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OFFICIAL STATEMENT

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NEW ISSUE  
BOOK-ENTRY ONLY

Moody's Rating: Aa1  
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

\$154,005,000

Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater System (the "Plan of Additions"); (ii) depending on market conditions, to refund certain obligations of the Drainage and Wastewater System (described below under "—Plan of Refunding"); (iii) to provide for the Reserve Requirement, if necessary; and (iv) 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 Drainage and Wastewater 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 cease to be secured by the Reserve Subaccount from and after the Reserve Covenant Date.*** See "SECURITY FOR THE BONDS"

**The Bonds do not constitute general obligations of the City, the State of Washington, 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 Drainage and Wastewater 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 25, 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: June 2, 2026

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 Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater 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.

**MATURITY SCHEDULE**

**THE CITY OF SEATTLE, WASHINGTON**  
**\$154,005,000**

**Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2026**

<b>Due June 1</b>	<b>Principal Amounts</b>	<b>Interest Rates</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Nos.<sup>(1)</sup></b>
2027	\$ 6,485,000	5.000%	2.440%	102.346	812631 TT6
2028	6,820,000	5.000	2.460	104.765	812631 TU3
2029	7,165,000	5.000	2.520	106.968	812631 TV1
2030	7,530,000	5.000	2.590	108.955	812631 TW9
2031	7,915,000	5.000	2.680	110.652	812631 TX7
2032	8,320,000	5.000	2.780	112.064	812631 TY5
2033	8,745,000	5.000	2.830	113.572	812631 TZ2
2034	9,200,000	5.000	2.900	114.785	812631 UA5
2035	2,350,000	5.000	2.980	115.738	812631 UB3
2036	2,470,000	5.000	3.070	116.414	812631 UC1
2037	2,595,000	5.000	3.160 <sup>(2)</sup>	115.579	812631 UD9
2038	2,730,000	5.000	3.240 <sup>(2)</sup>	114.844	812631 UE7
2039	2,870,000	5.000	3.340 <sup>(2)</sup>	113.932	812631 UF4
2040	3,015,000	5.000	3.390 <sup>(2)</sup>	113.480	812631 UG2
2041	3,170,000	5.000	3.460 <sup>(2)</sup>	112.850	812631 UH0
2042	3,335,000	5.000	3.540 <sup>(2)</sup>	112.135	812631 UJ6
2043	3,505,000	5.000	3.630 <sup>(2)</sup>	111.337	812631 UK3
2044	3,685,000	5.000	3.740 <sup>(2)</sup>	110.371	812631 UL1
2045	3,875,000	5.000	3.870 <sup>(2)</sup>	109.243	812631 UM9
2046	4,070,000	5.000	4.000 <sup>(2)</sup>	108.128	812631 UN7
2047	4,280,000	5.000	4.120 <sup>(2)</sup>	107.111	812631 UP2
2048	4,500,000	5.000	4.190 <sup>(2)</sup>	106.523	812631 UQ0
2049	4,730,000	5.000	4.230 <sup>(2)</sup>	106.189	812631 UR8
2050	4,975,000	5.000	4.250 <sup>(2)</sup>	106.022	812631 US6
2051	5,230,000	5.000	4.270 <sup>(2)</sup>	105.856	812631 UT4
2052	5,495,000	5.000	4.300 <sup>(2)</sup>	105.607	812631 UU1
<b>TERM BONDS</b>					
2056	\$ 24,945,000	5.000%	4.440% <sup>(2)</sup>	104.455	812631 UY3
<b>Total</b>	<b>\$ 154,005,000</b>				

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

(2) Yield calculated to the June 1, 2036 par call date.

# 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
Debora 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	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

<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> Michael Ott, PE, PMP, will be joining SPU on July 1, 2026 in this position; duties temporarily being performed by the General Manager.

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## OFFICIAL STATEMENT

The City of Seattle, Washington  
\$154,005,000

### Drainage and Wastewater 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 \$154,005,000 aggregate principal amount of its Drainage and Wastewater 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 Drainage and Wastewater System (the “Drainage and Wastewater 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 Drainage and Wastewater 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 the Drainage and Wastewater System 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. 35.67, 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 127337, passed on November 21, 2025 (the “New Money Ordinance”) and Ordinance 125455, passed November 20, 2017, as amended by Ordinance 126482, passed by the City Council on November 22, 2021, and as further amended by the New Money Ordinance (as amended, 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 (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 Drainage and Wastewater System bonds in a maximum aggregate amount not to exceed \$128 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 \$106,925,000, leaving \$21,075,000 authorized but unissued. In addition, the City has \$32,390,000 of authorization remaining unissued under Ordinance 126941, 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 these ordinances. See “DEBT OF THE DRAINAGE AND WASTEWATER 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 the 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 Drainage and Wastewater Revenue Bond Account, 1990 (the “Parity Bond Account”) and the Drainage and Wastewater 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, 2056 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>
2053	\$ 5,775,000
2054	6,075,000
2055	6,385,000
2056 <sup>(1)</sup>	6,710,000

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(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 Finance Director 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 Drainage and Wastewater System (the “Plan of Additions”); (ii) depending on market conditions, to refund certain obligations of the Drainage and Wastewater System (described below under “—Plan of Refunding”); (iii) to provide for the Reserve Requirement, if necessary; and (iv) 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>	<b>New Money</b>	<b>Refunding</b>	<b>Total</b>
Principal Amount	\$ 106,925,000.00	\$ 47,080,000.00	\$ 154,005,000.00
Original Issue Premium	9,055,495.85	4,576,610.90	13,632,106.75
<b>Total Sources of Funds</b>	<b>\$ 115,980,495.85</b>	<b>\$ 51,656,610.90</b>	<b>\$ 167,637,106.75</b>
<b>Uses</b>			
Deposit to DWW Fund Construction Account	\$ 109,000,000.00	\$ --	\$ 109,000,000.00
Deposit to Refunding Escrow	--	51,537,810.20	51,537,810.20
Deposit to Reserve Subaccount	6,609,077.02	--	6,609,077.02
Costs of Issuance <sup>(1)</sup>	371,418.83	118,800.70	490,219.53
<b>Total Uses of Funds</b>	<b>\$ 115,980,495.85</b>	<b>\$ 51,656,610.90</b>	<b>\$ 167,637,106.75</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

A portion of the proceeds of the Bonds will be used to carry out a current refunding the Refunded Bonds identified below. The Refunded Bonds will be called on the dates and at the prices shown in Table 2, below.

### *Refunded Bonds*

The Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2016 (the “2016 Bonds”) identified below (the “Refunded Bonds”) 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. The Refunded Bonds will be called on the date and at the redemption prices shown in the table below.

**Table 2.  
Refunded Bonds**

<b>Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2016</b>					
<b>Maturity (April 1)</b>	<b>Par Amount</b>	<b>Coupon</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP</b>
2027	\$ 5,500,000	5.00%	7/27/2026	100%	812631 MP1
2028	5,755,000	4.00	7/27/2026	100	812631 MQ9
2029	5,985,000	4.00	7/27/2026	100	812631 MR7
2030	6,230,000	4.00	7/27/2026	100	812631 MS5
2031	6,485,000	4.00	7/27/2026	100	812631 MT3
2032	6,745,000	4.00	7/27/2026	100	812631 MU0
2033	7,020,000	4.00	7/27/2026	100	812631 MV8
2034	7,310,000	4.00	7/27/2026	100	812631 MW6
<b>Total</b>	<b>\$51,030,000</b>				

### *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 utility local improvement district assessments (“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 DRAINAGE AND WASTEWATER 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 and the Bonds will cease to be secured by the Reserve Subaccount as of the Reserve Covenant Date. Until the Reserve Covenant Date (defined below), the Reserve Subaccount will secure payment of all Parity Bonds. From and after the Reserve Covenant Date, the Reserve Subaccount will secure only the Covered Parity Bonds.* See “—Parity Bond Account and Reserve Subaccount—Reserve Subaccount,” below.

## **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 DRAINAGE AND WASTEWATER 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*,” below, and APPENDIX C—SUMMARY OF BOND ORDINANCE (“FUTURE PARITY BONDS”). The City has reserved the right to combine the Drainage and Wastewater 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 from and after the Reserve Covenant Date, will cease to be 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 Drainage and Wastewater 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 Drainage and Wastewater Fund and used for the following purposes only, in the following order of priority:

- (a) To pay the Operating and Maintenance Expense of the Drainage and Wastewater 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);
- (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 Drainage and Wastewater System; to make necessary additions, betterments, improvements, repairs, extensions, and replacements of the Municipal Drainage and Wastewater 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 Drainage and Wastewater System purposes;

See “—Bond Covenants—*Parity Payment Agreements*,” below. A summary of outstanding Parity Bond debt service is provided under the heading “DEBT OF THE DRAINAGE AND WASTEWATER 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 Drainage and Wastewater 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 ULID assessments on their collection (except for ULID assessments deposited in a construction account) and certain amounts from the Net Revenue of the Drainage and Wastewater System sufficient to pay such principal and interest when due. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SECURITY FOR THE BONDS; FLOW OF FUNDS”).

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, from and after the Reserve Covenant Date will cease to be secured by the amounts on deposit in the Reserve Subaccount.** See “—*Reserve Subaccount*,” below, and APPENDIX C—SUMMARY OF BOND ORDINANCE (“SECURITY FOR THE BONDS, FLOW OF FUNDS”).

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, from and after the Reserve Covenant Date will cease to be secured by the amounts on deposit in the Reserve Subaccount.** See APPENDIX C—SUMMARY OF BOND ORDINANCE (“DEFINITIONS”) 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 2016 Bonds, some of which are Refunded Bonds.

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; Reserve Covenant Date

**Until the occurrence of the Reserve Covenant Date** (defined below), the City has covenanted that it will at all times, so long as any Parity Bonds are outstanding, maintain the Reserve Subaccount at the least of (i) Maximum Annual Debt Service on all Parity Bonds outstanding at the time of calculation, (ii) 1.25 times Adjusted Annual Debt Service on all Parity Bonds outstanding at the time of calculation, or (iii) the sum of 10% of the proceeds of each series of Parity Bonds then outstanding, as of the delivery of each such series (the “Reserve Requirement”), as it is adjusted from time to time, except for withdrawals authorized by the Bond Documents. Under the Bond Documents, the City must fund any increase in the Reserve Requirement due to the issuance of the Bonds by a deposit of Parity Bond proceeds, Net Revenue in no more than five annual installments, or a Reserve Security.

**From and after the Reserve Covenant Date** (defined below), the Reserve Subaccount will secure only such Parity Bonds as are designated as “Covered Parity Bonds” and the Reserve Requirement will be calculated based on debt service relating to Covered Parity Bonds only. **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 from and after the Reserve Covenant Date.**

In the Bond Ordinance, the Reserve Covenant Date is defined as the earlier of: (a) the date on which the City has obtained consents of 60% of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased: the Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2014 and the 2016 Bonds. A portion of the Outstanding 2016 Bonds are the Refunded Bonds.

**By purchasing the Bonds, the purchasers of the Bonds will be deemed to have given their consent as of the issue date for the Bonds and will be added to the consents previously obtained at the issuance of the Outstanding Parity Bonds issued in 2022, 2023, 2025, and any other consents obtained in the future.**

As of the Issue Date of the Bonds, the aggregate Reserve Requirement for the Outstanding Parity Bonds will be equal to \$64,389,688, which will be satisfied by the amounts already on deposit in the Reserve Subaccount (\$34,226,678), the aggregate policy limits of the Reserve Securities held therein (\$23,553,933), and a deposit from proceeds of the Bonds in the amount of \$6,609,077. See Table 3, below. 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.

Table 3 summarizes the cash and Reserve Securities expected to be held in the Reserve Subaccount as of the Issue Date of the Bonds.

**Table 3.  
Reserve Subaccount Summary**

Reserve Security Provider	Stated Value or Policy Limit	Expiration Date	Current Ratings <sup>(1)</sup>	
			Moody’s	S&P
AMBAC	\$ 1,577,250	11/01/2027	Withdrawn	
NPFG <sup>(2)</sup>	3,572,313	11/01/2029	Baa2	NR
NPFG <sup>(3)</sup>	3,756,104	11/01/2031	Baa2	NR
NPFG <sup>(3)</sup>	3,866,550	07/01/2032	Baa2	NR
NPFG <sup>(2)</sup>	3,538,992	09/01/2034	Baa2	NR
NPFG <sup>(2)</sup>	2,188,810	02/01/2037	Baa2	NR
NPFG <sup>(2)</sup>	5,053,914	02/01/2037	Baa2	NR
<b>Total Reserve Securities</b>	<b>\$ 23,553,933</b>			
Existing Cash Deposits <sup>(4)</sup>	\$ 34,226,678			
Deposit from Bond Proceeds	6,609,077			
<b>Total Cash and Reserve Securities</b>	<b>\$ 64,389,688</b>			

Totals may not add due to rounding.

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

Notes continue on following page.

*Notes to Table 3 (continued):*

- (3) Purchased in 2007 independent of a bond issue as a substitution of Reserve Security for cash held in the Reserve Subaccount. Surety originally provided by Financial Guaranty Insurance Company.
- (4) As of December 31, 2025.

*Source: Seattle Public Utilities*

### **Rate Stabilization Account**

The City has established a Rate Stabilization Account (the “RSA”) (created pursuant to Ordinance 118974) as a separate account in the Drainage and Wastewater Fund. The City may at any time deposit into the RSA Gross Revenue or any other money received by the Drainage and Wastewater 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.

The City has never funded a Rate Stabilization Account in the Drainage and Wastewater Fund and currently has no plans to fund it. See also APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“THE DRAINAGE AND WASTEWATER SYSTEM—Drainage and Wastewater Fund Management and Financial Targets”).

### **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 Drainage and Wastewater System, sale of the Drainage and Wastewater System, maintenance of books and records, liens on the Drainage and Wastewater 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 services and facilities provided by the Drainage and Wastewater System that will produce Adjusted Net Revenue 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 Drainage and Wastewater 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 Drainage and Wastewater 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:

- (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).
- (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 drainage and wastewater service 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 Drainage and Wastewater 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 Drainage and Wastewater 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 DRAINAGE AND WASTEWATER 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) When calculating “Annual Debt Service,” to permit or require any tax credit payments (or other similar payments) in respect of any Tax-Advantaged Bonds expected to be received by the City during a given period to be credited against amounts required to be paid in respect of interest on the Parity Bonds in that period;
- (ii) To permit or require tax credit payments (or similar payments) in respect of Tax-Advantaged Bonds 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.

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.

“*Events of Default*” with respect to the Bonds are 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 DRAINAGE AND WASTEWATER 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
2014 Bonds <sup>(1)</sup>	\$ 133,180,000	\$ 48,625,000	5/1/2044
2016 Bonds <sup>(1)</sup>	160,910,000	127,060,000 <sup>(2)</sup>	4/1/2046
2017 Bonds	234,125,000	182,785,000	7/1/2047
2020 WIFIA Bond <sup>(3)</sup>	192,181,651	192,181,651	7/1/2055
2021 Bonds	111,010,000	102,265,000	9/1/2051
2022 Bonds <sup>(4)</sup>	117,165,000	81,125,000	9/1/2042
2023 Bonds <sup>(4)</sup>	97,940,000	94,985,000	2/1/2053
2025 Bonds <sup>(4)</sup>	151,805,000	151,805,000	5/1/2055
<b>Total</b>		<b>\$ 980,831,651</b>	

(1) Covered Parity Bonds. See “SECURITY FOR THE BONDS—Parity Bond Account and Reserve Subaccount—*Reserve Subaccount*.”

(2) \$51,030,000 of this par amount reflects the portion of this issue that is identified as the Refunded Bonds. See “USE OF PROCEEDS—Plan of Refunding”

(3) Issued as a draw-down loan through the federal WIFIA program, with a maximum principal amount of \$192,181,651, which was fully drawn in October 2025. The 2020 WIFIA Bond has a final maturity date of July 1, 2055, unless earlier paid, with principal payment beginning on July 1, 2026. Amounts drawn bear interest at a fixed rate of 1.01%. The 2020 WIFIA Bond is subject to prepayment at the option of the City at any time at par plus accrued interest to the date of prepayment. The repayment schedule for the 2020 WIFIA Bond has been incorporated into the Parity Bond debt service requirements shown in Table 6. See also, the description of the Ship Canal Water Quality Project in APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“REGULATORY AND ENVIRONMENTAL MATTERS—Federal Clean Water Act—*Combined Sewer System (CSS) Permit*”).

(4) Consented to amendments to the Reserve Requirement described above under “—Parity Bond Account and Reserve Subaccount—*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 State- and federally-funded revolving fund programs, including the State’s Public Works Assistance Account and several programs 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.

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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><i>Loans in Repayment Phase</i></b>					
High Point	2004	2029	1.50%	\$ 2,679,413	\$ 536,374
Thornton Creek	2006	2030	1.50	6,983,021	1,803,813
Midvale	2011	2031	0.25	4,000,000	1,270,624
Capitol Hill Water Quality	2014	2033	2.60	1,880,598	895,373
Henderson	2015	2037	2.40	36,372,252	23,195,521
Ship Canal Project	2019	2042	2.00	23,967,096	20,467,327
Ship Canal Project	2021	2044	1.20	40,181,432	40,181,432
Ship Canal Project	2021	2044	1.20	28,845,813	28,845,813
Pearl Street	2020	2039	1.58	10,000,000	7,702,628
Ship Canal Project	2021	2044	1.20	28,571,912	28,571,912
Ship Canal Project	2021	2044	1.20	32,242,600	32,242,600
<b>Total Outstanding</b>					<b>\$ 185,713,417</b>
<b><i>Additional Loans in Drawdown Phase</i></b>					
South Thornton Natural Drainage System <sup>(1)</sup>	2023	30 years	0.80	\$ 11,997,338	\$ 11,639,715
North Thornton Natural Drainage System <sup>(1)</sup>	2024	30 years	1.60	4,564,580	1,614,431

(1) These loans are draw-down loans from federal Clean Water Act sources. Outstanding amounts shown represent the portion of principal drawn as of December 31, 2025. Each will mature based on the number of years indicated following the final draw. 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 Drainage and Wastewater 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 Drainage and Wastewater 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.

## Summary of Debt Service Requirements

Table 6 provides a summary of scheduled principal and interest payments on the Outstanding Parity Bonds (adjusted to reflect the refunding of the Refunded Bonds) and the Bonds, plus debt service on outstanding subordinate State loan program obligations that are in the repayment phase.

**Table 6.**  
**Total Debt Service Requirements**

Calendar Year	Outstanding Parity Bonds <sup>(1)</sup>		The Bonds		Total Parity Bond Debt Service	State Loan Program Obligations	Aggregate Debt Service Requirements
	Principal	Interest	Principal	Interest			
2026	\$ 39,771,526	\$ 35,694,645	\$ -	\$ 3,336,775	\$ 78,802,946	\$ 12,837,031	\$ 91,639,977
2027	35,767,243	33,151,855	6,485,000	7,538,125	82,942,223	13,194,599	96,136,822
2028	34,113,522	31,578,201	6,820,000	7,205,500	79,717,223	13,186,752	92,903,975
2029	36,365,370	30,096,653	7,165,000	6,855,875	80,482,898	13,099,957	93,582,855
2030	34,027,793	28,681,130	7,530,000	6,488,500	76,727,423	12,805,124	89,532,547
2031	35,415,795	27,299,928	7,915,000	6,102,375	76,733,098	12,589,238	89,322,336
2032	33,534,383	25,855,215	8,320,000	5,696,500	73,406,098	12,369,621	85,775,719
2033	34,043,563	24,447,460	8,745,000	5,269,875	72,505,898	12,362,303	84,868,201
2034	35,573,340	23,017,608	9,200,000	4,821,250	72,612,198	12,230,226	84,842,424
2035	40,708,721	21,500,527	2,350,000	4,532,500	69,091,748	12,222,909	81,314,657
2036	42,339,712	19,883,736	2,470,000	4,412,000	69,105,448	12,215,591	81,321,039
2037	43,956,319	18,254,178	2,595,000	4,285,375	69,090,872	11,047,413	80,138,286
2038	43,448,549	16,555,449	2,730,000	4,152,250	66,886,248	9,879,235	76,765,483
2039	40,361,407	14,968,041	2,870,000	4,012,250	62,211,698	9,871,918	72,083,616
2040	35,239,899	13,575,049	3,015,000	3,865,125	55,695,073	9,314,413	65,009,485
2041	36,524,033	12,290,365	3,170,000	3,710,500	55,694,898	9,314,413	65,009,310
2042	37,853,815	10,953,083	3,335,000	3,547,875	55,689,773	8,582,681	64,272,453
2043	34,609,251	9,561,072	3,505,000	3,376,875	51,052,198	7,850,949	58,903,146
2044	35,875,348	8,297,275	3,685,000	3,197,125	51,054,748	7,850,949	58,905,696
2045	30,627,113	7,112,210	3,875,000	3,008,125	44,622,448	7,850,949	52,473,397
2046	31,734,551	6,006,084	4,070,000	2,809,500	44,620,135	558,020	45,178,155
2047	27,162,671	4,964,845	4,280,000	2,600,750	39,008,266	558,020	39,566,286
2048	17,791,479	3,993,994	4,500,000	2,381,250	28,666,723	558,020	29,224,743
2049	18,380,982	3,395,634	4,730,000	2,150,500	28,657,116	558,020	29,215,136
2050	19,011,187	2,770,742	4,975,000	1,907,875	28,664,804	558,020	29,222,824
2051	19,662,101	2,117,759	5,230,000	1,652,750	28,662,610	558,020	29,220,630
2052	16,428,731	1,435,460	5,495,000	1,384,625	24,743,816	558,020	25,301,836
2053	16,986,085	878,963	5,775,000	1,102,875	24,742,923	558,020	25,300,943
2054	11,104,170	458,010	6,075,000	806,625	18,443,805	558,020	19,001,824
2055	11,382,992	179,568	6,385,000	495,125	18,442,685	558,020	19,000,705
2056	-	-	6,710,000	167,750	6,877,750	558,020	7,435,770
<b>Total</b>	<b>\$ 929,801,651</b>	<b>\$ 438,974,739</b>	<b>\$ 154,005,000</b>	<b>\$ 112,874,400</b>	<b>\$ 1,635,655,790</b>	<b>\$ 226,814,488</b>	<b>\$ 1,862,470,277</b>

Totals may not add due to rounding.

(1) Reflects Parity Bonds outstanding as of December 31, 2025, excluding the Refunded Bonds.

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 CIP and subsequent adjustments for the Drainage and Wastewater System are summarized in APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“DRAINAGE AND WASTEWATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan”). The CIP reflects capital requirements of \$2.182 billion over the 2026-2031 planning period, 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, it expects to fund approximately

49% of its capital requirements over the 6-year planning period from proceeds of the Bonds, Future Parity Bonds, or other State or federal funding. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“THE DRAINAGE AND WASTEWATER SYSTEM—Drainage and Wastewater Fund Management and Financial Targets”).

## DRAINAGE AND WASTEWATER SYSTEM FINANCIAL INFORMATION

### Historical Operating Results 2021-2025

Table 7 presents actual revenues and expenses of the Drainage and Wastewater System for the years 2021 through 2025 and projected results for 2026 and 2027, as noted in the notes to 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 Drainage and Wastewater 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 Drainage and Wastewater 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>	<b>Audited</b>					<b>Projected<sup>(1)</sup></b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>OPERATING REVENUES</b>							
Wastewater	\$ 328,311	\$ 335,757	\$ 348,412	\$ 372,029	\$ 392,233	\$ 419,080 <sup>(2)</sup>	\$ 457,270 <sup>(2)</sup>
Drainage	166,693	177,042	187,646	197,806	210,569	211,180	221,588
Other <sup>(3)</sup>	7,512	6,230	6,875	7,005	8,029	8,230	8,436
<b>Total Operating Revenues</b>	<b>\$ 502,517</b>	<b>\$ 519,029</b>	<b>\$ 542,934</b>	<b>\$ 576,840</b>	<b>\$ 610,831</b>	<b>\$ 638,490</b>	<b>\$ 687,294</b>
<b>OPERATING EXPENSES</b>							
Wastewater Treatment	\$ 165,085	\$ 172,140	\$ 189,410	\$ 203,797	\$ 215,976	\$ 231,412 <sup>(2)</sup>	\$ 261,865 <sup>(2)</sup>
Operations and Maintenance <sup>(3)</sup>	115,086	108,260	150,600	148,828	175,258	184,952	181,427
Taxes (City Taxes <sup>(4)</sup> & Other Taxes)	65,768	68,985	72,106	75,980	81,289	84,355	90,536
<b>Total Operating Expenses</b>	<b>\$ 345,939</b>	<b>\$ 349,385</b>	<b>\$ 412,116</b>	<b>\$ 428,605</b>	<b>\$ 472,522</b>	<b>\$ 500,719</b>	<b>\$ 533,828</b>
<b>Net Operating Income</b>	<b>\$ 156,579</b>	<b>\$ 169,644</b>	<b>\$ 130,818</b>	<b>\$ 148,236</b>	<b>\$ 138,309</b>	<b>\$ 137,771</b>	<b>\$ 153,466</b>

Totals may not add due to rounding.

- (1) Revenues and operating expenses for 2026 and 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 adopted rates that are scheduled to go into effect on January 1, 2027. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“SEATTLE PUBLIC UTILITIES—Strategic Business Plan” and “CUSTOMER RATES, BILLING, AND COLLECTIONS—Wastewater Rates” and “—Drainage Rates”).
- (2) 2026 and 2027 projected wastewater treatment revenue and wastewater treatment expenses include anticipated King County treatment rate increases. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“THE DRAINAGE AND WASTEWATER SYSTEM—Regional Wastewater Treatment and Disposal” and “DRAINAGE AND WASTEWATER SYSTEM CUSTOMERS AND RATES—Wastewater Rates”).
- (3) Excludes non-cash accounting entries for depreciation and amortization.

*Notes continue on following page.*

Notes to Table 7 (continued):

(4) The City currently levies a tax of 12.0% upon gross sewer revenue and 11.5% upon gross drainage revenue on the Drainage and Wastewater System. However, under the City Charter, City taxes on the Drainage and Wastewater System may be paid only after ample provisions have been made for debt service and obligations of the Drainage and Wastewater System as well as for necessary betterments and replacements for the current year. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“DRAINAGE AND WASTEWATER SYSTEM CUSTOMERS AND RATES—State and Local Utility Taxes and Franchise Fees”).

Source: Audited Financial Statements for the Drainage and Wastewater 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 Drainage and Wastewater 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 1.8x. SPU financial policies are subject to adjustment from time to time by ordinance of the City Council. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“THE DRAINAGE AND WASTEWATER SYSTEM—Drainage and Wastewater Fund 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.

**Table 8.**  
**Historical and Projected Parity Bond Debt Service Coverage Ratios**  
(\$000)<sup>(1)</sup>

Calendar years	Audited					Projected	
	2021	2022	2023	2024	2025	2026	2027
<b>Adjusted Annual Debt Service (\$000s)</b>							
Parity Bond Debt Service	\$ 60,901	\$ 63,046	\$ 62,073 <sup>(2)</sup>	\$ 67,929 <sup>(2)</sup>	\$ 69,006	\$ 78,803 <sup>(3)</sup>	\$ 82,942 <sup>(3)</sup>
Less: Reserve Subaccount Earnings <sup>(4)</sup>	(434)	(503)	(934)	(1,142)	(1,158)	(1,500)	(1,500)
<b>Adjusted Annual Debt Service (\$000s)</b>	<b>\$ 60,467</b>	<b>\$ 62,543</b>	<b>\$ 61,139</b>	<b>\$ 66,787</b>	<b>\$ 67,848</b>	<b>\$ 77,303</b>	<b>\$ 81,442</b>
<b>Adjusted Net Revenue (\$000s)</b>							
<b>Net Operating Income<sup>(5)</sup></b>	<b>\$ 156,579</b>	<b>\$ 169,644</b>	<b>\$ 130,818</b>	<b>\$ 148,236</b>	<b>\$ 138,309</b>	<b>\$ 137,771</b>	<b>\$ 153,466</b>
<b>Adjustments to Net Operating Income<sup>(6)</sup></b>							
Plus: City Taxes	\$ 58,248	\$ 61,000	\$ 64,158	\$ 67,228	\$ 71,678	\$ 76,131	\$ 82,004
Less: Reserve Subaccount Earnings <sup>(4)</sup>	(434)	(503)	(934)	(1,142)	(1,158)	(1,500)	(1,500)
Plus: Net Other Nonoperating Rev/(Exp)	15,919	12,558	21,653	147,052	33,983	41,523	45,745
Total Adjustments	\$ 73,733	\$ 73,055	\$ 84,877	\$ 213,138	\$ 104,503	\$ 116,154	\$ 126,249
<b>Adjusted Net Revenue (\$000s)<sup>(6)</sup></b>	<b>\$ 230,312</b>	<b>\$ 242,699</b>	<b>\$ 215,695</b>	<b>\$ 361,373</b>	<b>\$ 242,812</b>	<b>\$ 253,925</b>	<b>\$ 279,715</b>
<b>Debt Service Coverage Ratio (DSCR)<sup>(7)</sup></b>	<b>3.81x</b>	<b>3.88x</b>	<b>3.53x</b>	<b>5.41x</b>	<b>3.58x</b>	<b>3.28x</b>	<b>3.43x</b>

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 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.

Notes continue on following page.

*Notes to Table 8, continued.*

- (2) Parity Bond Debt Service in 2023 and 2024 adjusted from prior presentations of this table, to reflect the final WIFIA loan amortization schedule, which was established in October 2025 after the WIFIA loan was fully drawn.
- (3) 2026 and 2027 reflect the issuance of the Bonds and the associated refunding of the Refunded Bonds.
- (4) Earnings from interest on the Reserve Subaccount are excluded from the calculation of the debt service coverage ratio.
- (5) See Table 7, above, for computation of Net Operating Income.
- (6) “Adjusted Net Revenue” is defined as Adjusted Gross Revenue less Operating and Maintenance Expense. For definitions of Gross Revenue and Adjusted Gross Revenue, see APPENDIX C—SUMMARY OF BOND ORDINANCE (“DEFINITIONS”).
- (7) Adjusted Net Revenue divided by Adjusted Annual Debt Service on Parity Bonds for that year.

*Source: Seattle Public Utilities*

### **2025 Operating Results**

This section provides a brief discussion of operating results for the period 2021-2025 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 DRAINAGE AND WASTEWATER SYSTEM.

The Drainage and Wastewater Fund has maintained high levels of debt service coverage and cash balances, exceeding both policy targets and projections. Operating cash balances grew from \$219 million in year-end 2021 to \$547 million in year-end 2025, bringing balances to nearly a full year of operating expense. This increase was due primarily to a \$160 million settlement that was received at the end of 2024 from Monsanto for the Lower Duwamish Waterway Superfund cleanup.

Since the 2008 recession, wastewater demand has remained steady at 21 million ccf per year through both population growth and pandemic-related economic contraction. SPU is forecasting steady demand at slightly below pre-pandemic levels through 2030, the end of the current strategic planning horizon.

Current wastewater and drainage rates were adopted by the City Council in late 2024 with effective dates through 2027 (exclusive of the County wastewater treatment portion of the rates). These rate changes were calculated to meet or exceed all financial policies based on an assumption of a multi-year recovery lasting beyond 2027.

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

Between 2021 and 2025, the Drainage and Wastewater System met or exceeded all financial policy targets, and SPU projects that it will meet or exceed all financial policy targets for 2026 and 2027. Drainage and Wastewater System financial forecasts are prepared in conjunction with each triennial Strategic Business Plan update. Revenues and operating expenses for 2027 shown in Table 7 and Table 8, above, are based on projections set forth in the 2025-2030 Strategic Business Plan prepared as of September 2024. See APPENDIX B—SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM (“SEATTLE PUBLIC UTILITIES—Strategic Business Plan”).

The Drainage and Wastewater System financial forecasts generally assume two major sources of revenue: sewerage rate revenue and drainage rate revenue. Sewerage forecasts for 2026 and 2027 assume 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. Drainage revenue projections are based on surface area analysis within City limits and requirements to manage and operate the City’s stormwater infrastructure.

## **CERTAIN INVESTOR CONSIDERATIONS**

### **Investor Considerations and Risk Factors Specific to the Drainage and Wastewater System**

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

### **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; 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 electric power 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 DRAINAGE AND WASTEWATER SYSTEM (Notes 6 and 9).

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 Underwriter 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.

### ***Original Issue Premium.***

All the Bonds have been sold at prices reflecting original issue premium ("Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

### ***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. The Washington Supreme Court has ruled that the legislation establishing the new State of Washington tax is not subject to referendum. However, one or more initiatives to repeal or modify the legislation are anticipated. Further, pending litigation seeks a declaratory judgment that the State income tax is invalid under Washington's Constitution, among other requested relief. The State Attorney General is defending the legislation on behalf of the State. 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 "Aa1" 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 BofA Securities, Inc. (the "Underwriter") at a price of \$167,532,163.12 (representing the par amount of the Bonds (\$154,005,000.00), plus an original issue premium of \$13,632,106.75 less an underwriter's discount of \$104,943.63). 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.

**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: \_\_\_\_\_ /s/ \_\_\_\_\_  
Dwight D. Dively, Director of Finance

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

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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 June 2, 2026, and is prepared in connection with the issuance of The City of Seattle, Washington’s Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2026 (the “Bonds”) expected to be issued on or about June 25, 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 INVESTOR 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)**

<b>Contribution Year<sup>(1)</sup></b>	<b>Assuming 6.75% Future Returns</b>	<b>90% Asset Return Confidence Interval<sup>(2)</sup></b>
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)*

<b>Year (As of December 31)</b>	<b>Market Value of Assets (MVA)</b>	<b>One-Year Annualized Returns<sup>(1)</sup></b>
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 the 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 DRAINAGE AND WASTEWATER 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 DRAINAGE AND WASTEWATER SYSTEM**

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**SEATTLE PUBLIC UTILITIES & THE DRAINAGE AND WASTEWATER SYSTEM**

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## **SEATTLE PUBLIC UTILITIES AND THE DRAINAGE AND WASTEWATER SYSTEM**

This appendix provides an overview of the management and operations of the City of Seattle’s Drainage and Wastewater System (the “Drainage and Wastewater System”) that is one of three municipal utilities organized under the umbrella of Seattle Public Utilities (“SPU”). The information below is dated as of June 2, 2026 and is prepared in connection with the issuance of the City of Seattle, Washington’s Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2026 (the “Drainage and Wastewater Bonds”) expected to be issued on or about June 25, 2026.

### **SEATTLE PUBLIC UTILITIES**

#### **Overview of 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 of Science 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 & Logistics)***. 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 Chief Operating Officer 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 Science degree in Civil Engineering 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 Chief Operating Officer 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**

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 which 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—City Employees and Benefits” and “—Seattle City Employees’ Retirement System,” and “—Other Post-Employment Benefits”). See also APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE DRAINAGE AND WASTEWATER 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 Drainage and Wastewater Fund are described below under “THE DRAINAGE AND WASTEWATER SYSTEM—Financial Management, Investments, and Financial Policies.”

## THE DRAINAGE AND WASTEWATER SYSTEM

### Overview

SPU's regional Drainage and Wastewater System provides stormwater drainage services and wastewater conveyance services to the approximately 816,000 residents of the City, with a service area that is substantially coextensive with the City's boundaries, as shown in Figure B-1.

The Drainage System collects and conveys stormwater through the Drainage System's ditches, culverts, pipes, ponds and rain gardens and is eventually released into creeks, lakes or waterbodies that surround the City.

The Wastewater System collects and conveys wastewater from private side sewers to the Wastewater System's pipes, pump stations, and storage tanks. Most of the City's wastewater is treated at the West Point Treatment Plant, which is operated by the King County Wastewater Treatment Division, and is then released into the Puget Sound.

### *Drainage and Wastewater System History*

The City began building public sewers in 1882 in order to protect public health and quality of life. Over half of the current system was built in the first three decades of the 20<sup>th</sup> century and, consistent with then-current practices, consisted of combined sewers that carried both stormwater and wastewater, which was discharged untreated at nearby sites along Puget Sound, the Duwamish Waterway, Lake Washington, Lake Union, and the Ship Canal.

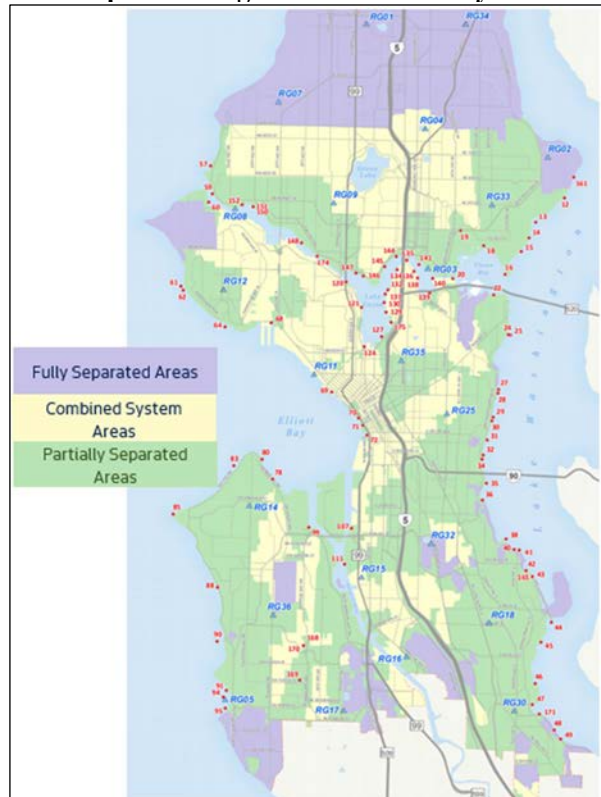
The City began constructing separate stormwater and wastewater conveyance systems in the 1940s and by the 1950s, the City had more than 1,000 miles of combined sewers and 379 miles of separate sanitary sewer lines. The City was also operating three primary sewage treatment plants and numerous rudimentary treatment devices at discharge sites. The City formed the Sewer Utility within the Engineering Department in 1955 and began charging City residents and businesses for wastewater service the following year.

In 1958, a regional sewage treatment agency, the Municipality of Metropolitan Seattle ("Metro"), was formed to provide a regional solution to water quality problems. Rather than expanding its own treatment facilities, the City entered into a contract with Metro for wastewater treatment. Metro merged into King County (the "County") in 1994 and now carries out these functions through the Wastewater Treatment Division ("County WTD") within the Department of Natural Resources and Parks (the "County DNRP"). See "—Regional Wastewater Treatment and Disposal" below.

Beginning in the late 1960s, the City converted some of the existing combined stormwater and drainage system to a two-pipe system, one for stormwater runoff and the other for sanitary sewage. A ditch, culvert, and creek system exists to handle stormwater runoff in other areas of the City, particularly areas that were previously unincorporated areas later annexed to the City.

In 1997, the Drainage and Wastewater System was combined with the Water System, the Solid Waste System, and various engineering and utility billing functions, to form Seattle Public Utilities.

**Figure B-1**  
**Map of Drainage and Wastewater System**



## Long-Term Planning

Seattle Public Utilities has developed several long-term plans to guide current and future management and operations of the Drainage and Wastewater System to meet regulatory requirements, and to prepare the Drainage and Wastewater System for future challenges like growth and climate change.

- The **Shape Our Water** planning effort has been underway since 2019, working to define the next 50 years of Seattle’s resilient drainage and wastewater system investments, based on a Wastewater System Analysis (“WWSA”) delivered in December 2019, which provided a technical analysis of the wastewater system to support the development of the Integrated System Plan (“ISP”). Shape Our Water provides the Drainage and Wastewater system guiding direction for community-centered, long-term investments in infrastructure, policies, and programs that will ensure SPU continues to provide the desired level of service.
- The **Seattle Overflow Action Plan** describes the path SPU is taking to reduce combined sewer overflows (“CSOs”), which occur when stormwater (rain) and wastewater (sewage) overflow into waterways during heavy storms, and assesses current and future needs, identifies priorities, and guides investments through 2037. See “REGULATORY AND ENVIRONMENTAL MATTERS—Federal Clean Water Act—Combined Sewer System (CSS) Permit.”
- The **Stormwater Management Plan** highlights SPU’s work to protect stormwater quality and includes the Stormwater Management Program (“SWMP”), which is a set of actions and activities to apply to the Municipal Separate Stormwater Sewer System (“MS4”) and areas served by MS4s owned or operated by the City.

## Drainage and Wastewater Fund Management and Financial Targets

The Drainage and Wastewater Fund is a special fund originally established as the Sewer Improvement Fund by the same ordinance that created the Seattle Sewer Utility in 1955 and was retained by Ordinance 118396 (1996) as a separate fund to be operated by SPU upon consolidation of the Water, Drainage and Wastewater, and Solid Waste utilities and establishment of SPU. All amounts in the Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater System’s rates are set to achieve generally positive net income and to meet the following targets:

- **Debt Service Coverage Policy.** Sets a rate-setting guideline to maintain a debt service coverage ratio (Adjusted Net Revenue divided by Adjusted Annual Debt Service on fixed long-term Parity Bonds) in each calendar year of at least 1.80x. The Drainage and Wastewater System internally manages its operations with a goal of maintaining a higher 2.0x ratio, and a ratio of 1.5x after payment of City taxes.
- **Targets for Debt Financing of Capital Improvement Program.** Sets a requirement to fund approximately 25% of the capital requirements shown in its adopted 6-year Capital Improvement Plan (“CIP”) with current revenue from operations, based on a four-year rolling average. See “DRAINAGE AND WASTEWATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan” and the description in the Official Statement under the heading “DEBT OF THE DRAINAGE AND WASTEWATER SYSTEM—Future Financing Plans.”
- **Year-End Cash Balance and Liquidity Goals.** Sets a goal to retain a minimum year-end cash balance equal to the average monthly wastewater treatment cost (approximately \$18 million in 2026) and maintain a minimum balance of cash on hand and at year-end of approximately 100 days of operating expenses (approximately \$129 million). As of December 31, 2025, the actual days of cash on hand was 425 days.

The Drainage and Wastewater System has met or exceeded all financial targets over the last five years. In September 2024, the City Council approved rate increases for both the Drainage System and the Wastewater System consistent with the City’s financial policies for the period 2025 through 2027. See “DRAINAGE AND WASTEWATER SYSTEM CUSTOMERS AND RATES.”

## Drainage and Wastewater System Operating Statistics

Wastewater demand has remained largely unchanged for nearly two decades, hovering around 21 million hundred cubic feet (“ccf”) per year despite rapid population growth over the same period. Population growth was accommodated through infill development—the replacement of older, less efficient buildings and single-family homes with large lots with newer, higher efficiency apartments and townhomes with small lots and low irrigation needs. This general trend is expected to continue into the foreseeable future, with wastewater demand experiencing no to low growth, independent of whether population growth continues.

Table B-1 shows historical operating statistics for the Drainage and Wastewater System, including estimated population served, wastewater revenues, billed wastewater volume, and gallons used per day per capita.

**Table B-1.  
Historical Operating Statistics of the Drainage and Wastewater System**

	2021	2022	2023	2024	2025
Estimated Population <sup>(1)</sup>	742,400	762,500	779,200	795,000	816,600
<b><u>Wastewater System</u></b>					
<b>Wastewater System Accounts</b>					
Residential	156,240	157,456	158,431	158,641	158,723
Commercial	19,499	19,157	19,418	19,703	20,189
<b>Total Accounts</b>	<b>175,739</b>	<b>176,613</b>	<b>177,849</b>	<b>178,344</b>	<b>178,912</b>
<b>Billed Wastewater Volume (thousand ccf)</b>					
Residential	7,867	7,429	7,332	7,400	7,373
Commercial	12,127	12,818	13,262	13,365	13,685
<b>Total Billed Wastewater Volume (thousand ccf)</b>	<b>19,994</b>	<b>20,247</b>	<b>20,594</b>	<b>20,765</b>	<b>21,058</b>
<b>Per Capita Wastewater Gallons Per Day (GPD)</b>	<b>55</b>	<b>54</b>	<b>54</b>	<b>53</b>	<b>53</b>
<b>Wastewater Revenues (\$000s)</b>	<b>\$ 324,630</b>	<b>\$ 337,634</b>	<b>\$ 350,340</b>	<b>\$ 370,013</b>	<b>\$ 392,233</b>
<b><u>Drainage System</u></b>					
<b>Drainage System Accounts</b>					
Residential	156,150	157,483	158,143	158,635	159,130
Commercial	66,301	66,820	68,266	68,890	71,862
<b>Total Accounts</b>	<b>222,451</b>	<b>224,303</b>	<b>226,409</b>	<b>227,525</b>	<b>230,992</b>
<b>Drainage Revenues (\$000s)</b>	<b>\$ 166,698</b>	<b>\$ 175,164</b>	<b>\$ 185,726</b>	<b>\$ 197,806</b>	<b>\$ 210,569</b>

(1) Estimated population of the City. See APPENDIX A—THE CITY OF SEATTLE (“DEMOGRAPHIC AND ECONOMIC INFORMATION—Population”).

Source: *Seattle Public Utilities*

## Regional Wastewater Treatment and Disposal

The County WTD owns and operates three major regional wastewater treatment plants, two smaller local treatment plants, and four CSO treatment facilities, along with an extensive regional interceptor system to route sewage to the plants and stop untreated discharges into Lake Washington and other bodies of water. The County WTD customers include 37 agencies (cities (including the City), sewer districts, and others) with whom the County has entered into long-term sewage treatment and disposal contracts. The local sewage and wastewater agencies remain responsible for their own local collection and transmission lines.

The County finances operation and investment in the treatment system through wholesale charges to the City and other component agencies and capacity charges to new customers. All rates are approved by the County Council pursuant to the current agreement between all component agencies.

The County has approximately \$3.9 billion of junior and senior lien sewer system debt outstanding (as of December 31, 2025) with a final maturity of 2065. The wholesale charges paid by the City and other participating agencies to the County are used by the County to pay a portion of the debt service on the County wastewater debt. Additional capital facilities for the County wastewater system are captured in the Regional Wastewater Services Plan.

— *Wastewater Treatment Contract with the County*

The current agreement is a 50-year agreement, expiring on July 1, 2036. Under this agreement, the City’s share of the County’s Wastewater Treatment Division’s total revenue has held steady at roughly 30% and the City’s share of total treatment revenues has remained at roughly 39% over the last decade. Negotiations for a renewal or extension began in 2014 but have been paused while the County updates its Regional Wastewater Services Plan. In the meantime, the County passed an ordinance purporting to assert authority under State statute to require that local sewage agencies in the County, including the City, continue to deliver wastewater to the County following expiration of their treatment contracts on terms substantially similar to those under the current agreement.

Approximately 35% of the Drainage and Wastewater System’s total operating revenue is used to pay the wholesale charges for wastewater treatment under the City’s agreement with the County. The wholesale charges paid by SPU to the County for wastewater treatment constitute an Operating and Maintenance Expense under the Bond Ordinance and must be paid prior to payment of the principal of or interest on any bonds secured by the revenues of the Drainage and Wastewater System, including the Parity Bonds. See “SECURITY FOR THE BONDS—Pledge of Net Revenue” in the Official Statement.

— *Regional Wastewater Services Plan*

The County’s Regional Wastewater Services Plan (“RWSP”) outlines important projects, programs, and policies for the County to implement through 2030 to continue to protect public health and water quality and ensure sufficient wastewater capacity to meet future growth. The current RWSP was first adopted in 1999 and was last updated in 2013. The County is currently working on a successor to the RWSP, which is intended to direct the County’s investments for regional water quality over the near-term and long-term.

Over the past 25 years, the County completed over \$6 billion in regional wastewater projects and stated in conjunction with its June 2025 rate adoption process that it expects to undertake over \$8 billion of additional investments in the regional sewer system over the next ten years.

— *Nutrient Reduction Requirements*

In addition to King County WTD planned investments, the cost of compliance with new Washington State Department of Ecology (“Ecology”) nutrient regulations is expected to impact regional wastewater treatment rates. In 2021, Ecology issued the Puget Sound Nutrient General Permit to area wastewater treatment plants regarding nutrient removal during the sewage treatment process. In February 2025, the Pollution Control Hearings Board invalidated the Puget Sound Nutrient General Permit. Although the permit was invalidated, Ecology has determined to address nitrogen discharges in the Puget Sound with individual permits for the wastewater treatment plants that were formerly covered under the general permit. It is expected that nutrient removal may add substantial costs to the County’s future capital plan. The costs of implementing the nutrient reduction requirements would be paid by the agencies that send sewage flows to the County for treatment, including the City.

— *County Treatment Rate Pass-Through*

Pursuant to the Seattle Municipal Code, the treatment rates are automatically passed on to SPU’s customers on the bill for wastewater services without the need for any explicit Executive or Legislative approval. See “DRAINAGE AND WASTEWATER SYSTEM CUSTOMERS AND RATES—Wastewater Rates.”

## **DRAINAGE AND WASTEWATER SYSTEM CAPITAL REQUIREMENTS**

### **Drainage and Wastewater Facilities**

SPU owns and operates more than 1,400 miles of wastewater pipe, 485 miles of storm drain, 25 miles of drainage ditches, and 67 pump stations, as well as other facilities. SPU has three types of conveyance systems for stormwater and wastewater: a combined stormwater and wastewater system, a separated sewer system, and a partially separated system. While there are some areas of overlap, different parts of the City generally have different types of systems.

Stormwater runoff is conveyed via the combined stormwater and wastewater system or, in areas served by the separated sewer system, either via storm drains or via a ditch and culvert system to the receiving body (urban creeks, lakes or the Puget Sound). Each of the three conveyance modes now represents about one-third of the system.

To address flooding of private property and City rights-of-ways, new drainage conveyance systems including mitigation approaches to mitigate the downstream flooding and water quality impacts have been built and regulatory controls have been added for new residential and commercial developments. Also, several efforts are underway to

reduce pollutants in stormwater that can contribute to water quality problems in receiving waters. SPU is responsible for coordinating the City’s stormwater management programs. See “REGULATORY AND ENVIRONMENTAL MATTERS—Federal Clean Water Act—*Municipal Stormwater Permit*.”

The Drainage System also includes Green Stormwater Infrastructure (“GSI”) including above-ground landscape-based systems such as bioretention and rainwater harvesting cisterns to convey, slow, and/or store stormwater and filter out pollutants picked up from the road or sidewalk. There are also more than 5,000 miles of privately owned side sewer pipes that property owners maintain, repair, and replace pursuant to City code requirements. Private property owners are also responsible for managing the stormwater from their property.

A small portion of the City, which includes roughly 1% of the total residential equivalent units (“REUs”), has been served by the Southwest Suburban Sewer District (“SWSSD”) since its annexation to the City in 1959. The City entered into a contract with SWSSD to continue providing service to the area following its annexation due to topographical challenges with serving the area with a gravity-fed system. In 2023, SWSSD gave notice to the City of its intent to discontinue wastewater treatment services effective June 1, 2027. SPU is in discussions with SWSSD about maintaining the provision of treatment services, beginning with a short-term agreement which is being negotiated in 2026.

### **Capital Improvement Plan**

As part of the City’s annual budget process, the City Council approves annual updates to the Drainage and Wastewater System’s 6-year CIP identifying facility needs and financing for rehabilitation and upgrades, enhancement, and the maintenance and expansion of the Drainage and Wastewater System. In managing the CIP, SPU has emphasized efficient project design and careful staging of improvements.

In the Adopted 2026- 2031 CIP, SPU expects the financial requirements for these projects to be met from Net Revenue of the Drainage and Wastewater System, subordinate lien State Revolving Loans, and the proceeds of Parity Bonds. Approximately 47% of projected CIP spending is expected to be financed with Parity Bonds, including the Bonds.

Table B-2 below summarizes the Adopted 2026-2031 CIP and other capital requirements that the Drainage and Wastewater 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 are combined sewer overflows, rehabilitation, sediments program, new drainage and wastewater infrastructure, shared cost projects, and technology.

The amounts shown below for each program area are based on the Adopted 2026-2031 CIP plus known program adjustments since its adoption; 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<sup>(1)</sup></b>							
Sediments <sup>(2)</sup>	\$ 31,173	\$ 28,586	\$ 71,999	\$ 110,142	\$ 104,103	\$ 122,380	\$ 468,383
Combined Sewer Overflows (CSOs) <sup>(3)</sup>	86,532	77,962	13,517	-	-	-	178,011
Rehabilitation <sup>(4)</sup>	58,552	67,397	86,108	81,533	55,501	66,403	415,494
New DWW Infrastructure <sup>(5)</sup>	128,937	93,295	152,340	148,408	128,382	145,066	796,428
Shared Cost Projects <sup>(6)</sup>	69,159	45,466	39,723	47,538	48,093	44,215	294,194
Technology <sup>(7)</sup>	6,268	4,623	4,623	4,623	4,623	4,623	29,383
<b>Total Adopted CIP Requirements</b>	<b>\$ 380,621</b>	<b>\$ 317,329</b>	<b>\$ 368,310</b>	<b>\$ 392,243</b>	<b>\$ 340,701</b>	<b>\$ 382,687</b>	<b>\$ 2,181,891</b>
Adjustments for Additional CIP <sup>(8)</sup>	(98,283)	(78,146)	(114,580)	(42,942)	29,277	(39,565)	(344,240)
<b>Total Projected CIP</b>	<b>\$ 282,338</b>	<b>\$ 239,183</b>	<b>\$ 253,730</b>	<b>\$ 349,301</b>	<b>\$ 369,978</b>	<b>\$ 343,122</b>	<b>\$ 1,837,651</b>
<b>Expected Sources of Funds</b>							
<b><u>Debt Financing</u></b>							
Outstanding Bonds	\$ 48,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,010
The Bonds	75,206	33,602	-	-	-	-	108,809
Future Parity Bonds	-	67,461	84,908	180,036	186,519	182,826	701,750
Future Subordinate Loans	17,600	17,600	-	-	-	-	35,200
<b>Total Debt Financing</b>	<b>\$ 140,817</b>	<b>\$ 118,664</b>	<b>\$ 84,908</b>	<b>\$ 180,036</b>	<b>\$ 186,519</b>	<b>\$ 182,826</b>	<b>\$ 893,770</b>
<b><u>Non-Debt Sources</u></b>							
Superfund Reimbursements	\$ 26,307	\$ 23,431	\$ 41,460	\$ 72,323	\$ 73,915	\$ 61,851	\$ 299,286
Capital Grants & External Funds	2,829	5,658	5,658	21,658	26,830	9,604	72,235
Internally Generated Funds	112,385	91,431	121,704	75,285	82,714	88,841	572,359
<b>Total Revenue Financing</b>	<b>\$ 141,521</b>	<b>\$ 120,519</b>	<b>\$ 168,822</b>	<b>\$ 169,265</b>	<b>\$ 183,458</b>	<b>\$ 160,296</b>	<b>\$ 943,881</b>
<b>Total Expected Funding Sources</b>	<b>\$ 282,338</b>	<b>\$ 239,183</b>	<b>\$ 253,730</b>	<b>\$ 349,301</b>	<b>\$ 369,978</b>	<b>\$ 343,122</b>	<b>\$ 1,837,651</b>

Totals may not add due to rounding.

- (1) For 2026, SPU has reorganized the project structure of the Drainage and Wastewater Line of Business in the CIP and program labels may differ from prior versions of the CIP. This reflects updates to program names, scope, and reflects the strategic priorities of Seattle Public Utilities.
- (2) The Sediments Program area provides funding for studies and analysis of cleanup of contaminated sediment sites, engineering, design, and construction of cleanup of contaminated sites, and liability allocation negotiations. See “REGULATORY AND ENVIRONMENTAL MATTERS—Contaminated Site Liability.”
- (3) Combined Sewer Overflows (CSOs) Program area includes projects mandated by State and federal regulations to control CSOs into the City’s receiving waters, including storage structures, pipes, tunnels, stormwater separation, pump stations, retrofits, construction of green infrastructure, and development of regulatory-required plans, such as the Long-Term Control Plan (“LTCP”) required under the CSO Consent Decree. Currently, this category reflects only the Ship Canal Water Quality Project (“Ship Canal Water Quality Project”). See “REGULATORY AND ENVIRONMENTAL MATTERS—Federal Clean Water Act—Combined Sewer System (CSS) Permit.”
- (4) The Rehabilitation Program area includes projects to rehabilitate or replace existing assets in-kind to maintain the current functional level of the Drainage and Wastewater System, such as rehabilitation and/or replacement of stormwater and wastewater control structures and appurtenances, pipes, culverts, pump station structures, major mechanical and electrical components, and force mains.
- (5) As part of the 2026-2031 Adopted CIP, SPU is establishing a new budget control level to house this work: New DWW Infrastructure (44010-BC-SU-C390B) to replace two budget control levels (Protection of Beneficial Uses (BC-SU-C333B), and Flooding, Sewer, Backup & Landslide (BC-SU-C380B)) that will be closed. Within the New DWW Infrastructure budget control level, new master projects are established to better align with current and projected capital program operations.
- (6) The Shared Cost Projects program area includes Workforce Facilities projects, heavy equipment purchases, 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 13% of the total CIP over the 6-year planning period.
- (7) The Technology Program area includes administrative information technology such as workstations, cloud computing, telecommunications, billing, upgrades to geographic information systems infrastructure, and updated aerial orthophotography.
- (8) Adjustments reflect timing shifts and revisions to the adopted CIP.

Source: *Seattle Public Utilities*

## DRAINAGE AND WASTEWATER SYSTEM CUSTOMERS AND RATES

### Retail Rates

The City Council has exclusive authority to establish and revise rates and charges for Drainage and Wastewater services, 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 Drainage and Wastewater System and to meet all debt service requirements payable from such revenue. In adopting Drainage and Wastewater 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 Drainage and Wastewater System approximately every two to three years. Proposed rates are developed based on the proposed operating budget, CIP, and other planning documents.

SPU conducts a formal rate study ("Rate Study") approximately every three years, most recently completed in 2024. A recommended rate path is also included in the Strategic Business Plan. The current Strategic Business Plan 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 2024 Rate Study recommendations included revised demand projections, increased operational and maintenance expense, financial policy targets, and the Drainage and Wastewater System CIP (see "DRAINAGE AND WASTEWATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan"). 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 ordinances (Ordinance 127072 and Ordinance 127073) were passed by the City Council on September 3, 2024 and cover the period 2025 through 2027. The City Council expects to consider rate changes in 2027 for the period 2028 through 2030.

### Wastewater Rates

SPU's retail wastewater rates reflect a system rate and a treatment portion. The system rate covers the City's Wastewater System operations and maintenance expenses and capital expenditures, including debt service on outstanding debt issued for capital improvements to the Wastewater System.

- **System rates** for residential customers are based on water consumption. During winter (November through April), customer charges are based on actual water consumption. During summer (May through October), customer charges are based on the lesser of actual consumption or average winter water consumption. Commercial wastewater customers are charged based on actual water consumption throughout the year unless they install submeters to measure actual use of the wastewater system.
- The **treatment portion** consists of a pass-through of the County WTD's wastewater treatment rates and associated taxes. The treatment portion increases automatically to reflect the County's adopted wastewater treatment rate increases (and changes in the taxes associated with the County's wastewater treatment rates) without requiring City Council action.

Table B-3 shows historical rate adjustments for the adopted County wastewater treatment rates and the adopted City retail rates during 2020-2027.

**Table B-3.**  
**Adopted Wastewater Rates and Rate Adjustments**  
*(effective January 1 of the year shown)*

Year	Adopted County Wastewater Treatment Rates		Adopted City Retail Rates <sup>(1)</sup>	
	Monthly Rate (\$/REU)	Percent Change	Volume Rate (\$/ccf)	Percent Change
2020	\$ 45.33	0.0%	\$ 15.55	7.4%
2021	47.37	4.5	16.68	7.2
2022	49.27	4.0	17.01	2.0
2023	52.11	5.8	17.68	3.9
2024	55.11	5.8	18.30	3.5
2025	58.28	5.8	19.21	5.0
2026	62.66	7.8	20.18 <sup>(2)</sup>	5.0 <sup>(2)</sup>
2027	(2)	(2)	21.18 <sup>(2)</sup>	5.0 <sup>(2)</sup>

(1) Wastewater rates are inclusive of County wastewater treatment charges and all State and local taxes. Typical consumption per single-family residence is 4.3 ccf/month.

(2) County treatment rates are subject to an automatic pass-through mechanism pre-approved by the City Council and adopted by the City Council in 2022. The most recent change to County wastewater treatment rates was adopted in June 2025 and became effective on January 1, 2026. The City expects the County Council to adopt its next increase to the treatment rate by July 1, 2026. SPU’s anticipation of future, unadopted County treatment rate increases are included in the overall wastewater rate increases noted above. Actual wastewater rate increases may be higher or lower, depending on the final treatment rate adopted by the County.

Source: *Seattle Public Utilities*

— **Other Charges**

Beginning January 1, 2026, SPU collects certain system development charges (“SDCs”), which are one-time fees assessed on issuance of utility permits and due at permit issuance. SPU does not have historical data regarding collections of the new SDCs.

**Drainage Rates**

Drainage rates are based on a property’s estimated impact on the drainage system. The annual rates for Small Residential customers (single-family parcels of less than 10,000 square feet) are based on total parcel area. Annual rates for General Service/Large Residential customers (all other properties, including single-family parcels over 10,000 square feet) are based on the estimated percent share of hard surface on the parcel. Certain properties (e.g., submerged lands, houseboats, piers, City streets, State highways, and other streets that provide the same drainage service as City streets) are exempt from drainage rates.

SPU significantly revised the structure of its rates that went into effect in 2025 to better align customers (parcels) with their cost of service by using the latest available stormwater flow factors, simplifying the methodology to convert these flow factors into runoff, and implementing a new AI-powered process to convert LIDAR imagery into data usable to estimate flow from customer parcels. In addition, Drainage rates no longer reflect a portion of the County’s treatment charge and are not subject to County rate increases. Previously, the Drainage System had been assigned 6.1% of treatment expenses.

**Drainage Fee Discounts**

Drainage fee discounts are available for properties that help reduce the impact of stormwater on the City's system. SPU currently offers discounts for both natural areas whose characteristics enhance retention of stormwater runoff, as well as to engineered systems that provide stormwater flow control and/or provide water quality treatment for run-off from hard surface areas.

- **Low Impact Discounts** — Large residential and commercial properties with significant tree canopy and/or unmanaged grass coverage may be eligible for a “low impact” discount on their drainage fee. These discounts range from 30% to 55% and are only available to Tier 1 and Tier 2 customers (see below).
- **Stormwater Facility Credit Program** — This program offers credits of up to 50% for privately-owned systems (e.g., vaults, rain gardens, permeable pavements and filtration systems) that slow down stormwater

flow and/or provide water quality treatment for run-off from hard surface areas, thus lessening the impact to the Drainage System.

- **Rainwater Harvest Credit** — SPU offers a 10% discount for any new or remodeled commercial buildings that utilizes a rainwater harvesting system meeting credit requirements and other code requirements. Systems involving indoor reuse of rainwater must be permitted by Seattle-King County Department of Public Health in order to qualify.

Table B-4 describes the current adopted Drainage System rates in 2026 and 2027 as adopted by the City Council.

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

Rate Category		2026	2027
<b>Small Residential (&lt;10,000 sq.ft.)</b>		<i>Charge per parcel</i>	
0-1,999 sq.ft.		\$ 247.09	\$ 259.54
2,000-3,499 sq.ft.		469.52	493.18
3,500-4,499 sq.ft.		601.39	631.68
4,500-5,499 sq.ft.		706.71	742.31
5,500-6,499 sq.ft.		803.38	843.85
6,500-9,499 sq.ft.		976.13	1,025.31
<b>General Service and Large Residential (&gt;10,000 sq.ft.)<sup>(1)</sup></b>		2026	2027
		<i>Charge per 1,000 sq.ft. Hard Surface</i>	
<b>Rate Tier</b>	<b>% Hard Surface<sup>(2)</sup></b>		
Tier 1:	0 - 10%	\$ 54.23	\$ 53.34
Tier 2:	11 - 20%	70.91	74.48
Tier 3:	21 - 35%	97.01	101.90
Tier 4:	36 - 50%	129.37	135.89
Tier 5:	51 - 64%	152.60	166.88
Tier 6:	65 - 85%	192.45	202.15
Tier 7:	86 - 100%	232.15	243.84

(1) Includes single-family and duplex properties of 10,000 square feet or more.

(2) Hard surface is any hard or impermeable surface such as blacktop, rooftops, parking lots, patios, hardpan, and hard-packed athletic fields, which absorb much less rainwater than pervious surfaces covered with grass, trees, or other vegetation.

Source: Seattle Public Utilities

### State and Local Utility Taxes

The Drainage and Wastewater System operates as a utility enterprise that is subject to the State public utility tax and City utility taxes.

The State imposes a public utility tax at a rate of 3.852% of gross revenues from all gross revenues of the Wastewater System, 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. Revenues from the treatment portion of Wastewater System rates, which are passed through to the County, are exempted from the City’s gross revenues for purposes of calculating the State utility tax liability.

The City also imposes a utility tax equal to 11.5% on gross income from drainage charges and 12.0% on gross income from wastewater charges collected from 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.”

## **Billing and Collections**

Wastewater System charges are billed and collected on a monthly or bimonthly basis on a combined bill with SPU's Water System and Solid Waste System. Drainage System charges are billed and collected annually on a customer's property tax statement received from the County.

### ***Wastewater System 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 systems. 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.

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.

### ***— 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 drainage and sewer 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 23,000 sewer and 5,000 drainage 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 programs.

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.

### ***Drainage System Billing and Collections***

Drainage System charges are collected annually on property tax bills and are labeled as "Surface Water Management" or "Drainage." SPU uses King County (which collects property taxes throughout the County, including in the City) as its billing agent. These statements are typically mailed by the County to SPU customers in mid-February each year and are payable in installments due in April and October as part of the total property tax payment. If a mortgage company pays the property tax bill, payment for drainage services is generally included in the property tax payment. Payments are received by the County and are credited along with property taxes.

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

In accordance with RCW 35.67.200, City ordinances provide that the City has a lien for all delinquent and unpaid drainage service charges, and that delinquent drainage service charges bear interest at the rate of 8% per year.

## Customer Statistics

General customer statistics are provided in Table B-1, above.

### Major Customers

Table B-5 shows the Wastewater System's ten largest retail water users in 2025 by amount billed.

**Table B-5.**  
**Largest Wastewater System Customers**  
(2025)

<b>Customer</b>	<b>Type</b>	<b>2025 Revenue (\$000s)</b>	<b>% of Total Revenue</b>
University of Washington	Education	\$ 12,767	3.3%
Seattle Housing Authority	Housing	7,634	2.0
City of Seattle	Government	4,531	1.2
Equity Residential Properties	Housing	3,469	0.9
Marriott International Inc.	Hospitality	3,094	0.8
Darigold	Food Products	2,092	0.5
Bellwether Housing	Housing	2,045	0.5
King County	Government	1,989	0.5
Harborview Medical Center	Health Care	1,986	0.5
Hyatt Hotels	Hospitality	1,981	0.5
<b>Total – Top Ten Largest Customers</b>		<b>\$ 41,588</b>	<b>10.8%</b>

Totals may not add due to rounding.

Source: *Seattle Public Utilities*

Table B-6 shows the ten largest customers of the Drainage System in 2025.

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

<b>Customer</b>	<b>Type</b>	<b>2025 Revenue (\$000s)</b>	<b>% of Total Revenue</b>
The City of Seattle	Government	\$ 13,197	6.3%
King County	Government	4,803	2.3
Seattle Public Schools	Education	4,631	2.2
University of Washington	Education	4,052	1.9
BNSF Railway Company	Transportation	3,469	1.6
Seattle Housing Authority	Housing	1,574	0.7
U.S. Government	Government	1,485	0.7
Union Pacific Railroad Company	Transportation	1,403	0.7
Prologis Inc.	Property Management	1,074	0.5
Archdiocese of Seattle	Religious Institution	0,879	0.4
<b>Total – Top Ten Largest Customers</b>		<b>\$ 36,566</b>	<b>17.3%</b>

Totals may not add due to rounding.

Source: *Seattle Public Utilities*

### Rate and Bill Comparisons

Table B-7 compares the Drainage and Wastewater System's rates and charges on a monthly basis for selected comparable residential customers with those of other sewer or wastewater utilities in the region. 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 Drainage and Wastewater Bills**  
*(shown on monthly basis; rates as of January 1, 2026, except as noted)*

<b>Utility Provider</b>	<b>Drainage or Stormwater (per month)<sup>(1)</sup></b>	<b>Wastewater or Sewer (per month)<sup>(2)</sup></b>
City of Bellevue, WA	\$ 40.09	\$ 122.81 <sup>(4)</sup>
City of Kirkland, WA	24.81	114.74 <sup>(4)</sup>
City of Issaquah, WA	22.67 <sup>(3)</sup>	89.29 <sup>(3)(4)</sup>
<b>City of Seattle, WA</b>	<b>58.89</b>	<b>86.77<sup>(4)</sup></b>
City of Redmond, WA	17.06	80.64 <sup>(4)</sup>
City of Tacoma, WA	36.43	78.08
City of Everett, WA	42.87	75.62
City of Portland, OR	25.95	59.80

- (1) Charges shown are those applicable to small residential parcels (<10,000 sq.ft.). Certain providers included in the table impose drainage or stormwater fees or charges on a bimonthly basis; table displays 1/2 of the bimonthly fee or charge.
- (2) Assumes single-family residential customers consuming 4.3 ccf of water on monthly basis. Based on published rates; for providers that publish bi-monthly rates, table shows half of the bi-monthly rate.
- (3) Include utility taxes except Issaquah, which only taxes water consumption.
- (4) County wastewater treatment customer.

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

## REGULATORY AND 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.

### Federal Clean Water Act

The federal Clean Water Act establishes a broad goal of restoring and maintaining the chemical, physical, and biological integrity of the nation’s waters. The Clean Water Act imposes responsibilities on the states directly and allows the U.S. Environmental Protection Agency (“EPA”) to delegate other responsibilities to the states on a case-by-case basis. Ecology handles most of the State’s responsibilities under the Clean Water Act.

The Clean Water Act regulates point source discharges of pollutants under the National Pollutant Discharge Elimination System (“NPDES”); mandates that states set water quality standards and maintain a listing of “impaired” (polluted) waters (section 303(d) list); mandates total maximum daily load (“TMDL”) analyses for impaired waters; and requires programs to encourage control of nonpoint source pollution.

### *Municipal Stormwater Permit*

Section 402 of the Clean Water Act requires certain municipalities to obtain an NPDES permit for municipal stormwater discharges to receiving waters. Ecology is responsible for issuing and renewing these permits in Washington. Ecology has issued a combined NPDES Municipal Stormwater Permit and State Waste Discharge Permit, which covers discharges to ground waters, in a single General Permit (the “Municipal Stormwater Permit”). Municipal stormwater discharges are regulated as point sources that should be controlled to reduce discharge of pollutants to the “maximum extent practicable,” through a primarily programmatic permit.

The City operates a medium or large MS4 that is subject to Phase 1 of the program, under which it must obtain NPDES permits for the discharges of stormwater to surface waters and ground waters of the State (not including CSOs or discharges from public treatment facilities). As a condition of MS4 permit coverage, permittees are required to develop a stormwater management program, components of which include legal authority, annual reporting, MS4 mapping and documentation, public involvement and participation, controlling runoff from new development, redevelopment

and construction sites, stormwater planning, structural stormwater controls, source control for existing development, illicit connections and illicit discharge detection and elimination, operations and maintenance, and education and outreach.

Ecology issued the current Phase I Municipal Stormwater Permit to the City in 2024. This permit includes prescriptive programmatic requirements, measurement guidelines for specific programs, and best management practices based on Ecology's 2024 Stormwater Management Manual for Western Washington. This permit is in effect from 2024 to 2029 and continues many of the previous prescriptive programmatic permit requirements while slightly changing others. The largest change or enhancement was the addition of tactics and strategies to address new and emerging contaminants of concern in stormwater runoff. In March 2025, the U.S. Supreme Court issued an opinion in *City and County of San Francisco v. EPA* (No. 23-753) that invalidated "end results" provisions in NPDES permits issued by the EPA. The City's NPDES permits— issued by Ecology under both state and federal law rather than by the EPA— contain "end result" provisions similar to those struck down by the Court in its decision. The City cannot predict the ramifications of the court decision on its permits, and there is currently no pending activity by the EPA or Ecology to modify the City's permits.

### ***Combined Sewer System (CSS) Permit***

The Wastewater System is regulated by Ecology NPDES permit ("Combined Sewer System Permit" or "CSS Permit") for CSO discharges. The current CSS Permit was issued in 2025 and provides coverage for the period 2025-2030. The current CSS Permit requires the City to update its Post-Construction Monitoring Plan ("PCMP"), described in the next section, by December 31, 2027.

### ***— Combined Sewer Overflows Consent Decree ("CSO Consent Decree").***

As the result of EPA audits of the City and County wastewater systems, in 2011 the City entered into negotiations regarding a Consent Decree (the "CSO Consent Decree") involving the City, the County, EPA, Ecology and the U.S. Department of Justice ("DOJ"), which was finalized and entered by the U.S. District Court in 2013. In 2019, the parties initiated a Material Modification that was approved and entered by the Court in May 2025.

The CSO Consent Decree required the City to develop and implement a number of plans and projects to improve water quality and reduce the frequency of CSOs. It also requires the City and County to jointly develop and implement a joint operations and systems optimization plan ("Joint Operations Plan"). SPU prepared and implemented a Long-Term Control Plan ("LTCP") and a Final Post-Construction Monitoring Plan ("PCMP") in 2015. The City must submit a draft LTCP update by December 31, 2026. The Joint Operations Plan was prepared and implemented in 2016 and must be updated every five years. The next Joint Operations Plan update is due March 1, 2027.

Work is also underway or completed on several CSO reduction projects. In 2017, SPU completed the Henderson CSO Reduction project, which is a 16,000-gallon storage pipe and a 2.65-million-gallon underground storage facility beneath Seward Park to reduce the frequency and volume of stormwater and untreated sewage that overflows into Lake Washington during heavy rain events. Additional CSO reduction projects that are underway include the Ship Canal Water Quality Project (described below) and several smaller storage projects and sewer system improvement projects to control the remaining uncontrolled CSO outfalls. There are also three projects underway to remove pollutants from stormwater: Natural Drainage Systems Partnering project; the South Park Water Quality Facility; and an Arterial Street Sweeping Expansion project.

The projects that are underway are currently expected to be completed by 2030. Over the last four decades, SPU has invested more than \$1.16 billion in CSO controls and it expects to invest more than \$1.4 billion more over the next decade, including the projects described above. See also "DRAINAGE AND WASTEWATER SYSTEM CAPITAL REQUIREMENTS—Capital Improvement Plan."

### ***— Ship Canal Water Quality Project***

The Ship Canal Water Quality Project is a joint project with the County DNRP to control CSOs into the Lake Washington Ship Canal, Salmon Bay, and Lake Union. The Ship Canal Water Quality Project is required to comply with the CSO Consent Decree and is the largest of the required CSO reduction projects.

The Ship Canal Water Quality Project is being undertaken jointly by the City and the County pursuant to an agreement to guide construction, operation and maintenance, and cost-sharing. The City is the lead agency for construction, and will own, operate, and maintain the storage tunnel and its related structures. SPU and the County DNRP have also chartered oversight, project review, and change management committees to provide policy guidance and management oversight, support, and direction to the project.

The Ship Canal Water Quality Project includes a 2.7-mile tunnel with an internal diameter of nearly 19 feet that extends parallel to the Lake Washington Ship Canal that connects Lake Washington to Puget Sound to collect and hold stormwater and sewage flows that would otherwise overflow into the Ship Canal during large storm events. The main tunnel was completed in 2023. Along the tunnel path, five vertical shafts and new pipes are being constructed to collect stormwater and sewage flows from five neighborhood basins and send them to the new storage tunnel. The final phase of the project currently underway involves constructing a pump station and piping to drain flow from the storage tunnel as well as a pipeline to collect Ballard stormwater and sewage flows and send them to the storage tunnel. SPU currently expects the Ship Canal Water Quality Project construction to be complete in 2027.

The total cost for the Ship Canal Water Quality Project is expected to be approximately \$710 million, shared between SPU and the County DNRP. Funding for the Ship Canal Water Quality Project is being provided through a combination of SPU Drainage ratepayer funds, a federal loan under the WIFIA program, state loans through Ecology under the Clean Water State Revolving Fund program, and contributions from the County DNRP. For information regarding the state and federal loans, see the Official Statement under “DEBT OF THE DRAINAGE AND WASTEWATER SYSTEM—Outstanding Parity Bonds” and “—Subordinate Obligations.”

### **Endangered Species Act**

Recovery plans for multiple species of fish and other animals listed as “threatened” or “endangered” under the federal Endangered Species Act (“ESA”) affect Drainage and Wastewater System operations. ESA-listed species with critical habitat within the Drainage and Wastewater System’s operational area include Puget Sound Chinook salmon, Puget Sound steelhead trout, yellow-eyed rockfish, bull trout, marbled murrelet, orca whales, and humpback whales. Except for steelhead trout, designated critical habitats include parts of the City’s combined sewer and drainage service areas: Lake Washington and its tributaries, Lake Union, Lake Washington Ship Canal, Duwamish Waterway, and Elliott Bay and other parts of Puget Sound. Given the many legal, scientific, tribal, and public review uncertainties associated with these listings, it is difficult to predict their full implications and relevance specifically to the Drainage and Wastewater System. SPU and SCL have developed ESA compliance programs specifically related to Water System and SCL facilities that are affected.

ESA review and compliance requirements for certain Drainage and Wastewater capital projects (specifically, “Section 7 consultations” with the various federal agencies) have added additional complexity, time, and cost to the permit application review process, sometimes delaying a permit application for two years or more. The City has entered into a memorandum of agreement with the U.S. Army Corps of Engineers for assistance in expediting the permit application review process. Nonetheless, the regulatory burden may result in construction delay of two to three years, depending on agency-approved in-water construction windows or other restrictions. The extent to which additional costs will be incurred for future project design and impact mitigation specifically related to the ESA is unknown.

Over the long term, the City and SPU expect that additional funding will be needed to support habitat restoration programs that address salmon-related policy objectives. Funding for these programs is expected to come from a variety of sources, including City Water System rates, Drainage and Wastewater System rates, taxes, or fees imposed by other local jurisdictions, and from federal and State grants.

### **Contaminated Site Liability**

The federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (“CERCLA”) created the federal Superfund, the EPA’s program that addresses contaminated sites. SPU has environmental liabilities under CERCLA and related federal and State laws and regulations relating to historical disposal of hazardous wastes at four sites: the Lower Duwamish Waterway (“LDW”) site, Terminal 108, the Harbor Island - East Waterway (“East Waterway”), and Gas Works Park.

As of December 31, 2025, the Drainage and Wastewater System had recorded environmental liability amounts net of recoveries of \$387 million under applicable GASB reporting requirements. This amount is evaluated semi-annually and is subject to adjustment based on future developments. No assurances can be given that other contaminated sites do not exist or will not be discovered in the future. SPU’s policy has been to undertake voluntary cleanup or ordered actions when contamination is discovered during regular maintenance and construction.

### ***Lower Duwamish Waterway (LDW)***

The LDW was listed by the U.S. Environmental Protection Agency (“EPA”) as a Superfund site in 2001. The site is a five-mile segment of the Duwamish River, which flows through an area that has served as Seattle’s major industrial

corridor since the early 1900s, accumulating toxic chemicals from many sources, ranging from stormwater runoff, wastewater, and industrial practices.

Following years of investigation, EPA's Record of Decision ("ROD") estimates the total remediation costs to be about \$668 million. SPU's current estimate of the total cost is \$1.267 billion. SPU has a cost share of 26.7% under an agreement pertaining to the allocation of the total liability. The performing parties are pursuing reimbursement of costs from other potentially responsible parties ("PRPs"). The City's share of the clean-up costs is currently expected to be approximately \$400 million, of which approximately \$339 million is allocated to SPU. The City expects to receive approximately \$88 million due to settlements with other parties. After receiving these settlement amounts, SPU expects its annual share to total approximately \$10 million to \$30 million per year until cleanup is completed, which is anticipated to be ten years after work begins. Monitoring of the remedy will be ongoing indefinitely.

EPA in 2024 issued a Unilateral Administrative Order that continues the ongoing design work as described under the prior Administrative Order on Consent, as amended, and allows for construction of remedial actions to begin in 2024. The Unilateral Administrative Order governs the work until the LDW Consent Decree (described below) becomes effective.

On March 4, 2026, EPA, the U.S. Department of Justice, and the State of Washington reached agreement on a proposed settlement (the "LDW Consent Decree"), with more than 100 PRPs to address hazardous substances released into the LDW. Under the settlement, the Lower Duwamish Waterway Group – which consists of the Boeing Company, the City, and King County – agreed to design and perform the cleanup plan EPA selected for the in-water portion of the LDW Superfund site. The LDW Consent Decree was lodged in U.S. District Court for the Western District of Washington and is subject to a 30-day public comment period (which expired on April 13, 2026), and to final court approval.

SPU's ultimate liability remains indeterminate until the cleanup work is complete. Work began in 2024 and is expected to be completed no earlier than 2034. SPU and SCL have been sharing the City's portion of costs for the LDW work and will continue to do so. See Note 9 in the audited financial statements of the Drainage and Wastewater System attached to the Official Statement as APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE DRAINAGE AND WASTEWATER SYSTEM.

### ***Terminal 108***

In 2020, the City (SPU and SCL), the County, and the Port signed an EPA Settlement Agreement and Administrative Order on Consent to investigate contamination at a site adjacent to the Lower Duwamish, known as Terminal 108. The Port, the City, and the County have entered a memorandum of agreement related to the order and are sharing costs on an interim basis.

SPU's ultimate share of liability for this site is uncertain, and depends upon the results of the investigation, the remedial actions selected by EPA, and the extent to which SPU's drainage and wastewater operations are deemed to have contributed to the contamination. Other PRPs are expected to share in the total cleanup costs as well as study costs. Planning and investigative work on the site began in 2022. A plan for the cleanup, including an estimate of its cost, is expected by the end of 2026.

### ***Harbor Island – East Waterway***

Immediately downstream of the Lower Duwamish Waterway is the East Waterway and Harbor Island. Harbor Island was listed as a Superfund Site by EPA in 1983 and includes a 420-acre industrial island in Elliott Bay that was built in the early 1900s to support commercial and industrial activities, whose operations contaminated groundwater, sediment, and soil.

The Harbor Island Superfund Site is large and complicated and is broken up into smaller operable units ("OUs") to make cleanup easier and more manageable. The East Waterway was created during the construction of Harbor Island and is maintained by the Army Corps. The potential sources of contaminants are both legacy pollutants and from potentially ongoing sources. Contaminated sediments within the East Waterway were designated as an OU of the larger Harbor Island Superfund site in 2001.

Currently the PRPs, which include the City (SCL and the SPU Drainage and Wastewater System), the Port, and the County are implementing an administrative settlement agreement and order on consent agreed to by EPA in 2025. Although clean-up construction timing and cost estimates won't be known until EPA identifies a preferred remedy, in 2024 EPA released an interim record of decision with an estimated cost of approximately \$401 million. The City's ultimate share of costs for investigation and remediation of the East Waterway is unknown. Other PRPs are also expected to share in any costs. The City's ultimate liability, and the proportion of cleanup costs to be borne by SPU,

are indeterminate. See Note 9 in the audited financial statements of the Drainage and Wastewater System attached to the Official Statement as APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE DRAINAGE AND WASTEWATER SYSTEM.

### ***Gas Works Park***

In 2002, Ecology named the City and Puget Sound Energy as PRPs for the contamination of sediments offshore from and adjacent to Gas Works Park and the Harbor Patrol areas in the North Lake Union area of the City. In 2012, the City and Puget Sound Energy entered into a settlement and cost allocation plan, under which Puget Sound Energy is the lead for all additional cleanup work at the site. The City is responsible for 20% of the shared costs incurred by Puget Sound Energy for the cleanup work. Of the City's share, the Drainage and Wastewater System is responsible for 55% of the City costs related to sediment cleanup and 5% of costs related to upland cleanup and the remainder of the City portion is allocated to Seattle Parks and Recreation. If excavation of Kite Hill is required, the City is required to pay 100% of those costs. A cleanup action plan from Ecology was issued in 2023, identifying the selected cleanup remedy with a cost estimated at \$73 million. A consent decree was filed in January 2024 for the design and construction of the sediment cleanup.

### **Other Potential Liability for Sediment Sites**

In addition, the Drainage and Wastewater System could be liable for a portion of the costs of investigation and cleanup at other sediment sites, including some not yet identified. In 1991, the State adopted marine water sediment management standards under which Ecology may require the Drainage and Wastewater System to clean up sediments contaminated by CSOs and/or discharges from separate storm sewers. The full extent of sediment contamination related to Drainage and Wastewater System discharges, if any, and the nature and cost of compliance with Ecology standards are not known at the present time. See APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE DRAINAGE AND WASTEWATER SYSTEM (Note 9).

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

### **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.

### **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, including the Drainage and Wastewater & Logistics Chief Operating Officer, who is trained as an incident commander. A required awareness training for all SPU staff is 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.

## **Landslide Hazards**

Utility infrastructure, underground assets, are vulnerable to landslides. Because drainage systems are close to slopes by necessity, they are the most frequently damaged. About 8% of reported landslides have damaged the City's Drainage System infrastructure. The City's water, power, and sewer lines all cross landslide prone areas. The sewer system is the most exposed to landslide hazards because it has main lines that run parallel along the base of many landslide prone hill sides. Water supply lines cross landslide prone areas in three locations: southeast Seattle, the north end of Beacon Hill, and the Interlaken area of Capitol Hill. Power transmission lines cross landslide prone areas in southeast Seattle.

## **Seismic Hazards**

The City is 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 landslides 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, King County WTD, and other local emergency response agencies.

## **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 is in the midst of a multi-year effort to develop a 50-year plan for drainage and wastewater investments to improve water quality and prevent flooding while adapting to future drivers, including climate impacts. See “THE DRAINAGE AND WASTEWATER SYSTEM—Long-Term Planning.”

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

### **Cybersecurity 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 Cybersecurity events. The policy covers all City departments, including SPU. See APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTOR 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 through its Operations Response Center.

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**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 Ordinance 127337, passed on November 21, 2025 (the “New Money Ordinance”) and Ordinance 125455, passed November 20, 2017, as amended by Ordinance 126482, passed by the City Council on November 22, 2021, and as further amended by the New Money Ordinance (as amended, the “Refunding Ordinance,” and together with the New Money Ordinance, the “Bond Ordinance”), authorizing the issuance and sale of the Bonds.*

***Certain provisions of the Bond Ordinance are subject to amendments that will become effective as of the Reserve Covenant Date.***

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

### DEFINITIONS

**Section 1** of the Bond Ordinances 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 in this definition, 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. Upon the Reserve Covenant Date, the following shall become effective:* 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 any Series of the Bonds, the Bond Ordinance (including any amendatory or supplemental ordinances), and (ii) with respect to a series of Parity Bonds other than a Series of the Bonds, the applicable Parity Bond Ordinance(s); (b) the authenticated bond form; and (c) the written agreement(s) setting forth the bond sale terms and additional terms, conditions, or covenants pursuant to which such bond was issued and sold, as set forth in any one or more of the following (if any): (i) a sale resolution, (ii) a bond purchase contract (as defined in the applicable authorizing ordinance(s)), (iii) a bond indenture or a fiscal agent or paying agent agreement (other than the State fiscal agency contract), and (iv) a direct purchase or continuing covenant agreement.

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

“**Bond 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, issue 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 a 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 Drainage and Wastewater System, adopted by the City in conjunction with the adoption of the 2026 budget, together with any previously adopted capital improvement program of the City. 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. *From and after the Reserve Covenant Date, the term “Covered Parity Bonds” shall exclude each series of Parity Bonds for which the applicable Bond Documents provide that, from and after the Reserve Covenant Date, such series shall no longer be treated as a series of Covered Parity Bonds and shall no longer be secured by the amounts in the Reserve Subaccount.*

“**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.

“**Drainage and Wastewater System**” means the drainage and wastewater system of the City, including the sanitary sewerage and storm and surface water drainage systems, as it now exists (except properties, interests, and rights under the jurisdiction of Seattle Parks and Recreation, Seattle Center, Seattle Public Utilities Water System, Seattle City Light, and the Department of Finance and Administrative Services, or the successors of any of the foregoing City departments), and all additions and improvements thereto and betterments and extensions thereof at any time made, together with any utility systems of the City hereafter combined with the Drainage and Wastewater System. The Drainage and Wastewater System shall 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.

“**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 Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater 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 drainage and wastewater systems of comparable size and character to the Drainage and Wastewater System in such areas as are relevant to the purpose for which they were retained.

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

**“Net Revenue”** for any period means Gross Revenue, less Operating and Maintenance Expense.

**“Operating and Maintenance Expense”** means all expenses incurred by the City in causing the Drainage and Wastewater 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 Drainage and Wastewater 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 treatment or disposal of sewage or other commodity or service; and (f) payments with respect to any other expenses of the Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater System.

**“Parity Bond Account”** means the Drainage and Wastewater Revenue Bond Account, 1990, created in the Drainage and Wastewater Fund by Ordinance 115098 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 the Bonds and 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 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 the CIP. The Plan of Additions includes (a) the purchase and installation of all materials, supplies, appliances, equipment, and facilities; (b) the acquisition of all permits, franchises, property and property rights, and other capital assets; and (c) all engineering, consulting and other professional services and studies (whether performed by the City or by other public or private entities), each as necessary or convenient to carry out the Plan of Additions. The Plan of Additions includes all amendments, updates, supplements, or replacements to the CIP, all of which automatically shall constitute amendments to the Plan of Additions. The Plan of Additions also may be modified to include other improvements, without amending the CIP, if the City determines by ordinance that those amendments or other improvements constitute a system or plan of additions to or betterments or extensions of the Drainage and Wastewater 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 of each Rating Agency (without regard to any gradations within a rating category); 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 Drainage and Wastewater Fund pursuant to Ordinance 118974.

**“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 Covenant Date”** means the earlier of: (a) the date on which the City has obtained consents of the requisite percentage of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased: Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2014, and Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2016.

**“Reserve Requirement”** means the least of (a) Maximum Annual Debt Service on all Parity Bonds outstanding at the time of calculation, (b) 1.25 times Average Annual Debt Service on all Parity Bonds outstanding at the time of calculation, or (c) the sum of 10 percent of the proceeds of each series of Parity Bonds then outstanding, as of the delivery of each such series. *From and after the Reserve Covenant Date, the Reserve Requirement shall mean the lesser of (a) Maximum Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation. In no event shall the Reserve Requirement exceed the sum of 10 percent of the proceeds of each series of Covered Parity Bonds then outstanding, determined as of the Issue Date of each such series.*

**“Reserve Security”** means any Qualified Insurance or Qualified Letter of Credit obtained by the City to satisfy part or all of the Reserve Requirement, and which 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 Drainage and Wastewater 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 applicable Parity Bond Documents, 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.

## 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 shall be 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 from and after the Reserve Covenant Date, 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 Drainage and Wastewater Fund. It provides that Gross Revenue shall be deposited as received in the Drainage and Wastewater 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 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);
- (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 Drainage and Wastewater System; to make necessary additions, betterments, improvements, repairs, extensions, and replacements of the Drainage and Wastewater 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 purpose of the Drainage and Wastewater System.

**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 Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater System.**
  - (i) The City will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Drainage and Wastewater System unless provision is made for the payment into the Parity Bond Account of an amount sufficient to pay the principal of (including redemption premium, if any) and interest on all Parity Bonds then outstanding.
  - (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 Drainage and Wastewater System; or
  - (iii) Notwithstanding the foregoing, the City may sell, transfer, or otherwise dispose of (each, a “transfer”) a portion of any of the works, plant, properties, facilities, or other part of the Drainage and Wastewater System, or any real or personal property comprising a part of the Drainage and Wastewater System, consistent with one or more of the following:
    - (A) The City in its discretion may carry out such a transfer if provision is made for replacement of the transferred portion of the Drainage and Wastewater System, or for payment into the Parity Bond Account of the total amount of Gross Revenue received from the transferred portion of the Drainage and Wastewater System, which shall not be less than an amount which shall bear the same ratio to the amount of Parity Bonds then outstanding as (x) the Gross Revenue available for debt service for such outstanding bonds for the 12 months preceding such transfer from the transferred portion of the Drainage and Wastewater System bears to (y) the Gross Revenue available for debt service for the then-outstanding Parity Bonds from the entire Drainage and Wastewater System of the City for the same period. Any such money so paid into the Parity Bond Account shall be used to retire such Parity Bonds at the earliest possible date; or

- (B) The City in its discretion may carry out such transfers 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 Drainage and Wastewater System; or
- (C) 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 Drainage and Wastewater System, or are used to retire outstanding Parity Bonds or other revenue obligations of the Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater 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 (1) the reduction in revenue and expenses, if any, resulting from the transfer; (2) the use of any proceeds of the transfer for the redemption of Parity Bonds; (3) the estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Drainage and Wastewater System financed in part by the proposed portion of the proceeds of the transfer; and (4) any other adjustment permitted in the preparation of a certificate under subsection 17(b) of the Bond Ordinance. Before completing any such transfer, the City must also obtain confirmation from each Rating Agency then supplying a rating on the Bonds at the request of the City to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer, unless such Rating Agency no longer offers a rating confirmation service as part of its business.

Nothing in this covenant shall prevent the City from transferring facilities or property that are no longer necessary, material or useful to the operation of the Drainage and Wastewater System or that have become unserviceable, inadequate, obsolete, or unfit to be used in the operation of the Drainage and Wastewater System.

- (d) **Books and Records.** The City will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Drainage and Wastewater System, and it will furnish the Registered Owner(s) of the Bonds or any subsequent Registered Owner(s) thereof, at the written request of such Registered Owner(s), complete operating and income statements of the Drainage and Wastewater System in reasonable detail covering any fiscal year not more than six months after the close of such fiscal year, and it will grant any Registered Owner(s) of at least 25 percent of the outstanding Bonds the right at all reasonable times to inspect the entire Drainage and Wastewater System and all records, accounts and data of the City relating thereto. Upon request of any Registered Owner of any of the Bonds, it also will furnish to such Registered Owner a copy of the most recently completed audit of the Drainage and Wastewater System's accounts by the State Auditor.

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

## **SEPARATE UTILITY SYSTEMS**

**Section 19** of the Bond Ordinance provides that the City may create, acquire, construct, finance, own, and operate one or more additional systems for drainage and wastewater service or other commodity or service relating to the Drainage and Wastewater 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 drainage and wastewater services or other commodity or service relating to the Drainage and Wastewater System, as follows:

- (a) The City may determine, 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 drainage and wastewater services 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 commodity or service rendered; (B) any facilities to be constructed to provide the commodity or service are sound from a drainage and wastewater services or other commodity or service planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide such commodity or service no later than a date set forth in the Independent Utility Consultant's certification; and (C) 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 drainage and wastewater services 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 drainage and wastewater services 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 "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. 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 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 any tax advantage or tax credit payment available in respect of any Series of the Bonds issued and sold as Tax-Advantaged Bonds;
  - (vii) To modify, alter, amend, or supplement the Bond Documents in any other respect that is not materially adverse to the owners of the Parity Bonds and that does not involve a change described in subsection 24(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 24(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 24(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 24(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 24(b) or 24(c) of the Bond Ordinance, 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 24(d) of the Bond Ordinance, 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 or Supplement.** Upon the effective date of any amendment or supplement, the Bond Ordinance (or the relevant Bond Document, if not set forth in the Bond Ordinance) 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 24(b) or 24(c), the Registered Owners from time to time of the Bonds, by taking and holding the same, are 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 any tax credit payments (or other similar payments) in respect of any Tax-Advantaged Bonds expected to be received by the City during a given period to be credited against amounts required to be paid in respect of interest on the Parity Bonds in that period; and
  - (ii) To permit or require tax credit payments (or similar payments) in respect of Tax-Advantaged Bonds 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, or agreements on the part of the City set forth in the Bond Ordinance or the applicable Bond Documents (except as otherwise provided herein or in such Bond Documents) and such default or defaults have continued for a period of six months after the City has received from the Bond Owners' Trustee (as defined in subsection 25(b)) 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 in that case 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 then outstanding, 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 then outstanding 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 then 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 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 in the Bond Ordinance. 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 then outstanding, 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:

- (a) Annual financial information and operating data of the Drainage and Wastewater System 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
- (b) 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.

- (c) 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 Drainage and Wastewater System, prepared in accordance with applicable generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law;
- (ii) A statement of outstanding bonded debt secured by revenues of the Drainage and Wastewater System;

- (iii) Debt service coverage ratios;
- (iv) General customer statistics, such as number and type of customers and revenues by customer class; and
- (v) Current drainage and wastewater 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, \$154,005,000  
Drainage and Wastewater 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 127337, Ordinance 125455, and Ordinance 126482 (amending Ordinance 125455) (collectively, 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 Drainage and Wastewater System (the “Plan of Additions”); (ii) refund certain obligations of the Drainage and Wastewater System; (iii) to provide for the Reserve Requirement, if necessary; and (iv) 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 Drainage and Wastewater System and money in the Parity Bond Account (including the Reserve Subaccount therein) and the Rate Stabilization Account.

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.


Respectfully,

## **APPENDIX F**

### **2025 AUDITED FINANCIAL STATEMENTS OF THE DRAINAGE AND WASTEWATER SYSTEM**

*The financial statements of the Drainage and Wastewater Fund as of and for the fiscal year ended December 31, 2025, 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 –  
Drainage and Wastewater 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  
Drainage and Wastewater Fund  
Seattle, Washington

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Seattle Public Utilities – Drainage and Wastewater 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 – Drainage and Wastewater 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 audits. 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 drainage wastewater debt service coverage calculation, wastewater system operating statistics, accounts and billed revenues, major wastewater customers' annual billed revenues and percentage of revenue, major drainage customers' annual billed revenues and percentage of revenue, and wastewater and drainage 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 – Drainage and Wastewater Fund**

## **(An Enterprise Fund of the City of Seattle)**

### **Management’s Discussion and Analysis**

---

As management of Seattle Public Utilities (SPU), a department of the City of Seattle (the City), we offer readers of SPU’s financial statements this narrative overview and analysis of the financial activities of the Drainage and Wastewater 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 drainage and wastewater 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 the Fund’s 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 of the Fund’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund’s creditors (liabilities and deferred inflows of resources) and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund’s net position for the years ended December 31, 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 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 certain estimates and financing details. The notes to the financial statements begin on page 20 of this report.

**Seattle Public Utilities – Drainage and Wastewater 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 \$1,014 million and \$964.9 million, respectively. In 2025, the Fund’s overall net position increased \$49.1 million (5.1%) as compared to an increase of \$192.3 million (24.9%) in 2024. The following summary statements of net position present the assets and deferred outflows of resources of the Fund and show 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	\$ 627,844,831	\$ 515,178,025	\$ 435,034,343
Capital assets, net	1,964,823,934	1,830,371,804	1,690,340,508
Other	255,996,923	233,104,715	203,379,794
Total assets	2,848,665,688	2,578,654,544	2,328,754,645
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	33,007,972	30,459,765	37,955,552
Total assets and deferred outflows of resources	\$ 2,881,673,660	\$ 2,609,114,309	\$ 2,366,710,197
<b>LIABILITIES</b>			
Current liabilities	\$ 138,456,613	\$ 111,399,191	\$ 107,718,459
Revenue bonds	850,574,826	822,735,876	860,313,974
Other	862,020,461	692,157,098	607,834,530
Total liabilities	1,851,051,900	1,626,292,165	1,575,866,963
<b>DEFERRED INFLOWS OF RESOURCES</b>	16,586,038	17,909,659	18,222,394
<b>NET POSITION</b>			
Net investment in capital assets	777,391,216	761,367,794	725,635,833
Restricted	16,039,166	17,707,930	20,013,475
Unrestricted	220,605,340	185,836,761	26,971,532
Total net position	1,014,035,722	964,912,485	772,620,840
Total liabilities, deferred inflows of resources, and net position	\$ 2,881,673,660	\$ 2,609,114,309	\$ 2,366,710,197

# Seattle Public Utilities – Drainage and Wastewater 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 \$112.7 million (21.9%) from the prior year primarily due to an increase in operating cash and equity in pooled investments of \$115.5 million, an increase of \$4.2 million in net account receivables, and an increase of \$2.7 million in due from other funds. These increases were offset by a decrease of \$6.4 million in unbilled revenues, decrease of \$2.4 million in due from other governments, and a decrease of \$0.96 million in interest and dividends. The increase in operating cash and equity in pooled investments is primarily due to the lower percentage of capital projects funded with operating cash.

Capital assets increased \$134.5 million (7.3%) from the prior year. Construction in progress increased \$82.5 million, plant assets increased \$75.3 million, and land increased \$7 million. The increase is mainly due to investments in infrastructure, rehabilitation, and improvements. The capital asset increase was offset by a \$30.8 million increase in accumulated depreciation and amortization (Note 3).

Other assets increased \$22.9 million (9.8%) from the prior year. This is mostly attributable to a \$25.7 million increase in restricted cash and equity in pooled investment, of which \$21 million is due to the issuance of the 2025 bonds. This is offset by the decrease in other charges of \$3.5 million.

**Deferred outflows of resources** – Deferred outflows of resources increased \$2.5 million (8.4%) from the prior year. This increase is mostly attributable to \$3 million increase in pension contributions and changes in assumptions related to pension and other post-employment benefits (OPEB). This increase was offset by \$0.4 million reduction in unamortized loss on refunded debt.

**Liabilities** – Current liabilities increased \$27.1 million (24.3%) from the prior year. This is mostly attributable to an increase in current portion of loans payable of \$11.7 million (this is driven by repayment starting on some of the Ship Canal loans in 2026), a \$9.2 million increase in accounts payable, a \$3.3 million increase in due to other funds, a \$2.3 million increase in environmental liabilities, a \$1.4 million increase in compensated absences payable, a \$1.1 million increase in due to other governments, and a \$0.6 million increase in current portion of bonds payable. These were offset by a decrease of \$2.7 million in interest payable and a \$0.6 million decrease in claims payable.

Noncurrent liabilities increased \$197.7 million (13.1%) from the prior year. This increase is mostly attributable to a \$98.1 million increase in loans, a \$68.3 million increase in environmental liabilities, a \$20.8 million increase in revenue bonds, a \$7.1 million increase in net bond discount and premium, a \$2.2 million increase in net pension liabilities, a \$1 million increase in claims payable, and a \$0.5 million increase in compensated absences payable. These increases were offset by a \$0.2 million decrease in lease and subscription payable and a \$0.1 million decrease in other noncurrent liabilities.

**Deferred inflows of resources** – Deferred inflows of resources decreased \$1.3 million (-7.4%) from the prior year. This decrease is due to a decrease of \$0.8 million in unamortized gain on advanced refunding, and a decrease of \$0.5 million in assumptions related to pension accounting and the difference between expected and actual expenses in OPEB.

## **Seattle Public Utilities – Drainage and Wastewater Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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**Net position** – Net position increased \$49.1 million (5.1%) from the prior year.

A portion of the Fund’s net position of \$777.4 million (76.7%) 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 \$16 million from the prior year due to an increase in capital assets placed in service, net of depreciation, offset by the related debt.

The Fund’s restricted net position of \$16 million (1.6%) represents resources that are subject to restrictions on how they may be used. This portion of net position decreased \$1.7 million from the prior year.

The remaining portion of the Fund’s net position of \$220.6 million (21.7%) represents resources that are unrestricted. The unrestricted portion of net position increased \$34.8 million from the prior year mainly due to a lower percentage of capital projects funded with operating cash compared to the prior year.

### **2024 Compared to 2023**

**Assets** – Current assets increased \$80.1 million (18.4%) from the prior year primarily due to an increase in operating cash and equity in pooled investments of \$82.7 million, an increase of \$6.8 million in unbilled revenues, and an increase in supplies inventory. These increases were offset by a decrease of \$7.9 million in due from other governments, and a decrease of \$1.6 million in net accounts receivable. The increase in operating cash and equity in pooled investments is primarily due to the lower percentage of capital projects funded with operating cash.

Capital assets increased \$139.9 million (8.3%) from the prior year. Construction in progress and plant assets increased \$168.7 million. The increase is mostly due to investments in infrastructure, rehabilitation, and improvements. The capital asset increase was offset by a \$28.8 million increase in accumulated depreciation and amortization (Note 3).

Other assets increased \$29.7 million (14.6%) from the prior year. This is mostly attributable to a \$33.8 million increase in restricted cash and equity in pooled investment, due to the receipt of \$115.5 million in the settlement of the lawsuit against Monsanto for the pollution of the Duwamish. This is offset by the decrease in construction cash of \$81.5 million and a \$3.8 million decrease in other charges. The decrease was offset by a \$0.7 million increase in environmental costs and recoveries.

**Deferred outflows of resources** – Deferred outflows of resources decreased \$7.5 million (-19.7%) from the prior year. This decrease is attributable to a \$7.2 million reduction in pension contributions and changes in assumptions related to pension and OPEB, and a \$0.3 million reduction in unamortized loss on refunded debt.

## **Seattle Public Utilities – Drainage and Wastewater Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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**Liabilities** – Current liabilities increased \$3.7 million (3.4%) from the prior year. This is mostly attributable to a \$6.8 million increase in environmental liabilities, a \$3.7 million increase in due to other funds, a \$1.6 million increase in claims payable, a \$1.6 million increase in bonds payable within one year, and a \$0.9 million increase in due to other governments. These increases were offset by a decrease of \$8.8 million in accounts payable and a \$2.4 million decrease in salaries payable.

Noncurrent liabilities increased \$46.7 million (3.2%) from the prior year. This increase is mostly attributable to a \$57.5 million increase in loans, a \$36.8 million increase in environmental liabilities, a \$1.1 million increase in claims payable, and a \$0.5 million increase in compensated absences payable. These increases were offset by a \$37.5 million decrease in bonds payable, an \$11.5 million decrease in net pension liabilities, and unfunded other post-employment benefits.

**Deferred inflows of resources** – Deferred inflows of resources decreased \$0.3 million (-1.7%) from the prior year. This decrease is mostly due to a \$0.8 million decrease in unamortized gain on advanced refunding, which was offset by a \$0.5 million increase in assumptions related to pension accounting and the difference between expected and actual expenses in OPEB.

**Net position** – Net position increased \$192.3 million (24.9%) from the prior year.

A portion of the Fund’s net position of \$761.4 million (78.9%) 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 \$35.7 million from 2023 due to an increase in capital assets placed in service, net of depreciation, offset by the related debt.

The Fund’s restricted net position of \$17.7 million (1.8%) represents resources that are subject to restrictions on how they may be used. This portion of net position decreased \$2.3 million from the prior year.

The remaining portion of the Fund’s net position of \$185.8 million (19.3%) represents resources that are unrestricted. The unrestricted portion of net position increased \$158.9 million from the prior year mainly due to the receipt of the \$115.5 million Monsanto settlement and a lower percentage of capital projects funded with operating cash compared to the prior year.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Management’s Discussion and Analysis**

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 610,831,312	\$ 576,840,377	\$ 542,933,537
Operating expenses	<u>(518,789,683)</u>	<u>(475,123,315)</u>	<u>(462,989,467)</u>
Operating income	92,041,629	101,717,062	79,944,070
Non-operating revenues and expenses	28,110,880	130,994,273	5,184,034
Capital contributions, grants and environmental, net remediation	<u>(71,029,272)</u>	<u>(40,419,690)</u>	<u>(48,561,096)</u>
Change in net position	<u>\$ 49,123,237</u>	<u>\$ 192,291,645</u>	<u>\$ 36,567,008</u>

**2025 Compared to 2024**

Operating revenues increased \$34 million (5.9%) from the prior year. This is due to an average rate increase of 5% for wastewater and 5% for drainage, resulting in additional revenues of \$20.8 million and \$12.8 million, respectively. Other operating revenues increased \$0.4 million.

Operating expenses increased \$43.7 million (9.2%) from the prior year. The increase can be attributed to a \$17.5 million increase in intergovernmental payments (this is driven by an increase of \$12 million in payments to King County for wastewater treatment), a \$13.1 million increase in salaries, wages, and personnel benefits (this is driven by an increase of \$6 million in salaries, an increase of \$4.3 million in insurance premiums, and an increase of \$2.6 million in pension expense), a \$10 million increase in other operating expenses (which is driven by an increase of \$9.3 million in bad debt expense, due to the write off grant receivable from 2023), a \$2.7 million increase in services, a \$0.3 million increase in supplies and a \$0.1 million increase in depreciation and amortization. The \$17.5 million increase in intergovernmental payments is mainly due to King County wastewater treatment fee increases and an increase in taxes.

Nonoperating revenues net of expenses decreased \$102.9 million (-78.5%) from prior year. This decrease is mostly due to a \$116.3 million decrease in other judgments and settlements, of which \$115.5 million is from the Monsanto lawsuit from the prior year, and a \$1.6 million decrease in interest expense. These were offset by an increase of \$14.5 million in investment income and an increase of \$0.5 million in contributions and grants.

The Fund had environmental remediation expense of \$78.3 million in 2025 compared to \$46.7 million in 2024 (Note 9), mostly due to the revised estimates and the updated cost sharing from the Unilateral Administrative Order, signed July 18, 2024, which is in effect until the Consent Decree is issued.

**2024 Compared to 2023**

Operating revenues increased \$33.9 million (6.2%) from the prior year. This is due to an average rate increase of 5% for wastewater and 5% for drainage, resulting in additional revenues of \$21 million and \$12.1 million, respectively. Other operating revenues increased \$0.7 million.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Management’s Discussion and Analysis**

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Operating expenses increased \$12.1 million (2.6%) from the prior year. The increase can be attributed to an \$18.5 million increase in intergovernmental payments, a \$2.7 million increase in other operating expenses, and a \$1.1 million increase in depreciation and amortization. The increase was offset by a \$4.5 million decrease in salaries, wages, and personnel benefits, a \$4.1 million decrease in supplies, and a \$1.6 million decrease in services. The \$18.5 million increase in intergovernmental payments is mainly due to King County wastewater treatment fee increases and an increase in taxes.

Nonoperating revenues net of expenses increased \$125.8 million from the prior year. This increase is mostly due to a \$116.2 million increase in other judgments and settlements (of which \$115.5 million is from the Monsanto lawsuit), a \$5 million increase in investment income, a \$2 million increase in recoveries, a \$1.3 million decrease in interest expense, and a \$1.6 million decrease in gain/loss on disposal of assets.

The Fund had environmental remediation expense of \$46.7 million in 2024 compared to \$60.2 million in 2023 (Note 9), mostly due to the revised estimates and the updated cost sharing from the Unilateral Administrative Order, signed July 18, 2024, which is in effect until the Consent Decree is issued.

**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**

	2025	2024	2023
Land and land rights	\$ 54,458,325	\$ 47,433,829	\$ 47,433,829
Buildings	9,873,655	10,847,824	11,834,651
Infrastructure	1,118,552,311	1,063,637,137	1,036,921,066
Machinery and equipment	53,502,161	57,054,873	54,433,503
Computer systems	8,471,623	14,135,343	20,163,663
Construction in progress	713,530,341	631,013,356	513,223,964
Artwork	6,352,995	5,958,750	5,806,464
Intangible right-to-use	82,523	290,692	523,368
Capital assets, net of accumulated depreciation and amortization	<u>\$ 1,964,823,934</u>	<u>\$ 1,830,371,804</u>	<u>\$ 1,690,340,508</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 \$2 billion. This represented an increase of approximately \$134.5 million (7.3%) compared to 2024.

Highlights of the Fund’s major capital assets placed in service during 2025 include the following:

- \$62.6 million for drainage, sewer, and combined pipe rehabilitation and improvements
- \$12.4 million for drainage and wastewater pump station rehabilitation and improvements

## **Seattle Public Utilities – Drainage and Wastewater Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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- \$7 million for natural drainage systems
- \$4.8 million for heavy equipment
- \$1.2 million for rainwater absorption and runoff reduction system

As of December 31, 2025, the Fund had \$713.5 million in construction in progress. Major projects under construction are the following:

- \$426.2 million for construction of a combined sewer overflow storage facility for the Ballard, Fremont, and Wallingford combined sewer overflow basins (Ship Canal Water Quality Project)
- \$86.6 million for sewer and storm water system rehabilitation and improvements
- \$54.2 million for natural drainage systems
- \$48.3 million for pump station rehabilitation and improvements
- \$35.3 million for combined sewer overflow control
- \$14.7 million for fish habitat restoration on Taylor Creek
- \$13.5 million for the South Park Stormwater Treatment Facility
- \$8.1 million for software

### **2024 Compared to 2023**

The Fund’s capital assets, net of accumulated depreciation and amortization, for the year ended December 31, 2024, was \$1.8 billion. This represented an increase of approximately \$139.9 million (8.3%) compared to 2023.

Highlights of the Fund’s major capital assets placed in service during 2024 include the following:

- \$40.6 million for drainage, sewer, and combined pipe rehabilitation and improvements
- \$7.6 million for drainage and wastewater pump station rehabilitation and improvements
- \$6.8 million for heavy equipment
- \$1.2 million for South Operation Center Security
- \$1.1 million for rainwater absorption and runoff reduction systems
- \$0.9 million for green stormwater infrastructure

As of December 31, 2024, the Fund had \$513.2 million in construction in progress. Major projects under construction are the following:

- \$357.3 million for construction of a combined sewer overflow storage facility for the Ballard, Fremont, and Wallingford combined sewer overflow basins (Ship Canal Water Quality Project)
- \$77.5 million for sewer and stormwater system improvements and rehabilitations
- \$54.6 million for pump station improvements
- \$46 million for natural drainage systems
- \$30.6 million for controlling combined sewer overflow control
- \$14 million for fish habitat restoration on Taylor Creek

## **Seattle Public Utilities – Drainage and Wastewater Fund (An Enterprise Fund of the City of Seattle) Management’s Discussion and Analysis**

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- \$10 million for the South Park Stormwater Treatment Facility
- \$9 million for Piper Creek land acquisition

### **Debt Administration**

The Fund’s debt primarily consists of bonded debt and loans. Bonded debt is secured solely by drainage and wastewater 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 Aa1 and AA+ by Moody’s Investors Service Inc. and Standard & Poor’s Rating Services, respectively. Additional details about the Fund’s revenue bonds and loans are in Notes 4 and 10 of this report.

### **2025 Compared to 2024**

At December 31, 2025, the Fund had \$788.7 million in bonded debt, as compared to \$767.3 million at December 31, 2024, all of which was secured solely by drainage and wastewater system revenues. This increase of \$21.3 million is attributed to the issuance of a new revenue and refunding bond (Note 4) and payment of debt principal.

At December 31, 2025, the Fund had an outstanding loan balance of \$391.1 million compared to \$281.3 million at December 31, 2024. This increase is due to a total of \$114.1 million drawdowns from loans with the Washington State Department of Ecology. The increase was offset by a \$4.4 million payment of debt principal.

### **2024 Compared to 2023**

At December 31, 2024, the Fund had \$767.3 million in bonded debt, as compared to \$799.4 million at December 31, 2023, all of which was secured solely by drainage and wastewater system revenues. This decrease of \$32.1 million is attributed to the payment of debt principal (Note 4).

At December 31, 2024, the Fund had an outstanding loan balance of \$281.3 million compared to \$224 million at December 31, 2023. This increase is due to a total of \$61.9 million drawdowns from loans with the Washington State Department of Ecology. The increase was offset by a \$4.5 million payment of debt principal.

### **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 – Drainage and Wastewater 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	\$ 545,138,155	\$ 429,624,912
Receivables		
Accounts, net of allowance	38,216,783	34,009,370
Interest and dividends	30,043	994,330
Unbilled revenues	28,098,774	34,497,764
Due from other funds	4,740,647	2,006,074
Due from other governments	8,990,671	11,368,988
Materials and supplies inventory	2,595,243	2,642,072
Prepayments and other current assets	34,515	34,515
	<u>627,844,831</u>	<u>515,178,025</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and equity in pooled investments	218,105,120	192,406,615
Prepayments long-term	311,441	345,956
Environmental costs and recoveries	5,112,629	4,331,154
External infrastructure costs, net	16,106,712	16,399,561
Regulatory assets	5,680,298	5,418,055
Other charges	10,680,723	14,203,374
Capital assets		
Land and land rights	54,458,325	47,433,829
Plant in service, excluding land	1,780,849,260	1,705,528,442
Less accumulated depreciation and amortization	(590,366,987)	(559,562,573)
Construction in progress	713,530,341	631,013,356
Other property, net	6,352,995	5,958,750
	<u>2,220,820,857</u>	<u>2,063,476,519</u>
Total noncurrent assets	<u>2,220,820,857</u>	<u>2,063,476,519</u>
Total assets	<u>2,848,665,688</u>	<u>2,578,654,544</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on refunded debt	2,972,567	3,388,110
Pension and OPEB contributions and changes in assumptions	30,035,405	27,071,655
	<u>33,007,972</u>	<u>30,459,765</u>
Total deferred outflows of resources	<u>33,007,972</u>	<u>30,459,765</u>
Total assets and deferred outflow of resources	<u>\$ 2,881,673,660</u>	<u>\$ 2,609,114,309</u>

See accompanying notes.

**Seattle Public Utilities – Drainage and Wastewater 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	\$ 24,408,920	\$ 15,188,326
Compensated absences payable	1,770,366	377,986
Due to other funds	6,935,448	3,654,584
Due to other governments	17,973,447	16,899,981
Interest payable	12,878,979	15,588,604
Taxes payable	519,419	381,885
Revenue bonds, due within one year	34,255,000	33,680,000
Claims payable	3,944,159	4,548,799
Environmental liabilities	15,988,365	13,683,946
Loans payable, due within one year	16,053,714	4,358,851
Lease and subscription liabilities, due within one year	209,830	182,715
Other	3,518,966	2,853,514
	<b>138,456,613</b>	<b>111,399,191</b>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable	7,641,078	7,181,734
Revenue bonds	788,650,000	767,325,000
Less bonds due within one year	(34,255,000)	(33,680,000)
Bond discount and premium, net	96,179,826	89,090,876
Claims payable	12,045,300	11,042,460
Environmental liabilities	371,013,825	302,672,892
Loans payable, net of current portion	375,031,560	276,968,522
Total OPEB liability	4,315,517	4,262,644
Net pension liability	79,163,734	76,925,098
Lease and subscription liabilities, net of current portion	77,001	242,815
Other noncurrent liabilities	12,732,446	12,860,933
	<b>1,712,595,287</b>	<b>1,514,892,974</b>
<b>Total liabilities</b>	<b>1,851,051,900</b>	<b>1,626,292,165</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized gain on refunded debt	12,633,305	13,438,727
Deferred inflows - pension and OPEB	3,952,733	4,470,932
	<b>16,586,038</b>	<b>17,909,659</b>
<b>NET POSITION</b>		
Net investment in capital assets	777,391,216	761,367,794
Restricted for		
External infrastructure costs	7,956,769	8,062,030
Other charges	8,082,397	9,645,900
Unrestricted	220,605,340	185,836,761
	<b>1,014,035,722</b>	<b>964,912,485</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 2,881,673,660</b>	<b>\$ 2,609,114,309</b>

See accompanying notes.

**Seattle Public Utilities – Drainage and Wastewater 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	\$ 610,831,312	\$ 576,840,377
OPERATING EXPENSES		
Salaries, wages, and personnel benefits	84,236,184	71,184,602
Supplies	4,826,695	4,520,194
Services	63,732,109	61,033,069
Intergovernmental payments	298,348,167	280,893,226
Depreciation and amortization	46,267,305	46,139,575
Other operating expenses	21,379,223	11,352,649
Total operating expenses	518,789,683	475,123,315
OPERATING INCOME	92,041,629	101,717,062
NONOPERATING REVENUES (EXPENSES)		
Investment income	37,477,536	22,942,747
Interest expense	(13,538,048)	(11,915,839)
Contributions and grants	1,077,159	568,745
Other, net	3,094,233	119,398,620
Total nonoperating revenues	28,110,880	130,994,273
Income before capital contributions and grants, and special items	120,152,509	232,711,335
Capital contributions and grants	7,318,189	6,263,088
Special item - environmental remediation	(78,347,461)	(46,682,778)
CHANGE IN NET POSITION	49,123,237	192,291,645
NET POSITION		
Beginning of year	964,912,485	772,620,840
End of year	\$ 1,014,035,722	\$ 964,912,485

See accompanying notes.

**Seattle Public Utilities – Drainage and Wastewater 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	\$ 617,368,081	\$ 584,750,095
Cash paid to suppliers	(289,214,798)	(284,637,538)
Cash paid to employees	(87,705,958)	(78,642,440)
Cash paid for taxes	(81,151,369)	(75,977,565)
	159,295,956	145,492,552
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Settlement	-	115,524,225
Noncapital grants received	3,845,945	4,984,837
Payments for environmental liabilities	(8,483,583)	(3,805,158)
	(4,637,638)	116,703,904
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	266,991,151	61,858,582
Principal payments on long-term debt	(134,838,851)	(36,582,740)
Capital expenditures and other charges	(163,130,570)	(175,443,335)
Interest paid on long-term debt	(41,409,091)	(37,126,595)
Build America Bonds Federal Interest Subsidy	553,039	1,088,007
Capital fees and grants received	21,077,004	18,374,597
Proceeds from the sale of capital assets	386,251	288,741
	(50,371,067)	(167,542,743)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net gain on investments	26,766,825	20,633,549
Interest received on investment	10,157,672	1,221,191
	36,924,497	21,854,740
<b>NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	141,211,748	116,508,453
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of year	622,031,527	505,523,074
End of year	\$ 763,243,275	\$ 622,031,527
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating cash and equity in pooled investments	\$ 545,138,155	\$ 429,624,912
Noncurrent restricted cash and equity in pooled investments	218,105,120	192,406,615
	\$ 763,243,275	\$ 622,031,527

See accompanying notes.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FROM OPERATING ACTIVITIES		
Net operating income	\$ 92,041,629	\$ 101,717,062
Adjustments to reconcile operating income to net cash from operating activities		
Adjustment for net pension liability	(1,243,313)	(5,634,287)
Depreciation and amortization	46,267,305	46,139,575
Other cash receipts	3,521,770	2,727,502
Changes in operating assets and liabilities		
Accounts receivable	(3,862,135)	1,603,308
Unbilled revenues	6,398,990	(6,250,770)
Due from other funds	(3,137,947)	(187,899)
Due from other governments	2,320,221	7,933,130
Materials and supplies inventory	46,830	(505,299)
Prepayments and other assets	998,801	388,391
Accounts payable	9,220,595	(8,786,253)
Salaries, benefits, and payroll taxes payable	-	(2,436,395)
Compensated absences payable	1,851,725	545,128
Due to other funds	3,280,864	3,654,584
Due to other governments	1,073,465	932,549
Claims payable	398,200	2,756,646
Taxes payable	137,533	3,487
Other liabilities	(18,577)	892,093
Total adjustments	67,254,327	43,775,490
Net cash from operating activities	\$ 159,295,956	\$ 145,492,552

See accompanying notes.

**Seattle Public Utilities – Drainage and Wastewater 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 – Drainage and Wastewater Fund (the Fund) is a public utility enterprise fund of the City of Seattle (the City). The Fund was established to account for the drainage and wastewater activities of Seattle Public Utilities (SPU). Drainage activities include regulating stormwater runoff, alleviating flooding, mitigating water pollution caused by runoff, and responding to federal stormwater regulations, in addition to managing drainage utility assets. Wastewater activities consist of managing the City’s sewer system, including the operation of sewer utility facilities and pumping stations necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

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 \$31,126,355 and \$30,363,234, 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 \$71,677,613 and \$67,227,627 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 \$2,704,241 and \$2,395,644 in 2025 and 2024, respectively.

Wastewater disposal and drainage services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$4,531,037 and \$4,470,390 in 2025 and 2024, respectively, from the City for wastewater services provided. The Fund also collected \$13,196,796 and \$13,004,447 in 2025 and 2024, respectively, from the City for drainage services.

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 – Drainage and Wastewater 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 on the statements of net position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

**Cash and equity in pooled investments** – Cash resources of the Fund are combined with cash resources of the City in a pooled investment portfolio that is managed by the City’s Finance and Administration Services Department. The City’s investment portfolio consists of fixed income securities authorized by the Revised Code of Washington and other applicable law. The pool operates like a demand deposit account in that all City departments may deposit cash at any time and withdraw cash out of the pool without prior notice or penalty. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned. Cash and equity in pooled investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. The Fund’s share of the pool is included in the accompanying statements of net position under the caption “cash and equity in pooled investments.” Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments. The restricted cash and equity in pooled investments consist of unexpended bond proceeds, bond reserve funds, and vendor’s escrow deposits.

**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 \$4,314,585 and \$3,382,751, 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 – Drainage and Wastewater Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

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**Environmental costs and recoveries** – The Fund is involved in several remediation efforts around the City (Note 9). When estimated remediation costs are approved to be recovered through rates, the costs, net of recoveries, associated with these efforts are deferred when accrued as a regulatory asset and are amortized over the rate recovery period. Certain environmental remediation costs that are infrequent in occurrence are treated as a special item in the statements of revenues, expenses, and changes in net position.

**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 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 expensed in the period incurred if the Fund had not utilized regulatory accounting for these costs.

**Other charges** – Other charges primarily represent costs related to the long-term control plan, which direct the Fund's construction and monitoring of several combined sewer overflow projects. The Fund amortizes these charges over a 5 to 30-year period.

**Capital assets** – Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct 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 sewer and drainage pipes, from developers and other government agencies. These donated assets are recorded under 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.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
**(An Enterprise Fund of the City of Seattle)**  
**Notes to Financial Statements**

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**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
Laterals, mains, and outfalls	75 years
Detention structures	75 years
Pumping stations, equipment, and overflow structures	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 debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Fund has also recorded deferred outflows/inflows of resources for certain pension and other post-employment benefit (OPEB) activities, including the difference between projected and actual experience, the difference between projected and actual earnings on investments, and contributions made subsequent to the measurement date (Notes 5 and 8).

In addition to liabilities, the statements of net position, when applicable, will report a separate section for deferred inflows of resources. It represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Fund has 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 projected and actual experience, changes in proportion, and differences between employer contributions and proportionate share of contributions (Notes 5 and 8).

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

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

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

Most pollution remediation outlays do not qualify for capitalization, and the Fund does not anticipate significant capitalized costs in the future. See Note 9 for site descriptions.

**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.

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**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.

**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.

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

Drainage service charges are billed to the City's drainage residential and nonresidential customers twice a year through the service of King County's property tax billing system. These charges fund operations and maintenance of, and improvements to, the City's system of storm and drainage facilities.

Other operating revenues include revenues generated from wastewater and sewer permits, and engineering services provided to other City funds.

**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 12.0% for wastewater revenues and 11.5% for drainage revenues, net of certain credits. In addition, the Fund paid a 3.85% public utility tax to the state on a certain portion of revenues identified as sewer collection revenues. The Fund also paid business and occupation tax to the state on certain drainage and other non-utility revenues at the rate of 1.75%.

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

**Net position** – The 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, net of 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.

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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 external infrastructure costs, certain other charges, and retainage.

Unrestricted net position is the portion that is not “net investment in capital assets” or “restricted.”

**Arbitrage rebate requirement** – The Fund is subject to the Internal Revenue Code (IRC), Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed be surrendered to the Internal Revenue Service. As such, the Fund would record such a rebate as a liability. The Fund had a liability of \$606,974 and \$0 for arbitrage as of December 31, 2025 and 2024, respectfully.

**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.

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

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

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**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.

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 do not include securities denominated in foreign currencies.

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**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 March 16, 1995, and revised again September 15, 2016) 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.
- 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.

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The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of 12 to 18 months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1–7 year index. The duration of the Strategic Portfolio is targeted between 75% and 125% of the benchmark.

To further mitigate interest rate risk, a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, demand accounts, repo, sweep, and commercial paper.

**Investments** – The Fund's cash resources may be invested by FAS separate from the cash and investments pool. Investments are managed in accordance with the City's Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Fund. As of December 31, 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.

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**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 U.S. GAAP. 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.

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, respectively, on deposit in the 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.

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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.

**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 Repurchase Agreements	107,191 11,323		107,191	\$ -	739 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

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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

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

	2025	2024
Operating cash and equity in pooled investments	\$ 545,138,155	\$ 429,624,912
Restricted cash and equity in pooled investments	218,105,120	192,406,615
<b>Total</b>	<u><u>\$ 763,243,275</u></u>	<u><u>\$ 622,031,527</u></u>

Balance as a percentage of City pool cash and investments

17.8%

16.4%

**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 and commercial paper, as well as corporate bonds.

The City's investments in which 5% 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%

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**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	\$ 26,085,130			\$ 26,085,130
Infrastructure	1,475,242,389	83,140,580	(553,790)	1,557,829,179
Machinery and equipment	136,265,461	2,671,254	(4,704,386)	134,232,329
Computer systems	67,110,356	37,351	(5,379,378)	61,768,329
Intangible right-to-use	825,106	109,186	-	934,292
Total capital assets, excluding land	1,705,528,442	85,958,371	(10,637,554)	1,780,849,259
Less accumulated depreciation and amortization	(559,562,573)	(40,712,355)	9,907,941	(590,366,987)
	1,145,965,869	45,246,016	(729,613)	1,190,482,272
Construction in progress	631,013,356	179,356,806	(96,839,820)	713,530,342
Land and land rights	47,433,829	7,024,496	-	54,458,325
Artwork	5,958,750	1,252,124	(857,879)	6,352,995
Capital assets, net	<u>\$ 1,830,371,804</u>	<u>\$ 232,879,442</u>	<u>\$ (98,427,312)</u>	<u>\$ 1,964,823,934</u>

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	\$ 26,372,558	\$ -	\$ (287,428)	\$ 26,085,130
Infrastructure	1,424,282,422	52,409,877	(1,449,910)	1,475,242,389
Machinery and equipment	129,209,707	9,454,951	(2,399,197)	136,265,461
Computer systems	73,895,375	295,292	(7,080,311)	67,110,356
Intangible right-to-use	924,237	304,112	(403,243)	825,106
Total capital assets, excluding land	1,654,684,299	62,464,232	(11,620,089)	1,705,528,442
Less accumulated depreciation and amortization	(530,808,048)	(39,869,466)	11,114,941	(559,562,573)
	1,123,876,251	22,594,766	(505,148)	1,145,965,869
Construction in progress	513,223,964	180,882,962	(63,093,570)	631,013,356
Land and land rights	47,433,829	-	-	47,433,829
Artwork	5,806,464	663,579	(511,293)	5,958,750
Capital assets, net	<u>\$ 1,690,340,508</u>	<u>\$ 204,141,307</u>	<u>\$ (64,110,011)</u>	<u>\$ 1,830,371,804</u>

During 2025 and 2024, the Fund capitalized interest costs as a regulatory asset relating to construction of \$20,537,061 and \$21,967,229, respectively.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
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The Fund, as lessee, has entered into various leases for building and equipment with lease terms expiring between 2025 and 2027. 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 rate used for these leases was 0.38%.

The Fund has two subscription-based information technology arrangements (SBITAs) with the terms expiring in 2026. Any software arrangement 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 these software arrangements was 2.70%.

Minimum payments under the leases and SBITAs are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 209,830	\$ 7,834	\$ 217,664
2027	77,001	2,042	79,043
	<u>\$ 286,831</u>	<u>\$ 9,876</u>	<u>\$ 296,707</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 \$34,226,678 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 \$788,650,000 and \$767,325,000, respectively.

Revenue bonds outstanding as of December 31, 2025 and 2024, consisted of the following Municipal Drainage and Wastewater bonds:

<u>Name of Issue</u>	<u>Issuance Date</u>	<u>Maturity Years</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Bonds Outstanding</u>	
					<u>2025</u>	<u>2024</u>
2009 Improvement, Series A (Taxable)	12/17/09	2017-2039	4.2-5.5%	\$ 102,535,000	\$ -	\$ 75,675,000
2014 Improvement and Refunding	7/10/14	2015-2044	3.0-5.0%	133,180,000	48,625,000	79,120,000
2016 Improvement and Refunding	6/22/16	2016-2046	4.0-5.0%	160,910,000	127,060,000	132,085,000
2017 Improvement and Refunding	6/28/17	2018-2047	4.0-5.0%	234,125,000	182,785,000	189,350,000
2021 Improvement and Refunding	6/8/21	2022-2051	4.0-5.0%	111,010,000	102,265,000	104,625,000
2022 Improvement and Refunding	6/22/22	2022-2042	4.0-5.0%	117,165,000	81,125,000	89,970,000
2023 Improvement Revenue	6/8/23	2024-2053	5.0%	97,940,000	94,985,000	96,500,000
2025 Improvement and Refunding	6/9/25	2026-2055	5.0-5.25%	\$ 151,805,000	\$ 151,805,000	\$ -
				<u>\$ 1,108,670,000</u>	<u>\$ 788,650,000</u>	<u>\$ 767,325,000</u>

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

Years Ending December 31,	Principal	Interest	Total
2026	\$ 34,255,000	\$ 34,850,488	\$ 69,105,488
2027	35,695,000	33,225,238	68,920,238
2028	34,240,000	31,455,263	65,695,263
2029	36,665,000	29,795,763	66,460,763
2030	34,515,000	28,193,363	62,708,363
2031 - 2035	177,240,000	116,688,538	293,928,538
2036 - 2040	174,225,000	77,069,538	251,294,538
2041 - 2045	142,765,000	43,650,763	186,415,763
2046 - 2050	79,670,000	18,254,369	97,924,369
2051 - 2055	39,380,000	3,966,038	43,346,038
	<u>\$ 788,650,000</u>	<u>\$ 417,149,361</u>	<u>\$ 1,205,799,361</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	\$ 767,325,000	\$ 151,805,000	(130,480,000)	\$ 788,650,000	\$ 34,255,000
Add (deduct) deferred amounts					
Issuance premiums	89,423,522	12,626,667	(5,870,360)	96,179,829	-
Issuance discounts	(332,646)	-	332,646	-	-
Total bonds payable	<u>\$ 856,415,876</u>	<u>\$ 164,431,667</u>	<u>\$ (136,017,714)</u>	<u>\$ 884,829,829</u>	<u>\$ 34,255,000</u>

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	\$ 799,425,000	\$ -	(32,100,000)	\$ 767,325,000	\$ 33,680,000
Add (deduct) deferred amounts					
Issuance premiums	93,345,380	-	(3,921,858)	89,423,522	-
Issuance discounts	(356,406)	-	23,760	(332,646)	-
Total bonds payable	<u>\$ 892,413,974</u>	<u>\$ -</u>	<u>\$ (35,998,098)</u>	<u>\$ 856,415,876</u>	<u>\$ 33,680,000</u>

**Debt issuance** – In June 2025, the Fund issued \$151,805,000 of Drainage and Wastewater Improvement Revenue Bonds with varying annual principal payments due beginning 2026 and ending in 2055, at interest rates ranging from 5.0% and 5.25%. A portion of the proceeds were used to fully refund the remaining 2009 Improvement and Refunding, Series A bonds and partially refund the 2014 Improvement and Refunding revenue bonds. As a result of refunding, the Fund reduced total debt service requirements by \$6.1 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$2.1 million.

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**Financial covenants** – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain Reserve Subaccount at the least of (i) Maximum Annual Debt Service on all parity bonds outstanding at the time of calculation, (ii) 1.25 times adjusted annual debt service on all parity bonds outstanding at the calculation, or (iii) the sum of 10% of the proceeds of each series of parity bonds then outstanding. From and after the Reserve Covenant Date, the Reserve Requirement shall mean the lesser of (a) Maximum Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation. In no event shall the Reserve Requirement exceed the sum of 10% of the proceeds of each series of Covered 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 56).

**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.

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 that 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.

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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

**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.

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**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.

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

The average medical and prescription drug per capita claims costs were developed from 2026 calendar year self-funded premium rates. Premium-equivalent rates were provided by 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 2026 four-tier rate structure including the add-on cost of dependent children and trended back from 2026 to 2025 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.

**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.

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**OPEB liability** – The Fund reported an OPEB liability of approximately \$4.3 million as of 2025 and 2024. The Fund's proportionate share of the OPEB liability was 5.37% and 5.12% 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, plan fiduciary net position, and net 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	\$ 303,420	\$ 132,424
Interest on the total OPEB liability	158,828	97,808
Differences between expected and actual experience	-	(62,417)
Changes of assumptions	(348,454)	1,838,548
Contributions from the employer	(180,669)	(125,611)
Other changes	119,748	(24,758)
Net changes	52,873	1,855,994
Balance recognized at December 31, 2024	4,262,644	2,406,650
Balance recognized at December 31, 2025	\$ 4,315,517	\$ 4,262,644

The Fund recorded an expense for OPEB of \$424,134 in 2025 and \$229,161 in 2024. The Health Care Subfund of the General Fund is reported in The City's Annual Comprehensive Financial Report.

**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	\$ 4,758,916	\$ 4,693,752
Current discount rate	4,315,517	4,262,644
1% increase	3,915,044	3,871,141

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The following table presents the sensitivity of total Health Plan OPEB liability calculation to a 1% increase and a 1% decrease in the health care 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	\$ 3,769,441	\$ 3,754,275
Current trend rate	4,315,517	4,262,644
1% increase	4,966,115	4,867,231

**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	\$ 179,016	\$ 549,462
Assumption changes	1,563,750	932,139
Contributions made in 2025 after measurement date	203,488	-
Total	\$ 1,946,254	\$ 1,481,601

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	\$ 290,033	\$ 633,460
Assumption changes	1,750,529	851,044
Contributions made in 2024 after measurement date	172,198	-
Total	\$ 2,212,760	\$ 1,484,504

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The Fund's contributions made in 2025 in the amount of \$203,488 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	\$ (34,261)
2027	7,449
2028	26,563
2029	34,660
2030	23,863
Thereafter	<u>202,891</u>
Total	<u>\$ 261,165</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).

**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 \$3,944,159 and \$4,548,799 as of December 31, 2025 and 2024, respectively.

The table below present the changes in the liability for workers' compensation claims and other claims (risk financing liabilities) as of December 31:

	<u>2025</u>	<u>2024</u>
Beginning liability, discounted	\$ 15,591,259	\$ 12,834,613
Payments	(3,095,029)	(2,907,263)
Incurred claims and change in estimate	<u>3,493,229</u>	<u>5,663,909</u>
Ending liability, discounted	<u>\$ 15,989,459</u>	<u>\$ 15,591,259</u>

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

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**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	\$ 7,559,720	\$ 7,014,592
Net additions/reductions	1,851,724	545,128
Ending liability	\$ 9,411,444	\$ 7,559,720

**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.

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 10 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 10 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 five years of credited service.

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**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 five years of credited service.

Member and employer contributions – member and employer contributions are:

	YEAR	SCERS I	SCERS II
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 \$11,228,830 and \$11,134,323, 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>.

**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 \$79,163,734 and \$76,925,098, respectively, its proportionate share of the System's 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 6.38% and 6.21%, respectively.

For the years ended December 31, 2025 and 2024, the Fund recognized pension expense of approximately \$10,430,000 and \$8,047,000, respectively.

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The Fund's deferred outflows and inflows of resources are as follows at December 31, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 7,735,757	\$ 258,158
Change of assumptions	1,946,658	-
Difference between projected and actual earnings	6,415,825	-
Contributions made subsequent to measurement date	11,228,830	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>762,082</u>	<u>2,212,973</u>
Total	<u><u>\$ 28,089,152</u></u>	<u><u>\$ 2,471,131</u></u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 535,141	\$ 591,250
Change of assumptions	3,407,405	-
Difference between projected and actual earnings	9,782,026	-
Contributions made subsequent to measurement date	11,134,323	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>2,395,178</u>
Total	<u><u>\$ 24,858,895</u></u>	<u><u>\$ 2,986,428</u></u>

The Fund's contributions made subsequent to the 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:

Year	Amortization
2026	\$ 5,993,347
2027	8,748,583
2028	(2,265,213)
2029	793,696
2030	<u>1,118,778</u>
Total	<u><u>\$ 14,389,191</u></u>

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**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-actuarial
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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine total pension liability.

The long-term expected rate of return assumption was based on the System's investments using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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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 one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
\$ 133,506,992	\$ 79,163,734	\$ 48,970,525

**Note 9 – Environmental Liabilities**

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

**Lower Duwamish Waterway (LDW) Superfund site** – The U.S. Environmental Protection Agency (EPA) has determined that the Lower Duwamish Waterway (LDW) site will be remediated under its Superfund authority. To manage potential liability, the City has collaborated with the EPA and other potentially responsible parties (PRPs) to complete a Remedial Investigation (RI) and Feasibility Study (FS). The Lower Duwamish Waterway Group’s FS was approved by the EPA and the Washington State Department of Ecology on November 2, 2012, and the EPA issued its final Record of Decision (ROD) in November 2014. The Fund recorded an estimate of its share of the estimated total cost.

Design work for the Upper Reach has been completed, and construction began in 2024. Design efforts for the Middle and Lower Reaches are currently underway in accordance with amendments to the existing EPA order.

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Also in 2024, the EPA issued a Unilateral Administrative Order (UAO) to the City, King County, and Boeing, authorizing in-water construction in the Upper Reach. This UAO is expected to be replaced by a Consent Decree in 2026.

Specific “early action sites” have been cleaned up separately under Administrative Orders on Consent (AOC). The Fund, together with other PRPs, has completed two early action sites identified during the RI under EPA issued AOC: Slip 4 and T-117.

**East Waterway Site** – In 2006 the EPA issued an AOC for a Supplemental RI and FS for the East Waterway, an operable unit of the Harbor Island Superfund Site. The Port of Seattle (the Port) alone signed the AOC. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the RI/FS work required by the EPA. The RI and FS are complete. The FS identifies a range of alternatives for cleanup construction that range in cost from \$256 million to \$411 million (2016 dollars). EPA released their Proposed Plan in 2023. The interim Record of Decision was issued by the EPA in 2024. The EPA estimated the cleanup at \$401 million, in 2023 dollars. The Fund recorded an estimate of its share of the estimated total costs.

In 2025, the Port, City, and King County signed an Administrative Settlement Agreement and Order on Consent (ASAOC) with EPA for Remedial Design of the East Waterway, as well as a new Memorandum of Agreement (MOA) between the Port, City, and King County. The new MOA agrees that the Port, City, and King County will split costs evenly on an interim basis, but that the parties will make a good faith effort to develop a final settlement agreement in 2026. SPU and Seattle City Light are sharing City costs, with SPU paying 55% and Seattle City Light paying 45% of City costs. The City estimates that the remaining costs for full remedy implementation are \$412 million, excluding inflation and legal costs. Remedial design activities are expected to start in 2026.

**Gas Works Park Sediment Site** – In April 2002, Ecology named the City and another party, Puget Sound Energy (PSE), as Potentially Liable Person (PLPs) for contamination at the Gas Works Sediments Site in North Lake Union. The City and PSE signed an Agreed Order with Ecology in 2005 to initiate two RIs and FSs for the sediment site: one in the western portion of the site led by the City, and another in the eastern portion of the site led by PSE. In fall of 2012, the City and PSE entered into a Settlement, Release, and Cost Allocation Agreement that puts PSE in the lead for all additional cleanup work at the site and eliminated the east-west split. Based on the 2012 Agreement, the City pays for 20% of the shared costs incurred by PSE for the cleanup work. The City costs are split between SPU and Parks, with SPU paying 55% of costs for sediment cleanup and 1% of uplands cleanup work.

Ecology approved the site RI/FS in January 2023. A clean-up action plan under the state’s environmental cleanup law, the Model Toxics Control Act, was developed in 2023, and is an exhibit to Consent Decree. The Consent Decree was filed in January 2024 for design and construction of the sediment cleanup and signed by the City and PSE. Pre-remedial design work commenced in 2025.

**North Boeing Field/Georgetown Steam Plant** – The City, King County, and Boeing have signed an Administrative Order with the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport. A revised draft RI was submitted to Ecology in 2023. Ecology provide comments on the revised draft RI in 2024. Since then the PLPs have been working with Ecology to address their comments. The next draft RI will be submitted to Ecology in 2026 and is anticipated to be approved by Ecology.

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**Terminal 108** – EPA notified the City in 2019 that it is a Potentially Responsible Party for a site adjacent to the Lower Duwamish Waterway that is known as Terminal 108 or T108. The City's potential liability arises from a former sewage treatment plant that was located there. Other PRPs include the Port of Seattle, which is the current owner of the site, King County, the United States and several private entities. In 2020, the Port, the City, and King County entered into an agreed Administrative Order with EPA and a cost-sharing agreement among themselves to complete an Engineering Evaluation and Cost Analysis (EE/CA). Work has begun on the investigative phase of the EE/CA at the T108 site in accordance with the Administrative Order, which will lead to a recommended removal or cleanup action. Work began on the EE/CA in 2024 and is ongoing, with a Draft EE/CA expected to be submitted to EPA in early 2026. Liabilities are estimated through the EE/CA. The Fund's ultimate liability is indeterminate.

**South Park Marina** – The Washington Department of Ecology notified the City in 2016 that it is a Potentially Liable Party for contamination at the South Park Marina, which is adjacent to Terminal 117. Seattle City Light is the lead department for the City at this site. The PLPs, which are the City, the Port, and South Park Marina (SPM), signed a final Agreed Order for a RI in April 2019. A Common Interest and Cost Sharing Agreement among the PLPs was signed in 2019 with an interim cost share of one-third each. In 2019, the City contracted with a consultant to complete the RI Phase 1 field activities and some data analyses were completed in 2021. Phase two field sampling and preparation and submittal of the draft RI report were completed in 2023. The RI is anticipated to be approved in 2026. Ecology is likely to issue an order for the next phase of work in 2026. The City's share is split between City Light (97.5%) and SPU (2.5%). The Department's ultimate liability is indeterminate.

The Fund has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB 49. For most of the sites, estimated outlays were based on current cost and no adjustments were made for discounting or inflation. The Duwamish site cost estimates were adjusted to remove discounting and to record the costs in 2024 dollars. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs reflect cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to scope changes, price fluctuations, technological advances, or applicable laws.

The Fund is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted. The Fund's estimate for not yet realized recoveries from other parties for their share of remediation work that offset the Fund's estimated environmental liability was \$5.1 million as of December 31, 2025, and \$4.3 million as of December 31, 2024.

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

	<u>2025</u>	<u>2024</u>
Beginning environmental liability, net of recovery	\$ 316,356,838	\$ 272,729,735
Payments or amortization	(17,581,033)	(8,721,591)
Incurred environmental liability	<u>88,226,385</u>	<u>52,348,694</u>
Ending environmental liability, net of recovery	<u>\$ 387,002,190</u>	<u>\$ 316,356,838</u>

The following table represents the current and long term portions for the environmental liabilities:

	<u>2025</u>	<u>2024</u>
Environmental liability, current	\$ 15,988,365	\$ 13,683,946
Environmental liability, noncurrent	<u>371,013,825</u>	<u>302,672,892</u>
Ending liability	<u>\$ 387,002,190</u>	<u>\$ 316,356,838</u>

**Note 10 – 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 the drainage system.

In 2017, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$39.4 million to support the construction and improvements for the Henderson North Combined Sewer Overflow. Amounts borrowed under this agreement accrue interest at a rate of 2.4% per annum and are to be repaid by August 2037. As of December 31, 2025, the loan had an outstanding balance of \$23.2 million.

In 2019, the Fund entered into a 20-year loan agreement with the Washington State Department of Ecology to borrow up to \$25.0 million to support the Ship Canal Water Quality Project. Amounts borrowed under this agreement accrue interest at the rate of 2.0% per annum and are to be repaid by June 2042. As of December 31, 2025, the loan had an outstanding balance of \$20.5 million.

In 2020, the Fund entered into a 20-year loan agreement with the Washington State Department of Commerce Public Work Board to borrow up to \$10 million for Pearl Street Drainage & Wastewater Improvement. Amounts borrowed under this agreement accrue interest at the rate of 1.58%. As of December 31, 2025, the loan had an outstanding balance of \$7.7 million.

In 2020 the Fund entered into a 30-year loan agreement with the United States Environmental Protection Agency to borrow up to \$192 million (N18106WA) to support the Ship Canal Water Quality Project. Amounts borrowed under this agreement accrue interest at a rate of 1.01% per annum. As of December 31, 2025, the Fund has drawn \$192.2 million on the loan.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
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In 2021, the Fund entered into a 20-year loan agreement with the Washington State Department of Ecology to borrow up to \$66.0 million (EL210276 and EL210311) to support the Ship Canal Water Quality Project. In 2022, this was amended for an additional \$59.0 million (EL220699 and EL220700). Amounts borrowed under this agreement accrue interest at the rate of 1.2% per annum. As of December 31, 2025, the Fund had drawn \$129.8 million on the loan.

In 2024, the Fund entered into 30-year loan agreement with the Washington State Department of Ecology to borrow up to \$11.9 million for the South Thornton Natural Drainage System. Amounts borrowed under this agreement accrue interest at a rate of 1.6%. As of December 31, 2025, the loan had an outstanding balance of \$11.6 million.

In 2025, the Fund entered into 30-year loan agreement with the Washington State Department of Ecology to borrow up to \$4.6 million for the North Thornton Natural Drainage System. Amounts borrowed under this agreement accrue interest at a rate of 1.6%. As of December 31, 2025, the loan had an outstanding balance of \$1.6 million

Loans outstanding as of December 31, 2025 and 2024, are as follows:

Description	Maturity Years	Interest Rate	Amount Borrowed	Loans Outstanding	
				2025	2024
Midvale	2013-2031	0.25%	\$ 4,000,000	\$ 1,270,624	\$ 1,482,395
High Point Natural Drainage Systems	2010-2029	1.50%	2,679,413	536,374	684,525
South Park Flood Control and Local Drainage Program	2007-2025	0.50%	3,400,000	-	197,123
Thornton Creek Water Quality Project	2011-2030	1.50%	6,983,021	1,803,813	2,188,402
Capitol Hill Water Quality Project	2014-2033	2.60%	1,880,598	895,373	994,773
Henderson CSO	2018-2037	2.40%	36,372,252	23,195,521	24,926,384
Pearl Street	2021-2039	1.58%	10,000,000	7,702,628	8,252,816
Ship Canal Water Quality Project					
EL190167 SRF	2022-2024	2.00%	23,967,096	20,467,327	21,504,093
EL210276 SRF	2025-2044	1.20%	38,365,000	40,181,432	38,365,000
EL210311 SRF	2025-2044	1.20%	27,635,000	28,845,813	27,635,000
EL220699 SRF	2025-2044	1.20%	27,631,000	28,571,912	27,631,000
EL220700 SRF	2025-2044	1.20%	31,369,000	32,242,600	31,369,000
N18106WA WIFIA	2023-2055	1.01%	192,181,651	192,181,651	86,791,586
South Thornton Natural Drainage System	2026-2056	1.60%	11,575,775	11,575,775	9,305,276
North Thornton Natural Drainage System	2026-2056	1.60%	1,614,431	1,614,431	-
			<b>\$ 419,654,237</b>	<b>\$ 391,085,274</b>	<b>\$ 281,327,373</b>

**Seattle Public Utilities – Drainage and Wastewater Fund**  
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Minimum debt service requirements to maturity on long term loans are as follows:

Years Ending December 31,	Principal	Interest	Total
2026	\$ 16,053,714	\$ 4,191,522	\$ 20,245,236
2027	16,052,645	4,596,822	20,649,467
2028	16,261,643	4,379,977	20,641,620
2029	16,394,905	4,159,920	20,554,825
2030	16,321,611	3,938,381	20,259,992
2031 - 2035	82,691,979	16,356,661	99,048,640
2036 - 2040	78,738,970	10,863,941	89,602,911
2041 - 2045	72,394,001	6,330,280	78,724,281
2046 - 2050	36,826,743	3,237,698	40,064,441
2051 - 2055	38,800,329	1,264,111	40,064,440
2056 - 2060	548,734	6,594	555,328
	<u>\$ 391,085,274</u>	<u>\$ 59,325,907</u>	<u>\$ 450,411,181</u>

The following table shows the loan activity during the years ended December 31:

	2025	2024
Net loans, beginning of year	\$ 281,327,373	\$ 223,951,531
Loan proceeds	114,116,753	61,858,582
Principal payments	<u>(4,358,852)</u>	<u>(4,482,740)</u>
Net loans, end of year	<u>\$ 391,085,274</u>	<u>\$ 281,327,373</u>
Loans due within one year	<u>\$ 16,053,714</u>	<u>\$ 4,358,851</u>
Loans, noncurrent	<u>\$ 375,031,560</u>	<u>\$ 276,968,522</u>

**Note 11 – Wastewater Disposal Agreement**

The Fund has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the Division), which expires in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by the Fund were \$213,822,600 and \$202,120,643 for fiscal years 2025 and 2024, respectively. These payments are recorded as intergovernmental payments on the Statement of Revenues, Expenses, and Changes in Net Position.

## **Required Supplementary Information**

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**Seattle Public Utilities – Drainage and Wastewater Fund**  
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**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' 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%

See report of independent auditors.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
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**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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**Other Information (Unaudited)**

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**Drainage Wastewater Debt Service Coverage Calculation 2025**

<b>Operating Revenues</b>	
Wastewater	\$ 392,232,556
Drainage	210,569,303
Other	8,029,453
	<hr/>
<b>Total Operating Revenue</b>	<b>610,831,312</b>
<b>Operating Expense</b>	
Wastewater Treatment Contract	215,975,613
Other Operations and Maintenance	175,258,225
City Taxes	71,677,613
Other Taxes	9,610,926
	<hr/>
<b>Total Operating Expenses Before Debt Service</b>	<b>472,522,377</b>
	<hr/>
<b>Net Operating Income</b>	<b>138,308,935</b>
<b>Adjustments</b>	
Add: Claim Expense	3,493,229
Add: City Taxes	71,677,613
Add: Investment Interest	26,766,825
Less: DSRF Earnings	(1,157,582)
Add: BAB's Subsidy	553,039
Add (Less): Net Other Nonoperating Revenues/(Expenses)	3,139,992
Add: Proceeds from Sale of Assets	30,201
	<hr/>
<b>Total Adjustments</b>	<b>104,503,317</b>
	<hr/>
<b>Net Revenue Available for Debt Service</b>	<b>\$ 242,812,252</b>
	<hr/>
<b>Net Revenue Available for Debt Service (w/o City Taxes)</b>	<b>\$ 171,134,639</b>
	<hr/>
Annual Debt Service	\$ 69,006,097
Less: DSRF Earnings	(1,157,582)
	<hr/>
<b>Adjusted Annual Debt Service</b>	<b>\$ 67,848,515</b>
	<hr/>
Coverage	3.58
Coverage without taxes	2.52

See report of independent auditors.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
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**Statistics Required for Revenue Bond Continuing Disclosure**

**Wastewater System Operating Statistics**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Population Served	742,400	762,500	779,200	795,000	816,600
Billed Wastewater Revenues (\$1,000's)	\$ 324,630	\$ 337,634	\$ 350,340	\$ 370,013	393,468
Billed Wastewater Volume (Thousand CCF)					
Residential	7,867	7,429	7,332	7,400	7,373
Commercial	<u>12,127</u>	<u>12,818</u>	<u>13,262</u>	<u>13,365</u>	<u>13,685</u>
Total	19,994	20,247	20,594	20,765	21,058
Gallons Used Per Day Per Capita	55.16	54.38	54.13	53.49	52.81

**Drainage and Wastewater – 2025 Accounts and Billed Revenues**

	<u>Drainage</u>	<u>Wastewater</u>
<b>Customer Accounts</b>		
Residential	159,130	158,723
Commercial	<u>71,862</u>	<u>20,189</u>
Total	<u><u>230,992</u></u>	<u><u>178,912</u></u>
<b>Billed Revenue</b>		
Residential	\$ 107,428,257	\$ 138,890,536
Commercial	<u>103,141,046</u>	<u>253,342,020</u>
Total	<u><u>\$ 210,569,303</u></u>	<u><u>\$ 392,232,556</u></u>

See report of independent auditors.

**Seattle Public Utilities – Drainage and Wastewater Fund**  
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**Other Information (Unaudited)**

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**Major Wastewater Customers – 2025 Annual Billed Revenues and Percentage of Revenue**

Name	Revenue	% of Total Revenue
University of Washington	\$ 12,767,163	3.3%
Seattle Housing Authority	7,633,806	1.9%
City of Seattle	4,531,037	1.2%
Equity Residential	3,469,495	0.9%
Marriott	3,094,421	0.8%
Darigold	2,091,721	0.5%
Bellwether Housing	2,044,593	0.5%
King County	1,988,731	0.5%
Harborview Medical Center	1,986,116	0.5%
Hyatt	1,981,146	0.5%

**Major Drainage Customers – 2025 Annual Billed Revenues and Percentage of Revenue**

Name	Revenue	% of Total Revenue
City of Seattle	\$ 13,196,796	6.3%
King County	4,802,530	2.3%
Seattle Public Schools	4,631,287	2.2%
University of Washington	4,052,073	1.9%
BNSF	3,468,501	1.6%
Seattle Housing Authority	1,574,437	0.7%
Federal Government	1,484,818	0.7%
Union Pacific	1,402,620	0.7%
Prologis Inc	1,073,594	0.5%
Archdiocese Of Seattle	878,881	0.4%

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**Wastewater Rates**

	2019	2020	2021	2022	2023	2024	2025	2026
Volume rate per ccf	\$ 14.48	\$ 15.55	\$ 16.67	\$ 17.01	\$ 17.63	\$ 18.30	\$ 19.21	20.18

Note: 1 CCF equals 748 gallons. Wastewater rates increased 5% and 5% in 2025 and 2024, respectively.

**Drainage Rates**

**Small Residential**

**Pre-2005 Rate Structure**

	2019	2020	2021	2022	2023	2024
0-1,999 sq. ft.	\$ 169.81	\$ 183.47	\$ 195.57	\$ 204.21	\$ 216.23	\$ 229.93
2,000 - 2,999 sq. ft.	276.51	298.75	320.58	337.13	356.90	379.58
3,000 - 4,999 sq. ft.	383.43	414.26	445.25	465.91	493.22	524.59
5,000 - 6,999 sq. ft.	516.72	558.27	599.94	632.67	669.75	712.36
7,000 - 9,999 sq. ft.	652.61	705.09	757.69	797.99	844.75	898.51

**2025+ Rate Structure**

	2025	2026
0-1,999 sq. ft.	\$ 235.28	\$ 247.09
2,000 - 3,499 sq. ft.	447.08	469.52
3,500 - 4,499 sq. ft.	572.64	601.39
4,500 - 5,499 sq. ft.	672.93	706.71
5,500 - 6,499 sq. ft.	764.98	803.38
6,500 - 9,999 sq. ft.	929.48	976.13

**Gen Service (per ksqft)**

Pre-2005 Rate Structure	% Range Impervious	2019	2020	2021	2022	2023	2024
Undeveloped	0 - 15%	\$ 42.62	\$ 46.05	\$ 49.49	\$ 53.68	\$ 56.83	\$ 60.44
Undeveloped LI	0 - 15%	25.36	27.40	29.45	31.11	32.93	35.02
Light	16 - 35%	63.64	68.75	73.92	79.66	84.33	89.69
Light LI	16 - 35%	49.85	53.85	57.87	61.92	65.55	69.72
Medium	36 - 65%	90.58	97.86	105.15	112.87	119.48	127.08
Medium LI	36 - 65%	73.31	79.21	85.00	91.20	96.54	106.28
High	66 - 85%	119.86	129.50	139.17	149.12	157.85	167.91
Very High	86 - 100%	143.10	154.60	165.81	177.83	188.24	200.23

**2025+ Rate Structure**

	Max % Impervious	2025	2026
T1	10%	\$ 59.82	\$ 54.23
T2	20%	65.11	70.91
T3	35%	94.46	97.01
T4	50%	123.19	129.37
T5	65%	138.77	152.60
T6	85%	183.25	192.45
T7	100%	216.17	232.15

\* SFR parcels more than 10,000 sq. ft. are billed under the commercial rate structure.

See report of independent auditors.

## **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***

The Director of Seattle Public Utilities  
Drainage and Wastewater 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 – Drainage and Wastewater 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).



