that the Requirements Contracts are nearly identical in all material terms. Certain amendments to the Requirements Contracts were ratified in 2025 by each of the Requirements Contract holders, with a January 1, 2026 effective date.

The Amended Requirements Contracts provide for “stranded cost” provisions, an option for the return of over-collected amounts in the form of a rebate as opposed to lower future rates, and automatic 10-year extensions:

- The “stranded cost” provisions require that when a customer reduces demand (except in certain limited circumstances such as increased conservation efforts), above 5% of that customer’s average demand (and in 2 cases, above a flat amount of 0.5 MGD and 1.0 MGD), it will need to pay the stranded cost, protecting both SPU and all other Requirements Contracts customers.
- Pursuant to the rebate provision, Seattle provided a return of \$25.2 million in February 2026, which was offset by a corresponding withdrawal from the RSA in 2025, which is described in the Official Statement under the heading “SECURITY FOR THE BONDS—Rate Stabilization Account.”
- Unless a customer opts out, an automatic 10-year extension of each contract will be applied every 10 years, beginning in 2032. For example, in 2032, contract expiration will be extended from 2062 to 2072, unless a customer opts out of the extension. The Requirements Contracts include an additional opportunity to amend certain contract terms beginning in 2042.

### ***Block Sales Contract (Northshore Utility District)***

One long-term water sales contract customer, Northshore Utility District, has a fixed block sales contract, meaning that the size of the block does not change over the course of the contract term, which ends in 2062. In 2025, water supplied under the Northshore Contract represented approximately 4% of total SPU water consumption (including both retail and wholesale) and 8% of wholesale consumption. Northshore pays an annual price for its block of water, regardless of how much water it consumes, up to the block amount; excess consumption incurs a penalty. Upon the contract expiration in 2062, in each subsequent year Northshore Utility District has the option to purchase and SPU has the obligation to continue to provide the amount of water then-supplied on an annual basis. SPU has proposed amending this contract to align it with the wholesale requirements contracts with other suburban utility customers in order to provide consistent financial terms across wholesale contracts. It is unknown at this time whether the parties will pursue this amendment.

### ***Cascade Water Alliance Contract***

SPU provides water to Cascade under a declining block sales contract that was executed in 2003 and extends through 2063 (the “Cascade Contract”). In 2025, water supplied under the Cascade Contract represented approximately 22% of total SPU water consumption (including both retail and wholesale) and 45% of wholesale consumption. Cascade pays an annual price for its block of water, regardless of how much water it consumes, up to the block amount; excess consumption incurs a penalty. The declining block structure was originally designed to accommodate the planned development of water supply from the Lake Tapps Reservoir, located in Pierce County. Cascade is a separately incorporated municipal corporation formed to provide safe, clean, reliable water supply to its member agencies who provide retail water service to a combined population of approximately 400,000 residents located mainly to the east and south of Seattle. Cascade does not provide direct retail service.

The Cascade Contract was last amended in 2013 and provides for delivery by the Water System to Cascade of a fixed block of 33.3 MGD through 2039 and declines in yearly increments thereafter until the end of the contract in 2063, after which Cascade has the option to purchase, and SPU has the obligation to provide, up to 5.3 MGD annually. In 2025, Cascade entered into new supply contracts with Tacoma Public Utilities to replace the declining supply from SPU beginning in 2041. SPU’s water demand forecast in the 2019 Water System Plan shows that the decline in Cascade’s purchases will be offset by demand growth from other wholesale customers, plus growth in water demand from SPU retail customers.

## Customer Statistics

### Major Retail Water Customers

Table B-6 shows the Water System’s ten largest retail water users in 2025 by amount billed. There are no major water-intensive retail customers in the service area, and no single customer represents more than 2% of total Water System sales revenue.

**Table B-6.**  
**Largest Water System Retail Customers (2025)**

<b>Customer</b>	<b>Type</b>	<b>2025 Revenue (\$000s)</b>	<b>% of Water Sales Revenue</b>
The City of Seattle	Government	\$ 5,205	1.8%
University of Washington	Education	4,715	1.6
Port of Seattle	Government	3,131	1.1
Seattle Housing Authority	Housing	2,905	1.0
King County	Government	1,591	0.5
Equity Residential Properties	Housing	1,338	0.5
Marriott International Inc.	Hospitality	1,161	0.4
Nucor Steel	Manufacturing	963	0.3
Seattle Public Schools	Education	834	0.3
Bellwether Housing	Housing	781	0.3
<b>Total – Top Ten Largest Customers</b>		<b>\$ 22,624</b>	<b>7.7%</b>

Totals may not add due to rounding.

Source: *Seattle Public Utilities*

### Rate and Bill Comparisons

Table B-7 compares the Water System’s monthly rates and charges (“bills”) for selected comparable residential customers with those of other regional water utilities. The representative monthly bills shown are based on comparable customer types and usage profiles, and on the specific rate schedules for each utility. Use of different schedules applicable to particular customers would yield different results. Utilities differ in whether they include state and local utility taxes or franchise fees in their published rates.

**Table B-7.**  
**Comparison of Typical Single Family Residential Monthly Water Bills<sup>(1)</sup>**  
*(as of January 1, 2026, except as noted)*

<b>Utility Provider</b>	<b>Typical Total Monthly Bill</b>
City of Bellevue, WA	\$ 91.30
City of Portland, OR	65.57
City of Kirkland, WA	64.86
City of Everett, WA	59.78
City of Issaquah, WA	59.75
City of Tacoma, WA	56.35
<b>City of Seattle, WA</b>	<b>50.71</b>
City of Redmond, WA	42.02

(1) Assumes single-family residential, ¾” meter, and 5 ccf of water consumed on monthly basis. Based on published rates; for providers that publish bi-monthly rates, table shows half of the bi-monthly rate. Consumption charges shown are winter (or Tier 1) residential rates, where applicable, and are converted to per ccf rates. Base charges do not include any base level of consumption except as noted.

Source: *Seattle Public Utilities and published rates of other service providers*

## WATER SUPPLY, TREATMENT, TRANSMISSION, & DISTRIBUTION SYSTEMS

### Overview

The Water System includes two watershed sources of water supply and two small well fields, in total providing approximately 140 MGD of potable drinking water. The Water System also includes water treatment facilities associated with its two watershed sources; approximately 130,000 acre-feet of raw water storage capacity and six covered storage reservoirs, five standpipes, and one elevated tank for storage of treated water; approximately 1,900 miles of water transmission lines and supply mains connecting the surface water diversions to the distribution system; and a network of approximately 1,900 miles of distribution lines.

The watershed areas upstream of the water supply intakes on the Cedar River and the South Fork Tolt River consist of approximately 104,000 acres of forest land in the Cascade Mountains of western Washington, which provide raw water storage capacity and an opportunity to preserve water quality. Rainfall in the watersheds averages in excess of 100 inches annually. The snowpack at higher elevations averages five feet per year, effectively storing winter precipitation that is released during warmer months. See “CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS—Climate Change Risks” for a discussion of climate impacts affecting the Water System.

The Water System also implements aggressive water conservation measures to offset new system demand and delay acquisition of new sources of water supply.

### Water Supply

The SPU water supply system consists of surface water reservoirs on the Cedar River and South Fork Tolt River and two small well fields that supplement surface supply during drought conditions. The system is operated primarily for water supply and protection of instream flows, but it is also used for hydroelectric power generation and flood management. Approximately half of the water is sold to SPU retail customers and half is sold under Wholesale Contracts to other municipal water agencies, who in turn provide the water to their own retail customers. See “WATER SYSTEM CUSTOMERS AND RATES—Wholesale Customer Contracts,” above.

#### *Cedar River Water Supply*

The Cedar River supplies between 60% and 70% of the drinking water to the Water System and originates in the 90,638 acre Cedar River Municipal Watershed located in the Cascade mountains, about 35 miles southeast of the City. The City has diverted water from the Cedar River for municipal use since 1901. The City has a water claim (Claim No. 068624 – Cedar River storage and diversion) for storage of up to 160,000 acre-feet of water and an annual diversion of up to 465 cfs (300 MGD) of Cedar River water, with a priority date of 1888.

The City owns nearly all of the land within the Cedar River Municipal Watershed, which is managed by SPU for the benefit of the water supply. See “WATER QUALITY AND ENVIRONMENTAL MATTERS—Watershed Management—*Cedar River Municipal Watershed Management*,” below. From the Cedar River Watershed, melting snow and rain is collected and stored in Chester Morse Lake behind Masonry Dam. Water from Chester Morse Lake is released directly to the Cedar River year-round to meet instream flow commitments and for diversion for water supply. SCL owns and operates a small hydroelectric power plant at Cedar Falls, which is used intermittently. All water released from Chester Morse Lake flows downstream to the Landsburg diversion dam (“Landsburg”). At Landsburg, a portion of the water is diverted from the river into Lake Youngs Reservoir, located about seven miles away. From Lake Youngs, water is pumped a short distance to the Cedar Water Treatment Facility. See “—Water Treatment—*Cedar River*,” below.

The City’s water rights and annual diversions are limited by the Cedar River Watershed Habitat Conservation Plan (the “HCP”), a comprehensive 50-year set of legal agreements among the City and various State and federal agencies originally signed in 2000, that addresses the City’s municipal water rights, instream flow requirements, fish passage, watershed management, and adaptive management requirements to mitigate the effects of the City’s water operations and diversion from the Cedar River to provide municipal drinking water supply. See “WATER QUALITY AND ENVIRONMENTAL MATTERS—Watershed Management—*Cedar River Municipal Watershed Management*” and “—Environmental Matters—*Endangered Species Act*.”

In 2006, the City entered into a comprehensive settlement with the Muckleshoot Indian Tribe regarding the Cedar River Watershed, agreeing 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 MGD to instream flows and agreed to certain other limits on its annual diversions from the Cedar River in perpetuity. The instream flow

dedication was satisfied by a 35-year donation of a portion of the City’s Cedar River Water Right Claim (22,403 acre-foot per year) to the Washington State Trust Water Right Program, administered by the Washington State Department of Ecology (“Ecology”), which was accepted in 2016.

### ***South Fork of the Tolt River***

The South Fork Tolt River Municipal Watershed is located approximately 35 miles east of Seattle in the Cascade Mountains in east King County. It supplies about 30% to 40% of the Water System supply. 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 for the South Fork Tolt Reservoir was issued in 2003, but the diversion water right remains in permit status.

The South Fork Tolt Reservoir captures water and snow melt from the South Fork Tolt River Municipal Watershed. Water from the South Fork Tolt Dam is continuously released directly to the South Fork Tolt River to meet environmental objectives. Water for municipal use is drawn directly from the reservoir through penstocks, passing through a small SCL hydroelectric facility to a small regulating basin, and finally to the Tolt Water Treatment Facility. See “WATER QUALITY AND ENVIRONMENTAL MATTERS—Watershed Management—*Tolt River Watershed Management*.”

The City’s diversions from the South Fork of the Tolt River are not subject to Ecology’s instream flow restrictions under the Instream Resources Protection Program for the Snohomish River and its tributaries, but minimum instream flows have been established in connection with SCL’s hydroelectric facilities. In 1997, SCL documented the full beneficial use of the water needed for the hydropower plant and received a certificate of water right and, in 1989, the Federal Energy Regulatory Commission (“FERC”) granted a 40-year license to SCL to build the hydroelectric power plant on the South Fork of the Tolt River. The FERC licensing resulted in modifications to the terms of the City’s original water permits, including the establishment of minimum instream flows to mitigate impacts on endangered Chinook salmon and Steelhead in the river. See “WATER QUALITY AND ENVIRONMENTAL MATTERS—Environmental Matters—*Endangered Species Act*.”

### ***Seattle Well Fields***

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. See also “—Water Treatment—*Seattle Well Fields*,” below.

### ***Future Water Supply and Conservation***

#### ***—Adequacy of Supply***

At present, SPU estimates that it has adequate supply resources to meet Water System demands under a wide range of weather conditions. Peak day consumption levels as high as 348 MG and 329 MG were recorded on July 15, 1970, and June 29, 1987, respectively. Over the last ten years, peak daily consumption has been less than 250 MG. During the month of record maximum consumption, July 1985, the transmission lines delivered an average of 301 mgd.

According to the most recent official Long-Range Water Demand Forecast, prepared in conjunction with the 2019 Water System Plan (the “2019 Demand Forecast”), system-wide firm yield was projected to be 172 MGD through 2060, and total demand was projected to increase gradually to 137 MGD by 2039 before dropping off slightly to about 133 MGD (reflecting the declining block portion of the Cascade Contract) and remaining relatively flat through the remainder of the forecast period. The 2019 Demand Forecast projects that water demand will not exceed the current firm yield of existing sources through 2060. SPU expects to update its official long-range demand forecast for the 2029 Water System Plan.

Actual annual demand in the service area has averaged approximately 123 MGD over the past 10 years. In determining whether to invest in new sources of water supply to meet this demand, SPU also considers uncertainties associated with demand forecasts and potential future climate change impacts on water supply and demand, including whether the gradually declining Cascade block will offset demand growth. Variation in actual consumption from contracted blocks or other changes in the Cascade Contract could significantly alter the demand forecast. See “WATER SYSTEM CUSTOMERS AND RATES—Wholesale Customer Contracts—*Block Sales Contract (Northshore Utility District)*.”

### — *Conservation*

Between 1995 and 2025, water demand decreased by approximately 12%, due primarily to conservation efforts. Over the same 30-year period, the population served by the Water System and its Wholesale Customers increased by about 33%.

SPU has encouraged conservation through higher marginal water consumption rates in the summer peak season, utility water conservation programs, and improved Water System operations. The City provides rebates for low-flow toilets, and smart sprinkler timers to qualifying single-family, multi-family, and institutional low-income residential buildings. Customers in the UDP are referred to an income-qualified free toilet rebate program to help overcome first-cost barriers to installing water efficient fixtures and appliances. In addition, updated State plumbing codes specifying efficiency standards for water fixtures also went into effect in 2021 and much of the new housing added within the SPU service area over the last decade has been higher density housing, which tends to use less water per capita.

SPU operates a coordinated regional conservation program known as the Saving Water Partnership in collaboration with its Wholesale Customers. Since 2003, municipal water utilities in the State, including SPU and its partners, have been required to comply with State water efficiency rules set by the State DOH, which include planning requirements, distribution leakage standards, water use efficiency goal-setting, and performance reporting. The Saving Water Partnership set an efficiency goal of reducing per capita water use such that total average annual retail water use by Saving Water Partnership members remains under 110 MGD through 2028, despite forecasted population growth. In 2025, the Saving Water Partnership met this goal and recorded 97.9 MGD average annual retail water use.

### — *Potential Future Water Supply Sources*

Taking into account expected results of conservation measures, and recognizing the City's specific water right claims, permits, and applications in accordance with State DOH planning guidelines, the City does not anticipate the need to apply for any new water rights within the next 20 years. However, to preserve water rights priority, the City currently has water rights applications on file with Ecology for several potential future sources of supply, including the North Fork of the Tolt River and the Snoqualmie Aquifer.

A variety of potential new resource alternatives were identified in the 2019 Water System Plan including: the drawdown of existing reservoirs in the Cedar and Tolt watersheds below current operational drawdown elevations; construction of a new diversion on the North Fork of the Tolt River; development of a groundwater and surface water project related to the Snoqualmie Aquifer with connection to SPU's Tolt transmission line; increasing the height and storage capacity of the dam at a current overflow dike location on the Cedar River; constructing a desalination plant on Puget Sound; development of reclaimed water projects to reuse wastewater; constructing multiple distributed systems to offset potable water use, such as greywater or rainwater harvesting systems; and constructing regional interties with adjacent water suppliers.

These new resource alternatives vary in the amount of new supply that could be provided, capital and operating costs, and level of effort needed to develop. SPU has not selected any of these potential resources for development as a preferred next source of supply and has no expectations regarding pursuing any of these potential alternatives at this time.

## **Water Treatment**

### — *Cedar River*

The U.S. Environmental Protection Agency ("EPA") has promulgated a Surface Water Treatment Rule, which establishes 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.

Water originating from the Cedar River source is screened and fluoridated at the Landsburg Cedar River Diversion facilities before traveling through transmission pipelines to Lake Youngs. Primary treatment 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 Solutions Inc., a multinational infrastructure design and engineering firm. The plant treatment processes include ozonation, ultraviolet light disinfection, pH adjustment for corrosion control, and chlorination.

— *Tolt River*

The Tolt Treatment Facility is operated by SPU and provides primary treatment for the Tolt source using treatment processes including ozonation, direct filtration, pH and alkalinity adjustment for corrosion control, fluoridation, and chlorination. It has a maximum treatment capacity of 120 MGD. The EPA’s Surface Water Treatment Rule establishes 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.

— *Seattle Well Fields*

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.

### Water Transmission Facilities

The water transmission system includes approximately 198 miles of large-diameter pipes. Pipes are primarily concrete or steel and range in diameter from 30 to 96 inches. 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. 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”). Together, these systems deliver water from the supply sources on the Cedar and Tolt Rivers to the retail and wholesale service areas, while maintaining adequate water flow to the distribution portion of the Water System.

Table B-8 describes the hydraulic capacities of the primary transmission lines and the transmission regulating basins and reservoirs of the Water System.

**Table B-8.**  
**Hydraulic Capacity of Transmission System Components<sup>(1)</sup>**

<b>Facility</b>	<b>Hydraulic Capacity</b>
<b>Transmission Lines</b>	<i>(in MGD)</i>
Cedar River Pipelines	200
Tolt River Pipelines	135
Total	335 MGD
<b>Raw Water Storage Facilities</b>	<i>(in MG)</i>
Lake Youngs (Cedar River Regulating Basin)	4,812
Tolt River Regulating Basin	312
Total	5,124 MG
<b>Treated Water Storage Facility</b>	<i>(in MG)</i>
Transmission Reservoirs	215
Elevated Tank and Other Storage	7
Total	222 MG

(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*

### Water Storage and Distribution

Water storage capacity is 47,000 acre-feet in the Cedar River Municipal Watershed and approximately 56,000 acre-feet in the South Fork Tolt River Municipal Watershed. The South Fork Tolt Reservoir provides 18.3 billion gallons (approximately 56,000 acre-feet) of storage, and a 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 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 gallons per minute (gpm). The system also includes roughly 17,000 valves, 19,000 fire hydrants, and more than 191,000 service lines and meters serving individual residential and non-residential properties in the retail service area.

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. 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.

### ***Water Storage and Distribution Infrastructure Investments***

SPU regularly monitors and undertakes improvements to its water storage and distribution facilities. The following significant water storage and distribution projects are underway:

- *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, other safety updates, and the addition of a mixing system. This bid process for this project was completed in February 2025, construction began in June 2025, and substantial completion is expected by February 2027.
- *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. The bid process for this project was completed in June 2025 and construction began in spring 2026.
- *Charlestown and Volunteer Standpipes.* Planning and assessment of Charlestown and Volunteer Standpipes for seismic upgrades are in progress. Charlestown Standpipe is expected to start design in the third quarter of 2027. Volunteer Standpipe design is to follow in 2030.
- *Water Main Rehabilitation Program.* The Water System has implemented a Water Main Rehabilitation Program, which uses 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. SPU has multiple water main rehab projects underway in various phases from planning through closeout. New projects are started each year, and these projects include various types of work such as installation of new ductile iron watermain pipe, including valving, fire hydrants, and other watermain appurtenances; storm and sewer improvements; curb ramps; and pipe replacements.

### ***Distribution System Leakage***

Leakage from the distribution system is low, as evidenced by SPU's low distribution system leakage ("DSL") number. 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. 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.

Table B-9 shows the three most recent years of DSL data. For 2025, the annual DSL was 4.5% and the three-year average was 5.2%, which is well below the maximum allowed threshold of 10%.

**Table B-9.  
Distribution System Leakage (DSL)**

	2023		2024		2025	
	MG	MGD	MG	MGD	MG	MGD
Total Water Produced	45,862	125.6	45,286	124.1	46,235	126.70
<u>Authorized Consumption</u>						
Wholesale Sales	23,368	64.0	22,989	63.0	23,915	65.50
Retail Sales	19,914	54.6	19,719	54.0	20,219	55.40
Total Water Sales	43,282	118.6	42,708	117.0	44,134	120.90
Authorized System Uses	58	0.2	27	0.1	19	0.05
Total Authorized Consumption	43,340	119.0	42,735	117.1	44,153	120.95
<b><u>Distribution System Leakage (DSL)</u></b>						
<b>DSL Volume (Single Year)</b>	<b>2,522</b>	<b>6.2</b>	<b>2,550</b>	<b>7.0</b>	<b>2,081</b>	<b>5.7</b>
<b>DSL Percentage</b>	<b>(MG volume as % of MG Total Water Produced)</b>					
<b>Single Year</b>	<b>5.5%</b>		<b>5.6%</b>		<b>4.5%</b>	
<b>Three-Year Rolling Average</b>	<b>5.8%</b>		<b>5.8%</b>		<b>5.2%</b>	

Totals may not add due to rounding.

Source: Seattle Public Utilities

**Leakage Detection**

To improve leakage detection and minimize revenue loss, 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).

- *Meter Testing Program.* SPU’s testing program is intended to focus on meters showing greater consumption where accuracy improvement would translate into higher revenue recovery. SPU has a goal to improve testing of large retail meters to a rate of at least once every five years. Currently, these meters are tested on average once every eight to ten years. In addition, meters identified as “high-use” 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. Small meters are tested periodically in statistically significant samples.
- *Meter Replacement Program.* SPU has a targeted 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 QUALITY AND ENVIRONMENTAL MATTERS**

**Overview**

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

The Water System includes water treatment facilities for the Cedar River and South Fork Tolt River source waters, in-town disinfection facilities at reservoirs and well sites, and a state-certified water quality laboratory. SPU also manages a cross-connection control program to protect drinking water quality.

**Watershed Management**

SPU maintains watershed control and implements programs of watershed resource management, fire prevention, and the protection of water, environmental, and cultural resources within the Cedar River and South Fork Tolt River Municipal Watersheds. SCL also operates small hydroelectric plants in the Cedar River and South Fork Tolt River facilities, the licensing of which carry certain watershed management requirements.

SPU owns more than 99% of the Cedar River Municipal Watershed and 70% of the South Fork Tolt River Municipal Watershed above the intake points. The other 30% of the South Fork Tolt River Municipal Watershed is on U.S. Forest Service land. The municipal watersheds are closed to unsupervised public access, and protection of the watersheds from agricultural, industrial, residential, and recreational activities helps ensure that high-quality water is delivered to the Water System's customers. 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.

### ***Cedar River Municipal Watershed Management***

The City began acquiring lands within the Cedar River watershed as early as 1899. Acquisitions continued over nearly a century and, in 1996, a land exchange with the U.S. Forest Service completed the consolidated City ownership of approximately 91,638 acres of the Cedar River Municipal Watershed. SPU's watershed management program is based upon comprehensive management policies adopted in 1989 by Ordinance 114632 to affirm the primary use of water quality protection and guide the secondary uses of the watershed. The policies state that the primary goal for the Cedar River Municipal Watershed management is to "ensure the supply of high-quality water without requiring additional treatment" by protecting the source of the Cedar River surface water supply. SPU manages the watershed to ensure protection of water quality, as well as fish and wildlife habitat and cultural resources, and includes activities such as forest management, watershed management-relevant research, education, and managed recreation outside hydrographic boundaries.

The Cedar River Watershed Habitat Conservation Plan (the "Cedar River HCP") is a comprehensive, 50-year set of legal agreements among the City and State and federal agencies signed in 2000. The Cedar River HCP is a necessary part of the legal framework supporting SPU's drinking water and hydroelectric operations in the Cedar River in conformance with the federal Endangered Species Act ("ESA"). It commits the City to improving fish and wildlife habitat, including providing salmonid passage at the Landsburg Diversion Dam, forest thinning and planting, 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. It also outlines instream flow requirements for the Cedar River. See "—Environmental Matters—*Endangered Species Act*," below.

In the Cedar River HCP, the City committed to discontinuing timber harvesting for commercial purposes, effectively designating the Cedar River watershed as an ecological reserve over the 50-year lifespan of the agreements. 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 Cedar River HCP. In 2023, as part of a 15-year review conducted pursuant to the Cedar River HCP, SPU adopted a Forest Management Plan for the Cedar River Municipal Watershed ("FMP"). The FMP pursues the goals of the Cedar River HCP and adds new management objectives to incorporate climate resilience, tribal wildlife habitat objectives, and wildfire hazard reduction, based on recent reviews and recommendations.

During the first 25 years of Cedar River HCP implementation, the City has removed 236 miles of forest roads built for logging that 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.

### ***Tolt River Watershed Management***

In 1997, a land exchange with Weyerhaeuser Timber Company completed the City's ownership of the lower two-thirds of the South Fork Tolt River Municipal Watershed. The upper third of the drainage basin remains under the U.S. Forest Service ownership and land management.

The South Fork Tolt Watershed Management Plan was developed for the South Fork Tolt Watershed in 2008 and was approved in 2011 to provide a long-term framework for managing the land, natural resources, and road network in this watershed. SPU has carried out the plan's recommended restoration actions such as restoration planting which includes the planting of native trees, shrubs, and other plants to encourage development of habitat structure and heterogeneity, to improve habitat conditions for fish and wildlife, and to accelerate development of old-growth conditions or riparian forest function, and restoration thinning which includes cutting, girdling, or otherwise removing some trees in variable density thinning patterns, retaining a mix of species that is characteristic of natural site conditions, and leaving small gaps or openings characteristic of naturally regenerated forests. Ongoing activities in this watershed relate primarily to access security, forest management, and road maintenance.

## Water Quality Regulation

### *Safe Drinking Water Act*

As an operator of a public water system, SPU is required to comply with treatment and monitoring requirements of the Safe Drinking Water Act of 1974 (the “Safe Drinking Water Act”), as amended, and any additional requirements as specified by the State DOH. The Water System’s testing and monitoring activities pursuant to rules issued under the Safe Drinking Water Act by the EPA are presented below.

- ***Cryptosporidium***. SPU tested for the presence of cryptosporidium in the Tolt and Cedar River sources under the EPA’s Long Term 2 Enhanced Surface Water Treatment Rule. To date, monitoring has revealed extremely low levels and no additional water treatment has been required.
- ***Coliform***. SPU collects required monthly samples from its retail service area distribution system in compliance with the EPA’s Total Coliform Rule to demonstrate compliance with operations and maintenance practices that minimize the risk of bacterial intrusion or regrowth. No additional assessments or corrective actions have been triggered by detection of coliform contamination, and the Water System has been continuously in compliance with this rule since its adoption.
- ***Disinfection Byproducts***. The EPA’s Stage 1 and Stage 2 Disinfectants and Disinfection Byproducts Rules (“DBPRs”) reduce drinking water exposure to disinfection byproducts, including trihalomethanes and haloacetic acids. SPU conducts the required testing and meets current regulatory standards under the more stringent Stage 2 DBP Rules.
- ***Arsenic***. Testing of the City’s two primary drinking water sources, the Cedar and Tolt sources, indicates that arsenic is not present above 1.0 parts per billion (“ppb”), the minimum analytic detection limit. The EPA’s maximum contaminant level for arsenic is 10.0 ppb. Naturally-occurring arsenic concentrations in the Seattle Well Fields ranged from 1.7 to 7.9 ppb when last in regular use in 2015. The wells are currently inactive and are intended for use only seasonally during drought conditions. When last in operation, water was blended with surface supplies prior to delivery to customers and arsenic results remained below regulatory limits.
- ***Lead and Copper***. A revised Lead and Copper Rule (“LCR”) took effect in October 2024, which added new tap sampling requirements and testing for schools and childcare facilities. Lead and copper have not been detected in SPU’s source water supply and the City qualifies for reduced levels of monitoring for lead and copper. SPU did not historically, and does not currently, install lead water mains or lead service lines in the water distribution system. SPU has not experienced and does not anticipate experiencing difficulties in complying with the requirements of the LCR going forward. Although there is no detectable lead in SPU’s source water, tests show there are sometimes elevated levels of lead and copper in some home tap samples, primarily because of corrosion of household plumbing systems. For a description of SPU’s efforts to reduce lead leaching into home tap samples from individual meters, service lines and household plumbing, see “—*Addressing Lead in Drinking Water*,” below.
- ***Unregulated Contaminants***. The EPA’s Unregulated Contaminants Monitoring Rule (“UCMR”) requires monitoring of contaminants that do not have defined health-based standards. UCMR data is collected every five years and is used by EPA to determine the occurrence of contaminants in drinking water systems, which may lead to future regulations. The most recent round of UCMR data (“UCMR 5”) was collected in 2023 and focused on per- and polyfluoroalkyl substances (“PFAS”) and lithium. Of the compounds analyzed, SPU did not detect any in its drinking water. The next round of monitoring (“UCMR 6”) is scheduled to begin in 2028.
- ***Perfluorinated Compounds (“PFCs”) and Per- and Polyfluoroalkyl Substances (“PFAS”)***. The EPA’s National Primary Drinking Water Regulation (“NPDWR”), finalized in 2024, sets maximum contaminant levels for PFAS in drinking water. Initial monitoring of certain specified PFAS is required within three years, and public water utilities have five years to implement measures to reduce levels below the maximums permitted. SPU is currently in compliance with the PFC/PFAS regulations. Under UCMR 5, SPU completed monitoring that satisfied the initial NPDWR requirements. This monitoring uncovered no detections for the Water System’s surface water supplies. The Seattle Well Fields were monitored in 2018 and 2022 and found no detections in two of the three wells. In the third well, one compound was detected at levels slightly above the maximum contaminant level and that well has been taken out of service until appropriate next steps are identified.

Annual Water Quality Reports are available on the SPU website ([www.seattle.gov/utilities/about/reports/water-quality](http://www.seattle.gov/utilities/about/reports/water-quality)).

### — Addressing Lead in Drinking Water

In Washington State, lead found in drinking water comes primarily from materials and components associated with service lines and home plumbing. SPU maintains a database of water mains, meters, and service lines that documents location, installation date, and material type. 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. Meters are generally made of brass, though 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.

To further reduce the potential for lead leaching from plumbing materials into drinking water, SPU utilizes corrosion control treatment. SPU optimized its corrosion control parameters more than a decade ago with design standards and guidelines for cathodic protection work being updated most recently in 2024. SPU 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 by SPU to the DOH. SPU maintains a State-accredited analytical laboratory that performs this monitoring in addition to completing most of the regulatory testing for SPU's Wholesale Customers.

## **Environmental Matters**

### *Overview*

SPU is subject to a variety of environmental regulations in connection with its routine operations. SPU manages its legal obligations for environmental protection through numerous compliance programs. Noncompliance creates the potential for violations that can result in civil and criminal penalties and substantial fines. Some of these laws also impose strict liability for environmentally damaging releases, including costs of investigation and cleanup, damages, restoration, and the costs of agency oversight and enforcement. Although the City cannot predict the outcome or effect of the matters described in this section, it does not expect that any of these matters will adversely affect its ability to pay the principal of and interest on the Bonds.

### *Endangered Species Act*

Dozens of species of fish, mammals, birds, and amphibians are known to inhabit territory included in the watersheds containing SPU's water supply sources. Many of these species are listed as endangered or threatened under the federal ESA. Water System operations have the potential to adversely impact animals listed as "threatened" or "endangered" under the ESA. ESA-listed species within the Water System's operational area include Puget Sound Chinook Salmon, Bull Trout, Steelhead, Northern Spotted Owls, and Marbled Murrelets. The City limits liability for operations that may impact ESA-listed species through mitigation activities outlined in the Cedar River HCP and in the Tolt River Settlement Agreement. See "—Watershed Management," above.

The City also 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. SPU has assembled substantial, long-term data sets and co-authored scientific papers on Chinook Salmon, Sockeye Salmon, Coho Salmon, Steelhead/Rainbow Trout, and Bull Trout. Over the long term, SPU expects that additional funding will be needed in the future to support 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.

### — Cedar River

The Cedar River HCP includes an incidental take permit under the ESA in connection with the City's drinking water and hydroelectric operations in the Cedar River Watershed. See "—Watershed Management—*Cedar River Municipal Watershed Management*," above. It specifies the measures the City will undertake to minimize and mitigate potential impacts on ESA-listed species in the Cedar River Watershed. The Cedar River HCP commits the City to spending about \$128 million (in 2025 dollars) to improve conditions for fish and wildlife within the Cedar River Watershed through the year 2050. 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 Cedar River HCP. The incidental take permit 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, hydroelectric and land management activities.

— *Tolt River*

Streamflow downstream from the Water System’s diversion dam on the South Fork of the Tolt River has potential impacts on Chinook Salmon and Steelhead, both of which are listed as threatened under the ESA. 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 water supply and hydroelectric operational impacts. SPU is jointly working with SCL to re-license the City’s hydropower project on the Tolt River. A new license is expected to be issued by FERC in 2028. This process is led by FERC and is expected to result in an incidental take permit for impacts to ESA-listed species due to water supply and hydroelectric operations. The new license may also result in updated commitments to mitigate for the potential impact of both water system and hydroelectric operations on ESA-listed species.

## **CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS**

### **Investor Considerations Applicable to the City Generally**

Various risk factors and investment considerations applicable to the City generally are described in APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTOR CONSIDERATIONS”). These include State and local initiative and referendum; federal policy risk and other federal funding considerations, public health emergencies, various natural disasters, climate change risk, and cybersecurity and artificial intelligence risks.

### **Emergency Response and Disaster Recovery**

SPU has implemented a comprehensive Emergency Management Program that consists of Planning, Training, and Exercise, Logistics, and Response Coordination.

#### ***Planning***

SPU Emergency Management updates its planning framework annually. These plans include the SPU Hazard Identification and Vulnerability Analysis, Line of Business Emergency Response Plans for each of the three utilities within SPU, the Continuity of Operations Plan, and the SPU Branch Emergency Operations Plan. SPU Emergency Management also inventories and assists in updating tactical response plans and Standard Operating Procedures including the Dam Safety Emergency Action Plans and operational plans such as the Earthquake Damage Assessment Plan and South Park Flooding Response and Recovery Plan.

#### ***Training and Exercise***

SPU prepares its staff to weather and respond to emergencies and disasters through preparedness training. SPU Emergency Management delivers preparedness training, plans workshops, including guided drills and exercises for coping with impacts of and providing direct response to emergencies. More than 800 of the approximately 1,393 total SPU employees have received some level of response or incident management training with a required all-staff remote awareness training scheduled to be delivered in 2026.

#### ***Logistics***

SPU Emergency Management Logistics maintains an inventory of 700 radios on the Puget Sound Emergency Radio Network and provides an Auxiliary Communications program that includes Starlink devices, Government Emergency Telecommunications Services and Wireless Priority Services for staff to use when primary systems are impacted. SPU Emergency Management Logistics also assists in maintaining contracts and services used for Disaster Mitigation, Debris Management, and other response and recovery functions.

SPU has also formalized its information technology, business continuity, and disaster recovery program. SPU has built and currently conducts operations from an out-of-region co-located data center and has instituted various iterative processes in support of utility resiliency and rapid recoverability.

#### ***Response Coordination***

SPU Emergency Management staff members act as the primary response coordination team for the utility for special events and disasters. By representing SPU at Strategic Work Group and Local Emergency Planning meetings, the Utility is represented in all citywide programmatic response and recovery functions. SPU Emergency Management

also coordinates rostering employee representatives for the citywide Emergency Operations Center, which is an incident management team connecting SPU's robust incident response capacity and resources with citywide and broader regional needs.

### **Dam Safety**

SPU is dedicated to ensuring that all its dams are designed, constructed, operated, and maintained with safety in mind. SPU has implemented programs for regular inspection, evaluation, and documentation regarding the design, construction, operation, maintenance, rehabilitation, and emergency preparedness for each dam, and a Dam Safety Program to reduce the likelihood and consequences of a dam failure.

SPU has comprehensive dam safety, monitoring and surveillance equipment in place. Scientific instruments are installed to continuously monitor dam performance by measuring reservoir levels, groundwater within dams, and stream flows. Operation crews perform daily visual inspections on all dams and report unusual conditions and high instrument readings to dam engineers. Federal and state regulators work with SPU staff to perform annual inspections to ensure safe operating conditions.

SPU also coordinates with SCL regarding compliance with FERC licensing requirements relating to dam safety, including participating in SCL's Dam Safety Program. In that role, SCL oversees the Federal and State regulatory compliance program for safety of its regulated dams, including the Tolt and Cedar facilities, by implementing and coordinating the Owners Dam Safety Program ("ODSP") to protect life, health, property, and the environment. FERC requirements apply to the dam on the South Fork of the Tolt River. Similar requirements apply to the dam on the Cedar River, even though it is regulated by the State Department of Ecology.

SPU anticipates increases in Operations & Maintenance and CIP work during the 2026-timeframe for project improvements resulting from recent five-year independent consultant inspection reviews and Level 2 risk assessments for the Cedar and South Fork Tolt facilities which costs will be shared by the Water System and SCL. These estimates are informed by recent seismic hazard assessments, focused spillway inspections, detailed appurtenant structures (outlet works, power plants) and gate inspections and analyses, updated Supervisory Control and Data Acquisition systems, and changes in regulatory requirements.

### ***Warning Systems and Emergency Action Plans***

SPU has developed emergency action plans for our high hazard potential dam facilities. These plans are updated periodically, in partnership with local emergency management agencies, King County, the National Weather Service, and State and federal dam regulators. Local governments and emergency management agencies have established contingency plans in the unlikely event of a dam failure. These plans specifically address public notification, evacuation, and post-incident recovery efforts.

#### ***— Lake Youngs Reservoir (Cedar River)***

Lake Youngs is located in unincorporated King County, near the cities of Kent and Covington. The reservoir receives drinking water from the Cedar River via the Landsburg Diversion Dam and provides up to 14,500 acre-feet of drinking water storage for residential and commercial use. It is impounded by three embankment dams and continuous perimeter dikes. The dams are regulated and maintained in accordance with dam safety regulations by the Washington State Dam Safety Office. The facility is monitored with more than 30 instruments, including groundwater observation wells, flumes, weirs, inclinometers and survey monuments. It is only accessible to SPU staff and authorized visitors and is routinely inspected by dedicated SPU crews, SPU engineers, and representatives from the Washington State Dam Safety Office. A dam failure warning system was implemented for the Outlet Dam (one of the three embankment dams on Lake Youngs) at the headwaters of the Little Soos Creek, south of the reservoir. A failure of the Outlet Dam could cause flooding to residents and businesses along Little Soos Creek, Soos Creek, and the Green River. This failure warning system includes both field instruments to detect potential issues and on-site cameras to verify field conditions. The system is operated and remotely monitored 24 hours a day, 7 days a week.

#### ***— Tolt Dam and Reservoir (South Fork of the Tolt River)***

The Tolt Dam and Reservoir are located in unincorporated King County upstream of the Cities of Carnation and Duvall. The dam was completed in 1962 and is a 200-foot high earthfill dam with a morning glory spillway. The reservoir stores up to 57,900 acre-feet of water. Dam safety programs include a surveillance and monitoring plan and an emergency action plan. SPU operators monitor Tolt Dam continuously 24 hours a day, 7 days a week via instrumentation and cameras. SPU crews visually inspect the dam daily. SPU engineers inspect the dam quarterly.

FERC engineers inspect the dam annually. Independent consultant engineers inspect and evaluate the dam every 5 years.

In the unlikely event of a dam failure, water from the reservoir could inundate downstream communities. SPU coordinates with King County and the downstream cities regarding emergency alerts and notifications. SPU's Emergency Action Plan ("EAP") for the Tolt Project includes predefined notification procedures to alert agencies and local governments of dam emergencies. Local authorities will then notify downstream residents to evacuate if necessary. The King County Office of Emergency Management is the primary authority who will notify residents of dam emergencies using its emergency alerts systems. The National Weather Service ("NWS") also issues flood warning notifications for flood scenarios, including dam break scenarios. SPU also operates an early warning system, including sirens located near Carnation, that are tested annually.

### **Landslide Hazards**

The Water System's main transmission pipelines include sections located on or near steep slopes that may be vulnerable to catastrophic landslides as well as slow-creeping slope movement over time. The transmission lines from the Tolt River lie across an ancient, deep-seated (approximately 100-foot) landslide complex located between the Tolt Regulating Basin and the Tolt Water Treatment Facility and have been subject to damage from landslides and slope movement several times. SPU conducts periodic monitoring, but additional such hazards may exist that could affect other major transmission pipelines.

Following a rupture in the original concrete cylinder pipeline ("Tolt 1") in the late 1980s, SPU extended its already-underway work on a steel pipeline ("Tolt 2") running parallel to and interconnecting with Tolt 1 at several locations. In 2009, slow-creeping slope movement caused catastrophic damage to Tolt 1 and it was temporarily taken out of service. To allow the newer, steel Tolt 2 pipeline to better accommodate the slow-creeping slide, a 48-inch double ball joint expansion sleeve was installed on the newer steel Tolt 2 pipeline. By 2017, the designed 14-degree maximum movement radius of the pipe joint was reaching its terminus and the joint was excavated and reset to provide flexibility for another ten years or more at the then-current rate of ground movement. At the same time, SPU undertook major slope stabilization work which was completed in 2020 and by 2024 reduced the slope movement to between 0.01 and 0.24 inches of total movement annually, down from the 1.0 to 2.0 inches per year observed over the previous decade. In 2022, SPU undertook the rehabilitation of the damaged Tolt 1 pipeline by sliplining it with a 54-inch diameter high-density polyethylene pipe placed inside of the 66-inch diameter concrete cylinder pipe and replacing all valves and appurtenances. Tolt 1 was returned to regular service in January 2023. Monitoring of this area continues.

### **Seismic Hazards**

The Water System's service area, transmission lines, and water sources are located in a region of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. Certain soil types and property in certain areas could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) and could result in permanent ground displacement following a major earthquake and any aftershocks. The region includes identified geologic faults, including the Cascadia subduction zone beneath the Pacific Ocean, which is thought to be capable of causing extensive damage. The most notable recent earthquake in the region, which measured 6.8 on the Richter scale, occurred in 2001. The coastal parts of the region could experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States. In addition to its internal risk mitigation efforts, SPU participates in the Water Supply Forum, a regional planning forum for water utilities in King, Pierce, and Snohomish Counties regarding disaster preparedness. SPU also attends regular coordination meetings with other West Coast utilities related to seismic resiliency to establish policy consistency throughout earthquake-prone regions. In addition to improving SPU's own seismic resiliency, it has identified needs for better coordination with other critical infrastructure operators (including SCL and King County's wastewater treatment division) and other local emergency response agencies.

SPU last updated its Water System Seismic Study in 2018, which is available on its website ([www.seattle.gov/utilities/your-services/water/water-system/seismic-planning](http://www.seattle.gov/utilities/your-services/water/water-system/seismic-planning)). This study reflected the then-current state of knowledge on the hazards from Cascadia subduction zone and Seattle Fault zone earthquakes and incorporated the latest seismic code updates. The Water System is in the process of implementing various recommendations of this study, some of which are summarized below:

- In 2022, it completed a seismic study of its transmission system infrastructure and has undertaken reinforcement and/or retrofits of the Cedar River Transmission Pipelines in areas that are particularly vulnerable to liquefaction in the event of a major earthquake.

- Seismic assessments have also been carried out on several concrete reservoirs and upgrades have been planned over the next several years. See “WATER SUPPLY, TREATMENT, TRANSMISSION, & DISTRIBUTION SYSTEMS—Water Storage and Distribution—*Water Storage and Distribution Infrastructure Investments.*” In addition to these seismic upgrades, SPU has designated its two remaining open storage reservoirs to be held in reserve to provide critical emergency water resources after a major earthquake. 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.
- SPU has also developed an earthquake-specific hazard response plan, completed in 2020, and has begun planning for the acquisition and storage of a cache of both distribution and transmission system pipeline emergency repair materials so that, in an emergency repair mobilization, SPU will have available a surplus of materials to be staged strategically throughout the service area to expedite emergency repair agility following a large seismic event.
- 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. In 2024, in coordination with work being conducted by the Seattle Department of Transportation, SPU replaced over a mile of aging cast iron water main with new earthquake-resistant ductile iron pipe along East Marginal Way, a major arterial street in downtown Seattle.

### **Climate Change Risks**

Climate change is altering weather patterns and affecting air and water temperatures, humidity, evaporation, cloud cover, rainfall, sea levels, snowfall, snowpack, and runoff, in terms of averages, extremes, timing, and distribution. In the Seattle region, water and stormwater/wastewater systems will be impacted by changes in temperature, snowpack, stream flows, more intense storms, rising sea levels, and more intense heat waves and droughts. The timing and magnitude of these changes has a large degree of uncertainty, but their effect could be substantial. SPU is actively working to monitor, understand, and respond to climate change impacts. The utility’s climate action takes a three-fold approach: (1) mitigate, or lessen, SPU’s contribution to climate change by saving energy and reducing greenhouse gas emissions; (2) study climate science and perform comprehensive risk assessments to understand what impacts climate change will have on SPU’s water and waste systems; and (3) adapt to the expected changes by implementing cost-effective strategies that incorporate climate information into the planning and design of projects.

SPU began incorporating climate science into water supply planning in 2002 to reduce risk exposure to climate-related hazards. Since then, SPU has continued to conduct assessments on a periodic basis to identify impacts, update analyses to incorporate best available science, plan for adequate water supply and quality, and adapt capital projects to climate impacts while ensuring that decisions do not result in unnecessary or premature financial and environmental costs. In 2008, SPU was a founding member of the Water Utility Climate Alliance (WUCA), a collaborative effort to provide leadership on climate change issues affecting the country’s water supply agencies.

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. 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 SUPPLY, TREATMENT, TRANSMISSION, & DISTRIBUTION SYSTEMS—Water Supply—*Future Water Supply and Conservation.*”

See APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTMENT CONSIDERATIONS—Climate Change Risk”) for a discussion of Citywide efforts to address climate change.

### **Drought Risk**

Drought can lead to a wide range of environmental, social, and economic impacts; can reduce water availability and quality; and can be a contributing factor to wildfire when dry, hot, and windy weather combined with dried out (and more flammable) vegetation.

On April 8, 2026, Ecology issued a drought declaration (“2026 Drought Declaration”) for all watersheds throughout Washington State due to low-snowpack conditions from the winter of 2025-26, multiple years of precipitation deficits, and accumulated impacts of climate change accelerating snowmelt that has contributed to decreased persistent snowpack at higher elevations. The State has issued drought declarations in the past for selected watersheds that have generally not included the watersheds that are the sources for the City’s supply or have excluded the City’s Water System. The 2026 Drought Declaration covers the entire state, but includes a statement recognizing that “The areas

served by Seattle, Tacoma, and Everett water utilities planned for drought conditions early in the winter and do not anticipate any impacts for their customers.” Toward that end, SPU has been planning for drought conditions since early winter and, in particular, has made adjustments to raise the refill levels of its various reservoirs earlier in the year to capture earlier-melting snow pack. SPU does not currently expect that drought conditions will affect their ability to supply water to its customers during 2026, however, it cannot predict whether precipitation events or other factors may occur that could change this assessment. SPU will continue to closely monitor and manage its water supply.

### **Wildfire Risk**

Seasonal wildfires that can threaten the forested municipal watersheds that protect the Water System’s water supply. 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. See “WATER QUALITY AND ENVIRONMENTAL MATTERS—Watershed Management.”

SPU maintains a wildland fire crew to provide initial attack and suppress wildland fires that may threaten the Cedar River or South Fork Tolt River Municipal Watersheds. This crew serves 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.

### **Cyber Security Risks**

Cyberattacks are becoming more sophisticated and increasingly capable of impacting control systems and components. SPU, working in conjunction with Seattle IT, has instituted a program that includes processes, training, and controls to maintain the reliability of its systems and protect against cyber threats as well as mitigate intrusions and plan for business continuity via data recovery. Seattle IT leverages relationships with numerous local, State, and Federal organizations to maintain awareness of cyber threats, collaborate on mitigation best practices, and protect its systems and services. The City also maintains insurance with coverage for cyber security events. The policy covers all City departments, including SPU. See APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTMENT CONSIDERATIONS—Cybersecurity and Artificial Intelligence Risk”).

### **Physical Security Risks**

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, video management system, 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 River Municipal 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, as well as investing in continual improvement and equipment and software upgrades to adapt to evolving threats.

### **Property Insurance**

For information on property insurance see information in APPENDIX A to the Official Statement under the heading “FINANCIAL AND RISK MANAGEMENT—Insurance and Risk Management.”

**APPENDIX C**  
**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 Ordinances 127338 and 127339, passed by the City Council on November 21, 2025 (together, the “Bond Ordinance”), authorizing the new-money portion of the Bonds and the refunding portion of the Bonds, respectively.*

*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**” 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 “2026-2031 Capital Improvement Program” relating to the Municipal Water System, adopted by the City in conjunction with the adoption of the 2026 budget, 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.

**“Covered Parity Bonds”** means all Outstanding Parity Bonds, each Series of the Bonds, and each series of Future Parity Bonds, excluding each series of Parity Bonds for which the applicable Bond Documents provide that such series shall not be treated as a series of Covered Parity Bonds and shall not be secured by the amounts in the Reserve Subaccount. For purposes of the Bond Documents applicable to the Outstanding Parity Bonds issued in 2017, 2021, 2022, 2024, and 2025, the Reserve Covenant Date (as defined therein) has occurred and those Outstanding Parity Bonds are excluded from the definition of Covered Parity Bonds. ***The Bond Documents provide that the Bonds are not designated as Covered Parity Bonds and are not secured by the amounts in the Reserve Subaccount.***

**“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.

**“Municipal Water System”** means the water system of the City as it now exists, and all additions thereto and betterments and extensions thereof at any time made, together with any utility systems of the City hereafter combined with the Municipal Water System. The Municipal Water System does not include any separate utility system that may be created, acquired, or constructed by the City as provided in Section 19 of the Bond Ordinance.

**“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.

“**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.

“**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.

“**Reserve Requirement**” means 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 2019 Water System Plan adopted by the City in Ordinance 125687, 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 follows:

The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue (including all ULID Assessments, if any) and money in the Parity Bond Account and the subaccounts therein, except that money in the Reserve Subaccount shall secure only Covered Parity Bonds. The Net Revenue (including all ULID Assessments, if any) is pledged to make the payments into the Parity Bond Account required by the Bond Ordinance. This pledge constitutes a charge and lien upon such Net Revenue prior and superior to all other liens and charges whatsoever.

The Bonds shall be issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds, without regard to date of issuance or authorization and without preference or priority of right or lien. Nothing in the Bond Ordinance prevents the City from issuing revenue bonds or other obligations that are a charge or lien upon Net Revenue subordinate to the payments required to be made from Net Revenue into the Parity Bond Account and the subaccounts therein. The City covenants 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), that will have any priority over, or that will rank on a parity with, the payments required in respect of the Parity Bonds, and that it will issue Future Parity Bonds only accordance with Section 17 of the Bond Ordinance.

The Bonds shall not constitute general obligations of the City, the State, or any political subdivision of the State or a charge upon any general fund or upon any money or other property of the City, the State, or any political subdivision of the State not specifically pledged by the Bond Ordinance.

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, and (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;
- (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.”

### **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—Bond Covenants—*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 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 Certificate is described in APPENDIX D—CONTINUING DISCLOSURE UNDERTAKING.

## 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 made 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 Certificate 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 Certificate.

- (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.

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 D**  
**CONTINUING DISCLOSURE UNDERTAKING**

***Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events***

To meet the requirements of SEC Rule 15c2-12(b)(5) (“Rule 15c2-12”), as applicable to the participating Underwriters for the Bonds, the City will execute a Continuing Disclosure Certificate (the “Undertaking”) for the benefit of holders of the Bonds, summarized as follows.

***Annual Financial Information***

The City will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB:

- (i) annual financial information and operating data of the type included in this Official Statement as generally described below (“annual financial information”). The timely filing of unaudited financial statements will satisfy the requirements and filing deadlines described below under “Type of Annual Financial Information Undertaken to Be Provided,” so long as audited financial statements are filed if and when they are otherwise prepared and available to the City; and
- (ii) timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) 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 (16) 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.

For purposes of this Undertaking, the term “financial obligation” means a (i) 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.

The City also will provide or cause to be provided to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

***Type of Annual Financial Information Undertaken to Be Provided***

The annual financial information that the City undertakes to provide will consist of:

- (i) Annual financial statements of the 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;
- (iii) A statement of outstanding bonded debt secured by Net Revenue of the Water System;
- (iv) Debt service coverage ratios;
- (v) General customer statistics, such as number and type of customers and revenues by customer class; and

- (vi) 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 required or permitted by State law, commencing in 2027 with the City's fiscal year ended December 31, 2026. The annual financial information may be provided in a single document or in multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

#### ***Amendment of the Undertaking***

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12, 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 Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information to be provided.

#### ***Termination of the Undertaking***

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

#### ***Remedy for Failure to Comply with Undertaking***

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

#### ***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.

**APPENDIX E**  
**FORM OF BOND COUNSEL OPINION**

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[PROPOSED FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington, \$\_\_\_\_\_ Water System Improvement and Refunding Revenue Bonds, 2026

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 such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to give the opinions below. As to matters of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the City and certifications of others furnished to us, without undertaking to verify them by independent investigation.

The Bonds are issued by the City, a first class city under its charter and the laws of the State of Washington, pursuant to Ordinance 127338 and Ordinance 127339 (together, the “Bond Ordinance”) to provide the funds (i) to pay or reimburse part of the costs of carrying out a system or plan of additions, improvements and betterments to, and extensions of, the Water System (the “Plan of Additions”); (ii) refund certain obligations of the Water System; and (iii) to pay the costs of issuing the Bonds and administering the refunding, 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.

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

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

2. The City has duly authorized and approved the Bond 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 have been duly authorized and executed by the City and constitute valid obligations of the City payable solely out of the Net Revenue of the Municipal Water System pledged to make payments into the Water Revenue Parity Bond Account and the subaccounts therein, except that the Bonds are not Covered Parity Bonds under the Bond Documents and are not secured by amounts in the Reserve Subaccount.

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

5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be excludable from gross income for federal income tax purposes under section 103 of the Code. The City has covenanted to comply with all such requirements. Failure to comply with such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. To the extent interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds is also excludable from Washington taxable income for purposes of the tax imposed by the State of Washington on income received by individuals on and after January 1, 2028.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy or completeness 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. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Very truly yours,

## **APPENDIX F**

### **2025 AUDITED FINANCIAL STATEMENTS OF THE WATER SYSTEM**

*The financial statements of the Water Fund as of and for the fiscal year ended December 31, 2025, included herein as APPENDIX F, have been audited by Baker Tilly US, LLP, independent auditors. SPU has not requested that Baker Tilly US, LLP provide permission for inclusion of its report on the audited financial statements in this Official Statement, and Baker Tilly US, LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Baker Tilly US, LLP has not participated in any way in the preparation or review of this Official Statement. None of the City's independent auditors, the State Auditor, or any other independent accountants has 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.*

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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, 2025 and 2024



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## **Report of Independent Auditors**

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, 2025 and 2024, 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 Seattle Public Utilities – Water Fund as of December 31, 2025 and 2024, 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 (*Government Auditing Standards*). 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, 2025 and 2024, the 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 included in the annual report. 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 do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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, 2026, 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, 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.

*Baker Tilly US, LLP*

Seattle, Washington  
April 30, 2026

## **Management's Discussion and Analysis**

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# Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis

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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, 2025 and 2024. The revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City 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 15 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, 2025 and 2024, 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, 2025 and 2024. 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, 2025 and 2024, to provide answers to questions about sources, uses, and impacts on cash. These statements report on 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 20 of this report.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Management’s Discussion and Analysis**

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**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, 2025 and 2024, the Fund’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, resulting in a net position of \$903.4 million and \$868.5 million, respectively. In 2025, the Fund’s overall net position increased \$34.9 million (4.0%), as compared to an increase of \$47.7 million (5.8%) in 2024. 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**

	2025	2024	2023
<b>ASSETS</b>			
Current assets	\$ 193,086,137	\$ 169,676,653	\$ 160,766,155
Capital assets, net	1,498,722,735	1,422,203,198	1,390,326,431
Other	135,143,957	178,713,625	144,663,677
Total assets	1,826,952,829	1,770,593,476	1,695,756,263
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	28,775,979	32,880,313	40,818,824
Total assets and deferred outflows of resources	\$ 1,855,728,808	\$ 1,803,473,789	\$ 1,736,575,087
<b>LIABILITIES</b>			
Current liabilities	\$ 117,128,498	\$ 84,807,647	\$ 83,414,972
Revenue bonds	624,825,000	629,225,000	604,485,000
Other	153,849,723	156,140,549	167,918,288
Total liabilities	895,803,221	870,173,196	855,818,260
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenue stabilization fund	36,765,716	52,578,875	47,549,791
Deferred inflows - other	19,769,624	12,216,179	12,385,749
Total deferred inflows of resources	56,535,340	64,795,054	59,935,540
<b>NET POSITION</b>			
Net investment in capital assets	834,289,684	788,539,953	753,677,215
Restricted	21,342,856	20,506,595	20,943,954
Unrestricted	47,757,707	59,458,991	46,200,118
<b>TOTAL NET POSITION</b>	903,390,247	868,505,539	820,821,287
Total liabilities, deferred inflows of resources and net position	\$ 1,855,728,808	\$ 1,803,473,789	\$ 1,736,575,087

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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### **2025 Compared to 2024**

**Assets** – Current assets increased \$23.4 million (13.8%) from the prior year, primarily due to an increase in operating cash and equity in pooled investments of \$19.2 million, an increase of unbilled revenue of \$2.4 million, an increase in due from other funds of \$2.6 million, and an increase of \$1.6 million in materials and supplies inventory. This is offset by a decrease in net accounts receivable of \$1.0 million and a decrease in due from other governments of \$0.8 million. The change in operating cash is primarily due to the rate increase of 2% as well as increase of 3.3% in consumption.

Capital assets increased \$76.5 million (5.4%) from the prior year, mainly due to current year capital spending (see Capital Assets discussion starting on page 10). The capital asset increase was offset by a \$42.0 million increase in accumulated depreciation and amortization (Note 3).

Other assets decreased \$43.6 million (-24.4%) from the prior year, this is mostly attributable to \$46.2 million decrease in restricted cash, which is due to a reduction of debt service reserve fund of \$22 million (as a result of the issuance of the 2025 bonds, see note 4), a reduction of \$9 million in construction cash, and a reduction in the revenue stabilization account (RSA) of \$15.6 million (consisting of \$25 million for the Wholesale refund for over-collected payments (see note 10), which was offset by a deposit of \$7.4 million for 2025).

**Deferred outflows of resources** – Deferred outflows of resources decreased by \$4.1 million (-12.5%) from the prior year. This is mostly due to a decrease of \$6.8 million in unamortized refunding loss, as a result of the refunding of the 2010 and 2015 bonds (see note 4). This is offset by an increase of \$2.7 million attributed to changes in assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits.

**Liabilities** – Current liabilities increased \$32.3 million (38.1%) from the prior year. This is mostly attributable to an increase of \$25.5 million in due to other governments for a refund to Wholesale Customers for over-collected payments (see note 10 for details), \$7.3 in accounts payable and \$3.4 million due to other funds. These were offset by decrease in revenue bonds due within one year of \$2.9 million, and \$1.6 million in interest payable.

Noncurrent liabilities decreased \$6.7 million (-0.9%) from the prior year. This is mostly attributable to a decrease in bond premium of \$7.4 million, a decrease of \$4.4 million in revenue bonds, and a decrease of \$1.8 million in loans payable. These decreases were offset by an increase of \$2.9 million of bonds payable in one year, an increase of \$2.0 million in net pension liability, an increase of \$1.5 million in Habitat Conservation Program (HCP), and an increase of \$1.2 million in claims payable.

**Deferred inflows of resources** – Deferred inflows of resources decreased by \$8.3 million (-12.7%) from the prior year. This decrease is due to the decrease of the RSA of \$15.8 million (consisting of \$25 million for the Wholesale refund for over-collected payments (see note 10) and a deposit of \$7.4 million for 2025). This is offset by an increase of \$8.0 million in unamortized gain on refunded debt, due to the issuance of the 2025 bonds (see note 4).

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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**Net position** – Net position increased \$34.9 million (4.0%) from the prior year.

Net investment in capital assets was the largest portion of the Fund’s net position \$834.3 million or (92.3%). 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 2025, net investment in capital assets increased \$45.7 million from the prior year primarily from an increase in construction in progress.

The Fund’s restricted net position of \$21.3 million (2.4%) represents resources that are subject to restrictions on how they may be used. Restricted net position increased by \$0.8 million.

The Fund’s unrestricted net position of \$47.8 million (5.3%) represents resources that are not subject to external restrictions and may be used to meet the Fund’s obligations to creditors. This portion decreased \$11.7 million from the prior year primarily as a result of operations.

### **2024 Compared to 2023**

**Assets** – Current assets increased \$8.9 million (5.5%) from the prior year. 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 Rate Stabilization Account (RSA) in 2024.

Capital assets increased \$31.9 million (2.3%) from the prior year mainly due to capital spending in the current year. The capital asset increase was offset by a \$43.5 million increase in accumulated depreciation and amortization (Note 3).

Other assets increased \$34.0 million (23.5%) from the prior year. This is mostly attributable 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 the prior year. 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 the prior year. 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.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Management’s Discussion and Analysis**

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Noncurrent liabilities increased \$13 million (1.7%) from the prior year. 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, 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 the prior year. This increase is mainly due to an increase of \$5.0 million in the rate stabilization account.

**Net position** – Net position increased \$47.7 million (5.8%) from the prior year.

Net investment in capital assets was the largest portion of the Fund’s net position of \$788.5 million (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 from the prior year primarily as a result of operations.

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

	2025	2024	2023
Operating revenues	\$ 337,565,364	\$ 307,819,615	\$ 301,496,010
Operating expenses	(301,305,966)	(262,906,611)	(257,879,079)
Net operating income	36,259,398	44,913,004	43,616,931
Other expenses, net of other revenues	(10,638,022)	(9,238,240)	(3,926,795)
Fees, contributions, and grants	9,263,332	12,009,488	9,820,366
Change in net position	<u>\$ 34,884,708</u>	<u>\$ 47,684,252</u>	<u>\$ 49,510,502</u>

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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### **2025 Compared to 2024**

Operating revenues increased by \$29.7 million (9.7%) from the prior year. The change was mainly driven by increases in utility services revenue of \$30.7 million (from a rate increase of 2% and in increase in consumption of 3.3%), an increase of \$1.9 million in other operating revenues, offset by a decrease of \$2.9 million in wholesale water sales, which was due to the fact that in 2024 SPU received a non-reoccurring payment from Cascade of \$5 million, in consideration for entering into the 2nd amendment to their contract, which was offset by an increase in consumption in 2025 of 4.0%.

Operating expenses increased, \$38.4 million (14.6%) from the prior year. Notable factors affecting this change include increases of \$29.9 million in services, due mostly to the wholesale refund of \$25 million for over-collected payments (see note 10), and an increase of \$8.0 million in salaries and benefits (this is driven by an increase of \$2 million in salaries, an increase of \$3.4 million in insurance premiums, and an increase of \$2.1 million in pension expense).

Total nonoperating expenses increased by \$1.4 million (15.2%) from the prior year. The change was primarily due to a decrease in other net revenue/(expenses) of \$7.3 million, mostly from the gain/loss on disposal of fixed assets, offset by decrease in interest expense of \$3.2 million and an increase in investment income of \$2.7 million.

Capital contributions and grants decreased by \$2.7 million (22.9%) from the prior year. The main factor for the change is a decrease of \$3.3 million in other private contributions offset by increase of \$1.2 million in capital contributions.

### **2024 Compared to 2023**

Operating revenues increased approximately \$6.3 million (2.1%) from the prior year. 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 the prior year. Notable factors affecting this change include increases of \$4.3 million in services, \$3.5 million in salaries, and were offset by a decrease of \$4.1 million in personnel benefits.

Nonoperating revenues net of expenses decreased by \$7.3 million (185.7%) from the prior year. 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%) from the prior year. The main factor for the change is an increase of \$2.7 million in other private contributions and \$1.5 million in state grants.

**Seattle Public Utilities – Water Fund  
(An Enterprise Fund of the City of Seattle)  
Management’s Discussion and Analysis**

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**Capital Assets**

The following table summarizes capital assets, net of accumulated depreciation and amortization, by major asset category as of December 31, 2025, 2024, and 2023:

**Summary of Capital Assets, Net of Accumulated Depreciation and Amortization**

	December 31,		
	2025	2024	2023
Land and land rights	\$ 54,511,249	\$ 54,511,259	\$ 54,511,259
Buildings	146,904,325	115,584,824	120,732,870
Infrastructure	1,062,702,512	919,763,199	889,663,148
Machinery and equipment	61,472,785	215,123,696	225,270,943
Computer systems	10,935,230	17,479,490	21,293,176
Construction in progress	158,578,469	95,835,366	75,185,263
Artwork	2,395,397	2,385,839	2,357,342
Intangible right-to-use	948,255	1,245,013	1,037,918
Property held for future use	274,514	274,512	274,512
Capital assets, net of accumulated depreciation and amortization	<u>\$ 1,498,722,736</u>	<u>\$ 1,422,203,198</u>	<u>\$ 1,390,326,431</u>

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

**2025 Compared to 2024**

The Fund’s capital assets, net of accumulated depreciation and amortization for the year ended December 31, 2025, were \$1.5 billion. This represents an increase of \$76.5 million (5.4%) compared to 2024.

Highlights of the Fund’s major capital assets placed in service during 2025 include the following:

- \$63.7 million for water infrastructure, improvements, and rehabilitation
- \$6.9 million for heavy equipment

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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As of December 31, 2025, the Fund had \$158.6 million in construction in progress. Major projects under construction are the following:

- \$83.6 million for water infrastructure improvements and rehabilitation
- \$38.5 million for Cedar and Tolt infrastructure and facility improvements
- \$14.4 million for pump station improvements
- \$7.8 million for reservoir improvements
- \$7.1 million for software upgrades
- \$6.6 million for structure and leasehold improvements

### **2024 Compared to 2023**

The Fund’s 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.

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

# **Seattle Public Utilities – Water Fund**

## **(An Enterprise Fund of the City of Seattle)**

### **Management’s Discussion and Analysis**

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#### **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.

#### **2025 Compared to 2024**

At December 31, 2025, the Fund had \$624.8 million in bonded debt and \$14.5 million in loans, as compared to \$629.2 million and \$16.6 million, respectively, at December 31, 2024. Bonded debt decreased a net \$4.4 million, attributed to \$192 million in refunding’s and \$38.7 million in new debt along with \$43.1 million in scheduled payments of debt principal. Loans decreased by \$2.0 million due to scheduled principal payments on existing loans.

#### **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.

#### **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, Washington 98124-4018, telephone (206) 684-3000.

## **Financial Statements**

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**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Operating cash and equity in pooled investments	\$ 128,428,808	\$ 109,254,735
Receivables		
Accounts, net of allowance	25,816,409	26,786,383
Interest and dividends	90,635	728,624
Unbilled revenues	20,177,170	17,754,139
Due from other funds	3,271,537	676,053
Due from other governments	2,002,021	2,759,087
Materials and supplies inventory	13,227,964	11,646,039
Prepayments and other current assets	71,593	71,593
<b>Total current assets</b>	<b>193,086,137</b>	<b>169,676,653</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and equity in pooled investments	87,151,409	133,354,313
Prepayments long-term	445,854	517,447
Conservation costs	30,361,819	27,406,806
Regulatory assets	5,002,352	4,677,986
Other charges	12,182,522	12,757,073
Capital assets		
Land and land rights	54,511,249	54,511,259
Plant in service, excluding land	2,404,431,068	2,348,684,681
Less accumulated depreciation	(1,121,467,959)	(1,079,488,459)
Construction in progress	158,578,469	95,835,366
Other property, net	2,669,909	2,660,351
<b>Total noncurrent assets</b>	<b>1,633,866,692</b>	<b>1,600,916,823</b>
<b>Total assets</b>	<b>1,826,952,829</b>	<b>1,770,593,476</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on refunded debt	2,973,503	9,776,550
Pension and OPEB contributions and changes in assumptions	25,802,476	23,103,763
<b>Total deferred outflow of resources</b>	<b>28,775,979</b>	<b>32,880,313</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,855,728,808</b>	<b>\$ 1,803,473,789</b>

See accompanying notes.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

	2025	2024
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 20,337,891	\$ 13,055,125
Salaries, benefits, and payroll taxes payable	-	917
Compensated absences payable	1,616,421	361,187
Due to other funds	6,857,041	3,452,941
Due to other governments	25,546,733	-
Interest payable	8,112,773	9,668,101
Taxes payable	1,008,207	811,902
Revenue bonds due within one year	44,335,000	47,205,000
Claims payable	2,102,998	2,179,465
Habitat conservation program liability	455,463	545,328
Loans payable, due within one year	1,825,490	2,049,935
Lease and subscription liabilities, due within one year	369,854	351,030
Other	4,560,627	5,126,716
Total current liabilities	117,128,498	84,807,647
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable	6,976,636	6,862,546
Revenue bonds	624,825,000	629,225,000
Less bonds due within one year	(44,335,000)	(47,205,000)
Bond premiums	73,140,410	80,534,573
Claims payable	6,053,477	4,902,705
Habitat conservation program liability	10,448,140	8,996,070
Loans payable, net of current portion	12,701,524	14,527,014
Total OPEB liability	4,257,452	4,209,176
Net pension liability	83,440,426	81,396,454
Lease and subscription liabilities, net of current portion	657,231	986,741
Other noncurrent liabilities	509,427	930,270
Total noncurrent liabilities	778,674,723	785,365,549
Total liabilities	895,803,221	870,173,196
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized gain on refunded debt	15,347,972	7,321,388
Rate stabilization account	36,765,716	52,578,875
Deferred inflows-pension and OPEB	4,421,652	4,894,791
Total deferred inflows of resources	56,535,340	64,795,054
<b>NET POSITION</b>		
Net investment in capital assets	834,289,684	788,539,953
Restricted for		
Conservation costs	2,877,645	2,996,955
Habitat conservation program	8,095,367	7,064,127

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, 2025 and 2024**

	2025	2024
OPERATING REVENUES		
Charges for services and other revenues	\$ 337,565,364	\$ 307,819,615
OPERATING EXPENSES		
Salaries, wages, and personnel benefits	82,246,704	74,288,524
Supplies	10,187,818	8,121,243
Services	92,854,732	62,964,892
Intergovernmental payments	54,940,227	52,439,037
Depreciation and amortization	61,791,482	60,002,064
Other operating (revenue)/expenses	(714,997)	5,090,851
Total operating expenses	301,305,966	262,906,611
OPERATING INCOME	36,259,398	44,913,004
NONOPERATING REVENUES (EXPENSES)		
Investment income	11,335,917	8,597,048
Interest expense	(19,081,289)	(22,231,524)
Contributions and grants	1,953,392	1,982,571
Other, net	(4,846,042)	2,413,665
Total nonoperating expenses	(10,638,022)	(9,238,240)
Income before capital contributions and grants	25,621,376	35,674,764
Capital contributions and grants	9,263,332	12,009,488
CHANGE IN NET POSITION	34,884,708	47,684,252
NET POSITION		
Beginning of year	868,505,539	820,821,287
End of year	\$ 903,390,247	\$ 868,505,539

See accompanying notes.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 319,374,897	\$ 309,214,870
Cash paid to suppliers	(78,249,152)	(77,720,552)
Cash paid to employees	(84,742,509)	(80,209,104)
Cash paid for taxes	(51,828,958)	(50,033,672)
Net cash provided by operating activities	104,554,278	101,251,542
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital grants received	1,953,392	1,982,571
Net cash flows from noncapital financing activities	1,953,392	1,982,571
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from the sales of bonds and other long-term debt	247,743,679	75,824,988
Principal payments on long-term debt	(237,259,935)	(46,074,935)
Capital expenditures and other charges	(133,631,433)	(82,198,394)
Interest paid on long-term debt	(29,665,500)	(29,324,213)
Build America Bonds Federal Interest Subsidy	283,983	1,619,191
Capital fees and grants received	7,428,030	6,890,487
Proceeds from the sales of capital assets	512,741	622,722
Net cash used in capital and related financing activities	(144,588,435)	(72,640,154)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change on investment	11,051,934	6,977,855
<b>NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	(27,028,831)	37,571,814
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of year	242,609,048	205,037,234
End of year	\$ 215,580,217	\$ 242,609,048
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating cash and equity in pooled investments	\$ 128,428,808	\$ 109,254,735
Noncurrent restricted cash and equity in pooled investments	87,151,409	133,354,313
Total cash and equity in pooled investments at the end of the year	\$ 215,580,217	\$ 242,609,048

See accompanying notes.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
RECONCILIATION OF NET OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 36,259,398	\$ 44,913,004
Adjustments to reconcile net operating income to net cash provided by operating activities		
Adjustment for net pension liability	(1,127,879)	(5,403,101)
Gain/(Loss) on disposal of assets	(11,346,976)	-
Depreciation and amortization	61,791,482	60,002,064
Other cash receipts	1,659,258	1,659,257
Accounts receivable	890,049	(4,949,271)
Unbilled revenues	(2,343,106)	(782,588)
Due from other funds	(2,595,483)	165,780
Due from other governments	757,066	(117,576)
Materials and supplies inventory	(1,581,925)	(317,307)
Prepayments and other assets	71,593	71,592
Accounts payable	7,282,764	(2,866,890)
Salaries, benefits, and payroll taxes payable	(917)	(2,298,962)
Compensated absences payable	1,369,325	1,497,536
Due to other funds	3,404,099	3,452,941
Due to other governments	25,546,733	(132,765)
Claims payable	1,074,305	268,423
Taxes payable	196,305	(76,037)
Regulatory liability - revenue stabilization account	(15,813,159)	5,029,084
Lease and subscription, unfunded OPEB liabilities, other liabilities	(938,654)	1,136,358
Total adjustments	68,294,880	56,338,538
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 104,554,278	\$ 101,251,542
NONCASH TRANSACTIONS		
Contributed infrastructure	\$ 1,835,303	\$ 5,119,002

See accompanying notes.

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements**

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### **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 others that are normally considered to be general and administrative. The Fund is charged a share of these costs and during 2025 and 2024, paid \$28,410,990 and \$28,485,935, 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 \$39,874,947 and \$38,369,410 for these taxes in 2025 and 2024, 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 Seattle Information Technology Department (ITD). SPU provides customer service through the call center and walk-in center. ITD maintains the Customer Information System (CIS). SPU and SCL bill and reimburse each other for these services. SPU reimburses ITD for the information 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 \$2,624,701 and \$2,325,185 in 2025 and 2024, respectively.

Water services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$4,817,170 and \$4,214,355 in 2025 and 2024, 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.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

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**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 laws. 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 funds, vendor’s escrow deposits, 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. Receivables are shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed.

**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, 2025 and 2024, the Fund’s allowance for doubtful accounts was \$1,640,125 and \$1,274,828, 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.

## **Seattle Public Utilities – Water Fund** **(An Enterprise Fund of the City of Seattle)** **Notes to Financial Statements**

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**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. \$7.4 million and \$3.2 million were deposited into the RSA in 2025 and 2024, respectively. In addition, \$25 million was withdrawn from the RSA to refund the wholesale customers for over-collected payments (see note 10)

**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, 2025 and 2024, the cash balance in the BPA account was \$499,097 and \$480,721, 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.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

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**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 \$10,000 or more. The Fund received 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 that are not in service or ready for service 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 at 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 a 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/inflows of resources for certain pension and other post-employment benefit (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).

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements**

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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 deferred gain/loss on refunding debt, which qualifies for reporting in this category. A deferred gain/loss on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Fund has also recorded deferred inflows of resources for the changes between employer contributions and proportionate share of contributions (Notes 5 and 8). The Fund has a revenue stabilization account that 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.

## **Seattle Public Utilities – Water Fund** **(An Enterprise Fund of the City of Seattle)** **Notes to Financial Statements**

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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 nonoperating 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, amortization of debt expenses, amortization of debt discounts, premiums, and refunding losses, gain or loss 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 relates 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 bonds. 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 an arbitrage liability of \$324,286 and \$0 as of December 31, 2025 and 2024, respectively.

**Accounting standard changes** – In December 2023, GASB issued Statement No. 102 (GASB 102), *Certain Risk Disclosures*, and it was effective for reporting periods beginning after June 15, 2024. This standard prescribes the disclosure of certain concentrations or constraints that may limit our ability to acquire resources or control spending. The adoption of this standard had no impact to the Fund.

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements**

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**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, climate and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations and federal government regulations or orders concerning the operation, maintenance, and licensing of facilities.

**Reclassifications** – Certain reclassifications have been made to 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 Office of City Finance (OCF) 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 or withdraw cash at any time, from 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, 2025 and 2024, 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 Public Funds. 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.

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements**

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As of December 31, 2025 and 2024, the City held sufficient cash in its vault for operations. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

**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, Wells Fargo, rather than the trading counterparty or the trading counterparty's trust department or agent. 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.

**Foreign currency risk** – The City's pooled investment does not include securities denominated in foreign currencies.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investments must adhere to state statutes. State statute and the City's Statement of Investment Policy do not stipulate credit quality requirements for U.S. Government or U.S. Government Agency Obligations but provide for minimum credit ratings for investments in municipal bonds, commercial paper, and corporate bonds. State statute limits the maximum maturity and percentage allocation of investments in commercial paper and corporate bonds but not for municipals. The City's investment policy limits the maximum percentage allocation that can be invested in municipal bonds, commercial paper, and corporate bonds. In addition, commercial paper and corporate bond purchases must adhere to the investment policies and procedures adopted by the Washington State Investment Board (Policy No. 2.05.500 adopted 3/16/95 and revised again 9/15/16) that includes the following credit and maximum maturity constraints:

- A commercial paper issuer must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase (P-1, A-1+, A-1, F1+, F1, by Moody's, S&P and Fitch, respectively). If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial Paper investments may not have maturities exceeding 270 days. Any Commercial Paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of a NRSRO.
- Corporate bonds at the time of purchase must have a credit rating of not less than "A" by any nationally recognized rating agency and must mature within 5.5 years.
- Commercial paper and corporate bonds combined may not exceed 25% of the total portfolio.

## Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements

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- No single issuer of commercial paper may exceed 3% of the total portfolio.
- No single issuer of corporate bonds rated AA or better by all rating agencies may exceed 3% of the total portfolio.
- No single issuer of corporate bonds rated single A by all rating agencies may exceed 2% of the total portfolio.
- Investments in a single credit issuer, consisting of commercial paper and corporate bonds combined, may not exceed 3% of the total portfolio.

The City subscribes to public finance research from Fitch Ratings and all fixed income asset types from Standard & Poor's Ratings Direct. The City conducts internal due diligence of all investments with credit risk and maintains an "approved list" of issuers. Finally, the City monitors the credit worthiness of its investments over time until they mature or are potentially sold.

**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.

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements**

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**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, 2025 and 2024, 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 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 person 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 generally accepted accounting principles. Fair value is defined in GASB Statement No. 72, *Fair Value Measurement and Application as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between 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.

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.

## **Seattle Public Utilities – Water Fund (An Enterprise Fund of the City of Seattle) Notes to Financial Statements**

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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.

As of December 31, 2025 and 2024, the City held \$572.8 million and \$468.3 million, respectfully on deposit in the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The City's investments in the LGIP are reported at amortized cost, which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

The City'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 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).

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

**Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.

**Level 2** – Inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

**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 assets. The City’s remaining investments are valued as Level 2 assets. The City does not invest in securities that require Level 3 assets.

As of December 31, 2025, the City’s pooled investments were categorized within the fair value hierarchy as follows (in thousands):

Investments	Fair Value as of December 31, 2025	Fair Value Measurements Using			Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
U.S. Government Agency Securities	\$ 839,244	\$ -	\$ 839,244	\$ -	2,000
U.S. Treasury and U.S. Government-Backed Securities	2,674,006	2,674,006	-	-	811
Local Government Investment Pool	572,847	572,847	-	-	-
Municipal Bonds	45,931	-	45,931	-	816
Corporate Bonds	34,359	-	34,359	-	180
International Bank for Reconstruction and Development	107,191	-	107,191	-	739
Repurchase Agreements	11,323	11,323	-	-	8,766
	<u>\$ 4,284,901</u>	<u>\$ 3,258,176</u>	<u>\$ 1,026,725</u>	<u>\$ -</u>	

Weighted Average Maturity of the City’s Pooled Investments 950

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			Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
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
	<u>\$ 3,785,156</u>	<u>\$ 2,404,113</u>	<u>\$ 1,381,043</u>	<u>\$ -</u>	

Weighted Average Maturity of the City’s Pooled Investments 682

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

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

	2025	2024
Cash and equity in pooled investments	\$ 128,428,808	\$ 109,254,735
Restricted cash and equity in pooled investments	87,151,409	133,354,313
Total	\$ 215,580,217	\$ 242,609,048
Balance as a percentage of City Pool cash and investments	5.0%	6.4%

**Concentration of credit risk** – Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. 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 corporate bonds.

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):

Issuer	2025		2024	
	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
United States Government	\$ 2,674,006	62%	\$ 1,924,517	51%
Federal Home Loan Bank	102,595	2%	193,947	5%
Local Government Investment Pool	572,847	13%	468,340	12%
Federal National Mortgage Association	258,636	6%	280,777	7%
Federal Farm Credit Bank	261,267	6%	219,703	6%
Federal Home Loan Mortgage Corp	94,273	2%	215,628	6%

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

**Note 3 – Capital Assets**

Capital asset activity for the year ended December 31, 2025, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 213,651,660	\$ 429,052	\$ 79,744,785	\$ 293,825,497
Structures	1,433,178,339	64,351,434	356,458,086	1,853,987,859
Machinery and equipment	601,769,133	7,709,967	(448,869,156)	160,609,944
Computer systems	97,718,192	30,417	(4,207,889)	93,540,720
Intangible right-to-use	2,367,357	99,691	-	2,467,048
<b>Total capital assets - excluding land</b>	<b>2,348,684,681</b>	<b>72,620,561</b>	<b>(16,874,174)</b>	<b>2,404,431,068</b>
Less accumulated depreciation and amortization	(1,079,488,459)	(58,605,686)	16,626,186	(1,121,467,959)
	1,269,196,222	14,014,875	(247,988)	1,282,963,109
Construction in progress	95,835,366	134,615,534	(71,872,431)	158,578,469
Land and land rights	54,511,259	-	(10)	54,511,249
Artwork	2,385,839	9,558	-	2,395,397
Property held for future use	274,512	-	-	274,512
<b>Capital assets, net</b>	<b>\$ 1,422,203,198</b>	<b>\$ 148,639,967</b>	<b>\$ (72,120,429)</b>	<b>\$ 1,498,722,736</b>

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

	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
<b>Total capital assets - excluding land</b>	<b>2,293,489,071</b>	<b>68,644,188</b>	<b>(13,448,578)</b>	<b>2,348,684,681</b>
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
<b>Capital assets, net</b>	<b>\$ 1,390,326,431</b>	<b>\$ 96,421,078</b>	<b>\$ (64,544,311)</b>	<b>\$ 1,422,203,198</b>

During 2025 and 2024, the Fund capitalized interest costs as a regulatory asset relating to construction of \$3,816,187 and \$2,728,965, respectively.

**Seattle Public Utilities – Water Fund**  
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**Notes to Financial Statements**

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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 these leases was 0.38%.

The Fund has two software-based information technology arrangements (SBITAs) with terms expiring 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 was 2.70%.

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

Years Ending December 31,	Principal	Interest	Total
2026	\$ 363,795	\$ 9,594	\$ 373,389
2027	257,196	3,792	260,988
2028	184,312	1,146	185,458
2029	185,018	440	185,458
2030	30,649	5	30,654
	<u>\$ 1,020,970</u>	<u>\$ 14,977</u>	<u>\$ 1,035,947</u>

**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 \$4,590,479 in a debt service reserve fund and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2025 and 2024, were \$624,825,000 and \$629,225,000, respectively.

**Seattle Public Utilities – Water Fund**  
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Revenue bonds outstanding as of December 31, 2025 and 2024, consisted of the following Municipal Water bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding	
					2025	2024
2010 Improvement, Series A <sup>a</sup> (Taxable)	1/21/10	2019-2040	4.67-5.89%	\$ 109,080,000	\$ -	\$ 87,220,000
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	41,395,000	168,375,000
2017 Improvement and Refunding	1/25/17	2017-2046	4.0-5.0%	194,685,000	148,060,000	154,935,000
2021 Improvement and Refunding	6/14/21	2022-2034	4.0-5.0%	82,220,000	69,245,000	73,015,000
2022 Improvement and Refunding	7/28/22	2022-2052	5.0%	93,260,000	56,835,000	66,165,000
2024 Improvement and Refunding	6/6/24	2025-2054	5.0%	68,765,000	67,730,000	68,765,000
2025 Improvement and Refunding	5/19/25	2025-2055	5.0%	230,810,000	230,810,000	-
				<u>\$ 1,358,430,000</u>	<u>\$ 624,825,000</u>	<u>\$ 629,225,000</u>

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

Years Ending December 31,	Principal	Interest	Total
2026	44,335,000	28,666,100	73,001,100
2027	42,670,000	26,507,350	69,177,350
2028	40,850,000	24,346,725	65,196,725
2029	41,330,000	22,636,725	63,966,725
2030	34,260,000	21,005,100	55,265,100
2031 - 2035	149,445,000	80,381,450	229,826,450
2036 - 2040	109,740,000	50,574,325	160,314,325
2041 - 2045	72,005,000	31,614,175	103,619,175
2046 - 2050	48,500,000	16,872,775	65,372,775
2051 - 2055	41,690,000	5,114,875	46,804,875
	<u>624,825,000</u>	<u>307,719,600</u>	<u>932,544,600</u>

The following table shows the revenue bond activity during the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 629,225,000	\$ 230,810,000	\$ (235,210,000)	\$ 624,825,000	\$ 44,335,000
Add (deduct) deferred amounts					
Issuance premiums	80,534,573	16,933,679	(24,327,842)	73,140,410	-
Total bonds payable	<u>\$ 709,759,573</u>	<u>\$ 247,743,679</u>	<u>\$ (259,537,842)</u>	<u>\$ 697,965,410</u>	<u>\$ 44,335,000</u>

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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	(5,112,352)	80,534,573	-
Total bonds payable	<u>\$ 683,071,937</u>	<u>\$ 75,824,988</u>	<u>\$ (49,137,352)</u>	<u>\$ 709,759,573</u>	<u>\$ 47,205,000</u>

In May 2025, the Fund issued \$230,810,000 of Water System Improvement Revenue Bonds with varying annual principal payments due beginning 2026 and ending in 2055, at interest rate of 5.0%.

**Financial covenants** – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain Reserve Subaccount at the lesser of (i) Maximum Annual Debt Service on all parity bonds outstanding at the time of calculation, or (ii) 1.25 times adjusted annual debt service on all parity bonds outstanding at the calculation. In no event shall the Reserve exceed the sum of 10% of the proceeds of each series of parity bonds then outstanding, determined as of the Issue Date of each such series. Management believes the Fund was in compliance with all debt covenants as of December 31, 2025. For more information, see Other Information (page 54).

**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 as single-employer defined benefit public employee health care plans.

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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.

<b>Actuarial data and assumptions</b>	<b>2025</b>
Valuation date	January 1, 2025
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	4.08%
Health care cost trend rates – medical	8.00% and decreasing by varying amounts until 2035 thereafter
Health care cost trend rates – Rx	13.00% and decreasing by varying amounts until 2035 thereafter
Participation	25% of active employees who retire participate

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**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's sponsored postretirement benefits and costs.

Age	Pre-65 Medical, RX, and Admin Combined					
	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 2025 calendar year self-funded premium rates. Premium-equivalent rates were provided by the City'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 2025 four-tier rate structure including the add-on cost of dependent children and trended back from 2025 to 2024 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 2026 and future valuations.

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**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 \$4.3 million in 2025 and \$4.2 million in 2024. The Fund's proportionate share of the OPEB liability was 4.90% and 4.89% for the years ended December 31, 2025 and 2024, respectively. Based on the actuarial valuation date of January 1, 2025, details regarding the Fund's Total OPEB Liability as of December 31, are shown below.

	Total OPEB Liability at December 31,	
	2025	2024
Changes recognized for the fiscal year:		
Service cost	\$ 277,036	\$ 126,538
Interest on the total OPEB liability	145,017	93,461
Differences between expected and actual experience	-	(59,643)
Changes of assumptions	(318,154)	1,756,835
Contributions from the employer	(164,959)	(120,028)
Other changes	109,335	(23,657)
Net Changes	48,275	1,773,506
Balance recognized at January 1	4,209,177	2,435,671
Balance recognized at December 31	\$ 4,257,452	\$ 4,209,177

The Fund recorded an expense for OPEB of \$387,253 in 2025 and \$218,976 in 2024. The Health Care Subfund of the General Fund is reported in The City's Annual Comprehensive Financial Report.

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**Discount rate and healthcare cost trend rates** – The discount rate used to measure the total OPEB liability is 4.08% for 2025 and 3.26% for 2024. 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:

Discount Rate Sensitivity

	OPEB Liability at December 31,	
	2025	2024
Discount rate		
1% decrease	\$ 4,662,294	\$ 4,621,125
Current discount rate	4,257,452	4,209,176
1% increase	3,891,803	3,835,074

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,	
	2025	2024
Discount rate		
1% decrease	\$ 3,758,861	\$ 3,723,402
Trend rate	4,257,452	4,209,176
1% increase	4,851,476	4,786,893

**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, 2025.

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 202,473	\$ 462,026
Assumption changes	1,488,815	893,445
Contributions made in 2025 after measurement date	185,793	-
Total	\$ 1,877,081	\$ 1,355,471

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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	<u>164,545</u>	<u>-</u>
Total	<u><u>\$ 2,127,732</u></u>	<u><u>\$ 1,358,120</u></u>

The Fund’s contributions made in 2025 in the amount of \$185,793 are reported as deferred outflows of resources and will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2026. Other deferred inflows and outflows related to OPEB 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, <i>(in thousands)</i>	<u>Amortization</u>
2026	\$ (44,054)
2027	9,579
2028	34,156
2029	44,568
2030	30,684
Thereafter	<u>260,885</u>
Total	<u><u>\$ 335,817</u></u>

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, Washington 98124-4747, or [www.seattle.gov/investor-relations](http://www.seattle.gov/investor-relations).

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**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 2025 and 2024, 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 3.69% and 3.61%, respectively. Claims expected to be paid within one year are \$2,102,998 and \$2,179,465 at December 31, 2025 and 2024, respectively.

The table below presents the changes in the liability for workers' compensation claims and other claims (risk-financing liabilities) as of December 31:

	2025	2024
Beginning liability, discounted	\$ 7,082,170	\$ 6,813,747
Payments	(2,728,870)	(2,509,399)
Incurred claims and changes in estimate	3,803,175	2,777,822
Ending liability, discounted	\$ 8,156,475	\$ 7,082,170

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, 2025 and 2024:

	2025	2024
Beginning liability	\$ 7,223,733	\$ 5,726,197
Net additions/reductions	1,369,324	1,497,536
Ending liability	\$ 8,593,057	\$ 7,223,733

**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 and is administered in accordance with Chapter 4.36 of the Seattle Municipal Code.

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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:

	<u>YEAR</u>	<u>SCERS I</u>	<u>SCERS II</u>
Member Contribution	2025	10.03%	7.00%
	2024	10.03%	7.00%
Employer Contribution	2025	15.33%	14.94%
	2024	15.31%	14.91%

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, 2025 and 2024, were \$10,352,888 and \$10,266,599, 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](mailto:retirecity@seattle.gov), or online at <https://www.seattle.gov/retirement/forms-and-publications/publications>.

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**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** – At December 31, 2025 and 2024, the Fund reported a liability of \$83,440,426 and \$81,396,454, respectively, its proportionate share of the Systems’ net pension liability. The net pension liability was measured as of December 31, 2024 and 2023, 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, 2025 and 2024, the Fund’s proportion was 5.83% and 5.94%, respectively.

For the years ended December 31, 2025 and 2024, the Fund recognized pension expense of approximately \$9,523,000 and \$7,690,000, respectively.

The Fund’s deferred outflows and inflows of resources are as follows at December 31, 2025:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,077,684	\$ 398,888
Change of assumptions	2,086,485	-
Difference between projected and actual earnings	3,712,525	-
Contributions made subsequent to measurement date	10,352,887	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	695,814	2,667,294
Total	\$ 23,925,395	\$ 3,066,182

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

	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

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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, 2026. 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:

<b>Year</b>	<b>Amortization</b>
2026	\$ 4,376,067
2027	6,387,813
2028	(1,653,954)
2029	579,520
2030	816,880
Total	<b>\$ 10,506,326</b>

**Actuarial assumptions** – The total pension liability as of December 31, 2025, was determined using the following actuarial assumptions:

Valuation date	January 1, 2024
Measurement date	December 31, 2024
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.

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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, 2025, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.80%
Equity: Private	7.80%
Fixed Income: Broad	2.60%
Fixed Income: Long-Term	2.60%
Fixed Income: Credit	5.90%
Real Assets: Real Estate	4.50%
Real Assets: Infrastructure	4.10%

**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%
\$ 121,897,689	\$ 83,440,426	\$ 44,712,219

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**Note 9 – Loans**

The Fund has various construction projects that are financed by low interest loans issued by the State of Washington. 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, 2025 and 2024, are as follows:

Description	Maturity Years	Interest Rate	Loan Amount	Loans Outstanding	
				2025	2024
Myrtle Reservoir	2008-2025	1.5%	\$ 4,040,000	\$ -	\$ 224,444
Beacon Reservoir	2008-2026	1.5%	4,040,000	212,632	425,264
West Seattle Reservoir	2009-2027	1.5%	3,030,000	318,947	478,421
Maple Leaf	2011-2029	1.5%	3,030,000	645,400	806,748
Maple Leaf ARRA	2013-2031	1.0%	7,341,758	2,569,615	2,936,704
Morse Lake Pump Plant #1	2014-2037	1.5%	12,120,000	7,272,000	7,878,000
Morse Lake Pump Plant #2	2017-2036	1.5%	6,060,000	3,508,420	3,827,368
			<u>\$ 39,661,758</u>	<u>\$ 14,527,014</u>	<u>\$ 16,576,949</u>

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

Years Ending December 31,	Principal	Interest	Total
2026	\$ 1,825,490	\$ 205,057	\$ 2,030,547
2027	1,612,859	179,510	1,792,369
2028	1,453,385	157,153	1,610,538
2029	1,453,385	137,187	1,590,572
2030	1,292,035	117,222	1,409,257
2031 - 2035	5,358,913	333,947	5,692,860
2036 - 2037	1,530,947	32,054	1,563,001
	<u>\$ 14,527,014</u>	<u>\$ 1,162,130</u>	<u>\$ 15,689,144</u>

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

	2025	2024
Net loans, beginning of year	\$ 16,576,949	\$ 18,626,884
Principal payments	(2,049,935)	(2,049,935)
Net loans, end of year	<u>\$ 14,527,014</u>	<u>\$ 16,576,949</u>
Loans due within one year	<u>\$ 1,825,490</u>	<u>\$ 2,049,935</u>
Loans, noncurrent	<u>\$ 12,701,524</u>	<u>\$ 14,527,014</u>

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**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 \$69.6 million through the year 2031; costs beyond 2031 are not estimable as of the date of this report. As of December 31, 2025 and 2024, total cumulative costs incurred were \$184.9 million and \$183.5 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. Another feature of these contracts is that each year, actual revenues are compared to actual costs for the F&P contract holder group as a whole, and a running balance of over-or under-payments is maintained. The requirements contracts were amended in 2025, with January 1, 2026, being the effective date for the new amended contracts. These amended contracts provide for stranded costs provisions, automatic 10-year extensions, and a return of the over-collected amount as of December 31, 2024, in the form of a refund. Pursuant to that last provision, in 2025 Seattle recognized an expense for \$25,195,013, which was offset by a corresponding withdrawal from the Revenue Stabilization Fund, where past surplus revenues are held. The payment was made to the requirements of contract holders in February 2026. Under these contracts, Seattle is committed to continuing to provide, on an ongoing basis through the automatic contract extensions, water supplies sufficient to meet the demand of the contract holders. The full and partial requirements contracts include an additional amendment period where the parties may opt to review and change certain contract terms and conditions in 2042.

Two wholesale customers (CWA and Northshore Utility District) 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. CWA has the option to purchase, and Seattle has the obligation to provide, up to 5.3 MGD after the end of the contract. Northshore Utility District's block contract has no change to the block size (8.55 MGD) over the life of the contract, which runs through 2061. Northshore Utility District has the option to purchase, and Seattle has the obligation to provide, the amount of water then supplied at the end of the contract. Seattle has approached Northshore about amending its contract with Seattle to provide consistent financial terms across wholesale contracts as well as to offer Northshore the same opportunity for automatic 10 year extensions.

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. Seattle also has approached the City of North Bend to amend its contract to update and simplify its terms.

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

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**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 \$128.2 million (in 2025 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 2025 is \$114.4 million. The remaining \$13.8 million to complete the HCP is comprised of a \$10.9 million liability and an estimate of \$2.9 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.

**Note 12 – Subsequent Events**

In January 2026, Seattle Public Utilities purchased the 18-acre Talaris property in the Laurelhurst neighborhood of Seattle for \$64.3 million. The purchase allows the utility to comply with Washington Department of Fish and Wildlife requirements to restore fish passage on the site; it contains a 72-inch storm drain that now conveys Yesler Creek and is considered a fish barrier. The utility determined the property is also suitable for stormwater control facilities because the area needs additional stormwater drainage facilities to manage increased flows.

## **Required Supplementary Information**

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**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Required Supplementary Information**

**Schedule of Seattle Public Utilities’ Proportionate Share of the Net Pension Liability**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer’s proportion of the net pension liability	13.89	13.81%	14.21%	14.76%	14.62%	14.33%	14.55%	14.73%	15.13%	16.37%
Employer’s proportionate share of the net pension liability	\$ 190,138,034	\$ 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
Employer’s covered payroll	\$ 161,485,225	\$ 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
Employer’s proportionate share of the net pension liability as a percentage of its covered payroll	117.74%	142.59%	168.13%	96.44%	112.21%	160.05%	197.41%	151.40%	185.06%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	75.99%	74.93%	70.63%	83.31%	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%

**Schedule of Seattle Public Utilities’ Pension Contributions**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required employer contribution	\$ 24,575,902	\$ 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
Contributions in relation to the contractually required employer contribution	(24,575,902)	(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)
Employer contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer’s covered payroll	\$ 161,485,225	\$ 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
Employer contributions as a percentile of covered payroll	15.22%	15.97%	16.14%	16.23%	16.19%	15.14%	15.27%	15.29%	15.33%	15.70%

**Seattle Public Utilities – Water Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Required Supplementary Information**

**Schedule of the City’s Total OPEB Liability and Related Ratios**

	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>Total OPEB Liability</b>								
Normal cost	\$ 5,652,179	\$ 2,588,171	\$ 3,563,210	\$ 4,514,549	\$ 4,015,249	\$ 3,378,925	\$ 3,842,152	\$ 3,821,876
Interest	2,958,677	1,911,611	1,195,910	1,553,119	1,813,401	2,586,942	2,195,238	2,583,105
Differences between expected and actual experience	-	(1,219,914)	-	(16,026,625)	-	6,956,579	-	13,491,865
Changes in assumptions	(6,491,070)	35,933,709	(8,009,946)	(1,556,412)	3,738,597	(7,760,776)	(3,886,702)	(22,126,128)
Benefit payment	(3,365,542)	(2,455,021)	(2,436,239)	(3,039,800)	(2,933,774)	(2,484,320)	(2,333,610)	(2,289,000)
Total OPEB liability – beginning of year	86,774,056	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	<u>\$ 85,528,300</u>	<u>\$ 86,774,056</u>	<u>\$ 50,015,500</u>	<u>\$ 55,702,565</u>	<u>\$ 70,257,734</u>	<u>\$ 63,624,261</u>	<u>\$ 60,946,911</u>	<u>\$ 61,129,833</u>
Covered-employee payroll	\$ 1,335,594,652	\$ 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	6.40%	6.50%	4.36%	4.86%	6.25%	5.66%	6.00%	6.02%

## **Other Information (Unaudited)**

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

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**Water Fund Debt Service Coverage Calculation 2025**

<b>Operating Revenues</b>	
Utility Service	\$ 263,013,439
Wholesale/Commercial	62,028,601
Other	12,523,324
<b>Total Operating Revenue</b>	<u>337,565,364</u>
 <b>Operating Expense</b>	
Salaries and Wages	52,755,001
Personnel Benefits	29,491,703
Supplies	10,187,818
Services	92,854,732
Intergovernmental Payments	54,940,227
Other Operating Expense	(714,997)
<b>Total Operating Expenses</b>	<u>239,514,484</u>
 <b>Net Operating Income</b>	 <u>98,050,880</u>
 <b>Adjustments</b>	
Add: Capital Contributions Connection Charge	4,647,636
Add: City Taxes	39,874,947
Add: Investment Interest	7,092,383
Less: DSRF Earnings	(507,014)
Add: BAB's Subsidy	283,983
Add (Less): Net Other Nonoperating Revenues/(Expenses)	3,619,492
Add: Proceeds from Sale of Assets	300,866
<b>Total Adjustments</b>	<u>55,312,293</u>
 <b>Net Revenue Available for Debt Service</b>	 <u>\$ 153,363,173</u>
 <i>w/o Credit for City Taxes</i>	 <u>\$ 113,488,226</u>
 <b>Annual Debt Service</b>	
Annual Debt Service	\$ 76,636,580
Less: DSRF Earnings	(507,014)
<b>Adjusted Annual Debt Service</b>	<u>\$ 76,129,566</u>
 Coverage	 2.01
Coverage without taxes	1.49

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

**Water System Operating Statistics**

	2021	2022	2023	2024	2025
Population Served					
Retail	**	826,000	843,000	863,000	886,000
Wholesale <sup>(1)</sup>	**	749,000	765,000	795,000	801,000
Total Population Served	**	1,575,000	1,608,000	1,658,000	1,687,000
Water Sales Revenues (\$000) <sup>(2)(3)</sup>					
Retail	\$ 213,552	\$ 221,695	\$ 230,721	\$ 234,766	\$ 244,830
Wholesale	57,362	56,242	59,043	59,922	62,029
Total Water Sales Revenues	\$ 270,914	\$ 277,937	\$ 289,764	\$ 294,688	\$ 306,859
Billed Water Consumption (MG) <sup>(3)</sup>					
Retail	19,522	19,560	19,914	19,719	20,219
Wholesale	23,328	22,770	23,368	22,989	23,915
Total Billed Water Use	42,850	42,330	43,282	42,708	44,134
Operating Costs (\$ per MG)	\$ 5,184	\$ 5,316	\$ 5,958	\$ 6,156	\$ 6,203
Gallons Used per Day per Capita <sup>(4)</sup>	75	74	74	71	72
Retail Meters in Use	200,152	200,706	201,847	202,173	202,975
Number of New Retail Meters	1,426	554	1,141	326	802
Total Water Diversions (MGD)	124.9	123.6	125.7	124.1	126.7
Non-Revenue	7.5	7.6	6.9	7.0	5.7
% Non-Revenue	6.0	6.2	5.5	5.6	4.5

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

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

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

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

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**Major Retail Water Customers**

During the year ended December 31, 2025, major retail water customers included:

<b>Customer</b>	<b>CCF</b>	<b>Billed Amount</b>
City of Seattle	591,990	\$ 5,205,185
University of Washington	676,949	\$ 4,714,706
Seattle Housing Authority	427,052	\$ 3,131,164
Port of Seattle	376,629	\$ 2,905,205
King County	187,526	\$ 1,590,912
Equity Residential	189,733	\$ 1,338,245
Marriott International Inc.	167,489	\$ 1,161,298
Nucor Steel Seattle	144,114	\$ 962,770
Seattle Public Schools	78,125	\$ 833,506
Bellwether Housing	109,438	\$ 781,159

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

**Effective January 1, 2026**

RATE SCHEDULES	Direct Service																	
	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
<b>Commodity Charge (\$/100 Cubic Feet)</b>																		
Offpeak Usage (Sept 16-May 15)	\$5.82	\$5.82	\$6.06		\$6.63	\$6.63	\$6.91		\$7.06	\$7.06	\$7.35	\$6.61		\$7.21	\$7.21	\$7.51		\$7.30
Peak Usage (May 16-Sept 15)																		
Up to 5 ccf**	\$5.98	\$5.98	\$7.70		\$6.82	\$6.82	\$8.78		\$7.25	\$7.25	\$9.34	\$6.79		\$7.41	\$7.41	\$9.54		\$9.27
Next 13 ccf**	\$7.39	\$7.39	\$7.70		\$8.42	\$8.42	\$8.78		\$8.96	\$8.96	\$9.34	\$8.39		\$9.16	\$9.16	\$9.54		\$9.27
Over 18 ccf**	\$11.80	\$11.80	\$7.70		\$13.45	\$13.45	\$8.78		\$14.31	\$14.31	\$9.34	\$13.39		\$14.62	\$14.62	\$9.54		\$9.27
Usage over base allowance				\$20.00			\$22.80				\$24.30					\$24.80		
Utility Credit (\$/month)	\$25.36		\$14.19		\$25.36		\$14.19		\$25.36		\$14.19			\$25.36		\$14.19		\$14.19
<b>Base Service Charge (\$/month/meter)</b>																		
3/4 inch and less	\$21.35		\$25.20		\$24.35		\$28.75		\$25.90		\$30.55			\$26.45		\$31.25		
1 inch	\$22.00		\$26.00		\$25.10		\$29.65		\$26.70		\$31.55			\$27.25		\$32.20		
1-1/2 inch	\$33.95	\$33.95	\$40.05		\$38.70	\$38.70	\$45.65		\$41.15	\$41.15	\$48.55	\$38.55		\$42.05	\$42.05	\$49.65		
2 inch	\$37.60	\$37.60	\$44.35	\$17.75	\$42.85	\$42.85	\$50.55	\$20.00	\$45.60	\$45.60	\$53.80	\$22.00	\$42.70	\$46.60	\$46.60	\$54.95	\$22.00	
3 inch	\$139.20	\$139.20	\$164.00	\$23.00	\$158.70	\$158.70	\$186.95	\$26.00	\$168.80	\$168.80	\$198.90	\$28.00	\$158.00	\$172.50	\$172.50	\$203.20	\$29.00	
4 inch	\$199.00	\$199.00	\$235.00	\$43.00	\$227.00	\$227.00	\$267.90	\$49.00	\$241.00	\$241.00	\$285.00	\$52.00	\$225.85	\$247.00	\$247.00	\$291.20	\$53.00	
6 inch		\$245.00	\$290.00	\$73.00		\$279.00	\$331.00	\$83.00		\$297.00	\$352.00	\$89.00	\$278.00		\$304.00	\$359.00	\$90.00	
8 inch		\$289.00	\$341.00	\$115.00		\$329.00	\$389.00	\$131.00		\$350.00	\$414.00	\$139.00	\$328.00		\$358.00	\$423.00	\$143.00	\$410.00
10 inch		\$353.00	\$417.00	\$166.00		\$402.00	\$475.00	\$189.00		\$428.00	\$506.00	\$201.00	\$401.00		\$437.00	\$517.00	\$206.00	\$502.00
12 inch		\$477.00	\$562.00	\$242.00		\$544.00	\$641.00	\$276.00		\$578.00	\$682.00	\$293.00	\$541.00		\$591.00	\$696.00	\$300.00	
16 inch		\$535.00	\$631.00			\$610.00	\$719.00			\$649.00	\$765.00	\$607.00			\$663.00	\$782.00		
20 inch		\$614.00	\$721.00			\$700.00	\$822.00			\$745.00	\$874.00	\$697.00			\$761.00	\$893.00		
24 inch		\$771.00	\$819.00			\$879.00	\$934.00			\$935.00	\$993.00	\$875.00			\$955.00	\$1,015.00		

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Seattle Public Utilities – Water Fund (the Fund) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements, and have issued our report thereon dated April 30, 2026.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Seattle, Washington  
April 30, 2026

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**APPENDIX G**  
**DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM**

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## DTC AND THE BOOK-ENTRY TRANSFER SYSTEM

*The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the "Beneficial Owners") should confirm the following with DTC or its participants (the "Participants").*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.
5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Fiscal Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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*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 obligated to exchange or transfer any Bond during the 15 days preceding any principal or interest payment or redemption date. Neither the City nor the Bond Registrar shall have any responsibility or obligation to Participants of DTC or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC 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 DTC).



